

# THE LONG TERMINAL VIEW

AITKEN SPENCE HOTEL HOLDINGS PLC | ANNUAL REPORT 2016/17



# THE LONG TERM VIEW

At Aitken Spence Hotels we are reputed for our pioneering attitude and bold approach, never fearing to take a new road in our quest to deliver better value to the many stakeholders we serve. This is why our property portfolio is now an outstanding one, including the chain of Heritance luxury resorts in Sri Lanka and Adaaran in the Maldives.

We also own and operate several other properties in Sri Lanka, four hotels in Oman and our most recent venture: Turyaa Chennai, designed to attract a more youthful market segment.

As always we're keeping our focus on the long-term perspective, as we improve and develop our existing hotel properties to contribute value to our future bottom-line. At a time when far-sighted strategies for sustainable success are more important than ever before, we look to the future; passionate, eager and ready to fly.

## ANNUAL REPORT FORMATS



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Online at

*Aitken Spence* Hotels

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Heritance Negombo





Heritage Aarah, Maldives

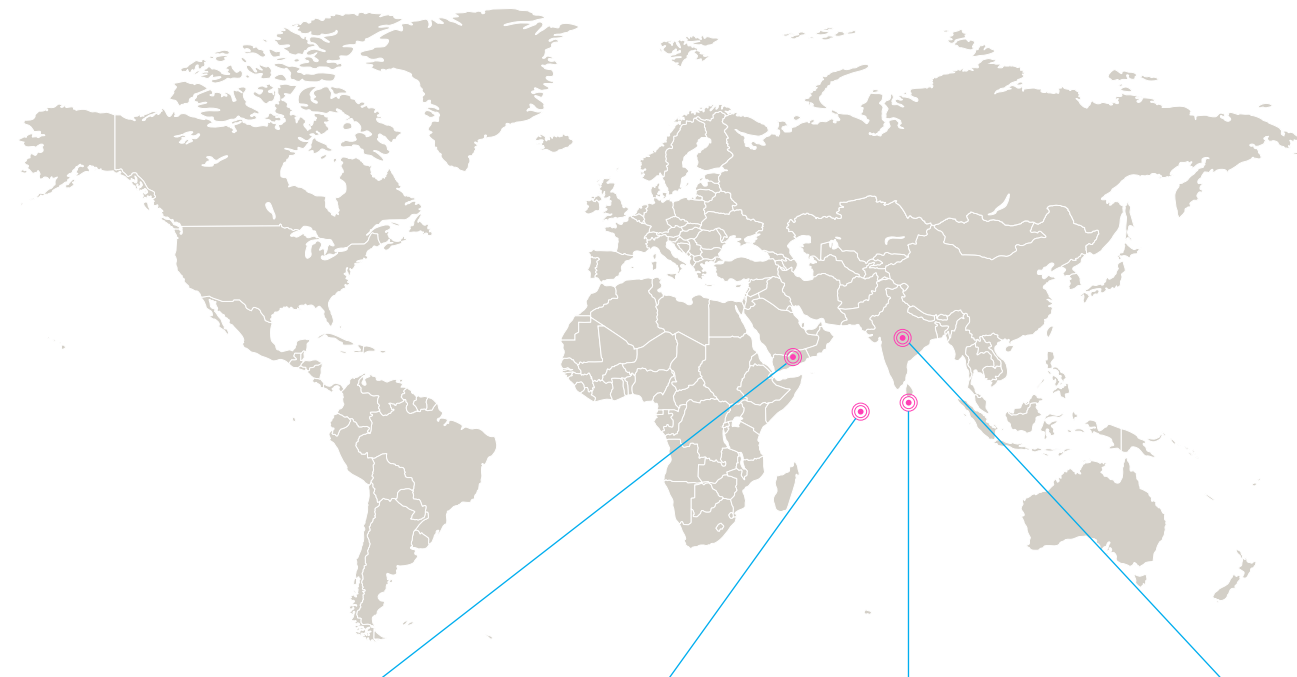


# ACROSS THE REGION

“

We will continue to expand and harness many synergies of being a multi destination player whilst leveraging the same values and unique brand attributes that have differentiated us to sustain a position of market leadership

”



## OMAN

Group's newest acquisition Al Falaj - Muscat completed its first full year in operation. The Group is planning for a phased refurbishment of the property in the coming years.

## MALDIVES

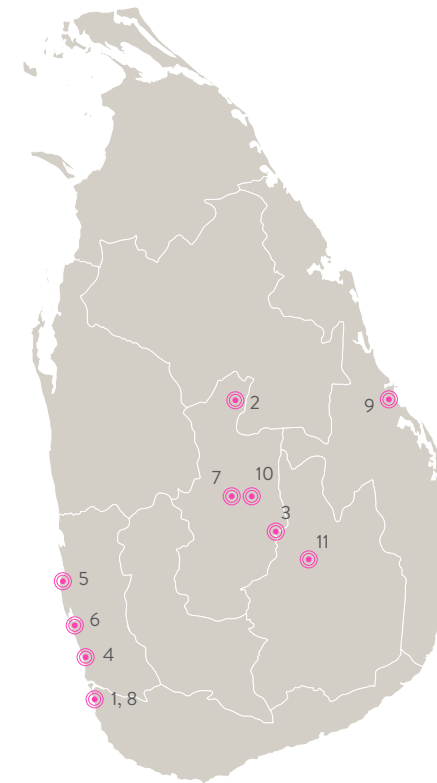
Construction work continued at the 5-star resort under development in the island of Aarah. The property is scheduled to be operational in early 2018.

## SRI LANKA

Heritage Negombo and Hotel RIU Sri Lanka commenced operations adding over 600 rooms to the group's portfolio

## INDIA

Turyaa Chennai was awarded the deluxe five-star classification by the Indian Government



1. Heritage Ahungalla
2. Heritage Kandalama
3. Heritage Tea Factory
4. Heritage Ayurveda Maha Gedara
5. Heritage Negombo
6. Turyaa Kalutara
7. Hotel Hilltop
8. Hotel RIU Sri Lanka
9. Amethyst Resort Passikudah
10. Earl's Regency
11. Bandarawela Hotel



**NEW ROOMS ADDED**  
160 rooms projected to be added next year

**+640**



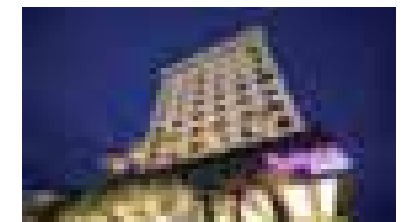
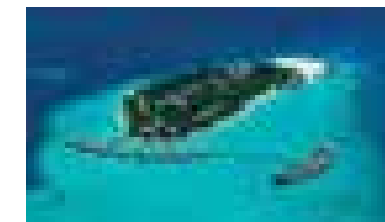
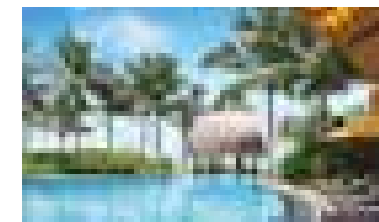
**INCREASE IN REVENUE**  
Total revenue crosses Rs 16 billion

**+20%**



**INCREASE IN ASSETS**  
Total assets exceed Rs 52 billion

**+36%**



## IN SRI LANKA

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



## IN MALDIVES

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



## IN SRI LANKA

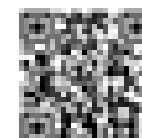
Turyaa Kalutara  
Hotel Hilltop  
Amethyst Resort Passikudah  
Earl's Regency  
Bandarawela Hotel

## IN INDIA

Turyaa Chennai

## IN OMAN

Al Falaj Hotel  
Desert Nights Camp  
Al Wadi Hotel  
Sur Plaza Hotel



Find out more about Aitken Spence Hotels Online at



# CHAIRMAN'S STATEMENT



D.H.S Jayawardena  
Chairman

“

The investments we continue to make to expand and diversify our portfolio and to constantly expand the value we create for all our stakeholders and constantly fine tune our product offerings stand as testimony to the confidence with which we look to the future and the long term.

”

#### Dear Stakeholder,

It is my pleasure to welcome you to the fortieth Annual General Meeting of Aitken Spence Hotel Holdings PLC and share with you its performance for the year ending 31st March 2017. Your Group augmented its platform and consolidated its recent ventures, creating pathways to expand its footprint with the same pioneering spirit.

During the year, Group revenue increased by 20% to Rs. 16 bn. whilst net profit decreased due to investments in expanding our portfolio and the resulting financing costs. In addition, the partial closure of three of our properties for refurbishment, coupled with political and economic challenges in some of the key operating markets as well as source markets impacted results.

We understand that Tourism in Sri Lanka is an industry which must be based on sustainable tourism. Your Group's properties, in their design construction and operating models, strive to abide by such principles. The number of accolades that the Group continues to win for its sustainability efforts spur us on.

Let me begin by providing a brief overview of the industry's performance.

#### TOURISM INDUSTRY PERFORMANCE:

The Sri Lankan tourism industry, continued its growth momentum during the year to achieve an annual growth of 14% with arrivals crossing a milestone of 2 million. Increase in tourism related infrastructure development as well as geo-political tension in major tourist destinations of the world helped Sri Lanka to attract tourists although the closure of Sri Lanka's international airport for little over

3 months adversely impacted arrivals during the peak winter period. Western Europe continued to be the largest source of visitors to Sri Lanka accounting for over 31% of total arrivals with an increase of over 16% compared to the previous year. The share of tourist arrivals from East Asia continued its increasing trend since 2010, accounting for over 20% of total arrivals compared with 10.5% in 2010, led by impressive growth in arrivals from China. Arrivals from all major regions, except Africa, increased in 2016. India remained the largest country of tourist origin in 2016, while China remained second, followed by the UK, Germany and France. These 5 largest tourist source markets accounted for 51% of tourist arrivals to Sri Lanka reflecting a high dependency on a few markets thereby creating a need to diversify the country's portfolio.

Sri Lanka's earnings from tourism also continued to be a major foreign exchange earner, growing by 18% during the year to over US Dollars 3.5 Bn. in 2016, supported by the increase in arrivals and higher per capita spend. The average spend per day by a tourist, US dollars 168 in 2016 was a marginal increase over 2015. Further, the average duration of stay by a tourist remained almost static at 10.2 days in 2016.

As a worldwide export, tourism continued to rank third in the world according to the UNWTO's 2016 World Tourism Barometer. UNWTO's 2016 results on expenditure from major outbound markets reflect increasing demand for international tourism across the world. International tourism expenditure grew by US\$ 11 Billion to US\$ 261 billion. With a 12% increase in spending, China continued to lead international outbound tourism, followed by the United States, Germany, the United Kingdom and France as the top five spenders.

CHAIRMAN’S  
STATEMENT

“  
It is most heartening that two of our other premium branded hotels - Heritance Kandalama and Heritance Tea Factory continued to achieve excellent results in terms of revenue and profitability.  
”

Outbound tourism from some commodity exporters continued to be depressed due to their weaker economy and currencies and expenditure from the Russian Federation declined further.

GROUP PERFORMANCE

Hotel RIU Sri Lanka, the 501 key Five Star all inclusive property which your Group invested in partnership with the renowned Spanish hotel developer and operator RIU international, commenced operations in August 2016. It is today the largest resort hotel in Sri Lanka. Its performance was most commendable, achieving an operating profit (EBITDA) in the first eight months of operations. RIU was also the catalyst for the commencement of charter flights to Sri Lanka, from UK and Scandinavia by TUI, one of the world’s leading tour operators, during the winter season.

The newest addition to our premium brand - Heritance Negombo, which opened in April 2016 performed well to achieve an operating profit, despite teething issues of a new property and intensifying competition from a large hotel room inventory in the area.

It is most heartening that two of our other premium branded hotels -Heritance Kandalama and Heritance Tea Factory continued to achieve excellent results in terms of revenue and profitability. On the other hand, Heritance Ahungalla did not operate at full capacity due to the refurbishment of one third of its room inventory, to enhance the offering and hence failed to make profits during the year under review.

“Turyaa Kalutara”, which opened with a new wing, additional facilities and expanded inventory of 200 rooms in November 2015, also had its first full year of operations since the expansion and enhancements. The property is

well poised to harness the new economies of scale and the Group’s reputation for excellence in service and cuisine to become a noteworthy contributor to the group’s results in the future.

CONTINUING TO EXPAND OUR FOOTPRINTS

Aitken Spence has pioneered in Sri Lanka, the venture of the country’s hospitality industry into overseas markets; being the first to own properties in the Maldives, India and more recently, Oman. The strategy to venture out has paid off significantly over the years and we are confident it will continue to contribute to the profitability of the group.

As intimated to you in my message of last year, the year under review saw the Group commenced construction of its newest property in the Maldives, a state of the art 160 roomed Five Star property, on the island of Aarah. The construction is progressing well and is scheduled to be operational in early 2018.

As we mentioned last year, your Group, as a new revenue stream as well as a risk mitigation strategy and a stepping stone to expand its footprint in the region, acquired Al Falaj, one of the four properties it has been managing in Oman. The Group will enhance certain facilities of this 150 roomed hotel to better harness the potential we identify in Oman and the Middle East, despite the immediate challenges that the region faces. Oman, amidst the security and political turmoil in the Middle East, remains a safe haven in the region. Whilst lower Oil prices also impacted economic activity in Oman and hence the performance of our properties, the rising trend of oil prices, following the curtailing of production by OPEC in December, also augur well for a better performance in 2017/18.

“Turyaa Chennai” the five star city property located in the IT corridor of India, saw its first full year of operations. The excellent guest reviews it has received and the revenues for the year are most encouraging, and underscores the prospects to harness the more youthful business travelers, which it targets.

GOVERNANCE

Aitken Spence Group’s (our parent Company’s) history spans 149 years of leadership in diverse business sectors; reflecting its sustainable model of value creation which is founded on an uncompromising commitment to the highest standards in governance and ethics. At Aitken Spence Hotels, which has been a market leader for over 30 years, the Board sets the tone at the top by promoting professional standards and corporate values that are cascaded down to senior management and other employees of the Company. The Group also ensures that its mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving needs and requirements.

THE SUSTAINABILITY & GROWTH OF SRI LANKA’S TOURISM INDUSTRY (INDUSTRY ISSUES)

Sri Lanka has long since been blessed with a uniquely diverse natural environment, and cultural endowments, which position it uniquely in the world, with a multiple offering of sun, sea, hill climate, history and culture within a small land mass. Today Sri Lanka is also one of the safest destinations in the world. However, as we have repeatedly articulated, the nation has been unable to harness its remarkable potential due to the lack of a concerted destination marketing campaign. A strategic destination marketing campaign across the world, through selected channels of communication remain an urgent need of the day. We are however encouraged this year, by signs of such a campaign seeing the light of day and fervently hope that a cohesive and integrated campaign which befits the country’s unique product offering, spearheaded at a national level will be launched this year. It is also vital that such a campaign does not become a one-off effort, but is sustained over a long period.

Such a campaign will help to bolster demand for destination Sri Lanka, which we believe is vital as a solution to meet excess capacity in hotel inventory in some areas of the country. The excess capacity has led to unhealthy competition which is based on price per se, posing

challenges to the long term profitability of the industry and all its stakeholders. Thus, increasing arrivals across a wider spectrum of travelers is an urgent imperative to avoid intense price based competition and harness economies of scale for Sri Lanka to be more competitive vis a vis other regional players.

Just as much as attracting higher volumes would benefit Sri Lanka as we mentioned above, it is also of critical importance that we stay conscious of the long term sustainability of our heritage sites and national parks. Numbers of visitors permitted at national parks and cultural sites must be managed at any given time at a healthy number to avoid the proverbial “killing of the goose that lays the golden egg”. As we are aware, Sri Lanka’s natural resources are already in danger due to a lack of policies and controls, and over crowding at national parks has not only become an eye sore but also threatens the safety of their inhabitants. Thus, is the need for a long term sustainable policy framework and regulations and the effective implementation of such regulations.

The impacts of intense price based competition are further exacerbated by the high costs of energy, infrastructure development and construction which impede return on our investments and reduces the nation’s competitiveness vis a vis regional players who enjoy lower input costs. Hence it is an urgent need for the government to play the role of catalyst and facilitator for infrastructure development in the country.

The need for infrastructure development is made all the more urgent by the need for speedy travel and for accessibility of tourist attractions. The duration taken to reach the Eastern coast or the North, for example, is a key impediment to promoting these destinations. Domestic airports and aviation services, and expediting the construction of the planned highways are hence important.

We welcome the efforts taken to improve the standards of Sri Lanka’s tourism industry, with the introduction of a new classification for tourist hotels by the SLTDA in April 2016, replacing the earlier outdated classification guidelines. The new classification requires all tourist hotels registered with SLTDA to have a star classification, which would then be reviewed every 3 years. However, the implementation must also be accompanied by stringent monitoring and enforcement to protect the image of the industry as well as the client’s welfare.

# CHAIRMAN’S STATEMENT

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The strategy to venture out has paid off significantly over the years and we are confident it will continue to contribute to the profitability of the Group.

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A country’s tourism sector benefits from having a diverse portfolio of options to meet the varying requirements and capacities of diverse travelers. The unregistered and non traditional segments such as Air BnB and Home Stays which have grown in popularity over the last two years, cater to a different segment of those who do not seek the premium brands. However, the playing field needs to be an even one in which legitimate players do not have to compete with an informal sector which may circumvent the regulatory system due to lack of monitoring and enforcing mechanisms. It is also vital that regulations are enforced to ensure that this sector meets certain standards in order to maintain Sri Lanka’s competitiveness in the long run and that they pay taxes in order to ensure fair play for the legitimate players. The importance of regulations is further underscored by the need for the government to enhance its tax revenues and the fact that tax revenues as a percentage of GDP in 2016 remained unchanged from the previous year at 12.4 %. A proposal in the 2016 budget to absorb the informal sector into the formal tourism sector is hence welcome but needs implementation.

The dearth of skilled human resources in Sri Lanka’s hospitality industry requires a cohesive effort by all stakeholders of the industry. The challenge for Sri Lanka is further exacerbated by the rise in inventory and the advent of several leading international hotel chains to the country. The rise in demand has begun to increase the cost and scarcity of skilled labour and hence the need for greater investments into skills training and development in hospitality through Public-Private Partnership (PPP). Your Group maintains its own, Aitken Spence school of hospitality training in Ahungalla and also intensified its focus on training and development of staff at all its properties and across all categories.

The industry would also benefit from a gathering and analysis of more sophisticated and insightful tourism statistics by the relevant authorities in order to facilitate insight and more informed decision making by the hotel industry.

### THE FUTURE

Your Group continued to invest significantly in IT hardware and software as a prerequisite to growing our revenues as well as profitability in the year ahead. Tourism is increasingly becoming a technology led industry. The statistics for this year which shows a higher growth in arrivals through online bookings compared with tour operator business, reflects this trend.

Tourism worldwide has witnessed a growing trend of an enthusiasm for nature, adventure and experiential tourism. Our array of properties encompass such diverse experiences in their offering.

The Group will continue to expand its regional footprint not merely as a strategy of mitigating risks associated with one destination but also as a means to benefit from the exponential growth in selected markets. We will continue to expand and harness the many synergies of being a multi destination player whilst leveraging the same values and unique brand attributes that have differentiated us to sustain a position of market leadership.

The investments we continue to make to expand and diversify our portfolio and to constantly expand the value we create for all our stakeholders and constantly fine tune our product offerings stand as testimony to the confidence with which we look to the future and the long term.

### ACKNOWLEDGEMENTS

I wish to convey my sincere appreciation to the Board of Directors for their guidance, unstinted support and cooperation and for the entire team of employees across led by the Senior Management team whose talents, passion and commitment have been the cornerstone of your Group’s success. My sincere thanks also goes out to all our stakeholders, including tour operator partners, our clients and shareholders for their continued support.



D.H.S Jayawardena  
*Chairman*

26th May 2017

# MANAGING DIRECTOR'S REVIEW



J.M.S. Brito  
Managing Director

“

Whilst we will continue to look to expand our regional footprint to mitigate risks, capture opportunities across other markets and harness synergies, we will also look for opportunities to complete our portfolio of product offerings in Sri Lanka.

”

#### Dear Stakeholder,

It is my pleasure to share our Group's performance, outlook and strategies as it ends a year in which it has further strengthened its platform for Long term growth. The Group's involvement in the industry, which spans over 3 decades along with its pioneering strides which saw Sri Lanka's hospitality sector venture overseas for the first time, a Triple Bottom line approach and the uniqueness of our properties have all been a result of, or propelled by, a Long Term perspective; with investments made to sustain dividends well in to the future.

Whilst the economic backdrop is discussed at length in the ensuing integrated MD&A of this report, let me provide a brief overview of factors that influenced our performance.

#### ECONOMIC BACKDROP

World growth, as per the IMF's (International Monetary Fund) latest estimates, is expected to rise from 3.1 % in 2016 to 3.5 % in 2017 and 3.6 % in 2018. However, structural impediments which could hold back a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges. Structural problems such as low productivity growth and high income inequality have begun to exert pressures for inward-looking policies in advanced economies thus threatening economic integration and a cooperative global economic order that has until now served the world economy, emerging markets and developing economies well.

Sri Lanka's economic activity began to gather momentum and showed signs of stabilization as the year 2016 left behind some of the policy uncertainties that characterized the preceding year of elections and transitions. June

2016 saw Sri Lanka reach an agreement with the IMF for an Extended Fund Facility (EFF), which was an important milestone during the year, not only to boost the Country's foreign reserves but also to boost investor confidence and provide a sustainable fiscal and monetary policy framework.

Unfavourable weather conditions and a sluggish global economic recovery however, caused the economy to grow at a slower 4.4% in real terms in comparison to 4.8% in the previous year, although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. As per the expenditure approach estimates of the Central Bank, economic growth in 2016 was primarily driven by the expansion in investment expenditure.

The CBSL (Central Bank of Sri Lanka) projects Sri Lanka's economy to grow at a moderate pace of around 5% in 2017 amidst the adverse impact of unfavourable weather conditions, whilst the IMF estimates the Sri Lankan economy to grow by 4.5% in 2017 and 4.8% in 2018. As per the CBSL estimates economy is expected to improve gradually thereafter to record an annual growth rate of 7 % by 2020.

#### GROUP PERFORMANCE

Group revenue increased by 20% in 2017 although Group Profit After Tax dropped to Rs.1 bn, less than the previous year due to the closure of parts of our room inventory for refurbishment, rise in cost of financing for capital expenditure and the depreciation charge resulting from the new inventory added. Your Group continues to follow a model of financing for projects through debt. However, Group operating profits (EBITDA) dropped marginally by 1% compared to the previous year to reach Rs.4.05bn. It



# MANAGING DIRECTOR’S REVIEW

is most encouraging that two of our premium properties, Heritance Kandalama and Heritance Tea Factory were once again the highest contributors to Group profits. Although the contribution to Group profits from South Asian and Middle East sector reduced during the year compared to last year, the sector picked up during the 2nd half providing renewed optimism of results improving in the coming financial year.

### SRI LANKA

Construction of Hotel RIU Sri Lanka, the 501 room resort in which your Group has invested, in partnership with Spanish Hotel Developer and operator RIU international, was completed during the year and became operational in August 2016, bringing with it a globally renowned international brand, and best practices to Sri Lanka’s Southern coastline. RIU has also paved the way for the arrival of charter flights to Sri Lanka commencing in October 2016, bringing tourists from the UK and Scandinavia. RIU in its first year of operations has performed up to expectation.

It is also most heartening that three of our premium brand properties - Heritance Kandalama, Heritance Tea Factory and Heritance Ayurveda Mahagedera continued to perform remarkably and well above the industry. Heritance Auyurveda Mahagedera which provides a distinct offering of Auyurvedic wellness in a serene and deluxe beach resort, was recognized as a premium quality hotel in the category of “Ayurveda & Yoga” presented by FIT Reisen Germany, for the third consecutive year.

Heritance Ahungalla, another of the premium brand properties performed below its potential due to the partial closure of its inventory for refurbishment. The refurbished rooms are now reopened to offer guests an enhanced experience.

Heritance Negombo – based on a novel concept of a ‘City Hotel on the Beach”, which came on board in April 2016, recorded an operating profit, despite the challenges of a high inventory in the area that intensified competition.

Following the completion of the construction of a new wing and an addition of 90 new rooms by end 2015, Turyaa Kalutara was in its first full year of operations as an expanded hotel with 200 rooms, and is now well positioned for enhanced growth.

The lack of a strategic destination marketing of Sri Lanka, which we have repeatedly articulated, has been a significant void in promoting Sri Lanka tourism. However, we are hopeful and optimistic that the year ahead might see the launch of a much needed and long awaited campaign in key markets across the globe.

### OVERSEAS

The Group’s Adaaran brand portfolio of 6 hotels in the Maldives, experienced a decline in profits over the past two years due to several factors. For one, arrival growth to the atolls decreased on the back of economic strife in key source markets such as Russia, and the impact of the depreciation of the Euro on some of the European nations – another key market segment. Moreover, the declined growth in arrivals was also exacerbated by the negative publicity that Male suffered on a few occasions due to political unrest. In addition, a release of islands and lagoons by the Maldivian tourism authorities over the past three years, has resulted in a proliferation of properties of varying standards; thus intensifying the competition. Russia is one of the key source markets for some of your Group’s properties, hence the decline in travelers from Russia during the first three quarters of the year also impacted our properties such as Meedhupparu in particular. The last quarter of the year however saw a resurgence in arrivals from Russia, Ukraine and China, which helped our properties perform well, albeit insufficient to offset the lackluster performance of the summer season. The closure of some parts of our properties for refurbishment during the year, was another key factor for lower occupancy rates and hence, low profitability. At Adaaran Club Rannalhi, the Group refurbished all of its 34 water bungalows in order to sustain its competitive advantage and has planned to refurbish its 96 beach villas and ensure their completion by September 2017. The refurbished water bungalows, since being reopened in June 2016 have enjoyed 95% occupancy - which we are encouraged by, as an excellent endorsement of our efforts to enhance our product. The closure of the pool and the main bar area at Adaaran Select Meedhupparu resulted in a significant drop in occupancy during summer. However, the investment in the facelift has shown dividends during winter with substantial appreciation from our clients. The refurbishment of 45 of the 130 beach rooms as well as the reception, lounge, restaurant and bar areas at Hudhuran Fushi was completed during the year; another 95 rooms and selected public spaces are to be

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Construction of Hotel RIU Sri Lanka - the 501 room resort in which your Group has invested, in partnership with Spanish Hotel Developer and operator RIU international, was completed during the year and became operational in August 2016  
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refurbished in the year ahead. It is most encouraging that the enhancements to the allure of our properties have been very well received by guests, whilst positioning the Group well on a launch pad to harness the expected surge in arrivals in the year ahead.

Occupancy, and hence profitability, of our Oman properties were adversely impacted by the country’s economic down turn due to the low oil prices, the security situation in the region and the depreciation of the Euro which impacted arrivals from one of its key source markets, Germany. The low oil prices dampened economic activity in Oman and curtailed spending by the country’s government and corporate sector which accounts for a significant proportion of the guests at business hotels in Muscat. However, identifying significant potential in the future, the hotel revamped its F&B outlets, the night club and invested in a Tea Lounge at Al Falaj Hotel, the newest addition to the Group acquired in February 2016.

Turyaa Chennai our Deluxe Five Star property located in the IT corridor of Southern India which opened in February 2016, performed well, in its maiden year competing with well-established international brands in Chennai.

Our intensive training and development initiatives which helped enhance service levels was one of the factors which contributed to high revenues and the property’s growing popularity.

### LOOKING AHEAD

We expect our Sri Lanka properties, three of which were experiencing gestation periods with 2016 being their first full year of operations; and three other properties which were partially closed for refurbishment, to achieve

considerable growth in the year ahead. Turyaa Kalutara is also poised to benefit from economies of scale due to its expanded capacity and facilities. The Aitken Spence premium properties remain inimitable and well differentiated from any other in the Sri Lankan market, for their unique concept, design and service standards and we will continue to leverage and strengthen these competitive advantages for future growth.

Aitken Spence Hotels’ portfolio of Adaaran brand properties in the Maldives has always been the stellar contributor to the Group’s profits in previous years, we remain extremely buoyant that the Maldives market would return to its high growth trajectory and become a significant contributor to your Group’s profitability. The arrivals statistics for the period January – April 2017 (with a 30% and 35% growth in arrivals from the two main source markets of China and Russia, respectively) fuel this prognosis for a much higher number of guests in 2017 and 2018. Following the acquisition of two islands in 2014 and 2015, the construction of our latest property in the Maldives is now in progress on the island of Aarah on the Raa atoll and is expected to be ready for occupation early 2018.

The group acquired the city hotel Al Falaj located in Muscat Oman, at the end of the previous financial year, and envisages it to be a stepping stone to expanding its presence in Oman and the middle east in which it has identified tremendous potential for the future. Oman remains a safe haven in the crisis ridden Middle East and we are confident that the current economic downturn is likely to be short-lived.

# MANAGING DIRECTOR’S REVIEW

Amongst our groups plan for the year ahead in Oman is a phased refurbishment and rebranding of AL Falaj, the newest addition to the portfolio. The groups expectation of AL Falaj are further underpinned by some of the projects envisaged by the Oman Government, such as the Port Sultan Qaboos Waterfront Project which would see the former port of Muscat make way for construction of a large all inclusive tourist entertainment complex at a close proximity to the hotel.

**IN IT FOR THE LONG TERM .... AS ALWAYS**  
*(Envisioning ... and creating new horizons)*

Whilst we will continue to look to expand our regional footprint to mitigate risks, capture opportunities across other markets and harness synergies, we will also look for opportunities to complete our portfolio of product offerings in Sri Lanka. The Group is currently looking at developing its existing land banks in Sri Lanka. We will also build on the partnerships we have with international tour operators to cross sell and leverage our strengths.

Our journey has comprised many pioneering initiatives for Sri Lanka. We pioneered Sri Lanka’s entry into the hospitality sector overseas and also pioneered the entry into the other three markets we are in, by venturing into the Maldives in 1993, India in 2007 and to Oman in 2008. Our entry into Oman and India began with the venture into the management of hotels which then prompted us to seek ownership of a property as a foundation for further expansion of our footprint in these regions. Our operational properties in the Maldives command about 5% of the entire market of guest nights in the atolls, spurring us on to further increase our market share. The Group’s two new islands which are now under development are an implementation of this strategy based on the future potential of this luxurious sun and sea destination.

As we have repeatedly articulated, the sustainability of Sri Lanka’s tourism industry requires some urgent imperatives and the better implementation of regulations. The dearth of skilled Human resources to meet a rising demand threatens the industry like never before; due to surge in growth in the number of properties and the arrival of several leading international hotel chains. The Aitken Spence Hospitality Training School launched in Ahungalla in 2009, is one of our key strategic initiatives towards meeting this challenge as it also provides training, to youth

in the area, on hospitality aspects such as housekeeping, F&B and front office operations. Upon the successful completion of the training course, students are equipped with a certificate and over 90% of them are absorbed by our hotels. During the year your Group also focused on strengthening its Learning and Development unit with the launch of several strategic initiatives to meet the skills gap and to enable us to continuously enhance our service proposition.

Taking a long term approach in business to us, is also about the social and environmental sustainability of our enterprise and we have long since recognized this fact as reflected in our Parent Company’s history which spans 149 years. Our premier properties such as Heritance Kandalama, Heritance Tea Factory and Heritance Auyrveda Mahagedera in fact were built and are managed on a model interwoven with their neighbouring social and natural environment as discussed in detail in the ensuing MD&A. Heritance Negombo for instance opened in 2016 is equipped with the best of its kind in staff accommodation, raising the bar for the entire industry. This is once again a investment for the future as it aims to make the Sri Lanka hospitality sector more attractive for overseas employees to return to employment in Sri Lanka. It would also enhance our employee value proposition amidst the intensifying competition for human resources in the industry.

At Aitken Spence, its hotels will always be about people centered service, warmth and a spirit of hospitality, about being attuned to customer needs and wants, about ambience, cultures and people. However, the importance of IT for the sustainability of the leisure industry cannot be overstated, as the internet is fast displacing the traditional channels of business. Your Group thus continued to invest significantly in upgrading and incorporating state of the art in MIS and technology in areas such as marketing communication and brand building; enhancing customer convenience in reservations to creating new possibilities in the offer of customized guest experiences through customer profiling and data mining. The year ahead will also see the pioneering launch of several novel technology led offerings for customers at our properties. Technology driven channels of business will also be a vital element in our strategy of increasing the percentage of the FIT amongst our guest portfolio.

The investments we have made over the past few years reflect the significant potential we recognise in the future, despite the many immediate challenges that the industry environment posed. We will continue to envision just as we have done in the past and expand our footprint for new growth opportunities and to diversify our risks.

**IN CONCLUSION**

I would like to convey my sincere appreciation to our Chairman and my colleagues on the Board for their guidance, unstinted support and cooperation. My heartfelt thanks also to our senior management team and all employees at our Corporate office, properties located across the country and across the seas, for their passion and commitment to delight, deliver and innovate.

I also wish to convey my sincere appreciation to our, shareholders, numerous other stakeholders and customers for the loyalty and the inspiration they give us to keep raising the bar for ourselves and the industry on what we offer.

It is our firm belief that our business must be sustainable for the long term which propels us to adopt a pioneering attitude and a bold approach in our quest to enhance the value we create for all our stakeholders.



J.M.S. Brito  
*Managing Director*

26th May 2017

# OUR LEADERSHIP

## BOARD OF DIRECTORS



DESHAMANYA D.H.S. JAYAWARDENA  
Chairman



MR. J.M.S. BRITO  
Managing Director



MR. G.P.J. GOONEWARDENE



MR. R.N. ASIRWATHAM



MS. D.S.T. JAYAWARDENA



MR. C.M.S. JAYAWICKRAMA



MR. N.J. DE SILVA DEVA ADITYA



MR. C.H. GOMEZ



## BOARD OF DIRECTORS

### DESHAMANYA D.H.S. JAYAWARDENA

Deshamanya Harry Jayawardena is one of Sri Lanka's most successful businessmen and heads many successful enterprises in very diverse fields of activity. He is the Founder Director and current Chairman/ Managing Director of the Stassen Group of Companies – a diversified group in the import and export 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. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

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

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

Mr. Jayawardena has been Chairman of Aitken Spence PLC since 25th April 2003.

### MR. J.M.S. BRITO

Mr. Rajan Brito joined the Board of Aitken Spence PLC, in April 2000. Together with his multi-disciplined knowledge from being a Bachelor of Law and a Chartered Accountant, he brought with him a wealth of 35 years of international experience working with several International organizations. He was then appointed as the Deputy Chairman and Managing Director of Aitken Spence PLC in 2002 and presently continues in these roles.

Mr. Brito is an acclaimed senior professional in both private and public sector industries of Sri Lanka. He is currently a Director of Sri Lankan Airlines, a former Chairman of DFCC Bank, Employers' Federation of Ceylon and Sri Lankan Airlines and has also served on the Board of the Sri Lanka Insurance Corporation. He holds a LLB degree

from University of London, MBA degree from London City Business School and is a Fellow of the Institutes of Chartered Accountants of both Sri Lanka and England & Wales.

### MS. D.S.T. JAYAWARDENA

Ms. Stasshani Jayawardena joined the Aitken Spence Group in January 2010 as a Management trainee. After gaining experience in several of its key strategic business units and 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. She was then appointed as Chairperson of Aitken Spence Hotel Managements (Private) Limited in January 2016 and is overall responsible for the tourism sector of the Group that includes hotels, destination management and overseas travel.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, Ms. Jayawardena was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003. She is the Sri Lankan Ambassador of the EY NextGen Club.

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.

At present Ms. Jayawardena leads a team of international professionals in strengthening the service foundations and formulating a strategic road map for the tourism sector of the group.

### MR. C.M.S. JAYAWICKRAMA

Mr. Jayawickrama has been with the Company for almost 27 years and at present, he is the Joint Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd. He is responsible for managing all Group Hotels in overseas markets. Mr. Jayawickrama serves on the Boards of most hotel companies in the Group including that of Aitken Spence Hotel Holdings PLC. A Fellow of the Chartered Institute of Management Accountants UK, he has substantial experience in senior management positions in the Group's hotel sector with exposure in the tourism industry in Sri Lanka and overseas.

Mr. Jayawickrama is a past Vice President of the Tourist Hotels Association of Sri Lanka (THASL).

### MR. G.P.J. GOONEWARDENA

Mr. Gemunu Goonewardena is the Consultant/ Culinary Visionary responsible for the development of the strategic vision for Heritage Cuisine at the iconic Heritage properties in Sri Lanka. Additionally, he is a consultant for resource development at the Aitken Spence hotels in the Maldives.

He is a graduate of the Ceylon Hotel School. He received his Post Graduate Education at the Culinary Institute of America. He serves as an Honorary Consultant for the Post Graduate Diploma in Tourism Economics & Hotel Management (leading to a Masters Degree) at the University of Colombo.

Mr. Goonewardena is a member of the Hotel Classification Committee of the Sri Lanka Tourism Development Authority for 2016/17 and is a key member of the team that drafted the new Sri Lanka Hotel Classification Criteria and Standards.

Presently, as a key member of Aitken Spence Hospitality Leadership with over 40 years work experience and extensive exposure in USA, Europe and Australia, he is a respected Mentor and continues as a value share partner/ coach in Succession Planning and Executive Development.

### MR. R.N. ASIRWATHAM

Mr. Asirwatham was appointed to the Board of Aitken Spence PLC, in September 2009. At present, he is the Chairman of the Audit committee, Related Party Transactions Review committee, a member of the Remuneration committee and the Nomination committee.

He 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 of the Institute of Chartered Accountants of Sri Lanka. He is also a Board member of the Post Graduate Institute of Medicine and a member of the council of the University of Colombo.

He also serves on the Boards of Dilmah Tea Services PLC, Royal Ceramics PLC, CIC Holdings PLC, Mercantile

Merchant Bank, Dankotuwa Porcelain PLC, Colombo City Holdings PLC, Browns Beach Hotels PLC, and several other private companies.

### MR. N.J. DE SILVA DEVA ADITYA

Mr. Niranjana Deva Aditya, born in Sri Lanka, was educated in England with a Degree in Aero Engineering and a Post Graduate Research Fellowship in Economics. He has had an illustrious career as one of the most recognised and long serving politicians in the U.K. with over 35 years in public service.

Among his many inspirational and pivotal achievements are; being the first Asian to be elected as a Conservative Member of the British Parliament, first Asian MP to serve in the British Government, the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, and the first Asian born MP to be elected to the European Parliament. As a recognition of his proficiency, he was nominated as a candidate for Secretary General to the UN in 2006 and has been honoured for his public and international services by the UK, the Vatican, Sri Lanka, India and China. Mr. Deva Aditya joined Aitken Spence PLC in 2006 as a Non-Executive Independent Director and holds the post to date.

He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est. 1765).

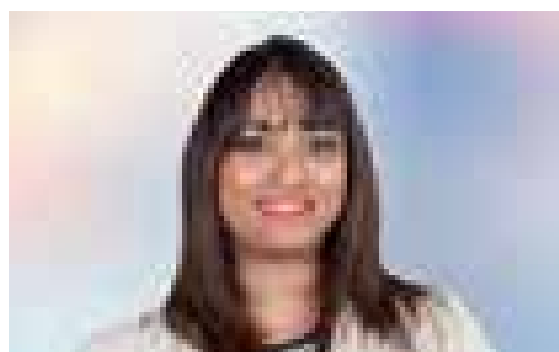
### MR. C.H. GOMEZ

Mr. Charles Gomez is a former Banker with over 30 years experience in the finance industry. He has worked for major financial institutions including Barclays Bank PLC, Lloyds TSB Bank PLC, and SG Hambros. He brings to the Company a wealth of experience in regard to international financial markets, financial services regulations, compliance and controls, and it was through his intervention that major investors were brought into Aitken Spence PLC and to other business sectors in Sri Lanka. Mr. Gomez is a Director as well as a part owner of regulated financial services companies based in Gibraltar. He also serves on the Boards of foreign companies which have investments world-wide.

Mr. Gomez was appointed to the Board of Aitken Spence PLC, in 2002 and to the Board of Aitken Spence Hotel Holdings PLC, in 2010. His role in the Company is that of an Independent Non-Executive Director. He also serves in the Audit Committee and the Related Party Transactions Review Committee.

# OUR LEADERSHIP

## CORPORATE MANAGEMENT TEAM



MS. STASSHANI JAYAWARDENA



MR. SUSITH JAYAWICKRAMA



MR. MANGALA WIJESEKERA



MR. RANIL DE SILVA



MR. ROHITHA RAJARATNE



MR. BJORN VAN DER HORST



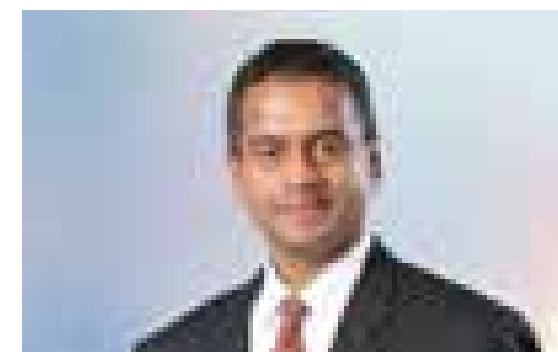
MR. SRINITH DE SILVA



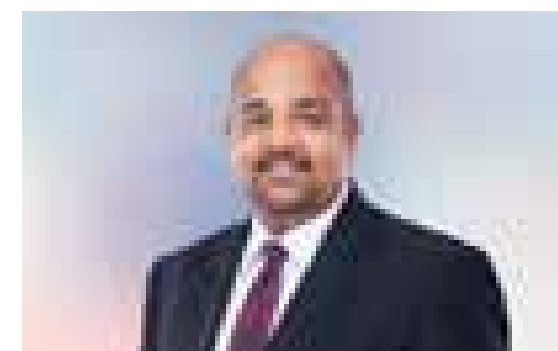
MR. DANESHA PERERA



MS. IRANDI WIJEGUNAWARDANE



MR. JEEVAKA WEERAKONE



MR. BHADIYA GUNATILAKE



MR. DAMMIKA EKANAYAKE



MR. ARUN RAJ

# OUR LEADERSHIP

## CORPORATE MANAGEMENT TEAM

**MS. STASSHANI JAYAWARDENA**

(Profile on page 28)

**MR. SUSITH JAYAWICKRAMA**

(Profile on page 28)

**MR. RANIL DE SILVA**

Mr. de Silva is the Jt. Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., with specific responsibility for the Group’s local hotel portfolio, having joined the Group in February 2017. He was formerly the Managing Director of the Hemas Hotel Sector and has expansive experience in both local and overseas markets encompassing diverse industries.

He is a Fellow of the Chartered Institute of Management Accountants UK, an Associate of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK.

Currently, he also serves as an Independent Non-Executive Director of Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC.

**MR. MANGALA WIJESKERA**

Mr. Mangala Wijeskera is the Chief Operating Officer/ Vice President, of Aitken Spence Hotels’ Overseas Sector.

He counts over two decades of experience in the Hotel industry mainly in the Finance field. He has had extensive overseas and local training and work experience in General and Project Management.

He has a Bachelor’s Degree in Mathematics from the University of Colombo and holds a MBA from the University of Southern Queensland, Australia. Prior to the present position, he was Vice President - Finance and Administration, for the Overseas Hotels and Projects of the Group.

**MR. ROHITHA S 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 a MBA from the University of Colombo and MSc. in Sustainable Engineering from the University of KTH Sweden. He is a Fellow of the Institute of Engineers – Sri Lanka, and also an accredited International Professional Engineer.

**MR. BJORN VAN DER HORST**

Mr. Bjorn van der Horst is a multiple Michelin starred Chef, Food & Beverage Director and Creative Entrepreneur. He heads all Food & Beverage Strategy and Operations for Aitken Spence Hotels in Sri Lanka and overseas.

Bjorn brings with him a wealth of experience opening and building successful independent and branded hotel food & beverage businesses from New York to London and Maldives.

He obtained his first Michelin star in New York City as Executive Chef of Picholine restaurant in 2002 at the tender age of 30. He soon went on to gain further Michelin stars in NYC and London.

In 2006, Bjorn set up his first independent business in partnership with Gordon Ramsay which triggered a desire to learn more and slowly step away from the kitchens. In 2010, Bjorn sold his businesses in London and took the position of Director of Food & Beverage with Six Senses, overseeing the Hotel F&B operations in Maldives and Thailand. At Soneva Fushi, he created the first fully Carbon Neutral restaurant in Maldives re-inventing traditional Maldivian recipes into contemporary dishes.

Most recently, Bjorn was a member of the Strategic Executive Committee for Rosewood hotels and resorts as Director of Food, Beverage and Kitchens overseeing the renovations and opening of the iconic Rosewood London, and planning the renovations and strategy for Rosewood Crillon in Paris, opening this year.

Forever the entrepreneur, he remains Director and Co-Founder of Bone Tea LTD, a small but burgeoning quick service restaurant and retail brand in the UK, and an honorary member of the Chefs Guild of Sri Lanka.

**MR. JEEVAKA WEERAKONE**

Mr. Jeevaka Weerakone, is Director – Operations for Aitken Spence Hotels, Sri Lanka. Before taking up this appointment, he was Vice President – Operations in charge of hotels in the northern sector. Prior to this he held the positions of Assistant Vice President – Human Resources / Learning & Development for hotels in the Aitken Spence Group and also was the Executive General Manager – Heritage Kandalama and General Manager – Earl’s Regency. He is a professional hotelier counting more than twenty six years in the hospitality industry in Sri Lanka and overseas.

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

**MR. SRINITH DE SILVA**

Mr. Srinith De Silva, Vice President/ Chief Executive Officer – Oman Sector. He is a Graduate of the Victoria University, Melbourne and counts many years of experience in international hotel chains, such as Sheraton, Raffles and Stamford. He has more than 22 years of experience in the hospitality industry in senior managerial positions handling operations and marketing in Singapore, Saudi Arabia, Australia, Sri Lanka and India.

**MR. BHADIYA GUNATILAKE**

Mr. Badhiya Gunathilake is the Chief Operating Officer of the Adaaran Resorts, the Maldives Sector of Aitken Spence Hotels.

He is a Graduate of the Ceylon Hotel School, and is a professional hotelier, counting more than twenty years of experience in the hospitality industry, including senior managerial positions, handling hotel operations in Sri Lanka, Oman & Maldives.

**MR. DANESHA PERERA**

Mr. Danesha Perera, Asst. Vice President - Supply Chain, Maldives Operation - Aitken Spence Hotel Managements (Pvt) Ltd. and Director of Aitken Spence Exports (Pvt) Ltd. He is the Head of Corporate Merchandising Department (CMD) - Maldives, ASHM Exports Operation (ASE) and Hethersett Bottled Drinking Water Plant (HBWP).

He held the office as the President of 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 Association in Sri Lanka (OPA). Currently, he is the Association Member who represents Institute of Supply & Materials Management Sri Lanka at the Organisation of Professional Association of Sri Lanka as a Forum Member and Executive Council Member. Also, he serves as a member of the Membership Committee at OPA.

He was presented with the “Garner Themion” prestigious international award by International Federation of Supply Management (IFPSM) in 2012.

OUR LEADERSHIP

CORPORATE MANAGEMENT TEAM

MR. DAMMIKA EKANAYAKE

Mr. Dammika Ekanayake is the Asst. Vice President Finance of Aitken Spence Hotels.

He has local and international exposure in senior management positions spanning over a decade. He counts over two decades of experience in the fields of Auditing, Finance, Operations and General Management. Prior to joining the group, he was the Director Business Administration for CMA-CGM SSC Lanka.

He obtained his MBA from University of Colombo. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, an Associate of the Chartered Institute of Management Accountants UK, and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He is a gold medalist from the Sri Lanka Institute of Marketing.

MRS. IRANDI WIJEGUNAWARDANE

Mrs. Irandi Wijegunawardane is the Assistant Vice President of Accommodation sector for Sri Lanka and India. Prior to taking over this new role, she handled Learning & Development for the same sector. She is a graduate of the Sri Lanka Institute of Tourism and Hotel Management (SLITHM) and counts over 33 years of extensive experience in the Hospitality Operations and Training & Development in Sri Lanka and Overseas.

She has obtained a National Diploma in Training and Human Resources Development (NDTHRD) from IPM and holds a Commonwealth MBA from the Department of Management Studies of the OUSL in partnership with the Commonwealth of Learning (COL) in Vancouver, Canada. She is a qualified assessor for National Vocational Qualification under Tertiary and Vocational Educational Commission (TVEC). She is also a Certified Hospitality Educator (CHE) from American Hotel and Lodging Association (AHLA).

Prior to joining the Group, she worked in many prestigious hotels in Sri Lanka and overseas, was also a Senior Faculty member of SLITHM – Colombo and was the Principal of SLITHM – Kandy. She has been actively involved in numerous curriculum development projects to uplift the service standards of the industry.

She is also a Fellow of the Ceylon Hotel School Graduates Association and is an active member of the association.

MR. ARUN RAJ. D

Mr. Arun Raj. D, serves as the Director/General Manager of Turyaa Chennai – the Group’s five star deluxe business hotel in Southern India. He is a graduate from SRM Institute of Hotel Management, which is one of the most renowned private institutes for producing Hoteliers in India.

He started his career with Taj in the prestigious Butlers Management Team and moved to Adaaran Prestige Water Villas as a pre-opening member. He was part of the management team responsible for gaining international recognition and accolades. He leads the team at Turyaa Chennai, which position he has held for the past 5 years.

He is a member of FHRAI (Federation of Hotels and Resorts Association of India), SIHRA (South Indian Hotels and Resorts Association and also a member of SKAL International.

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GROUP PERFORMANCE HIGHLIGHTS

Performance for the Year ended 31st March	2017	2016	Change
Gross Revenue - Rs. '000	16,055,386	13,378,071	20%
Group Profit Before Tax - Rs. '000	1,549,562	2,520,651	-39%
Group Profit After Tax - Rs. '000	1,013,739	2,087,762	-51%
Group Profit Attributable to Equity Holders of Parent - Rs. '000	675,873	1,403,766	-52%
Dividend Interim/Final (Proposed) - Rs. '000 *	252,218	420,363	-40%
Dividend per Share - Rs. *	0.75	1.25	-40%
Earnings per Share (EPS) - Rs. (Diluted EPS)	1.97	4.13	-52%
Cost of Finance - Rs. '000	745,013	347,314	115%
Interest Cover - Number of Times	3.31	8.73	-62%
Return on Equity - %	3.55	7.87	-55%
Position as at the Year ended 31st March			
Total Assets - Rs. '000	52,177,987	38,448,214	36%
Long term interest bearing borrowings - Rs. '000	14,450,707	8,186,477	77%
Total Equity - Rs. '000	27,432,688	23,834,903	15%
Number of shares in issue - Number	336,290,010	336,290,010	0%
Net Assets per Share - Rs.	56.49	54.24	4%
Gearing - Debt/(Debt+Equity) - %	34.90	26.08	34%
Debt/Total Assets - %	28.01	21.72	29%
Current Ratio	0.95:1	0.97:1	-2%
Quick Asset Ratio	0.90:1	0.92:1	-2%
Market / Shareholder Information as at year ended 31st March			
Market Price per Share - Rs.	35.20	53.00	-34%
Market Capitalization - Rs. '000	11,837,408	17,823,371	-34%
Price Earnings Ratio - Number of Times	17.91	12.83	40%
Dividend Payout - %	38.16	30.27	26%
Dividend Yield - %	2.13	2.36	-10%
Value Added for the year			
To Government - Rs. '000	958,171	643,199	49%
To Employees - Rs. '000	2,746,929	2,122,117	29%
To Providers of Capital - Rs. '000	1,082,879	1,031,310	5%
To Shareholders - Rs. '000	252,218	420,363	-40%
Retained for reinvestment and future growth - Rs. '000	2,006,892	2,038,467	-2%
Total Value Added - Rs. '000	7,047,089	6,255,456	13%
Total Economic Value Added - Rs '000	1,362	202,707	-99%
Sustainability indicators			
Total Energy Consumption GJ	321,778	267,869	20%
Energy Consumption Per Guest Night - MJ	394.61	393.71	0%
GHG Emissions Per Guest Night Kg eq (Scope 1 & 2)	40.55	34.31	18%
Water Consumption m^3	769,313	572,521	34%
Water Consumption Per Guest Night - Litres	943.44	841.48	12%
Waste to Landfill – Per Guest Night - Kg	1.56	1.55	1%
Lost work days due to work related injuries	247	270	-9%
Average Training hours per Employee - Hours	14.18	10.07	41%
Community Engagement - No. of Persons Impacted	14,942	14,573	3%

\* The Directors of the company declared an interim dividend of Rs. 0.50 per ordinary share and recommended a final dividend of Rs. 0.25 per ordinary share for the financial year 2016/17



# MAGICAL Sri Lanka

“

Pearl of the Indian Ocean. Serendib. Taprobane. Zeilan.....

For centuries, travellers and traders have named and re-named Sri Lanka, yet every visitor's fascination with the tiny island remains the same. Laze on hot, sleepy beaches, cool off in the misty mountains of the tea country or wander the crumbling ruins of ancient temples and monasteries. Exotic wildlife, fiery cuisine, fascinating history and welcoming smiles...its all part of the magic of Sri Lanka.

”



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



Turyaa Kalutara  
Hotel Hilltop  
Amethyst Resort Passikudah  
Earl's Regency  
Bandarawela Hotel

# HERITANCE AHUNGALLA



“

Another of the Heritance properties with a design that inspires, relaxes and brings tranquility as you enter... with its wide open spaces and view of an infinity pool that appears one with the ocean; is also idyllic in its location. Visit the Kosgoda Turtle Hatchery or the historical fort of Galle or experience the way of life of Southern coastal towns, view their crafts or a river cruise along the Madhu Ganga, all within few minutes from this luxurious beach front resort.

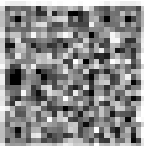
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## ABOUT HERITANCE AHUNGALLA

Designed by legendary Sri Lankan architect Geoffrey Bawa, Heritance Ahungalla is a five-star luxury hotel with 152 rooms, located on 12 acres of beachfront on Sri Lanka's southwest coast. Award-winning cuisine, relaxing spa treatments, spacious and luxurious accommodation coupled with a variety of outdoor activities in and around the area is on offer for guests at Heritance Ahungalla.

With such star-class offerings to its guests, Heritance Ahungalla was recognized and awarded the Travelife Gold Award for Hotels & Accommodation in 2015. Travelife is an international sustainability certification scheme for hotels and accommodations designed to improve environmental and social impacts and support local people, businesses and culture.



Find out more about  
Heritance Ahungalla online at

# HERITANCE AHUNGALLA



## PROPERTY PERFORMANCE

During the summer of 2016, Heritance Ahungalla underwent a 52-room refurbishment in order to upgrade the product offering. The reduction of the total available room inventory caused the property revenues to report a reduction against the preceding year despite a strong performance in the winter months, in spite of the increase in available room inventory in the south coast. As in the previous year, German and the Chinese markets were the mainstay at the property with the Chinese market significantly increasing their overall contribution to the property mirroring the national statistics. However, the resort witnessed a reduction in the overall contribution by the Sri Lankan segment which can be mainly attributable to non-availability of the total room inventory during the peak local travel period during the summer.

### Certifications



### GUEST REVIEW

“Amazing stay and a definite food heaven”

by charanifernando - 26th April 2017

We had the opportunity to book a few rooms just by the pool side which indeed was all what the kids needed! Rooms were spacious and the atmosphere was fantastic. The highlight of the stay was the variety of food that was available for each meal and the excellent taste they had. Compliments to the chef and the staff on such an amazing spread and hitting all the right taste buds. Overall the hotel staff were very friendly and helpful as we had a few specific requests like late check-out etc. I would definitely be visiting Heritance Ahungalla when I am next in Sri Lanka.



“Couldn’t be a better place”

by Madhuhansi M - 20th April 2017

This is my second experience at a Heritance. I absolutely loved every bit of the day. I visited this place with my besties for a spend the day. The hotel was magnificent and attractive. It has a nice view of the beach. And the food was amazing. The buffet was extremely satisfying, it was so delicious. We never missed any food item on the buffet. The pool adds more value to the whole experience and they have two gigantic pools. Me and my friends had a lovely time there. And I really appreciate the service also. The staff was really friendly and helpful. Hoping to visit Heritance Ahungalla again, and of course for a vacation.



AVERAGE ROOM RATE INCREASED BY

13%



CAPITAL EXPENDITURE FOR THE YEAR

RS. 170 MN



REDUCTION IN CARBON FOOTPRINT YOY

4%





# HERITANCE KANDALAMA



“

A property that is unique in design, ambience and location. Heritance Kandalama, designed by Sri Lanka's most renowned architect Geoffrey Bawa, and almost camouflaged as a natural extension of the mountain and forest of Dambulla overlooking the Kandalama tank, is an ideal get away from it all... to experience nature and visit some world heritage sites and Sri Lanka's cultural triangle.

”

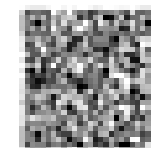


## ABOUT HERITANCE KANDALAMA

An architectural masterpiece by Geoffrey Bawa, Heritance Kandalama overlooks another masterpiece, the majestic rock fortress of Sigiriya. The hotel's stylish bedrooms and suites offer wonderful views over the Kandalama lake and it is recognized for fine dining and a range of activities and excursions to help guests learn more about the local wildlife and community and Sri Lanka's amazing heritage.

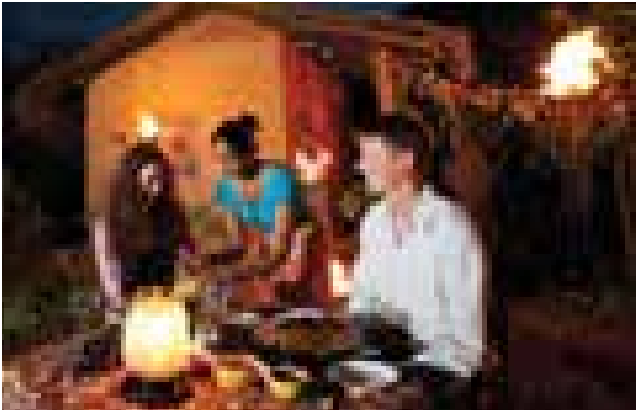
Heritance Kandalama has won numerous awards for its architecture, cuisine, service and environmental standards. It is to Heritance Kandalama's credit that it became the first hotel in the region to win Green Globe 21 certification and become the first LEED Certified Hotel in Asia.

Heritance Kandalama has also won the Gold Award for Built Environment at the Green Apple Awards and is currently Travelife Gold Certified.



Find out more about  
Heritance Kandalama online at

# HERITANCE KANDALAMA









PROPERTY PERFORMANCE

Financial year 2016/17 was another record-breaking year for Heritance Kandalama with the property recording its highest ever revenue and profit. Annual revenue increased by 18% and the property continued to be the largest contributor in terms of both revenue and profit in the Sri Lankan sector.

During the year, the property continued to reap the benefits of the strong technological infrastructure laid by the group with online sales reporting the highest increase. With major investments already planned for the coming year, the group expects a further increase in the contribution from the channel in the coming years.

Repeating the performance from last year, the Chinese and the British nationals were the largest foreign clientele at the property with the hotel maintaining its significant contribution from the Sri Lankans over the years.

Certifications



GUEST REVIEW

“Simply Magnificent”

by CristinaSoares63 - 30th April 2017

An architectural masterpiece blending the hotel into the natural environment. My husband was there 20 years ago and had always promised to take me. I was overwhelmed, I loved every minute that I stayed there and was very sorry to leave. The pools are amazing, not only the infinity pool bending with the lake but the rock pool on a slightly higher level offers stunning views and privacy. I just let myself relax lying on a rock but inside the pool. Although it is a big hotel you don't feel it at all and a visit to the library is worth it. Coming back after the climb up Sigiriya was fantastic. One of my favourite hotels from now on!



“Fell in love with the hotel!”

by payalsondhi87 - 7th May 2017

We stayed in this hotel on our visit to Sigiriya. The moment we stepped into the hotel, we fell in love with it. The service, maintenance, rooms - everything was top notch. It is a very unconventional hotel and gives you the experience of living with the nature. We had an amazing view of the lake & hills from our room. The stay was very comfortable. Would definitely visit again on our next trip to Srilanka.



REVENUE  
INCREASED BY

18%



EXTRA SALES PER GUEST  
NIGHT INCREASED BY

7%



REDUCTION IN CARBON  
FOOTPRINT YOY

2%



# HERITANCE TEA FACTORY



“

Nestled in the mountain area of Nuwara Eliya in Sri Lanka’s cool climes, this is the world’s only tea factory to be converted to a hotel. Be charmed by its unique allure and indulged by the Aitken Spence warmth, and pick your own tea...

”

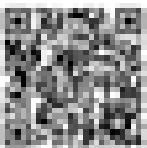


## ABOUT HERITANCE TEA FACTORY

Heritance Tea Factory sits 6,800 feet above sea level, only six degrees from the equator in the heart of the mountain range, which gave the world Pure Ceylon Tea. 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 resort is a reminder of the past in perfect blend with innovations of the present.

Gold Award for Architectural Heritage at the prestigious Green Apple Awards and is currently Travelife Gold certified.

The property has won more than 20 awards for its architecture, heritage and environmental policies including the PATA Grand Award for Heritage and Culture and the



Find out more about  
Heritance Tea Factory online at

HERITANCE  
TEA FACTORY



PROPERTY PERFORMANCE

The property concluded another impressive year of financial performance with the company reporting its highest ever revenue and profits with the strategy of managing yield through targeted marketing strategies paying dividend. The British nationals continued to be the mainstay at the hotel with a significant increase in contribution from online sales.

The group hopes to further differentiate the product offering in the coming years at the property, building on the unique positioning of the hotel to drive yield.

Certifications



GUEST REVIEW

“Quiet and peaceful”

by tan-jonathan -7th May 2017

Set away from the town, the hotel which used to be an old tea factory is an excellent escape to be in a quiet and peaceful setting. It is about an hour drive from Nuwara Eliya. Well maintained with excellent service. Recommended to get half board as it is a distance to travel out for food. Other activities provided by the hotel included tea plucking which cost only 500LKR. You'll get a tea pack after this. I stayed one night.



“Unique experience “

by Thommo178 - 20th April 2017

Had a most magnificent two night stay at this unique and historic hotel set in in the high country of Nuwara Eliya. From a very warm welcome to the beautifully appointed rooms ( recommend the Executive Floor) the experience was exquisite. The decor reflects the golden age of the British Colonial tea making era. The restaurant offers high class fare which could not be faulted. Also participated in the tea plucking excursion, lots of fun and they even packaged it for you.



AVERAGE ROOM RATE  
INCREASED BY

24%



GROSS OPERATING  
PROFIT INCREASED BY

21%



REDUCTION IN CARBON  
FOOTPRINT YOY

9%



# HERITANCE AYURVEDA MAHA GEDARA



“

The Heritance Ayurveda Maha Gedara provides the complete authentic ayurvedic experience, with luxurious accommodation and professional treatment in a serene surrounding. Relax and revitalise your mind, body and spirit amidst acres of lush tropical gardens, and discover the art of tranquility.

”

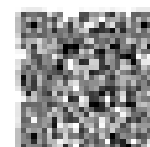


## ABOUT HERITANCE AYURVEDA MAHA GEDARA

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

Formally known as The Neptune Hotel – Beruwela, the property underwent a complete refurbishment and commenced operations in late 2011 as a “wellness” resort.

The resort is a sustainable product that promotes responsible tourism, with the Art and Craft Centre at the resort, a special gift to the traditional craftsmen and women of Sri Lanka. Award-winning artisan craftsmen are provided a platform to demonstrate their skills at the Centre, and by doing so, it uplifts the indigenous arts and crafts of the country.



Find out more about  
Heritance Ayurveda Maha Gedara online at

# HERITANCE AYURVEDA MAHA GEDARA



## PROPERTY PERFORMANCE

Heritage Ayurveda Maha Gedara enjoyed an impressive 2016/17 financial year despite challenges it experienced in the macro environment. The property saw a commendable increase in revenue despite the overall depreciation of the euro against the rupee during the year with majority of the volume been driven by euro denominated accommodation contracts.

Germany and Switzerland continued to be the major generating markets to the property. Online sales increased by 44% with the group identifying and catering to specialised requirements of the target market.

### Certifications



### GUEST REVIEW

“just so relaxing”

by irmabollhalder - 29th Oct 2016

The Heritage Maha Gedara is great place , very friendly Staff, and great treatments, The Ayurveda center has great doctors , the gardens are full of Frangipanis trees and they smell beautiful, I felt totally relaxed and will definitely Return.



“Perfect Hotel for starting the ayurvedic experience”

by Sonja F - 12th Jan 2017

Ayurvedic Hotel. So be aware that the whole lifestyle is adapted to ayurveda (no coffee, softdrinks, smoke, etc.) Ive chosen it to try Ayurveda the first time and I was positively surprised, even I had high expectations before. For me it was a perfect stay in a great located hotel with very friendly and welcoming, happy employees, awesome ayurvedic food (special thanks to the kitchen), perfect ayurvedic treatments and professional doctors. Absolutely recommendable and nothing to criticize.



AVERAGE ROOM RATE  
INCREASED BY

8%



GROWTH IN ONLINE  
VOLUME

44%



TOTAL CARBON  
FOOTPRINT

799 TONS eCO<sub>2</sub>





# HERITANCE NEGOMBO

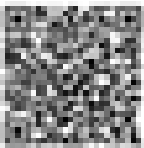


“City chic is combined with a resort ambience at this “City Hotel on the Beach”, located in close proximity to the international airport.”



## ABOUT HERITANCE NEGOMBO

The newest addition to our premium brand - Heritance Negombo commenced operations in April 2016. The brand new 139 - roomed five star resort further enhanced our existing portfolio in the destination. Located just 20 minutes from the airport, 40 minutes from Colombo, the newest addition to the Group’s portfolio is a resort hotel within a city. Its contemporary design combined with wide sandy beaches and chic living spaces by the shore, is the ideal getaway for you to experience the allure of the island’s west coast in relaxing luxury.



Find out more about Heritance Negombo online at



# HERITANCE NEGOMBO



### PROPERTY PERFORMANCE

In April 2016, Heritance Negombo commenced operations to positive market feedback and completed a satisfactory first year of operations with the property reporting an operational profit.

German and the British markets were the primary foreign source markets while a high contribution was also observable from the Sri Lankan clientele. As in all other properties in the group, online marketing played a pivotal role in driving revenue at the resort with the segment providing the highest contribution in room nights.

### Certifications



### GUEST REVIEW

“Excellent staff!”

by calletravels2016 - 7th May 2017

This place is perfect! We had just 3 nights here following an 8 day tour of the country. We wanted a hotel to come to and not leave and that’s exactly what this haven can offer. The staff are simply a delight. Nothing is too much trouble. They have humour, like to chat and attend to you in the most outstanding and professional manner. The gym is great as is the swimming pool and facilities. The hotel joins on to the beach and is nice for a short stroll. If you go over the road there are some restaurants which are also connected to the hotel but have a different food offering (pizza/tapas). We have had a the most enjoyable and relaxing stay at this wonderful hotel. Thank you.



“Provided an excellent getaway !!”

by dsenadhira - 7th April

I had heard about this hotel from Family members but had not visited until recently i got the chance to do so. From the time i walked in the staff at the hotel were more than accommodating and extremely pleasant. The rooms are laid out beautifully and provide you with everything you need for a comfortable holiday. Lunch was fantastic and the visit to the pool/pool bar was very relaxing. I would definitely recommend this hotel to all those who are interested in visiting the Negombo area.



ROOMS ADDED DURING  
THE YEAR

139



CONTRIBUTION FROM ONLINE  
SEGMENT VOLUME

38%



TOTAL CARBON  
FOOTPRINT

3,169 TONS eCO<sub>2</sub>

# TURYAA KALUTARA



## ABOUT TURYAA KALUTARA

Sprawled on six acres of ocean-front land, Turyaa Kalutara is a five star hotel with 200 rooms complete with private balconies. Conveniently located just 37 km from the cosmopolitan capital of Colombo, Turyaa Kalutara is a luxurious seaside sanctuary on the south coast

# HOTEL RIU SRI LANKA



## ABOUT RIU

Hotel RIU Sri Lanka is located on a magnificent beach set against a stunning backdrop in Ahungalla and is the ideal place to enjoy an authentic vacation in Sri Lanka together with your family and friends and to discover the all-inclusive 24 hour a day service offered by RIU Hotels & Resorts.

# AITKEN SPENCE HOTELS



## ABOUT HOTEL HILLTOP



Hotel Hilltop is a charming 73 roomed hotel situated in the lush hills, overlooking the historic city of Kandy. The hotel offers exceptional amenities and superior service, in true Kandyan style.



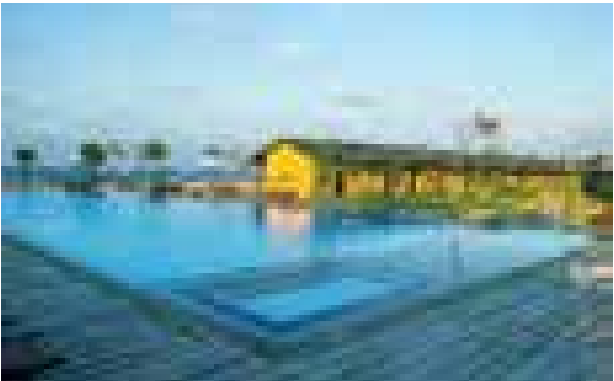
## ABOUT EARL'S REGENCY



Earl's Regency is a five star 134 roomed getaway located in the heart of the island's cultural capital, Kandy. Surrounded by history and royal tradition, Earl's Regency offers a luxurious base from which to explore the Central hills.



## ABOUT AMETHYST RESORT



Amethyst Resort Passikudah has 39 rooms and is located by the stunning Passikudah bay, in close proximity to Batticaloa.



## ABOUT BANDARAWELA HOTEL



Bandarawela Hotel is a charming colonial hotel of 34 rooms, nestled amidst the misty mountains of Bandarawela - a hilly town known for its lush tea plantations, cool weather and scenic mountain landscapes.

# IRRESISTIBLE Maldives

“

Sunbathe all day on warm white sand. Go snorkeling or scuba diving and enter a world of dazzling coral colours and exotic fish, rays, sharks and turtles. For the less adventurous, a stroll through Male, visiting the Fish Market, Sultan's Park or the National Art Gallery are also fascinating options. It's what makes the Maldives simply irresistible.

”



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

# ADAARAN PRESTIGE VADOO



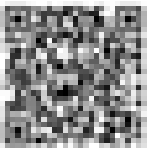
“  
Pristine white beaches and brilliant waters on the island of  
Vadoo, combined with Aitken Spence hospitality and cuisine..  
what more could you ask for?  
”



## ABOUT ADAARAN PRESTIGE VADOO

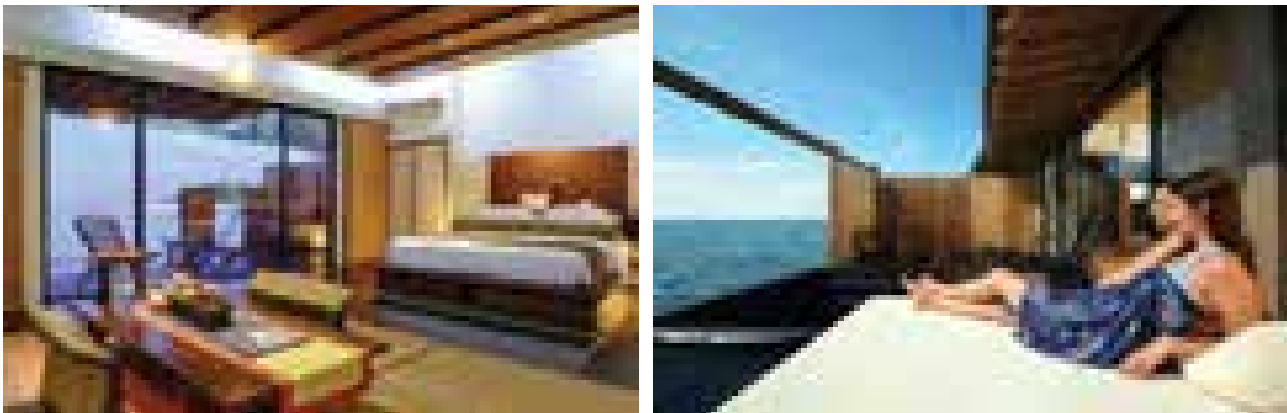
Time ceases to exist at Adaaran Prestige Vadoo where a sun kissed exotic coral reef teeming with vibrant aquatic flora and fauna beckons the sun-worshipping traveller. The tropical escape offers the most luxurious amenities and facilities to enrich a captivating experience.

“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.



Find out more about  
Adaaran Prestige Vadoo online at

# ADAARAN PRESTIGE VADOO






PROPERTY PERFORMANCE

Adaaran Prestige Vadoo had a satisfactory year with the property reporting a 6% increase in revenue despite a competitive market environment which caused the occupancy to remain flat against the previous year.

As in the previous year, far eastern region remained the key source market for the property with the resort receiving a significant clientele from China, South Korea and Japan. Online sales increased by 16% during the year and provided the highest contribution in room nights.

Certifications



GUEST REVIEW

“The most beautiful nature”

by Radosveta7 - 9th May 2017

This island is a fantastic place to feel the relax in each aspect. We visited it for a day, but it was enough to estimate it like a one of the best resorts i have ever been. They have a paradise garden with so many and so beautiful flowers and trees. You feel calm and happy there. The atmosphere is perfect. Another great thing is that you have free drinks consumption for you whole staying there. It is also lunch included.



“Awesome”

by Gayathri S - 28th January 2017

Had a wonderful experience. Right from entry to the resort till departure. All the staff were very courteous Especially we would like to appreciate the services rendered by Mr. Nalaka at the main restaurant ,who was very accomdating and ever willing to serve us whatever food we wanted with a very pleasant smile. Special thanks to Mr Shiham our butler for making our holiday wonderful. The rooms and location excellent. Overall adaaran prestige vadoo was a great experience.



INCREASE IN EXTRA F&B  
SALES

18%



REVENUE INCREASE

6%



TOTAL ENERGY  
CONSUMPTION

27,792 GJ



# ADAARAN SELECT MEEDHUPPARU



“

Adaaran Select Meedhupparu with private beaches, deluxe cabins with wooden interiors and sun decks complemented by a serene blue lagoon and shallow coral reef is an ideal venue to soak up the sun and sea. Be mesmerized by an exotic underwater world.

”

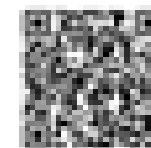
ADAARAN  
*Select*  
MEEDHUPPARU  
MALDIVES



## ABOUT ADAARAN SELECT MEEDHUPPARU

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.

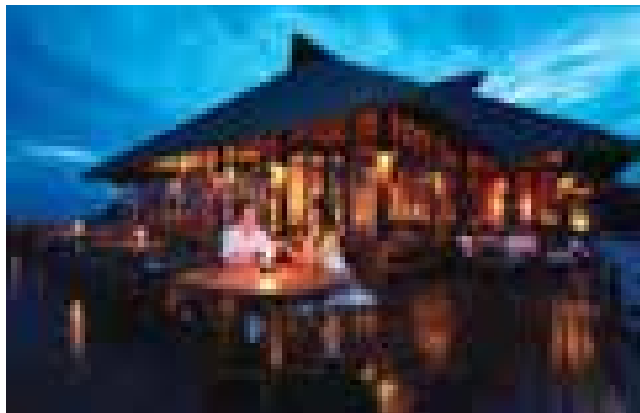
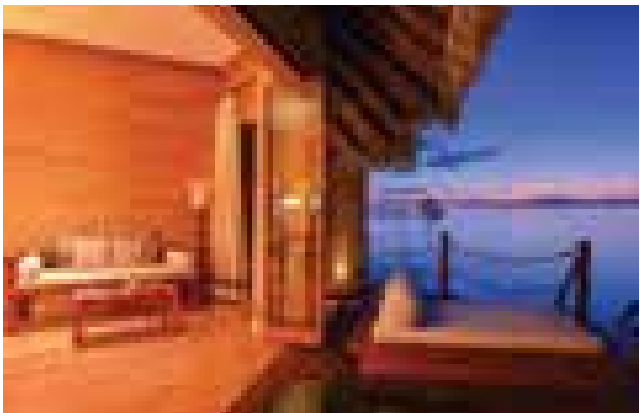
The resort is located in Raa Atoll, 136 km to the north of the capital, Male with a sea plane journey taking only 45 minutes. The location also makes it an ideal venue for water sports with an officially certified diving school offering programs for divers at any level, from beginner to expert.



Find out more about  
Adaaran Select Meedhupparu online at



# ADAARAN SELECT MEEDHUPPARU

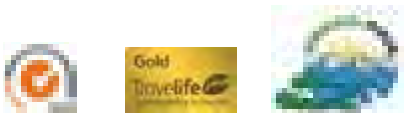


### PROPERTY PERFORMANCE

Adaaran Select Meedhupparu experienced a year of mixed fortunes during 2016/17 despite the resort continuing to be the highest contributor to sector profits. The hotel undertook a renovation of the pool during the summer of 2016 which lasted 3 months and had a negative impact on resort rates due to the European travel regulations requiring the property to offer a minimum concession of 20% on contracted rates due non-availability of all listed hotel facilities.

During the year in review, the room nights from the German market increased by 23% and eclipsed the British market to become the largest contributor of room nights at the resort.

### Certifications



### GUEST REVIEW

“Amazing!!!!”

by Ruskit21 - 4th May 2017

My husband and I spent two weeks on the island,our 3rd visit to the Maldives.Really is paradise-the staff are amazing and they work sooo hard-must try cafe mass if you are a steak eater-probably the best steak I have ever had,was superb! We had massages at the spa and the reflexology place both excellent and met a little turtle whilst having the spa done that lives in the waters surrounding it The food was always nice with lots to choose from... Definitely recommend had a fab time Sooo sad to be back :(



“Best holiday ever!”

by Hala S - 30th May 2016

My husband and I travelled to the Maldives for the first time. We read about so many places in Maldives and we were so unsure about which place to choose. Until we found this piece of paradise! To be honest, the pictures honestly don't do it justice...it's so much nicer in reality. We had a very helpful butler, Yamin and he was always happy to help whenever we needed him. We loved snorkelling and the food was unbelievably delicious. The service was also fantastic and we will definitely be returning to this location!



INCREASE IN EXTRA F&B  
SALES

17%



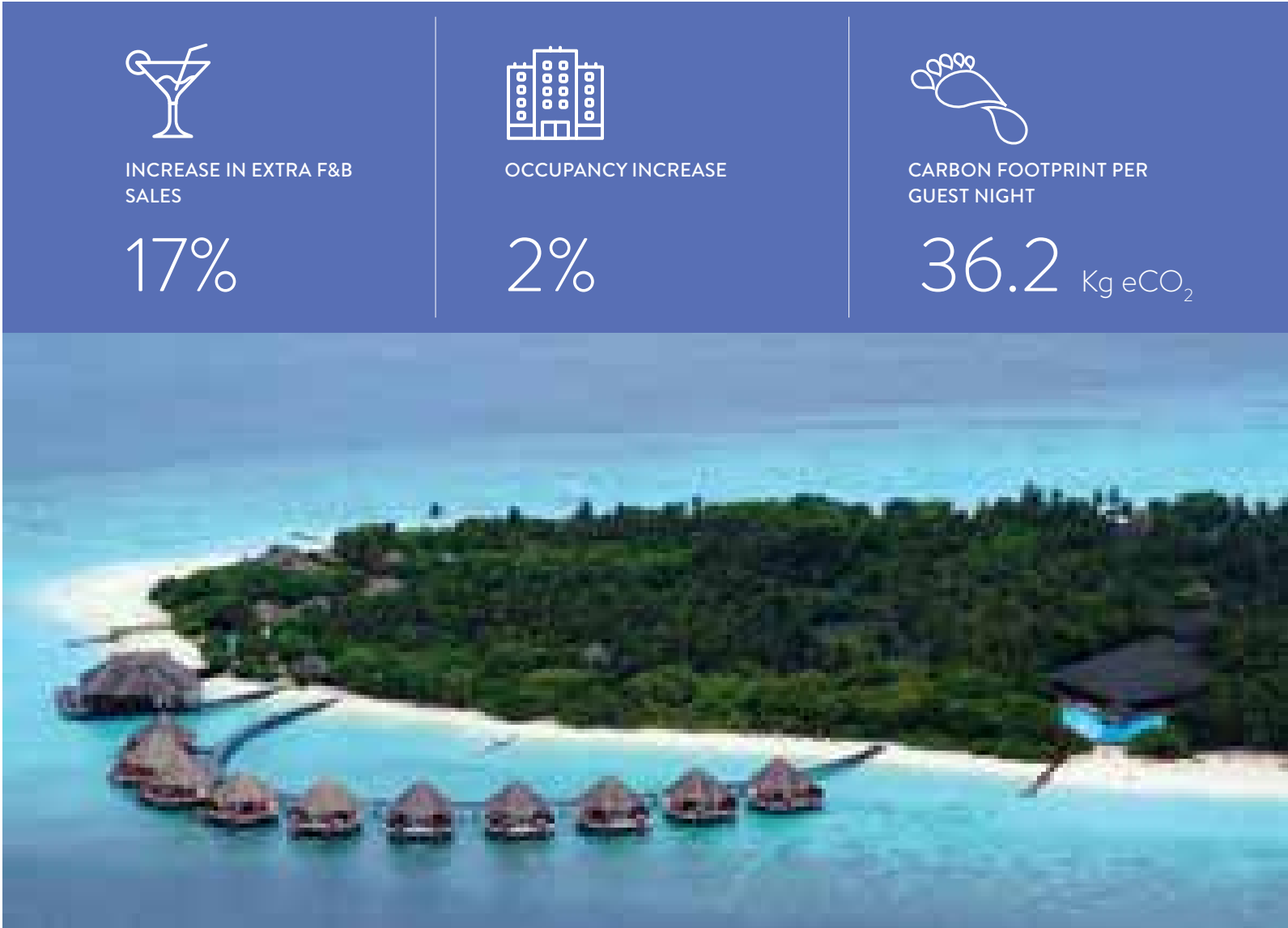
OCCUPANCY INCREASE

2%



CARBON FOOTPRINT PER  
GUEST NIGHT

36.2 Kg eCO<sub>2</sub>





# ADAARAN CLUB RANNALHI



“

Luxury and tranquility by crystal clear blue waters. Bask in the sun or laze in the water, for this property is an exotic getaway, yet located on the tip of the South Male atoll with easy access to the capital city of Male.

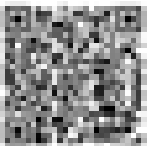
”



## ABOUT ADAARAN CLUB RANNALHI

If excellent scuba diving is on the holiday agenda, then a visit to Adaaran Club Rannalhi located at the tip of the South Male atoll, is a must. Close to the city of Male, this resort offers sumptuous cuisine, well-appointed accommodation and waters full of beautiful marine life like no other resort in the area.

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 34 water villas and 96 beach villas.



Find out more about  
Adaaran Club Rannalhi online at

# ADAARAN CLUB RANNALHI

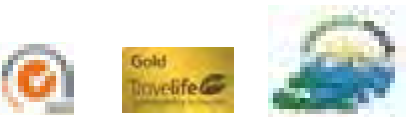


### PROPERTY PERFORMANCE

During the year in review, the resort undertook a refurbishment of 34 water villas reducing the availability of the total room inventory in the summer months which had a negative impact on the revenue and the profitability of the property.

Western Europe continued to be the largest source market for the property with the largest contribution of room nights been generated from German and British nationals. However, it should be noted that a 35% growth was recorded from the Chinese market making the region the third largest source market for Adaaran Club Rannalhi

### Certifications



### GUEST REVIEW

“Great place for good vacation”

by Radosveta7 - 9th May 2017

We were 2 couples visited that amazing island. All of us liked it. Lunch was very delicious. The beach was very pleasant. We also got snorkeling and I can say it was one of the best I have ever got. In our daily visit we have free drinks consumption. Another wonderful thing was feeding the sharks in the end of the day. You can go in the water and look at them. That was great experience.



“Trip to Paradise”

by Yekaterina B - 4th April 2017

I’ve just back from our family vacation with 2 kids from Maldives. I really glad than I chose Adaaran Club Rannalhi for our holiday. The hotel is really nice. The island is not very big. The beach is clean. The food is really good. I was really enjoying the place. The transfer provided by hotel was in time. I’m happy with service and really looking forward to coming back! Love the bar with their coconut cocktails!



INCREASE IN AVERAGE  
ROOM RATE

7%



INCREASE IN EXTRA  
F&B SALES

11%



CARBON FOOTPRINT PER  
GUEST NIGHT

26.43 Kg eCO<sub>2</sub>



# ADAARAN SELECT HUDHURAN FUSHI



“

Located on 83 acres of lush tropical beach property, and surrounded by pristine blue water on the “Island of White Gold”, the property blends with its surroundings and offers peaceful seclusion to enjoy the sun and sea.

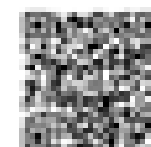
”



## ABOUT ADAARAN SELECT HUDHURAN FUSHI

A true paradise hidden away in 83 acres of lush tropical beauty in the seclusion of the North Male Atoll is Adaaran Hudhuran Fushi, which is blessed with thriving vegetation and pristine waters. 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.



Find out more about  
Adaaran Select Hudhuran Fushi online at:

# ADAARAN SELECT HUDHURAN FUSHI

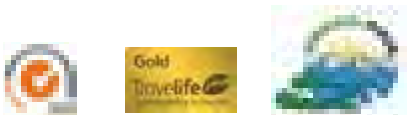


PROPERTY PERFORMANCE

During the year, Adaaran Select Hudhuran Fushi undertook and completed a refurbishment of 45 beach villas which had a negative impact on the resort revenues and profitability.

Chinese, German and British markets were the largest source markets for the property mirroring the industry stats of the destination.

Certifications



GUEST REVIEW

“Felt privileged to be on this island”

by Thomas M - 24th March 2017

Stayed in beach villa 222. so peaceful with short stroll to restaurant and main bar or long stroll after dinner round the beach path. Staff fantastic and so helpful. Water so clear and warm. Accomodation first class. Spent 14 glorious days relaxing and eating. Menu changed every day. Fabulous to see all the variety of sea creatures (sharks , fish(all colours) , sting rays, eels, turtles. Dinner at the sunset restaurant highly recommended. Grounds were immaculate well done groundstaff ! . Clean towels , beach towels every day. A true Paradise. Welcomed with towel to freshen up before welcome meeting and made to feel special for the rest of our stay.



“A beautiful honeymoon experience!”

by kparikh57 - 25th February 2017

We came here for our honeymoon and stayed in the ocean villas! It was a great stay for the price, the service was amazing, the beach was beautiful, and the food was delicious. The rooms were spacious and clean and the staff did a great job making sure we were comfortable. The island was big with a lot to do. There were a lot of excursions and fun things to do on the island. I would highly recommend this place for couples looking for a romantic getaway.



INCREASE IN AVERAGE  
ROOM RATE

7%



INCREASE IN OCCUPANCY

10%



CARBON FOOTPRINT PER  
GUEST NIGHT

35.41 Kg eCO<sub>2</sub>



# AMAZING Oman

“

Oman offers travellers a host of intriguing experiences. Explore stunning desert landscapes, mountains and beaches, or wander through a traditional Arab souk where you can buy anything... from carpets and jewellery to coffee and beads. Visit a 17th century Arab Fort. Explore an underground cave. It's just a few of the things that make Oman...simply amazing.

”

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



# AL FALAJ HOTEL - MUSCAT



“

Experience the warmth of Omani hospitality right at the heart of the city. Equipped with one of the best conference facilities in town, and conveniently located in proximity to the business district and many tourist hotspots, Al Falaj Hotel is the ideal location for the discerning business traveller. Bask in luxury and elegance, surrounded by exotic cuisine and cheerful hospitality, and partake in a range of recreational activities to help you unwind.

”

## ABOUT AL FALAJ HOTEL - MUSCAT

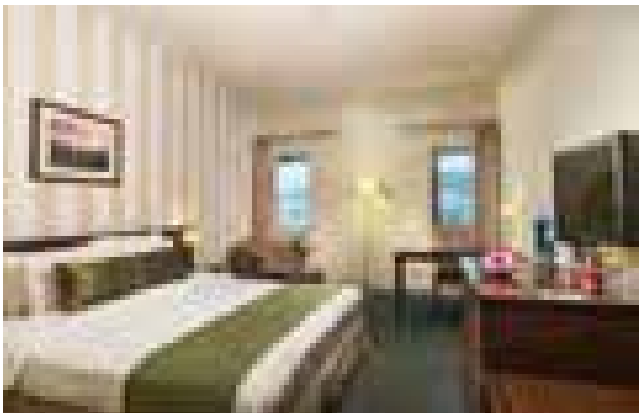
Al Falaj Hotel, Muscat is conveniently located in the heart of the city with easy access to both the business district as well as to tourist attractions. A pleasant 25 km drive from the Seeb International Airport, the Hotel is an ideal meeting point for business or pleasure.

Al Falaj Hotel offers you the opportunity to see the real Muscat with a central location, and easy access to the beach. The hotel grounds are pleasant with tennis and squash courts, as well as two outdoor pools to cool off during hot afternoons. Special lessons for swimming, tennis and karate are also provided.



Find out more about  
Al Falaj Hotel - Muscat online at

# AL FALAJ HOTEL - MUSCAT



## PROPERTY PERFORMANCE

During the year in review, Al Falaj completed its first full year of operations since the acquisition of the property by the group. Amongst the Group’s plans for the year ahead in Oman is a phased refurbishment and a rebranding of Al Falaj.

The hotel experienced lower operational activity during the year due to curtailed spending by the country’s corporate sector which accounts for a significant proportion of revenue at the property due to dampened economic activity in the destination arising from lower oil prices

## GUEST REVIEW

### “Great Stay”

by BrianWarrington - 15th March 2017

My wife and I have just spent 8 nights at the Al Falaj Hotel, the staff are friendly, very helpful and kind. We enjoyed the comfort of the bed. The large swimming pool is great and we also enjoyed having a glass of wine in the Pub and Souq Café. The location is ideal, just a 15 minute walk to Ruwi Bus Station from where you can get a cheap bus to the Corniche and all over Muscat. The hotel breakfast is great, large variety which caters to every taste. We had a great stay and its well worth the money.



### “Everything is available”

by PeterKoueik - 26th Aug 2016

The staff were very friendly and helpful. Good restaurants, club, gym, pool, and tennis court. The rooms were comfortable and had stable internet connection. I would definitely stay there again and recommend others to do so as it is the best value for money hotel i found in Muscat so far.



NEW F&B OUTLETS

+2



GROWTH IN ONLINE SALES

+53%



TOTAL ENERGY CONSUMPTION

18,902 GJ

# DESERT NIGHTS CAMP - AL WASIL



## ABOUT DESERT NIGHTS CAMP - AL WASIL

The Desert Nights Camp in Oman is two hours away from Muscat. The camp is sprawled across 10-acres of silken sands, secluded 11km within the vast isolation of the Omani desert. 30 sumptuous Bedouin style tents with en suite baths offer a world of unparalleled luxury and comfort.

# OMAN HOTELS



## ABOUT AL WADI HOTEL - SOHAR



Al Wadi Hotel is located in Sohar, the ancient maritime capital of Oman. Ideal for business and leisure travellers alike, Al Wadi hotel has 79 standard rooms, bars and restaurants, recreational facilities and a conference room.

## ABOUT SUR PLAZA HOTEL - SUR



Enjoy age-old Omani hospitality at the Sur Plaza Hotel in Sur, reputed for its old fishing village and traditional dhows. 220 km from Muscat, this comfortable 3-star hotel offers business and holiday travellers a superlative service with a touch of tradition.

# MAGNIFICENT India

“

Vast, mysterious and wild. Cosmopolitan, fun and funky. Amble through the Red Fort, ride a camel in the Thar desert, laze on an empty beach or party till dawn. The choices are endless and invigorating, like the great subcontinent itself. Take a trip and discover for yourself why India remains a truly magnificent destination experience.

”

turyaa  
CHENNAI

Turyaa Chennai - India



# TURYAA CHENNAI



“

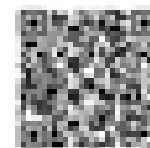
Located in the commercial, cultural, economic and educational centre of South India, Turyaa Chennai offers convenience and elegant and comfortable accommodation and is the place of choice for the discerning, tech savvy business and leisure traveler.

”

turyaa  
CHENNAI

## ABOUT TURYAA CHENNAI

Turyaa Chennai is conveniently located near the heart of the city, on Chennai's IT corridor. Now recognised as one of the city's finest business hotels, Turyaa offers the best of both worlds in an amalgamation of business and leisure facilities. Although positioned primarily as a business hotel, Turyaa Chennai transforms into an idyllic sanctuary in the evening, where guests can relax by the pool while enjoying the view from the rooftop overlooking the bustling cityscape.



Find out more about  
Turyaa Chennai online at

TURYAA  
CHENNAI



PROPERTY PERFORMANCE

Turyaa Chennai completed its first full year of operations in the year under review, seeing a significant increase in revenue over the preceding year. In January 2017, the property was classified as ‘five-star deluxe’ by the Government of India, making it one of the first resorts in Chennai and one of just 92 in all of India, to receive such classification.

Hotel revenue is projected to increase further in the coming year and the property is confident of diversifying its revenue streams, with a significant contribution expected from banquets and external catering.

GUEST REVIEW

“Great ambience, yummy food and good service”

by MaliniMaruth - 18th April 2017

The hotel is located close to tidel, ramanujam IT park, international tech park and many other tech parks in the area. The ambience is very good and the hotel interiors have been tastefully decorated, very different from the normal business hotels. The food is outstanding, menu is well planned. One thing that is worth mentioning is the service, they have good staff with the right attitude. I would definitely like to visit again, this time with family.



“Lovely place to stay”

by Sneha K - 24th April 2017

It has a gym, swimming pool, spa and 4 restaurants inside- all maintained very well. Rooms are spacious. Breakfast Buffet is amazing. Staff is readily available on the press of a button. Amazing ambience. The location of the hotel is also very convenient. Not too far from airport and has many eating joints nearby. Hotel provides free wifi. Had a really pleasant stay there.



INCREASE IN OCCUPANCY

195%



INCREASE IN RevPAR

135%



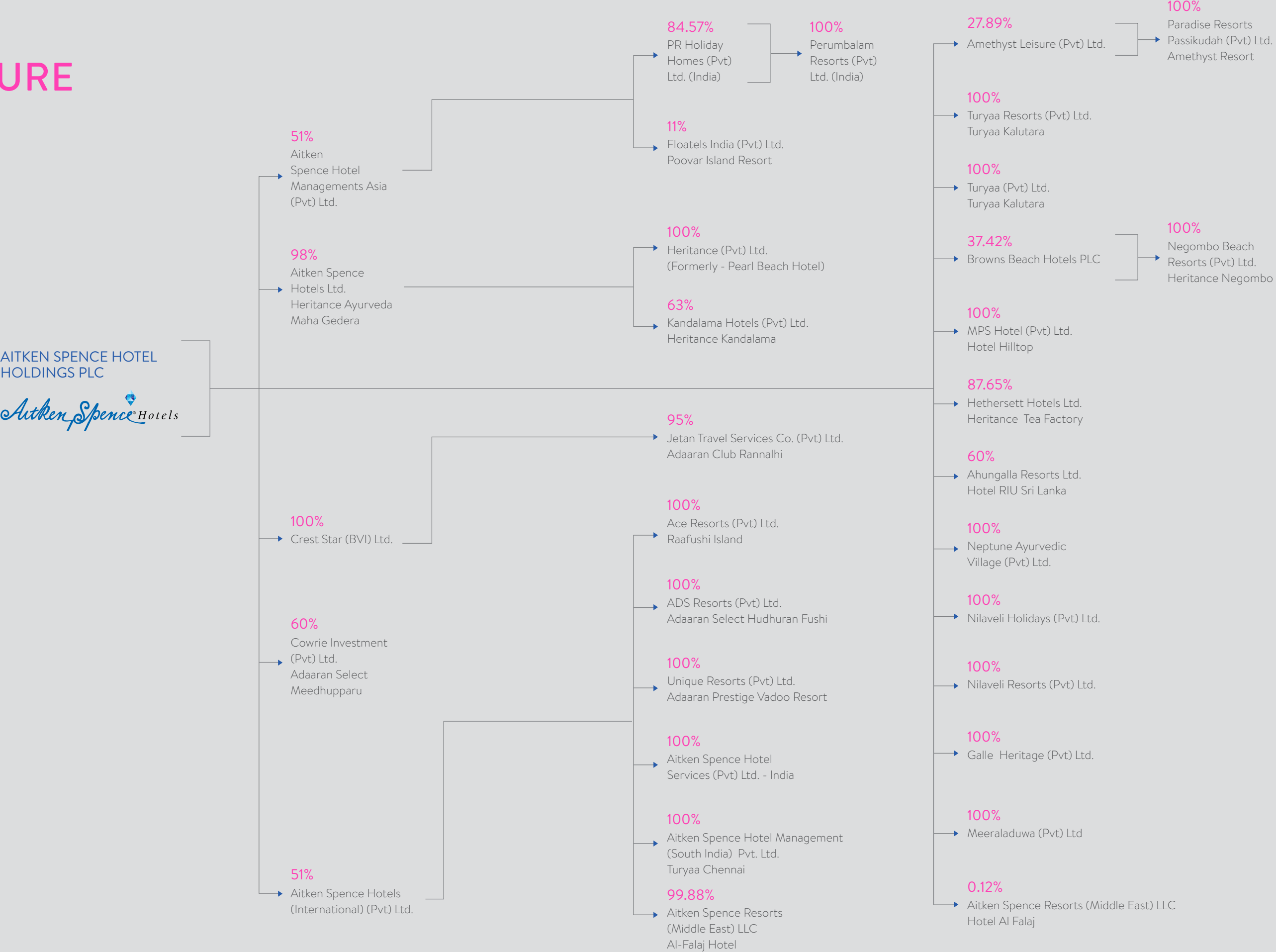
TOTAL ENERGY CONSUMPTION

13,101 GJ

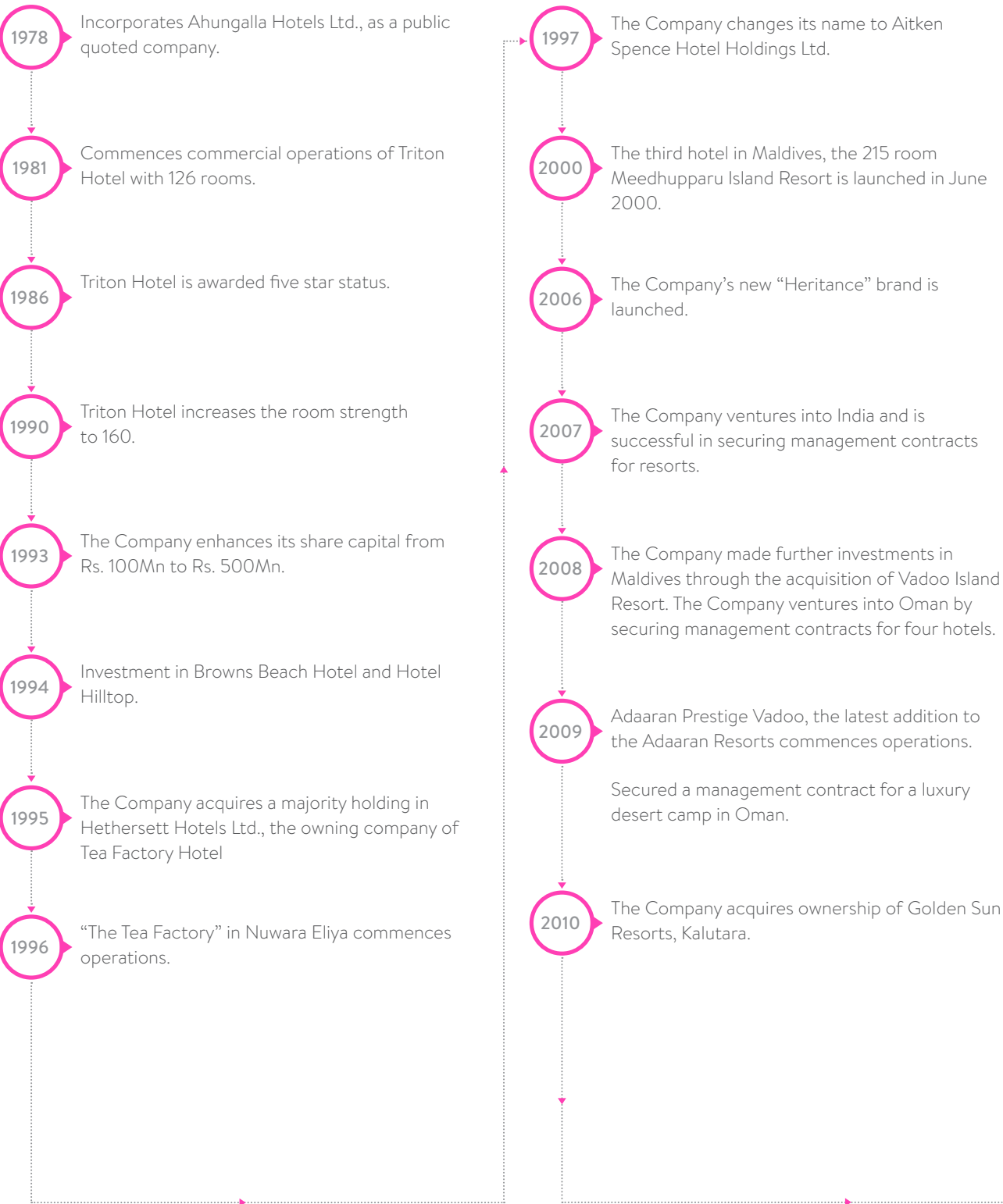




GROUP  
STRUCTURE



# MILESTONES

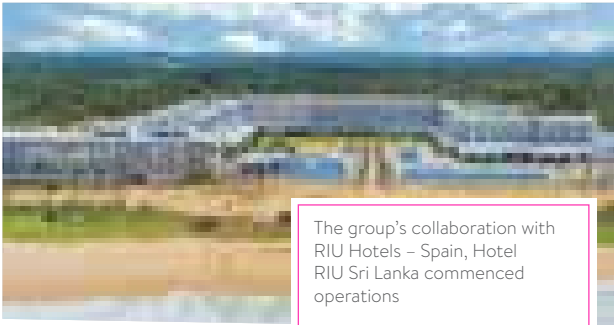


## EXPANDING HORIZONS

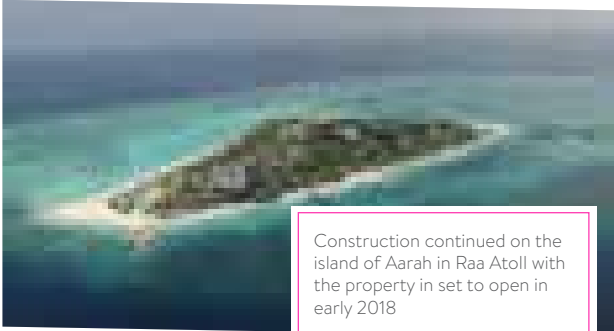
### Highlights during the year



Aitken Spence Hotels unveils Heritage Negombo. Located in close proximity to the City and the International Airport, making it a popular hotel for travellers keen to be near the city and explore its attractions



The group’s collaboration with RIU Hotels – Spain, Hotel RIU Sri Lanka commenced operations



Construction continued on the island of Aarah in Raa Atoll with the property in set to open in early 2018

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

“

The Group will continue to expand its regional footprint not merely as a strategy of mitigating risks associated with one destination but also as a means to benefit from the exponential growth in selected markets. We will continue to expand and harness the many synergies of being a multi destination player whilst leveraging the same values and unique brand attributes that have differentiated us to sustain a position of market leadership and are well poised to harness the opportunities created by our long-term view.

”

### INTRODUCTION

We are happy to present below the Group’s Integrated Management Discussion & Analysis in our sixth report to follow an integrated format of reporting. It reflects the Group’s value creation model by evaluating its performance in the wider context of social and environmental performance.

### Report Boundary and Scope

The details contained herein, report on the financial year from 1st April 2016 to 31st March 2017. 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 provided on pages 12 and 13 in “Across the Region”. The Integrated MD&A reports on operations which fall directly under our control as a Group and as individual properties.

The management of Aitken Spence Hotel Holdings PLC. commissioned DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) reported. The Assurance is based on Core reporting option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (GRI G4). The opinion of the above is given on pages 307 to 310.

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).

### About the Group

Aitken Spence Hotel Holdings PLC. operates a chain of 22 distinct properties in Sri Lanka, Maldives, India and Oman. It is one of the largest resort operations in Sri Lanka and largest international resort chain in the Maldives in terms of capacity. The portfolio of hotels and resorts offers a range of choices for varying needs and budgets including niche market hotels, award winning resorts and layover hotels, whilst maintaining the same exceptional standards of hospitality.



The hotels in Sri Lanka cover all of the country’s key attractions, of beach, the cultural triangle, the East Coast, Central Hills and most recently the West Coast. The Group possesses many years of experience and expertise in the local and regional hospitality industry and is renowned for its proficiency in hotel design, building, management and a commitment to excellence. The international award winning properties have thus set industry benchmarks for service quality, culinary standards and sustainable tourism.

Aitken Spence Hotel Holdings PLC is a subsidiary of Aitken Spence PLC, one of Sri Lanka’s leading diversified conglomerates with a history that spans 149 years since its inception in 1868. Its portfolio includes Hotels, Travel, Maritime Services and Logistics Solutions

### THE GROUP’S KEY STRATEGIC IMPERATIVES

The Hotels Group arrived at 9 key strategic imperatives (as set forth in 2015), taking into consideration the Group’s vision, objectives, strengths, weaknesses and the opportunities and constraints in the operating environment as well as the Holding Company’s vision and strategic objectives. We consider these strategies still relevant for the next three years and they are presented below.

INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Strategy	Strategies in action in 2016/17	Plans for 2017/18
Strengthen our regional presence.	Commenced construction of two resorts on the newly acquired islands in the Maldives.	Commence operations at the resort being constructed on the island of Aarah.  Formulate a comprehensive branding strategy to incorporate and maximise the efficiencies in the Group's portfolio of properties.
Source new partners in order to expand our product offering and market linkages.	The new 501 room 5-star property – Hotel RIU Sri Lanka, in Ahungalla - a joint venture with RIU Hotels Spain, came into operation during the year. As envisaged, Charter flights to Sri Lanka commenced as a result of the linkages with RIU.	Enter into new partnerships and collaborative efforts to develop existing land banks.
Expand our presence across Sri Lanka in order to complete our portfolio of product offerings.	139 roomed 5 star resort Heritance Negombo commenced operations in April 2016.	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.	Set up marketing representation offices in key source markets such as China and India.	Build on the measures set in place in 2015 & 2016 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.	Sustain and leverage the developed brand proposition based on the results of the brand exercise.  Consolidate our branding portfolio to be the vehicle for planned enhancements
Leverage on technology as a competitive advantage.	Implemented Duetto in one of our properties to assess its impact.  Implemented internationally recognised booking engine/channel management software system, enabling the integration of web booking channels with our property management system.	Introduce more properties in our portfolio to the revenue management platform.  Increase the contribution to revenue from online channels vis a vis the tour operator channel.  Continue to expand and harness the capabilities of the new CRM software and other technology to offer more customised solutions and a superior service to customers.
Taking initiatives to meet industry skills gap and dearth of trained HR.	Aitken Spence School of Hospitality continued to train youth.  Continued to train internal trainers to sustain the Learning & Development culture into the future.	The Group continues to monitor any training gaps which may arise and provide continuous training to enable employees to perform on par with standards and expectations.

Strategy	Strategies in action in 2016/17	Plans for 2017/18
Retaining talent.	Enhanced the Learning and Development centre and launched new initiatives to provide continuous training.  Heritance Negombo which opened in 2016 is equipped with the best of its kind in staff accommodation	Further enhance facilities provided to increase managerial level training.
Continue our Triple Bottom Line focused model with a focus on sustaining communities and the environment.	Obtained Travelife certification for our properties at Adaaran in the Maldives.  Ayurveda Maha Gedara was recognized as a premium quality hotel in the category of “Ayurveda & Yoga” presented by FIT Reisen Germany for the 3rd consecutive year.	Adopt a focused, differentiated and branded sustainability initiative which is in sync with the Group's values, passion and objectives to make a significant impact.

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.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

COMMUNITY

REASON FOR ENGAGEMENT

- To ensure harmonious co-existence 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 policy makers and regulators
- Reports on compliance with standards and regulations
- Meetings with experts, environmental NGO's and lobby groups

PRIORITIES

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

EMPLOYEES

REASON FOR ENGAGEMENT

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

METHODS OF ENGAGEMENT

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

PRIORITIES

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

INVESTOR RELATIONSHIP

REASON FOR ENGAGEMENT

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

METHODS OF ENGAGEMENT

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

PRIORITIES

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

GUEST EXPERIENCE

REASON FOR ENGAGEMENT

- To ensure business continuity and create sustainability consciousness

METHODS OF ENGAGEMENT

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

PRIORITIES

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

SUPPLY CHAIN

REASON FOR ENGAGEMENT

- To ensure that the Group maintains pre-determined 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

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 ASSOCIATES

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



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

## Our Contribution to the Sri Lankan Economy

Value Creation by an enterprise occurs in the context of its operating environment. This discussion of the Group’s strategies and performance hence begins with a review and preview of relevant aspects of the local and global economic backdrop and outlook.

Statement of Value Added										
	%	2016/17 Rs. '000	%	2015/16 Rs. '000	%	2014/15 Rs. '000	%	2013/14 Rs. '000	%	2012/13 Rs. '000
Total Revenue		16,055,386		13,378,071		13,270,918		12,947,076		12,035,870
Purchase of Goods & Services		(8,906,108)		(7,177,398)		(6,877,703)		(6,442,670)		(6,013,939)
		7,149,278		6,200,673		6,393,215		6,504,406		6,021,931
Other Income		69,013		219,813		679,604		661,034		209,652
Share of Profit of Equity Accounted Investees		(171,202)		(165,030)		(14,390)		34,891		70,248
Total Value Added		7,047,089		6,255,456		7,058,429		7,200,331		6,301,831
Distributed as follows:										
To Government (Income tax & turnover tax)	14	958,171	10	643,199	11	801,195	14	976,610	15	934,170
To Employees (Salaries & other costs)	39	2,746,929	34	2,122,117	26	1,828,866	24	1,753,081	26	1,648,248
To Lenders of Capital (Interest on loan capital & minority interest)	15	1,082,879	16	1,031,310	20	1,386,309	19	1,368,333	19	1,201,456
To shareholders (Dividends)	4	252,218	7	420,363	7	504,435	7	504,435	5	336,290
Retained for Reinvestment & Future Growth (Depreciation & retained profits)	28	2,006,892	33	2,038,467	36	2,537,624	36	2,597,872	35	2,181,667
		7,047,089		6,255,456		7,058,429		7,200,331		6,301,831

## THE BACKDROP TO PERFORMANCE:

### Global Economic Performance & Outlook:

The global political environment sprung two significant surprises during the year, in the form of Brexit and the United States’ election of Donald Trump as its president. Both these events, in a general sense, appear to imply a worldwide trend of rising nationalism and protectionism. However, whilst the global markets were in turmoil in the immediate aftermath of these events, they soon reverted to their previous status quo. Economic activity is picking up with a long-awaited cyclical recovery in investment, manufacturing, and trade. Robust demand, reduced

deflationary pressures and optimistic financial markets all augur well for higher growth.

According to the IMF’s (International Monetary Fund) latest estimates, World growth is expected to rise from 3.1 % in 2016 to 3.5 % in 2017 and 3.6 % in 2018. But structural impediments which could hold back a stronger recovery and a balance of risks that remains tilted to the downside, especially over the medium term, remain important challenges. Structural problems such as low productivity growth and high income inequality have begun to exert pressures for inward-looking policies in advanced economies thus threatening economic integration and

a cooperative global economic order that has served the world economy, emerging markets and developing economies well.

Oil prices increased by approximately 20% between August 2016 and February 2017, in part due to the agreement by the Organization of the Petroleum Exporting Countries (OPEC) and other producers to restrict oil production. Stronger activity and expectations of more robust future global demand also contributed to strengthening oil prices since their troughs in early 2016. Following slight weakening in recent weeks, oil prices stood at about \$50 a barrel as of end-March, still some 12% stronger than in August 2016.

Since the U.S. election, expectations of looser fiscal policy in the United States have contributed to a stronger Dollar and higher U.S. Treasury interest rates, pushing up yields elsewhere as well. Market sentiment has generally been strong, with notable gains in equity markets in both advanced and emerging market economies. Fiscal policy as per the IMF is expected to be more expansionary in the USA in 2017.

For the first time since the onset of the great recession, the first quarter of 2017 has seen a synchronized upturn in the USA, Europe and Japan and some key emerging markets. Such growth is expected to be propelled by the effects of broad accommodative monetary policy and expansionary fiscal policy measures of advanced economies that are expected to spill over to emerging market and developing economies. Growth is also projected to remain strong in China and many other commodity importers. China’s high growth is expected to be supported by policy stimulus, though its effects on credit expansion and budgetary constraints may require abrupt policy adjustments in the period ahead. India’s growth, which at present is considered the highest amongst large economies, is forecast to be somewhat lower than expected in 2017 due to the impact of the withdrawal of high denomination currency notes from circulation. Growth rates in economies that are dependent on oil incomes, particularly those in the Middle East, are also expected to slow down due to lower levels of oil production, in spite of the expected increase in oil prices.

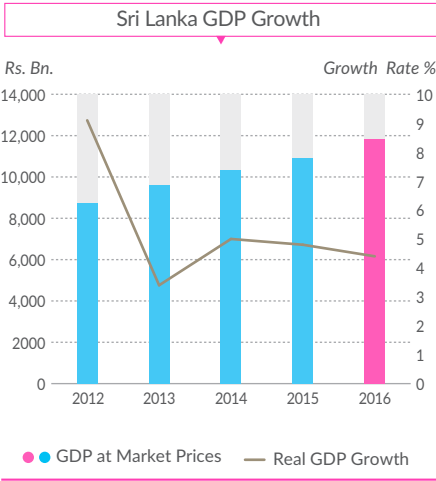
World Growth Percentage Change	Actual	Projections	
	2016	2017	2018
World output	3.1	3.5	3.6
Advanced economies	1.7	2.0	2.0
USA	1.6	2.3	2.5
Euro	1.7	1.7	1.6
UK	1.8	2.0	1.5
Japan	1.0	1.2	0.6
CIS	0.3	1.7	2.1
Russia	-0.2	1.4	1.4
China	6.7	6.6	6.2
India	6.8	7.2	7.7
ASEAN	4.9	5.0	5.2
Emerging & Developing Asia	6.4	6.4	6.4
Emerging & Developing economies	4.1	4.5	4.8
World Trade Volumes (goods & services)	2.2	3.8	3.9
Imports by Advanced economies	2.4	4.0	4.0
Imports by Emerging & Developing economies	1.9	4.5	4.3
Oil Prices (U.S. Dollar) (average price of intermediate crude oil)	-15.7	28.9	-0.3
London Interbank Offer Rate (LIBOR) (on US Dollar deposits)	1.1	1.7	2.8

Source: IMF, World Economic Outlook April 2017



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

## Sri Lankan economy



Sri Lanka’s economic activity began to gather momentum and showed signs of stabilization as the year 2016 left behind some of the policy uncertainties that characterized the preceding year of elections and transitions. June 2016 saw Sri Lanka reach an agreement with the IMF for an Extended Fund Facility (EFF), which was an important milestone during the year, not only to boost the Country’s foreign reserves but also to boost investor confidence and provide a sustainable fiscal and monetary policy framework.

1999-2008 avg	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2022
5.1	3.5	8.0	8.4	9.1	3.4	4.9	4.8	4.3	4.5*	4.8 *	5.3 *

Source, Central Bank of Sri Lanka; \*IMF forecasts

The Agriculture sector contracted by 4.2% (compared to a growth of 4.8% in the previous year) due to the adverse weather conditions that caused a decline in the paddy, tea and rubber sectors resulting in a reduction in the share in real GDP to 7.1% in 2016. The Services related activities which constitute 56.5% of real GDP grew by 4.2% in 2016 on a year on year basis supported by the expansion in financial services, insurance telecommunications, as well as transportation and wholesale and retail trade. The value addition in the Industry sector recorded a significant growth of 6.7% in 2016 compared with a growth of 2.1% recorded in 2015. The Construction, mining and quarrying activities which recovered from the contraction recorded in 2015 were the main contributors to the growth in the

Unfavourable weather conditions and a sluggish global economic recovery however, caused the economy to grow at a slower 4.4% in real terms in comparison to 4.8% in the previous year although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. As per the expenditure approach estimates of the Central Bank, economic growth in 2016 was primarily driven by the expansion in investment expenditure.

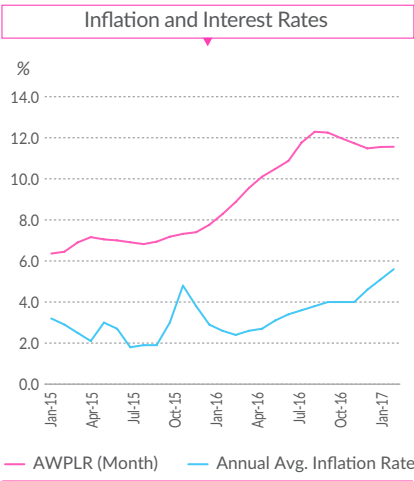
Higher investment growth predominantly emanated from the expansion in construction activities during the year. Meanwhile, consumption expenditure, which is the largest expenditure category of the economy, recorded a modest growth of 4.1 % in nominal terms, which was a considerable moderation compared to the growth of 10.3% recorded in the previous year. The slowdown in consumption was mainly due to the moderation in private sector consumption expenditure due to tightened monetary and fiscal policies, and higher cost of living, while public sector consumption expenditure also moderated in 2016 with ongoing fiscal consolidation efforts. Although domestic demand grew by 8.2 % in nominal terms (6.2 % in real terms) during the year, net external demand declined by 9.6 % in nominal terms (22.5 % in real terms) in 2016 reflecting both weakness in Sri Lanka’s export markets and a decline in the competitiveness of the economy as evidenced by the continued fall in the country’s share of global exports.

Industries sector. In addition, sub sectors of Electricity, Gas and Water also contributed to the growth in the Industries sector.

### Inflation

Consumer price inflation moved upwards during the first half of 2016, although it stabilised somewhat during the remainder of the year, while core inflation broadly followed an upward trend in 2016. Year-on-year headline inflation based on the NCPI, which peaked at 6.4% in June 2016, gradually decelerated to 4.2% by end 2016, thus registering the same rate as at end 2015. On an annual average basis, however, NCPI based headline inflation increased to 4% by end 2016 compared to 3.8% at end 2015.

Following a similar trend, CCPI (2013=100) based headline inflation also reached a peak of 5.8% cent in July 2016, before registering 4.5 % at end 2016, while on an annual average basis, it stood at 4% by end 2016. Core inflation, which measures the underlying inflationary pressures in the economy, continued an upward trend in 2016 although some volatility was observed on a monthly basis. Although core inflation stabilised for a few months as a result of the suspension of the changes made to the government tax structure, the reimposition of the tax changes caused core inflation to move upwards towards end 2016. Accordingly, NCPI based core inflation stood at 6.7% by end 2016, year-on-year, remaining higher than 5.8% recorded at end 2015. The prevailing drought conditions, the effect of the tax changes and rising international commodity prices affected the movements in inflation in the first quarter of the year 2017 as well, although tightened monetary and fiscal policies enabled reigning in of demand pressures on inflation to a great extent.



### Interest Rates

Stabilising inflation at mid-single digits over the medium term, without compromising growth prospects of the economy, remained the primary focus of the Central Bank’s monetary policy in 2016. Accordingly, the Bank carried out several monetary policy tightening steps in 2016 as follows:

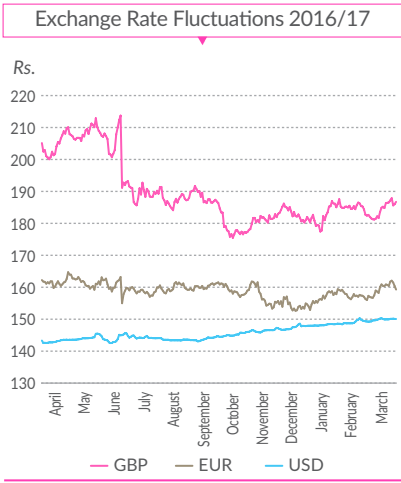
- Raised the SRR applicable on all rupee deposit liabilities of listed commercial banks by 1.50% to 7.50% with effect from 16th January 2016

- Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised by 50 basis points each in February 2016 to 6.50% and 8.00% respectively
- Increased the SDFR and the SLFR by an additional 50 basis points to 7.00% and 8.50% respectively in July 2016

The gradual tightening of monetary policy and the gradual decline in excess liquidity contributed to a considerable rise in both lending and deposit rates during the year. Accordingly, the Average Weighted Deposit Rate (AWDR) increased to 8.17% by end 2016 from 6.20% at end 2015, while the Average Weighted Fixed Deposit Rate (AWFDR) also increased to 10.46% by end 2016 from 7.57% at end 2015. Interest rates offered on new deposits also increased substantially during the year. At the same time, the weekly Average Weighted Prime Lending Rate (AWPLR), which is based on interest rates applicable on loans and advances granted by commercial banks to their prime customers, increased by 399 basis points to 11.52% by end 2016 from 7.53% at end 2015,

### Exchange Rate

The Rupee depreciated against all major currencies except the Pound Sterling in 2016; with depreciation pressure resulting from increased imports, continued foreign debt service payments and outflows on account of reversal of foreign investments from the government securities market amidst monetary policy normalisation in the



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

USA. The rupee, which remained broadly stable due to intervention by the Central Bank in the first four months of the year, was allowed to reflect market demand and supply conditions to a great extent in the second half of the year, resulting in an overall depreciation of the rupee against the US dollar by 3.83 % in 2016.

Outlook

Real GDP Growth -Projections by the Central Bank % Change				
2017	2018	2019	2020	
5.0	6.0	6.5	7.0	

The Central Bank projects Sri Lanka’s economy to grow at a moderate rate of around 5% in 2017 amidst the adverse impact of unfavourable weather conditions, whilst the IMF estimates the Sri Lankan economy to grow by 4.5% in 2017 and 4.8% in 2018. As per the CBSL estimates economy is expected to improve gradually thereafter to record an annual growth rate of 7% by 2020.

The private sector is expected to play a key role in achieving this higher growth momentum by exploiting potential growth opportunities in the economy and external markets. Accordingly, economic expansion would be supported through increased investment from the private sector. Foreign investors are expected to contribute towards a higher level of investment with particular emphasis on services related activities and export oriented industries. The opportunities for the private sector would include the planned establishment of the Colombo Financial City, new opportunities under the Western Region Megapolis Project and the proposed establishment of economic corridors in the North East and South West of the island, and also in the areas surrounding the Hambantota and Trincomalee ports. In addition to these initiatives, domestic investment activities are also expected to continue with emphasis on improving productivity through the adoption of new technology including mechanisation initiatives in the Agriculture and Industry sectors together with the adoption of information technology (IT) related improvements. An acceleration in global growth and the resultant increase in global interest rates could have diverse effects on the Sri Lankan economy.

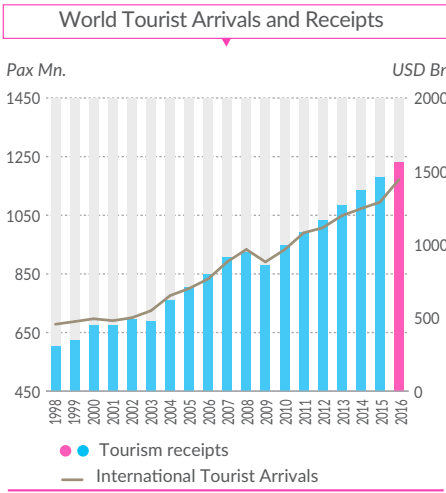
The increase in oil prices as well as prices of other commodities in the global markets will weigh negatively

in aggregate on the BOP and domestic price indices, while stagnant growth in the Middle East could reduce the income from tea exports and remittances by migrant workers. Tourist arrivals may pick up with high economic growth in Europe, China, India and Russia, which are Sri Lanka’s major sources of tourism. Sri Lanka, along with other small economies in Asia, could experience higher direct investment inflows, given the rising levels of South-South FDI. The proposed trade and economic partnership arrangements in the region could enable Sri Lanka to gain access to larger regional markets with higher income levels.

The tightening of key global financial markets, however, pose numerous challenges to Sri Lanka, in relation to borrowing in international financial markets that are necessary to rollover previous borrowings, and in relation to payment of interest on floating rate US dollar denominated instruments that are being used to finance the budget deficit.

Industry Landscape

Global Tourism Industry



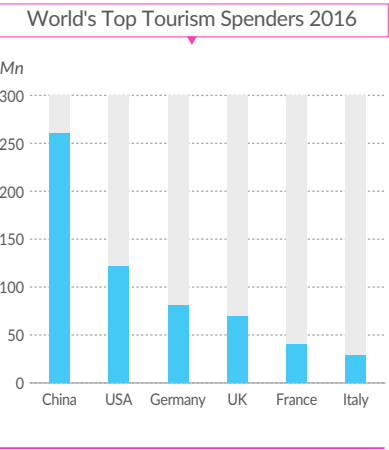
As a worldwide export, tourism continued to rank third in the world. UNWTO’s 2016 results on expenditure from major outbound markets reflect increasing demand for international tourism across the world, as reported in the latest UNWTO World Tourism Barometer. With a 12% increase in spending, China continued to lead international outbound tourism, followed by the United States, Germany, the United Kingdom and France as top five spenders.

“

The latest data on outbound tourism spending are very encouraging. Despite the many challenges of recent years, results of spending on travel abroad are consistent with the 4% growth to 1.2 billion international tourist arrivals reported earlier this year for 2016. People continue to have a strong appetite for travel and this benefits many countries all around the world, translating into economic growth, job creation and opportunities for development

- UNWTO Secretary-General, Taleb Rifai.

”



Chinese tourists spent 12% more on tourism abroad in 2016 - Another strong year for outbound tourism from China, the world’s leading outbound market. International tourism expenditure grew by US\$ 11 billion to US\$ 261 billion, an increase by 12% (in local currency). The number of outbound travellers rose 6% to 135 million in 2016. This growth consolidates China’s position as number one source market in the world since 2012, following a trend of double-digit growth in tourism expenditure every year since 2004.

The growth in outbound travel from China benefited many destinations in Asia and the Pacific, most notably Japan, the Republic of Korea and Thailand, but also long-haul destinations such as the United States and several in Europe. In line with this increasing trend, China accounted for the second highest arrivals to Sri Lanka in 2016 as well.

Arrivals across the world

Tourist Arrivals into each region in 2016	
	Million
Europe	615
USA	200
Asia Pacific	309
Africa	58
Middle East	54

Source: World Tourism Council

In addition to China, three other Asian outbound markets among the first ten showed very positive results. The Republic of Korea (US\$ 27 billion) and Australia (US\$ 27 billion) both spent 8% more in 2016 and Hong Kong (China) entered the top 10 following 5% growth in expenditure (US\$ 24 billion).

**Second largest market the United States maintains strength** - Tourism spending from the United States, the world’s second largest source market increased 8% in 2016 to US\$ 122 billion, up US\$ 9 billion on 2015. For a third year in a row, strong outbound demand was fueled by a

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

robust US dollar and economy. The number of US residents travelling to international destinations increased 8% through November 2016 (74 million in 2015).

By contrast, Canada, the second source market from the Americas in the top ten, reported flat results, with US\$ 29 billion spent on international tourism, while the number of outbound overnight trips declined by 3% to 31 million.

**Germany, the United Kingdom, France and Italy lead tourism spending in Europe** - Germany, the United Kingdom, France and Italy are the four European markets in the top ten and all reported growth in outbound demand last year. Germany, the world’s third largest market, reported 5% growth in international tourism spending last year, rebounding from weaker figures in 2015, reaching US\$ 81 billion.

Demand from the United Kingdom, the world’s fourth largest source market, remained sound despite the significant depreciation of the British pound in 2016. UK residents’ visits abroad were up by 5 million (+7%) in 2016 to 70 million, with expenditure close to US\$ 64 billion.

France, the world’s fifth largest market, reported 7% growth in tourism expenditure in 2016 to reach US\$ 41 billion. Italy recorded 1% growth in spending to US\$ 25 billion and a 3% increase in overnight trips to 29 million.

**Many more source markets report growing outbound expenditure** - Among the largest 50 source markets, there were another nine that recorded double-digit growth in spending in 2016: Vietnam (+28%), Argentina (+26%), Egypt (+19%), Spain (+17%), India (+16%), Israel and Ukraine (both +12%), Qatar and Thailand (both +11%).

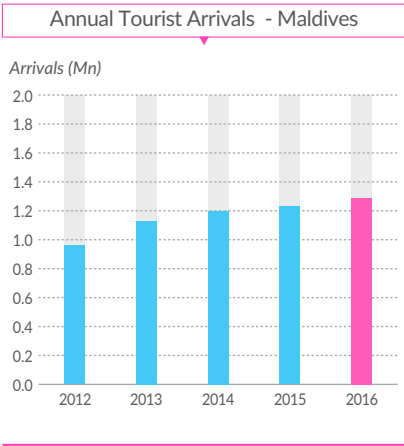
Contribution of Travel & Tourism to Maldives’s GDP			
	Actual	Projections	
	% of Total 2016	Growth 2017	% of Total 2027
Direct contribution to GDP	40.9	7.3	44.3
Total contribution to GDP	79.4	6.4	86.5
Direct contribution to Employment	19.7	5.5	22.4
Total contribution to Employment	43.6	4.5	49.2

Source: World Travel & Tourism Council

By contrast, outbound tourism from some commodity exporters continued to be depressed as a consequence of their weaker economy and currencies. Expenditure from the Russian Federation declined further in 2016 to US\$ 24 billion. International tourism spending from Brazil also decreased in 2016.

## Maldives

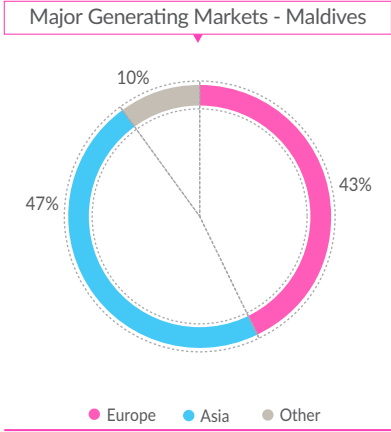
Total arrivals growth into the Maldives for the period January to December 2016 grew by a marginal 4.2% whilst the month of December (the winter month for most key markets) remained same as in the previous year. Some of the key markets for your Group, such as Russian arrivals declined by 4.1% in December although increasing by 5% in 2016 compared with the previous year. European arrivals also declined in December by 4.1% whilst growing by 7.3% for the year.



Visitor exports are a key component of the direct contribution of Travel & Tourism. In 2016, Maldives generated MVR 42,943 million in visitor exports. In 2017, this is expected to grow by 7.3%, and the country is expected to attract 1,412,000 international tourist arrivals. Leisure travel spending (inbound and domestic) generated 96.7% of direct Travel & Tourism GDP in 2016 (MVR 42,688 million) compared with 3.3% for business travel spending (MVR 1,467 million). Business travel spending is expected to grow by 4.2% in 2017 to MVR 1,528 million, and rise by 3.9% pa to MVR 2,241 million in 2027.

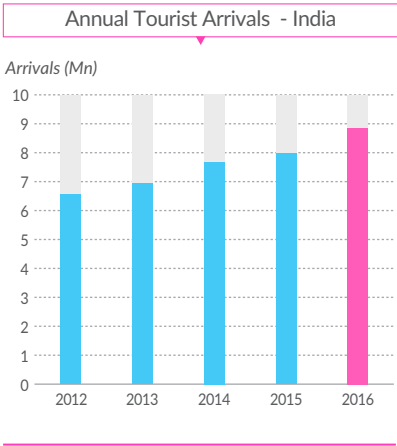
Leisure travel spending is expected to grow by 7.3% in 2017 to MVR 45,816 million, and rise by 4.2% pa to MVR 68,819 million in 2027.

By 2027, international tourist arrivals are forecast to total 2,108,000, generating expenditure of MVR 69,186 million, an increase of 4.1% per annum.

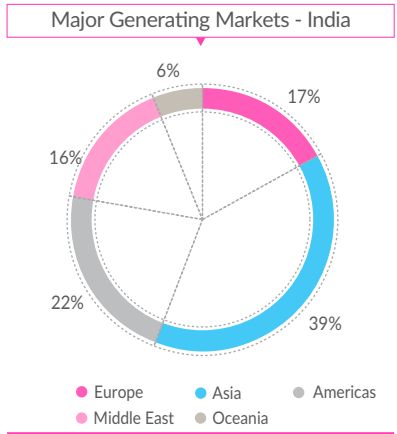


## India

As per the IMF statistics, India’s GDP grew by 6.8 % in 2016, at a lesser rate than the 7.9% growth in 2015; and is estimated to grow at 7.2 % in 2017. And as per the World Tourism Council, the direct contribution to GDP from the country’s travel and tourism industry amounted to 3.3% in 2016 and is estimated to grow by 6.9% in 2017. Leisure travel spending (inbound and domestic) generated as much as 94.6% of Direct Travel & Tourism GDP in 2016 (INR 12,079 million) compared with 5.4% for business travel spending (INR 689 million). Business travel spending is expected to grow at a faster rate than in 2017, by 5.5% in 2017 to INR 727 million, and rise by 7.2% pa to INR 1,456 million in 2027.



Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of Travel & Tourism. In 2016, India generated INR 1,529 billion in visitor exports. In 2017, this is expected to grow by 5.4%, and the country is expected to attract 9,450,000 international tourist arrivals.



By 2027, international tourist arrivals are forecast to total 17,284,000, generating expenditure increase of 6.1% to INR 2,097 billion pa.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Percentage Change in India's Real GDP					
	Actual	Projections			
1999-2008 Average	2015	2016	2017	2018	2022
6.9	7.9	6.8	7.2	7.7	8.2

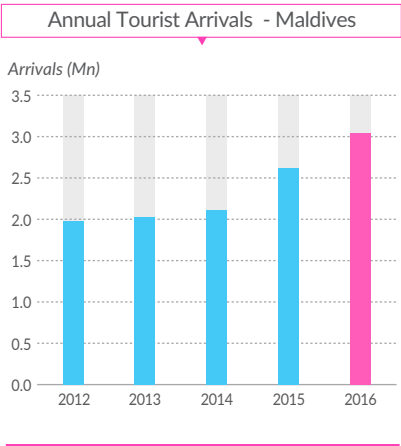
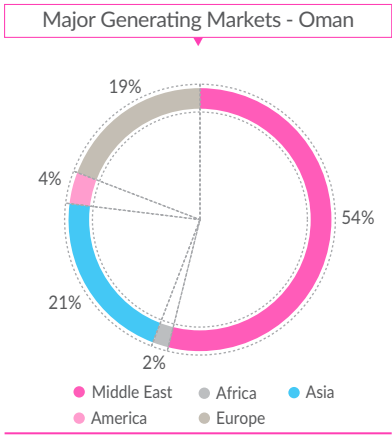
Source: IMF, April 2017

Contribution of Travel & Tourism to India's GDP			
	Actual	Projections	
	% of Total 2016	Growth 2017	% of Total 2027
Direct contribution to GDP	3.3	6.9	3.5
Total contribution to GDP	9.6	6.7	10.0
Direct contribution to Employment	5.8	2.1	6.1
Total contribution to Employment	9.3	1.8	9.6

Source: World Travel & Tourism Council

## Oman

According to the IMF, Oman's GDP grew by 3.1 % in 2016, at a lesser rate than the 4.2% growth in 2015; and is estimated to grow at a slower pace of 0.4% % in 2017 and as per the World Tourism Council, the direct contribution to GDP from the country's travel and tourism industry amounted to 3.2% in 2016 and is estimated to grow by 8.2% in 2017. Leisure travel spending (inbound and domestic) generated 69.7% of Direct Travel & Tourism GDP in 2016 (OMR 1,001 million) compared with 30% for business travel spending (OMR 362 million). Business travel spending is expected to grow at a faster rate than in 2016, by 6.8% in 2017 to OMR 465.9 million, and rise by 3.8% pa to OMR 679.5 million in 2027.



Leisure travel spending is expected to grow by 8.1% in 2017 and by 6.6% pa to OMR 2,052 million in 2027 Domestic travel spending generated 38.2% of Direct Travel & Tourism GDP in 2016 compared with 61.8% for visitor exports (i.e.: foreign visitor spending or international tourism receipts).

Domestic travel spending is expected to grow by 6.4% in 2017 to OMR 584.2 million, and rise by 3.3% pa to OMR 727 million in 2027. Visitor exports are expected to grow by 8.5% in 2017 and by 7.6% in 2027.

Percentage Change in Oman's Real GDP					
	Actual	Projections			
1999-2008 Average	2015	2016	2017	2018	2022
2.9	4.2	3.1	0.4	3.8	2.2

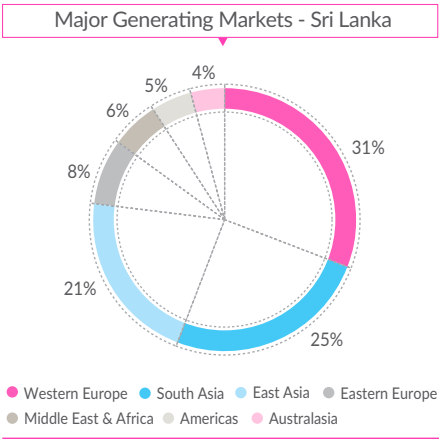
Source: IMF, April 2017

Contribution of Travel & Tourism to Oman's GDP			
	Actual	Projections	
	% of Total 2016	Growth 2017	% of Total 2027
Direct contribution to GDP	3.2	8.1	3.9
Total contribution to GDP	7.3	8.3	9.0
Direct contribution to Employment	3.4	-2.6	4.5
Total contribution to Employment	7.2	-2.6	9.2

Source: World Travel & Tourism Council

## Sri Lanka's tourism sector performance and prospects:

The Sri Lankan tourism industry, continued its growth momentum during 2016 reaching a milestone of 2 million for the first time, with arrivals reaching 2,050,832; and achieving an impressive annual growth of 14% in 2016. Growth in tourism related infrastructure development and investments, increased connectivity through the operation of new airlines and cruise lines, together with country specific promotional campaigns, contributed to this impressive growth. Increased geo-political tension in major tourist destinations of the world compared with Sri Lanka having one of the safest political environments today, also helped Sri Lanka to attract more tourists.



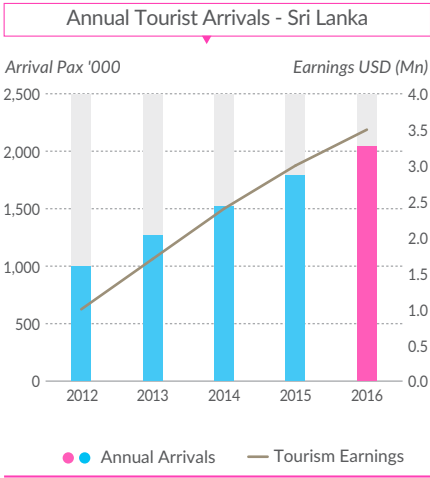
As per the Central Bank data, Tourist arrivals from all major regions, except Africa, increased in 2016. Western Europe continued to be the largest region of tourist origin for Sri Lanka, representing 31.4%, with the number of tourist arrivals increasing by 16.5% to 643,333. The share of tourist arrivals from East Asia has increased continuously since 2010, accounting for 20.7% of total arrivals in 2016 compared to 10.5% in 2010, contributed by the impressive growth recorded in tourist arrivals from China. India remained the largest country of tourist origin with 356,729 arrivals in 2016, while China remained second, followed by the UK, Germany and France. These 5 largest tourist source destinations together have accounted for 51 % of tourist arrivals to Sri Lanka in 2016, reflecting the market concentration of tourism.

The highest contribution to growth was from China with 271,577 tourist arrivals, followed by India and the UK. In terms of the purpose of visit, a majority of tourists, as many as 83.4 % visited the country for holidays. Tourist arrivals for business purposes was 1.8 %, while the share of tourist arrivals for other purposes, such as visiting friends and relatives, religious and cultural purposes, official, MICE (Meetings, Incentives, Conferences & Events), health, education and sports, was 14.8 % of total arrivals in 2016.



INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Source country	Highest sources of arrivals in 2016		
	2016	2015	Growth %
India	356,729	316,247	13
China	271,577	214,783	26
United Kingdom	188,159	161,845	16
Germany	133,275	115,868	15
Maldives	95,167	90,617	5
France	96,440	86,126	12
Regions:			
Western Europe	643,333	552,442	16
Eastern Europe	161,171	148,458	9



Earnings from tourism continued its growth momentum in 2016, contributing towards the strengthening of the services account. As a result of the increase in tourist arrivals, together with higher spending and the increased duration of stay by tourists, earnings from tourism grew by 18 % to US dollars 3,518 million in 2016, in comparison to US dollars 2,981 million in 2015.

According to the latest annual survey on tourist spending and duration of stay, conducted by the Sri Lanka Tourism Development Authority (SLTDA), the average spending per day by a tourist increased to US dollars 168.2 in 2016 from US dollars 164.1 in 2015. Further, the average duration of stay by a tourist was estimated at 10.2 days in 2016, which was a marginal improvement in comparison to 10.1 days in 2015. The healthy growth in earnings from tourism can be mainly attributed to extensive tourism promotional

activities and hotel and other related infrastructure development during the post conflict era. The upward trend in the performance of the tourism sector is expected to continue in the coming years, with efforts to uplift Sri Lanka’s brand value through tactical marketing campaigns and continued investments in enhancing the tourism infrastructure of the country. Meanwhile, outflows related to travel are also estimated to have increased by 8.6 % to US dollars 1,542 million in 2016. Given these developments, the travel and tourism sub sector recorded a surplus of US dollars 1,977 million.

The tourism sector investment expanded further in 2016. During 2016, approval was granted for 41 new hotel projects with 1,526 rooms with an investment of US dollars 126 million compared to 37 projects approved in 2015. Several international hotels, including Shangri-La, RIU and Best Western, commenced their operations adding 1,569 rooms to the industry, while several major hotel projects, such as Hyatt, Sheraton, ITC and NEXT continued their construction work during the year. Further, supplementary establishments, which include boutique villas, guest houses, home stays, heritage homes, bungalows and rented apartments, increased in 2016 by 149 to 1,558, with a total room capacity increased by 833 rooms to 11,535. These new hotel projects will help the government to achieve its target of building 75,000 rooms to cater to 4.5 million tourist arrivals by 2020.

The tourism industry in the Eastern and Northern provinces of the country continued to grow with local and foreign investors, focusing their attention on harnessing the high potential for tourism in these provinces. Reflecting this development, many new projects related to tourism have been completed in the Eastern and Northern provinces, particularly in Passikudah, Nilaweli and Jaffna, since the end of the conflict. In addition, proposals have been made to establish new tourism projects in islands of Jaffna and Mannar, Mullativu, and Kuchchaweli in the North and East. Further, proposals have been made to develop integrated tourism resort projects in Kalpitiya and a resort and recreation development in Dedduwa by the BOI. Although vigorous promotional campaigns carried out during the last few years and initiatives taken to develop infrastructure related to the tourism industry helped attract tourists, Sri Lanka is yet to tap into its full potential in the global market.



As reported by the Central Bank of Sri Lanka, coordinated efforts were taken to improve the standards of Sri Lanka’s tourism industry. A new classification for tourist hotels was introduced by the SLTDA in April 2016, replacing the earlier classifications created in 1968 and 1999. Under the new classification requirement, all tourist hotels registered with SLTDA are required to have a star classification, which will have to be reclassified every 3 years. Further, as per the budget 2016, a programme for the absorption of the informal sector into the formal tourism sector was launched for the purpose of regulating and improving the quality of service. “Sri Lanka Tourism”, which comprises SLTDA, Sri Lanka Tourism Promotion Bureau (SLTPB), Sri Lanka Institute of Tourism and Hotel Management, and Sri Lanka Convention Bureau, celebrated its golden jubilee in May 2016, and organised many activities on par with this event. The SLTDA, together with other tourism institutions, organised a tourists’ holiday festival, with cultural shows, seasonal events, food festivals, exhibitions and entertainment to cater to peak tourist arrivals in December

2016. Recognising the growth potential in the tourism industry, the budget 2017 introduced several proposals mainly to increase the quality of the tourism industry and tourist attractions, construction of a convention centre to develop MICE tourism and financial support schemes for tourist organisations aiming towards the sustainable development of the tourism industry of Sri Lanka. (Sourced from Central Bank of Sri Lanka, Annual Report 2017).

According to World Tourism Council’s projections by 2027, Travel & Tourism will account for 607,000 jobs directly in Sri Lanka, an increase of 3.7% pa over the next ten years.

Sri Lanka’s Leisure travel spending which accounted for 79.1% of Travel & Tourism GDP is projected to rise by 5.1% in 2017 to Rs. 836.1 Bn and by 6.9% to 1636.4 Billion by 2027. Business travel which accounted for 20.9% of Travel & Tourism GDP is estimated to rise by 4.9% by 2017 to Rs. 220.6 Bn., and by 4.9% to 2027 to Rs. 357.3 Bn.

Contribution of Travel & Tourism to Sri Lanka’s GDP			
	Actual	Projections	
	% of Total 2016	Growth 2017	% of Total 2027
Direct contribution to GDP	5.1	5.1	6.3
Total contribution to GDP	11.4	5.5	13.5
Direct contribution to Employment	4.8	3.6	7.1
Total contribution to Employment	10.7	2.8	14.0

Source: World Travel & Tourism Council

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

“

Sustainability can’t be like some sort of a moral sacrifice or political dilemma or a philanthropical cause. It has to be a design challenge

”

Bjarke Ingels

GROUP PERFORMANCE

The Aitken Spence model of value creation has endeavoured to do just that. Our properties such as Heritance Kandalama, has at the stage of design of the physical property over two decades ago, created a building that blends in with the rich natural capital of the area and one which in fact facilitates an appreciation of it by people from across the world nurturing a green consciousness. Heritance Auyrveda Maha Gedara is a classic example of a business model which is win-win in sustaining a valuable heritage of ayurveda and traditional craftsmanship. The processes across our properties are designed, redesigned and constantly fine-tuned to incorporate social and environment sustainability and to reduce our Carbon footprint.

It is thus most heartening that our efforts and the facets of our properties continued to be recognized by external awards and accolades during the year spurring us on in our commitment to excellence.

Gold Award winner in the hospitality sector category at the Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2016

Joint Winner in the service sector category at the SAFA Best Presented Annual Report Awards 2016 organised by the South Asian Federation of Accountants

Runners up in the Leisure & Connected Services Category at the ACCA Sri Lanka Sustainability Reporting Awards 2016

Winner of the Reader’s Choice “Favorite Spa – Global” at the 10th asiaSpa – India Awards 2017

Heritance Kandalama was awarded as the Leading Eco Resort/Hotel at the South Asian Travel Awards 2016

Heritance Negombo won the Leading Designer Hotel/Resort - Sri Lanka at the South Asian Travel Awards 2016

Turyaa Kalutara was awarded as the Leading Family Hotel/Resort – Sri Lanka at the South Asian Travel Awards 2016

Heritance Ayurveda Maha Gedara was the winner of the Silver award at the Presidential (National) Green Awards, 2016 for its commitment to environment & society. (The award reflects our commitment to continual improvement as it follows the Bronze award in 2015)

Heritance Ahungalla won 3rd place at the National Productivity Awards 2016 in the large-scale service sector category and was the only hotel to be awarded in this category.

Memberships in Associations

- Sri Lanka Tourism Development Authority
- Maldives Association of Tourism Industry
- The Pacific Asia Travel Association
- The Ceylon Chamber of Commerce
- The Hoteliers’ Association of Sri Lanka
- The Employers’ Federation of Ceylon
- The Field Ornithological Group of Sri Lanka
- The Environmental Management System Users and Promoters Association
- Business and Bio Diversity Platform – Heritance Kandalama
- Sri Lanka Bureau of Foreign Employment
- Institute of Supply and Materials Management
- Exporters’ Association of Sri Lanka
- Lanka Fruit & Vegetables Producers, Processors & Exporters Association
- Responsible Tourism Partnership

Commitments to External Initiatives & Endorsements

- UN Global Compact
- UNWTO Global Code of Ethics for Tourism
- The Women’s Empowerment Principles
- Global Reporting Initiative (GRI) G4
- Travelife



Performance Highlights

- >> Heritance Negombo commenced operations in April 2016
- >> The 501-roomed Hotel RIU Sri Lanka, our joint venture with RIU international came into operation in August 2016
- >> Charter flights to Sri Lanka by RIU commenced in November
- >> Heritance Ahungalla completed a refurbishment of 52 rooms
- >> Our Adaaran brand of properties in the Maldives achieved Travelife Gold standards, following an audit conducted during the year, whilst the Heritance properties were re-certified, bringing the total number of Travelife Gold certified properties in our portfolio to eight
- >> Turyaa Chennai was awarded the five-star classification by the Tourist board of India and in its first year of operations, was ranked 20th amongst 500 city hotels in Chennai by Trip Advisor
- >> Construction work continued at the newly acquired island of Aarah in the Raa atolls in the Maldives
- >> Adaaran Club Rannalhi completed a refurbishment of 34 water villas during the summer of 2016



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Material Aspects

Why do we monitor and report on material aspects?

A material aspect indicates financial, social and environmental impacts that are relevant to an organisation and are sufficiently important for an organisation to monitor and implement preventive or corrective measures.

Aitken Spence Hotel Holdings PLC considers an aspect to be 'material' to the group if the potential to have an impact on the long-term viability, profitability and integrity of the company become sufficiently significant that it warrants proactive action on our part to manage the specific area.

How do we identify material aspects?

- Internal assessments (discussions, internal audits, inspections, management reviews, and evaluations etc.)
- Direct input from key stakeholders
- Results of external stakeholder engagement activities
- Customer feedback
- Feedback from external inspections (system audits, tour operator/travel agent inspections etc.)

What aspects are material to Aitken Spence Hotel Holdings?

As a leisure sector company with a portfolio of 22 hotels, Aitken Spence Hotels has many operations and many impacts. The group has identified aspects that can be material to our diverse operations. Action to be taken for those aspects are customised according to the nature and scale.

The Group's sustainability strategy looks at aspects that are commonly applicable across all its properties and uses a prioritization framework to allow our Hotels to customise their action consistent with the nature and scale of its operation and its impacts. The aspects material to the Group can be broadly grouped into a few categories in line with the GRI G4 reporting framework's approach; economic, environment, labour practices and decent work, human rights, society and product responsibility. Aspects identified within these broader categories can be seen in the table overleaf. These are picked based on our current operational priorities and are bound to change with action taken and the outcome of our action. We have also identified several aspects that we intend to act on in the next 2 – 3 years (Please refer diagram on page 118).

Aitken Spence PLC, our Parent Company has also identified seven Sustainable Development Goals (SDGs) which are also adapted by Aitken Spence Hotels that all our sustainability driven action can be aligned to. They are;



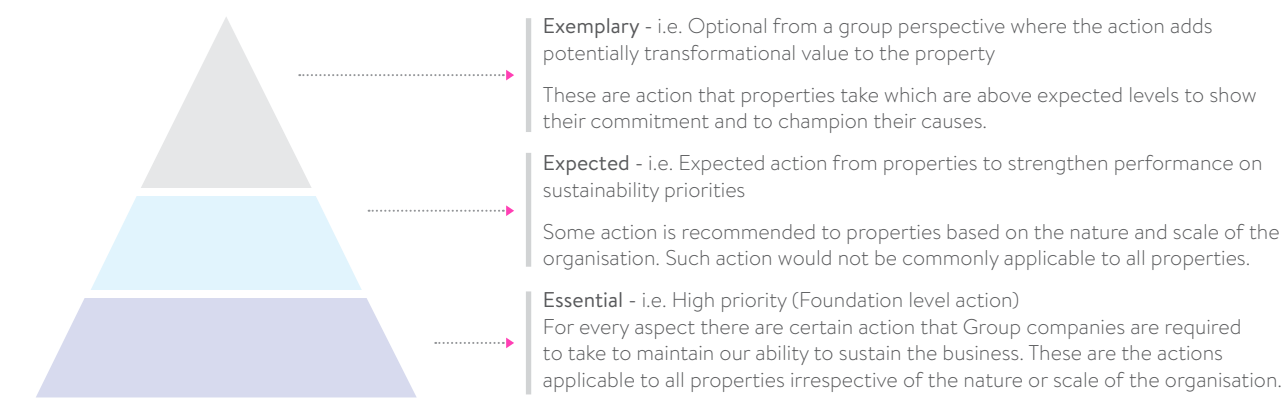
Aitken Spence Hotels aligns their specific initiatives with different targets of SDGs that are in line with their selected sustainability priorities which are not necessarily the same as the Group priorities highlighted here. These are discussed in detail in the following pages.

Identified material aspect	Why the aspect is material	The SDG to which the outcome is expected to contribute
<b>Economic;</b> Economic performance Market presence Indirect economic impacts Procurement practices	Economic value generated Financial sustainability	  
<b>Environment;</b> Energy Water Biodiversity Emissions Effluents and waste Compliance Overall	Environmental impact Potential to create positive change The Group's commitment to environmental sustainability Stakeholder expectations	  
<b>Social – Labour practices and decent work;</b> Employment Labour/ Management relations Occupational health and safety Training and education Equal remuneration for men and women Labour practices grievance mechanisms Human rights Investment Non-discrimination Security practices Identified for future action: Supplier assessment for labour practices Supplier human rights assessment Human rights grievance mechanisms	Potential to disrupt the business Reputation risk Compliance with laws, regulations and voluntary standards endorsed Talent retention and acquisition	     
<b>Society;</b> Local communities Anti-corruption Compliance Identified for future action Supplier assessment for impacts on society	Building relationships with key stakeholders Potential to create positive value for local communities Legal, financial and reputational risk	     
<b>Product Responsibility;</b> Customer health & safety Product and service labelling Marketing communications Customer privacy Compliance	Impact on customers Reputational risk Compliance with laws, regulations and voluntary standards endorsed	     









# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Priorities of action;

Within each aspect, there are many actions that can be taken. However, not every action is considered as requiring immediate prioritized action and not every activity will be presently 'essential' for every hotel. For that reason, our framework helps to identify priorities for the action we take towards each material aspect.



Level of Priority from a Group perspective	Deciding Factors	
Essential - i.e. High Priority Action within each material aspect that is specified as “essential”	Environmental or social impact is high	Environmental or social impact is moderate or low but frequency of occurrence is high
	Industry requirement for action	
	Action has been highlighted by a key stakeholder as a requirement	Action Required in line with company policy of and/or voluntary standard
		Legally required action
Expected Action within the aspect is recommended to properties based on the nature and scale of the organisation. Such action would not be relevant to all properties commonly and priority will differ.	Strengthens sustainability priorities of the property	Action highlighted by a key stakeholder as an expectation from the property
	Action adds value to the business operation	Action is expected within a management system
Exemplary - i.e. Optional action These are action that properties take which are above expected levels to show their commitment and to champion their causes.	Action direction for sustainability best practices/movements in the industry	Action adds potentially transformational value to the operation or key stakeholders
		Action will create differentiation for chosen priorities of the property

Stage of GRI G4 materiality process	Group level action	Property level Action
 PLAN	 Identify	Identify material aspects (Policy)  Discuss material aspects with relevant stakeholders and plan action to meet group level property specific strategies
	 Prioritise	Identify action for each aspect (Implementation framework) Essential action Expected action Exemplary action  Allocate team members (Responsibility mapping) to manage planned programme or specific tasks Plan necessary educational programs for the responsible team members
 DO	Discuss commitments with properties and the management teams Discuss action plans with properties  Document planned action and conduct necessary capacity building programs	Implement programs and monitor progress on identified priorities Collect performance data and communicate on action taken to stakeholders Analyse performance data
 CHECK	 Validate	Monitor action. Seek feedback from the properties and other stakeholders Discuss areas for improvements with properties and the management Conduct internal audits, validate performance information Conduct management reviews for sustainability performance
 ACT	 Review	Analyse performance data and report  Grade properties on performance Conduct group level management reviews Report on performance for group level reporting and analysis

Energy, Water, Bio Diversity, Emissions, Effluents and Waste, Occupational Health and Safety, Local Communities, Food safety, Product and Service responsibility and Economic performance were identified as key material aspects for all our owned and managed properties. The boundary and scope of these aspects have not changed over the previous reporting cycle unless specifically mentioned.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

## FINANCIAL PERFORMANCE

### An overview of the Group structure:

Aitken Spence Hotel Holdings PLC represents the consolidated financial statements of the holding company, its subsidiaries and the share of profits of equity accounted investees (Please refer Group Structure on pages 92 to 93).

Our Group is one of the largest hotel operators in Sri Lanka with a portfolio of 22 properties spread across South Asia and the Middle East. Please refer table below for the total rooms in operation (owned and managed).

	2015/16	2016/17			2017 & Beyond
	Total Operational	Owned	Managed	Total Operational	Under Development
Sri Lanka	903	1,195	348	1,543	-
Maldives	617	617		617	410
India	140	140		140	-
Oman	476	150	226	376	-
Total	2,136	2,102	574	2,676	410

Over the years, the group has adapted a strategy of expansion with its entry in to the Maldives in the early 90's been the first instance of an investment by a Sri Lankan hospitality company overseas. During the past few years, the company built on its strong fundamentals with acquisitions of two properties in India (2015) and Oman (2016) and thus moving in to an investment strategy from an exclusively management model at the two destinations all the while continuously expanding its

portfolio in Sri Lanka. In April 2017, the group launched its flagship property Heritance Negombo while August saw the opening of Hotel RIU Sri Lanka, the 501 roomed 5-star resort constructed in collaboration with Spanish based operator RIU. With these developments, the company currently owns/manages over 2,600 rooms across four countries and plans to increase its overall room inventory to over 3,000 rooms in the coming years. Projects under development are tabulated below.

Destination	Project	Rooms	Status
Maldives	Aarah in Raa Atoll - A 5+ star resort in the Maldives	160	Island was acquired in 2014 and design work completed during 2015. Construction has commenced and the property will be operational in early 2018
	Raa Fushi in Noonu Atoll	250	Planning/design work is on-going
		410	



3D drawing of the resort being constructed at Araah in Raa Atoll in the Maldives



Table - Summary of Key Income Statement Items

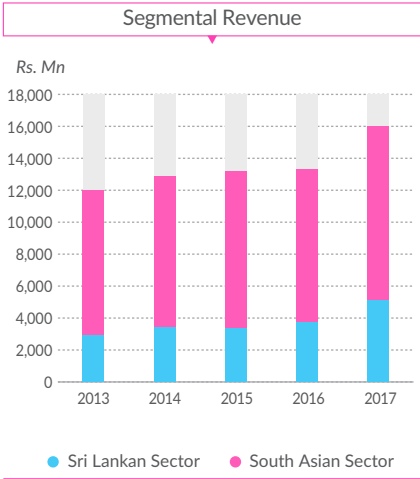
Rs. Millions	2016/17	2015/16	Change	Explanatory Notes
Revenue	16,055	13,378	20%	Growth in Sri Lankan sector revenue by 38% & South Asian and Middle East Sector revenue by 13%
Other operating income	(99)	70	-241%	Rs. 123 Mn exchange loss is reported for 2016/17 against an exchange gain of Rs 54 Mn reported in the preceding year.
Staff costs	(2,747)	(2,122)	29%	Increased staff cadre due to expansion and salary revisions across all staff grades
Depreciation & Amortisation	(1,583)	(1,055)	50%	Increased depreciation due to increased investment in new projects/capex
Other operating expenses - Direct	(3,351)	(2,546)	32%	Due to increase in operational activities
Other operating expenses - Indirect	(5,555)	(4,632)	20%	Mainly attributable to increase in operational cost in line with commencement of operations in Hotel RIU Sri Lanka and the acquisition of Al Falaj in Oman
Finance income	168	150	12%	Due to increase in interest rates
Finance expense	(745)	(347)	115%	In line with increased borrowings obtained for the utilisation/funding of new hotel projects
Share of profit/(loss) of equity accounted investees net of tax	(171)	(165)	-4%	Due to group's share of losses at Browns Beach Hotels PLC
Taxation	(536)	(433)	24%	

### Revenue

The Group recorded a consolidated revenue of Rs. 16,055 million during the financial year which is a growth of 20% against the Rs. 13,378 million achieved during the corresponding year. The Sri Lankan sector revenue grew by 38% year on year resulting in the sector contribution to revenue increasing to 32% from 28% recorded in the preceding year. The sector revenues were boosted by the launch of Hotel RIU Sri Lanka and commendable growth in revenue was achieved in most of the Sri Lankan resorts with the only noticeable exception being Heritance Ahungalla, as the resort undertook a 52-room refurbishment during summer limiting its total available room inventory.

The South Asian and Middle East sector, headed by the Group's Maldivian resorts continued to be the main contributor to Group revenue accounting for 68% of the total revenue. Sector revenue increased by 13% largely on account of Al Falaj Hotel, Muscat and Turyaa Chennai accounting for their first full year of operations. The group's Maldivian resorts experienced a lackluster first half of the year continuing from what was a turbulent last year for the

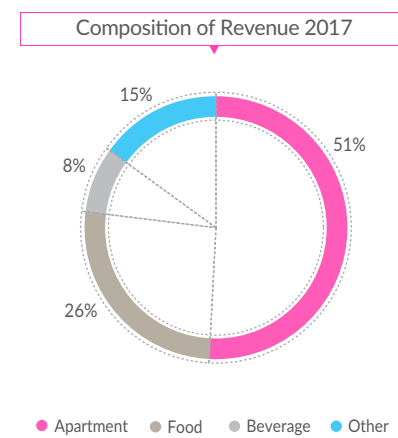
destination. However, the group experienced a recovery during the latter part of the year with overall occupancies picking up providing encouraging signs of recovery in the destination.



## INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Moreover, the Group strongly believes that the contribution from the destination will further increase with construction of the resort in the island of Aarah nearing completion with the resort projected to be in operation during early 2018.

Group revenue grew by a 5-year compounded annual growth rate (CAGR) of 11% (FY13-FY17), with the local resorts growing at a rate of 18% and the South Asian and Middle East sector reporting a growth of 8% during the same period. The composition of group revenue is presented below.

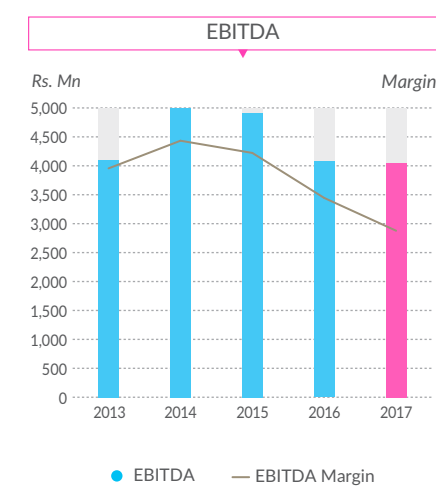


### Income and Expenditure Distribution

Group Expenses and Profit from Operations as a Percentage of Net Revenue					
	2017		2016		Annual
	Rs Mn	%	Rs Mn	%	Increase
Net Revenue	15,633		13,168		19%
Other Income	(99)	-1%	70	1%	-241%
Staff Costs	2,747	18%	2,122	16%	29%
Depreciation & Amortisation	1,583	10%	1,055	8%	50%
Other Operating Expenses - Direct	3,351	21%	2,546	19%	32%
Other Operating Expenses - Indirect	5,555	36%	4,632	35%	20%
Gross Profit	12,282	79%	10,622	81%	16%
Profit From Operations	2,298	15%	2,883	22%	-20%

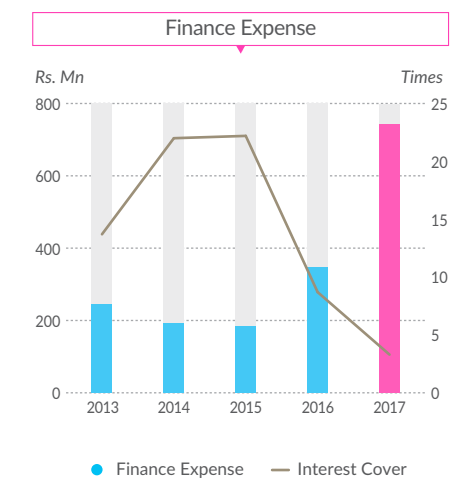
Group profit from operations decreased by 20% to Rs 2,298 million from Rs 2,883 million reported in 2016 mainly due to the increase in depreciation & amortization by 50% to Rs 1,583 million in 2017 and the exchange loss of Rs 123 million (reported under other income) arising from the translation of foreign currency denominated debt. With the increase in available room inventory, gross profit of the group increased to Rs 12,282 million, an increase on 16% from last year albeit a decrease in the gross profit margin from 81% in 2016 to 79% in the year in review. However, the group expects margins to improve in coming years as the new properties that came in to operation during the year gains a scale effect with the maturity and the establishment of the product. Indirect overheads of the group increased by 20% keeping in line with the increase in operational room inventory/resorts.

The decrease in the gross profit margin as discussed above and the increase in operational overheads due to the increase in the number of resorts in the portfolio, resulted in the earnings before interest, tax, depreciation & amortization (EBITDA) to decrease by 1% to Rs 4,049 million in 2017 against Rs 4,088 million in the previous year with the EBITDA margin reducing to 26% (2016 – 31%). The group expects an improvement in the margins in the coming years with the new properties that were launched recently establishing themselves in the market.



### Finance Expenses

The finance expenses of the Group increased to Rs 745 million during the year, an increase of 115% over the preceding year. The Group acquired additional debt finance to fulfil the funding requirements for its new projects initiated during the year with interest bearing borrowings increasing by 77% to Rs. 17,762 million as at 31st March 2017. Net loan receipts during the year was Rs. 864 million with a settlement Rs. 2,720 million. With a number of expansion/refurbishment projects in the pipeline, the group is keenly monitoring the developments in the macro environment to source any additional funding requirements.



With the increase in finance expenses the interest cover dipped to 3.3 times in 2017 from 8.7 times reported in the preceding year. Given the sound fundamentals and the projected incremental future cash flows, the Group is confident that it is in a strong position to service the increased debt.

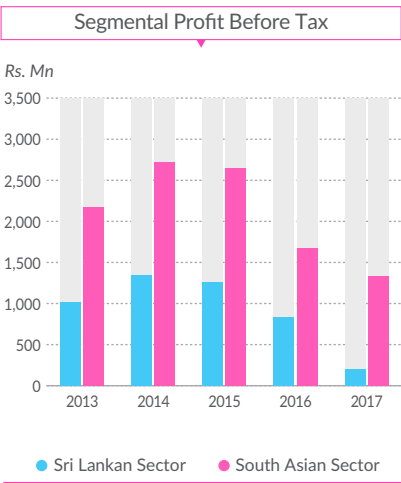
### Net Profit

The inevitable increase in finance expenses and depreciation arising from the aggressive expansion strategy persured by the group contributed to a reduction of post-tax profits to Rs 1,014 million, a 51% drop from 2016. However, the group remains confident that a significant growth in profitability will be achieved in the short to medium term given the projected cash flows expected from recent investments.

Analysis of Group Profitability			
Rs Mn	2017	2016	%
Net revenue	15,633	13,168	19%
Less - Other operating expenses & Staff costs	(11,653)	(9,300)	25%
Share of profit /(loss) of equity accounted investees	(171)	(165)	-4%
<b>Profit before interest, tax, depreciation, amortization &amp; other income</b>	<b>3,809</b>	<b>3,703</b>	<b>3%</b>
Other Income & Finance Income	69	220	-69%
Finance expense	(745)	(347)	115%
Depreciation & Amortization	(1,583)	(1,055)	50%
<b>Profit before taxation</b>	<b>1,550</b>	<b>2,521</b>	<b>-39%</b>
Less - Tax	(536)	(433)	24%
<b>Profit for the year</b>	<b>1,014</b>	<b>2,088</b>	<b>-51%</b>

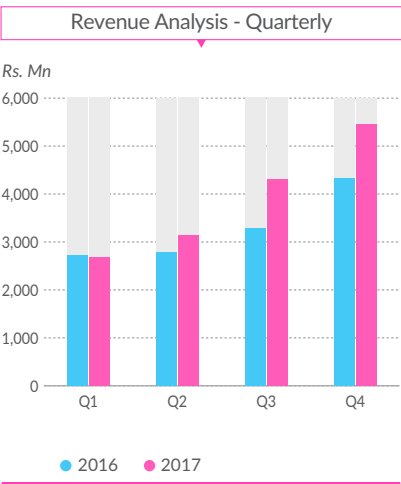
# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

The main contributor to Group profits during the year was the South Asian and Middle East sector with a pre-tax profit of Rs. 1,342 million while the Sri Lankan sector contributed Rs. 208 million.



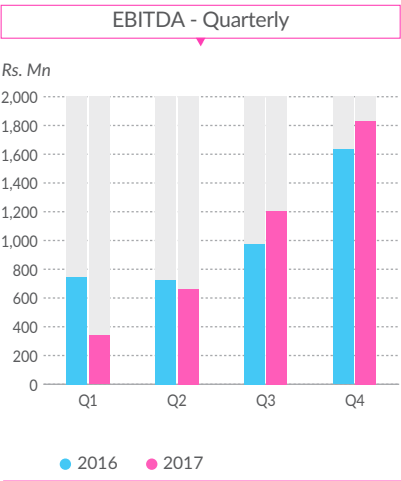
A figure of Rs. 171 million was accrued as loss arising from equity accounted investees net of tax from the Group’s investment in Browns Beach Hotels PLC and Amethyst Leisure Ltd. Heritance Negombo commenced operations on 2nd April 2016 and reported an operational profit during the year in review.

Quarterly Performance



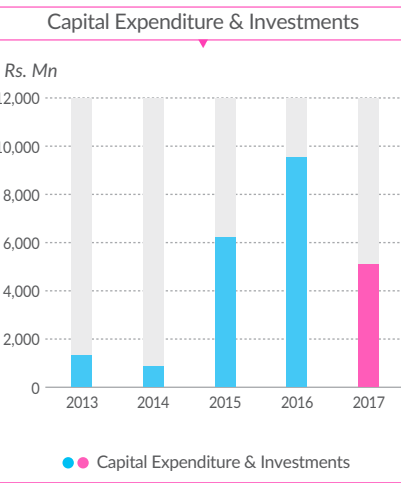
Consolidated quarterly performance, as illustrated in graph below, depicts an increase in revenue from summer

to winter which is in keeping with the industry norm. The year on year quarterly revenue increase/(decrease) ranged between (1%) to 31% with the highest growth being reported in the third quarter.

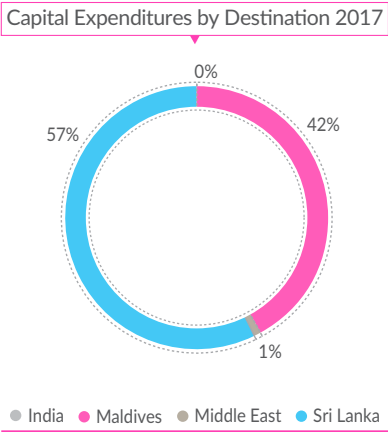


Financial Position

The Group’s balance sheet in the year under review continued to reflect the strength and stability of its core business practices over the years.

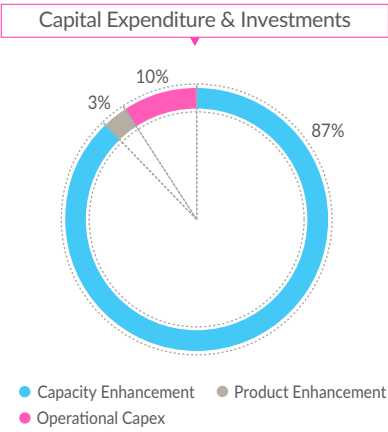


Keeping in line with the strategy of aggressive expansion the Group invested Rs 5,132 million on additions to property, plant and equipment, which brought the total investment on capital expenditure, property acquisitions and development during the past 3 years to exceed Rs 20 billion.



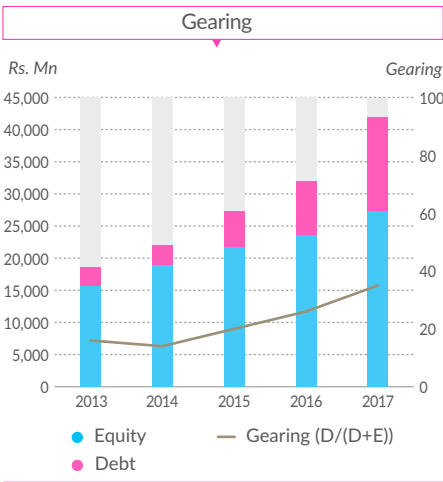
During the year under review, 57% of the investment was made in Sri Lanka with majority of the investment being made on account of the construction of Hotel RIU Sri Lanka, a collaboration with RIU Hotels and Resorts, Spain. Maldives accounted for 42% of the total expenditure with the construction of the 5-star resort on the island of Aarah in Raa atoll absorbing the lion’s share of the investment.

87% of the total capital expenditure during the year under review has been incurred for the increase in room inventory with operational capital expenditure incurred on routine operational requirements accounting for 10% of the total spend while 3% of the total expenditure was incurred on product enhancement and upgrades.

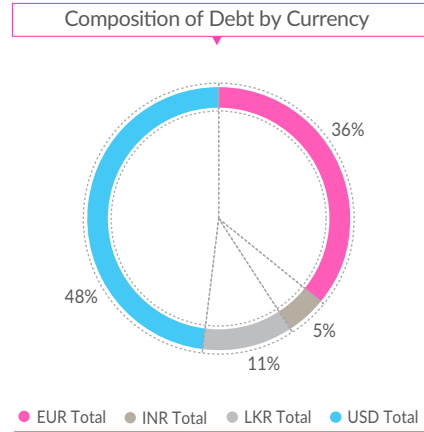


Gearing and Composition of Debt

Reflecting the increase in debt finance, gearing levels (measured as debt/(debt+equity)) of the Group increased to 35% from 26% reported 2016. However, the Group is confident of its ability to sustain this increase comfortably, with increased cash inflows projected in the medium term once the properties being developed become fully operational.



Resorts funded with USD/EUR loans mitigated the impacts through creation of a “natural hedge” where USD/EUR denominated revenues were offset by creating USD/EUR denominated liabilities. The upward revision in interest rates during the financial year increased the cost of Rupee financing, particularly in the Sri Lankan sector.





## INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Table - Summary of Key Balance Sheet Items				
Rs. Millions	31st March 2017	31st March 2016	Change	Explanatory Notes
<b>Assets</b>				
Property, plant and equipment, Leasehold property & Prepaid operating leases	41,521	26,919	54%	+ Mainly due to investments carried out at Hotel RIU Sri Lanka and Aarah in Maldives
Investment in equity accounted investees	1,294	4,982	-74%	Mainly due to the change in ownership status at Ahungalla Resorts Ltd (Hotel RIU Sri Lanka), from joint venture to subsidiary
Other non current assets	689	731	-6%	Fair value adjustment
Inventory	477	303	57%	As per operational requirements
Cash and cash equivalents & Other financial assets	4,665	3,110	50%	
Other current assets including trade and other receivables	3,532	2,403	47%	
Total Assets	52,178	38,448	36%	
Shareholders Equity	19,162	18,406	4%	
Non controlling interests	8,271	5,429	52%	
Total interest bearing borrowings	17,762	10,013	77%	Increase in long term debt for funding the ongoing projects and acquisitions.
Short term borrowings	1,746	837	109%	In line with short term operational requirements
Other non current liabilities	1,144	412	178%	Increase mainly due to the accrued lease rent of operating leases of islands Aarah and Raafushi as a result of recognising the rent expense on a straight -line basis over the lease term.
Other current liabilities (Including trade and other payables)	4,093	3,352	22%	Increase in advances & Accrued payables
Total Equity & Liabilities	52,178	38,448	36%	

### Shareholders' Equity

Shareholders' funds as at 31st March 2017 increased by 15% against the preceding year and stood at Rs. 27,433 million as against Rs. 23,835 million on 31st March 2016; mainly on account of earnings during the year and the effect of change in the status of ownership of Ahungalla Resorts (Pvt) Ltd (Holding Company of Hotel RIU Sri Lanka) from Joint Venture to Subsidiary. The Group reported a return on equity (ROE) of 3.55% during the year under review, which reflects a reduction from the 7.87% reported in 2016

### Share Performance

Company shares closed trading at Rs. 35.20 at financial year end declining by 34% from 31st March, 2016 whilst the highest and lowest price of the share traded during the year was Rs. 64.00 and Rs. 34.00 respectively. The market capitalisation at the last traded price for the financial year was Rs. 11,837 million.

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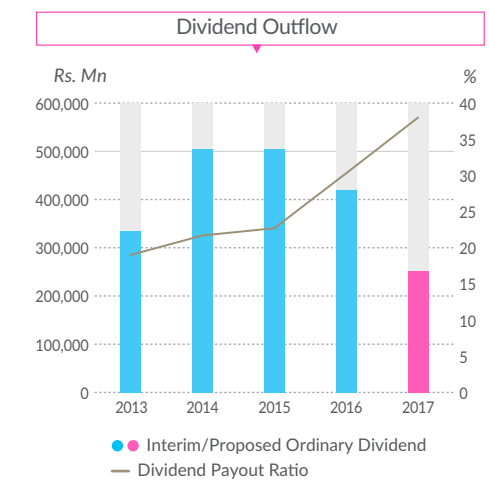
The Earnings per Share (EPS) for 2017 decreased to Rs. 1.97 from Rs. 4.13 reported in the preceding year while Price Earnings Ratio (PER) increased to 17.91 times from 12.83 times in 2016.

Net Assets per share of the Group increased to Rs. 56.49 from Rs. 54.24 reported in 2016.

### Dividends

The dividend policy of the Company seeks to ensure a dividend pay-out which correlates to the Group profits, whilst retaining sufficient funds for future investments and ensuring that shareholder returns are sustainable in the short, medium and long term. Accordingly, the directors of the company have declared and paid an interim dividend of Rs. 0.50 per share on 29th March 2017 and has recommended a final dividend of Rs. 0.25 per share for shareholder approval.

The dividend amounts to a total outflow of Rs. 252 million recording a dividend pay-out ratio of 38% for the year.



### 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)					
	2016/17	2015/16	2014/15	2013/14	2012/13
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year	1,013,739	2,087,762	3,435,622	3,517,015	2,739,987
<b>Add:</b>					
Depreciation and Amorization	1,583,237	1,055,064	807,255	761,373	732,803
Non cash & Non operational adjustments	340,310	135,776	(18,408)	(34,864)	(44,337)
Total Interest on debt	745,013	347,314	185,491	192,252	246,623
Adjusted Profit After Tax	3,682,299	3,625,916	4,409,960	4,435,776	3,675,076
Total Investment Capital					
Total Equity	27,432,688	23,834,903	21,869,232	19,167,842	15,829,440
<b>Add:</b>					
Interest Bearing Borrowings-Long Term	14,450,707	8,186,477	5,363,625	2,913,898	2,790,090
Interest Bearing Borrowings (Current) + Short Term Debt	5,057,481	2,663,196	2,386,745	1,090,808	1,113,831
Cumulative Depreciation	9,729,586	8,031,791	6,789,099	5,987,351	4,849,064
Adjusted Investment Capital	56,670,462	42,716,367	36,408,701	29,159,899	24,582,425
<b>Economic Value Added</b>					
Weighted Average Cost of Capital	6.50%	8.01%	7.78%	8.90%	8.50%
Cost of Average Investment	3,680,937	3,423,209	2,832,129	2,596,610	1,958,100
Economic Value Added	1,362	202,707	1,577,831	1,839,166	1,716,976



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

“

Aitken Spence became one of five tourism enterprises to sign the Private Sector Commitment to the Global Code of Ethics for Tourism (GCET) on the occasion of the UNWTO Conference on Tourism: a Catalyst for Development, Peace and Reconciliation

”

**SUSTAINABILITY APPROACH & STRATEGY:**

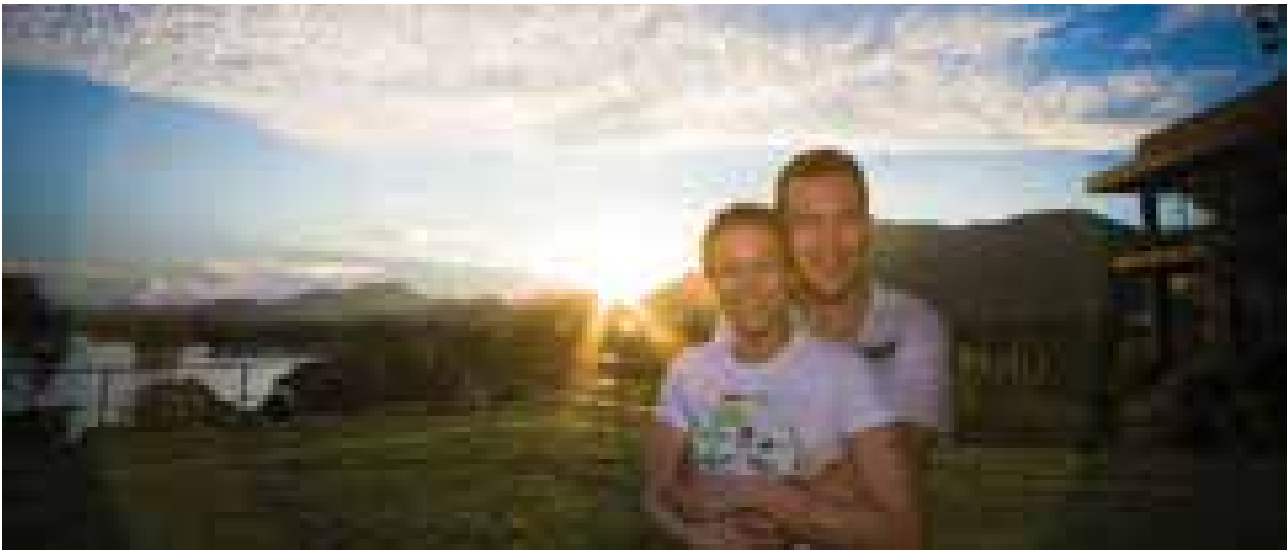
Aitken Spence Hotels has been a pioneer in the sustainable tourism movement in the region, paving the way for many industry initiatives to follow. Strategic and inventive decisions by the Management team at pivotal moments have broadened horizons for the entire industry

- redefining what can be achieved and how it can be achieved.
- Some of the Group’s pioneering initiatives include being the first hotel in the world and first property outside the USA to receive a LEED certification for its building design.

Integrated Sustainability Policy

Aitken Spence Hotels strives to:

- A. Exceed all legal and other requirements necessary for the sustainable operation and development of our company
- B. Facilitate the achievement of the UN Sustainable Development Goals and strengthen the adoption of the ten principles of the UN Global Compact
- C. Conduct all business in an ethical manner, promoting the adherence to the UNWTO Global code of ethics for Tourism and encourage and support our partners to conduct business ethically
- D. Use environmental management systems in all organizational operations and activities and commit to prevent pollution
- E. Engage with stakeholders, consider their opinions at all stages of planning and operations
- F. Encourage supply chains to implement and manage sustainable strategies
- G. Inculcate sustainability concepts and views in strategic decision making
- H. Use sustainable processes in organizational operations considering all relevant risks
- I. Promote innovation in the processes and products & services provided to customers
- J. Continually enhance quality of products, services and value provided to customers while ensuring profitability
- K. Get involved in community development projects and ensure employee participation
- L. Support local communities by providing employment and purchasing from local suppliers wherever possible
- M. Use the occupational health and safety management system as a basis to provide employees with a safe and healthy working environment
- N. Harness a strong and competitive human resource
- O. Support and promote the protection of internationally proclaimed human rights
- P. Report performance in a timely and accurate manner for the benefit of our stakeholders
- Q. Be diligent to information security and comply with all relevant rules, regulations, industry standards and guidelines to safeguard the internal information assets, maintain information confidentiality, integrity and availability
- R. Avoid depicting attitudes that are discriminatory or offensive to a gender, religion, ethnicity, culture or a social group; or are politically biased in company’s communications
- S. Uphold annual performance review and planning
- T. Support and promote the protection of internationally proclaimed ethical treatment of animals



Moreover, the 7 R approach developed internally is one pioneered by Aitken Spence Hotels which has helped establish new benchmarks for greener footprints.

The Hotel sector has also led by example and guided other Companies within the Group, for example, Heritance Kandalama was the first within the Aitken Spence Group to follow the ISO 14001 Environmental Management System (EMS).

While sustainable thinking has been a core driver of Aitken Spence Hotels 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.

The sustainability agenda at each of the Group’s resorts is governed by the integrated sustainability policy which is presented on page 128.

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.

Becoming a signatory to the Private Sector Commitment to the Global Code of Ethics (as detailed in box story on page 130), during the year was thus a natural extension of our long-standing commitment to a socially and environmentally integrated model of enterprise.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Aitken Spence became one of five tourism enterprises to sign the Private Sector Commitment to the Global Code of Ethics for Tourism (GCET) on the occasion of the UNWTO Conference on Tourism: a Catalyst for Development, Peace and Reconciliation



Chairperson Ms. D. S. T. Jayawardena signing the commitment on 13th July 2016, on the occasion of the UNWTO Conference on Tourism: A Catalyst for Development, Peace and Reconciliation, held in Passikudah, Sri Lanka, in the presence of Mr. Taleb Rifai, UNWTO Secretary-General.

GCET is a comprehensive set of principles designed to guide key-players in tourism development. Addressed to governments, the travel industry, communities and tourists alike, it aims to help maximise the sector’s benefits while minimising its potentially negative impact on the environment, cultural heritage and societies across the globe.

Adopted in 1999 by the General Assembly of the World Tourism Organization, its acknowledgement by the United Nations two years later expressly encouraged UNWTO to promote the effective follow-up of its provisions. Although not legally binding, the Code features a voluntary implementation mechanism through its recognition of the role of the World Committee on Tourism Ethics (WCTE), to which stakeholders may refer matters concerning the application and interpretation of the document.

The Code’s 10 principles cover the economic, social, cultural and environmental components of travel and tourism:

- Article 1: Tourism’s contribution to mutual understanding and respect between peoples and societies
- Article 2: Tourism as a vehicle for individual and collective fulfilment
- Article 3: Tourism, a factor of sustainable development
- Article 4: Tourism, a user of the cultural heritage of mankind and contributor to its enhancement
- Article 5: Tourism, a beneficial activity for host countries and communities
- Article 6: Obligations of stakeholders in tourism development
- Article 7: Right to tourism
- Article 8: Liberty of tourist movements
- Article 9: Rights of the workers and entrepreneurs in the tourism industry
- Article 10: Implementation of the principles of the Global Code of Ethics for Tourism

## DERIVING AND DELIVERING VALUE WITH OUR HUMAN CAPITAL

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 delight our guests and exceed their expectations. Our people are thus, our strongest asset.

Our expertise in hotel management developed over the years has been a result of selecting, recognising and molding high performers and offering all our employees learning and development opportunities and mentoring, to help become the best in the industry. A key strength of our employee proposition is the opportunities we provide for overseas exposure at the Group’s properties in Maldives, Oman and India. Our employees have the opportunity to gain overseas exposure in the hospitality industry to enrich themselves, and on their return, to enrich the country.

### Investing in the future of the company and our people..... through Learning & Development

Our Learning and Development Division, with a focused theme to be “Brilliant in basics”, has launched some best in class practices and learning tools. It launched a V Learning program (in house video based learning) which focuses on fundamental learning solutions for the 10 properties in Sri Lanka. To facilitate this initiative the Company added 30 learning based PC’s, distributed to all its properties and developed a competency based learning curriculum which identifies all staff levels and delivers programs that are tailor made to develop the competencies required for each job category and level. Technical and behavioural curriculums will ensure that learning is streamlined across all locations. Another important implementation is the introduction of the corporate foundation program for all new associates. In addition, there are over 100 newly trained and certified internal AASK Trainers (Aitken Spence Attitude, Skills, Knowledge Trainers) who ensure that the training programmes are carried out as they should be and also take on the role of being mentors to new recruits.

Another key element of our talent management focus is training to ensure the continuous learning and development and career enhancement of our Associates. The Company’s training calendar focuses on technical as well as soft skills development and encourages holistic



The V Learning program launched by our learning and development team

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 internationally. We also continued to train internal trainers to sustain the Learning & Development culture into the future.

Average training hours by category		
	2016/17	2015/16
Executive	12.47	3.90
Supervisor/Clerical	14.58	11.80
Staff	11.34	13.10

### Employee Perception Surveys

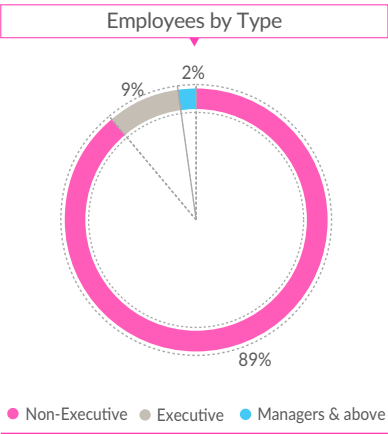
Although a separate employee satisfaction survey was not conducted at the hotels during the year, a broader stakeholder engagement study was conducted by the Holding Company, through a third party independent research group with the mandate to qualitatively assess the perception of the key stakeholders of the Aitken Spence Group and all its subsidiaries. Employees were one of the key stakeholder groups in the perception interviews. Whilst no significant concerns were expressed a high turnover amongst junior staff was an issue that came up with better career prospects given as a reason for leaving. The Company is taking measures to address all negative findings and strengthen and ensure the sustainability of the positives, which were substantiated by findings from Exit interviews conducted by Group HR.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

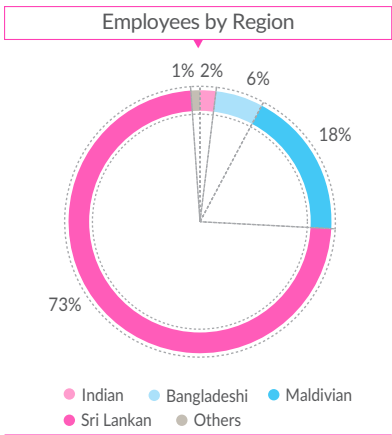
### Taking on the Gender Gap

The gender gap is common to most areas of life but Tourism tends to be an industry in which it is more prevalent than others. The Tourism industry in Sri Lanka has traditionally been a sector in which females are reluctant to be employed, due to perceptions of the industry being incongruous with Sri Lankan cultural norms. The male to female ratio is heavily skewed towards the male gender with females constituting less than 10% of the hospitality industry workforce in Sri Lanka. Aitken Spence hotels has taken on a project to educate and allay concerns in a bid to encourage more women to seek employment in this sector. We aim to increase the recruitment of women across the board. From engineering and senior management to housekeeping and restaurant assistants all employees are provided equal pay for equal work irrespective of gender. We also consider this a win-win objective for many reasons, as women tend to bring certain unique attributes to job roles.

Moreover, the Company is also introducing certain conditions and fine tuning its working facilities to make work - life balance easier for the working women. We consider these incentives as positive discrimination. In addition, the Company began to work with an NGO to invite and engage entire families of prospective employees, to erase the stigma associated with work in the tourism sector and create awareness of opportunities for global mobility which is much greater for women employees. A Tourism Day introduced to schools is also intended to provide opportunities to encourage greater participation by women. Our conscious efforts also contributed to a higher percentage of women completing the course at the Aitken Spence school of hospitality during the year, with women making up 26, of the total of 65 who completed it.



Employees by Gender & Grade	Males	Females
Executive	474	106
Managers	2488	147



### Industry Challenges

As previously articulated and mentioned elsewhere in this report including the Chairman's Statement, the leisure industry in particular is hampered by a dearth of skilled labour and spiraling wage costs amidst a rising demand. Ensuring the long-term sustainability of the industry's profitability thus requires urgent strategic measures to address these challenges, as the rapid rise in properties and the expansion of the industry in post war Sri Lanka, is beginning to exacerbate this challenge. Although our retention rates compare well with industry averages, we are cognizant of the importance of addressing this for the future, and our HR initiatives are geared towards this end.

### The Aitken Spence Hospitality Training School -a Win-win for industry and community

The Aitken Spence Hospitality Training School launched in 2009, is one of our key win-win strategic initiatives towards meeting this challenge. The school provides training, free of charge to youth in the area, on hospitality aspects such as housekeeping, F&B and front office. Upon the successful completion of the training course, the students are equipped with a certificate and over 90% of them are absorbed by our hotels. During the year, the school in Ahungalla provided training and industry placement to 65 youth from the Southern province, out of which 39 were males and 26 were females.

This year the Group also extended its initiatives to meet this industry wide challenge of a dearth of skilled HR for the industry, by launching training programmes and creating awareness of the industry opportunities amongst A'Level and pre A'Level students of some of Colombo's leading schools to enable them to find an alternative career stream.

In addition, our properties in Oman provided Hospitality management and apprentice training for youth during the year whilst our Adaaran resorts in the Maldives provided 10 Maldivian youth with 200 hours of theoretical training and 2300 hours of hands on practical training in all aspects of resort operations. Please refer page 134 under Social & Relationship Capital for more details of educational programmes conducted by the Group.

### Human Rights at the Workplace

As a signatory to the United Nations 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 Hotel'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 7 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 is protected. It should also be noted that close to 50% of employees are covered by collective bargaining agreements, a minimum of four weeks' notice period for significant changes in work conditions.

### Occupational Health & Safety

In an industry, such as ours where resident guests and employees are our responsibility for 24 hours of the day; safety and health aspects of our properties and processes become that much more significant, requiring careful, 24/7 attention and care.

The hotels adhere to the Aitken Spence Occupational Health and Safety (OHS) Standards, ensuring adherence by conducting regular audits and routine training sessions to refresh staff awareness levels. In keeping with Group policy,



Fire Drill conducted at Heritance Ahungalla

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 by regular training sessions conducted by internal and external experts.

Special attention is given to minimizing 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. Fire extinguishers are checked and maintained in working condition and are made available at all key points of the properties. In addition, several properties conducted First Aid training using external resource persons during the year.

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

Employees in the tourism industry are a group which is more vulnerable to certain life threatening diseases such as HIV/AIDS. We ensure that our staff as well as their families and the wider community are educated on prevention and risk control, while counselling and treatment are provided for serious diseases where relevant.

The Group has not faced any regulatory or court imposed fines, settlements or awards related to violations in product safety.

34 workplace related accidents have been reported this year, while a collective 247 work days were lost due to work related accidents and illnesses, including cuts in the kitchen department.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Our pioneering initiatives and continuous enhancement of our impacts on the community and the environment, in an industry which is dependent on the culture and nature of the country, is often a result of the culture we nurture across the Company. Many of the small steps or the giant strides we take to make our business model more sustainable are often a result of individual and team efforts.

The relationships we nurture with our stakeholders are an integral part of how we operate. This is because the relationships we have developed with our stakeholders over time enhance our ability to sustain long term, competitive value. In return, we are committed to create sustainable value for our stakeholders. Please refer the stakeholder engagement and inclusion table below.

## SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder engagement and inclusion		
Stakeholder Group	Our value proposition in the relationship	How we aim to deliver on our promise
Employees	Provide a working environment that is conducive to personal and professional growth of our employees.	For more details on action taken to achieve this objective, refer to the Human Capital section on Pages 131 to 133.
Investors & Shareholders, Banks and Financial Institutions	Work towards the long-term viability, profitability and integrity of the businesses we are in and ensure sustainable financial returns and dividends from well managed operations.	For more details on action taken to achieve this objective, refer to the Financial Performance section on pages 120 to 127 and Key strategic imperatives on Pages 97 to 99.
Industry Partnerships and Associations	Lead the movement for economic, social and environmental sustainability, build trusted relationships, and collaborate for inclusive growth and sustainable development in the industries we operate in.	Our partnerships and associations will be discussed in this section.
Customers	Provide reliable, high quality, sustainable products and services to the customers	For more details on action taken to achieve this objective, refer also to the Product responsibility section on pages 138-139.
Suppliers/Service Providers	Build trusted, long standing relationships with our suppliers and service providers by working with them to inculcate social and environmental governance within the supply chain.	We will discuss how we work with our suppliers in Supply chain analysis on pages 137 to 138.
Community	Cascade value to our communities through investment in job security, extending opportunities for inclusive economic growth, enhanced social sustainability and promoting environmental protection.	The group engages in diverse activities to create sustainable value to our community members.
Government & Regulatory Authorities	Work towards the long-term viability, profitability and integrity of the business we are in and contribute towards the achievement of the Sustainable Development Goals.	For more details on action taken to achieve this objective, refer to the Compliance section on page 145 as well as the GRI Index on pages 311 to 315.
Environment/ Environmental Interest Groups	Lead the movement for environmental sustainability, enrich biodiversity and engage in industry collaborations to create new movements for sustainability.	For more details on action taken to achieve this objective, refer to the Natural Capital section on page 139.

Impact of Social Aspects	
Social aspects as per the GRI classification	
Labour practices and decent work	High
Human Rights	Medium
Society - Local Communities	High
Society - Anti Corruption	High
Product Responsibility	High
Compliance	High



In the Human Capital section and the Corporate Governance section of this report, we have discussed the general practices, standard procedures and processes in place to manage and monitor our performance on labour practices and decent work, occupational health and safety, human rights at the workplace, anti-corruption and governance procedures to manage compliance to protect the interests of the company and our stakeholders. In this section of the report, we take a closer look at the relationships we build which sustain our ability to be commercially viable, socially acceptable and environmentally healthy.

### Local Communities

We operate in communities that are constantly evolving and have diverse needs for social and economic development. Our ability to be commercially viable sustains the economic sustainability of over 3,500 associates who are employed by our hotels and many more members of local communities who are indirectly linked to our operations. At the same time, our ability to remain commercially viable depends on the development and sustainability of the communities we operate in.

We give priority for strategic relevance to the organisation and our immediate community. The value created and how well the projects would meet the actual needs of our immediate communities are preceded by an evaluation of the connection to our Triple Bottom Line strategies and then we assess the needs of the value created and how well the projects would meet the actual needs of our immediate communities before we commit to any project. Decisions to initiate community development projects at Aitken Spence Hotels are based on any one or a combination of the following factors;

- Benefit to our immediate community or key stakeholders
- Positively affect relationships and enables engagement with community members/ license to operate
- Meets a regulatory requirement/ system requirement
- Serves a prominent need in the community
- Will enable employee volunteerism
- The potential to create positive environmental, social and economic benefit to target beneficiaries
- Any other reason that can be justified by the need for the project to be carried out



Community Engagement at our Hotels

Our social and relationship capital also consists of intangible value such as shared values, commitment, skills, reputation, knowledge etc., The relationships we maintain with our stakeholders on many occasions converts to value for our communities, when our partners, associates etc., choose to channel funds for community development projects through our Hotels due to the Company's transparency and reliability and the trust they have placed in us.

As discussed in the Human Capital section of this report, Aitken Spence gives priority to local community members when recruiting Associates especially at our operations outside Colombo. It should be noted that our definition of 'local' for the operations in Sri Lanka is the immediate vicinity of 20 to 30 km. Many such associates who join the Company progress to senior levels of management (note: senior in this context is referred to as above Assistant Manager category which is a senior decision making position at our hotels).



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Percentage of Managers from Local Community	
Heritage Ahungalla	20
Heritage Ayurveda Maha Gedara	50
Heritage Kandalama	17
Heritage Tea Factory	45
Hotel Hilltop	75
Turyaa Kalutara	26
Maldives	25

### Educational Programmes

Many of our efforts to facilitate inclusivity focuses on Education as we hope to see it as a means to increase the employability of our community members in their chosen fields.

“Adaaran Kurimagu Program” - Conducted by the Learning & Development division of Adaaran Resorts, Maldives is a one-year management-training program for 10 selected Maldivian youth. The selected candidates are either graduates or diploma holders of the Faculty of Hospitality – University of Maldives, while 3 of the candidates are experienced employees of Adaaran resorts, thereby forming a team of talented youth with diverse experience. The trainees undergo 200 hours of theoretical training and 2,300 hours of hands-on practical training in all aspects of resort operations. The programme is fully sponsored by Adaaran Resorts and includes an allowance paid during the entire program. At the conclusion of the programme, each trainee is evaluated and absorbed to the executive cadre of the resort, based on their competency level.



The “Adaaran Kurimagu Program”

Adaaran Apprenticeship Program - Covering the areas of Housekeeping, Front Office and Food & Beverage, the objective of the Adaaran apprenticeship program is to train, develop & provide employment opportunities to young Maldivians. Trainees receive an allowance, accommodation and meals, and upon successful completion, are absorbed to the cadre at the resorts. The program will be covered in fields.

### Other Projects

Other projects carried out by our Hotels focus on community needs voiced by our stakeholders and can vary from infrastructure development, healthcare programmes, financial literacy programmes, donation of supplies to employee volunteerism based activities such as shramadana campaigns and blood donation drives.

Working with animal welfare organisations and catering to the need in the community, Hotel Hilltop and Heritage Tea Factory conducted a vaccination and sterilisation programme to ensure the health of the community dogs in the vicinity of the hotels. The sector hopes to carry out sterilisation and vaccination programmes at all operations in Sri Lanka where community dogs co-habit so that the population can be managed ethically while ensuring the safety of stakeholders.

The Heritage Ayurveda Maha Gedara organizes a health camp every Wednesday to provide Associates the opportunity to seek medical assistance. The hotel is also working with the National Child Protection Authority to create awareness on protecting children from being exploited and subject to abuse.

The hotel also houses a resort crafts workshop, which was launched in 2011 with the objective of promoting uniquely Sri Lankan indigenous arts, crafts and skills and providing a platform for award-winning artisans and craftsmen/women to demonstrate their skills, knowledge and creativity as well as find links to markets overseas.

### Empowerment for Social Governance

‘Empowerment’ is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. An important aspect of strengthening social and relationship capital is building the necessary capacities of the stakeholders who are expected to uphold the systems and

social and environmental governance frameworks of the Company.

As part of the Human Rights at the Workplace framework at Aitken Spence Hotels, we work with Group Security to educate our security personnel on human rights concerns that apply to them. We conduct training programmes for security personnel on how they should respond in specific situations. We hope to continue this dialogue and maintain a forum where security personnel can be educated on the relevant topics and they in turn also have a platform to voice any concerns or grievances of their own. We estimate over 90% of Security Personnel have been covered through this program.

Heritage Kandalama works with a network of 39 schools located close to the hotel to disseminate knowledge about environmental conservation and sustainability. The purpose of this initiative is to empower the growth of the next generation with sustainable development as a core value to guide their decisions in whatever field they choose to be in. The Eco Park at the hotel is also used to educate school children and visitors alike on waste management, protection of biodiversity and on the successful coexistence with natural ecosystems. During the last financial year, about 9,304 visitors were educated at the Eco Park.



Distribution of Tree Saplings at Heritage Kandalama

Compliance with applicable laws and regulations is essential to build trust with our stakeholders and to also manage risks. It also enhances our social and relationship capital by strengthening the trust between stakeholders.

### SUPPLY CHAIN ANALYSIS

As a leading hospitality group in the region, our reputation is built on high ethical, social and environmental standards that we apply throughout our operations. It is why we expect these same standards from all our suppliers as well.

Our aim is to ensure that all suppliers, service providers, or subcontractors should comply with the requirements of Group’s supplier guidelines and Integrated Sustainability Policy, which takes into consideration issues such as; the suppliers human rights record, labour conditions (including abolition of child and forced labour), environmental issues, anti-corruption, and regulatory compliance. The Central Purchasing Unit scrutinizes all suppliers for these key requirements before entering to purchase agreements. Further, the Group procurement policy requires that all purchase decisions are supported with at least 3 quotations, with at least one being a local supplier.

### Sourcing from Local Suppliers

A key element of our efforts to ensure maximum engagement with local communities is the purchase of goods and services from them, whenever possible to support livelihoods whilst enabling us to source fresh produce. Our properties also engage with suppliers to ensure continuous improvement of their products and that they meet our standards.

Some of the win-win ways in which we engage Suppliers:

- Provide all Supply chain partners an opportunity to introduce their products and services to our hotels. Blind testing is carried out with the participation of corporate heads to ensure transparency, fairness and highest quality levels.
- Reduce, re use packaging guidelines given to supply chain partners in line with our 7R waste reduction policy.
- Inform supply chain partners regarding our energy conservation policies and methods at the time of delivering goods to the hotel.
- Invite supply chain partners for awareness sessions on environmental, health & safety, child protection and animal welfare policies.
- Carry our periodic inspections to ensure consistency and quality standards.

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

- Long term contracts and agreements are signed with key supply chain partners to ensure stability and commitment.
- Priority is given for environmentally friendly goods & services.

Percentage of Procurement Expenditure to Local Suppliers	
Heritage Kandalama	35
Heritage Ahungalla	37
Heritage Tea Factory	25
Heritage Auyrveda Maha Gedara	32
Heritage Negombo	35
Hotel Hilltop	36
Turyaa, Kalutara	30
Amethyst Resort	65
Maldives	10-13
Oman	97

Our impacts through supplier engagement also include the following:

- Over 500 farmers sell agricultural produce to us and over 200 families sell wood fuel for the bio mass plant.
- We have afforded a considerable number of craftsmen and women the opportunity to showcase their products.
- Villagers directly benefit from village tours conducted to educate tourists on local living practices.
- 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.

## PRODUCT RESPONSIBILITY & GUEST EXPERIENCE

Everything we do is driven by the demands of the customer, because ultimately our success depends on how well we respond to these needs. It is why we remain committed to diversify our portfolios and investing in technology to upgrade our processes to meet the quality and service assurance levels that our customers demand. Given the diversity of our operating locations, each property has put in place quality assurance parameters that are relevant to their respective operation. The group undertakes regular reviews to ensure operations stay relevant to current market trends.

Our demonstration of product responsibility arises from our commitment to the highest possible standards of business excellence. In our pursuit of quality, we have complied with international standards on a range of product and service delivery criteria. Areas of food safety and entertainment were continuously assessed for improvment.

Endorsements of our commitment to quality standards include the following;

- All our Heritage and Adaaran branded properties are Travelife Gold certified.
- Nine of our properties maintain ISO 22000:2005 (Food Safety Management System) certified (Re certified in 2016 following third party independent audits).
- Heritage Negombo became the first property in our portfolio to be LEED GOLD certified in recent times. Whilst Heritage Kandalama, remains LEED certified, since becoming the only hotel in the region to receive LEED certification in 2000.
- All our properties in Sri Lanka & Maldives have been assessed for EMS (Environment Management System) compliance and five are third party certified for ISO 14001:2004 compliant.

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

Customer feedback is an essential element in our quest to continuously improve our offering, as feedback allows us to fine tune our product to suit the needs and desires of

customers. Customer feedback forms are submitted to all guests at the end of their stay in our resorts with the results collated resort-wise and reviewed periodically. Shortfalls highlighted by guests are attended to immediately while areas that require service adjustment are identified for improvement.

With the advent of social media, the way we interact with the community and obtain feedback has become easier and more informal. Social media such as Facebook and Twitter enable us to interact on a one-on-one basis with customers and potential customers.

Integrating our greening efforts, community impacts and enhancement of guest experience is often intertwined and is a part of our holistic model. We continuously add to and fine tune these offers. Some of the steps we took during the year:

- The elephant dung paper factory – which combines community and environmental impacts, located at Heritage Kandalama was renovated during the year and guests are able to gain know how of the recycling and paper making process using elephant dung.
- Heritage Kandalama re printed the “birds of Kandalama”, its bird watching guide handbook, with better illustrations for guests interested in bird watching and excursions.
- Heritage Ayurveda Maha Gedara introduced a spiritual calming programme every other Wednesday of the week initiated by hotel staff and Ayurveda doctors, and it has received excellent feedback from attendees.
- Heritage Tea Factory and Hotel Hilltop launched a programme to spay and neuter the stray dogs in the neighborhoods in order to control the stray dog population as well as increase safety of guests and community. This project conducted in partnership with KACPAW (The Kandy Association for Community Protection through Animal Welfare) treated 52 dogs during the year.
- Turyaa Chennai launched a F&B Loyalty programme to provide exclusive offers.

The above measures contributed to the enhancement of guest experiences. It is most encouraging that Guest Satisfaction levels have seen a sharp rise, especially in the area of personalized services and the delivery of experiential offerings, which in turn have led to a higher demand for our brands.

## ENVIRONMENTAL PERFORMANCE & NATURAL CAPITAL

In an industry such as Tourism, the importance of natural capital to a company’s value creation model is high. Moreover, the industry is dependent on the enhancement and preservation of the natural capital rather than the extraction of natural resources, as in the case of many other economic sectors. Just as much as we value how socially integrated our hotels are with the local community, we also follow an integrated model with regards to the environment. Some of our properties such as Heritage Kandalama are in-fact case studies for integrating a win-win outcome with the environment.

The potential impacts from our hotel operations are monitored and priority is assigned based on the aspects that are likely to create the most adverse impacts. This is done through an internal evaluation. The following points are considered to select priorities;

- Environmental impact
- Frequency of the impact
- Legal requirement/ industry requirement/ requirement of a voluntary standard to take action
- Risks emanating from inaction
- Public perception about the potential impact of the activity

Based on the outcome of this evaluation, hotels select the aspects that are most important to work on and plan programmes and establish control measures to reduce if not eliminate the impacts.

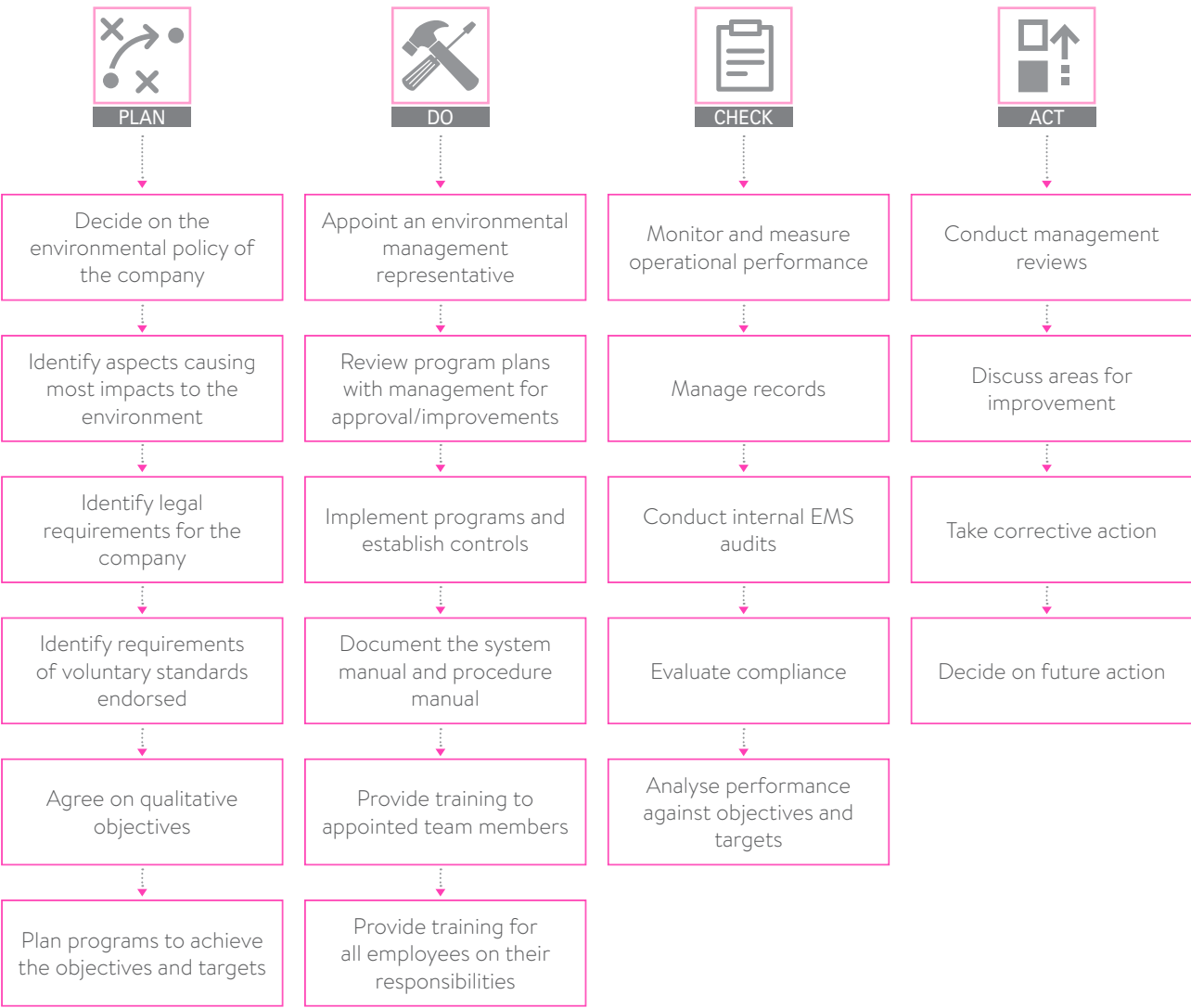
Impacts of Environmental aspects	
Environmental aspects as per GRI classification	
Energy	High
Water	High
Emissions	High
Effluents and Waste	High
Bio Diversity	High
Compliance	High





INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

Overview of our environmental management system



Energy Management

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever. And closer to home, in our business, Energy costs (comprising electricity and fuel) account for 10% of our operating costs and reducing energy consumption is, hence, a Triple Bottom Line objective. We continually seek ways to reduce our energy costs and to switch to renewable energy.

During the year, we launched the development of a solar photovoltaic system at Turyaa Kalutara which provides 150 kWp of power.

A decrease in energy intensity over the past three years reflects improved energy efficiency of our operations, as per the data below.

Total Energy Consumption -GJ			
	2016/17	2015/16	2014/15
SL	108,607	82,473	75,486
MV	181,167	185,396	217,205
OM	18,902	N/A	N/A
IN	13,102	N/A	N/A

Energy Consumption			
	2016/17	2015/16	2014/15
Total Energy consumption (GJ)	321,778	266,568	292,692
Energy consumption per guest night (MJ)	394.61	391.80	422.83

An overarching energy conservation policy applies to our entire portfolio, incorporating standard operating practices which include the following:

- Key card control and master switch turn off to ensure that no power is consumed when the room is unoccupied in 90% of the rooms.
- Lights on outside locations are timer controlled to ensure they are switched off at a given time.
- Preventive and regular maintenance albeit costing more.
- The use of low energy consuming LED or plasma bulbs at our new properties and replacement of Halogen bulbs

with these at our older properties. Monitoring of fuel consumption by stand alone generators on a daily basis.

Water Management

Although water has not been a critical challenge for Sri Lanka, we consider water conservation as vital for the medium to long term future which is made all the more urgent by global warming. Water conservation is hence a key focus area of our Environmental sustainability strategy and we continuously strive to improve the efficiency of our operations in water usage as well as to understand water conditions of the localities in which we operate.

In water stressed locations such as the Maldives, desalination is the only means of fresh water provision.

At our Sri Lankan properties, 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 Consumption per guest night - litres			
	2016/17	2015/16	2014/15
SL	983.49	866.36	921.25
MV	812.50	815.57	812.46
OM	1477.25	N/A	N/A
IN	967.01	N/A	N/A

Total Water Consumption -m³ *			
	2016/17	2015/16	2014/15
SL	392,907	300,723	280,626
MV	269,359	271,798	300,859
OM	73,601	N/A	N/A
IN	33,446	N/A	N/A

\* Does not include water obtained for drinking purposes through bottled water and bowzers obtained during drought period.

Total Water Withdrawal by Source			
	2016/17	2015/16	2014/15
Ground Water m³	339,667	300,723	345,406
Sea Water m³	673,398	679,495	752,148

# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS

The team of Aitken Spence Hotels has also identified areas to improve the data collection and monitoring process of their energy management system. This has been picked as a priority for action in the year ahead.



The Clarifier Tanks at Turyaa Kalutara

### Effluents and Solid Waste

Emissions, effluents and solid waste are a natural output of any operation. However, if these outputs are not properly managed, it can cause harm to the environment, create disruptions for the immediate community and pose compliance risk for the operation.

Our work to reduce emissions by reducing our energy consumption and by replacing energy sources with renewable energy where possible was discussed previously in this IMD&A. Treated water is tested to ensure we meet the stipulated criteria before it is reused or disposed.

Aitken Spence Hotels has its own in house developed 7R approach -an expanded version of the 3 R's (launched at the Earth summit in 1992), system that guides our operation and is used in the management and minimizing of waste. This principle guides our operations to continually work towards achieving zero waste dumping status by tackling the generation of waste and by seeking to convert the generated waste to a resource as much as possible. All our hotels including those in the Maldives have adopted the 7R approach, and we have also given leadership to promoting the 7R approach by other resorts in the Maldives who are interested in expanding their environmental sustainability efforts.

At Aitken Spence Hotels, the 7Rs are implemented and practiced with the aim of achieving zero waste to landfills. For example, stocks are bought in bulk to reject packaging

prior to the point of purchase itself. Any waste items generated in a hotel property, from a bottle cap to a fruit peel, is segregated so that it can be either sold for reuse, handed over for recycling or be disposed in line with CEA requirements. Most hotels re-use plastic containers to plant vegetables at the properties. Ramanan Sadail of Hotel Hilltop has set an inspiring example of this practice by utilizing the available space on the rooftops of the hotel to plant vegetables. The hotel is able to source much of its needs for herbs, bell pepper and other vegetables from this crop.



Vegetable Plantation utilizing the space on the rooftop at Hotel Hilltop

Heritance Ayurveda Maha Gedara has replaced the use of plastic bottled water with glass pitchers to eliminate one plastic item from the hotel. Other properties are also trying to duplicate this action. The Heritance Tea Factory hotel adopts vermin composting and the use of organic compost fertilizer in the tea plantation and garden of the hotel to increase soil quality and to nurture the environment. Manual weeding is carried out in order to avoid the use of weedicides. With the support and guidance of the management, Shantha – the Snr. Air Conditioning Technician at Heritance Ahungalla, has established a training component for his team so that in-house repairs can be conducted without delay and as per technical specifications to increase the efficiency of the machines and to reduce the wastage of resources by the Air Conditioners.

All beachfront properties carry out regular beach cleaning programmes with voluntary assistance from staff members and the community. Training and education on environmental protection is also conducted often to create awareness among the community.

### The 7 R's approach pioneered by Aitken Spence

This internally developed method by Aitken Spence 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 in 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.

- 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** - Cycle or walk without burning fossil fuels  
Eg: Waste water and sewage sludge – reclaimed, treated and converted to compost.  
Machine parts from discarded machinery.  
Cycle or walk without burning fossil fuels
- 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

Waste Details Sri Lankan and Maldivian Hotels					
	Measurement	2016/17	2015/16	2014/15	Remarks
Paper	Kg	11,505	12,927	14,921	Segregated and sold/sent for recycling
Cardboard	Kg	19,249	17,990	32,172	Segregated and sold/sent for recycling
Plastic	Kg	12,250	12,069	13,840	Segregated and sold/sent for recycling
Polythene	Kg	5,011	4,800	5,015	Segregated and sold/sent for recycling, Supplier education on reducing packaging material planned
CFL Bulbs	Units	886	873	324/1021	Sent for recycling, Energy efficient LED lighting replacement program
Lead Acid Batteries	Kg	581	572	6/595	Segregated and sold/ Stored for later recycling
Alkaline Batteries	Units/Kg	-	485/283	485/223	Segregated and sold/ Stored for later recycling
Tires	Units/Kg	-	-	36/856	Sent for Retreading/Sold to recycle
Scrap Metal	Kg	22,625	22,291	17,945	Segregated and sold
Glass	nos/Kg	9,302.95/29,744	10,551/31,041	23,275	Segregated and sold/sent for recycling
Soiled Cotton	Kg	629	620	744	Sent to Thilafushi
Food Waste	Kg	2,341,355	2,306,754	2,456,781	Composted, Used in Bio Gas Generators, Sold / Given to piggery
Waste Oil	l	5,674	5,590	Previously not reported	Sold to Soap manufacturer
E-Waste	Units/Kg	13/341	4/268	4/268	Sold/sent for recycling

## Climate Change, Mitigation and Adaptation

Much of the action we have explained above contributes towards climate change mitigation. It is also necessary to proactively look at how climate change can have impacts on our industries.

Creating better awareness about the potential impacts of climate change is an important aspect of climate action as action would not be successful without the endorsement of the people who must sustain that action. With the intention of highlighting to our stakeholders the importance of climate change mitigation, a team from the Adaaran chain of hotels signed a policy statement under water on the 13th of November 2016 committing themselves to uphold the sustainability strategy of the hotels. Adaaran thus became the first resort chain in the world to endorse a policy statement under water. The message was thus loud and clear -that this could become a reality if no action is taken.

The Group in general also continues to study how the potential impacts of climate change are likely to affect our industry.



Signing of the Under-Water Policy Statement by Adaaran Hotels

## Bio Diversity

Although none of the Group’s Sri Lankan operations are located within very close proximity to national reserves or protected areas, the Group takes initiative to ensure that areas of high bio diversity are protected and preserved. Some of our properties are able to do more due to their location. Heritance Kandalama is one which acts as a preservation agent in conserving the bio diversity 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. This 198-acre land also is home to an Eco Park launched by the Hotel. 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. Paddy fields that had been abandoned for almost 12 years are now being cultivated after the hotel improved and maintained irrigation in the area.

It is an endorsement of the hotel’s design sensitivity that the animals that lived in the area before its construction still roam free. The impressive biodiversity indicators reported from the hotel property are 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies. The hotel supports the natural environment, ensuring least possible disturbance is caused and has four types of primates using the green spaces of the hotel. Of these, two are endemic – the Macaque Monkey and Purple Faced Leaf Monkey, the other two being the Gray Langur and Slender Loris. The large open areas and the green cover over the building welcome even the most timid amongst birds. Among those sighted at the hotel has been the very rare Ceylon Shama (long tail Jungle Robin). Sanctuaries and policies against the invasion/interference with natural habitats have ensured the protection of biodiversity and ecosystems. No alien fauna and flora has been introduced and there is zero negative impact on the Kandalama Lake due to the operations of the hotel.

## Carbon Footprint

GHG emissions of the group are tabulated below.

GHG Emissions		
	2016/17	2015/16
Scope 1 (Tons eCO <sub>2</sub> )	14,999.36	15,339.52
Scope 2 (Tons eCO <sub>2</sub> )	18,009.06	9,027.65

GHG emissions were calculated based on the assumptions stated below.

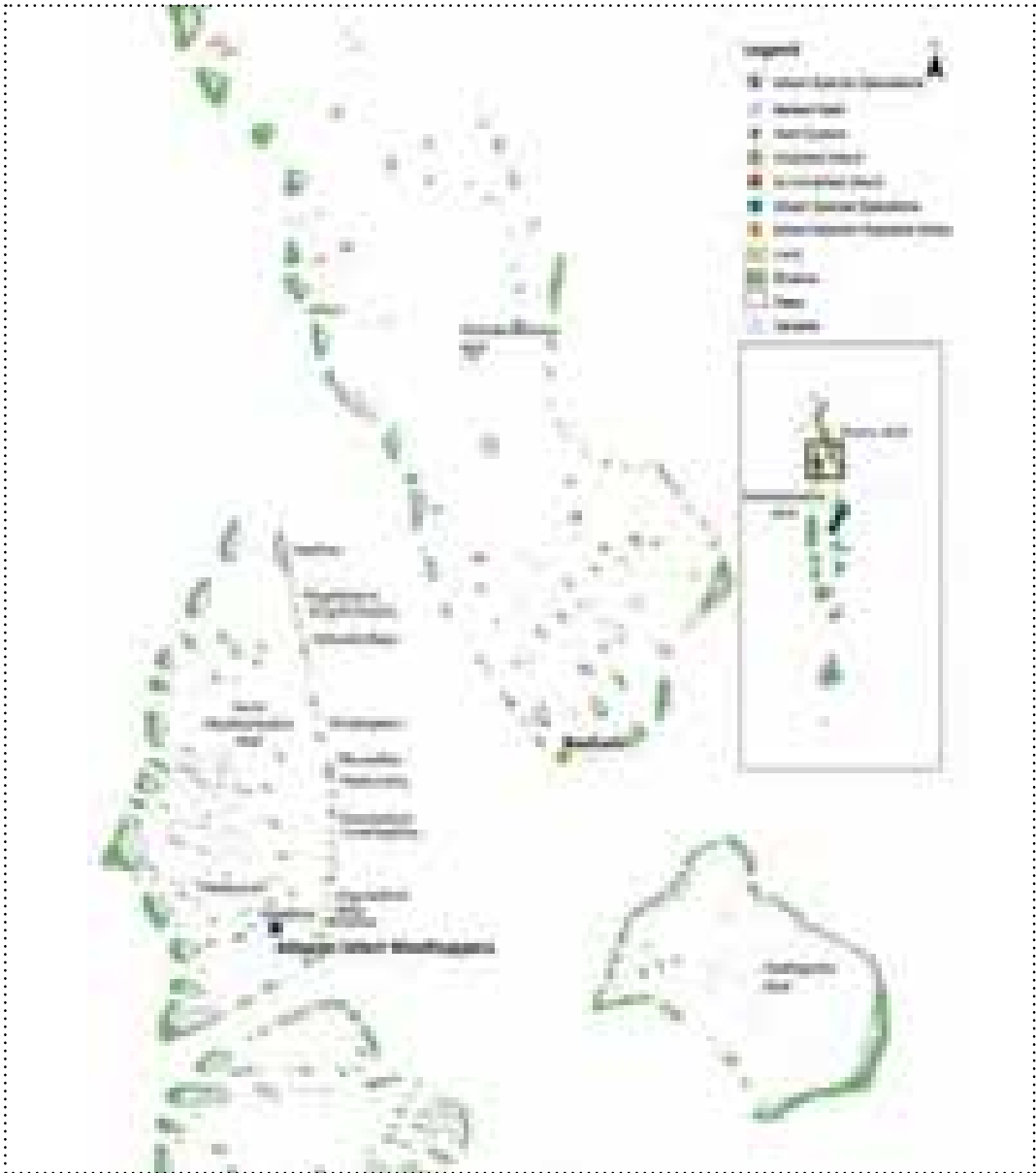
- 1kWh of electricity consumed producers equivalent of 0.740, 0.820, 0.936 Kg CO<sub>2</sub> in Sri Lanka, India and Oman respectively.
- 1 litre of diesel producers equivalent of 2.494 Kg CO<sub>2</sub>.
- 1 litre of furnace oil producers equivalent of 2.933 Kg CO<sub>2</sub>.
- 1 Kg of LPG producers 3.090 Kg eCO<sub>2</sub>.

## Compliance

One of the key steps in establishing an environmental management system is to identify the compliance requirements for the organization, in line with environmental protection. Each property maintains a Legal Register which includes a list of laws and regulations applicable. Compliance checks are part of routine internal audits where hotel teams check the expiry dates of licenses, certifications and permits and makes sure renewals are done on time.

Our primary focus is to ensure our systems are sustainable in the long term and our service offering is in turn sustainable. Hence our investment on environmental protection is primarily to maintain the management systems which are already in place and to implement the programmes and action plans in line with the respective environmental management systems.

INTEGRATED MANAGEMENT  
DISCUSSION & ANALYSIS



# INTEGRATED MANAGEMENT DISCUSSION & ANALYSIS



## Outlook

Post war Sri Lanka's tourism industry has been on a strong growth trajectory with annual tourist arrivals surpassing 2 million in 2016 and all factors point towards continuing growth. 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.

Sri Lankan sector is projected to report increased revenue and profitability during the next financial year with all properties in the portfolio expected to be fully operational and recently launched properties Heritance Negombo, Turyaa Kalutara and Hotel RIU Sri Lanka establishing themselves in the market. 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 Group's portfolio of resorts in the Maldives saw a decline in profitability mainly due to the drop-in arrivals as a result of the political turmoil and the scare of an H1N1 influenza outbreak. In addition to the above market competition intensified with a number of new resorts commencing operations. However, the Group is confident that the impact on its operations in the destination is short-term and with the stabilisation of the political environment increased returns could be expected in the coming years with the group expecting to strengthen its presence in Maldives with the completion of the resort construction work on the island Aarah in the Raa atolls.

The group feels optimistic on the recent investments made in India and Oman, and projects significant returns from the investments once the inevitable gestation period associated with such investments end. The group firmly believes that the above investments are a stepping stone in diversifying our portfolio in the respective destinations.

The Group will continue to expand its regional footprint not merely as a strategy of mitigating risks associated with one destination but also as a means to benefit from the exponential growth in selected markets. We will continue to expand and harness the many synergies of being a multi destination player whilst leveraging the same values and unique brand attributes that have differentiated us to sustain a position of market leadership and are well poised to harness the opportunities created by our long-term view.

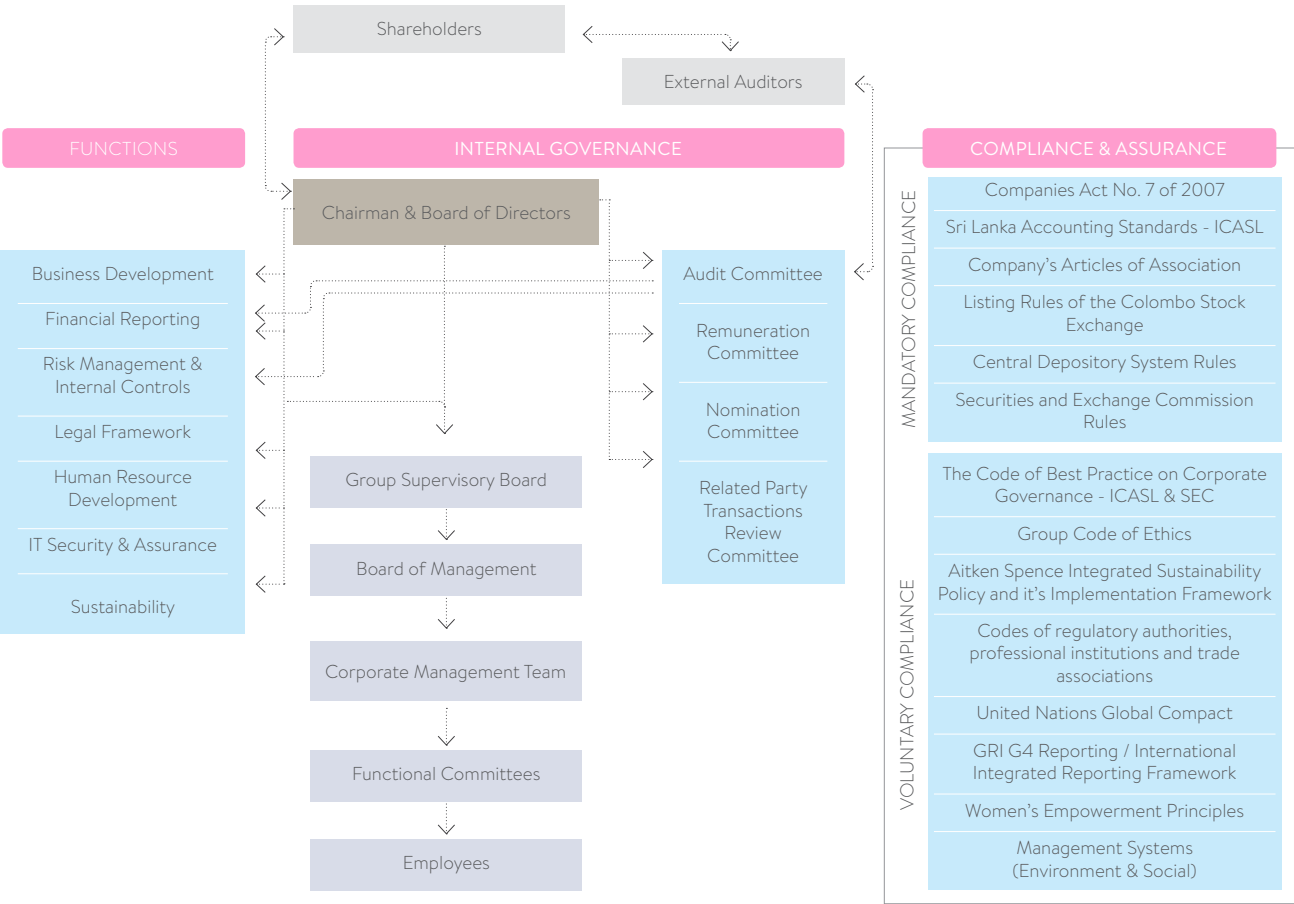


# CORPORATE GOVERNANCE

“Corporate Governance is concerned with holding a balance between economic and social goals and between individual and common goals. The aim is to align as nearly as possible the interests of individuals, corporations and society” (Sir Adrian Cadbury in ‘Global Corporate Governance Forum’, World Bank, 2000)

At Aitken Spence Hotel Holdings PLC, we strongly believe that a sound corporate governance structure ensures transparency leading to a strong and balanced growth by formulating, communicating and adopting the highest standards of policies and practices 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. Good governance is not just about compliance. It is a culture and an environment of consistency, responsibility, accountability, fairness, transparency, and effectiveness that is deployed throughout the organisation.

Governance Structure



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.

The principal communication methods used to reach out to existing and potential 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 relevant comments or observations, seek clarifications and cast their vote on relevant issues. Shareholders are free to informally meet with our Directors after the conclusion of the meeting.

At the end of the financial year 2016/17, Aitken Spence Hotel Holdings PLC had 3,391 shareholders (3,356 at financial year end 2015/16). 99.15% of the total share capital was owned by National Institutions and Individual Investors whereas 0.85% was held by Non-National Institutions and Individual Investors.

Aitken Spence PLC is the largest shareholder, holding 71.21% of the share capital. The twenty largest shareholders accounted for 91.46% of the share capital in the Company. More information on Aitken Spence Hotel Holdings PLC shareholders can be found on pages 298 to 302.

ANNUAL GENERAL MEETING

Annual General Meeting (AGM) is the supreme decision-making body of Aitken Spence Hotel Holdings PLC which is a mandatory yearly gathering of its shareholders. All shareholders registered in the shareholders' register are given due notice of the AGM so that they may attend the meeting and vote for their total shareholdings. Aitken Spence Hotel Holdings PLC encourages all shareholders to attend the AGM and shareholders who cannot participate personally may be represented by proxy holders. All the shareholders have a right to exercise their voting to deal with matters such as consideration of financial statements, adoption of the proposed distribution of profits, election of Board members and appointment of auditors.

Aitken Spence Hotel Holdings PLC held its 39th AGM on June 30, 2016 at the Auditorium of the Institute of Chartered Accountants of Sri Lanka and 87.7% of the shares were represented.

Decisions taken at the AGM 2016 are as follows;

Receive and Consider the Annual Report of the Board of Directors on the affairs of the Company and the financial statements for the year ended 31st March 2016 and the report of the Auditors thereon.

Approval of a first and final ordinary dividend of Rs. 1.25 per share as recommended by the Directors for the year ended 31st March 2016.

Appointment of Messrs. KPMG, Chartered Accountants, as the Auditor of the Company for the financial year 2016/17 and authorisation of the Directors to approve their remuneration.

Authorisation of the Board of Directors to determine contribution to charity for the financial year 2016/17.

Re-election of Mr. N J de Silva Deva Aditya to the Board of the Company pursuant to his retirement in terms of Article 83 of the Articles of Association of the Company.

Re-election of Mr. C H Gomez to the Board of the Company pursuant to his retirement in terms of Article 83 of the Articles of Association of the Company.

Re-election of Deshamanya D.H.S. Jayawardena, to the Board of the Company by passing the following resolution:

“the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who attained the age of 73 years and that he be re-elected a Director of the Company.”

Re-election of Mr. R N Asirwatham to the Board of the Company by passing the following resolution:

“the age limit stipulated in section 210 of the Company Act No. 7 of 2007 shall not apply to Mr. R N Asirwatham who attained the age of 73 years and that he be re-elected a Director of the Company”

# CORPORATE GOVERNANCE

### BOARD OF DIRECTORS

The Board of Directors comprises of eight Directors including the Chairman and the Managing Director as at the end of financial year 2016/17. The Board has three Directors who are Non-Executive Directors of whom two are Independent. 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 29 of this Annual Report. Mr. R E V Casie Chetty who was a director resigned from the directorate w.e.f. 30th June 2016.

### BOARD SUB COMMITTEES

Board sub committees include Nomination Committee, Audit Committee, Remuneration Committee and Related Party Transactions Review Committee.

Aitken Spence Hotel Holdings PLC is the tourism sector business unit of the Aitken Spence Group under its Parent Company Aitken Spence PLC. Therefore, the Board Sub Committees of Aitken Spence PLC act as the Board Sub Committees of Aitken Spence Hotel Holdings PLC as well. The Company has complied with the policies and procedures set out by the Group Sub Committees. More information on the Nomination Committee, Audit Committee, Remuneration Committee and Related Party Transactions Review Committee can be found on pages 168 to 176 of this Annual Report respectively.

### EXTERNAL AUDITOR

An external auditor is a qualified independent external party whose objective is to determine whether the financial statements of an organization represents a true and fair view of its financial performance, position and cash flow status. The audit firm KPMG, Chartered Accountants, was re-appointed at the AGM 2016 as external auditors of Aitken Spence Hotel Holdings PLC for the financial year 2016/17.

### INTERNAL AUDIT AND ASSURANCE

Internal audit division is responsible to provide an independent assurance service to the Board of Directors, Audit Committee and Management of Aitken Spence Hotel Holdings PLC by reviewing the effectiveness of

the corporate governance, risk management and control processes that the management has put in place. The Board of Directors is responsible to ensure that Aitken Spence Hotel Holdings PLC has adequate internal control systems in place for financial reporting. Read more on pages 184 to 185.

### CORPORATE MANAGEMENT TEAM

The Corporate Management Team consists of thirteen members with a vast reservoir of knowledge and experience in all areas of the Company’s operations such as Hoteliering, Engineering, Marketing, Finance, Legal, Commerce and Entrepreneurship and enables optimum efficiency and effectiveness. The Corporate Management Team is responsible for implementation and carrying out strategic development plans made at Board level. It works as the steering committee through which overall Company goals are communicated to sub divisions. The names and the profiles of the members of the Corporate Management Team are given on pages 30 to 34 of this Annual Report.

### STATEMENT OF COMPLIANCE

The disclosures below reflect conformance to the Code of Best Practice on Corporate Governance which consist of seven (7) fundamental principles, which are as follows;

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

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

G4-38

G4-41

SECTION 1 of the Code deals with the Company and it mainly covers the governance aspects with regard to Company Directors, their Remuneration, Relations with Shareholders and Accountability and Audit. (See pages 153 to 165)

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 165 to 167)

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
SECTION 1. COMPANY			
A. DIRECTORS			
Principle A.1 / <a href="#">Listing Rule 7.10.1(a), 7.10.2(a) and 7.10.3(c-d)</a> - The Board			
The Board of Directors comprise of Eight Directors including the Chairman and the Managing Director. The Board has three Directors who are Non-Executive Directors of whom, two are Independent Non-Executive Directors. The names and the profiles of the Directors are given on pages 26 to 29 of this Annual Report. Mr. R E V Casie Chetty who was a director resigned from the directorate w.e.f 30th June 2016.			
Board Meetings	A.1.1	Complied	Board Meetings were held five times during the financial year and presided over by the Chairman.
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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 by way of 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 by way of circular resolutions, all relevant information are 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 is indicated in the table on page 167 and graphically depicted above.			

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	<p>The Board of Directors is responsible for:</p> <p>a. 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. The Board is also responsible for implementing and monitoring of such strategies.</p> <p>b. Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and strict compliance with the laws, statutes and regulations.</p> <p>In this process, compliance with all applicable laws and regulations both national and international and adherence to the Company’s ethical standards and corporate values are of utmost importance in order to ensure that the interests of all stakeholders are taken into consideration in the corporate decision-making process.</p> <p>c. Reviewing, approving and monitoring all capital expenditure, acquisitions and divestitures recommended by the Corporate Management Team.</p> <p>The Board is further responsible for;</p> <p>* Ensuring that effective information and audit systems are in place.</p> <p>* Ensuring that due attention is given to annual and interim financial statements prior to publication by ensuring the adoption of appropriate accounting policies and complying with relevant statutes and accounting regulations.</p> <p>* Determining the quantum of interim dividend and recommending final dividend for approval by the shareholders at the AGM.</p> <p>* Approving and monitoring financial and other reporting.</p>
Compliance with laws and access to independent professional advice	A.1.3	Complied	<p>In discharging its duties, the Board 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>

G4-45 G4-48

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
Company Secretary	A.1.4	Complied	<p>The Company Secretaries advise the Board on matters relating to the Companies Act No. 07 of 2007, the Listing Rules of 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 sub-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> <p>Two of our Board Members Deshamanaya D.H.S. Jayawardena and Miss D.S.T Jayawardena are related to each other. However they act in the best interest of the Group in their spirit, intention, purpose and attitude in their decision making.</p>
Board Commitment	A.1.6	Complied	<p>The Board of Directors devotes adequate time to fulfil their duties as Directors of the Company. The Board has delegated the day to day operations of the Company to the Corporate Management Team. The Corporate Management Team 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 of Directors	A.1.7	Complied	<p>Directors are provided with opportunities to attend workshops, seminars and professional training programmes in Sri Lanka and Overseas.</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. Directors are further encouraged to participate in workshops and/or seminars in their capacity as speakers, moderators or panelists in their respective areas of proficiency.</p>

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
<b>A.2. Chairman and the Chief Executive Officer</b>			
There is a clear distinction of responsibilities between the Chairman and the Managing Director who is our Chief Executive Officer. The functions performed by the Chairman and the Managing Director are distinct and separate, which ensures the balance of power and authority within the Company, 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.			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	The roles of the Chairman and the Managing Director are distinct and separate, which ensures a balance of power within the Company, so that no individual has unfettered powers of decision making.
<b>A.3 Chairman's Role</b>			
The Chairman of the Company who is one of the most successful and experienced business leader in this country is responsible for guiding the Board in formulating the appropriate business strategies and giving direction to the Group. He is responsible for preserving good corporate governance in the Company.			
Role of Chairman	A.3.1	Complied	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. 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 Company and its stakeholders.
<b>A.4 Financial Acumen</b>			
Financial Acumen	A.4.1	Complied	As apparent from the profiles of the Board, the Directors with their academic and/or entrepreneurial, financial skills and business acumen contribute substantial value and independent judgement to decision making on matters concerning financial investment.
<b>A.5 Board Balance</b>			
Presence of Non-Executive Directors	A.5.1 <a href="#">7.10.1 (a)</a> <a href="#">7.10.2 (a)</a> <a href="#">7.10.3 (a)</a>	Complied	The Board comprises of the Chairman, Managing Director, three Executive Directors and three Non-Executive Directors of whom two are Independent Directors. The profiles of the Non-Executive Directors are provided on page 29 of this Annual Report.

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
Independence of Non-Executive Directors	A.5.2, A.5.3 & A.5.5  <a href="#">7.10.2 (a-b)</a> and <a href="#">7.10.3 (a-b)</a>	Complied	The Board comprises of three Non-Executive Directors namely Mr. R. N. Asirwatham, Mr. N. J. de S. Deva Aditya and Mr. C. H. Gomez.  Mr. R. N. Asirwatham and Mr. C. H. Gomez are Directors of the Parent Company in which a majority of the other Directors of the Company are Directors and which has a significant shareholding in the Company. However, in view of the fact that they are Independent Non-Executive Directors of the Parent Company, their positions as Directors of the Parent Company do not compromise their independence and objectivity in discharging their functions as Directors of the Company. Hence Mr. R. N. Asirwatham and Mr. C. H. Gomez are determined by the Board to be Independent Directors.
Annual Declaration of Non-Executive Directors	A.5.4 <a href="#">7.10.2 (b)</a>	Complied	Each Non-Executive Director submits a signed declaration annually with regard to his independence / non-independence against the specific criteria.
Alternate Director to a Non-Executive Director	A.5.6	Not applicable	During the period under review, there were no appointments of alternate Directors.
Requirement to appoint a 'Senior Independent Director'	A.5.7 & A.5.8	Not applicable	This principle is not applicable to the Company as the roles of the Chairman and the Managing Director are distinct.
Chairman meeting with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Non-Executive Directors as and when necessary.
Recording of concerns	A.5.10	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in Board minutes.
<b>A.6 Supply of Information</b>			
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.



CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
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 two Independent Non-Executive Directors, of the Parent Company in addition to the Chairman and Managing Director of the Company.</p> <p>The Nomination Committee Report is on pages 173 to 174 of this Annual Report which includes names of the members of the Committee.</p> <p>The functions of the Nomination Committee are 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 of appointment of a new director	A.7.3 <a href="#">7.10.3.d</a>	Complied	There were no new appointments to the Board of Directors during the year under review. However, upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, other directorships held, memberships in Board Committees and the nature of the appointment.
A.8 Re Election			
Re-election of Directors including Chairman	A.8.1 & A.8.2	Complied	<p>All Directors who are retiring by rotation in terms of the Articles of Association of the Company and over the age of seventy years in terms of the Companies Act No. 7 of 2007, submit themselves for re-election at the Annual General Meeting to be held on 30.06.2017 to be elected by the shareholders of the Company.</p> <p>The Nomination Committee has declared to the Board that the contributions made by the Directors offering themselves for re-election at the forthcoming Annual General Meeting are effective and affirms the Company's continuous support of their re-election.</p>
A.9 Appraisal of Board performance			
Appraisals of the Board and the sub committees	A.9.1,A.9.2 & A.9.3	Complied	Assessment of the performance of the Board, its sub-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 in the Nomination Committee Report (see pages 173 to 174).

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
A.10 Disclosure of information in respect of Directors			
Directors' disclosures	A.10.1 <a href="#">7.10.3 (c-d)</a>	Complied	<p>The names of the Directors of the Board and their profiles are disclosed on pages 26 to 29 of this report.</p> <p>Directors' interest in transactions are disclosed in Note 43 of this annual report. The number of Board meetings attended by the Directors is given on page 167 of this report.</p> <p>Names of the Chairmen and the members of the Board Sub-Committees are provided in the respective reports and in the Corporate Information on page 316 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.
B DIRECTORS REMUNERATION			
B.1 / <a href="#">7.10.5</a> Remuneration Procedure			
Establishment of a Remuneration Committee and its composition	B.1.1, B.1.2 & B.1.3 <a href="#">7.10.5 (a)</a> <a href="#">7.10.5 (b)</a>	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 key management personnel according to their responsibilities and performance. The evaluation of performance is conducted bi-annually 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 171 of this 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. Their fees and reimbursable expenses are paid in consideration of the basis of contribution and service performed at the Board and committee meetings.
Consultation with the Chairman and the CEO	B.1.5	Complied	The Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposals to Executive Directors and the Corporate Management Team. No Director is involved in determining his own remuneration.



CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
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 and the senior management. 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.
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 171 to 172.
Early Termination of Directors	B.2.7 & B.2.8	Complied	The Remuneration Committee determines the remuneration of Directors in the event of early termination.
Remuneration of Non-Executive Directors	B.2.9	Complied	The Board determines the remuneration payable to Non-Executive Directors as per the Articles of Association of the Company. Their fees and reimbursable expenses are paid in consideration of the basis of contribution and service performed at the Board and Committee meetings. Non-Executive Directors receive a fee for their participation in meetings.
B.3 / 7.10.5 (c) Disclosure of Remuneration			
Disclosure of remuneration	B.3.1	Complied	The report of the Remuneration Committee is given on pages 171 to 172 along with the names of the members of the Committee. Refer note 9 and 43.4 to the financial statements for the details of remuneration paid to Board of Directors and Key Management Personnel.

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of the Annual General Meeting			
Use of Proxy and procedures governing voting	C.1.1 & C.1.5	Complied	A Form of Proxy is forwarded to the shareholders along with the Annual Report of the Company. All the proxy instructions are categorised according to the instructions given by the shareholders, and unless otherwise specified, the proxy holder is deemed to have been authorised to exercise their discretion in voting of any resolution. Proxy summaries are duly tabulated and given to the Chairman and the Managing Director prior to the Annual General Meeting.  In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll, the procedure involved in voting would be circulated. In the absence of such intimation, all issues at the general meeting will be passed by a show of hands.
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.
Chairmen of Board Committees to be present	C.1.3	Complied	At the Annual General Meeting, the relevant Chairmen of the respective Committees are presented to answer queries of the shareholders directed to them by the Chairman of the Company.
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 Articles of Association of the Company and the Companies Act No. 7 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, Registrars and/or Corporate 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 Secretaries/Registrars.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	C.2.5 & C.2.7	Complied	<p>The Company Secretaries maintain a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable.</p> <p>The Board or individual Director, as applicable, will generate an appropriate response to all validly received shareholder correspondence and will direct the Company Secretaries to send the response to the particular shareholder.</p>
C.3 MAJOR AND MATERIAL TRANSACTIONS			
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 confirms that the financial statements of the Company and its subsidiaries have been prepared in accordance with the Companies Act No. 7 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 Board of Directors	D.1.2	Complied	Refer the "Annual Report of the Board of Directors" on pages 178 to 183.
Statement by the Directors and the Auditors	D.1.3	Complied	The Independent Auditors' Report on the financial statements is presented on page 201 of this Annual Report. The Statement of Directors' Responsibilities for Financial Statements is available on page 177.
Management discussion and analysis	D.1.4	Complied	The Integrated Management Discussion and Analysis is given on pages 96 to 149.
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 180 of this Annual Report.

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	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 a situation arises, 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 Related Party Transactions Review Committee of the Parent Company functions as the Related Party Transactions Review Committee of Aitken Spence Hotel Holdings PLC, in compliance with the Listing Rules of the Colombo Stock Exchange.</p> <p>The Directors disclose their interest in transactions in companies on an 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 43 to the Financial Statements on pages 285 to 292.</p>
D.2 Internal Control			
Directors to maintain and review a sound system of Internal Controls	D.2.1 & D.2.4	Complied	<p>The Board is responsible for formulating and implementing appropriate systems of internal control for the Group and in turn assessing its effectiveness. The Group's internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise same.</p> <p>The Directors' responsibility for maintaining a sound system of internal control is given in "The Board of Directors' Statement of Internal Control" on pages 184 to 185.</p>
Internal Audit function	D.2.2	Complied	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.
Risk management and Internal Controls	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.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
D.3 / 7.10.6 Audit Committee			
Composition of the Audit Committee and the Duties	D.3.1 & D.3.2 <a href="#">7.10.6 (a)</a> <a href="#">7.10.6 (b)</a>	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 Directors, of whom, three are Independent Non-Executive Directors. The names of the members of the Committee are listed on page 168 of this 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 internal 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 <a href="#">7.10.6 (b)</a>	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 <a href="#">7.10.6 (c)</a>	Complied	The report of the Audit Committee is available on pages 168 to 170 which includes the names of the members.
D.4 Code of Business Conduct and Ethics			
Code of business conduct and ethics	D.4.1	Complied	The Aitken Spence Group has a Code of Ethics which includes the code of conduct and is circulated to Directors and all employees. The Board ensures that the Directors and the employees strictly adhere to the Code of Ethics of the Company in their duties so as not to adversely affect the brand of Aitken Spence in any manner. 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	The Chairman affirms that there has not been any violation of any of the provisions of the Code of Ethics. Please refer The Board of Directors' Statement on Internal Controls on page 184 of this report.

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
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 150 to 167.
SECTION 2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
E.1 Shareholder voting			
Shareholder voting	E.1.1	Complied	The Company conducts regular discussions with Institutional Investors. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company. Shareholders are provided an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of general meetings.
E.2 Evaluation of Governance Disclosures			
Encouraging Institutional Investors to evaluate Company's governance arrangements	E. 2	Complied	The Institutional Investors are encouraged to give due weight on matters relating to the Board structure and composition to Board structure. The Annual Report gives the shareholders sufficient information on such related matters which allows them to evaluate same.
F. OTHER INVESTORS			
F.1 Investing and Divesting Decision			
Investing and divesting decision	F.1	Complied	The Company has no restriction with regards to investors carrying out adequate analysis and obtaining independent advice regarding their investment in the Company and encourages any shareholder to do so.
F.2 Shareholder Voting			
Individual shareholders voting	F.2	Complied	All shareholders are encouraged to be present, actively participate and vote at general meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to meet with the Directors informally after the meeting.

CORPORATE GOVERNANCE

Corporate Governance Principle	Reference to SEC & ICASL Code <a href="#">CSE Listing Rules</a>	Compliance	Details of Compliance
G. SUSTAINABILITY REPORTING			
G.1 Principles of Sustainability Reporting			
Principle 1 - Reporting of Economic Sustainability	G. 1.1	Complied	Refer pages 102 to 127 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 2 - Reporting on the Environment	G. 1.2	Complied	Refer pages 139 to 148 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 3 - Reporting on Labour Practices	G. 1.3	Complied	Refer pages 130 to 134 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 4 - Reporting on Society	G. 1.4	Complied	Refer pages 135 to 139 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 5 - Reporting on Product Responsibility	G. 1.5	Complied	Refer pages 138 to 139 of the 'Integrated Management Discussion & Analysis' for this requirement.
Principle 6 - Reporting on Stakeholder identification, engagement and effective communication	G. 1.6	Complied	Refer pages 100 to 101 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 pages 116 to 119 of the 'Integrated Management Discussion & Analysis' for this requirement.

Attendance at Board Meetings						
Name of Directors	12-May-16	30-Jun-16	11-Aug-16	21-Nov-16	9-Feb-17	Total
<b>Chairman</b> Deshamanya D.H.S. Jayawardena	✓	✓	✓	✓	✓	5
<b>Managing Director</b> Mr. J.M.S. Brito	✓	✓	✓	✓	✓	5
<b>Executive/Non-Independent Directors</b>						
Ms. D.S.T. Jayawardena	✓	✓	✓	✓	✓	5
Mr. C.M.S. Jayawickrama	◆	✓	✓	✓	✓	4
Mr. G.P.J. Goonewardene	◆	✓	✓	✓	✓	4
Mr. R.E.V. Casie Chetty (Resigned w.e.f 30.06.2016)	✓	✓	N/A	N/A	N/A	2
<b>Non Executive/Independent Directors</b>						
Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	5
Mr. C.H. Gomez	◆	✓	◆	✓	✓	3
<b>Non Executive Director</b>						
Mr. N.J. de Silva Deva Aditya	◆	✓	✓	◆	◆	2

✓ = Present                      ◆ = Excused

# AUDIT COMMITTEE REPORT

Aitken Spence Hotel Holdings PLC is the tourism sector business unit of the Aitken Spence Group under its parent Company Aitken Spence PLC. 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.

The Committee has sought to balance independent oversight of the Group’s businesses with the support and guidance to the Board of Directors to fulfil their obligations and responsibilities in relation to financial reporting processes, adequacy and effectiveness of internal control systems, external audit, and the Group’s process for monitoring compliance with laws and regulations. The

Committee believes that there are many reasons for the Audit Committee to be confident that it has carried out its duties successfully and to a high standard during the year, thereby helping to enrich the value of the Group.

### COMPOSITION OF THE GROUP AUDIT COMMITTEE

The Audit Committee is comprised of four Non-Executive Directors, of whom, three are Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director. Mr. H.K.A. Rathnaweera, Chief Internal Auditor of Aitken Spence serves as the Secretary to the Committee with effect from June 30, 2016, subsequent to the resignation of Mr. R.E.V. Casie Chetty, Company Secretary, Aitken Spence PLC.

			Member Since
Chairman	Mr. R.N. Asirwatham	Independent Non-Executive	2009
Members	Mr. G.C. Wickremasinghe	Independent Non-Executive	2002
	Mr. C.H. Gomez	Independent Non-Executive	2002
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director for Mr. N. J. de S Deva Aditya)	Non-Independent Non-Executive	2009
Secretary	Mr. R.E.V. Casie Chetty (Resigned w.e.f 30.06.2016)	Company Secretary, Aitken Spence PLC	
	Mr. H. K. A Rathnaweera (Appointed as Secretary to the Committee w.e.f 30.06.2016)	Chief Internal Auditor, Aitken Spence PLC	
Attendance by invitation			
	Mr. J. M. S Brito	Deputy Chairman/Managing Director-Aitken Spence PLC, Managing Director-Aitken Spence Hotel Holdings PLC	
	Ms. D. S. T Jayawardena	Executive Director, Aitken Spence PLC/Aitken Spence Hotel Holdings PLC	
	Ms. N Sivapragasam	Chief Financial Officer, Aitken Spence PLC	

### COMMITTEE MEETINGS

The Audit Committee functioned throughout the financial year and held 9 formal meetings.

#### Attendance of the Members

	Dates of Meetings								
	13.05.2016	01.07.2016	08.08.2016	24.08.2016	31.08.2016	01.11.2016	22.11.2016	07.02.2017	01.03.2017
Chairman									
Mr. R. N. Asirwatham	✓	✓	✓	✓	✓	✓	✓	✓	✓
Members									
Mr. G. C. Wickremasinghe	✓	✓	◆	●	●	✓	✓	◆	✓
Mr. C. H. Gomez	◆	✓	◆	◆	●	◆	✓	✓	●
Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne	✓	✓	✓	✓	✓	✓	◆	◆	◆
<i>(Alternate Director for Mr. N. J. de S Deva Aditya)</i>									

✓ = Present      ◆ = Excused      ● = Via teleconference

### ATTENDANCE BY INVITATION

Mr. J.M.S. Brito, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director, Ms. N. Sivapragasam, Chief Financial Officer and other Senior Officers of the Group as well as the Partner of KPMG responsible for the Group’s audit attended the meetings by invitation as and when required.

### SUMMARY OF KEY FOCUS AREAS IN THE YEAR ENDED 31ST MARCH 2017

Responsibility	Activity
Risk Management and Internal Control	<ul style="list-style-type: none"><li>Reviewed the adequacy and effectiveness of the Group’s internal controls and risk management activities and highlighted the areas which required attention, and suggested recommendations to the Board.</li></ul>
Review the adequacy of Company’s internal control and risk management systems.	<ul style="list-style-type: none"><li>Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of conduct; and standards of conduct required by regulatory authorities, professional bodies and trade associations.</li></ul>
Financial Reporting and Financial Control	<ul style="list-style-type: none"><li>Reviewed the Group’s quarterly and annual financial statements, adequacy of disclosures, uniformity and appropriateness of the accounting policies adopted, major judgmental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and requirements of other regulatory bodies as applicable for the Group, and suggested recommendations in line with those requirements.</li></ul>
Monitor the integrity of the Group’s financial statements and review significant financial reporting judgments contained in them.	<ul style="list-style-type: none"><li>Reviewed the operational and other management information reports submitted by the Group’s management to the Audit Committee and made recommendations for improvements.</li></ul>



# AUDIT COMMITTEE REPORT

Responsibility	Activity
<b>External Audit</b>  Make a recommendation to the Board on the appointment, reappointment and removal of the external auditor	<ul style="list-style-type: none"><li>Assessed the performance and effectiveness of the external auditors, and their independence and professional capabilities and made recommendations to the Board.</li><li>Reviewed the audit plan presented by the external auditors and provided advice and support regarding the execution of the plan.</li><li>Discussed the audited financial statements with external auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.</li><li>Held discussions with Messrs KPMG, pertaining to the Management Letter issued by them at the conclusion of the audit and instructed the management to take appropriate and follow up action on matters highlighted therein.</li><li>Reviewed the fees &amp; out of pocket expenses proposed by external auditors and suggested recommendations to the Board.</li></ul>
<b>Internal Audit</b>  Review the operation and effectiveness of the Group internal audit function	<ul style="list-style-type: none"><li>Reviewed and evaluated the independence and effectiveness of the Group's internal audit department and their resource requirements, and made recommendations for any required changes.</li><li>Reviewed and approved the annual internal audit plan together with the Information Technology (IT) security plan and strategic risk plan and made appropriate recommendations for improvements.</li><li>Reviewed and discussed the periodic reports submitted by the Group Internal Audit Department with management responses, on financial and operational audits, IT security, and risk assessments carried out in line with the approved annual internal audit plan.</li><li>The Audit Committee continued to ensure the co-ordination between the Group Internal Audit Department and external auditors.</li></ul>
<b>Reporting</b>	<ul style="list-style-type: none"><li>The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee.</li><li>The Annual Report incorporates the Audit Committee Report.</li><li>The Chairman of the Audit Committee attends the Annual General Meeting.</li></ul>

## RE-APPOINTMENT OF EXTERNAL AUDITORS

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



R.N. Asirwatham  
Chairman  
Audit Committee

Colombo  
26th May 2017

# REMUNERATION COMMITTEE REPORT

Aitken Spence Hotel Holdings PLC is the tourism sector business unit of the Aitken Spence Group under its Parent Company Aitken Spence PLC. 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 is currently composed of three Independent Non-Executive Directors, one of whom functions as the Chairman. The members of the Committee have wide experience and knowledge of finance, business and industry.

			Member Since
<b>Chairman</b>	Mr. G.C. Wickremasinghe	Independent Non-Executive	2002
<b>Members</b>	Mr. R.N. Asirwatham	Independent Non-Executive	2010
	Mr. C. H. Gomez (Appointed w.e.f. 01.07.2016)	Independent Non-Executive	2016
<b>Attendance by invitation</b>			
	Deshamanya D.H.S. Jayawardena	Chairman, Aitken Spence PLC/Aitken Spence Hotel Holdings PLC	
	Mr. J.M.S. Brito	Deputy Chairman/Managing Director-Aitken Spence PLC, Managing Director - Aitken Spence Hotel Holdings PLC	
	Ms. D. S. T Jayawardena	Executive Director, Aitken Spence PLC/Aitken Spence Hotel Holdings PLC	

## COMMITTEE MEETINGS

The Committee formally met once during the year under review.

### Attendance of the Members

Date of the Meeting		25.06.2016
<b>Chairman</b>	Mr. G. C. Wickremasinghe	✓
<b>Members</b>	Mr. R. N. Asirwatham	✓

✓ = Present

## INDEPENDENCE OF THE COMMITTEE

The members of the Committee are independent of management and are completely free from any business, personal or other relationships that may interfere with the exercise of their independent, unbiased judgement.

## KEY OBJECTIVE

The Committee advises the Board on the policy to be followed on Executive remuneration packages for individual Directors and Senior Management.

## RESPONSIBILITIES

The committee is responsible to the Board for;

- Determining the policy of the remuneration package of the Directors and the Board of Management,
- Evaluating performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units,
- Deciding on overall individual packages, including compensation on termination of employment.

# REMUNERATION COMMITTEE REPORT

### THE SCOPE OF THE COMMITTEE

- Remuneration policy and its specific application to the CEO and Executive Directors and general application to the Key Management Personnel below the Main Board,
- Performance evaluation of the CEO, management development and succession planning,
- Reviewing, monitoring and evaluating performance of Key Management Personnel as well as their management development and succession planning.

### KEY FUNCTIONS OF THE COMMITTEE

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

The Remuneration Committee operates with the key objective of attracting the most suitable talent and retaining them in the Group in order to enhance the performance of the Strategic Business Units. Performance of employees is evaluated using a well-structured performance evaluation mechanism that is accepted by all employees thereby ensuring that they are treated equally. The Remuneration Committee approved promotions and the revision of individual remuneration packages after evaluating performance of the Group, Strategic Business Units and the contribution of employees to his/her respective Strategic Business Unit. Cost of living, inflation and comparative industry norms are also given the due consideration in determining the remuneration packages.

No Director was involved in deciding his/ her remuneration.

The Remuneration Committee’s decisions were made in keeping with these policies.

■ ■ |

G.C. Wickremasinghe  
Chairman  
Remuneration Committee

Colombo  
26th May 2017

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# NOMINATION COMMITTEE REPORT

Aitken Spence Hotel Holdings PLC is the tourism sector business unit of the Aitken Spence Group under its Parent Company Aitken Spence PLC. 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 two Independent non-executive Directors along with the Chairman and the Deputy Chairman and Managing Director of Aitken Spence PLC who served as members of the Committee throughout the year under review. The members of the Committee possess wide experience, financial and business acumen.

			Member Since
Chairman	Mr. G.C. Wickremasinghe	Independent Non-Executive	2009
Members	Deshamanya D.H.S. Jayawardena	Chairman, Aitken Spence PLC/Aitken Spence Hotel Holdings PLC	2009
	Mr. J.M.S. Brito	Deputy Chairman/Managing Director-Aitken Spence PLC, Managing Director - Aitken Spence Hotel Holdings PLC	2010
	Mr. R.N. Asirwatham	Independent Non-Executive	2010

### COMMITTEE MEETINGS

The full Committee formally met once during the year under review.

### Attendance of the Members

Date of the Meeting		26.06.2016
Chairman	Mr. G. C. Wickremasinghe	✓
Members	Deshamanya D.H.S. Jayawardena	✓
	Mr. J.M.S. Brito	✓
	Mr. R. N. Asirwatham	✓

✓ = Present

### SUMMARY OF RESPONSIBILITIES OF THE COMMITTEE

- Broaden, balance and diversify the effectiveness and composition of the boards of Aitken Spence and its Group Companies,
- Identify and recommend suitable candidates as Directors to the boards of Aitken Spence and its Group Companies considering the succession plan and requirements of the Board and the Group,
- Review the structure, size and composition of the Boards of Group Companies,
- Oversee the performance of the Board, its Group Committees and Individual Directors and evaluate their performance,
- Ensure the Boards consist of persons possessing a large reservoir of knowledge, experience and entrepreneurial skills to advance the effectiveness of the Boards.
- Review the Charter for the appointment and the re-appointment of Directors to the Boards of the Group Companies and suggest amendments wherever necessary.

# NOMINATION COMMITTEE REPORT

## KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

The Committee strives to review and make recommendations that are fair, free from any bias and not influenced by personal or 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 within the Group. During the year under review the Committee performed the following functions:

- Ensured the consideration and promotion diversity and effectiveness in the boards of the Group Companies.
- Reviewed and recommended necessary appointments to the Boards of the Group Companies wherever necessary.
- The Committee evaluated and recommended suitable internal and external candidates to higher levels of management.
- Reviewed the policy and guidelines for appointment, re-appointment and succession planning.

## ANNUAL GENERAL MEETING 2017

In terms of Section 210(2) of the Companies Act No.7 of 2007 Deshamanya D.H.S. Jayawardena, Mr. J.M.S. Brito and Mr. R.N. Asirwatham retires from the Board at the conclusion of the forthcoming AGM. Further, Ms. D S T Jayawardena retires by rotation in terms of Article 83 of the Articles of Association.

Having given due consideration to each Director’s competencies, the Committee believes the said Directors are eligible for re-election and continue their commitment as Directors of the Company.

■ ■ |

G.C. Wickremasinghe  
Chairman  
Nomination Committee

Colombo  
26th May 2017

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Aitken Spence Hotel Holdings PLC is the tourism sector business unit of the Aitken Spence Group under its Parent Company Aitken Spence PLC. Therefore, the Related Party Transactions Review Committee of Aitken Spence PLC acts as the Related Party Transactions Review Committee of Aitken Spence Hotel Holdings PLC as well. The Company has complied with the policies and procedures set out by the Group Related Party Transactions Review Committee.

## COMPOSITION OF THE COMMITTEE

In terms of Section 9 of the Listing Rules of the Colombo Stock Exchange, the Board established the Related Party Transactions Review Committee with effect from 01st January 2016. The Audit Committee is composed of four Non-Executive Directors, of whom, three are Independent Non-Executive Directors. The Committee is chaired by Mr. R.N. Asirwatham who is an Independent Non-Executive Director.

			Member Since
Chairman	Mr. R.N. Asirwatham	Independent Non-Executive	2016
Members	Mr. G.C. Wickremasinghe	Independent Non-Executive	2016
	Mr. C.H. Gomez	Independent Non-Executive	2016
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director to Mr. N. J. de S Deva Aditya)	Non-Executive	2016
Attendance by invitation			
	Mr. J.M.S. Brito	Deputy Chairman/Managing Director-Aitken Spence PLC, Managing Director, Aitken Spence Hotel Holdings PLC	
	Ms. D. S. T Jayawardena	Executive Director, Aitken Spence PLC/Aitken Spence Hotel Holdings PLC	
	Ms. N Sivapragasam	Chief Financial Officer, Aitken Spence PLC	

## COMMITTEE MEETINGS

The Committee held five formal meetings during the year under review. Deputy Chairman and Managing Director, Chief Financial Officer and an Executive Director of the Company attended the meetings by invitation.

### Attendance of the Members

Dates of Meetings		13.05.2016	01.07.2016	21.11.2016	09.02.2017	28.03.2017
Chairman	Mr. R. N. Asirwatham	✓	✓	✓	✓	✓
Members	Mr. G. C. Wickremasinghe	✓	✓	✓	✓	✓
	Mr. C. H. Gomez	◆	✓	✓	✓	●
	Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director for Mr. N. J. de S Deva Aditya)	✓	✓	◆	✓	◆

✓ = Present      ◆ = Excused      ● = Via teleconference

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

SUMMARY OF RESPONSIBILITIES OF THE COMMITTEE

The Committee’s key focus is to review all proposed Related Party Transactions prior to the completion of the transaction according to the procedures laid down by the Section 9 of the Listing Rules of the Colombo Stock Exchange and its responsibilities are as follows:

- Evaluate any proposed Related Party Transactions quarterly basis,
- Review any post quarter confirmations on related party transactions,
- Obtain approval from the Board wherever necessary,
- Review the threshold for Related Party Transactions which require either shareholders’ approval or immediate market disclosures
- Review the criteria of Key Management Personnel,
- Regularly report to the Board on the Committee’s activities.

KEY MANAGEMENT PERSONNEL

Aitken Spence Hotel Holdings PLC consider its Board of Directors as the Key Management Personnel (KMPs) of the Company. Further, the Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as KMPs of such companies. Such KMPs were identified to establish greater transparency and governance. Declarations were obtained from each KMP of the Company and subsidiaries for the purpose of identifying related parties and for the purpose of annual disclosure.

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

The Committee reviewed all proposed Related Party Transactions as well as post quarter confirmations and the activities of the Committee have been communicated to the Board quarterly through tabling the minutes of the meeting of the Committee at Board Meetings.



R.N. Asirwatham  
Chairman  
Related Party Transactions Review Committee

Colombo  
26th May 2017

# 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 2017 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 2017, have been prepared based on the Sri Lanka Accounting Standards (SLFRSs/ LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirms that the Company and the Group’s Consolidated Statements of Financial Position as at 31st March 2017 and the Comprehensive Income Statements for the Company and the Group for the

financial year ended 31st March 2017 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 duties. 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,  
Aitken Spence Hotel Holdings PLC



P W Corporate Secretarial (Pvt) Ltd.  
Secretaries

26th May 2017  
Colombo

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2017 which were approved by the Board of Directors on 26th of May 2017. 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.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are that of an investment holding company and hoteliering, and the subsidiary companies are also engaged in the business of hoteliering, and there has been no change in the nature of such activities during the year.

2. REVIEW OF OPERATIONS

A review of operational and financial performance, the future 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.

The Group consists of the subsidiaries and equity accounted investees of Aitken Spence Hotel Holdings PLC and details of the Group structure is given on page 92 and 93 of the Annual Report

3. ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company and the Group prepared the financial statements in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 210 to 227. There were no significant changes to the accounting policies used by the company and subsidiaries during the year under review vis-à-vis those used in the previous year.

Group		
For the year ended 31st March	2017	2016
	Rs. ‘000	Rs. ‘000
Net Profit before tax	1,549,562	2,520,651
Provision for taxation including deferred tax	(535,823)	(432,889)
Net profit after tax	1,013,739	2,087,762
Other comprehensive income	974,116	756,009
Total comprehensive income for the year	1,987,855	2,843,771
Total comprehensive income attributable to non-controlling interest	(598,623)	(1,030,525)
Total comprehensive income attributable to equity shareholders	1,389,232	1,813,246
Transactions directly recognised in the equity statement	(14,990)	(119,384)
Balance brought forward from the previous year	14,851,205	13,676,628
Amount available for appropriations	16,225,447	15,370,490
Interim/final dividend	(618,208)	(519,285)
Total reserves and earnings	15,607,239	14,851,205
Stated Capital	3,554,587	3,554,587
Balance attributable to equity holders of the Company at the end of the period	19,161,826	18,405,792

4. SYNOPSIS OF THE INCOME STATEMENT OF THE COMPANY AND THE GROUP

4.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs.690 million. (2016 - Rs.815 million). The Group revenue was Rs. 16,055 million (2016 - Rs. 13,378 million) which is a growth of 20% 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 pages 228 and 229.

The profit after tax of the Group was Rs.1,014 million (2016 - Rs.2,088 million). The Group’s profit attributable to the equity shareholders of the Parent Company for the year was Rs. 676 million (2016 - Rs. 1,404 million). The segmental profits are disclosed in note 4 of the financial statements on page 228.

4.2. Donations

During the year, donations amounting to Rs. 120,000/- were made by the Company, while the donations made by the Group during the year amounted to Rs. 920,371/-.

4.3 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 of 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 companies are given in notes 21 and 31 of the financial statements.

4.4 Dividends

The Directors have declared and paid an interim dividend of cents 50 per ordinary share for 2016/17 and a 9% cumulative dividend on the preference shares for the year ended 31st March 2017 on 30th March 2017. The entirety of the preference

dividend and cents 32 of the ordinary dividend were paid out of taxable dividends received from Subsidiary Companies from which 10% withholding tax has been deducted and the balance dividend on ordinary shares of cents 18 was paid out of dividends received from companies incorporated outside Sri Lanka which is subject to 10% withholding tax.

In addition to the aforesaid interim dividend, the Directors have recommended a final dividend of 25 cents per ordinary share for the financial year 2016/2017 (2015/16 Rs. 1.25). The total dividend is paid out of dividend received by the Company where 10% withholding tax on dividends has been deducted. 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 final dividend.

5. SYNOPSIS OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

5.1 Stated Capital and Reserves

As at 31st March 2017 the Company had issued 336,290,010 ordinary shares and 16,500,000 redeemable cumulative preference shares. The stated capital of the Company was Rs.3,555 million. The Company’s reserves as at 31st March 2017 were Rs.5,805 million (2016 - Rs.5,706 million) whereas the total Group’s reserves as at 31st March 2017 were Rs.15,607 million (2016 - Rs.14,851 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on Page 206.

5.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2017 amounted to Rs. 1,541 million and Rs. 37,687 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets acquired by the Company and the Group amounted to Rs.170 million and Rs.5,132 million respectively.



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

5.3 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 of 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.

5.4 Contingent Liabilities

The details of contingent liabilities are disclosed in note 38 of the financial statements on page 270.

Name of Director	Executive	Non-Executive	Independent Non-Executive
Deshamanya D.H.S. Jayawardena (Chairman)	✓		
Mr. J.M.S. Brito (Managing Director)	✓		
Ms. D.S.T Jayawardena	✓		
Mr. R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)	✓		
Mr. C.M.S. Jayawickrama	✓		
Mr. G.P.J. Goonewardena	✓		
Mr. R.N. Asirwatham			✓
Mr. C.H. Gomez			✓
Mr. N.J. de Silva Deva Aditya		✓	

All of the above Directors held office during the entire year, with the exception of Mr. R.E.V. Casie Chetty who resigned w.e.f. 30th June 2016.

6. 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 45 to the financial statements on page 292.

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 therefore prepared on a going concern basis.

8. INFORMATION ON THE BOARD OF DIRECTORS AND THE BOARD SUB-COMMITTEES

8.1 Board of Directors

The names of the Directors of the Company who held office during the financial year is given in the following table and their brief profiles are given on pages 26 to 29 of the Annual Report.

8.2 Board Sub-Committees

The following Committees of the Parent Company namely Aitken Spence PLC function as the Audit, Remuneration, Nomination and Related Party Transactions Review Committees as permitted by the Listing Rules.

Audit Committee

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

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)  
Mr. R.N. Asirwatham  
Mr. C.H. Gomez (Appointed w.e.f. 01.07.2016)

Nomination Committee

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

Related Party Transactions Review Committee

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

8.3 Re-appointment of Directors who are over 70 years of age and Re-election of Directors

Upon the recccomondation of the Nomination Committee and the Board, it is recommended that Deshamanya D.H.S.Jayawardena and Mr.R.N.Asiriwatham , who are over 70 years of age and who vacate office in term of Section 210 (2) (b) of the Companies Act, be re-appointed as Directors, in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors.

Mr.J.M.S.Brito, who attained the age of 70 years on 21st August 2016 and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (a) of the Companies Act, is also recommended by the Nomination Committee and the Board , for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210

of the Companies Act shall not apply to the said Director

Ms. D S T Jayawardena retires by rotation in terms of Article 83 of the Articles of Association of the Company and being eligible offers herself for re-election.

8.4 Directors' Shareholding

The Directors' shareholdings are provided on pages 301 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 2017 are disclosed on page 231 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Company and the Group are disclosed in note 43 to the Financial Statements. These are Recurrent and Non-Recurrent Related Party Transactions, which required disclosure in the Annual Report in accordance with the Sri Lanka Accounting Standard No.24-Related Party Disclosures. However, there were no Recurrent Related Party Transactions which in aggregate value exceeded 10% of the Consolidated Revenue of the Group as per the latest Audited Financial Statements.

There were no Non-Recurrent Related Party Transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the latest Audited Financial Statements, which required additional disclosures in the Annual Report under Listing Rule 9.3.2(a)

The Key Management Personnel and the Group companies (including the Company) have disclosed on a quarterly basis, the proposed transactions (if any) failing under the ambit of Rule 9 of the Listing Rule of the Colombo Stock Exchange which were to be entered into with the Company and

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

or with another company within the Group and or with any other ‘related party’ as defined in the Sri Lanka Accounting Standards (as applicable). The disclosures so made were tabled at the meetings of the Related Party Transactions Review Committee held on a quarterly basis, in compliance with the requirements of the above-mentioned Rule.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2017.

**8.8 Subsidiary Board of Directors**

The names of Directors of the subsidiary companies who held office as at 31st March 2017 and Directors who ceased to hold office during the accounting period are set out on pages 304 to 306 of this 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 endeavors to ensure the equitable treatment of shareholders. The Company’s corporate governance practices are set out on pages 150 to 167 of this 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 achievement 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 186 to 197 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.

Board of Director’s Statement on Internal Controls is on page 184, the Statement of Directors’ Responsibilities on page 177 and the Audit Committee Report set out on pages 168 to 170 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 177 of this Annual Report.

**14. CORPORATE SUSTAINABILITY**

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

**15. SHAREHOLDER INFORMATION**

There were 3,402 shareholders as at 31st March 2017. The distribution schedule of the number of shareholders and their shareholdings are detailed on page 298 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2017 are given on page 301 of this Annual Report. The percentage of the shares held by the public as at 31st March 2017 was 25.41% and the number of shareholders who held the public holding was 3,391 . 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 pages 35 and 299 of this Annual Report.

**16. AUDITORS**


The independent auditors’ Report on the financial statements is given on page 201 of this Annual Report. The retiring auditors Messrs KPMG, Chartered Accountants have expressed 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.815,000/-

In addition to the above, Rs.410,722/- 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 304 to 306 of the Annual Report.

The amount payable by the Group to Messrs KPMG, Chartered Accountants as audit fees was Rs.8,977,337/- while a further Rs.467,332/- was payable for permitted non audit related services including tax advisory services.

In addition to the above, Rs.1,029,724/- 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.8,450,005/. 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*

  
**P W Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

Colombo  
26th May 2017

# THE BOARD OF DIRECTORS’ STATEMENT ON INTERNAL CONTROLS

The Board of Directors is responsible for formulating and implementing a sound system of internal controls and for periodically reviewing its effectiveness and integrity in terms of mitigating any risks associated with such, safeguarding the Group assets and prevention of their misused or unauthorized disposal.

The Board is of the opinion that the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of Financial Statements for external stakeholders and that they are in accordance with acceptable accounting principles and the applicable regulatory requirements.

### INTERNAL AUDIT

Any internal control system has its inherent limitations. However, the Board believes that adequate internal controls are in place to mitigate such limitations. We have a fully-equipped Internal Audit Department to assist the maintenance of our sound system of internal control for purposes of protecting all stakeholder interests and the Group assets.

The Group’s Internal Audit function is an independent function that reports directly to the Audit Committee. It undertakes regular reviews of the Group’s operations and system of internal controls based on annual audit plans approved by the Audit Committee. The Internal Audit function carries out the reviews with impartiality, proficiency and due professional care. The Internal Audit findings are discussed at management level and actions are agreed in response to the Internal Audit function’s recommendations. The progress of implementation of the agreed actions is reviewed and verified by the Internal Audit function through its follow-up reviews. The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls.

### REVIEW ADEQUACY AND EFFECTIVENESS

The Board and the Audit committee have reviewed 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 where necessary.

In this connection, the Board and the Audit committee concludes that an effective system of risk management and internal control is in place to safeguard the shareholders’ investment and the Group’s assets.

### WHISTLE BLOWING POLICY

The Group has implemented a whistle blowing policy which aims to provide an avenue for employees to raise concerns about possible irregularities in financial reporting, internal controls or other matters within the Group. Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The effectiveness of this policy will be monitored and reviewed regularly by the Audit Committee.

### CODE OF BUSINESS CONDUCT AND ETHICS

The Group’s Code of Ethics, which is articulated to Directors and all employees includes a strong set of corporate values and required conduct. The Board ensures that Directors and employees strictly comply with the Group’s Code of 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 Group’s image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

### GOING CONCERN

The Statement of Going Concern is set out in the ‘Annual Report of Board of Directors’ on page 180 of this report.

### RISK MANAGEMENT

An overview of the Group’s framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 186 to 197 of this report.

### ANNUAL REPORT

The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, Annual Financial Statements and the annual review of operations of the Company and its subsidiaries, associate companies and joint venture that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.


### CONFIRMATION

All financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act, Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements and the Company financial statements for the year ended 31st March 2017 have been audited by Messrs. KPMG, Chartered Accountants,

  
Deshamanya D H S Jayawardena  
Chairman

  
J M S Brito  
Managing Director

  
R N Asirwatham  
Chairman  
Audit Committee

Colombo  
26th May 2017

# RISK MANAGEMENT

Recent events both global & domestic have clearly demonstrated the need to have an adequate risk management process in place. This demands a proactive approach to risk management, from risk identification to risk mitigation, at all levels of the organisation.

Aitken Spence Hotel Holdings PLC, has therefore established an integrated risk management processes to identify the types risks specific to the industry in which it operates, measure those potential risks and to develop strategies in order to mitigate risks. Risk management is an essential element of our corporate governance structure and strategic development process. Therefore, appropriate systems, policies and procedures are in place in all areas of operations and they are periodically reviewed to ensure adequacy and adherence. At Aitken Spence Hotel Holdings, risk management is an integrated discipline. We recognize the pivotal role it plays in balancing strategic planning with business execution and compliance. This facilitates informed decision-making and a conscious evaluation of opportunities and risks.

Aitken Spence Hotel Holding’s overall risk management process is overseen by the Board through the Audit Committee as a pivotal part of corporate governance.

However, we also recognize that risk management is a shared responsibility of all employees within the Group, rather than being a separate and standalone process, hence it is integrated into all business and decision-making processes including strategy formulation, business planning, business development, investment decisions, capital allocation, internal control and day-to-day functions.

Our integrated approach identified the importance of risk management by

- Cultivating a proactive risk management culture
- Embedding risk management activity across our business
- Developing comprehensive and accurate risk content
- Robust risk management process and framework

### PROACTIVE RISK MANAGEMENT CULTURE

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 Audit Committee and Management Committee.

At Aitken Spence Hotels, sustainability and risk management are interrelated 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 of different steps, such as identification, evaluation, response and subsequent monitoring of risks.

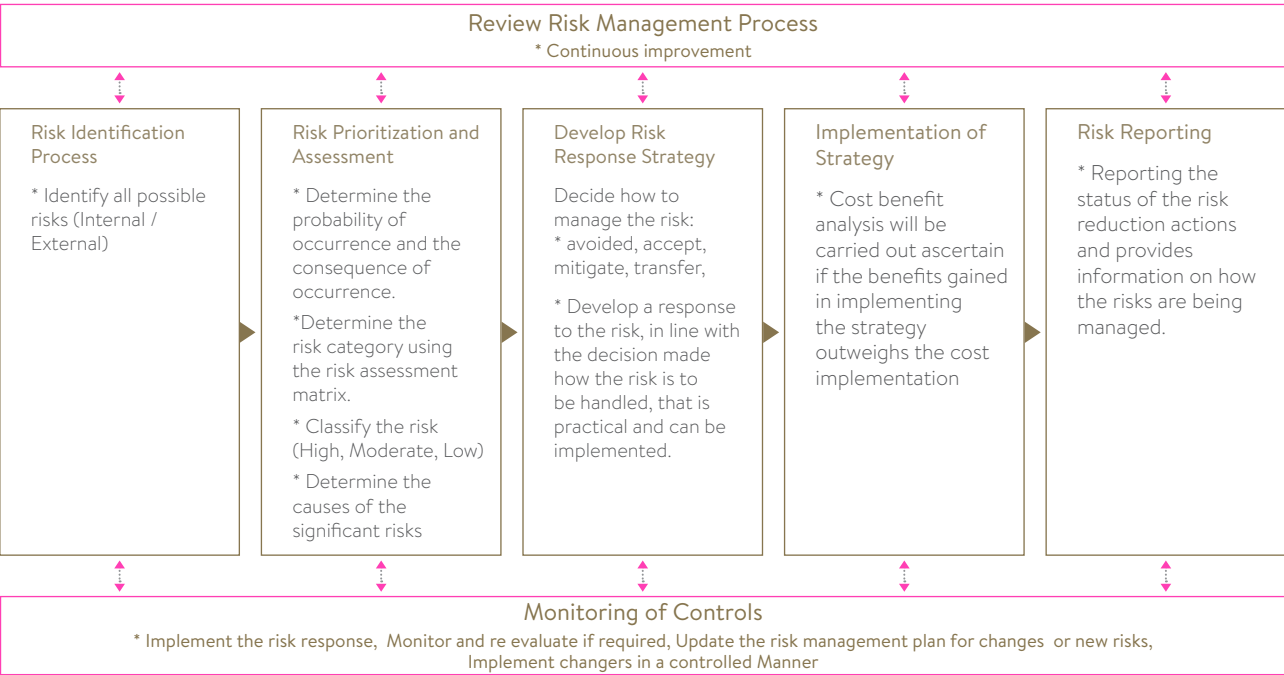
### RISK IDENTIFICATION

This is the starting point of the Risk Management Process. The success of the entire Risk Management Process hinges on the comprehensiveness and clarity of risks identified. Aitken Spence Hotel Holdings PLC, has a comprehensive system in place to identify risks. Both a “top – down” approach and a “bottom – up” approach are adopted to facilitate the identification of all risks across a broad spectrum.

Aitken Spence Hotel Holdings PLC, operates in a dynamic business environment, resulting in new risks emerging from time to time. Thus, it is imperative to identify and treat such risks before they become threats. The strategic risk unit continuously monitors the external environment, to identify such emerging risks.

Aitken Spence Hotels Holdings’ major risks are categorized in terms of three facets as follows:

Business and strategic risk	These are mainly long-term 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 affect the whole business.
	Competitive risk – Socio economic and political risk – Environmental risk
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.
	Risks of losses arising from the adverse movements in market prices, risks that the Company may not have sufficient funds to meet financial obligations and failure of a customer to meet its contractual obligations.
	Credit risk – Foreign exchange risk – Interest rate risk – Liquidity risk
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.
	Health and safety risk – Fraud risk – Project implementation risk – Operations risk – Human resources and talent management risk – Technology risk – Legal risk.

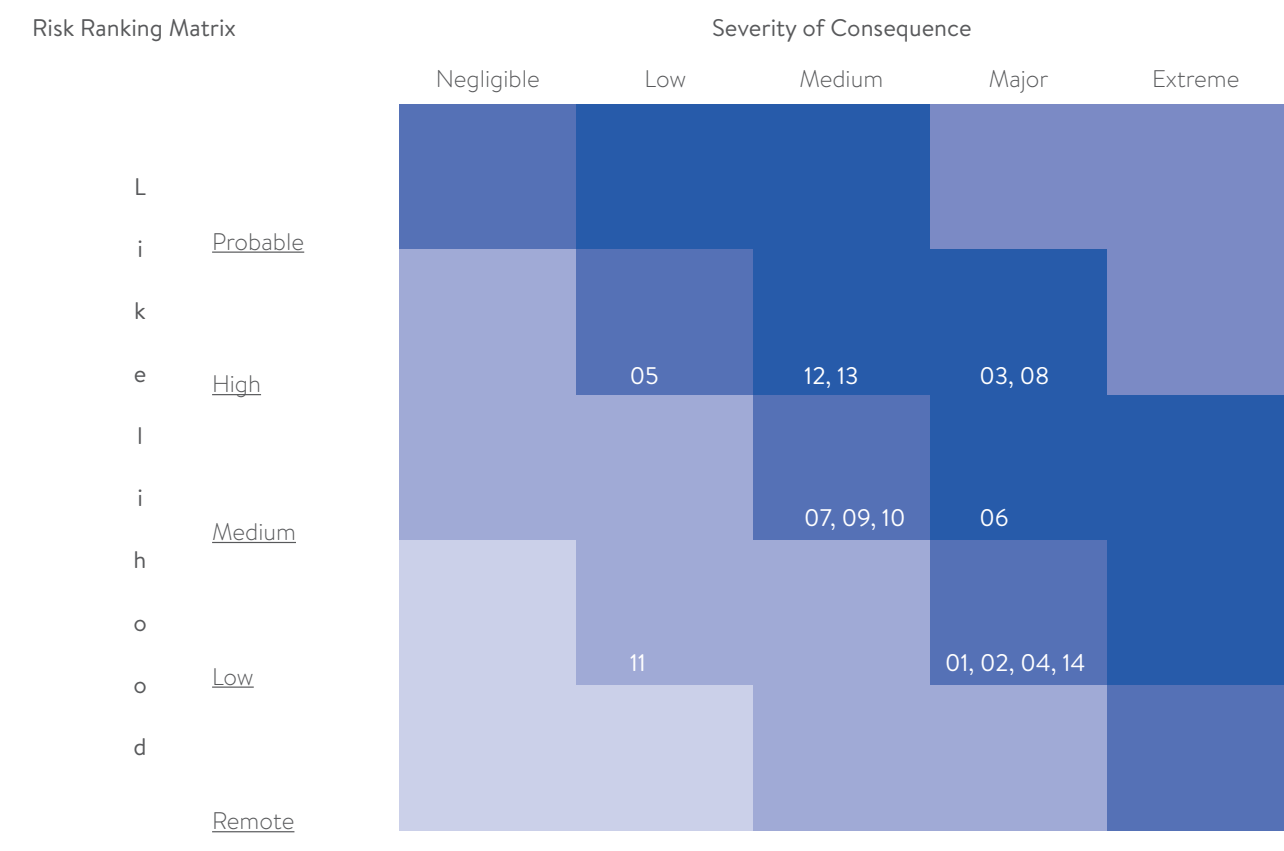




# RISK MANAGEMENT

## RISK PROFILE AND KEY RISKS

Aitken Spence Hotel Holdings PLC, uses a risk management ranking matrix to identify the key risks specific to the Group . To understand the impact to the Group, the identified risks are assessed by analysing the inherent risks faced by the Group. The prioritisation process assists in deciding which risk is to be treated as a priority while formulating the risk management strategy.



All the prioritised risks will be rated based on the likelihood of occurrence and impact it will have. The risk rating matrix will be used to facilitate the risk ranking process. The level of risk absorbed by the business will depend on the Group’s risk appetite.

Our key risks, in terms of residual severity of consequence and likelihood, are displayed as follows:

**Extreme:** Initiate mitigation activities immediately to reduce risk. If such activities cannot sufficiently reduce risk level, consider discontinuation of the applicable business operation to avoid the risk.

**Major:** Initiate mitigation activities at next available opportunity to reduce risk. If such activities cannot sufficiently reduce risk level, Board of Directors approval is required to confirm acceptance of this level of risk.

**Medium:** Level of risk is acceptable within tolerances of the risk management policy. Additional risk mitigation activities may be considered if benefits significantly exceed cost.

**Low:** Monitor risk according to risk management policy requirements, but no additional activities required.

**Negligible:** Consider discontinuing any related mitigation activities so resources can be directed to higher-value

activities, provided such discontinuance does not adversely affect any other risk areas.

## RISK APPETITE

Aitken Spence Hotel Holdings PLC, defines risk appetite as the amount and type of risks deemed reasonable before rolling out its business strategy. This in turn, helps the Group to maintain its normal course, even in the event of unexpected circumstances. Several severe scenarios are taken into account that could have a negative impact on the levels of capital, liquidity, profitability and the share price.

## RISK RESPONSE STRATEGY

Based on the risks identified, their drivers or root causes and their susceptibility to measurement, the Management decides on the appropriate risk response. There are four categories of risk responses – avoid, accept, mitigate and transfer. Aitken Spence Hotel Holdings PLC first decides whether to accept or reject a risk based on an assessment of whether the risk is desirable or undesirable. A desirable risk is one that is inherent in the entity’s business model or normal future operations and is one in which the company believes it can monitor and manage effectively. An undesirable risk is one that is off-strategy, offers unattractive rewards or cannot be monitored or managed effectively. If an entity chooses to accept a risk it can accept it at its present level; reduce its severity and/or its likelihood of occurrence.

## 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 MITIGATION STRATEGIES

Aitken Spence Hotel Holding PLC, has in place a systematic, step by step implementation plan, which cascades to all levels of the organisation.

The risk mitigation strategy ensures the risk profile is maintained within the levels set by the risk appetite and the other limits. It also incorporates the adoption of the necessary corrective and mitigation measures to maintain risk levels in line with the defined objectives.

Before rolling out the implementation, Aitken Spence Hotel Holdings PLC, evaluates the cost benefit for the proposed mitigation to ensure that the treatment is economically feasible, where benefits gained outweighs the cost of implementation.

## MONITORING OF CONTROLS

Monitoring and control are enabling activities which are essential so that continuous improvement can be achieved and to ensure the prevalence and relevance of the tourism risk management process. Risk doesn’t remain static, so it’s essential that tourism risk management is an on-going process with regular monitoring and reviewing of hazards, elements at risk, 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, considering the dynamic business environment it operates in.

Annually, the Board sets and updates the risk appetite of the Group, it also monitors the Group’s risk profile while ensuring the consistency between both.

Further, the Audit Committee, through the internal audit department, ensures the conformity and consistency of the risk management process exercised across all hotels in the Group, without exception.

Indicated below are the risks deemed to have the most significant impact on the group’s strategic, financial and operational objectives, performances and the relevant risk management strategies initiated, categorised according to risk type and rating.



# RISK MANAGEMENT

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES		
Strategic Risk		
01 . Business Risk	Impact	Risk Management Strategies
Failure to implement strategic plans, Revenue improvement & cost saving initiatives and under take profitable investments.	Reduced revenue, cash flow and profitability.	Integrating risk awareness directly into strategic decision making by holding regular meetings of Board of Directors and members of the management committee in order to formalize future strategies and plans and to revise and update plans, taking in to consideration the changing circumstances of the group.
The inability of the group to achieve its business objectives.	Hinder future growth.	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.
	Damages investor confidence.	Focus on strategic resilience by considering how strategic decisions can affect resilience, incorporate resilience into all decision making, and always be on the lookout for more strategically resilient alternatives in order to build greater corporate agility.  All members of the Board attend regular workshops, seminars and professional training programs in order to update their skills and knowledge.  Thorough due diligence and project feasibility studies are conducted for all major investments. In addition, professional advices are obtained from outside sources when necessary.  The group monitors its main competitors in order to lower the response time needed to counter any new strategies implemented by them.  Implementation of cost control procedures and innovative cost saving initiatives particularly with regard to energy costs.

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES		
02 . Socio-Economic, Political & Environmental Risk	Impact	Risk Management Strategies
Major events affecting either economic or political stability on a global and local level which exposes the group to a risk.	Lowering the competitiveness of the group's product offering on the national and international market.	The group works closely with lobby groups, relevant authorities and trade associations to ensure the best interests of the tourism industry are fulfilled at all times.
	Reduction in revenue and increase in cost thereby reducing cash flow and profitability.	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).
	Possible restrictions on movement of capital / repatriation of profits between countries.	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.
Risks from natural or man-made disasters.	Reduction in control over the ownership of assets.	The group continuing to monitor the macroeconomic situation within countries it operates and make necessary adjustments, including cost optimization programmes where suitable and developing revenue management tools and guidelines to assist hotels to monitor local developments in supply and demand and to inform decisions on pricing, promotional channels and room inventory.
	Loss of assets resulting in significant losses to the group.	Appropriate disaster recovery and business continuity plans are in place at all the hotels, which drives prompt recovery, in an unlikely event of a disaster and also safeguards the assets of the group.
03 . Competitive Risk	Impact	Risk Management Strategies
Due to the rapid growth of the tourism industry the number of hotel rooms has significantly increased, leading to a price war among hotels.	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 brands enables the group to counter threats from new and existing players via sustainable competitive advantage.
	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.  Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.  During off peak season, the group floats promotional rates and offers, mostly in collaboration with banks, in order to boost sales amidst competition.

RISK MANAGEMENT

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES		
OPERATIONAL RISK		
04. Reputation Risk	Impact	Risk Management Strategies
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.
		Ensuring all statutory and legal obligations are met in all transactions.
	Deterioration of corporate image.	Regular training sessions are held to 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.
	The group may have to face litigation which can be costly.	Deployment of an effective compliance system. The group is committed to best environmental practices to ensure strict compliance with local regulations and maintains harmonious relationships with the localities in which the hotel operate.
05 . Fraud Risk		Relevant loyalty programmes 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 group code of ethics booklet is given to all executives of the group and they confirm their acceptance of the same.
05 . Fraud Risk	Impact	Risk Management Strategies
Risks from break down of internal controls, processes and procedures.	Wastage of management time and resources.	Regular reviews of the effectiveness of internal controls are performed by the corporate internal audit department supplemented by regular management audits carried out by internal teams with in the group ensure the robustness and adequacy of internal controls.
		The Company uses comprehensive general & specific reporting and monitoring systems to identify, assess and manage risks.
	Possible loss of data.	Making each employee accountable for ethical behavior, high standards for business conduct and adherence to laws ensures that transactions occur in a reliable manner.
		Staff rotation & Special verification audits across the group.
Increased possibility of fraud and misuse.		External auditors are also engaged as and when required to carry out special reviews wherever necessary.
Disruptions to the normal course of operations.		
		The group uses comprehensive general & specific reporting and monitoring systems to identify, assess and manage risks.

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES		
	Lack of ability to track performance against budgets, forecasts and schedules.	Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform critical tasks in order to prevents errors, irregularities and fraud.
	Illegal transactions include theft or misappropriation of assets by employees.	The group has implemented a whistle blowing policy, where any staff member can report potential frauds and misappropriations anonymously.
06 . Debtors	Impact	Risk Management Strategies
Risk of default by debtors.	Reduced cash flow and profitability.	Proactive credit policies and procedures are in place to verify the creditworthiness and determine the potential credit risk associated with a client.
07 . Operations Risk	Impact	Risk Management Strategies
Project Implementation Risk.	Unbudgeted spending, cost over runs and delays in project implementation may have a significant impact on the estimated profit margins.	Realistic project timelines and scopes are decided after consulting all required stake holders.
		Communicating the strategic planning messages and associated data to middle and first line managers helps them educate their cadre. Well informed employees are most likely to commit to and support the plan.
		Standardized processes have been set up to cover project consultancy, project award and material procurement.
		Dedicated teams monitor the project progress against the defined timelines and check whether the achievements comply with the group sustainability credentials.
Health and Safety Risk.	Affect group reputation and brand image.	Heating, ventilation and air conditioning (HVAC) systems are the lifeline systems of a building's operations and health. These systems are regularly inspected and maintained by qualified operators.
		The groups centralized security division constantly review and monitor security status of individual resorts.
		Conducting quality audits and risk management reviews, guests' satisfaction surveys & intelligence gathering.
		Increase food and hygiene standards through obtaining ISO 22000 and HACCP certifications.
Food safety Risk.		Adequate automatic and manual fire detection and suppression systems are in place and are tested frequently.
Risk of Fire.		
Supply Chain Risk.	Hinders operational efficiencies leading to the inability to meet guest's demands.	An effective group wide supply chain risk management (SCRM) is practiced to ensure that supply chain risks are kept at minimal levels.
		Adequate inventory levels are maintained at all hotels to compensate for any unforeseen supply disruptions.

# RISK MANAGEMENT

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES

Contractual Risk arising from third party service providers.	May result in claims and loss of reputation of the hotel, if service standards are not met by these third-party service providers.	The hotel has adequate contractual risk transfer clauses built into the agreements.  Where necessary, insurance policies have been obtained from service providers to cover potential claims arising due to poor service standards.
Few group hotels offer number of services (spa, gem shop, water sport etc.), which are outsourced to third party.		Each hotel ensures that such service providers are licensed to provide their respective services.
Risk of increasing energy cost.	Significant impact on profit margins due to fluctuations in fuel/ energy prices.	The group has implemented energy management systems at all its properties.  Further, the group's energy management strategy extends to its purchasing function. Energy consumption is a criteria which is strictly looked at when purchasing lighting equipment, chillers, air conditioners etc.

08 . Employee Risk	Impact	Risk Management Strategies
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Due to the rapid growth of the tourism industry, there is a significant shortage of skilled labour.	Reduced productivity.	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.
	Reduced quality of service resulting in reduced market share and group's image.	Tap into target resource pools by attending job fairs and strategic partnerships with hotel schools, technical colleges, universities and professional institutes.  Offering competitive monetary and non-monetary benefits to attract and retain skilled employees.  Rewards and Recognition (E.g.: Employee of the month).
	Adverse impact on service levels, expected quality standards, operational efficiency and group's reputation.	Maintain cordial relationship with Trade Unions and adopting interest-based negotiations for win-win solutions.  Development of a Multi-skilled work force through structured and focused training programmes.  Standardization of policies, procedures and practices in order to achieve ease of work.
Risk of organized labor activities and Trade Union actions.	Loss of revenue, due to potential down time resulting from strikes.	Practice an open-door policy where employees are free to express their concerns openly.

09 . Technology Risk	Impact	Risk Management Strategies
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Risks relating to Information Technology and security.	Loss of revenue and business opportunities due to outdated software resulting in reduction in cash flow and profitability.	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.
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ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES

Loss of key confidential information to competitors resulting in reduced market share.	Implementation of a comprehensive IT policy within the group, supported by adequate systems and controls, ensures the safety and security of data. Contingency plans are in place to mitigate any short-term loss on IT services.
Loss of data and transactions.	All employees are bound by the group code of ethics to safeguard the group's information, a copy of which is given to all employees.  Aitken Spence Hotel Holdings PLC allocates significant proportion of its marketing budget for innovative promotional tools such as online search engines and loyalty programmes and mobile apps.  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.  The information security division performs routine vulnerability assessments on all IT related systems.  A dedicated central IT team in place to support all IT related aspects of the group.

10 . Legal Risk	Impact	Risk Management Strategies
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Risk of legal action due to non-performance of legal and statutory requirements, further vague clauses in contracts and agreements could be misinterpreted by third parties to their benefit.	High cost of legal and penalty fees resulting in reduced profitability.	A comprehensive internal control system in place supplemented by regular audit from the corporate internal audit department in collaboration with the corporate legal division.
	Adverse impact to the group's reputation and Brand image.	Ensuring all statutory and legal obligations are met in all transactions.

# RISK MANAGEMENT

ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES

	May result in legal litigations.	All contracts and agreements are vetted by the group legal division, so as to safe guard the interest of the group.
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FINANCIAL RISK

11 . Credit Risk	Impact	Risk Management Strategies
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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>Obtain adequate bank guarantees from tour operators as a risk transfer mechanism.</p> <p>The management actively monitors and reviews debtors periodically, and intensive follow-up actions are taken on long outstanding debts.</p> <p>Entering in to guaranteed performance contracts with travel agents and tour operators. All the assigned rates, credit limits, settlement procedures, termination and penalties imposed for delayed payments are incorporated in to the agreements.</p>
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12 . Foreign Exchange Risk	Impact	Risk Management Strategies
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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 daily basis and advices the company on the best rates to obtain for foreign currency. conversions.</p> <p>Considering the possibility of contracting in local currency with local travel agents instead of foreign currency, in order to transfer the possible exchange rate risk.</p> <p>Apply a bottom-up approach to identifying consolidated foreign currency exposures. Determine in what currencies each foreign subsidiary collects receivables and makes payments.</p> <p>Develop a strategy to manage consolidated exposure.</p>
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ANALYSIS OF GROUP RISK, IMPACT AND RISK MITIGATION STRATEGIES

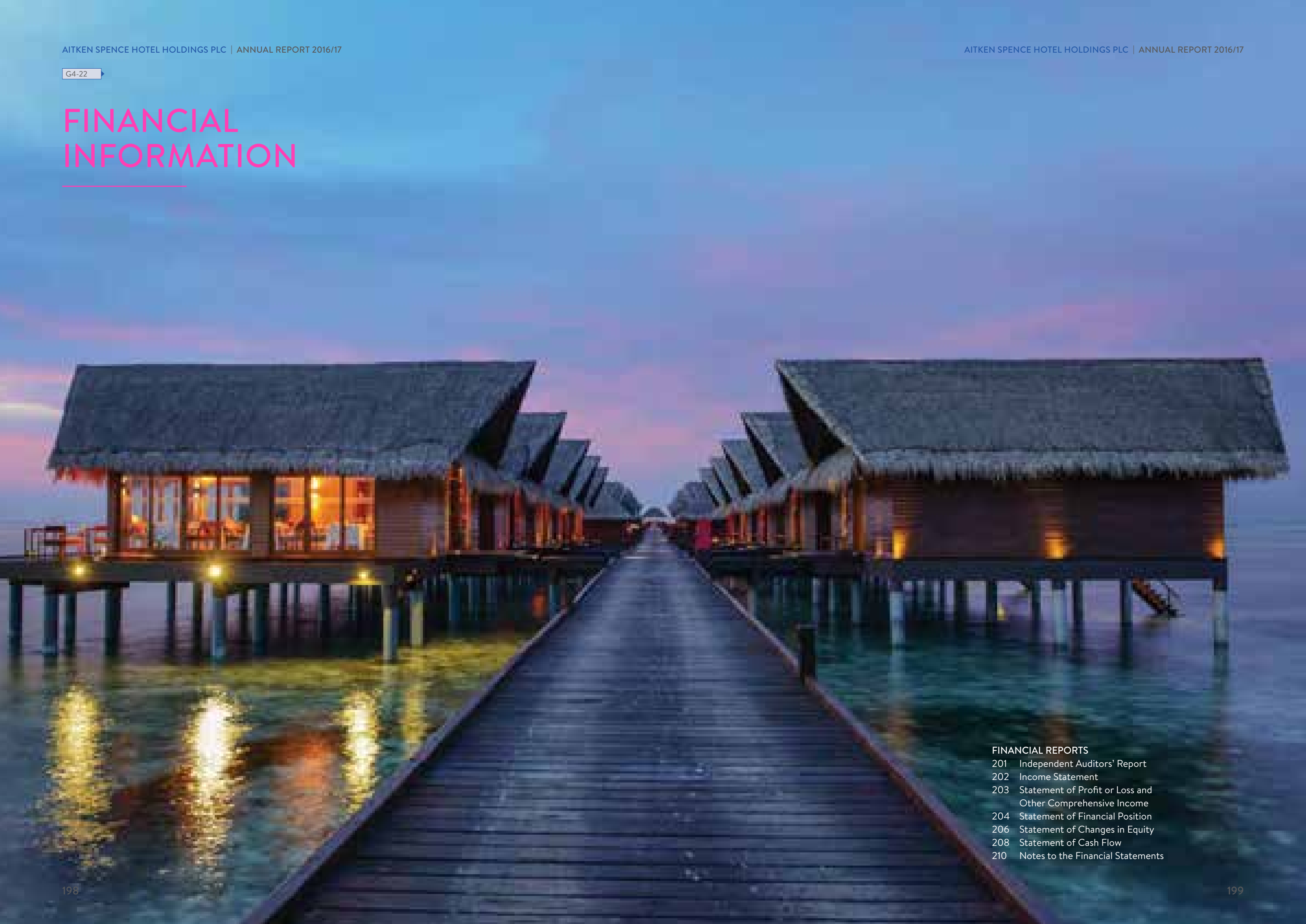
13 . Interest Rate Risk	Impact	Risk Management Strategies
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Risk arising due to the volatility of fair value or future cash flows of a financial instrument fluctuating because of changes in market interest rates.	Reduced cash flow and profitability.	<p>Entering in to loans with interest rate caps mitigated this risk and other instruments to minimize the volatility of cash flows.</p> <p>Working closely with the parent company treasury department to negotiate favorable terms and conditions for loan facilities obtained.</p>
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14 . Liquidity Risk	Impact	Risk Management Strategies
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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 to ensure achievement of budgeted targets.</p>
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# FINANCIAL INFORMATION



FINANCIAL REPORTS

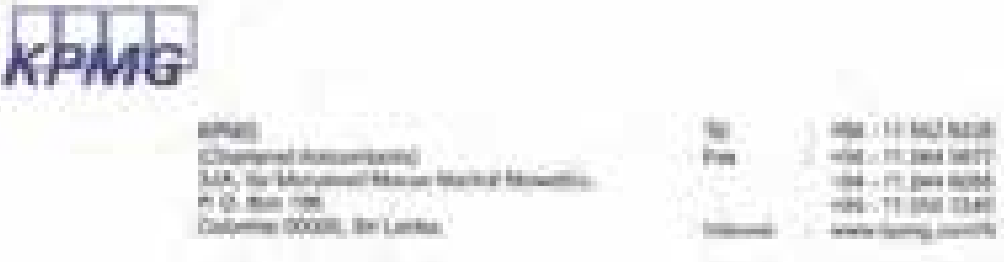
201	Independent Auditors' Report
202	Income Statement
203	Statement of Profit or Loss and Other Comprehensive Income
204	Statement of Financial Position
206	Statement of Changes in Equity
208	Statement of Cash Flow
210	Notes to the Financial Statements



# FINANCIAL CALENDAR

Events / Information	2017
Fortieth Annual General Meeting	30th June
Final Dividend for 2016/2017	11th July
Ex Dividend	3rd July
Interim Statement for the three months ended 30th June	1st week of August
Interim Statement for the six months ended 30th September	1st week of November
2018	
Interim Statement for the nine months ended 31st December	1st week of February

# INDEPENDENT AUDITORS' REPORT



## TO THE SHAREHOLDERS OF AITKEN SPENCE HOTEL HOLDINGS PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence Hotel Holdings PLC, (“the Company”), and the consolidated financial statements of the Company and its subsidiaries (“Group”), which comprise the statement of financial position as at March 31, 2017, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 202 to 292 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.

### Auditors’ 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 auditors’ 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, 2017, 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, 2017, 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  
May 26, 2017



## INCOME STATEMENT

For the year ended 31 st March	Notes	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	5	16,055,386	13,378,071	689,545	814,923
Revenue taxes		(422,348)	(210,310)	(15,089)	(18,168)
<b>Net revenue</b>		<b>15,633,038</b>	<b>13,167,761</b>	<b>674,456</b>	<b>796,755</b>
Other income / (expenses)	6	(98,600)	69,841	853,147	614,907
Staff costs		(2,746,929)	(2,122,117)	(149,189)	(158,113)
Depreciation		(1,470,418)	(983,567)	(59,128)	(95,860)
Amortisation and impairment		(112,819)	(71,497)	(60,968)	(174)
Other operating expenses - direct	7	(3,351,276)	(2,545,794)	(178,574)	(191,885)
Other operating expenses - indirect	8	(5,554,832)	(4,631,604)	(314,981)	(279,808)
<b>Profit from operations</b>	9	<b>2,298,164</b>	<b>2,883,023</b>	<b>764,763</b>	<b>685,822</b>
Finance income		167,613	149,972	29,819	41,204
Finance expense		(745,013)	(347,314)	(164,221)	(2,737)
Net financing income / (expense)	10	(577,400)	(197,342)	(134,402)	38,467
		<b>1,720,764</b>	<b>2,685,681</b>	<b>630,361</b>	<b>724,289</b>
Share of profit / (loss) of equity accounted investees (net of tax)	19	(171,202)	(165,030)	-	-
<b>Profit before taxation</b>		<b>1,549,562</b>	<b>2,520,651</b>	<b>630,361</b>	<b>724,289</b>
Income tax expense	11	(535,823)	(432,889)	20,927	(11,814)
<b>Profit for the year</b>		<b>1,013,739</b>	<b>2,087,762</b>	<b>651,288</b>	<b>712,475</b>
<b>Attributable to:</b>					
Equity holders of the parent company		675,873	1,403,766	651,288	712,475
Non - controlling interests		337,866	683,996	-	-
		<b>1,013,739</b>	<b>2,087,762</b>	<b>651,288</b>	<b>712,475</b>
Earnings per ordinary Share - Basic / Diluted (Rs)	12	1.97	4.13	1.89	2.07

Figures in brackets indicate deductions

The notes on pages 210 to 292 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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Profit for the year	1,013,739	2,087,762	651,288	712,475
<b>Other Comprehensive Income</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Revaluation of property, plant and equipment	207,669	-	60,000	-
Share of other comprehensive income of equity accounted investees	51,513	(177)	-	-
Actuarial gains/ (losses) on defined benefit obligations	7,515	(2,896)	6,000	(899)
Income tax on actuarial gains / (losses) arising from retirement benefit obligations	(1,160)	371	(720)	108
	<b>265,537</b>	<b>(2,702)</b>	<b>65,280</b>	<b>(791)</b>
<b>Items that are or may be reclassified to profit or loss</b>				
Foreign currency translation differences of foreign operations	784,324	736,507	-	-
Net change in fair value of available for sale financial assets	(75,745)	22,204	-	-
	<b>708,579</b>	<b>758,711</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year net of tax</b>	<b>974,116</b>	<b>756,009</b>	<b>65,280</b>	<b>(791)</b>
<b>Total comprehensive income for the year net of tax</b>	<b>1,987,855</b>	<b>2,843,771</b>	<b>716,568</b>	<b>711,684</b>
<b>Attributable to:</b>				
Equity holders of the parent company	1,389,232	1,813,246	716,568	711,684
Non - controlling interests	598,623	1,030,525	-	-
	<b>1,987,855</b>	<b>2,843,771</b>	<b>716,568</b>	<b>711,684</b>

Figures in brackets indicate deductions

The notes on pages 210 to 292 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 st March		Group		Company	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	37,687,160	23,101,360	1,541,933	1,370,811
Leasehold properties	15	2,042,460	2,006,728	-	-
Prepaid operating leases	16	1,791,169	1,811,071	-	-
Intangible assets	17	404,612	380,166	1,423	14
Investment in subsidiaries	18	-	-	7,585,526	4,234,420
Investment in equity accounted investees	19	1,294,427	4,982,212	1,094,994	4,024,336
Other financial assets	20	126,650	202,395	-	-
Deferred tax assets	21	157,760	147,969	24,356	5,349
		43,504,238	32,631,901	10,248,232	9,634,930
Current Assets					
Inventories	22	476,821	303,420	22,836	18,633
Trade and other receivables	23	1,946,990	1,267,940	110,119	128,863
Amounts due from holding company	24	355,663	33,823	-	14,436
Amounts due from parent's group entities	25	442,096	374,290	321,952	359,106
Deposits and prepayments		704,549	689,950	23,410	5,173
Prepaid operating lease		71,557	32,746	-	-
Current tax receivable		11,077	4,640	3,433	-
Other financial assets	26	2,349,518	2,151,263	100,000	-
Cash and cash equivalents	26	2,315,478	958,241	742,323	114,113
		8,673,749	5,816,313	1,324,073	640,324
TOTAL ASSETS		52,177,987	38,448,214	11,572,305	10,275,254
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	4,352,819	3,646,200	722,139	662,139
Retained earnings		11,254,420	11,205,005	5,082,452	5,044,092
		19,161,826	18,405,792	9,359,178	9,260,818
Non -controlling interests		8,270,862	5,429,111	-	-
Total Equity		27,432,688	23,834,903	9,359,178	9,260,818

As at 31 st March		Group		Company	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-Current Liabilities					
Interest - bearing borrowings	29	14,450,707	8,186,477	933,400	-
Government grants	30	143	299	-	-
Deferred tax liabilities	31	368,880	237,166	-	-
Other Liabilities	32	597,833	-	-	-
Employee benefits	33	177,462	174,333	29,361	32,935
		15,595,025	8,598,275	962,761	32,935
Current Liabilities					
Trade payables		640,690	417,712	27,109	33,418
Other provisions and payables	34	2,847,517	2,351,448	170,339	101,790
Amounts due to holding company		348,329	155,804	207,530	24,326
Amounts due to parent's group entities	35	129,916	97,581	660,903	801,338
Interest bearing borrowings	29	3,311,162	1,826,509	66,600	-
Current tax payable		126,341	329,295	-	4,381
Short term bank borrowings		1,746,319	836,687	117,885	16,248
		9,150,274	6,015,036	1,250,366	981,501
TOTAL LIABILITIES		24,745,299	14,613,311	2,213,127	1,014,436
TOTAL EQUITY AND LIABILITIES		52,177,987	38,448,214	11,572,305	10,275,254

The above Statements of Financial Position are to be read in conjunction with notes to the financial statements on pages 210 to 292


I certify that the financial statements for the year ended 31st March 2017 are in compliance with the requirements of the Companies Act No. 07 of 2007.



**D. G. P. Ekanayake**

Assistant Vice President - Finance

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

26th May 2017  
Colombo  
Sri Lanka



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

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity Holders of the Parent.....							
	Stated Capital	General Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Revaluation Reserve	Retained Earnings	Total	Non Controlling Interests
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2015	3,554,587	22,929	804,529	27,306	2,378,602	10,334,990	17,122,943	4,609,288
Profit for the year	-	-	-	-	-	1,403,766	1,403,766	683,996
Other comprehensive income	-	-	401,510	11,324	-	(3,354)	409,480	346,529
Total comprehensive income for the year	-	-	401,510	11,324	-	1,400,412	1,813,246	1,030,525
Effect of acquisitions of subsidiaries during the year	-	-	-	-	-	-	-	17,094
Share issue expenses	-	-	-	-	-	(11,112)	(11,112)	(9,738)
Dividends (Note 13)	-	-	-	-	-	(519,285)	(519,285)	-
Dividends of Subsidiaries to non controlling interest	-	-	-	-	-	-	-	(218,058)
Balance as at 31st March, 2016	3,554,587	22,929	1,206,039	38,630	2,378,602	11,205,005	18,405,792	5,429,111
Profit for the year	-	-	-	-	-	675,873	675,873	337,866
Other comprehensive income	-	-	512,913	(38,630)	232,336	6,740	713,359	260,757
Total comprehensive income for the year	-	-	512,913	(38,630)	232,336	682,613	1,389,232	598,623
Share of net assets of equity-accounted investees	-	-	-	-	-	(14,990)	(14,990)	-
Effect of change in percentage holding in subsidiaries	-	-	-	-	-	-	-	(17,094)
Effect of acquisitions of subsidiaries during the year	-	-	-	-	-	-	-	2,385,486
Dividends (Note 13)	-	-	-	-	-	(618,208)	(618,208)	-
Dividends of Subsidiaries to non controlling interest	-	-	-	-	-	-	-	(125,264)
Balance as at 31st March, 2017	3,554,587	22,929	1,718,952	-	2,610,938	11,254,420	19,161,826	8,270,862
Dividend per ordinary share - Interim	(Note 13)		Cts. 50 ( 2015/16 - Nil)					
Dividend per ordinary share - Final Proposed	(Note 13)		Cts. 25 ( 2015/16 - Rs. 1.25)					

Figures in brackets indicate deductions

Company	Stated Capital	General Reserve	Revaluation Reserve	Retained Earnings	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2015	3,554,587	22,929	639,210	4,851,693	9,068,419
Profit for the year	-	-	-	712,475	712,475
Other comprehensive income	-	-	-	(791)	(791)
Total comprehensive income for the year	-	-	-	711,684	711,684
Dividends (Note 13)	-	-	-	(519,285)	(519,285)
Balance as at 31st March, 2016	3,554,587	22,929	639,210	5,044,092	9,260,818
Profit for the year	-	-	-	651,288	651,288
Other comprehensive income	-	-	60,000	5,280	65,280
Total comprehensive income for the year	-	-	60,000	656,568	716,568
Dividends (Note 13)	-	-	-	(618,208)	(618,208)
Balance as at 31st March, 2017	3,554,587	22,929	699,210	5,082,452	9,359,178
Dividend per ordinary share - Interim	(Note 13)		Cts. 50 ( 2015/16 - Nil)		
Dividend per ordinary share - Final Proposed	(Note 13)		Cts. 25 ( 2015/16 - Rs. 1.25)		

Figures in brackets indicate deductions

The notes on pages 210 to 292 form an integral part of these financial statements.

# STATEMENT OF CASH FLOW

	Group		Company	
For the year ended 31 st March	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before taxation	1,549,562	2,520,651	630,361	724,289
<b>Adjustments for</b>				
Depreciation	1,470,418	983,567	59,128	95,860
Amortisation of leases and intangible assets	112,819	71,497	191	174
Impairment/ (reversal of impairment) of trade debtors	5,648	5,006	351	343
Impairment of investment in equity accounted investees	-	-	60,777	-
Amortisation of government grant	(156)	(156)	-	-
Interest expense	745,013	347,314	164,221	2,737
Interest income	(167,613)	(149,972)	(29,819)	(41,204)
(Gain)/ Loss on disposal of property, plant & equipment	2,720	(1,927)	22	249
Provision for retirement benefit obligations	37,439	21,650	5,680	5,615
Share of profit/(loss) of equity accounted investees (net of tax)	171,202	165,030	-	-
Effect of movement in exchange rates	123,457	(54,421)	(7,155)	(48,829)
<b>Operating profit before working capital changes</b>	<b>4,050,509</b>	<b>3,908,239</b>	<b>883,757</b>	<b>739,234</b>
(Increase)/decrease in inventories	(173,401)	(2,695)	(4,203)	552
(Increase)/decrease in trade and other receivables	(86,670)	(158,047)	22,198	(31,933)
(Increase)/decrease in amounts due from holding company	(321,840)	100,027	14,436	10,569
(Increase)/decrease in amount due from parent's group entities	(67,806)	351,518	37,154	(120,927)
(Increase)/ decrease in deposits & prepayments	(2,004)	(274,014)	(18,237)	(683)
Increase/(decrease) in trade payables	222,978	131,380	(6,309)	10,679
Increase/(decrease) in other provisions & payables	141,528	412,296	68,549	13,869
Increase/(decrease) in amounts holding company	192,525	118,286	183,204	268
Increase/ (decrease) in amount due to parent's group entities	32,335	5,266	(140,435)	536,336
<b>Cash generated from operations</b>	<b>3,988,154</b>	<b>4,592,256</b>	<b>1,040,114</b>	<b>1,157,964</b>
Interest expenses paid	(745,013)	(347,314)	(164,221)	(2,737)
Retirement benefit obligations paid	(30,347)	(20,177)	(3,254)	(6,930)
Income taxes paid	(625,309)	(744,996)	(6,614)	(42,537)
<b>Net cash flow generated from operating activities</b>	<b>2,587,485</b>	<b>3,479,769</b>	<b>866,025</b>	<b>1,105,760</b>
<b>Cash flow from investing activities</b>				
Investments made during the year	(57,760)	(2,049,921)	(482,540)	(2,049,921)
Acquisition of property, plant & equipment	(5,131,734)	(2,042,088)	(170,272)	(13,918)
Purchase of intangible assets	(10,113)	(3,351)	(1,600)	-
Assets and Liabilities acquired on business combinations (Note A)	2,948,687	(5,476,675)	-	-
Purchase of prepaid operating leases	-	(668,500)	-	-
Proceeds from disposal of property, plant & equipment	23,216	15,957	-	269
Interest received from deposits	146,371	178,263	26,013	52,464
Proceeds / (Purchase) of term deposits	(198,255)	3,538,707	(100,000)	1,436,031
<b>Net cash used in investing activities</b>	<b>(2,279,588)</b>	<b>(6,507,608)</b>	<b>(728,399)</b>	<b>(575,075)</b>

Figures in brackets indicate deductions

	Group		Company	
For the year ended 31 st March	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash flow from financing activities</b>				
Proceeds from long term borrowings	3,583,830	4,355,415	1,000,000	-
Repayment of long- term borrowings	(2,719,576)	(2,188,504)	-	(16,442)
Dividends paid to equity holders of the parent	(618,208)	(519,285)	(618,208)	(519,285)
Share issue expenses of subsidiary companies	-	(19,874)	-	-
Dividend paid to shareholders of non controlling interest	(125,264)	(218,058)	-	-
<b>Net cash generated / (used) in financing activities</b>	<b>120,782</b>	<b>1,409,694</b>	<b>381,792</b>	<b>(535,727)</b>
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>428,679</b>	<b>(1,618,145)</b>	<b>519,418</b>	<b>(5,042)</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>	<b>140,480</b>	<b>1,739,699</b>	<b>105,020</b>	<b>102,907</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>569,159</b>	<b>121,554</b>	<b>624,438</b>	<b>97,865</b>
<b>Analysis of cash &amp; cash equivalents at the end of the year</b>				
Cash at bank and in hand	1,386,325	286,178	172,361	28,113
Short term deposits	929,153	672,063	569,962	86,000
Short term bank borrowings	(1,746,319)	(836,687)	(117,885)	(16,248)
<b>Cash &amp; cash equivalent as previously reported</b>	<b>569,159</b>	<b>121,554</b>	<b>624,438</b>	<b>97,865</b>
Effect of movement in exchange rates	-	18,926	-	7,155
<b>Cash &amp; cash equivalent at the end of the year</b>	<b>569,159</b>	<b>140,480</b>	<b>624,438</b>	<b>105,020</b>

## Note A - Assets and Liabilities acquired on business combination

The (assets) and liabilities vested in business combination on reclassifying Ahungalla Resorts Ltd from a joint venture to a subsidiary on 1st August 2016 are as follows:

	Rs. '000
Property, plant and equipment	(9,290,212)
Trade and other receivables	(576,786)
Deposits and prepayments	(12,595)
Interest-bearing borrowings	6,509,164
Income taxation	858
Other provisions and payables	354,541
Cash and cash equivalents	(2,948,687)
Total identifiable net assets	(5,963,717)
<b>Re-classified under Subsidiaries</b>	<b>3,578,231</b>
<b>Changes in non-controlling interest</b>	<b>2,385,486</b>
<b>Cash and cash equivalents acquired</b>	<b>2,948,687</b>
<b>Net cash inflow on business combination</b>	<b>2,948,687</b>

Figures in brackets indicate deductions

The notes on pages 210 to 292 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 Company’s registered office and the principal place of business 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 2017 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.

The immediate and ultimate parent of Aitken Spence Hotel Holdings PLC is Aitken Spence PLC.

1.1 Principal activities and nature of operations

The principal activities of the company are that of an investment holding company and hoteliering, and the subsidiary companies are also engaged in the business of hoteliering, and there has been no change in the nature of such activities during the year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated financial statements of the Group and the separated financial statements of the Company which comprise of the Income Statement, Statement of 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. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.2 Responsibility for financial statements

The Board of Directors of the Company acknowledges their responsibility for the Financial Statements, as set out in the “Annual Report of the Board of Directors”, “Statement of Directors’ Responsibilities for Financial Statements” and the “certification on the Statement of Financial Position”.

2.3 Reporting date

The financial statements of all companies in the group are prepared for a common financial year, which ends on 31st March except for Jetan Travel Services Co. (Pvt) Ltd., ADS Resorts (Pvt) Ltd., Unique Resorts (Pvt) Ltd. Cowrie Investment (Pvt) Ltd. and Ace Resorts (Pvt) Ltd whose financial year ends on 31st December.

2.4 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2017 were approved and authorised for issue by the Board of Directors on 26th May 2017.

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 following material items in the statement of financial position.

Item	Basis of Measurement	Note Number
Land	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	14.3
Financial assets classified as available-for-sale financial assets	Measured at fair Value	20
Retirement benefit obligations	Measured at the present value of the defined benefit obligation	33

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency), the Sri Lankan Rupee.

These financial statements are presented in Sri Lankan Rupees. All financial information presented has been rounded to the nearest thousand except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements’.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that Functional Currency. There was no change in the Group’s Presentation and Functional Currency during the year under review.

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, accompany disclosures (including contingent liabilities). Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.8 Use of materiality and offsetting

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements’ and amendments to the LKAS 1 on ‘Disclosure Initiative’ which was effective from January 01, 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable 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. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company.

2.9 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.

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

standard (SLFRS -10) - Consolidated Financial Statements and share of profit and loss and net assets of equity accounted investees prepared in terms of Sri Lanka Accounting standard (LKAS 28) - Investments in Associates and Joint Ventures.

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 as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable and other contractual arrangements.

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 interest" 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 interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non – controlling interest" 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 (i.e.; 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.

During the year under review the Group reassessed its control over Ahungalla Resorts Ltd and concluded that it would be treated as a subsidiary based on the underlying circumstances. This decision was based on the following: subsequent to completion of construction of the resort facility owned by Ahungalla Resorts Ltd (investee), the group reassessed its ability to control this investee. On reassessment it was determined that the Group is exposed and has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, as a result of the ability to appoint a majority of the directors. During the construction phase the relevant activities of Ahungalla Resorts Ltd were jointly controlled by the group and the minority shareholder.

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 does 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.

NOTES TO THE FINANCIAL STATEMENTS

Joint ventures are arrangements in which the Group has joint control and have rights to the net assets of the arrangement. The group has joint control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control.

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

The Group’s 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 investor’s share of net assets of the investee after the date of acquisition. The investor’s share of Investee’s profit or loss is recognised in the investor’s profit or loss. Distributions received from an investee reduces the carrying amount of the investment. Adjustment to the carrying amount may also be necessary for changes in the investor’s proportionate interest in the investee arising from changes in investee’s 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.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the Associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The statement of profit or loss reflects the Group’s 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, 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 items 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.



# NOTES TO THE FINANCIAL STATEMENTS

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 recognized 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

**Financial liabilities at fair value through profit or loss**

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

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

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

**Other financial liabilities**

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

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

**3.3.5 Derecognition of financial assets and 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.

**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 Impairment**

**3.3.9.1 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 estimate 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. 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.

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on market values, this is 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

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

3.4.1.2 Subsequent costs

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

The estimated useful lives are as follows:

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

• Furniture & Fittings	10- 20 years
• Crockery, Cutlery & Glassware	03-05 years
• Soft Furnishing	05-10 years

Depreciation is not provided on land and assets under construction.

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

3.4.2 Leased assets

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

3.4.3 Leasehold property - land

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

Subsequent Measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 allocated to the carrying amount of the equity accounted investee.

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 when the entity is satisfied that the web site will generate probable economic benefits in the future. The estimated useful lives for the current and comparative periods are three years.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

3.4.9 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.

3.4.10 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.

3.4.11 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re- measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost

to sell. Any impairment loss on the above assets is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measures in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognized in excess of any impairment loss.

3.5 Liabilities and Provisions

3.5.1 Liabilities

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

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

3.5.2 Provisions

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

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

3.5.3 Trade and other payables

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

3.5.4 Government grants

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

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

3.5.5 Employee benefits

3.5.5.1 Defined contribution plan

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

3.5.5.2 Contribution to 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 Employee Provident Fund - India

Group companies in India contribute a sum of 12% of the basic salaries of all employees as provident fund benefits to the Employee Provident Organisation of India.

3.5.5.4 Defined contribution Fund - Oman

Group companies in Oman contribute a sum of 10.5% of the gross salary + 1% in respect of work related injuries and illness for Omani employees in accordance with Social Security Insurance Law. Whilst the employee is required to contribute 7% of the salary.

3.5.5.5 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 he estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

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

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

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

3.5.5.6 Defined Benefit Plans – Oman

Under the labour law of Oman gratuity is due to expatriate employees upon termination of employment. Gratuity is computed based on half month's basic salary for each year during the first three years of employment and a full months basic salary for each year of employment thereafter. An employee who has been in employment for less than one year is not entitled to receive gratuity.

3.5.5.7 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

NOTES TO THE FINANCIAL STATEMENTS

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 when the right to receive dividends is established. Dividend income is included under other operating income.
- Interest income is recognised as it accrues. Interest income is included under finance income in the income statement.
- 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. The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

**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.

**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. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the asset.

**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.

**3.9.1.1 Companies incorporated in Sri Lanka**

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

**3.9.1.2 Companies incorporated outside Sri Lanka**

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to the relevant tax statutes as disclosed in note 11.3 to 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 Statement of cash flows**

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 38 to the financial statements.

**3.12 Events occurring after the reporting date.**

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

**3.13 Earnings per share (EPS)**

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**3.14 Segmental Information**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the Group’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**3.14.1 Primary and Secondary Segments**

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

ii) Segmental information analysed by geographical segments is disclosed in Notes 4 & 36 to the financial statements.

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



NOTES TO THE FINANCIAL STATEMENTS

3.15 Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

Fair value is 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.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption 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 that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.16 New Accounting 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 theses financial statements and the Group plans to apply these standards on the respective effective dates. 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 as and when they become effective.

3.16.1 SLFRS 9 – Financial Instruments – effective for annual periods beginning on or after 1st January 2018

The final version of SLFRS 9 Financial Instruments that replaces LKAS 39 Financial Instruments: Recognition and Measurement and all previous versions of SLFRS 9. SLFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016/17, the Group has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

3.16.2 SLFRS 15 – Revenue from Contracts with Customers– effective for annual periods beginning on or after 1st January 2018

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016/17, the Group performed a preliminary assessment of SLFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

3.16.3 SLFRS 16 – Leases – effective for annual periods beginning on or after 1st of January 2019

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying

asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2017/18, the Group plans to assess the potential effect of SLFRS 16 on its consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 OPERATING SEGMENTS

#### 4.1 Analysis of Geographical Segmental Results - Revenue

	External		Group Intra Group		Total Revenue	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector						
Resorts & Hotels	5,048,145	3,612,030	10,114	31,746	5,058,259	3,643,776
Others	55,871	94,397	400,445	401,392	456,316	495,789
<b>Total Sri Lankan Sector</b>	<b>5,104,016</b>	<b>3,706,427</b>	<b>410,559</b>	<b>433,138</b>	<b>5,514,575</b>	<b>4,139,565</b>
South Asian and Middle East Sector	10,951,370	9,671,644	147,335	133,775	11,098,705	9,805,419
	16,055,386	13,378,071	557,894	566,913	16,613,280	13,944,984
Intra group revenue					(557,894)	(566,913)
<b>Total</b>					<b>16,055,386</b>	<b>13,378,071</b>

#### 4.2 Analysis of Geographical Segmental Results - Income Tax & Profits

	Income Tax Expenses		Group Profit/(Loss) from Operations		Profit/(Loss) before Taxation	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector						
Resorts & Hotels	252,253	77,988	477,629	667,883	293,724	671,504
Others	42,603	40,867	185,415	366,080	85,411	331,617
	294,856	118,855	663,044	1,033,963	379,135	1,003,121
Share of Profit/(Loss) of equity accounted investees (net of tax)	-	-	-	-	(171,202)	(165,030)
<b>Total Sri Lankan Sector</b>	<b>294,856</b>	<b>118,855</b>	<b>663,044</b>	<b>1,033,963</b>	<b>207,933</b>	<b>838,091</b>
South Asian and Middle East Sector	240,967	314,034	1,635,120	1,849,060	1,341,629	1,682,560
<b>Total</b>	<b>535,823</b>	<b>432,889</b>	<b>2,298,164</b>	<b>2,883,023</b>	<b>1,549,562</b>	<b>2,520,651</b>

#### 4.3 Analysis of Geographical Segmental Results - Finance Income & Finance Expense

	Finance Income		Finance Expense	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Sector				
Resorts & Hotels	107,103	58,672	291,008	55,051
Others	7,728	57,112	107,732	91,575
<b>Total Sri Lankan Sector</b>	<b>114,831</b>	<b>115,784</b>	<b>398,740</b>	<b>146,626</b>
South Asian and Middle East Sector	52,782	34,188	346,273	200,688
<b>Total</b>	<b>167,613</b>	<b>149,972</b>	<b>745,013</b>	<b>347,314</b>

### 5 REVENUE

#### 5.1 Revenue Breakdown

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total revenue	16,613,280	13,944,984	689,545	814,923
Less: Intra group revenue	(557,894)	(566,913)	-	-
<b>Revenue</b>	<b>16,055,386</b>	<b>13,378,071</b>	<b>689,545</b>	<b>814,923</b>
Less: revenue tax	(422,348)	(210,310)	(15,089)	(18,168)
<b>Net revenue</b>	<b>15,633,038</b>	<b>13,167,761</b>	<b>674,456</b>	<b>796,755</b>

#### 5.2 Categories of Revenue

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rendering of hotel services	16,055,386	13,378,071	689,545	814,923
<b>Total</b>	<b>16,055,386</b>	<b>13,378,071</b>	<b>689,545</b>	<b>814,923</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 5.3 Revenue generated from rendering of hotel services

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Apartment	8,185,055	6,463,476	219,834	232,037
Restaurant	4,128,476	3,538,133	387,874	478,951
Bar	1,358,271	1,040,561	60,228	74,557
Spa related	209,377	182,203	11,085	16,393
Transfers & excursions	1,646,275	1,617,713	386	1,256
Rent and shop income	199,328	211,571	9,127	10,419
Telephone	33,481	22,221	74	194
Diving and windsurfing	226,736	196,765	-	-
Laundry	12,516	11,031	937	1,116
Management fees	55,871	94,397	-	-
<b>Total</b>	<b>16,055,386</b>	<b>13,378,071</b>	<b>689,545</b>	<b>814,923</b>

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.

### 6 OTHER INCOME/(EXPENSES)

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recreation	1,005	264	69	48
Dividends (net) from investments	-	-	844,505	563,870
Gain / (Loss) on sale of property, plant & equipment	(2,720)	1,927	(22)	(249)
Net foreign exchange gain/(loss)	(123,457)	54,421	7,155	48,829
Insurance claims received	9,364	421	-	421
Amortisation of government grant	156	156	-	-
Sundry income	17,052	12,652	1,440	1,988
<b>Total</b>	<b>(98,600)</b>	<b>69,841</b>	<b>853,147</b>	<b>614,907</b>

### 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	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Administration & establishment	2,635,073	2,250,083	128,867	109,366
Repairs and maintenance	897,224	831,312	50,311	22,948
Energy	908,115	800,607	68,496	69,072
Selling & marketing	820,955	545,015	42,120	38,605
Management fees	293,465	204,587	25,187	39,817
<b>Total</b>	<b>5,554,832</b>	<b>4,631,604</b>	<b>314,981</b>	<b>279,808</b>

### 9 PROFIT FROM OPERATIONS

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

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost of inventories & services	3,351,276	2,545,794	178,574	191,885
Directors fees and emoluments	7,272	10,521	7	7
Auditors' remuneration				
- KPMG	8,977	5,897	815	730
- Other auditors	1,030	1,673	-	-
Fees paid to Auditors for non audit services				
- KPMG	467	598	411	503
- Other auditors	8,450	4,028	-	-
Impairment of trade receivables	5,648	5,006	351	343
Impairment of investment in equity accounted investees	-	-	60,777	-
Donations	920	372	120	70
Defined contribution plan cost - EPF	78,954	56,731	15,939	15,499
Defined contribution plan cost - ETF	16,038	11,391	2,835	2,625
Defined contribution plan cost - Oman	10,049	-	-	-
Defined contribution plan cost - Maldives	15,888	21,732	-	-
Defined benefit plan cost - retirement benefit	37,439	21,650	5,680	5,615
Legal expenses	4,828	2,947	360	1,161
Operating lease rentals	374,539	353,861	-	-

NOTES TO THE FINANCIAL STATEMENTS

10 NET FINANCING INCOME /(EXPENSE)

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance income				
Finance income from receivables	167,613	149,972	29,819	41,204
	167,613	149,972	29,819	41,204
Finance expense				
Interest expense on financial liabilities measured at amortised cost	731,888	334,189	164,221	2,737
Interest expense on preference shares	13,125	13,125	-	-
	745,013	347,314	164,221	2,737
Net Financing income /(expense)	(577,400)	(197,342)	(134,402)	38,467

11 INCOME TAX EXPENSE

- 11.1 Aitken Spence Hotel Holdings PLC.,being a Company involved in the promotion of tourism is liable to Income Tax at a concessionary rate of 12% on the Hotel'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 Management Asia (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd are exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006. Management fee income received from Republic of Maldives is subject to 10% withholding tax at source as per the Business Profit Tax Act of Republic of Maldives. Further profits earned by the Company in Oman is taxed at 12%.
- 11.2.2 The business profits and income of Hethersett Hotels Ltd , Aitken Spence Hotels Ltd., Kandalama Hotels (Pvt) Ltd., Turyaa (Pvt) Ltd (formerly Golden Sun Resorts (Pvt) Ltd) and MPS Hotels (Pvt) Ltd being Companies involved in the promotion of tourism are liable to tax at a concessionary rate of 12% in terms of section 46 of the Inland Revenue Act No. 10 of 2006.
- 11.2.3 The business profits and income of Neptune Ayurvedic Village (Pvt) Ltd. arising from leasing out land, is liable for income tax at standard rate of 28% as per the Inland Revenue Act No. 10 of 2006.
- 11.2.4 The business profits of Turyaa Resorts (Pvt) Ltd ( formerly Aitken Spence Resorts (Pvt) Ltd) would be exempt from income tax under section 17A of Inland Revenue (amendment) Act No. 8 of 2012 for a period of 10 years ending 2026/2027.
- 11.2.5 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 either from the first year the Company makes profits or not later than two years from the commencement of commercial operations.
- 11.2.6 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.
- 11.2.7 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 Overseas 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. Ace Resorts (Pvt) Ltd., Crest Star Ltd., Crest Star (BVI) Ltd., P.R Holiday Homes (Pvt) Ltd, Aitken Spence Hotel Services Ltd, Aitken Spence Resorts (Middle East) LLC 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., Ace 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., Perumbalam Resorts (Pvt) Ltd and Aitken Spence Hotel Services (Pvt) Ltd. being Companies incorporated in India would be liable for tax at a rate of 30.9% in India , when the Company commences commercial operations.
- 11.3.5 The business profits of Aitken Spence Hotel Managements South India (Pvt) Ltd., being a Company incorporated in India would be liable to an effective income tax rate of 34.61% as per the Indian tax law.
- 11.3.6 The business profits of Aitken Spence Resorts (Middle East) LLC., being a Company incorporated in Oman would be liable for income tax rate of 12% as per the Oman tax law.
- 11.4 Equity accounted investees
- 11.4.1 The business profits and income of Browns Beach Hotels PLC. arising from leasing of land to "" Negombo Beach Resorts (Pvt) Ltd to construct and operate a Hotel is liable for income tax at a 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 A of Inland Revenue (amendment) Act No. 08 of 2012 for a period of 12 years from either the first year the company makes profits or not later than two years from the commencement of 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 concessionary rate of 12% in terms of section 46 of the Inland Revenue Act No. 10 of 2006.

## NOTES TO THE FINANCIAL STATEMENTS

### 11.5 Income Tax Expense

		Group		Company	
		2016/2017 Rs. '000	2015/2016 Rs. '000	2016/2017 Rs. '000	2015/2016 Rs. '000
Taxation on current year profits	(Note No 11.7)	410,932	433,302	5,400	14,200
(Over) / Under provision in previous years		(21,704)	-	(6,600)	-
Withholding Tax on dividends paid by subsidiaries		25,606	30,822	-	-
		414,834	464,124	(1,200)	14,200
Deferred tax expense/ (income)	(Note No 11.8)	120,989	(31,235)	(19,727)	(2,386)
<b>Total</b>		<b>535,823</b>	<b>432,889</b>	<b>(20,927)</b>	<b>11,814</b>

Income tax expense excludes, the Group's share of tax expense of the Group's equity-accounted investees recognised in profit and (loss) is nil. (2015/16 3.4 million) which has been included in "Share of Profit / (Loss) of equity-accounted investees (net of tax)

### 11.6 Income Tax expense recognised in Other Comprehensive Income

	Group					
	2016/2017			2015/2016		
	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	784,324	-	784,324	736,507	-	736,507
Revaluation of property, plant & equipment	207,669	-	207,669	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	51,513	-	51,513	(177)	-	(177)
Net change in fair value of available for sale financial assets	(75,745)	-	(75,745)	22,204	-	22,204
Actuarial gains / (losses) arising from retirement benefit obligations	7,515	(1,160)	6,355	(2,896)	371	(2,525)
<b>Total</b>	<b>975,276</b>	<b>(1,160)</b>	<b>974,116</b>	<b>755,638</b>	<b>371</b>	<b>756,009</b>
	Company					
	2016/2017			2015/2016		
	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
Revaluation of property, plant & equipment	60,000	-	60,000	-	-	-
Actuarial gains / (losses) arising from retirement benefit obligations	6,000	(720)	5,280	(899)	108	(791)
<b>Total</b>	<b>66,000</b>	<b>(720)</b>	<b>65,280</b>	<b>(899)</b>	<b>108</b>	<b>(791)</b>

### 11.7 Reconciliation of Accounting Profit to Tax on current year.

	Group		Company	
	2016/2017 Rs. '000	2015/2016 Rs. '000	2016/2017 Rs. '000	2015/2016 Rs. '000
<b>Profit before tax</b>	<b>1,549,562</b>	<b>2,520,651</b>	<b>630,361</b>	<b>724,289</b>
Consolidation adjustments	171,202	165,030	-	-
<b>Profit after adjustments</b>	<b>1,720,764</b>	<b>2,685,681</b>	<b>630,361</b>	<b>724,289</b>
Profits and income (Net of exempt losses) not liable for income tax	1,468,093	(653,222)	(465)	(59,032)
* Effect of revenue taxed at source	473,946	537,043	-	-
<b>Adjusted Profits</b>	<b>3,662,803</b>	<b>2,569,502</b>	<b>629,896</b>	<b>665,257</b>
Non taxable receipts gains	-	-	(844,505)	(563,870)
Aggregate disallowed expenses	1,943,349	1,426,191	131,367	125,668
Capital allowances	(3,449,866)	(1,634,605)	(48,275)	(23,679)
Aggregate allowable expenses	(198,536)	(139,426)	(26,596)	(22,860)
Utilisation of tax losses	(15,569)	(68,547)	(10,274)	(63,181)
Qualifying payment deductions	(6,848)	(66,132)	-	-
Current year losses not utilised	967,414	1,096,390	187,467	-
<b>Taxable Income</b>	<b>2,902,747</b>	<b>3,183,373</b>	<b>19,080</b>	<b>117,335</b>
<b>Income Tax charged at</b>				
Standard rate of 28%	44,610	4,373	5,400	-
Concessionary rate of 12%	79,376	78,554	-	14,200
Varying rates on overseas company profits	286,946	350,375	-	-
<b>Taxation on current years profits</b>	<b>410,932</b>	<b>433,302</b>	<b>5,400</b>	<b>14,200</b>

### 11.8 Deferred tax expenses / (income)

Origination / (reversal) of temporary differences arising from;				
Property, plant and equipment	140,927	24,662	1,763	(8,718)
Defined benefit obligations	(1,132)	(191)	(290)	157
Tax losses carried forward	(18,806)	(55,706)	(21,200)	6,175
<b>Total</b>	<b>120,989</b>	<b>(31,235)</b>	<b>(19,727)</b>	<b>(2,386)</b>

### 11.9 Tax Losses Carried Forward

Tax Losses brought forward	2,531,268	1,491,377	773,628	825,080
Adjustments to prior year tax liability and tax losses arising during the year	849,218	1,108,438	186,937	11,729
Utilisation of tax losses	(15,569)	(68,547)	(10,274)	(63,181)
<b>Total</b>	<b>3,364,917</b>	<b>2,531,268</b>	<b>950,291</b>	<b>773,628</b>

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, amounting to Rs. Rs. 292,593,899/- (2015/16 - Rs. 50,808,079/-) since utilisation against future taxable profits are not probable. For Aitken Spence Hotel Holdings PLC, there were no deferred tax assets unaccounted on losses as at 31.03.2017. (2015/16 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

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.

	2016/2017 Rs.	Group 2015/2016 Rs.	2016/2017 Rs.	Company 2015/2016 Rs.
Amounts used as numerator				
Profit after taxation and non-controlling interest attributable to Aitken Spence Hotel Holdings PLC.	675,873,049	1,403,766,012	651,287,551	712,474,981
Preference dividend	(14,850,000)	(14,850,000)	(14,850,000)	(14,850,000)
	661,023,049	1,388,916,012	636,437,551	697,624,981
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.)	1.97	4.13	1.89	2.07

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence the diluted earnings per share is equal to the basic earnings per share.

13 DIVIDENDS

	2016/2017 Rs. '000	Company 2015/2016 Rs. '000
Final dividends declared and paid for 2015/16		
Preference Dividend		
Preference dividend paid for 2015/16	(14,850)	(14,850)
Ordinary Dividend		
Final ordinary dividend paid for 2015/16	(420,363)	(504,435)
	(435,213)	(519,285)
Interim dividends declared and paid for 2016/17		
Preference Dividend		
Preference dividend paid for 2016/17	(14,850)	-
Ordinary Dividend		
Interim ordinary dividend paid for 2016/17	(168,145)	-
	(182,995)	-
Total	(618,208)	(519,285)
Final ordinary dividend proposed	84,073	420,363
Preference dividend proposed (2015/16)	-	14,850
Ordinary Dividend per Share - (Rs.)	0.75	1.25

The Directors have recommended a final ordinary dividend of cents 25 per ordinary share for 2016/17 (2015/16 Rs. 1.25). If approved at the Annual General Meeting on 30th June 2017 the total ordinary dividends will be paid out of taxable dividends received from Subsidiary Companies from which 10% withholding tax has been deducted.

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 2017.

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

14 PROPERTY PLANT AND EQUIPMENT

14.1 Group

	Land (Freehold)	Buildings	Plant Machinery & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery, Crockery & Glassware	Capital work-in progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation								
Balance as at 01.04.2016	5,256,689	17,995,695	5,061,146	319,611	1,289,208	605,177	605,625	31,133,151
Additions	-	563,526	350,841	35,516	106,246	51,201	4,024,404	5,131,734
Assets acquired from business combinations	855,000	-	85	3,580	-	-	8,432,843	9,291,508
Capitalisation of amortised leases and lease accruals (note 15, 16 & 32)	-	-	-	-	-	-	623,437	623,437
Transfers	-	8,939,516	1,272,353	403	843,050	3,325	(11,058,647)	-
Revaluations	207,668	-	-	-	-	-	-	207,668
Disposals/write - offs	-	(28)	(33,265)	(7,872)	(2,739)	(30,808)	(14,165)	(88,877)
Effect of movement in exchange rates	168,204	710,026	151,143	10,693	33,004	19,542	25,338	1,177,950
Balance as at 31.03.2017	6,487,561	28,208,735	6,802,303	361,931	2,268,769	648,437	2,638,835	47,416,571
Accumulated Depreciation								
Balance as at 01.04.2016	-	4,192,112	2,191,242	209,192	859,083	580,162	-	8,031,791
Assets acquired from business combinations	-	-	42	1,253	-	-	-	1,295
Transfers	-	(3,018)	10,945	-	(7,880)	(47)	-	-
Charge for the year	-	689,834	540,324	29,581	134,910	75,769	-	1,470,418
Disposals/write - offs	-	(28)	(27,793)	(3,372)	(2,587)	(29,161)	-	(62,941)
Effect of movement in exchange rates	-	171,838	74,556	6,239	19,693	16,522	-	288,848
Balance as at 31.03.2017	-	5,050,738	2,789,316	242,893	1,003,219	643,245	-	9,729,411
Carrying value								
As at 31.03.2017	6,487,561	23,157,997	4,012,987	119,038	1,265,550	5,192	2,638,835	37,687,160
As at 31.03.2016	5,256,689	13,803,583	2,869,904	110,419	430,125	25,015	605,625	23,101,360

The gross carrying amount of fully depreciated property plant and equipment that is still in use for the Group as at 31st March 2017 was Rs. 2,035,849/- (Company Rs. 591,158,252/-)

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, Oman Riyal, Indian Rupees and translated to the reporting currency at the closing rate.

Assets pledged as security against borrowings are disclosed in Note No. 291.

Capital work in progress represents the amount of expenditure recognised under property, plant and equipment during the construction of capital assets.



## NOTES TO THE FINANCIAL STATEMENTS

### 14.2 Company

	Land (Freehold)	Buildings	Plant Machinery & Equipment	Motor Vehicles	Furniture & Fittings	Furnishing, Cutlery, Crockery & Glassware	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost or Valuation</b>							
Balance as at 01.04.2016	570,207	957,687	434,024	647	222,696	105,963	2,291,224
Revaluation	60,000	-	-	-	-	-	60,000
Additions	-	100,102	32,135	-	26,213	11,822	170,272
Disposals/write - offs	-	-	-	-	-	(805)	(805)
Balance as at 31.03.2017	630,207	1,057,789	466,159	647	248,909	116,980	2,520,691
<b>Accumulated Depreciation</b>							
Balance as at 01.04.2016	-	294,604	329,307	635	207,414	88,453	920,413
Charge for the year	-	25,526	16,258	12	7,314	10,018	59,128
Disposal/write - offs	-	-	-	-	-	(783)	(783)
Balance as at 31.03.2017	-	320,130	345,565	647	214,728	97,688	978,758
<b>Carrying value</b>							
As at 31.03.2017	630,207	737,659	120,594	-	34,181	19,292	1,541,933
As at 31.03.2016	570,207	663,083	104,717	12	15,282	17,510	1,370,811

During the year borrowing cost amounting to Rs. 59,924,795/- was capitalised by the Group. The total interest cost capitalised to date under property plant and equipment amounted to Rs. 456,629,657/-

### 14.3 Freehold Land

#### 14.3.1 Land carried at revalued amounts

Company	Location	Last revaluation date	Land extent	Carrying Amount at at 31st March 2017	Revaluation Surplus	Carrying Amount at Cost
				Rs. '000	Rs. '000	Rs. '000
Aitken Spence Hotel Holdings PLC (i)	"Heritance Ahungalla" Galle Road, Ahungalla	15.12.2016	11A 3R 34.02P	625,000	606,798	18,202
Heritance (Pvt) Ltd (i)	Moragalla, Beruwala	23.01.2014	5A 3R 6.80P	278,000	266,920	11,080
Meeraladuwa (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.P	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	07.02.2017	14A, 0R. 7.52P	200,533	66,708	133,825
Turyaa (Pvt) Ltd	418, Parellel Road Kudawaskaduwa, Kalutara	06.12.2016	5A 1R 37.9P	380,000	360,235	19,765
	49, Sea Beach Road, Kalutara	06.12.2016	0A 1R 30.32P	22,250	20,762	1,488
Turyaa Resorts (Pvt) 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
Perumbalam Resorts (Pvt) Ltd (ii)	Cochin - Kerala	07.02.2017	4A, 0R, 0.9P	52,203	42,478	9,725
<b>Total</b>				2,425,441	1,822,348	603,093

The above valuations were carried out by following qualified valuers who have recent experience in the location and category of the property being valued on the basis of current market value.

(i) Valuation of the land was carried out by Mr. K.C.B. Condegama, A.I.V. (Sri Lanka)

(ii) Valuation of the land carried out by Mr. T.T. Kripananda Singh B.S.C. (Eng.) Civil MICA, F.I.E, F.I.V (Eng.) of Messers N. Raj Kumar and Associates (India)



## NOTES TO THE FINANCIAL STATEMENTS

### 14.3.2 Land carried at Cost

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2017 Rs. '000
Aitken Spence Hotel Holdings PLC	"Heritage Ahungalla" Galle Road, Ahungalla	10.06.2013	39.26P	5,207
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	20437 Square Meters	2,652,965
Aitken Spence Hotel Management South India (Pvt) Ltd	144/7, Kottivakkam, OMR Chennai	09.06.2014	0A. 3R. 15.14P	548,948
Ahungalla Resorts Ltd	Galle Road, Ahungalla	01.07.2016	12A 2R 75.17P	855,000
<b>Total</b>				<b>4,062,120</b>

Revaluation of the above properties have not being carried out as the carrying values are consistent with the market values.

### 14.3.3 Total carrying amount of land

Land carried at revalued amounts	(Note 14.3.1)	2,425,441
Land carried at cost	(Note 14.3.2)	4,062,120
<b>Total</b>		<b>6,487,561</b>

### 14.4 Capital Expenditure Commitments

The following commitments for capital expenditure approved by the Directors as at 31st March, 2017 have not been provided for in the accounts.

	Group	
	31.03.2017	31.03.2016
	Rs. '000	Rs. '000
Approximate amount approved but not contracted for	1,606,915	1,145,641
Approximate amount contracted for but not accounted	7,979,475	2,976,994
<b>Total</b>	<b>9,586,390</b>	<b>4,122,635</b>

### 15 LEASEHOLD PROPERTIES

	Group	
	31.03.2017	31.03.2016
	Rs. '000	Rs. '000
<b>Acquisition Cost</b>		
Balance brought forward	2,461,014	2,267,623
Effect of movement in exchange rates	124,164	193,391
<b>Balance carried forward</b>	<b>2,585,178</b>	<b>2,461,014</b>
<b>Accumulated Amortisation</b>		
Balance brought forward	(454,286)	(361,096)
Effect of movement in exchange rates	(24,805)	(33,228)
Amortised during the year	(53,222)	(50,132)
Amortisation capitalised to property, plant and equipment	(10,405)	(9,830)
<b>Balance carried forward</b>	<b>(542,718)</b>	<b>(454,286)</b>
Unamortised leasehold properties as at 31st March	2,042,460	2,006,728

Leasehold properties represents the acquisition cost of leasehold rights of some of the hotel properties in the Maldives.

### 16 PREPAID OPERATING LEASES

	Group	
	31.03.2017	31.03.2016
	Rs. '000	Rs. '000
<b>Cost</b>		
Balance brought forward	1,911,852	1,101,563
Effect of movement in exchange rates	89,429	141,789
Additions during the year	-	668,500
<b>Balance carried forward</b>	<b>2,001,281</b>	<b>1,911,852</b>
<b>Accumulated Amortisation</b>		
Balance brought forward	(68,035)	(34,500)
Amortised during the year	(55,321)	(19,066)
Amortisation capitalised to property, plant and equipment	(15,199)	(14,469)
<b>Balance carried forward</b>	<b>(138,555)</b>	<b>(68,035)</b>
Unamortised prepaid operating leases as at 31st March	1,862,726	1,843,817
Current portion of unamortised operating leases	(71,557)	(32,746)
Non Current portion of unamortised operating leases as at 31st March	1,791,169	1,811,071

Prepaid operating leases represents the amounts paid in advance for leasehold rights of some of the hotel properties.

NOTES TO THE FINANCIAL STATEMENTS

16.1 Unexpired Lease periods of leasehold land:

Company Name	Location of the property	Unexpired lease period as at 31st March 2017
Kandalama Hotels (Pvt) Ltd.	Dambulla	25 years
Hethersett Hotels Ltd.	Nuwara Eliya	77 years
Aitken Spence Hotels Ltd.	Beruwela	26 years
Jetan Travel Services Co. (Pvt) Ltd.	Maldives	24 years
Cowie Investment (Pvt) Ltd. - (existing land)	Maldives	31 years
- (new island)	Maldives	48 years
ADS Resorts (Pvt) Ltd.	Maldives	9 years
Unique Resorts (Pvt) Ltd.	Maldives	28 years
Ace Resorts (Pvt) Ltd.	Maldives	48 years

16.2 Lease Commitments

	Group	
	31.03.2017	31.03.2016
	Rs. '000	Rs. '000
Lease rentals payable within one year	385,667	367,191
Lease rentals payable within one to five years	1,990,146	1,890,203
Lease rentals payable after five years	5,799,497	5,897,118
Total	8,175,310	8,154,512

Lease commitments have been estimated based on remaining lease periods disclosed under Note 16.1 above.

US Dollar conversion rate prevailing as at the reporting date 31st March 2017 has been used to convert the future lease commitments of Maldives properties.

17 INTANGIBLE ASSETS

17.1 Group

	Goodwill	Computer Software	Total
	Rs. '000	Rs. '000	Rs. '000
Cost or Valuation			
Balance as at 01st April 2016	376,190	64,874	441,064
Effect of movement in exchange rates	18,590	2,157	20,747
Additions	-	10,113	10,113
Balance as at 31st March 2017	394,780	77,144	471,924
Accumulated amortisation / impairment			
Balance as at 01st April 2016	-	(60,898)	(60,898)
Effect of movement in exchange rates	-	(2,138)	(2,138)
Amortisation		(4,276)	(4,276)
Balance as at 31st March 2017	-	(67,312)	(67,312)
Carrying value as at 31st March 2017	394,780	9,832	404,612
Carrying value as at 31st March 2016	376,190	3,976	380,166

Goodwill relates to the acquisition of 70% of equity in Aitken Spence Resorts (Middle East) LLC during the year 2015/16.

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below.

- Business growth
- Based on the long term average growth rate for each business unit.  
The weighted average growth rate used is consistent with the forecast included in industry reports.
- Inflation
- Based on current inflation rate.
- Discount rate
- Risk free rate adjusted for the specific risk relating to the industry.
- Margin
- Based on past performance and budgeted expectations

17.2 Company

	Computer Software	Total
	Rs. '000	Rs. '000
Cost or Valuation		
Balance as at 01st April 2016	5,537	5,537
Additions	1,600	1,600
Balance as at 31st March 2017	7,137	7,137
Accumulated amortisation / impairment		
Balance as at 01st April 2016	(5,523)	(5,523)
Amortisation	(191)	(191)
Balance as at 31st March 2017	(5,714)	(5,714)
Carrying value as at 31st March 2017	1,423	1,423
Carrying value as at 31st March 2016	14	14

Intangible assets as at 31st March 2017 includes fully amortised assets of the group having a gross carrying amount of Rs 52,305,829/- that is still in use (Company Rs. 5,779,845/-) There were no intangible assets pledged by the Group as security for facilities obtained from banks.

NOTES TO THE FINANCIAL STATEMENTS

18 INVESTMENT IN SUBSIDIARIES

18.1 Investments in Subsidiaries – Unquoted

			Company			
	Country of incorporation	Number of Shares	Company Holding	Group Holding	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Subsidiary Companies						
a) Equity Shares						
Aitken Spence Hotels Ltd.	Sri Lanka	14,701,204	98.00%	98.00%	149,736	149,736
Crest Star Ltd.	Hong Kong	10,000	100.00%	100.00%	9,921	9,921
(Ordinary Shares of HK\$ 1 each)						
Crest Star (BVI) Ltd.	British Virgin					
(Ordinary Shares of US\$ 1 each)	Island	3,415,000	100.00%	100.00%	185,628	185,628
Cowrie Investment (Pvt) Ltd.	Maldives	52,740	60.00%	60.00%	321,733	321,733
(Ordinary Shares of Mrf 1000 each)						
Aitken Spence Resorts (Middle East) LLC	Oman	10,000	0.12%	0.12%	3,780	-
(Ordinary Shares of OMR 1 each)						
Hethersett Hotels Ltd.	Sri Lanka	24,542,000	87.65%	87.65%	161,421	161,421
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
Turyaa (Pvt) Ltd.	Sri Lanka	219,812,322	100.00%	100.00%	1,583,679	1,393,679
MPS Hotels (Pvt) Ltd	Sri Lanka	4,753,025	100.00%	100.00%	307,745	307,745
Turyaa Resorts (Pvt) Ltd	Sri Lanka	104,600,000	100.00%	100.00%	1,046,000	815,000
Ahungalla Resorts Ltd	Sri Lanka	78,369,024	60.00%	60.00%	2,926,326	-
Meeraladuwa (Pvt) Ltd	Sri Lanka	20,227,801	100.00%	100.00%	202,278	202,278
					7,135,526	3,784,420
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					7,585,526	4,234,420

18.2 Investments in Subsidiaries by the Group Companies

			Group			
	Country of incorporation	Number of Shares	Company Holding	Group Holding	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Investments by Subsidiary Companies						
a) Equity Shares						
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	2,125,627	100.00%	98.00%	35,751	35,751
					270,157	270,157
Crest Star (Bvi) Ltd						
- Jetan Travel Services Co. (Pvt) Ltd	Maldives	47,500	95.00%	95.00%	436,559	415,591
					436,559	415,591
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	132,672,867	100.00%	51.00%	2,976,264	2,766,306
- Ace Resorts (Pvt) Ltd	Maldives	8,480,999	100.00%	51.00%	740,155	740,155
- Aitken Spence Resorts (Middle East) LLC	Oman	8,089,678	99.88%	50.94%	3,088,670	39,887
					7,471,993	4,213,252
Aitken Spence Hotel Managements Asia (Pvt) Ltd						
- PR Holiday Homes (Pvt) Ltd (ordinary shares)	India	621,310	84.57%	43.13%	174,949	174,949
- Aitken Spence Hotels International (Pvt) Ltd (preference shares)	Sri Lanka	2,906,138	100.00%	100.00%	581,227	-
					756,176	174,949
- PR Holiday Homes (Pvt) Ltd						
- Perumbalam Resorts (Pvt) Ltd	India	10,000	100.00%	43.13%	233,953	212,956
					233,953	212,956

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, Aitken Spence Hotel Management (South India) Pvt Ltd., Ace Resorts (Pvt) Ltd and Aitken Spence Resorts (Middle East) LLC are subsidiaries of Aitken Spence Hotels International (Pvt) Ltd.

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

Perumbalam Resorts (Ltd)., is a subsidiary of P.R Holiday Homes (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

18.3 Non Controlling Interest - Subsidiaries

The following Subsidiaries have material NCI

Name	Principle place of Business and Country of incorporation	Operating Segment	Ownership interest held by NCI	
			As at 31st March	As at 31st March
			2017	2016
Aitken Spence Hotels International (Pvt) Ltd	Sri Lanka	Sri Lanka Sector - Others	49%	49%
Ahungalla Resorts Ltd	Sri Lanka	Sri Lanka Sector	40%	40%
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%

During the year, based on the reassessment made on the underlying circumstances, Ahungalla Resorts Ltd was considered a subsidiary. This investment was previously accounted as a Joint Venture using the equity method.

Except for Ahungalla Resorts Ltd and Cowrie Investments (Pvt) Ltd., the non-controlling interest of other subsidiaries are held by the ultimate holding Company, Aitken Spence PLC

Summarised financial information of Subsidiaries with material NCI

For the year ended 31st March	Cowrie Investments (Pvt) Ltd		Ahungalla Resorts Ltd	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	3,217,755	3,230,559	1,166,155	-
Profit/(Loss) after tax	583,551	777,168	(264,899)	(87,666)
Profit/(Loss) attributable to NCI	233,420	310,867	(105,960)	(35,066)
Other comprehensive income	203,713	267,350	-	-
Total comprehensive income	787,264	1,044,518	(264,899)	(87,666)
Total comprehensive income attributable to NCI	314,906	417,807	(105,960)	(35,066)
Current Assets	1,639,824	1,617,295	1,199,744	2,261,108
Non current assets	5,670,496	3,564,937	11,429,264	7,273,312
Current Liabilities	(976,517)	(959,575)	(1,764,521)	(317,220)
Non- Current liabilities	(1,747,524)	(266,138)	(5,210,736)	(3,297,400)
Net Assets	4,586,279	3,956,519	5,653,751	5,919,800
Net assets attributable to NCI	1,834,512	1,582,608	2,261,500	2,367,920
Cash flow from operating activities	709,645	750,234	143,254	259,137
Cash flow from investing activities	(1,768,484)	(461,876)	(4,470,010)	(5,248,451)
Cash flow from financing activities	1,139,925	(72,345)	3,056,011	6,710,692
Net increase in cash and cash equivalents	81,086	216,013	(1,270,745)	1,721,378
Dividends paid to NCI during the year	-	-	-	-

The above figures are before elimination of inter company transactions.

19 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

19.1 Investment in Associates

19.1.1 Investment in Associates - Quoted

	Group			Company		
	No. of Shares	31.03.2017	31.03.2016	No. of Shares	31.03.2017	31.03.2016
		Rs. '000	Rs. '000	Holding	Rs. '000	Rs. '000
Browns Beach Hotels PLC	48,492,451	925,110	925,110	36.62%	906,602	906,602
(Consolidated with Negombo Beach Resorts (Pvt) Ltd)						
Investments made during the year	-	-	-	-	-	-
Net book value as at 31st March	48,492,451	925,110	925,110	36.62%	906,602	906,602
Share of movement in equity value		(81,822)	99,489		-	-
Surplus on revaluation		314,880	263,525		-	-
Equity value of Investment as at 31st March		1,158,168	1,288,124	Net Book Value as at 31st March	906,602	906,602
Market value of quoted investment as at 31st March		1,032,889	1,576,005	Market value of quoted investment as at 31st March	1,010,807	1,542,312

19.1.2 Investment in Associates - Unquoted

	Group			Company		
	No. of Shares	31.03.2017	31.03.2016	No. of Shares	31.03.2017	31.03.2016
		Rs. '000	Rs. '000	Holding	Rs. '000	Rs. '000
Amethyst Leisure Ltd						
(Consolidated with Paradise Resorts Passikudah (Pvt) Ltd)						
Investments made during the year	86,532,335	191,409	191,409	23.44%	191,409	191,409
Net book value as at 31st March	48,133,720	57,760	-	4.45%	57,760	-
Share of movement in equity value	134,666,055	249,169	191,409	27.89%	249,169	191,409
Equity value of Investment as at 31st March		(112,910)	(81,148)		249,169	191,409
Less Provision for impairment of investment		136,259	110,261		(60,777)	-
		136,259	110,261		188,392	191,409
Total Equity Value of Investments - Quoted (19.1.1)		1,158,168	1,288,124		906,602	906,602
Total Equity Value of Investments - Unquoted (19.1.2)		136,259	110,261		188,392	191,409
Total equity value of investments as at 31st March		1,294,427	1,398,385		1,094,994	1,098,011

NOTES TO THE FINANCIAL STATEMENTS

Investment in Joint Ventures	Group			Company		
	No. of Shares	Group Holding	31.03.2017 Rs. '000	No. of Shares	Company Holding	31.03.2017 Rs. '000
Ahungalla Resorts Ltd	33,846,957	60.00%	-	33,846,957	60.00%	-
Investments made during the year	44,522,067	60.00%	-	44,522,067	60.00%	-
Net book value as at 31st March	78,369,024	60.00%	-	78,369,024	60.00%	-
Share of movement in equity value			-			-
Equity value of Investment as at 31st March			-			-
Total Equity Value of Investments in Associates	(19.1)		1,294,427			1,094,994
Total Equity Value of Investments in Joint Ventures			-			-
Total Equity Value of Investments in equity Accounted Investees			1,294,427			1,094,994

During the year based on the reassessment made on the underlying circumstances, Ahungalla Resorts Ltd was considered a subsidiary. This investment was previously accounted as a Joint Venture using the equity method.

19.3 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 2017	Fair Value of ownership interest (if listed) Rs.000
Browns Beach Hotels PLC	Sri Lanka	Owns "Negombo Beach Resorts (Pvt) Ltd	37.42%	1,032,889
Negombo Beach Resorts (Pvt) Ltd (100% subsidiary of Browns Beach Hotels PLC)	Sri Lanka	Owns and Operates "Heritage Negombo"	37.42%	-
Amethyst Leisure Ltd	Sri Lanka	Owns Paradise Resorts Passikudah (Pvt) Ltd	27.89%	-
Paradise Resorts Passikudah (Pvt) Ltd (100% subsidiary of Amethyst Leisure Ltd)	Sri Lanka	Owns and Operates " Amethyst Resorts Passikudah"	27.89%	-

Summerised financial information of material Associates

For the year ended 31st March	Amethyst Leisure Ltd (Consolidated with Paradise Resorts Passikudah (Pvt) Ltd.		Browns Beach Hotels PLC (Consolidated with Negombo Beach Resorts (Pvt) Ltd )	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	90,093	38,905	580,827	-
Profit /(Loss) after tax	(66,288)	(309,783)	(482,909)	(105,019)
Other comprehensive income	277	218	137,468	(2,839)
Total comprehensive income	(66,011)	(309,565)	(345,441)	(107,858)
Attributable to NCI	(47,601)	(237,003)	(216,177)	(67,844)
Attributable to Investees Shareholders	(18,410)	(72,562)	(129,264)	(40,353)
Current Assets	14,668	13,338	142,601	19,566
Non Current Assets	661,206	678,811	5,906,680	5,635,322
Current Liabilities	(100,388)	(208,013)	(1,980,695)	(144,315)
Non- Current liabilities	(359,981)	(338,901)	(970,960)	(2,067,955)
Net Assets	215,505	145,235	3,097,626	3,442,618
Attributable to NCI	155,401	111,192	1,939,458	2,154,494
Attributable to Investees Shareholders	60,104	34,043	1,158,168	1,288,124
Groups' interest in net assets of investee at the beginning of the year	110,261	191,409	1,288,124	1,328,477
Investments made during the year	57,760	-	-	-
Total comprehensive income attributable to the Group	(31,762)	(81,148)	(129,956)	(40,353)
Group's interest in net assets of investee at the end of the year	136,259	110,261	1,158,168	1,288,124



## NOTES TO THE FINANCIAL STATEMENTS

### 20 OTHER FINANCIAL ASSETS

#### 20.1 Available for sale financial assets

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Floatels India (Pvt) Ltd.				
(988,764 shares at INR 55/- each)	202,395	180,191	-	-
Change in fair value	(75,745)	22,204	-	-
<b>Total</b>	<b>126,650</b>	<b>202,395</b>	<b>-</b>	<b>-</b>

### 21 DEFERRED TAX ASSETS

#### 21.1 Movement in deferred tax assets

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the beginning of the year	147,969	119,017	5,349	2,855
Effect of movement in exchange rates	6,727	13,412	-	-
Reversal of temporary differences				
-Recognised in income statement	3,708	15,412	19,727	2,386
-Recognised in other comprehensive income	(644)	128	(720)	108
<b>Balance as at the end of the year</b>	<b>157,760</b>	<b>147,969</b>	<b>24,356</b>	<b>5,349</b>

#### 21.2 Composition of deferred tax assets

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets attributable to;				
Defined benefit obligations	4,502	4,906	3,523	3,952
Tax losses carried forward	154,250	169,044	114,035	92,835
Other items	31,086	29,093	-	-
Property, plant and equipment	(32,078)	(55,074)	(93,202)	(91,438)
<b>Net deferred tax assets</b>	<b>157,760</b>	<b>147,969</b>	<b>24,356</b>	<b>5,349</b>

### 21.3 Movement in tax effect of temporary differences - Group

	2016/2017			
	Balance as at 01st April 2016	Recognised in profit & (loss)	Recognised in other comprehensive income	Exchange gain/(loss)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred Tax Asset</b>				
Defined benefit obligations	4,906	240	(644)	-
Tax losses carried forward	169,044	(14,794)	-	-
Other items	29,093	-	-	1,993
	203,043	(14,554)	(644)	1,993
<b>Deferred Tax Liabilities</b>				
Property, plant & equipment	(55,074)	18,262	-	4,734
	(55,074)	18,262	-	4,734
<b>Net deferred tax assets</b>	<b>147,969</b>	<b>3,708</b>	<b>(644)</b>	<b>6,727</b>

### 21.4 Movement in tax effect of temporary differences - Group

	2015/2016			
	Balance as at 01st April 2015	Recognised in profit & (loss)	Recognised in other comprehensive income	Exchange gain/(loss)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred Tax Asset</b>				
Defined benefit obligations	4,781	(3)	128	-
Tax losses carried forward	144,225	24,819	-	-
Other items	22,673	-	-	6,420
	171,679	24,816	128	6,420
<b>Deferred Tax Liabilities</b>				
Property, plant & equipment	(52,662)	(9,404)	-	6,992
	(52,662)	(9,404)	-	6,992
<b>Net deferred tax assets</b>	<b>119,017</b>	<b>15,412</b>	<b>128</b>	<b>13,412</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 21.5 Movement in tax effect of temporary differences - Company

	2016/2017			Balance as at
	Balance 01st April 2016	Recognised in profit & (loss)	Recognised in other comprehensive income	31st March 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred tax assets</b>				
Defined benefit obligations	3,952	291	(720)	<b>3,523</b>
Tax losses carried forward	92,835	21,200	-	<b>114,035</b>
	96,787	21,491	(720)	<b>117,558</b>
<b>Less: Deferred tax liabilities</b>				
Property, plant & equipment	(91,438)	(1,764)	-	<b>(93,202)</b>
	(91,438)	(1,764)	-	<b>(93,202)</b>
<b>Net deferred tax assets</b>	<b>5,349</b>	<b>19,727</b>	<b>(720)</b>	<b>24,356</b>

### 21.6 Movement in tax effect of temporary differences - Company

	2015/2016			Balance as at
	Balance 01st April 2015	Recognised in profit & (loss)	Recognised in other comprehensive income	31st March 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred tax assets</b>				
Defined benefit obligations	4,001	(157)	108	3,952
Tax losses carried forward	99,009	(6,174)	-	92,835
	103,010	(6,331)	108	96,787
<b>Less: Deferred tax liabilities</b>				
Property, plant & equipment	(100,155)	8,717	-	(91,438)
	(100,155)	8,717	-	(91,438)
<b>Net deferred tax assets</b>	<b>2,855</b>	<b>2,386</b>	<b>108</b>	<b>5,349</b>

### 22 INVENTORIES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Food	135,070	95,515	7,116	6,379
Beverage	72,108	50,475	4,504	3,762
Maintenance	153,131	69,585	7,149	4,949
Stationery	12,177	10,767	669	591
Housekeeping	27,189	32,338	1,425	1,130
Ayurveda Stocks	1,982	1,296	-	-
Fuel & Others	75,164	43,444	1,973	1,822
<b>Total</b>	<b>476,821</b>	<b>303,420</b>	<b>22,836</b>	<b>18,633</b>

There were no inventories pledged as security for borrowings as at 31st March 2017. ( as at 31st March 2016- nil)

### 23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	1,622,098	1,121,027	102,330	125,039
Provision for impairment	(22,875)	(17,227)	(695)	(344)
	1,599,223	1,103,800	101,635	124,695
Interest income receivable	23,811	2,569	3,823	18
Non trade receivables	150,189	52,417	3,964	3,956
	1,773,223	1,158,786	109,422	128,669
Taxes recoverable	52,843	16,918	-	-
Other receivables	120,924	92,236	697	194
<b>Total</b>	<b>1,946,990</b>	<b>1,267,940</b>	<b>110,119</b>	<b>128,863</b>

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

No loans have been given to Directors of the company.

### 24 AMOUNTS DUE FROM HOLDING COMPANY

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term investments	355,663	33,823	-	14,436
<b>Total</b>	<b>355,663</b>	<b>33,823</b>	<b>-</b>	<b>14,436</b>

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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Travels (Pvt) Ltd.	269,959	252,753	55,293	31,583
Aitken Spence Hotel Managements (Pvt) Ltd.	166,500	81,117	161	291
Aitken Spence Exports (Pvt) Ltd	225	-	-	-
Aitken Spence Cargo (Pvt) Ltd.	37	18	33	-
Ace International Express (Pvt) Ltd.	68	65	-	-
Aitken Spence Aviation (Pvt) Ltd	-	28	-	28
Elevators (Pvt) Ltd	-	23	-	23
Ace Printing and Packaging (Pvt) Ltd.	-	156	-	25
Aitken Spence Garments Ltd	-	139	-	-
Aitken Spence Property Developments Ltd	-	20	-	-
Aitken Spence Resources (Pvt) Ltd	-	122	-	-
Ace Containers (Pvt) Ltd	18	-	-	-
Ace Exports (Pvt) Ltd	25	-	-	-
MMBL Money Transfer (Pvt) Ltd	-	58	-	58
Shipping and Cargo Logistics (Pvt) Ltd	-	25	-	-
Aitken Spence PLC	30	41	2	11
Negombo Beach Resorts (Pvt) Ltd	36	108	-	-
Ahungalla Resorts Ltd.	-	375	196	375
Aitken Spence Hotels Ltd.	-	-	35,941	-
Hethersett Hotels Ltd	-	-	6,300	-
Aitken Spence Hotels International (Pvt) Ltd	-	-	31,235	-
Neptune Ayurvedic (Pvt) Ltd	-	-	54	-
Turyaa Resorts (Pvt) Ltd	-	-	123,018	28,018
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	-	-	55,080	55,080
Turyaa (Pvt) Ltd	-	-	1,239	173,168
MPS Hotels (Pvt) Ltd	-	-	8,192	31,192
Meeraladuwa (Pvt) Ltd	-	-	57	12
Paradise Resorts Passikudah (Pvt) Ltd	5,198	39,242	5,151	39,242
<b>Total</b>	<b>442,096</b>	<b>374,290</b>	<b>321,952</b>	<b>359,106</b>

### 26 OTHER FINANCIAL ASSETS

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	2,349,518	2,151,263	100,000	-
<b>Total</b>	<b>2,349,518</b>	<b>2,151,263</b>	<b>100,000</b>	<b>-</b>

#### 26.1 Cash and Cash Equivalents

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short term deposits less than 90 days	929,153	672,063	569,962	86,000
Cash at bank and in hand	1,386,325	286,178	172,361	28,113
Cash and cash equivalents	2,315,478	958,241	742,323	114,113
Less: Short term Bank Borrowings	(1,746,319)	(836,687)	(117,885)	(16,248)
<b>Total cash and cash equivalents for cash flow statement</b>	<b>569,159</b>	<b>121,554</b>	<b>624,438</b>	<b>97,865</b>
Effect of movement in exchange rates	-	18,926	-	7,155
Cash and cash equivalents at the end of the year	569,159	140,480	624,438	105,020

# NOTES TO THE FINANCIAL STATEMENTS

## 27 STATED CAPITAL

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Issued &amp; fully paid</b>				
<b>Ordinary Share Capital</b>				
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
<b>Preference Share Capital - Redeemable Cumulative</b>				
At the beginning of the year - 16,500,000 preference shares	165,000	165,000	165,000	165,000
Issued during the year	-	-	-	-
At the end of the year - 16,500,000 preference shares	165,000	165,000	165,000	165,000
<b>Total</b>	<b>3,554,587</b>	<b>3,554,587</b>	<b>3,554,587</b>	<b>3,554,587</b>

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

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

Preference shareholder is entitled to dividends at 9% annually.(Cents 90 per share)

## 28 RESERVES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation reserve (Note 28.1)	2,610,938	2,378,602	699,210	639,210
General reserve (Note 28.2)	22,929	22,929	22,929	22,929
Available for sale reserve (Note 28.3)	-	38,630	-	-
Foreign currency translation reserve (Note 28.4)	1,718,952	1,206,039	-	-
<b>Total</b>	<b>4,352,819</b>	<b>3,646,200</b>	<b>722,139</b>	<b>662,139</b>
<b>Transaction movement</b>				
<b>Balance as at 01st April</b>	<b>3,646,200</b>	<b>3,233,366</b>	<b>722,139</b>	<b>662,139</b>
Transfers to / (from) foreign currency translation reserve during the year	512,913	401,510	-	-
Transfer to / (from) available for sale reserve	(38,630)	11,324	-	-
Surplus on revaluation	232,336	-	-	-
<b>Balance as at 31st March</b>	<b>4,352,819</b>	<b>3,646,200</b>	<b>722,139</b>	<b>662,139</b>

## 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 classified as available for sale 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 operations.

## 29 INTEREST BEARING BORROWINGS

### 29.1 Analysed by Lending Institutions

	Group		Company		
Lending Institution	31.03.2017	31.03.2016	31.03.2017	31.03.2016	Borrowing terms
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Habib Bank Ltd	1,000,000	-	1,000,000	-	Loan 1 (in LKR) - Repayable in 15 quarterly instalments commencing from January 2018 for which a Corporate Guarantee from Aitken Spence PLC has been provided as security. Interest linked to AWPLR. ( Balance outstanding as at 31st March 2017 is Rs 1 billion)
Hongkong & Shanghai Banking Corporation Limited	13,153,803	8,857,463	-	-	Comprises of seven USD loans one Euro loan and two INR loans Loan 1 (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 2017 is Rs 32.8 million) Loan 2 (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 linked to LIBOR ( Balance outstanding as at 31st March 2017 is Rs 273.6 million)

# NOTES TO THE FINANCIAL STATEMENTS

Lending Institution	Group		Company		Borrowing terms
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Hongkong & Shanghai Banking Corporation Limited (Contd.)					Loan 3 (USD) -Repayable in 60 monthly instalments commencing from April 2015. Loan provided on clean basis. Interest linked to LIBOR. ( Balance outstanding as at 31st March 2017 is Rs 101.3 million)
					Loan 4 (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 linked to LIBOR (Balance outstanding as at 31st March 2017 is Rs 183.6 million)
					Loan 5 (USD) -Repayable in 48 monthly instalments commencing from January 2017 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest Linked to LIBOR (Balance outstanding as at 31st March 2017 is Rs 570 million)
					Loan 6 (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 linked to LIBOR. (Balance outstanding as at 31st March 2017 is Rs 2.121 billion)
					Loan 7 (USD) -Repayable in 49 monthly instalments commencing from January 2017 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and mortgage over land and buildings of the Hotel Property has been provided as security. Interest linked to LIBOR (Balance outstanding as at 31st March 2017 is Rs. 2.662 billion)
					Loan 8 (Euro) -Repayable in 60 monthly instalments commencing from January 2017 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC and RIUSA II SA and primary mortgage over the Hotel Property has been provided as security. Interest is fixed for the term. (Balance outstanding as at 31st March 2017 is Rs. 6.353 billion)

Lending Institution	Group		Company		Borrowing terms
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Hongkong & Shanghai Banking Corporation Limited (Contd.)					Loan 9 (INR) -Repayable in 16 quarterly instalments commencing from February 2016 for which a Corporate Guarantee from Aitken Spence Hotels International Ltd. has been provided as security. Interest linked to LIBOR (Balance outstanding as at 31st March 2017 is Rs. 198 million)
					Loan 10 (INR) -Repayable in 16 quarterly instalments commencing from June 2016 for which a Corporate Guarantee from Aitken Spence Hotels International Ltd has been provided as security. Interest linked to LIBOR. (Balance outstanding as at 31st March 2017 is Rs.657 million)
Hatton National Bank PLC	1,402,910	105,000	-	-	<b>Comprises of two loans ( in LKR) and one loan in USD</b>
					Loan 1 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest linked to AWDR. (Balance outstanding as at 31st March 2017 is Rs. 15 million)
					Loan 2 (in LKR) - Repayable in 60 monthly instalments commencing from October 2012 for which a Corporate Guarantee from Aitken Spence Hotel Holdings PLC has been provided as security. Interest Linked to AWDR. (Balance outstanding as at 31st March 2017 is Rs.20 million)
					Loan 3 (USD) -Bullet payment due on finalisation of the term loan. Interest linked to LIBOR. (Balance outstanding as at 31st March 2017 is Rs 1.367 billion)
DFCC Bank	2,030,156	875,523	-	-	<b>Comprises of one LKR loan and one USD loan</b>
					Loan 1 (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 AWPR. (Balance outstanding as at 31st March 2017 is Rs.814.2 million)



## NOTES TO THE FINANCIAL STATEMENTS

### 29.2 Movement in Interest bearing borrowings

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Balance brought forward	10,012,986	7,365,315	-	16,442
Effect of movement in exchange rates	375,465	480,760	-	-
Liabilities assumed from business combination	6,509,164	-	-	-
Loans received during the year	3,583,830	4,355,415	1,000,000	-
	20,481,445	12,201,490	1,000,000	16,442
Loan repayments during the year	(2,719,576)	(2,188,504)	-	(16,442)
	17,761,869	10,012,986	1,000,000	-
Current portion of interest bearing borrowings	(3,311,162)	(1,826,509)	(66,600)	-
Non current portion of interest bearing borrowings	14,450,707	8,186,477	933,400	-

### 29.3 Currency Analysis of Interest Bearing Borrowings

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Sri Lankan Rupees	2,024,236	1,155,523	1,000,000	-
United States Dollars	8,529,186	7,946,642	-	-
Euro	6,353,411	-	-	-
Indian Rupees	855,036	910,821	-	-
Total	17,761,869	10,012,986	1,000,000	-

### 29.4 Analysed by repayment period

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
Payable within one year	3,311,162	1,826,509	66,600	-
Payable between one and two years	3,388,563	2,113,022	532,800	-
Payable between two and five years	6,257,784	3,147,041	400,600	-
Payable after five years	4,804,360	2,926,414	-	-
Total	17,761,869	10,012,986	1,000,000	-

### 30 GOVERNMENT GRANTS

	Group		Company	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>Receipts</b>				
Balance brought forward	1,560	1,560	-	-
Received during the year	-	-	-	-
Balance carried forward	1,560	1,560	-	-
<b>Accumulated Amortisation</b>				
Balance brought forward	(1,261)	(1,105)	-	-
Amortised during the year	(156)	(156)	-	-
Balance carried forward	(1,417)	(1,261)	-	-
Net balance	143	299	-	-

The Group has been awarded a government grant 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DEFERRED TAX LIABILITIES

#### 31.1 Movement in deferred tax liabilities

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the beginning of the year	237,166	243,817	-	-
Effect of movement of exchange rates	6,500	9,415	-	-
Origination of temporary differences				
- recognised in income statement	124,698	(15,823)	-	-
- recognised in other comprehensive income	516	(243)	-	-
Balance as at the end of the year	368,880	237,166	-	-

#### 31.2 Composition of deferred tax liabilities

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liabilities attributable to:				
Property, plant & equipment	474,655	309,052	-	-
Defined benefit obligations	(6,501)	(6,125)	-	-
Carried forward tax losses	(99,274)	(65,761)	-	-
Net deferred tax liabilities	368,880	237,166	-	-

#### 31.3 Movement in tax effect of temporary differences - Group

	2016/2017				
	Balance as at 01st April 2016	Recognised in profit & (loss)	Recognised in Other Comprehensive Income	Exchange gain/(losses)	Balance as at 31st March 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	309,052	159,190	-	6,413	474,655
Total liabilities	309,052	159,190	-	6,413	474,655
Deferred tax - assets					
Defined benefit obligations	(6,125)	(892)	516	-	(6,501)
Tax losses carried forward	(65,761)	(33,600)	-	87	(99,274)
Total assets	(71,886)	(34,492)	516	87	(105,775)
Net deferred tax liabilities	237,166	124,698	516	6,500	368,880

#### 31.4 Movement in tax effect of temporary differences - Group

	2015/2016				
	Balance as at 01st April 2015	Recognised in profit & (loss)	Recognised in Other Comprehensive Income	Exchange gain/(losses)	Balance as at 31st March 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax - liabilities					
Property, plant & equipment	284,379	15,258	-	9,415	309,052
Total liabilities	284,379	15,258	-	9,415	309,052
Deferred tax - assets					
Defined benefit obligations	(5,688)	(194)	(243)	-	(6,125)
Tax losses carried forward	(34,874)	(30,887)	-	-	(65,761)
Total assets	(40,562)	(31,081)	(243)	-	(71,886)
Net deferred tax liabilities	243,817	(15,823)	(243)	9,415	237,166

### 32 OTHER LIABILITIES

#### 32.1 Lease Accruals

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the beginning of the year				
Lease accruals recognised and capitalised to property plant and equipment	597,833	-	-	-
Balance at the end of the year	597,833	-	-	-

This represents the accrued lease rent of operating leases of the island of Aarah of Raa Atoll (Cowrie Investment (Pvt) Ltd.) and island of Raafushi of Noonu Atoll (Ace Resorts (Pvt) Ltd.) resulting from recognising the total lease rent payable over the lease term on a straight line basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 33 EMPLOYEE BENEFITS

#### 33.1 Retirement benefit obligations

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Retirement benefit obligations				
Present value of unfunded obligations	177,462	174,333	29,361	32,935
Recognised liability for defined benefit obligations	177,462	174,333	29,361	32,935

#### 33.2 Movement in present Value of the defined benefit obligations

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Defined benefit obligations at the beginning of the year	174,333	99,924	32,935	33,351
Expenses recognised in the income statement	37,439	21,650	5,680	5,615
Expenses recognised in other comprehensive income	(7,515)	2,896	(6,000)	899
Liabilities assumed from business combination	-	70,361	-	-
Benefits paid	(30,347)	(20,177)	(3,254)	(6,930)
Effect of movement in exchange rates	3,552	(321)	-	-
Defined benefit obligations at the end of the year	177,462	174,333	29,361	32,935

#### 33.3 Expenses recognised in the income statement

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Expenses recognised in the income statement				
Current service cost	25,784	12,024	2,057	2,447
Interest cost	11,655	9,626	3,623	3,168
	37,439	21,650	5,680	5,615
Expenses recognised in other comprehensive income				
Net actuarial (gains) / losses	(7,515)	2,896	(6,000)	899
	(7,515)	2,896	(6,000)	899
Total	29,924	24,546	(320)	6,514

#### 33.4 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 2016/17

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 2017.

	Effect on comprehensive income (reduction)/ increase	Effect on employment benefit liability (reduction)/ increase
	Rs. '000	Rs. '000
Increase /(decrease) in discount rate		
-1%	(8,128)	8,128
+1%	7,201	(7,201)
Increase /(decrease) in salary escalation rate		
-1%	7,834	(7,834)
+1%	(8,732)	8,732

#### 33.5 The principal actuarial assumptions used in determining the liability were:

- (i) Discount rate of 12.5% (2015/16 - 11%)
- (ii) Salary increment rate - for executive staff - 11% (2015/16 -11%)  
- for non - executive staff - 7.50% (2015/16 -7.5%)
- (iii) Retirement age of 55 years.
- (iv) The Company will continue in business as a going concern.
- (v) Staff turnover rates at each age category

	2016/2017	2015/2016
- 20 years	0.07	0.07
- 25 years	0.05	0.05
- 30 years	0.05	0.05
-35 years	0.04	0.04
- 40 years	0.03	0.03
- above 40 years	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS

- 33.6

The actuarial valuation was made on 31st March 2017. It is proposed that a valuation is obtained every year.
- 33.7

The liability is not externally funded.
- 33.8

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.

34 OTHER PROVISIONS AND PAYABLES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accrued payables	1,306,222	854,690	80,889	48,474
Advances received	1,038,105	947,179	7,560	10,015
	2,344,327	1,801,869	88,449	58,489
Unclaimed dividends	51,239	1,376	47,912	1,376
Taxes and other miscellaneous payables and provisions	451,951	548,203	33,978	41,925
Total	2,847,517	2,351,448	170,339	101,790

35 AMOUNTS DUE TO PARENT'S GROUP ENTITIES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Aitken Spence Exports Ltd.	21,073	21,215	20,314	20,354
Aitken Spence Travels (Pvt) Ltd	222	-	-	-
Elevators (Pvt) Ltd.	-	932	-	-
Elpitiya Plantations PLC	53	176	-	68
Aitken Spence Printing and Packaging (Pvt) Ltd.	3	38	-	2
Aitken Spence Hotel Managements (Pvt) Ltd.	108,386	75,169	1,681	18,379
Aitken Spence Cargo (Pvt) Ltd	-	51	-	-
Aitken Spence Agriculture (Pvt) Ltd	179	-	-	-
Kandalama Hotels (Pvt) Ltd.	-	-	638,413	586,229
Aitken Spence Hotels Ltd	-	-	-	26,504
Turyaa (Pvt) Ltd	-	-	495	24
Hethersett Hotels Ltd	-	-	-	149,778
Total	129,916	97,581	660,903	801,338

36 SEGMENTAL INFORMATION

36.1 Assets

	Group			
	Total Assets		Net Assets	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka Sector				
Resorts & Hotels				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	2,627,573	2,827,331	1,056,322	2,575,406
Ahungalla Resorts Ltd. Hotel RIU Sri Lanka	12,713,271	-	5,686,388	-
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	877,636	718,162	793,061	620,333
Heritance (Pvt) Ltd.	285,959	285,966	282,784	283,732
Meeraladuwa (Pvt) Ltd	450,963	450,964	450,467	450,669
Turyaa Resorts (Pvt) Ltd - Turyaa Kalutara	1,899,096	1,827,017	987,689	899,866
Neptune Ayurvedic Village (Pvt) Ltd.	21,114	22,672	20,861	22,476
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	1,288,124	1,145,373	717,672	577,260
Hethersett Hotels Ltd. - Heritance Tea Factory	939,600	653,012	802,468	545,565
MPS Hotels (Pvt) Ltd - Hotel Hilltop	482,716	489,323	422,745	440,938
Turyaa (Pvt) Ltd - Turyaa Kalutara	1,751,141	1,661,273	1,529,085	1,400,850
	23,337,193	10,081,093	12,749,542	7,817,095
Others				
Aitken Spence Hotels International (Pvt) Ltd	514,457	291,846	(2,228,127)	(2,805,388)
Aitken Spence Hotel Managements Asia (Pvt) Ltd	196,294	575,629	115,476	475,881
	710,751	867,475	(2,112,651)	(2,329,507)
Equity accounted investees	1,272,952	3,862,727	1,272,952	3,862,727
Total Sri Lanka Sector	25,320,896	14,811,295	11,909,843	9,350,315
South Asian and Middle East Sector				
Crest Star (BVI) Ltd.	110,925	226,842	87,550	186,963
Cowrie Investment (Pvt) Ltd. - Adaaran "Select"	7,315,763	5,026,566	4,622,093	3,854,174
Meedhupparu				
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	1,762,482	1,809,066	1,193,970	1,360,437
ADS Resorts (Pvt) Ltd - Adaaran "Select " Hudhuran Fushi	2,436,419	2,333,523	248,121	368,720
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	3,868,514	3,765,126	2,712,914	2,413,041
Aitken Spence Hotel Management South India (Pvt) Ltd	3,935,397	3,687,728	2,417,827	2,309,485
Ace Resorts (Pvt) Ltd	1,062,229	738,730	782,415	738,548
Aitken Spence Hotel Services (Pvt) Ltd	412	383	(2)	(8)
Perumbalam Resorts (Pvt) Ltd	52,203	9,060	52,070	8,941
P. R Holiday Homes (Pvt) Ltd	239,343	223,440	217,367	202,683
Aitken Spence Resorts (Middle East) LLC	6,073,404	5,816,455	3,188,520	3,041,604
Total South Asian and Middle East Sector	26,857,091	23,636,919	15,522,845	14,484,588
Total	52,177,987	38,448,214	27,432,688	23,834,903

## NOTES TO THE FINANCIAL STATEMENTS

### 36.2 Property, plant and equipment

	Group			
	Capital Expenditure		Depreciation & Amortisation	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>Sri Lanka Sector</b>				
<b>Resorts &amp; Hotels</b>				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	170,273	13,918	59,319	96,034
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	5,201	18,552	36,671	37,289
Ahungalla Resorts Ltd. - Hotel RIU Sri Lanka	2,488,970	-	317,282	-
Turyaa Resorts (Pvt) Ltd. - Turyaa Kalutara	180,712	354,747	93,904	33,098
Neptune Ayurvedic Village (Pvt) Ltd.	-	-	644	818
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	19,899	25,098	66,104	81,964
Hethersett Hotels Ltd. - Heritance Tea Factory	4,775	14,009	20,282	20,031
MPS Hotels (Pvt) Ltd - Hotel Hilltop	7,708	36,620	11,092	11,360
Turyaa (Pvt) Ltd - Turyaa Kalutara	30,083	162,896	100,547	92,488
	2,907,621	625,840	705,845	373,082
<b>Others</b>				
Aitken Spence Hotels International (Pvt) Ltd	-	16,500	2,915	1,495
Aitken Spence Hotel Managements Asia (Pvt) Ltd	401	380	355	360
	401	16,880	3,270	1,855
<b>Total Sri Lanka Sector</b>	<b>2,908,022</b>	<b>642,720</b>	<b>709,115</b>	<b>374,937</b>
<b>South Asian and Middle East Sector</b>				
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	1,801,300	471,366	170,738	139,017
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	150,158	72,915	96,394	72,579
ADS Resorts (Pvt) Ltd - Adaaran "Select " Hudhuran Fushi	70,698	226,386	230,431	227,673
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	105,373	312,754	186,142	154,037
Ace Resorts (Pvt) Ltd	6,567	13,604	-	-
Aitken Spence Hotel Managements South India (Pvt) Ltd	11,142	303,108	116,453	80,649
P.R Holiday Homes (Pvt) Ltd	222	-	28	23
Aitken Spence Resorts (Middle East) LLC	78,252	-	73,936	6,149
<b>Total South Asian and Middle East Sector</b>	<b>2,223,712</b>	<b>1,400,133</b>	<b>874,122</b>	<b>680,127</b>
<b>Total</b>	<b>5,131,734</b>	<b>2,042,853</b>	<b>1,583,237</b>	<b>1,055,064</b>

### 36.3 Liabilities & Non-Cash Expenses

	Group			
	Total Liabilities		Non-Cash Expenses	
	31.03.2017 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2016 Rs. '000
<b>Sri Lanka Sector</b>				
<b>Resorts &amp; Hotels</b>				
Aitken Spence Hotel Holdings PLC. - Heritance Ahungalla	1,571,251	251,925	(342)	6,266
Aitken Spence Hotels Ltd. - Heritance Ayurveda Maha Gedara	84,575	97,829	2,221	802
Ahungalla Resorts Ltd. - Hotel RIU Sri Lanka	7,026,882	-	-	-
Meeraladuwa (Pvt) Ltd	496	295	-	-
Heritance (Pvt) Ltd	3,174	2,234	-	-
Turyaa Resorts (Pvt) Ltd - Turyaa Kalutara	911,407	927,151	3,148	925
Neptune Ayurvedic Village (Pvt) Ltd.	253	196	-	-
Kandalama Hotels (Pvt) Ltd. - Heritance Kandalama	570,452	568,113	2,884	6,283
Hethersett Hotels Ltd. - Heritance Tea Factory	137,133	107,447	513	3,157
MPS Hotels (Pvt) Ltd - Hotel Hilltop	59,971	48,385	1,718	1,541
Turyaa (Pvt) Ltd - Turyaa Kalutara	222,056	260,423	224	3,837
	10,587,650	2,263,998	10,366	22,811
<b>Others</b>				
Aitken Spence Hotels International (Pvt) Ltd	2,742,584	3,097,234	261	3,569
Aitken Spence Hotel Managements Asia (Pvt) Ltd	80,819	99,748	4,480	1,428
	2,823,403	3,196,982	4,741	4,997
<b>Total Sri Lanka Sector</b>	<b>13,411,053</b>	<b>5,460,980</b>	<b>15,107</b>	<b>27,808</b>
<b>South Asian and Middle East Sector</b>				
Crest Star (BVI) Ltd.	23,376	39,879	-	-
Cowrie Investment (Pvt) Ltd. - Adaaran "Select" Meedhupparu	2,693,670	1,172,392	-	171
Jetan Travel Services Co. (Pvt) Ltd. - Adaaran "Club" Rannalhi	568,512	448,629	(1,596)	1,931
ADS Resorts (Pvt) Ltd - Adaaran "Select " Hudhuran Fushi	2,188,297	1,964,803	(938)	-
Unique Resorts (Pvt) Ltd - Adaaran "Prestige" Vadoo	1,155,599	1,352,085	(2,405)	(6,019)
Ace Resorts (Pvt) Ltd	279,814	181	-	-
Aitken Spence Hotel Managements South India (Pvt) Ltd	1,517,571	1,378,243	1,809	575
Aitken Spence Hotel Services (Pvt) Ltd	414	392	-	-
P R Holiday Homes (Pvt) Ltd	21,976	20,757	-	-
Perumbalam Resorts (Pvt) Ltd	133	119	-	-
Aitken Spence Resorts (Middle East) LLC	2,884,884	2,774,851	14,540	730
<b>South Asian and Middle East Sector</b>	<b>11,334,246</b>	<b>9,152,331</b>	<b>11,410</b>	<b>(2,612)</b>
<b>Total</b>	<b>24,745,299</b>	<b>14,613,311</b>	<b>26,517</b>	<b>25,196</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 37 FOREIGN CURRENCY TRANSLATION

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

	31.03.2017	31.03.2016
US Dollar	151.99	144.69
Indian Rupee	2.34	2.19
Oman Riya	394.78	376.19
Euro	162.27	164.87

### 38 CONTINGENT LIABILITIES

The contingent liability as at 31st March 2017 on guarantees given by Aitken Spence Hotel Holdings PLC. to third parties on facilities obtained by subsidiaries amounted to Rs. 14,169,092,000 ( 31.03.2016 - Rs.12,192,659,960/-) Liability as at 31st March 2017 on guarantees given by subsidiaries to third parties amounted to Rs. 2,126,741,000/- (31.03.2016 - Rs. 910,821,000/-)

### 39 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 - 2016/2017			
		Financial Assets Available for Sale	Financial Assets Loans & Receivables	Financial Liabilities Other Financial Liabilities	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>					
Other Investments - (Unquoted equity shares)	20	126,650			126,650
Trade and other receivables	23	-	1,773,223		1,773,223
Other financial assets	26	-	2,349,518		2,349,518
Cash and cash equivalents	26.1	-	2,315,478		2,315,478
Total financial Assets		126,650	6,438,219	-	6,564,869
- Total non current		126,650			126,650
- Total current			6,438,219		6,438,219
		126,650	6,438,219	-	6,564,869
<b>Financial Liabilities</b>					
Interest bearing borrowings	29			17,761,869	17,761,869
Trade payables				640,690	640,690
Provisions and other payables	34			2,344,327	2,344,327
Short term bank borrowings				1,746,319	1,746,319
Total financial Liabilities		-	-	22,493,205	22,493,205
- Total non current				14,450,707	14,450,707
- Total current				8,042,498	8,042,498
		-	-	22,493,205	22,493,205
<b>Group - 2015/2016</b>					
		Financial Assets Available for Sale	Financial Assets Loans & Receivables	Financial Liabilities Other Financial Liabilities	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>					
Other Investments - (Unquoted equity shares)	20	202,395			202,395
Trade and other receivables	23		1,158,786		1,158,786
Other financial assets	26		2,151,263		2,151,263
Cash and cash equivalents	26.1	-	958,241		958,241
Total financial Assets		202,395	4,268,290	-	4,470,685
- Total non current		202,395			202,395
- Total current		-	4,268,290		4,268,290
		202,395	4,268,290	-	4,470,685
<b>Financial Liabilities</b>					
Interest bearing borrowings	29			10,012,986	10,012,986
Trade payables				417,712	417,712
Provisions and other payables	34			1,801,869	1,801,869
Short term bank borrowings				836,687	836,687
Total financial Liabilities		-	-	13,069,254	13,069,254
- Total non current				8,186,477	8,186,477
- Total current				4,882,777	4,882,777
		-	-	13,069,254	13,069,254

## NOTES TO THE FINANCIAL STATEMENTS

Company - 2016/2017				
	Financial Assets Available for Sale	Financial Assets Loans & Receivables	Financial Liabilities Other Financial Liabilities	Total
Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>				
Trade and other receivables	23	109,422		109,422
Other financial assets	26	100,000		100,000
Cash and cash equivalents	26.1	742,323		742,323
Total financial Assets		-	951,745	-
- Total non current			-	-
- Total current			951,745	951,745
		-	951,745	-
<b>Financial Liabilities</b>				
Interest bearing borrowings	29		1,000,000	1,000,000
Trade payables			27,109	27,109
Provisions and other payables	34		88,449	88,449
Short term bank borrowings			117,885	117,885
Total financial Liabilities		-	-	1,233,443
- Total non current		-	-	933,400
- Total current		-	-	300,043
		-	-	1,233,443
<b>Company - 2015/2016</b>				
	Financial Assets Available for Sale	Financial Assets Loans & Receivables	Financial Liabilities Other Financial Liabilities	Total
Note	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial Assets</b>				
Trade and other receivables	23	128,669		128,669
Other financial assets	26	-		-
Cash and cash equivalents	26.1	114,113		114,113
Total financial Assets		-	242,782	-
- Total non current			-	-
- Total current			242,782	242,782
		-	242,782	-
<b>Financial Liabilities</b>				
Interest bearing borrowings	29		-	-
Trade payables			33,418	33,418
Provisions and other payables	34		58,488	58,488
Short term bank borrowings			16,248	16,248
Total financial Liabilities		-	-	108,154
- Total non current			-	-
- Total current			108,154	108,154
		-	-	108,154

### 39.1 Fair value of assets and liabilities

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position as at the reporting dates are as follows:

Group - 2016/17				
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>				
Other Investments - (Unquoted equity shares)	126,650	126,650	-	-
Trade and other receivables	1,773,223	1,773,223	109,422	109,422
Other financial assets	2,349,518	2,349,518	100,000	100,000
Cash and cash equivalents	2,315,478	2,315,478	742,323	742,323
Total financial Assets	6,564,869	6,564,869	951,745	951,745
<b>Financial Liabilities</b>				
Interest bearing borrowings	17,761,869	17,761,869	1,000,000	1,000,000
Trade payables	640,690	640,690	27,109	27,109
Provisions and other payables	2,344,327	2,344,327	88,449	88,449
Short term bank borrowings	1,746,319	1,746,319	117,885	117,885
Total financial Liabilities	22,493,205	22,493,205	1,233,443	1,233,443
<b>Group - 2015/16</b>				
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>				
Other Investments - (Unquoted equity shares)	202,395	202,395	-	-
Trade and other receivables	1,158,786	1,158,786	128,669	128,669
Other financial assets	2,151,263	2,151,263	-	-
Cash and cash equivalents	958,241	958,241	114,113	114,113
Total financial Assets	4,470,685	4,470,685	242,782	242,782
	-	-	-	-
<b>Financial Liabilities</b>				
Interest bearing borrowings	10,012,986	10,012,986	-	-
Trade payables	417,712	417,712	33,418	33,418
Provisions and other payables	1,801,869	1,801,869	58,488	58,488
Short term bank borrowings	836,687	836,687	16,248	16,248
Total financial Liabilities	13,069,254	13,069,254	108,154	108,154

NOTES TO THE FINANCIAL STATEMENTS

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. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for difference in size, nature and location of the property.

Quoted and 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.

39.2 Determination of Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques: 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)

39.2.1 Fair Value Measurement Hierarchy

	Notes	Group -2016/17			Company 2016/17			Total	
		Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000		Level 3 Rs.'000
Assets measured at fair value									
Property, plant and equipment									
- Freehold Land	14.31	-	-	2,425,441	2,425,441	-	-	625,000	625,000
Other Financial Assets									
- Other Investments - Unquoted equity shares	20	-	-	126,650	126,650	-	-	-	-
Assets for which fair values are disclosed									
Other Financial Assets									
- Quoted equity shares	19.11	1,032,889	-	-	1,032,889	1,010,807	-	-	1,010,807
- Term deposits	26	-	2,349,518	-	2,349,518	-	100,000	-	100,000
		1,032,889	2,349,518		3,382,407	1,010,807	100,000		1,110,807
Liabilities for which fair values are disclosed									
- Interest bearing borrowings	29.1	-	17,761,869	-	17,761,869	-	1,000,000	-	1,000,000
		-	17,761,869	-	17,761,869	-	1,000,000	-	1,000,000
		Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Assets measured at fair value									
Property, plant and equipment									
- Freehold Land	14.31	-	-	2,200,624	2,200,624	-	-	565,000	565,000
Other Financial Assets									
- Other Investments - Unquoted equity shares	20	-	-	202,395	202,395	-	-	-	-
Assets for which fair values are disclosed									
Other Financial Assets									
- Quoted equity shares	19.11	1,576,005	-	-	1,576,005	1,542,312	-	-	1,542,312
- Term deposits	26	-	2,151,263	-	2,151,263	-	-	-	-
		1,576,005	2,151,263		3,727,268	1,542,312	-		1,542,312
Liabilities for which fair values are disclosed									
- Interest bearing borrowings	29.1	-	10,012,986	-	10,012,986	-	16,442	-	16,442
		-	10,012,986	-	10,012,986	-	16,442	-	16,442

NOTES TO THE FINANCIAL STATEMENTS

39.2.2 Reconciliation of fair value measurement of “Level 3” Financial Instruments

Freehold land

The reconciliation of property plant and equipment (land) is given in Note 14.1 and 14.2 to the financial statements.

Unquoted equity shares

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 01st April	202,395	180,191	-	-
Change in fair value	(75,745)	22,204	-	-
Balance as at 31st March	126,650	202,395	-	-

40 FINANCIAL RISK MANAGEMENT

40.1 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.

40.2 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-corporation 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.

40.3 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.

	Group 2017 Rs.'000	% allocation	Company 2017 Rs.'000	% allocation
As at 31st March				
Financial Assets				
Available for sale investments				
Other Investments - Unquoted equity shares	126,650	2%	-	-
Loans and receivables				
Trade and other receivables	1,773,223	27%	109,422	11%
Other financial assets	2,349,518	36%	100,000	11%
Cash and cash equivalents	2,315,478	35%	742,323	78%
Total credit exposure	6,564,869	100%	951,746	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:

		Group 2017 Rs.'000	Company 2017 Rs.'000
As at 31st March	Note		
Trade receivables	23	1,622,098	102,330
Total		1,622,098	102,330

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. 8.7 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

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:

	Group 2017 Rs.'000	Company 2017 Rs.'000
As at 31st March		
Less than 30 days	1,054,362	63,375
30-60 days	373,870	21,264
60-90 days	70,303	11,891
90-180 days	133,159	5,523
180-365 days	24,275	890
more than 365 days	21,697	668
Advances received	(55,568)	(1,281)
	1,622,098	102,330
Less: Impairment on trade receivable	(22,875)	(695)
Carrying value of trade receivables	1,599,223	101,635

The movement in the allowance for impairment in respect of trade receivables during the year was:

	Group 2017 Rs.'000	Company 2017 Rs.'000
As at 31st March		
Balance at the beginning of the year	(17,227)	(344)
Impairment provision recognised	(4,646)	(351)
Effect of movement in exchange rate	(1,002)	-
Balance at the end of the year	(22,875)	(695)

Short 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 2017 Rs.'000	% allocation	Company 2017 Rs.'000	% allocation
As at 31st March				
Government owned Banking Institutions	300,050	13%	-	-
Commercial Banks	2,049,468	87%	100,000	100%
Total	2,349,518	100%	100,000	100%

Commercial Banks

Investments made with Commercial Banks consist of fixed deposits and term deposits held with government owned banks and private 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.

40.4 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 access 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 2017	Current	Non Current	Payable on demand
As at 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Liabilities				
Interest bearing borrowings	17,761,869	3,311,162	14,450,707	-
Trade payables	640,690	621,236	19,454	-
Other provisions and payables	2,344,327	1,938,066	406,261	-
Short term bank borrowings	1,746,319	-	-	1,746,319
Total	22,493,205	5,870,464	14,876,422	1,746,319



NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amount 2017 Rs.'000	Company		Payable on demand Rs.'000
		Current Rs.'000	Non Current Rs.'000	
As at 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Liabilities				
Interest bearing borrowings	1,000,000	66,600	933,400	-
Trade payables	27,109	25,265	1,844	-
Other provisions and payables	88,449	55,452	32,997	-
Short term bank borrowings	117,885	-	-	117,885
Total	1,233,443	147,317	968,241	117,885

“Current” represents financial liabilities which are due to mature within one year

40.5 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.

40.5.1 Foreign exchange risk

The Group being involved in hoteliering operates internationally and is exposed to foreign exchange risk arising from various currency exposures. 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. The total interest bearing borrowings of the Group denominated in USD amounted to Rs.8.5 million . All overseas investments is mostly financed through USD denominated borrowings. The translation exposure resulting from USD borrowings has been minimised to a high degree through these investments.

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 2017 and sensitivity analysis to Profit & loss and Equity if exchange rate increased / (decrease) by Rs.1/=.

Profit & Loss

	Group Rs.'000	Company Rs.'000
Foreign Currency exposure for 2016/17		
Foreign currency denominated income -USD	319,852	-
Foreign currency denominated expenses -USD	(750,252)	-
Net exposure - in foreign currency - USD	(430,400)	-
Avg conversion rate used for the year 2016/17	147.60	147.60
Net exposure - in Rs'000	(63,527)	-

Sensitivity Analysis

Avg conversion rate with Rs. 1.00 increase	148.60	148.60
Avg conversion rate with Rs. 1.00 decrease	146.60	146.60

Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate - in Rs'000	(63,957)	-
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate - in Rs'000	(63,097)	-

Impact to Profit & Loss

with Rs. 1.00 increase in the average conversion rate - in Rs'000	(430)	-
with Rs. 1.00 decrease in the average conversion rate - in Rs'000	430	-

NOTES TO THE FINANCIAL STATEMENTS

Equity	Group			Company		
	USD	GBP	EURO	USD	GBP	EURO
Foreign Currency denominated						
financial assets as at 31st March 2017						
Trade and other receivables	51,720	251,174	3,182,145	25,609	-	135,797
Other financial assets	5,828,585	-	-	3,750,000	-	-
Cash and cash equivalents	1,993,336	-	222,046	-	61,801	-
Trade payables	(6,428)	-	(970,568)	-	-	-
Interest bearing borrowings	(17,708,333)	-	(39,153,333)	-	-	-
Net exposure - in foreign currency	(9,841,120)	251,174	(36,719,710)	25,609	3,811,801	135,797
Conversion rate used as at 31st March 2017	151.99	189.22	162.27	394.78	151.99	189.22
Net exposure - in Rs. '000	(1,495,752)	47,527	(5,958,507)	10,110	579,356	25,696
Sensitivity Analysis						
Avg conversion rate with Rs. 1.00 increase	152.99	190.22	163.27	395.78	152.99	190.22
Avg conversion rate with Rs. 1.00 decrease	150.99	188.22	161.27	393.78	150.99	188.22
Net exposure - in SLR with Rs. 1.00 increase in the average conversion rate -Rs'000	(1,505,593)	47,778	(5,995,227)	10,136	583,167	25,831
Net exposure - in SLR with Rs. 1.00 decrease in the average conversion rate -Rs'000	(1,485,911)	47,276	(5,921,788)	10,084	575,544	25,560
Impact to Profit and Loss						
with Rs. 1.00 increase in the average conversion rate - Rs'000	(9,841)	251	(36,720)	26	3,812	136
with Rs. 1.00 decrease in the average conversion rate - Rs'000	9,841	(251)	36,720	(26)	(3,812)	(136)

The above table demonstrate the sensitivity to a reasonably possible change in the USD exchange rate by Rs. 1/- with all other variables held constant.

40.5.2 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 has borrowings with variable interest rates such as AWDR, AWPLR and LIBOR and would expose the Group to cash flow/profits as the amount of interest paid would be changed depending on market interest rates.

The Group's exposure to interest rate risk as at 31st March 2017 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 and Euro loans.

	Increase/ decrease in basis points	Effect on Profit before Tax	
		Group	Company
		Rs.'000	Rs.'000
Financial year - 2016/17			
Sri Lanka rupee loans	+100	20,242	10,000
USD loans	+10	8,529	-
Euro loans	+10	3,915	-
Sri Lanka rupee loans	-100	(20,242)	(10,000)
USD loans	-10	(8,529)	-
Euro loans	-10	3,915	-

The above table demonstrate 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 and Euro 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 favorable fluctuations in the market rates.

40.5.3 Equity prices

The Group has adopted that its investments in joint ventures and associates are recorded at cost as per LKAS 27 and 28 and therefore scoped out from LKAS 32 and 39 - Financial Instruments.

The Group does not carry quoted investments other than investment in equity accounted investees in their Consolidated Statement of Financial Position which is scoped out as stated above. 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.

NOTES TO THE FINANCIAL STATEMENTS

41 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. This ratio is calculated based on the long term interest bearing debt and preference shares divided by total equity capital. 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

42 DIRECTOR’S FEES

The Directors of the Company have received fees amounting to Rs. 28,800/- from subsidiaries for the year ended 31st March 2017

43 RELATED PARTY TRANSACTIONS

Aitken Spence Hotels Holdings Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the Company is also the Chairman of the Parent Company Aitken Spence PLC. and Aitken Spence Hotel Management Asia (Pvt) Ltd. He is also the Chairman of Browns Beach Hotels PLC, and Negombo Beach Resorts (Pvt) Ltd which are associate companies of the Group and the Chairman, of Distilleries Company of Sri Lanka PLC, Stassen Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Bell (Pvt) Ltd., Periceyl (Pvt) Ltd. Lanka Diaries (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. 43.1.1, 43.1.3 and 43.1.5.

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., Ace Resorts (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd, Ace Resorts (Pvt) Ltd., Aitken Spence Hotel Managements South India (Pvt) Ltd., Aitken Spence Resorts (Middle East) LLC., Aitken Spence Hotels International (Pvt) Ltd., P.R Holiday Homes (Pvt) Ltd., Perumbalam Resorts (Pvt) Ltd., Aitken Spence Hotels Ltd., Heritance (Pvt) Ltd., Aitken Spence Hotel Managements (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., Ahungalla Resorts Ltd., Hethersett Hotels Ltd., Neptune Ayurvedic Village (Pvt) Ltd., Turyaa Resorts (Pvt) Ltd., Turyaa (Pvt) Ltd., M.P.S Hotels (Pvt) Ltd, Meeraladuwa (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. 43.1.1. 43.1.2 and 43.1.4.

Ms. D.S.T Jayawardena a Director of the Company is also the Chairperson of Aitken Spence Hotel Managements (Pvt) Ltd., Aitken Spence Hotels Ltd., Turyaa (Pvt) Ltd., Turyaa Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Meeraladuwa (Pvt) Ltd., Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., A D S Resorts (Pvt) Ltd. Unique Resorts (Pvt) Ltd, Ace Resorts (Pvt) Ltd., Aitken Spence Hotels International (Pvt) Ltd.,Ahungalla Resorts Ltd., and Aitken Spence Hotel Managements Asia (Pvt) Ltd., which are subsidiaries of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 43.1.2.

Ms. D.S.T Jayawardena is also a Director of the parent Company Aitken Spence PLC. and a Director of Amethyst Leisure Ltd., Paradise Resorts Passikudah (Pvt) Ltd, Browns Beach Hotels PLC., and Negombo Beach Resorts (Pvt) Ltd., which are equity accounted investees of the Group. She is also the Chairperson of Splendor Media (Pvt) Ltd. and a Director of Stassen Exports (Pvt) Ltd. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No 43.1.2, 43.1.3 and 43.1.5.

Mr. C.H. Gomez a Director of the company is also a Director of the Parent Company Aitken Spence PLC.

R. N.J. De S Deva Adithya a Director of the company is also a Director of the Parent Company Aitken Spence PLC. He is also a Director of Distilleries Company of Sri Lanka PLC. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 43.1.1 and 43.1.5.

NOTES TO THE FINANCIAL STATEMENTS

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,Browns Beach Hotels 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. 43.1.1, and 43.1.5.

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. 43.1.2

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 Aitken Spence Hotels Ltd., Turyaa (Pvt) Ltd., Turyaa Resorts (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., MPS Hotels (Pvt) Ltd., Hethersett Hotels Ltd., Heritance (Pvt) Ltd, Neptune Ayurvedic Village (Pvt) Ltd., Meeraladuwa (Pvt) Ltd.,Ahungalla Resorts 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, Ace Resorts (Pvt) Ltd., P R Holiday Homes (Pvt) Ltd., Perumbalam Resorts (Pvt) Ltd. Aitken Spence Hotel Managements South India (Pvt) Ltd., and Aitken Spence Hotels International (Pvt) Ltd., which are subsidiaries of the Group. Transactions carried out by the Group with these companies in the ordinary course of business is disclosed in Note No. 43.1.2

Mr. C.M.S Jayawickrama is also a Director of Negombo Beach Resorts (Pvt) Ltd., which is a equity accounted investees of the Group.

Details of transactions carried out by the Group with related parties and outstanding balances with the related parties are given in Note No. 43.1.1 to 43.1.5.

43.1 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	Outstanding as at 31.03.2017	Transaction Value	Outstanding as at 31.03.2017
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
Transactions with Parent Company							
Aitken Spence PLC	Parent Company	Interest earned / paid (net)	Market terms	-	-	(1,674)	-
		Lease Rent paid	Contractual Payment	1,500	14,290	-	-
		Corporate guarantee Fee	Market terms	13,333	-	13,333	-
		Fees paid for services	Market terms	94,870	(348,329)	13,421	(207,530)
		Short term investments	Market terms	-	355,663	-	-

43.1.2 Transactions with Subsidiaries

Aitken Spence Hotel Management (Asia) Pvt Ltd	Subsidiary	Management fees for managing hotels	Percentage of revenue and profits	233,352	-	-	55,080
Aitken Spence Hotels International (Pvt) Ltd	Subsidiary	Management fees for managing hotels	Percentage of revenue and profits	215,311	-	-	31,235
Aitken Spence Hotels Ltd	Subsidiary	Dividends receivable	Short term	-	-	35,941	35,941
Turyaa (Pvt) Ltd.	Subsidiary	Issue of shares	Market terms	-	-	190,000	744
Turyaa Resorts (Pvt) Ltd	Subsidiary	Issue of shares	Market terms	-	-	231,000	-
		Short term advances	Short term	-	-	123,018	123,018
Kandalama Hotels (Pvt) Ltd	Subsidiary	Short term advances obtained	Short term	-	-	(52,184)	(638,413)
Hethersett Hotels Ltd	Subsidiary	Preference dividends receivable	Short term	-	-	6,300	6,300
Neptune Ayurvedic Village (Pvt) Ltd	Subsidiary	Dividends receivable	Short term	-	-	54	54
MPS Hotels (Pvt) Ltd	Subsidiary	Settlement of temporary advances	Short term	-	-	(23,000)	8,192
Meeraladuwa (Pvt) Ltd	Subsidiary	Short term advances	Market Terms	-	-	45	57

NOTES TO THE FINANCIAL STATEMENTS

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value	Outstanding as at 31.03.2017	Transaction Value	Outstanding as at 31.03.2017
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
Ahungalla Resorts Ltd.	Subsidiary	Settlement of temporary advances	Market Terms	-	-	(179)	196
Aitken Spence Resorts (Middle East) LLC	Subsidiary	Issue of shares	Market Terms	-	-	3,780	-
43.1.3 Transactions with Equity							
Accounted Investees							
Paradise Resorts Passikudah (Pvt) Ltd	Associate	Transactions with Parent Company					
		Investments in equity	Market terms	-	-	57,760	5,151
Transactions with Parents Group Entities							
		Sale of Hotel Rooms	Market terms	3,936			
		Printing of hotel promotional literature	Market terms	87			
		Central Purchasing unit handling charges	Market terms	180	5,198	-	-
Transactions with Parents Group Entities							
Negombo Beach Resorts (Pvt) Ltd	Associate	Sale of Hotel Rooms	Market terms	60,186			
		Printing of hotel promotional literature	Market terms	2,201			
		Central purchasing / merchandising unit handling charges	Market terms	1,076			
		Purchase of mineral water	Market terms	3,973			
		Clearing of imported items	Market terms	2,396	-	-	-

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value	Outstanding as at 31.03.2017	Transaction Value	Outstanding as at 31.03.2017
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
43.1.4 Transactions with Parent's Group Entities							
Aitken Spence Travels (Pvt) Ltd.	Subsidiary of the Parent Company	Sale of Hotel rooms in the ordinary course of business	Market terms	1,394,886	269,737	157,337	55,293
		Purchase of Air Tickets for overseas travel	Market terms	3,158	222	-	-
Aitken Spence Exports (Pvt) Ltd.	Subsidiary of the Parent Company	Purchase of mineral water	Market terms	14,372	(21,073)	3,324	(20,314)
Aitken Spence Printing & Packaging (Pvt) Ltd.	Subsidiary of the Parent Company	Printing & Typesetting hotel promotional literature and Annual Reports	Market terms	4,274	(3)	3,122	-
Aitken Spence Hotel Managements (Pvt) Ltd.	Subsidiary of the Parent Company	Management fees for managing the hotels	Percentage of revenue and profits	293,465		25,187	
		Central Purchasing & Merchandising unit handling charges	Market terms	62,602		14,152	
		Export of Hotel Supplies to Maldives	Market terms	229,786	58,114	-	(1,520)
Elevators (Pvt) Ltd	Subsidiary of the Parent Company	Repairs and Maintenance of Hotel Elevators	Market terms	9,394	-	1,028	-
Elpitiya Plantations PLC	Subsidiary of the Parent Company	Purchase of tea leaves	Market terms	3,135	(53)	614	-
Aitken Spence Cargo (Pvt) Ltd	Subsidiary of the Parent Company	Clearing of imported items	Market terms	50,664	-	121	33
Aitken Spence Agriculture (Pvt) Ltd	Subsidiary of the Parent Company	Purchase of vegetables	Market terms	1,468	(179)	-	-



NOTES TO THE FINANCIAL STATEMENTS

Name of the Related Party	Relationship	Nature of transaction	Terms of the transaction	Group		Company	
				Transaction Value	Outstanding as at 31.03.2017	Transaction Value	Outstanding as at 31.03.2017
				Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>43.1.5 Transactions with Other Related Companies</b>							
Distilleries Company of Sri Lanka PLC	Other related Company	Purchase of beverages	Market terms	27,365	(3,194)	4,745	(974)
Stassen Exports (Pvt) Limited	Other related Company	Purchase of food items	Market terms	441,835	(30,736)	33,392	(3,395)
Lanka Milk Foods (CWE) PLC	Other related Company	Purchase of milk powder	Market terms	12,599	(878)	2,672	(183)
Lanka Dairies (Pvt) Ltd	Other related Company	Purchase of food items	Market terms	1,463	(286)	-	-
Lanka Bell Ltd.	Other related Company	Provision of telecommunication services.	Market terms	8,280	(611)	954	-
Periceyl (Pvt) Ltd	Other related Company	Purchase of beverages	Market terms	25,405	(4,160)	5,912	(654)
GIC Holdings PLC	Other related Company	Purchase of food items	Market terms	972	-	156	-
Pattipola Live Stock Company Ltd	Other related Company	Purchase of food items	Market terms	1,113	(118)	-	-
Royal Ceramic PLC	Other related Company	Purchase of goods	Market terms	6,015	(95)	3,054	-
Splendor Media (Pvt) Ltd	Other related Company	Purchase of services	Market terms	1,210	-	-	-

**43.1.6** The Company and the Subsidiaries in the ordinary course of business have for the sale of hotel rooms, contracted with certain Tour operators, for whom Aitken Spence Travels (Pvt) Ltd., has contracted with for provision of hotel services. The total revenue generated by such company and the balance outstanding as at 31st March 2017 is disclosed above.

**43.1.7** The Company and the Subsidiaries in the ordinary course of business have generated revenues amounting to Rs. 14.2 million (Company Rs 4.1 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 2017 is reflected in Note No. 25 - Amounts due from Parent's Group Entities.

<b>43.2 Non Recurrent Transactions with Related Parties</b>							
Name of the Related Party	Relationship	The rationale for entering into the transaction	Value of the related party transactions entered into during the financial year ending 31st March 2017	Value of the related party transactions as a % of equity	Value of the related party transactions as a % of total assets.	Terms and conditions of the related party transaction	
<b>43.2.1 Transaction with Parent Company</b>							
Aitken Spence PLC	Parent Company	Corporate guarantee for the term loan obtained from Habib Bank Ltd.	1,000,000	4%	2%	Monthly Guarantee fee payable	
<b>43.2.2 Transaction with Subsidiaries</b>							
Tunyaa (Pvt) Ltd	Subsidiary	Investment in equity	190,000	1%	0.36%	Market Terms	
Tunyaa Resorts (Pvt) Ltd	Subsidiary	Investment in equity	231,000	1%	0.44%	Market Terms	
Aitken Spence Resorts (Middle East) LLC	Subsidiary	Investment in equity	3,780	0.01%	0.01%	Market Terms	
<b>43.2.3 Subsidiaries with Joint Ventures</b>							
Amethyst Leisure Ltd	Associate	Investment in equity	57,760	0.21%	0.11%	Market Terms	

There were no non recurrent transactions carried out with related parties during the year where the aggregate value of transaction exceeds 10% of equity or 5% of total assets which ever is lower.

<b>43.3 Recurrent Transactions with Related Parties</b>							
Name of the Related Party	Relationship	The rationale for entering into the transaction	Value of the related party transactions entered into during the financial year ending 31st March 2017	Value of the related party transactions as a % of Revenue	Terms and conditions of the related party transaction		
<b>43.3.1</b>							
Aitken Spence Travels (Pvt) Ltd.	Subsidiary of the Parent Company	Sale of Hotel rooms in the ordinary course of business	1,394,886	9%	Market Terms		

There were no recurrent transactions carried out with related parties during the year where the aggregate value of transaction exceeds 10% of consolidated gross revenue of the group.

NOTES TO THE FINANCIAL STATEMENTS

43.4 Transactions with Key Management Personnel.

Aitken Spence Hotel Holdings PLC., considers its Board of Directors as the key management personnel of the Company. The Board Directors, Vice Presidents and Assistant Vice Presidents of Subsidiary Companies are considered as key management personnel of Group Companies.

There were no transactions other than employments benefits disclosed below carried out during the year with Key management personnel and their close family members which require disclosure per LKAS - 24 - Related Party Disclosures .

Year Ended 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term employment benefits	18,168	19,437	-	-
Post employment benefits	-	2,759	-	-
Total	18,168	22,196	-	-

44 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.(subsequently revised to Rs. 20/- per share) . During this financial year no shares were acquired . The Company as at 31 st March, 2017 held 98% of the equity share capital of Aitken Spence Hotels Ltd.

45 EVENTS AFTER REPORTING DATE

The Board resolved to recommend the payment of :

A final dividend of Cents 25 per Ordinary Share for the financial year 2016/17 once approved by the shareholders at the Annual General Meeting.

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

46 ULTIMATE HOLDING COMPANY.

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

47 CAPITAL EXPENDITURE COMMITMENTS

There are no capital expenditure commitments other than those disclosed in Note No 14.4 to the financial Statements.

48 AVERAGE NUMBER OF EMPLOYEES

The average number of employees as at 31st March 2017 amounts to 3,215 (2015/2016 - 2,251)

49 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.

50 DIRECTORS RESPONSIBILITY.

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

QUARTERLY STATISTICS

INCOME STATEMENT - GROUP

	30th June	30th September	31st December	31st March
	2016	2016	2016	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the three months ended				
Net Turnover	2,696,017	3,146,940	4,320,211	5,469,870
Other income	(9,412)	17,200	124,575	(230,963)
Staff Costs	(647,569)	(609,492)	(745,594)	(744,274)
Depreciation	(278,622)	(287,093)	(477,685)	(427,018)
Amortisation	(29,933)	(27,143)	(27,958)	(27,785)
Other Operating Expenses - Direct	(619,703)	(691,696)	(1,000,086)	(1,039,791)
Other Operating Expenses - Indirect	(1,120,041)	(1,226,861)	(1,522,276)	(1,685,654)
Profit/ (Loss) from operations	(9,263)	321,855	671,187	1,314,385
Finance Income	47,272	27,397	29,366	63,578
Finance Expenses	(155,723)	(148,429)	(226,710)	(214,151)
Share of Profit of equity accounted investees net of tax	(28,663)	(176,337)	81,658	(47,860)
Income Tax Expense	(55,895)	(159,659)	(55,734)	(264,535)
Net Profit /(Loss) for the period	(202,272)	(135,173)	499,767	851,417
Profit attributable Equity holders of the Parent	(173,146)	(174,585)	405,020	618,584
Non - controlling interests	(29,126)	39,412	94,747	232,833
	(202,272)	(135,173)	499,767	851,417

STATEMENT OF FINANCIAL POSITION - GROUP

	30th June	30th September	31st December	31st March
	2016	2016	2016	2017
As at				
Assets				
Non Current Assets	32,866,295	33,147,736	41,804,714	43,504,238
Current Assets	4,887,744	4,790,467	8,633,418	8,673,749
Total Assets	37,754,039	37,938,203	50,438,132	52,177,987
Equity and Liabilities				
Equity	17,937,134	17,731,184	18,442,183	19,161,826
Non - controlling interest	5,493,786	5,340,571	7,957,981	8,270,862
Total Equity	23,430,920	23,071,755	26,400,164	27,432,688
Non Current Liabilities	8,141,994	8,967,171	16,680,890	15,595,025
Current Liabilities	6,181,125	5,899,277	7,357,078	9,150,274
Total Equity & Liabilities	37,754,039	37,938,203	50,438,132	52,177,987

SHARE INFORMATION - GROUP

	30th June	30th September	31st December	31st March
	2016	2016	2016	2017
As at				
Earnings / (Loss) Per Ordinary Share (Rs)	(0.53)	(0.53)	1.19	1.84
Net Asset Value Per Share (Rs)	52.85	52.24	54.35	56.49
Market Price Per Share				
Highest (Rs)	64.00	57.00	50.00	44.40
Lowest (Rs)	51.60	47.10	43.00	34.00
Last Trade Price (Rs)	54.00	48.00	43.10	35.20

# INDICATIVE US DOLLAR FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT IN US \$

	2017	2016
For the year ended 31 st March	US \$'000	US \$'000
Revenue	105,634	92,461
Revenue tax	(2,779)	(1,453)
<b>Net revenue</b>	<b>102,855</b>	<b>91,008</b>
Other income / (expenses)	(649)	483
Staff costs	(18,073)	(14,667)
Depreciation	(9,674)	(6,798)
Amortisation	(742)	(494)
Other operating expenses - direct	(22,049)	(17,595)
Other operating expenses - indirect	(36,548)	(32,011)
<b>Profit from operations</b>	<b>15,120</b>	<b>19,926</b>
Finance income	1,103	1,037
Finance expenses	(4,902)	(2,401)
<b>Net finance income / (expenses)</b>	<b>(3,799)</b>	<b>(1,364)</b>
	11,321	18,562
Share of profit of equity accounted investees net of tax	(1,126)	(1,141)
<b>Profit before income tax</b>	<b>10,195</b>	<b>17,421</b>
Income tax expenses	(3,525)	(2,992)
<b>Profit for the year</b>	<b>6,670</b>	<b>14,429</b>
<b>Attributable to:</b>		
Equity holders of the parent	4,447	9,702
Non - controlling interest	2,223	4,727
	6,670	14,429
Earnings per ordinary share (US \$.)	0.02	0.03
Exchange Rate used for translation (One US \$ ) =	151.99	144.69

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN US \$

	2017	2016
For the year ended 31 st March	US \$'000	US \$'000
Profit for the year	6,670	14,429
<b>Other Comprehensive Income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Revaluation of property, plant and equipment	1,366	-
Share of other comprehensive income of equity accounted investees	339	(1)
Actuarial gains/ (losses) on defined benefit plans	49	(20)
Income tax on actuarial gains / (losses) arising from retirement benefit obligations	(8)	2
	1,747	(19)
<b>Items that are or may be reclassified to profit or Loss</b>		
Foreign currency translation differences of foreign operations	5,160	5,091
Net change in fair value of available for sale financial assets	(498)	153
	4,662	5,244
<b>Other comprehensive income for the year net of tax</b>	<b>6,409</b>	<b>5,225</b>
<b>Total comprehensive income for the year net of tax</b>	<b>13,079</b>	<b>19,654</b>
<b>Attributable to:</b>		
Equity holders of the parent company	9,139	12,531
Non - controlling interests	3,939	7,123
	13,079	19,654
Exchange Rate used for translation (One US \$ ) =	151.99	144.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN US \$

	2017	2016
As at 31st March	US \$'000	US \$'000
ASSETS		
Non-Current Assets		
Property, plant & equipment	247,958	159,661
Leasehold properties	13,438	13,869
Prepaid operating leases	11,785	12,517
Intangible assets	2,662	2,627
Investment in equity accounted investees	8,517	34,434
Other financial assets	833	1,399
Deferred tax assets	1,038	1,023
	286,231	225,530
Current Assets		
Inventories	3,137	2,097
Trade and other receivables	12,810	8,763
Amounts due from holding company	2,340	234
Amount due from parent's group entities	2,909	2,587
Deposits & prepayments	4,635	4,768
Prepaid operating leases	472	226
Current tax receivable	74	32
Term deposits	15,458	14,868
Cash and cash equivalents	15,234	6,623
	57,068	40,198
TOTAL ASSETS	343,299	265,728
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Stated capital	23,387	24,567
Reserves	28,639	25,200
Retained earnings	74,047	77,441
	126,073	127,208
Non -controlling interests	54,417	37,523
Total Equity	180,490	164,731
Non-Current Liabilities		
Interest - bearing borrowings	95,077	56,579
Government grants	1	2
Deferred tax liabilities	2,427	1,639
Other liabilities	3,933	-
Employee benefits	1,168	1,205
	102,606	59,425
Current Liabilities		
Trade payables	4,215	2,887
Other provisions and payables	18,735	16,251
Amounts due to holding company	2,292	1,077
Amounts due to parent's group entities	855	674
Interest bearing borrowings	21,785	12,624
Current tax payable	831	2,276
Short term bank borrowings	11,490	5,783
	60,203	41,572
TOTAL LIABILITIES	162,809	100,997
TOTAL EQUITY AND LIABILITIES	343,299	265,728
Exchange Rate used for translation (One US \$ ) =	151.99	144.69

DECADE AT A GLANCE

Rs. '000										
Year ended 31st March	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OPERATING RESULTS										
Revenue	16,055,386	13,378,071	13,270,918	12,947,076	12,035,870	9,614,828	8,059,152	7,137,672	6,611,893	6,412,699
Profit / (Loss) before Taxation	1,549,562	2,520,651	3,920,116	4,078,450	3,204,882	2,427,770	1,394,853	792,853	845,333	810,860
Taxation	(535,823)	(432,889)	(484,494)	(561,435)	(464,895)	(346,299)	(37,242)	(18,056)	(20,975)	(21,294)
Profit/(Loss) after Taxation	1,013,739	2,087,762	3,435,622	3,517,015	2,739,987	2,081,471	1,357,611	774,796	824,358	789,566
Profit/(Loss) attributable to Equity Holders of the parent	675,873	1,403,766	2,234,804	2,340,934	1,785,154	1,377,976	1,304,073	523,776	592,587	512,651
SHAREHOLDERS' FUNDS										
Stated Capital	3,554,587	3,554,587	3,554,587	3,554,587	3,554,587	3,554,587	3,554,587	1,056,433	1,056,433	1,055,810
Reserves and Retained Earnings	15,607,239	14,851,205	13,676,628	11,823,701	9,371,120	7,614,992	5,468,654	4,132,761	3,667,632	2,701,001
Shareholders' Funds	19,161,826	18,405,792	17,231,215	15,378,288	12,925,707	11,169,579	9,023,241	5,189,194	4,724,065	3,756,811
LIABILITIES										
Non-Current Interest bearing Borrowings	14,450,707	8,186,477	5,363,625	2,913,898	2,790,090	2,790,308	3,007,565	2,962,320	3,746,361	2,930,155
Amount due to ultimate Holding Company	348,329	155,804	37,518	92,315	109,340	204,779	59,861	646,434	779,109	-
Current Liabilities	8,801,945	5,859,232	5,173,696	3,481,725	3,326,203	3,249,987	2,164,471	2,004,139	2,001,455	2,543,913
Other Liabilities & Charges	1,144,318	411,798	344,196	321,148	304,726	287,278	147,925	163,131	114,317	117,401
Non-Controlling Interest	8,270,862	5,429,111	4,638,017	3,789,554	2,903,733	2,189,351	1,372,530	1,589,136	1,346,064	1,219,998
Total Equity and Liabilities	52,177,987	38,448,214	32,788,267	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278
ASSETS										
Property, Plant & Equipment	37,687,160	23,101,360	16,402,491	12,571,903	11,962,472	11,087,739	8,879,249	8,756,041	8,686,707	6,664,681
Leasehold Property	2,042,460	2,006,728	1,906,526	1,461,100	1,463,930	1,521,100	1,354,026	1,516,449	1,554,651	1,407,987
Prepaid Operating Leases	1,791,169	1,811,071	1,067,063	1,048,621	1,020,553	1,067,800	46,500	-	-	-
Intangible Assets	404,612	380,166	2,842	13,390	26,929	26,862	-	-	1,524	3,048
Investments	1,294,427	4,982,212	3,098,474	1,336,814	1,302,694	1,227,371	960,878	192,915	185,118	188,358
Long-Term Investments	126,650	202,395	180,191	197,478	221,072	233,207	222,395	211,770	218,081	86,600
Deferred Tax Assets	157,760	147,969	119,017	115,977	132,722	130,018	48,399	2,713	-	-
Current Assets	8,673,749	5,816,313	10,011,662	9,231,645	6,229,427	4,597,185	4,254,320	1,874,466	2,065,290	2,217,604
Assets Held for sale	-	-	-	-	-	-	9,826	-	-	-
Total Assets	52,177,987	38,448,214	32,788,267	25,976,928	22,359,799	19,891,282	15,775,593	12,554,354	12,711,371	10,568,278
CASH FLOW										
From Operating activities	2,601,651	3,479,769	3,986,229	3,820,890	3,528,361	3,156,697	663,257	1,484,828	1,503,360	793,933
From Investing activities	(2,279,588)	(6,507,608)	(6,137,472)	(3,446,368)	(1,686,804)	(2,533,371)	(1,023,336)	(662,377)	(2,025,844)	(2,201,116)
From Financing activities	120,782	1,409,694	2,412,926	(607,312)	(389,776)	(765,864)	1,965,198	(638,280)	605,561	1,377,478
Net Cash Inflow/(Outflow)	442,845	(1,618,145)	261,682	(232,790)	1,451,781	(142,538)	1,605,119	184,171	83,077	(29,705)
KEY INDICATORS										
Earnings per ordinary share (Rs.)	1.97	4.13	6.60	6.92	5.26	4.05	3.03	1.77	2.15	1.85
Net Assets value per Ordinary share (Rs.)	56.49	54.24	50.75	45.24	37.95	32.72	26.34	14.93	16.95	13.35
Market value per share (Rs.)	35.20	53.00	67.00	70.00	74.00	70.00	98.00	385.00	90.00	93.00
Dividend per share (Rs.) *	0.75	1.25	1.50	1.50	1.00	0.70	0.50	0.21	0.50	1.00
Dividend cover (Times)	2.62	3.30	4.40	4.61	5.26	5.79	6.06	8.42	30.06	12.95
Price to Earnings Ratio (Times)	17.91	12.83	10.15	10.12	14.07	17.28	32.33	29.08	5.99	7.18
Gearing (Debt/(Debt+Equity)) %	34.90	26.08	20.30	13.94	15.87	18.30	23.67	32.11	39.84	39.14
Interest cover (Times)	3.31	8.73	22.21	22.03	13.71	12.40	7.08	3.09	3.30	3.22
Return on Average Shareholders' funds (%)	3.55	7.87	13.75	16.63	14.90	13.73	14.68	10.57	13.97	14.53

\* The Directors of the company declared an interim dividend of Rs. 0.50 per ordinary share and recommended a final dividend of Rs. 0.25 per ordinary share for the financial year 2016/17



# 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.N0000"

## 2. SHAREHOLDERS

There were 3,402 registered ordinary shareholders as at 31st March, 2017 distributed as follows:

Range	31.03.2017			31.03.2016		
	No. of Shareholders	No. of Shareholding	%	No. of Shareholders	No. of Shareholding	%
1 to 1,000 shares	1,926	658,059	0.20	1,880	654,763	0.19
1,001 to 10,000 shares	1,096	3,700,814	1.10	1,089	3,685,511	1.09
10,001 to 100,000 shares	301	8,495,477	2.53	305	8,655,354	2.58
100,001 to 1,000,000 shares	65	21,469,308	6.38	68	21,947,465	6.53
1,000,001 & Above	14	301,966,352	89.79	14	301,346,917	89.61
	3,402	336,290,010	100.00	3,356	336,290,010	100.00

## 3. ANALYSIS OF SHAREHOLDERS

Category	31.03.2017		31.03.2016	
	Shareholding	%	Shareholding	%
Nationals	333,426,960	99.15	331,773,451	98.66
Non - Nationals	2,863,050	0.85	4,516,559	1.34
	336,290,010	100.00	336,290,010	100.00
Category	31.03.2017		31.03.2016	
	Shareholding	%	Shareholding	%
Aitken Spence PLC, and subsidiaries	250,507,418	74.49	250,507,418	74.49
Other Institutions	63,437,350	18.86	63,616,301	18.92
Individuals	22,345,242	6.65	22,166,291	6.59
	336,290,010	100.00	336,290,010	100.00

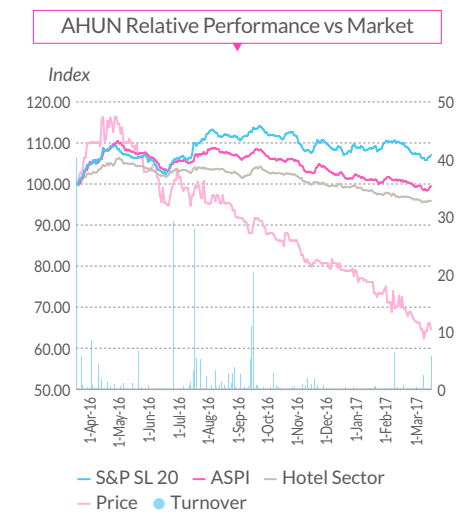
\*Percentage of the shares held by the public as at 31st March, 2017 is 25.41%. Number of public shareholders as at 31st March 2017 is 3,391.

## 4. SHARE TRADING

	2016/17	2015/16	2014/15	2013/14	2012/13
Number of Shares traded during the year	5,053,600	8,188,438	14,623,056	5,879,926	7,101,727
Value of Shares traded during the year (Rs.)	256,834,808	530,954,107	1,171,857,188	418,255,629	511,061,713
Number of Transactions	2,362	2,335	3,395	2,404	2,980

## 5. MARKET VALUE

Financial Year	Highest Rs.	Lowest Rs.	Year End Rs.
2012/13	81.00	61.00	74.00
2013/14	81.00	62.10	70.00
2014/15	87.00	67.00	67.00
2015/16	83.90	50.00	53.00
2016/17	64.00	34.00	35.20



## 6. RATIOS

	2016/17	2015/16	2014/15	2013/14	2012/13
Earnings per Share (Rs.)	1.97	4.13	6.60	6.92	5.26
Price Earnings Ratio (Times)	17.91	12.83	10.15	10.12	14.07
Net Asset per Share as at 31st March (Rs.)	56.49	54.24	50.75	45.24	37.95

## 7. DIVIDENDS

Year	Dividend per share	Dividend Yield
	Rs	%
2012/13	1.00	1.35%
2013/14	1.50	2.14%
2014/15	1.50	2.24%
2015/16	1.25	2.36%
2016/17 *	0.75	2.13%

\* The Directors of the company declared an interim dividend of Rs. 0.50 per ordinary share and recommended a final dividend of Rs. 0.25 per ordinary share for the financial year 2016/17

## 8. MARKET CAPITALIZATION (AS AT 31ST MARCH)

	Stated Capital & Reserves (Rs.'000)	Market Capitalization (Rs.'000)
2012/13	12,925,707	24,885,461
2013/14	15,378,288	23,540,301
2014/15	17,231,215	22,531,431
2015/16	18,405,792	17,823,371
2016/17	19,161,826	11,837,408



INVESTOR INFORMATION

9. GROUP EFFECTIVE HOLDING IN SUBSIDIARY AND ASSOCIATE COMPANIES

As at 31st March	%	
	2017	2016
Company -		
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	51.00	51.00
Aitken Spence Hotels Ltd.	98.00	98.00
Crest Star (BVI) Ltd.	100.00	100.00
Cowrie Investment (Pvt) Ltd.	60.00	60.00
Aitken Spence Hotels (International) (Pvt)Ltd.	51.00	51.00
PR Holiday Homes (Pvt) Ltd. (India)	84.57	84.57
Floatels India (Pvt) Ltd.	11.00	11.00
Heritance (Pvt) Ltd.	100.00	100.00
Kandalama Hotels (Pvt) Ltd.	63.00	63.00
Jetan Travel Services Co. (Pvt) Ltd.	95.00	95.00
Ace Resorts (Pvt) Ltd.	100.00	100.00
ADS Resorts (Pvt) Ltd.	100.00	100.00
Unique Resorts (Pvt) Ltd.	100.00	100.00
Aitken Spence Hotel Services (Pvt) Ltd. - India	100.00	100.00
Aitken Spence Hotel Management (South India) Pvt. Ltd.	100.00	100.00
Aitken Spence Resorts (Middle East).	99.88	70.00
Perumbalam Resorts (Pvt) Ltd. - India	100.00	100.00
Amethyst Leisure Limited	27.89	23.44
Turyaa Resorts (Pvt) Ltd.	100.00	100.00
Golden Sun Resorts (Pvt) Ltd.	100.00	100.00
Browns Beach Hotels PLC	37.42	37.42
MPS Hotel (Pvt) Ltd.	100.00	100.00
Hethersett Hotels Ltd.	87.65	87.65
Ahungalla Resorts Ltd.	60.00	60.00
Neptune Ayurvedic Village (Pvt) Ltd.	100.00	100.00
Nilaveli Holidays (Pvt) Ltd.	100.00	100.00
Nilaveli Resorts (Pvt) Ltd.	100.00	100.00
Galle Heritage (Pvt) Ltd.	100.00	100.00
Meeraladuwa (Pvt) Ltd	100.00	100.00
Paradise Resorts Passikudah (Pvt) Ltd.	100.00	100.00
Negombo Beach Resorts (Pvt) Ltd.	100.00	100.00

10. SHAREHOLDING OF DIRECTORS TOGETHER WITH THEIR SPOUSES IN AITKEN SPENCE HOTEL HOLDINGS PLC.

As at 31st March	2017	2016
Mr. D H S Jayawardena	-	-
Mr. J M S Brito	278,023	106,596
Ms. D S T Jayawardena	16,000	16,000
Mr. R E V Casie Chetty	-	202,426
Mr C M S Jayawickrama	-	-
Mr. G P J Goonewardena	5,460	5,460
Mr. R N Asirwatham	1,000	1,000
Mr. N J de S Deva Aditya	-	-
Mr. C H Gomez	-	-
Total	300,483	331,482

11. TWENTY LARGEST SHAREHOLDERS AS AT 31ST MARCH

		2017		2016	
Twenty Largest Shareholders as at 31st March		No.of Shares	%	No.of Shares	%
1	Aitken Spence PLC-A/C No. 1	239,472,667	71.21	239,472,667	71.21
2	Employees Provident Fund	31,501,601	9.37	30,667,113	9.12
3	Sri Lanka Insurance Corporation Ltd - Life Fund	5,518,727	1.64	5,518,727	1.64
4	Ace Cargo (Pvt) Ltd	4,423,601	1.32	4,423,601	1.32
5	Aitken Spence Hotel Managements (Pvt) Ltd	3,530,639	1.05	3,530,639	1.05
6	Aitken Spence Aviation (Private) Limited	2,604,140	0.77	2,604,140	0.77
7	Bank Of Ceylon No. 1 Account	2,547,422	0.76	2,547,422	0.76
8	Employees Trust Fund Board	2,370,705	0.71	2,370,705	0.70
9	The Ceylon Guardian Investment Trust PLC A/C # 02	2,245,982	0.67	2,245,982	0.67
10	National Savings Bank	2,102,133	0.63	2,102,133	0.63
11	Mr. G C Wickremasinghe	2,082,241	0.62	2,082,241	0.62
12	The Ceylon Investment PLC A/C # 02	1,283,675	0.38	1,283,675	0.38
13	Miss. A T Wickremasinghe	1,245,004	0.37	860,004	0.26
14	Bank Of Ceylon A/C Ceybank Century Growth Fund	1,037,815	0.31	1,033,615	0.31
15	Mr. M J Fernando	1,000,000	0.30	1,000,000	0.30
16	Mrs. K Fernando	991,149	0.30	991,149	0.30
17	Ms. F A A Mack	990,950	0.30	964,550	0.29
18	Ceylon Investment PLC A/C # 01	985,900	0.29	985,900	0.29
19	Phoenix Ventures (Private) Limited	831,390	0.25	-	-
20	Rubber Investment Trust Limited A/C # 01	792,093	0.24	792,093	0.24
Total Ordinary Shares		307,557,834	91.49	305,476,356	90.83

INVESTOR INFORMATION

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 M. P. S. Hotels Ltd	473,557	4,735,570
1999/00	Bonus Issue	3,431,531	34,315,310
1999/00	Rights Issue	14,412,429	144,124,290
2010/11	Rights Issue (1 for 4)	9,608,286	2,498,154,360
	Share Split (7 for 1)	288,248,580	-
	Total as at 31st March, 2017	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, 2017	16,500,000	165,000,000

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 31/03/17 (Rs.'000)	
				Freehold	Leasehold	Land	Buildings
Aitken Spence Hotel Holdings PLC							
Heritage Ahungalla	152	Ahungalla	253,590	11.96	-	630,207	737,659
Meeraladuwa (Pvt) Ltd							
Meeraladuwa Island	-	Balapitiya		29.55	-	450,830	-
Kandalama Hotels (Pvt) Ltd							
Heritage Kandalama	152	Dambulla	426,553	169.64	50.00	9,000	456,081
Hethersett Hotels Ltd							
Heritage Tea Factory	54	Nuwara Eliya	50,999	-	25.00	-	122,611
Aitken Spence Hotels Ltd							
Heritage Ayurveda Maha Gedara	64	Beruwala	125,349	-	6.44	-	383,056
Heritage (Pvt) Ltd	-	Beruwala	-	5.79	-	278,000	-
Neptune Ayurvedic Village (Pvt) Ltd	-	Beruwala	12,500	0.12	-	4,425	14,586
Turyaa (Pvt) Ltd	110	Kalutara	192,686	5.93	-	402,250	770,717
Turyaa Resorts (Pvt) Ltd	90	Kalutara	113,060	2.42	-	102,700	1,192,181
M P S Hotels (Pvt) Ltd							
Hotel Hilltop	73	Kandy	65,514	3.76	-	300,500	112,306
Ahungalla Resorts Ltd							
RIU Hotel	501	Ahungalla	601,751	12.97	-	855,000	8,667,016
Jetan Travel Services Co. (Pvt) Ltd							
Adaaran Club Rannalhi	130	Maldives	105,553	-	11.69	-	649,347
Cowrie Investments (Pvt) Ltd							
Adaaran Select Meedhupparu	235	Maldives	299,989	-	44.45	-	2,199,766
Island of Aarah in Raa Atoll	-		-	-	26.90	-	
ADS Resorts (Pvt) Ltd							
Adaaran Select Hudhuran Fushi	215	Maldives	181,779	-	78.00	-	922,975
Unique Resorts (Pvt) Ltd							
Adaaran Prestige Vadoo	50	Maldives	42,606	-	4.48	-	1,639,362
Ace Resorts (Pvt) Ltd							
Raafushi Island Maldives	-	Maldives	-	-	45.25	-	-
Aitken Spence Hotel Managements (South India) Pvt Ltd							
Turyaa Chennai	140	Chennai/India	126,825	0.84	-	548,948	2,684,515
Perumbalam Resorts (Pvt) Ltd	-	Cochin/India	-	4.05	-	9,725	-
P.R Holiday Homes (Pvt) Ltd	-	Cochin/India	-	14.04	-	135,960	-
Aitken Spence Resorts							
(Middle East) LLC - Al Falaj Hotel	150	Oman	16,408	5.05	-	2,652,965	2,620,112

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
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)
  - 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:**
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama

Ahungalla Resorts Limited \*

Owns and operates RIU Hotels.

- Directors:**
- J.M.S. Brito (Appointed w.e.f. 06.05.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - L. Riu Guell
  - C.L.M. Riu Guell

Heritance (Private) Limited \*

Owns a land for a proposed hotel project.

- Directors:**
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Kandalama Hotels (Private) Limited \*

Owns and operates Heritance Kandalama.

- Directors:**
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Hethersett Hotels Limited \*

Owns and operates Heritance Tea Factory.

- Directors:**
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Neptune Ayurvedic Village (Private) Limited \*

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

- Directors:**
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Turyaa Resorts (Private) Limited \*

Owns and operates Turyaa Kalutara.

- Directors:**
- J.M.S.Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Turyaa (Private) Limited \*

Owns and operates Turyaa Kalutara.

- Directors:**
- J.M.S.Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Crest Star Limited

- Directors:**
- J.M.S. Brito
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

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)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Jetan Travel Services Company Private Limited \*

Owns and operates Adaaran Club Rannalhi - Maldives.

- Directors:**
- Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama (Managing Director)
  - H. Mohamed
  - M. Mahdy
  - A.K.M.P. Wijesekara

Cowrie Investment (Pvt) Ltd \*

Owns and operates Adaaran Select Meedhupparu Island Resort -Maldives.

- Directors:**
- J.M.S. Brito (Chairman and Managing Director)
  - Ms. D.S.T. Jayawardena
  - C.M.S. Jayawickrama
  - I.M. Didi
  - M. Salih

A D S Resorts Private Limited \*

Owns and operates Adaaran Select Hudhuran Fushi – Maldives

- Directors:**
- Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama (Managing Director)
  - M. Mahdy
  - A.K.M.P. Wijesekara

Unique Resorts (Pvt) Ltd \*

Owns and operates Adaaran Prestige Vaadhoo Resort – Maldives

- Directors:**
- Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama (Managing Director)
  - A.K.M.P. Wijesekara
  - M.D.B.J. Gunatilake

PR Holiday Homes (Private) Limited

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

- Directors:**
- J.M.S. Brito
  - C.M.S. Jayawickrama
  - A.K.M.P. Wijesekera
  - M.R. Narayanan
  - K.K.M. Rawther

Perumbalam Resorts Private Limited

Owns a land in Cochin – India.

- Directors:**
- J.M.S. Brito
  - C.M.S. Jayawickrama
  - A.K.M.P. Wijesekera
  - M.R. Narayanan
  - K.K.M. Rawther
  - Ms. R. Narayanan

Aitken Spence Hotel Services (Private) Limited

To perform marketing & promotional activities of Indian hotels

- Directors:**
- R.S. Rajaratne
  - A.K.M.P. Wijesekara

Aitken Spence Hotels International (Private) Limited \*

Owns resorts in the Maldives and provides international marketing services to overseas resorts

- Directors:**
- J M S Brito
  - Ms. D.S.T.Jayawardena
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Aitken Spence Hotel Managements Asia (Private) Limited \*

Manages resorts in India, Maldives and in Oman.

- Directors:**
- Deshamanya D.H.S. Jayawardena
  - Ms. D.S.T. Jayawardena
  - Dr. R.M. Fernando
  - Ms. N. Sivapragasam
  - G.P.J. Goonewardena

Ace Resort Private Limited

Owns Raafushi Island to operate a future hotel project

- Directors:**
- J.M.S. Brito
  - C.M.S. Jayawickrama (Managing Director)
  - Ms. D.S.T. Jayawardena
  - A.K.M.P. Wijesekara
  - M. Mahdy

GROUP DIRECTORY

Aitken Spence Resorts (Middle East) LLC \*

Owns and operates “Al Falaj Hotel-Muscat”

- Directors:
- J.M.S. Brito
  - Ms. D.S.T. Jayawardena
  - C.M.S. Jayawickrema
  - A. Perera
  - A.K.M.P. Wijesekera
  - S.N. de Silva

Aitken Spence Hotel Managements (South India) Private Limited

Owns & Manage resorts in India.

- Directors:
- J.M.S. Brito
  - C.M.S. Jayawickrama
  - T.K. Dewanarayana (Appointed w.e.f. 09.05.2016)
  - A. Durairaj (Appointed w.e.f. 09.05.2016)

Nilaveli Holidays (Private) Limited \*

To operate a future hotel project.

- Directors:
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Nilaveli Resorts (Private) Limited \*

To operate a future hotel project.

- Directors:
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

M. P. S. Hotels (Private) Limited \*

Owns and operates Hotel Hilltop Kandy.

- Directors:
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

The Galle Heritage (Private) Limited \*

To operate a future hotel project

- Directors:
- J.M.S.Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrama
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

Meeraladuwa (Private) Limited \*

Owns a land for future hotel project

- Directors:
- J.M.S. Brito (Appointed w.e.f. 17.10.2016)
  - Ms. D.S.T. Jayawardena (Chairperson)
  - C.M.S. Jayawickrema
  - R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016)

ASSOCIATE COMPANIES

Browns Beach Hotels PLC \*

Holding Company of Negombo Beach Resorts (Private) Limited

Negombo Beach Resorts (Private) Limited \*

Owns and operates Heritance Negombo

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*

INDEPENDENT ASSURANCE STATEMENT



SCOPE AND APPROACH

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Aitken Spence Hotel Holdings PLC (‘Aitken Spence Hotels’ or ‘the Company’) to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) reported in Aitken Spence Hotels Annual Report 2016/17 (‘the Report’) in its printed format for the financial year ending 31st March 2017. The sustainability disclosures in this Report is prepared by Aitken Spence Hotels, based on the ‘in accordance’ – Core reporting option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (GRI G4).

We performed our work using AccountAbility’s AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL’s assurance methodology VeriSustainTM , which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised\* and GRI G4. Our assurance engagement was planned and carried out in April 2017 – May 2017.

The intended user of this assurance statement is the Management of Aitken Spence Hotels (‘the Management’). We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement. The reporting aspect boundary of sustainability performance is based on internal and external materiality assessment carried out by the Company and predominantly covers operations in Sri Lanka, Maldives and India.

The Report does not include performance data and information related to the hotels in Sri Lanka ( Earl’s Regency, Bandarawela Hotel) and Oman (Dessert Nights Camp, Sur Plaza Hotel, Al Wadi Hotel) i.e. entities over which Aitken Spence Hotels does not own these hotels and managers on behalf of principles thus does not have control on investment decisions and also for Hotel RIU Sri Lanka wherein though majority of stake is owned by Aitken Spence Hotel Holdings PLC, but day to day Management is done by RIU International.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

RESPONSIBILITIES OF THE DIRECTORS OF COMPANY AND OF THE ASSURANCE PROVIDERS

The Management of Aitken Spence Hotels have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing our assurance work, DNV GL responsibility is to the Management of Aitken Spence; however, this statement represents DNV GL’s independent opinion and is intended to inform the outcome of assurance to the stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

BASIS OF OUR OPINION

A multi-disciplinary team of sustainability and assurance specialists performed work at Company’s Corporate Office, and as part of assurance we visited sample Hotel/resort operations in Sri Lanka and Maldives. We undertook the following activities:

- Review the approach to stakeholder engagement and materiality determination process and the outcome as stated in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company’s sustainability objectives;
- Site visits to sample operations related to Tourism Sector i.e. (i) Heritance Kandalama, Dambulla (ii) Heritance Ahungalla, Ahungalla (iii) Adaaran Select Meedhupparu – Maldives, to review processes and systems for preparing site level sustainability data and implementation of management approach. We were free to choose sites we visited;



# INDEPENDENT ASSURANCE STATEMENT



- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) and other financial data are based on audited financial statements issued by the Company's statutory auditors;
- An independent assessment of non-financial reporting against the Global Reporting Initiative (GRI) G4 Guidelines and the reporting requirements for its 'in accordance' – Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

### OPINION

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not properly describe adherence to the GRI G4 reporting requirements including the Principles for Defining Report Content, identified material Aspects, related Strategies and Disclosures on Management Approach and Performance Indicators as below:

- **General Standard Disclosures:** The reported information on General Standard Disclosure generally meets the disclosure requirements for the 'in accordance' – Core option of reporting.
- **Specific Standard Disclosures:** The Report describes the generic Disclosures on Management Approach (DMA) and Performance Indicators for identified material Aspects presented within the Report as below:

### Economic

- Economic Performance - G4-EC1, G4-EC3,G4-EC4;
- Market Presence - G4-EC6;

### Environmental

- Energy - G4-EN3, G4-EN6;
- Water – Water – G4-EN8, G4-EN10;
- Biodiversity -G4-EN11;
- Emissions – G4-EN15, G4-EN16, G4-EN18;
- Effluents and Waste - G4-EN23;
- Compliance - G4-EN29;

### Social Labour Practices and Decent Work

- Employment - G4-LA1, G4-LA2;
- Labour/Management Relations - G4-LA4;
- Training and Education - G4-LA9, G4-LA10;
- Equal Remuneration for Women and Men G4-LA13;

### Human Rights

- Non-discrimination – G4-HR3;

### Society

- Local Communities - G4-SO1;
- Anti-Corruption - G4-SO3, G4-SO4;
- Compliance - G4-SO8;

### Product Responsibility

- Customer Health and Safety – G4-PR1, G4-PR2;
- Product and Service Labeling - G4-PR5;
- Marketing Communications - G4-PR7;
- Customer Privacy – G4 – PR8;
- Compliance - G4-PR9.

### OBSERVATIONS

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

### Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.



The report has articulated identified material aspect relevant for the Hotel and Resort sector, based on materiality analysis exercise, considering the sustainability context. The report may bring out the outcome could bring out all significant material issues related to the Leisure sector based on peer comparison. The identified materiality of Aspects is fairly explained in the Report along with the management approach. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

### Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The report has articulated the established process to identify key stakeholders to engage with, the engagement mechanism and process, and key outcomes of stakeholder engagement. The Report has attempted to describe the process of engagement with stakeholders through various channels. In our opinion, the level at which the Report adheres to this principle is 'Good'.

### Responsiveness

The extent to which an organization responds to stakeholder issues.

The report brings out the responses to identified material aspects in terms of its Policies, Strategies, Management systems and Governance mechanisms in place across the business sectors. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

### Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at Corporate Office and at sampled operational sites were found to be based on established data management system. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been communicated for changes. Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that sustainability data and information presented in the

Report could be further improved upon in line with the GRI G4 performance disclosures requirements. In our opinion, the level at which the Report adheres to this principle is 'Needs improvement'.

### Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and process for gathering information developed by Aitken Spence Hotels for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

### Additional principles as per DNV GL VeriSustain

#### Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report has fairly attempted to disclose General and Specific Standard Disclosures including the disclosure on management approach covering the strategy, management approach and sustainability performances indicators against GRI G4's – 'in accordance' – Core option of reporting within the chosen reporting boundary i.e. where the management has adequate management and financial control and excludes entities where management cannot make investment decisions. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

#### Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation; however, the Report may further bring out reasons for underperformance and challenges during the period with respect to achieving its short, medium and long term targets. In our opinion, the level at which the Report adheres to the principle of Neutrality is 'Acceptable'.



INDEPENDENT ASSURANCE STATEMENT



OPPORTUNITIES FOR IMPROVEMENT

The following is an excerpt from the observations and further opportunities for improvement reported to the management and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management’s objectives:

- A documented standrad operating procedures for data management along with an internal verification mechanism may be evolved, which would improve the reliability of data further, as well as help in improving the internal communication on sustainability reporting.
- The future report may consider reporting on:
  - Explictly report on Material aspects external to organisation;
  - Aspect-specific DMA related to identified material aspects and further strengthen disclosure on supply chain activities related to impact on Aitken Spence Hotelsdue to risks in supply chain;
  - Disclosure of short medium and long-term sustainable strategies, goals and targets as response to stakeholder concerns and identified material aspects;
  - Disclosure of results of supply chain risk assessment covering the partners and appropriate sustainability strategies adopted to manage supply chain risks and mitigation strategies;

For DNV GL



**Rathika de Silva**  
Country Head and Lead Verifier  
DNV GL Business Assurance Lanka (Private) Limited, Colombo, Sri Lanka



**Vadakepatth Nandkumar**  
Regional Manager - Sustainability and Supply Chain Services – Region India and Middle East  
DNV GL Business Assurance India Private Limited, India.



**Prasun Kundu**  
Assurance Reviewer  
Global Service Responsible – Social Accountability  
DNV GL Business Assurance India Private Limited, India.

29th May 2017, Colombo, Sri Lanka.

DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. [www.dnvgl.com](http://www.dnvgl.com)



GRI G4 CONTENT 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 in accordance with the GRI G4 Core Option Guidelines.

GENERAL STANDARD DISCLOSURES

Indicator	Description	Location	Reference
Strategy and Analysis			
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Organisational Profile			
G4-3	Name of the Organisation	* Corporate Information	316
G4-4	Primary brands, products and/ or services	* Across the Region	12-13
G4-5	Location of the organisation’s headquarters	* Corporate Information	316
G4-6	Number of countries where the organisation operates	* Integrated MD&A-Report Boundary and Scope	96
G4-7	Nature of ownership and legal form	* Corporate Information	316
G4-8	Markets served	* Integrated MD&A-The backdrop to Performance	102-113
G4-9	Scale of the reporting organisation	* Integrated MD&A	96-137
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G4-14	Precautionary approach or principle is addressed by the organisation	* Risk Management	186-197
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	* Integrated MD&A-Commitments to external initiatives & Endorsements	114
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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	* Group Structure	92-93
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GRI G4 CONTENT INDEX

Indicator	Description	Location	Reference
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Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	* Integrated MD&A-Stakeholder Engagement and Inclusion (Table)	134-135
G4-25	Basis of identification and selection of stakeholders	* Integrated MD&A-Stakeholder Engagement and Inclusion (Table)	134-135
G4-26	Approaches to stakeholder engagement	* Integrated MD&A-Stakeholder Engagement and Inclusion (Table)	134-135
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# CORPORATE INFORMATION

<b>NAME</b> Aitken Spence Hotel Holdings PLC	Union Bank ICICI Bank Nations Trust Bank DFCC Bank Deutsche Bank Standard Chartered Bank Commercial Bank Habib Bank
<b>LEGAL FORM</b> A Public Quoted Company with limited liability, incorporated in Sri Lanka on March 14, 1978	
<b>STOCK EXCHANGE LISTING</b> The ordinary shares of the company are listed with the Colombo Stock Exchange of Sri Lanka	
<b>COMPANY REGISTRATION NUMBER</b> PQ 97	
<b>ACCOUNTING YEAR</b> 31st March	
<b>REGISTERED OFFICE</b> No. 315, Vauxhall Street Colombo 2, Sri Lanka	
<b>DIRECTORS</b> Deshamanya D H S Jayawardena - <i>Chairman</i> Mr. J M S Brito LLB, FCA, MBA - <i>Managing Director</i> Ms. D S T Jayawardena Mr. R E V Casie Chetty - <i>(Resigned w.e.f. 30.06.2016)</i> Mr. C M S Jayawickrama FCMA Mr. G P J Goonewardena Mr. R N Asirwatham FCA Mr. N J de Silva Deva Aditya Mr. C H Gomez	
<b>SECRETARIES &amp; REGISTRARS</b> P W Corporate Secretarial (Pvt) Ltd. 3/17, Kynsey Road, Colombo 08. Tel: (94 11) 4640360-3 Fax:(94 11) 4740588	
<b>AUDITORS</b> KPMG 32A, Sir Mohamad Macan Marker Mawatha, P.O Box 186, Colombo 03	
<b>BANKERS</b> Hatton National Bank PLC People’s Bank Bank of Ceylon Hongkong and Shanghai Banking Corporation Citibank N A	

# NOTICE OF MEETING

Notice is hereby given that the Fortieth 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 Friday, June 30, 2017, for the following purposes: -	<div>7. To authorise the Directors to determine contributions to charities.</div> <div>8. To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.</div> <div>9. To consider any other business of which due notice has been given.</div>
<div>1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2017 with the Report of the Auditors’ thereon.</div> <div>2. To declare a dividend as recommended by the Directors.</div> <div>3. To re-appoint Deshamanya D H S Jayawardena who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution.</div> <div>“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D H S Jayawardena who has attained the age of 74 years and that he be re-appointed a Director of the Company.”</div> <div>4. To re-appoint Mr. R N Asirwatham who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution.</div> <div>“IT IS HEREBY RESOLVED 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 74 years and that he be re-appointed a Director of the Company.”</div> <div>5. To re-appoint Mr. J M S Brito who attained the age of 70 years on 21st August 2016, as a Director, by passing the following Resolution as an Ordinary Resolution:</div> <div>“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J M S Brito who has attained the age of 70 years on 21st August 2016 and that he be re-appointed a Director of the Company.”</div> <div>6. To re-elect Ms. D S T Jayawardena who retires in terms of Article 83 of the Articles of Association, as a Director.</div>	<div>By Order of the Board Aitken Spence Hotel Holdings PLC</div> <div></div> <div><b>P W Corporate Secretarial (Pvt) Ltd.</b> Secretaries</div> <div>26 May, 2017 Colombo</div> <div><b>Note:</b><div>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.</div><div>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.</div><div>3. Should the Dividend recommended is approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 11th July 2017 and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex- dividend with effect from 3rd July 2017.</div></div>

# 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 know 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.

**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.

# 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	(whom failing)
Joseph Michael Suresh Brito	(whom failing)
Don Stasshani Therese Jayawardena	(whom failing)
Chrisanthus Mohan Susith Jayawickrama	(whom failing)
Gemunu Prasanna Jayasundera Goonewardena	(whom failing)
Rajanayagam Nalliah Asirwatham	(whom failing)
Charles Humbert Gomez	(whom failing)
Niranjana Joseph de Silva Deva Aditya	

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 2017, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this ..... day of ..... Two Thousand Seventeen.

.....  
*Signature*

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



INSTRUCTIONS AS TO COMPLETION

- 1. Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
- 2. If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
- 3. In the case of a Company/Corporation, the proxy must be executed in the manner prescribed by its Articles of Association.
- 4. The completed form of proxy should be deposited at the Registered Office of the Company, No. 315, Vauxhall Street, Colombo 02 not later than 10.30 a.m. on June 28, 2017.

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 CodeArea CodeNumber

E-mail : .....

Name of Company : .....

(If Applicable)

Designation : .....

(If Applicable)

Company Address : .....

(If Applicable)

Queries/Comments

## NOTES



