ever evolving

Aitken Spence®

Annual Report 2007 - 2008

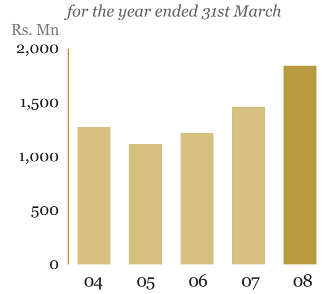
Continuous evolution... that's what we believe in.

Because the process of evolution - continues to grow in ever increasing circles, be it nature, humanity or business. And it is those who are versatile and flexible enough to keep a step ahead of it, that survive. Those who foresee the possibilities and promise of tomorrow, today. Likewise, we're making changes to better the organisation; and with a majority of our new investments being focused overseas, we're venturing out into new waters seeking better opportunities, both here and abroad. We continue to predict the evolutionary cycle of our core business, and gear ourselves to meet future needs. Always being a step ahead -

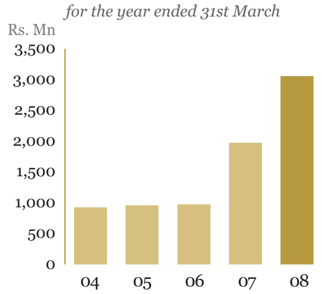
'ever evolving'.

Financial Highlights & Key Results

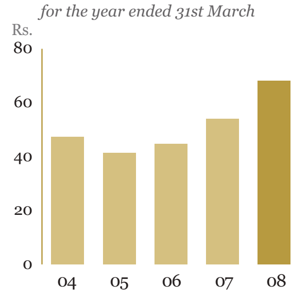
Net Profit Attributable
for the year ended 31st March



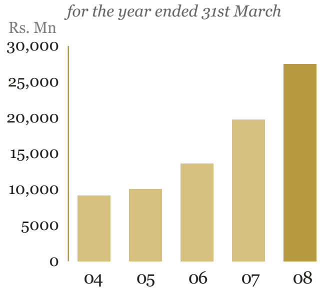
Economic Value Added
for the year ended 31st March



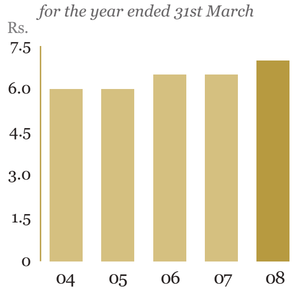
Earnings Per Share
for the year ended 31st March



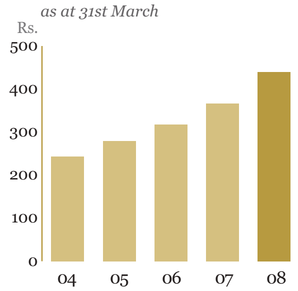
Revenue
for the year ended 31st March



Dividend Per Share
for the year ended 31st March



Net Assets Per Share
as at 31st March



For the year	2007/2008 Rs. '000	2006/2007 Rs. '000	% Change
Results			
Group revenue with associates	30,094,741	21,296,013	41.3
Group revenue	27,515,960	19,765,632	39.2
Profit from operations	3,611,327	3,231,441	11.8
Profit before taxation	3,064,792	2,582,088	18.7
Profit after taxation	2,829,682	2,284,070	23.9
Profit attributable to equity			
shareholders of the company	1,841,150	1,459,775	26.1
Dividends			
Interim Rs. 3.00 per share			
(2006/2007 – Rs. 3.00 per share)			
paid on 10th April 2008.	81,199	81,199	-
Final Rs. 4.00 per share			
(2006/2007 – Rs. 3.50 per share)			
Proposed and payable on 4th July 2008	108,266	94,732	14.3

For the year	2007/2008 Rs. '000	2006/2007 Rs. '000	% Change
At the year end			
Total equity	15,785,728	13,124,832	20.3
Total assets	31,185,193	26,350,825	18.3
Total investments	3,159,563	2,359,285	34.0
Non - current liabilities	6,903,834	6,832,112	1.0
Economic value added	3,049,511	1,969,359	54.8
Per Ordinary Share - (Rs.)			
Earnings per share	68.02	53.93	26.1
Dividends per share	7.00	6.50	7.7
Net assets per share - as at 31st March	439.81	366.92	19.9
Market value per share - as at 31st March	430.00	380.00	13.2
Market capitalization (in Rs. million)	11,639	10,285	13.2
Ratios			
Price earnings ratio	6.32	7.05	(10.3)
Debt : Equity ratio	0.42	0.49	(14.3)
ROE%	16.86	15.82	6.6

"Aitken Spence has once again lived up to expectations. The Group has taken its position of leadership – founded and fostered in the previous financial years through regional and overseas expansion - to one of strength and fortitude by consolidating those initiatives whilst increasing the scope of new avenues of corporate expansion"

Chairman's Statement

Consolidation and Growth

As your Chairman, I am pleased to note that the Group has once again proved its ability to overcome challenges by adapting itself to emerge as a dynamic and successful organization in the region. 2007/2008 has been a year of excellent results; a commendable performance considering the turbulent economic environment in which the Group operated.

You our shareholders will note with satisfaction that Aitken Spence has once again lived up to expectations. The Group has taken its position of leadership – founded and fostered in the previous financial years through regional and overseas expansion - to one of strength and fortitude by consolidating these initiatives whilst increasing the scope of new avenues of corporate expansion.

In the light of this noteworthy performance, I am pleased to present the Annual Report and the Audited Financial Statements for the year.

Economic Outlook

In 2007, the Sri Lankan economy recorded a growth of well above 6% for the third consecutive year. It was the first time since independence that we witnessed a growth rate of over 6% for three consecutive years. The annual average rate of unemployment reached the lowest ever recorded level of 6.0 per cent, while the per capita income rose to approximately US dollars 1,600 in 2007.

This performance was achieved in a challenging environment of heightened security concerns arising from intensified terrorist activities and rising petroleum and commodity prices in international markets which threatened the achievement of price stability. The economic growth in 2007 was mainly driven by the performance in industry and services sectors which grew by 7.6 % and 7.1% respectively while the agriculture sector grew moderately by 3.3%.

Despite turbulence in the worldwide stock markets due to the sub-prime mortgage crisis, the Colombo Stock Exchange (CSE) attracted more foreign inflows on both gross and net basis, confirming investor confidence in Sri Lanka.

Corporate Performance

Aitken Spence and Company PLC., posted a profit before tax of Rs. 3.1 billion for the year, a growth of 18.7 % and a net profit attributable to shareholders of Rs 1.8 billion, a 26.1 % growth over the previous year. Consistent and prudent policies have enabled the Company to maintain a positive Economic Value Addition of Rs. 3.0 billion. Earnings Per Share stood at Rs. 68.02 while the Return on Equity was a commendable 16.9%. Our resolute efforts to enhance shareholder value and increase shareholder returns, have paid dividends.

In keeping with the commendable performance and in line with providing an attractive return on investment to our shareholders, the Board recommends a final dividend of Rs. 4.00 per share. This together with the interim dividend already paid of Rs. 3.00 per share will amount to a total dividend of Rs.7.00 per share.

As a Group that has invested heavily into tourism in Sri Lanka, our profitability and potential returns during the year have been contained due to growing incidents of violence in the country, thrusting the industry and our businesses in the sector, into serious difficulties. The high interest rate prevalent during the year has increased the costs of debt servicing which together with increasing energy costs has added a further burden to our Sri Lankan hotel properties which are yielding below average returns. However, an innovative marketing strategy of the destination management division has enabled the division to mitigate the effects of adversities faced.

> "I would also like to state that the Group warmly welcomes the enactment and implementation of the new Tourism Act. We are hopeful that with the new private public sector partnership, a new era for tourism promotion will dawn"

External factors such as the global rise in fuel costs moved operational costs upward, increasing the pricing and cost structure for air travel thereby discouraging the long haul traveller. Rising transportation costs across the Group created a heavy cost base for all businesses especially those dependent on transportation related services. Garments and plantations were also impacted adversely. In garment manufacturing the uncertainty posed by the possible revocation of the GSP+ remains an imminent challenge in the year ahead.

On a positive front, port management services, cargo logistics, money transfer activity, plantations and new project development in information technology paved the way for greater wealth creation during the year. The tourism sector further consolidated overseas operations through the commencement of hotel management ventures in Oman, India and through our new investments in the Maldives. The future outlook for these initiatives and operations are promising.

During the recent past the Group invested nearly Rs. 20 billion into new projects. Of this Rs.7 billion was in the form of internal generation of funds whilst the balance was funded through debt. At this juncture, it is pertinent to note that Aitken Spence has followed a strategy of self-sustaining its investments without resorting to further raising of capital from the shareholder community.

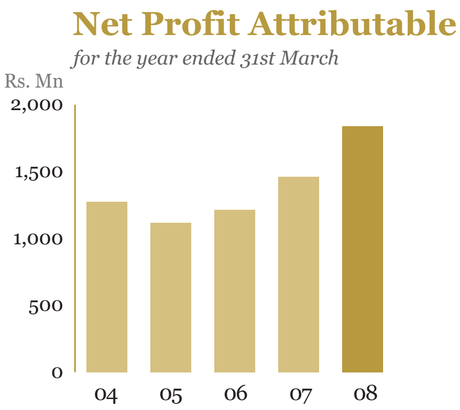
Future Considerations

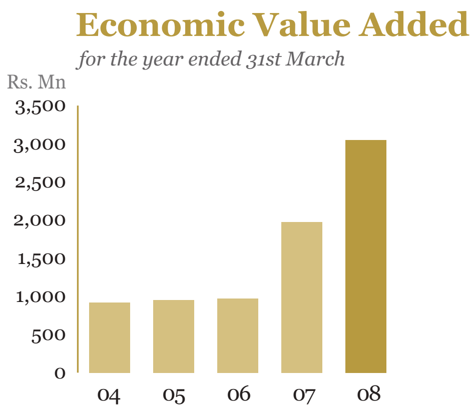
Despite positive signals in poverty alleviation and unemployment, corporates in Sri Lanka continued to face the challenge of "brain drain" as the exodus of qualified, experienced personnel who take up occupation and residency in other countries, continue. It is imperative that the Government and the business community takes effective action to stem this outflow of professional resources from Sri Lanka. This is a must not only for corporates such as ours but also for the future viability and sustainability of the nation. By continuing to contribute our resources to other countries, despite the investments made by the Government in the well-being and education of the population, it is regrettable that the return on investment to the country is negligible. A solution to this indeed, is the attainment of a lasting peace and an environment wherein Sri Lanka's economy can grow at a healthy pace to support the income levels desired by its people.

Furthermore, a situation of high interest rates coupled with high tax rates poses an environment which is non conducive for future business growth. It is widely accepted and respected that economic growth is propelled by a moderately receptive policy framework, a success formula for inducement of investment as well as government revenue in the long term. The current scenario fails to do justice to both ends. It must be kept in mind by policy makers that corporates also need to balance rapid rises in costs of production as a result of the rise in energy costs. In the long term, expensive debt financing, taxation and spiraling costs will lead to a dampening of investments for future growth.

In the absence of conflict the true potential of the nation, its capability to be a vibrant economy will be realised. As a corporate that is engaged and dependent on the relative tranquility of the nation to promote its tourism properties, the prospects continue to pose a major challenge to us.

From a corporate growth perspective, Aitken Spence will continue to invest and strategise to enlarge its scope of activity in power generation. Overseas expansion in the tourism and logistics sectors is set to be a surety for the future growth of the Group's operations in this area. Exploration of new investment opportunities and new





market opportunities such as those proffered by the IT industry will continue to be made. The Group will continue to pursue its interest in the Colombo South Port Development Project through the submission of a new proposal in response to the expected call for tenders in mid 2008. We remain confident in the light of media reports indicating that the Group's proposal for the previous tender –subsequently cancelled – was the best amongst the bidders, both technically and financially.

I would also like to state that the Group warmly welcomes the enactment and implementation of the new Tourism Act. We are hopeful that with the new private public sector partnership, a new era for tourism promotion will dawn. As a Group committed to the growth of the tourism industry in Sri Lanka, we fully extend our support to these initiatives.

At Aitken Spence, we remain committed to Principles of United Nations Global Compact and operate within the perimeter of its principles across all functions of the Group. We espouse the principles of promotion of human rights, advancement of labour standards, protection of the environment and corporate integrity in an effort to herald a more inclusive and sustainable global economy. These same principles echo the values of the Aitken Spence work ethic.

In Conclusion

To each and every one of our loyal employees, I say "thank you" for their co-operation, commitment and conscientiousness. To the senior management team who has displayed dedication, commitment and good leadership, I say "well done".

Finally to my colleagues on the Board, I offer my appreciation for their valuable support and guidance that enabled me to play my role more effectively.

D.H.S. Jayawardena
Chairman

30th May 2008

Managing Director's Review

Ever Evolving

Aitken Spence is a conglomerate that has earned a reputation as one of the premier blue chip companies in Sri Lanka. Our pioneering spirit and vision enabled us to forge strategic alliances and achieve sustained growth. Diversification and expansion has driven our multi-faceted Company forward as a respected industry leader. We believe in investing in strategic growth businesses and look towards continuous evolution as a means of maintaining leadership. No doubt our shareholders are familiar with the Company's desire to constantly innovate and evolve beyond the boundaries of conventional wisdom and business.

In the year 2007/2008, the Group evolved in numerous ways, re-inventing itself to overcome challenges, re-shaping its corporate intent to best meet our overall strategic objectives. As such the year, I am proud to note, was one of excellence with the Group posting a remarkable 26.1% per cent growth in profits despite the many adversities and challenges that have riddled both the national and global economies.

In the previous financial year the Group followed a strategy of expansion into regional and overseas markets. In the year under review these expansion efforts were further consolidated by entering hitherto untapped markets. Through evolution and innovation, Aitken Spence has successfully gained greater profitability and market growth.

Tourism & Travel: Driving Value

Tourism continued to be a value driver for Aitken Spence. The strategic expansions in hotel management in new markets such as India as well as the introduction of new properties and consolidation of existing resorts in Maldives, were further strengthened with the Group's entry into the management of hotels in Oman. Whilst continuing to focus on the Group's hotel investments in Sri Lanka, the entry into new markets bodes well for the Group especially given the accelerated growth in the tourism industries in the Middle-Eastern, Maldivian and Indian markets. With nearly 20 properties distributed within the three destinations, we now have a portfolio of properties in new markets which reduce our dependency on the currently challenged Sri Lankan hotel industry. The Group foresees its excellent management expertise coupled with its zero capital business model as a successful strategy for future expansion and growth in new markets.

Following our success in investments in the Maldives which is a burgeoning tourism destination, Aitken Spence and Company PLC., acquired the island resort of Vadoo, which is in close proximity to the capital Male. It is intended that during the forthcoming year 2008/2009, this resort will commence operations as a 6 star boutique resort, catering mainly to the high spending Japanese and Western European markets.

Nevertheless, despite growing difficulties, the Sri Lankan hotels operations posted a noteworthy decline in losses during the year which was a creditable achievement bearing in mind the low occupancies and the high debt service cost burdening the hotel properties. The lack of high yield travellers compounded by intense competition amongst beach properties, rising wages and energy costs further constricted profitability.

The destination management division however, performed commendably despite the uncertainties of the operating environment and adverse travel advisories resulting from the sporadic incidents of violence and terrorism through out the island during the year. Western European travellers were particularly averse to travel to Sri Lanka with embargoes on travel insurance posing the greatest barrier. However, innovatively overcoming the challenge the division targeted emerging markets where travellers were less susceptible to adverse international publicity. India, Eastern Europe and the Middle East contributed to the bulk of this emerging traveller segment.

Air travel into Sri Lanka, in addition, did not facilitate inbound tourism. The threat of terrorist attacks on the Bandaranaike International Airport restricted flight schedules of many airlines

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during the year with carriers such as Cathay Pacific canceling flights for a significant part of the year.

The outbound travel division of the Group, the general sales agents for Singapore Airlines, witnessed a significant downturn in turnover and profitability from that of the previous years. The impact of the rising cost of fuel as a result of the global fuel crisis further compounded the negativities plaguing long-haul air travel, thus decreasing the mobility of travellers.

Logistics: Consolidating Strength

The acquisition of the principal agency of Hapag Lloyd – the world's fifth largest Shipping Company and a subsidiary of TUI Travel Plc in 2006/2007 reaped rich dividends with the shipping agency strongly contributing to the sector's profitability in the year under review. The maritime transport division also procured a new principal providing feeder services within the Indian sub continent.

Proceeding from the strategic decision to shift focus from ship owning and following the divestments made in the year 2006/2007, the Group exited from the industry by divesting the remaining three ships during the year under review due to the inherent costs and uncertainties associated with the business.

The maritime transport division progressed significantly by procuring additional consultancy services in the area of port management and consultancy services pioneered in the previous year. Procuring a third contract with the Durban Port, South Africa, the division put to good use its port management expertise to engage in skills transfer, port efficiency enhancement and port management services. It also ventured into port management consultancy services covering all ports in South Africa.

The cancellation of the tender for the Colombo South Port Harbour Development project during the year was a disappointment to the Group especially in light of the favourable media reports which quoted Aitken Spence and Company PLC., as having submitted the best technical and financial proposals for the project. However, we remain confident that should the tender process recommence in the year 2008/2009, the Group will provide a financially viable and technically superior proposal for consideration by the Government.

The integrated logistics and freight forwarding divisions of the Group had a commendable year of profitability considering the high cost escalations in utilities, and transport. Both divisions were able to out perform their competition through differentiation by means of enhanced quality and value added services offered.

However, the suspension of the multi country consolidation activity outside the Port of Colombo adversely affected our integrated logistics division. This is an issue of concern as not only has this eliminated a stream of revenue to the division but to the entire country whilst having an adverse impact on the hub status of the Port of Colombo.

Strategic Investments: Forward Thinking

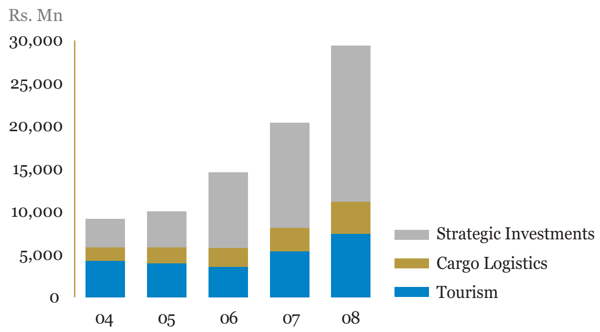
In the Strategic Investments sector, power generation remains a strong proposition for the Group. However, with low growth potential in the Sri Lankan market we expect future growth in the sector to originate from overseas expansion opportunities.

The Group's joint venture with MMBL Money Transfer (Pvt) Ltd., to operate as a principal agent for Western Union in Sri Lanka, opened vistas of opportunities in the inward remittance market. The strong growth and high yield from this sector has been catalytic in establishing stronger ties and a sound customer network to increase accessibility to the remote areas of the country.

Following the termination of the contract with the Mahapola Trust Fund, Aitken Spence GTECH (Pvt) Ltd., the joint venture with GTECH Corporation of the United States to provide infrastructure for on-line lottery ceased operations last year. We are pleased to note that G Lanka (Pvt) Ltd., a subsidiary of GTECH Corporation, USA has successfully reached a settlement with the Mahapola Trust Fund

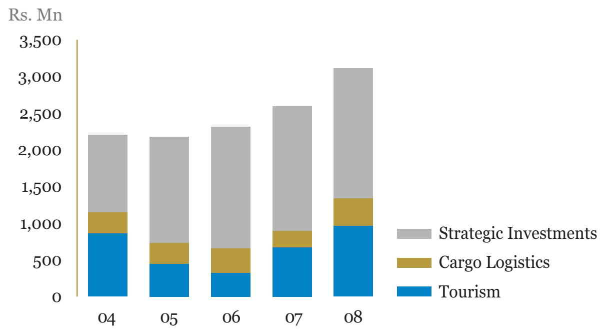
Sector Revenue

for the year ended 31st March



Sector Profit Before Taxation

for the year ended 31st March



and is awaiting the final proceeds as per the settlement agreed upon. Consequently during the year under review the Group wrote off all unrecoverable dues from the above mentioned joint venture – Aitken Spence GTECH (Pvt) Ltd, net of its share of the settlement proceeds to be received from G Lanka (Pvt) Ltd.

With a view to restructuring our printing operations, the Group offered a voluntary retirement scheme to the staff with a number of personnel opting to take up the incentives for voluntary retirement, thereby trimming the organization to a leaner operation. Despite industry shortcomings such as rising cost of inputs namely paper and board the printing division posted an acceptable return.

The insurance division faired well during the year under review and obtained a brokering licence which will provide future opportunities for expansion and growth in this industry.

Plantations posted encouraging results for the year, stemming from the higher prices received for tea and from the crop diversification to oil palm. The cultivation of oil palm had paid rich dividends during the year, with Elpitiya plantations recording impressive yields for the crop and a healthy contribution to the company's bottom line.

The construction of the Aitken Spence Corporate office is now nearing completion and is expected to be ready for occupation by August 2008.

Strategically moving into the Information Technology industry, the Group established a new entity in a joint venture with EVES Information Technology AG of Germany. This company will engage in the development of software for German corporate clients.

Looking to the Future

Aitken Spence is constantly seeking value innovations and new opportunities for strategic progression. This forward thinking stance has been the key factor driving our continued excellent performance despite constant challenges in the operating environment. Similarly we will continuously seek areas of investment that we foresee as value drivers for the future.

Overseas expansion remains a key to our evolution. As a regional and global player, Aitken Spence will explore opportunities in power generation, tourism, logistics and information technology as focal areas of growth and consolidation.

Evolution is progressive and requires significant vision and energy. At Aitken Spence that vision and energy is emanated by our resourceful team, a team that has unwaveringly looked to contingencies and next best alternatives whenever a situation of difficulty arises, thereby redirecting the Group on new paths of success.

Appreciation

I wish to thank all my colleagues on the Board for their valuable contribution and the unfailing support given to me during the year. I wish to record my sincere appreciation to all our stakeholders, our business partners, customers, and suppliers who have supported Aitken Spence to overcome challenges and go forward with confidence and success.

A special word of appreciation to our loyal staff at all levels, who have contributed unwaveringly in a year wracked with adversities, to enable us to emerge yet again as an eminent corporate leader.

JMS Brito.

J.M.S. Brito
Managing Director

30th May 2008

Board of Directors

Mr. D. H. S. Jayawardena

Mr. J. M. S. Brito

Mr. D. H. S. Jayawardena

Mr. 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 Managing Director of the Stassen Group of companies – a diversified group in export and import trade, and Lanka Milk Foods (CWE) Ltd. He is also the Chairman of the Distilleries Company of Sri Lanka Ltd., the Sri Lanka Insurance Corporation, Lanka Bell (Pvt) Ltd., and a Director of Hatton National Bank, the largest listed bank in Sri Lanka. He is presently the Honorary Consul for Denmark.

Mr. Jayawardena was appointed to the Board of Aitken Spence and Company PLC., on 1st April 2000 and has been Chairman of the Company since 25th April 2003.

Mr. J. M. S. Brito

Mr. Rajan Brito is a Law Graduate of the University of London, a Fellow of the Institute of Chartered Accountants of England and Wales and has obtained a Master's Degree in Business Administration from the City Business School, London. Together with this multi-disciplined knowledge, he also brings with him a wealth of over 25 years of international experience working with Price Waterhouse - London, British EverReady PLC, Minmetco Group, World Bank and PERC. Presently Mr. Brito is Chairman of the Development Finance Corporation of Ceylon and the DFCC Vardhana Bank. He is a former Chairman of Sri Lankan Airlines, and was a non-executive Director of Sri Lanka Insurance Corporation and the Strategic Enterprise Management Agency and the Task Force for Rebuilding the Nation.

Mr. Brito was appointed to the Board of Aitken Spence and Company PLC., in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.

Dr. R. M. Fernando

Mr. G. C. Wickremasinghe

Dr. R. M. Fernando

Dr. Rohan Fernando who heads Plantations and Business Development holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer from the Chartered Institute of Marketing UK. He has extensive experience in the plantation industry both in the public and private sectors and played a key role in the plantations privatisation programme. He has also been involved with several leading international institutions particularly in marketing and business development. He was the past Chairman of the Planters' Association of Ceylon and was the founder Chairman of the Tea Association of Sri Lanka, the apex body of the tea industry and was also a Director of the Rubber Research Institution of Sri Lanka.

Mr. G. C. Wickremasinghe

Mr. G.C. Wickremasinghe started his career 54 years ago on an Aitken Spence managed plantation. After over a decade as a professional planter he moved to the Company's Head Office in 1965 to take over the Estate Agency Department. In the early 70's, he also took charge of the Insurance Division and the Singapore Airlines Agency. When the Insurance industry was liberalized in the late 80's, he played an active role in the formation of Union Assurance Ltd., and served a stint as its Chairman.

Mr. Wickremasinghe was appointed to the Board of Aitken Spence and Company PLC, in 1972 and was Chairman from 1996 to 1997. He has been a Director of the Company continuously for a period of over 36 years and has a wide and varied experience in many business sectors. Mr. Wickremasinghe has the distinction of being responsible for the concept and construction of the Group's unique theme hotel - The Tea Factory.

Board of Directors

Mr. R. Sivaratnam

Mr. C. H. Gomez

Mr. R. Sivaratnam

Mr. Ratna Sivaratnam has served the Aitken Spence Group for a period of 45 years. He was appointed to the Board of Aitken Spence and Company PLC, in 1977 and was appointed Chief Executive Officer and Managing Director in 1995 . He was Chairman from November 1997 to December 2001. He pioneered the Company's entry into the tourism industry in 1972 with his appointment as Project Manager for Neptune - the Company's maiden hotel. On successfully completing the hotel, he went on to set up the inbound travel division. It was his initiative that the Company commenced its hotel projects in the Maldives and also spearheaded the development of the power division in the company. Mr. Sivaratnam is widely recognized as a leader in the tourism industry both locally and overseas and has held many positions in various tourism related associations. He was the first Sri Lankan to be invited to join the World Travel & Tourism Council. He also serves on various Government Advisory Committees and sits on the Board of many companies. He is a past Chairman of the Export Development Board and the Sri Lanka Conventions Bureau.

Mr. C. H. Gomez

Mr. Charles Gomez is an Investment Banker with over 20 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez also serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence and Company PLC, on 14th May 2002.

Mr. N. J. de Silva Deva Aditya

Mr. V. M. Fernando

Mr. N. J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, an aeronautical engineer, scientist and economist, is a Member of the European Parliament and serves as the Majority Leader and Coordinator of the EPP-ED Group in the Development Committee and is Conservative Spokesman for Overseas' Development and Co-operation. He drafted the European Aid Budget of 8 billion Euros in 2006 and is one of 28 UK Conservatives who are now part of the European Parliament's majority political group. He was born in Colombo, Sri Lanka but studied in Britain. He was the first Asian to be elected as a Conservative Member of Parliament in the last century, representing Brentford and Isleworth from 1992 to 1997 and during the same time served in the British Government as PPS in the Scottish Office and was a member of the Select Committees on the Parliamentary Ombudsman (1993-1997) and Education (1994-1996). He is Chairman of several Associations in various Countries and is Hon Ambassador without Portfolio for Sri Lanka. He was the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985.

Mr. V. M. Fernando

Mr. Manilal Fernando who is an Attorney at Law started his practice in his home town in Kalutara in 1972 and was the Secretary of the Bar Association, Kalutara for many years.

He is currently the Chairman of Holcim (Lanka) Ltd., and its subsidiary Companies since 1996. He is also Chairman and/or Director of other public listed and private Companies. He functions as the Chairman of the Board of Custodians of Holcim (Lanka) Ltd., Tsunami Disaster Fund.

Mr. Fernando is the Chairman of the Management Committee of the Football Federation of Sri Lanka and FIFA Development Officer in Colombo. Mr. Fernando excelled himself in the field of sports, especially in Football and held many important positions in the Football arena in the Asian Region. He has been the Vice President of the National Olympic Committee since 1990.

Board of Management

Mr. J. M. S. Brito

Dr. R. M. Fernando

Mr. R. E. V. Casie Chetty

Ms. N. Sivapragasam

Mr. G. M. Perera

Mr. D. V. H. De Mel

Mr. S. Ganeshan

Mr. C. M. S. Jayawickrama

Mr. K. R. T. Peiris

Mr. N. Nallaratnam

Mr. D. I. Abeywardene

Dr. P. Dissanayake

Mr. S. M. Hapugoda

Ms. N. W. de A. Guneratne

Mr. R. G. Pandithakorralage

Mr. D. S. Mendis

Board of Management

Mr. J. M. S. Brito

Mr. Rajan Brito is a Law Graduate of the University of London, a Fellow of the Institute of Chartered Accountants of England and Wales and has obtained a Master's Degree in Business Administration from the City Business School, London. Together with this multi-disciplined knowledge, he also brings with him a wealth of over 25 years of international experience working with Price Waterhouse - London, British EverReady PLC, Minmetco Group, World Bank and PERC. Presently Mr. Brito is Chairman of the Development Finance Corporation of Ceylon and the DFCC Vardhana Bank. He is a former Chairman of Sri Lankan Airlines, and was a non-executive Director of Sri Lanka Insurance Corporation and the Strategic Enterprise Management Agency and the Task Force for Rebuilding the Nation.

Mr. Brito was appointed to the Board of Aitken Spence and Company PLC., in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.

Dr. R. M. Fernando

Dr. Rohan Fernando who heads Plantations and Business Development holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer from the Chartered Institute of Marketing UK. He has extensive experience in the plantation industry both in the public and private sectors and played a key role in the plantations privatisation programme. He has also been involved with several leading international institutions particularly in marketing and business development. He was the past Chairman of the Planters' Association of Ceylon and was the founder Chairman of the Tea Association of Sri Lanka, the apex body of the tea industry and was also a Director of the Rubber Research Institution of Sri Lanka.

Mr. R. E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence and Company PLC., Director of Aitken Spence Group Ltd, Aitken Spence Hotel Holdings Ltd, and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission Constituted under the Companies Act No. 17 of 1982. He is currently a Member of the Council of the Employers Federation of Ceylon and an Executive Committee Member of the Chartered Management Institute- Sri Lanka Branch. He was a past Chairman of the Sri Lanka Apparel Exporters Association.

Mr. K. R. T. Peiris

Mr. Rohantha Peiris heads Freight Forwarding and Express Division and he brings into the industry a depth of knowledge and valuable expertise. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for the last 3 years and is a Director of SLFFA Cargo Services Ltd. He is a Chartered Member of the Chartered Institute of Logistics & Transport – International and also represents the company at the American Chamber of Commerce. He is also affiliated with most of the industry's associations.

Mr. N. P. Nallaratnam

Mr. Niranjan Nallaratnam heads integrated Logistics division. He has many years of experience in managing container depots, container freight stations and third party logistics operations. He was one of the pioneers who lead the way for Aitken Spence to enter to this field and has been an instrumental force in the development and growth of this sector. He is a member of several industry bodies.

Mr. D. I. Abeywardene

Mr. Indrajit Abeywardene heads the Printing division of the Group. He holds a Diploma from the London College of Printing, (UK) and counts many years experience and knowledge in the industry. He is also on the Board of Governors of the Sri Lanka Institute of Printing.

Ms. N. Sivapragasam

Ms. Nilanthi Sivapragasam who is the Chief Financial Officer of the Group is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of U.K. She is a member of the Statutory Accounting Standards Committee and serves on the Committee of the Tax Faculty of the Institute of Chartered Accountants of Sri Lanka. She is also a member of the Urgent Task Force which was set up by the Council of the Institute to provide clarification and interpretation on the application of the Sri Lanka Accounting Standards. She previously served on the Council of The Chartered Institute of Management Accountants – Sri Lanka Division and is currently a member of the Taxation Sub Committee of the Ceylon Chamber of Commerce.

Mr. G. M. Perera

Mr. Gehan M. Perera heads the Destination Management division in the Group. He is also the Managing Director of EVES Information Technology Lanka (Pvt) Ltd. He is on the board of the Sri Lanka Tourism Promotion Bureau and also serves in the committee of the Ceylon Chamber of Commerce. He is a Past President and an Honorary Member of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He was a member of the Tourism Cluster facilitated by USAID. He is a Fellow of the Australian Institute of Management.

Mr. D. V. H. de Mel

Mr. Devan de Mel is the Managing Director of the Power Generation division of the Group. He formerly headed the Group's Corporate Planning Unit and was closely involved in the Group's diversification into Power Generation. He has a Bachelor's Degree in Mechanical Engineering from the Imperial College of Science & Technology, and a Master's Degree in Business Administration from the London Business School, University of London.

Dr. P. Dissanayake

Dr. Parakrama Dissanayake Chairman/CEO Maritime Logistics is a former Chairman of Sri Lanka Ports Authority and also a former Chairman of state owned Jaya Container Terminals Ltd. and Sri Lanka Port Management Consultancy Services Ltd.

Dr. Dissanayake who serves on the UN/UNCTAD Panel as an expert on Ports & Shipping is the present Chairman of the Central Advisory Council of Sri Lanka Transport Board and a Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat.

He is also a past Chairman of the Institute of Chartered Shipbrokers and past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch), and is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers and Contribution to society Award by PIMPA of the University of Sri Jayewardenapura.

Mr. S. M. Hapugoda

Mr. S. Malin Hapugoda heads the Hotel division of the Group. He is a professional hotelier counting many years of managerial experience at senior level within several hotel companies and is the Immediate Past President of the Tourist Hotels' Association of Sri Lanka and a Member of the Tourism Cluster of the National Council for Economic Development (NCED). He is a Fellow of the Chartered Institute of Management, UK. He is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and is a Fellow and founder President of the Ceylon Hotel School Graduates Association. He holds a diploma in hospitality, restaurant and institutional administration from the Rayerson Institute of Technology, Toronto, Canada.

Ms. N. W. de A. Guneratne

Ms. Nimmi Guneratne is the Managing Director of both Aitken Spence Insurance (Pvt) Ltd., and Aitken Spence Insurance Brokers (Pvt) Ltd. She is also General Manager of the Lloyds Agency in Colombo and the Maldives, and also the Chief Legal Officer of Aitken Spence Group Ltd. She is a Fellow of the Chartered Insurance Institute of UK, and holds a Bachelor's degree in Law and is also an Attorney-at-Law. She is a visiting lecturer and examiner in Insurance Law at the Sri Lanka Law College, and is also a lecturer and examiner of the Sri Lanka Insurance Institute. She is the current President of the Sri Lanka Insurance Institute.

Mr. S. Ganeshan

Mr. Sasi Ganeshan heads Aitken Spence Aviation (Pvt) Ltd., GSA for Singapore Airlines and Singapore Airlines Cargo in Colombo he also heads the Group's Outbound travels division – Aitken Spence Overseas Travel Services (Pvt) Ltd. He counts many years of experience in this field and possesses a wide knowledge of the airline and the travel industry. He is a member of the Chartered Management Institute of UK.

Mr. C. M. S. Jayawickrama

Mr.Susith Jayawickrama an associate member of the Chartered Institute of Management Accountants UK is presently the Director General Manager of Aitken Spence Hotels and serves on the Boards of several hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel division for almost two decades and has considerable exposure on the tourism industry in Sri Lanka and overseas. At present he serves in the Tourist Hotels Association Sri Lanka [THASL] Executive Committee and heads the THASL sub committee for Fiscal and Monetary Policy.

Mr. R. G. Pandithakorralage

Mr. Rohan Pandithakorralage heads Human Resources at Aitken Spence and Company PLC. He is a Past President of the International Public Management Association for Human Resources – Sri Lanka Chapter and a founder committee member and a Past President of the Association of Human Resource Professionals in Sri Lanka (HRP). He is a Business graduate of Victoria University of Australia with executive training at NUS Business School in Singapore. He is one of the representatives of the private sector in the Standing Committee on Career Guidance in the University Grants Commission (UGC), a visiting lecturer at the University of Colombo and Ruhuna University. He won the prestigious HR Leadership award at the Asia Pacific HRM Congress (APHRM). He was recognised under the global HR excellence category for the contribution made to HR for the economic development of the country.

Mr. D. S. Mendis

Mr. Dinesh Mendis who heads Financial Solutions in the Group, holds a Bachelor of Science Degree (Magna Cum Laude) in Business Administration specializing in Marketing and Economics from Slippery Rock University of Pennsylvania, USA. During his final year he was chosen as the Outstanding Student in both Marketing and Economics of the University. He also obtained a Master's Degree in Business Administration from the University of Texas, USA. He also worked in the Logistics sector of the Group for 11 years from 1994 to 2005, the last five of which was as a Subsidiary Director. During this period he also served two years in the Executive Committee of the Sri Lanka Freight Forwarders Association and a Director of SLFFA Cargo Services Ltd. He also has international experience working for Circuit City, one of the largest electronics retailers in the USA.

ever innovating

Tourism
Sector

> "The Sector in the financial year continued to be a value driver for the Group. The strategic expansion into hotel management in new markets in India as well as the introduction of new properties and consolidation of existing resorts in Maldives was further strengthened with the entry into hotel management in Oman"

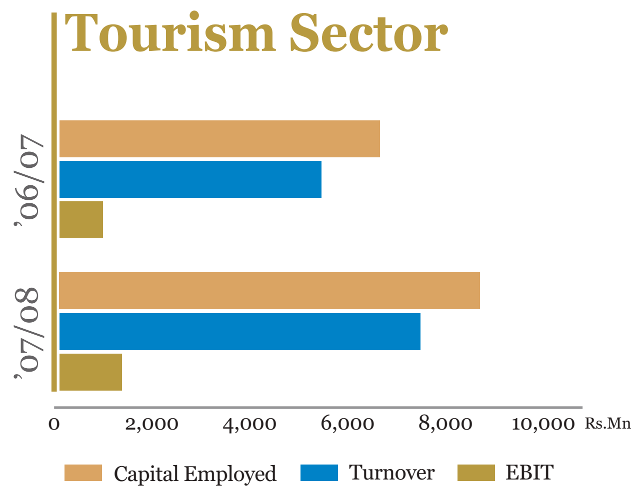
During the year 2007/2008, the Tourism sector undertook strategic initiatives towards consolidating its leadership position. Furthermore, it extended the strategy of overseas expansion undertaken in the previous financial year by initiating a series of evolutionary steps towards new product and market development.

The Sector in the financial year continued to be a value driver for the Group. The strategic expansion into hotel management in new markets in India as well as the introduction of new properties and consolidation of existing resorts in Maldives was further strengthened with the entry into hotel management in Oman whilst innovation drove the success of the destination management and travel divisions.

International acknowledgement of the Group's performance as a leader in hotel management came by way of further offers of management contracts from regional and overseas operators. Harnessing the achievements and expertise acquired in the Sri Lankan Tourism industry, the Group undertook offers for management of four new hotel properties in Oman. This show of confidence by international property owners is reflective of the recognition of the Group's capabilities in this sphere. The Group's global outreach, experience and expertise have been further strengthened by its foray into the highly competitive Indian, Maldivian and Middle Eastern markets.

The Group's operations in Sri Lanka continued to be of focal interest. However, the current security situation within the

"Validating its leadership position, Aitken Spence Travels (Pvt) Ltd., received the best Destination Management Company award, and Ace Travels & Conventions (Pvt) Ltd., was the recipient of the award for best Professional Conference Organiser at the inaugural Presidential Travel and Tourism Awards"



country precipitated the need to follow a latent strategy whereby the operations in Sri Lanka served a complimentary role to operations in other markets. However, from a service orientation the Group embarked on a number of initiatives in the domestic market, which set the pace for accelerated growth in a more conducive environment.

In recognition of impending challenges the industry would face in the lack of skilled human resources in the Tourism sector, the Group undertook an initiative aimed at stemming the outflow of resources from within the Aitken Spence Group. With the establishment of a resource management company, the Group hopes to curtail the possible loss of expertise to overseas employers in the long term. Serving as a resource management centre, the company will afford skilled experts in hospitality the opportunity to be seconded to the Group's operations in overseas markets thereby giving them access to both new experiences as well as an avenue for higher income generation. Moreover, the entity provides the assurance of confirmed employment status within the Aitken Spence Group should they wish to return to Sri Lanka thus replenishing the expertise of the Group. Those registered within the Group's database will also have accessibility to an extensive portfolio of employers in the global arena.

On a similar note, in pre-empting a short fall in expertise in a scenario where Sri Lanka's tourism industry witnesses a resurgence, and in acknowledgement of the need of the industry to be geared for rapid growth, the Group launched a resource development centre – the Aitken Spence School of Hospitality. The initiative goes beyond commercial value as it seeks to enrich the tourism industry as well as create a sustainable avenue of livelihood for countless unemployed youth who desire employment but are unable to secure positions due to a lack of required skill. The project therefore, was developed and launched with a view to providing skills enhancement to rural youth.

Focusing on the Sri Lankan resort operations, the Group continued to sustain its credibility as a hospitality service provider of excellence. Refurbishment programmes completed in the previous financial year, to upgrade the two flagship properties in Ahungalla and Kandalama added to the appeal for these properties as did the relaunch of the brand identities of both properties under the Heritance brand. This position has been further substantiated by the fact that Heritance Kandalama maintained one of the highest levels of occupancy and patronage across the industry.

Heritance Ahungalle demonstrated a similar status wherein a high pricing strategy in line with the exceptional service levels offered were not a deterrent to occupancy. Both Heritance Kandalama and Ahungalle maintained their reputation as prestigious “experiences” as opposed to mere resorts.

The Sector’s Maldivian operations continued to be impressive with over a 30% increase in contribution to profits. Tourism in the Maldives remains a growth industry with a 12% increase in tourist arrivals to the country in 2007. All the Group’s resorts enjoyed excellent year round occupancy levels and once again recorded healthy profits which mitigated the adverse financial performance of the Sri Lankan hotel properties.

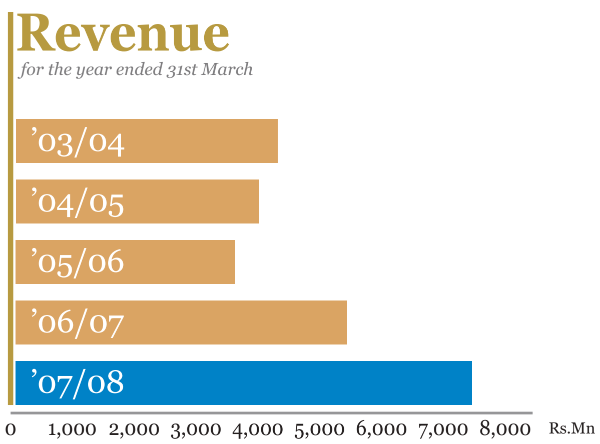
During the year the Maldives division focused on promoting the brand “Adaaran” which was launched in the previous year, amongst its clientele including tour operators. The brand signifies the high standards of service which is inherent in the rich tradition of the Maldivian culture with all the resorts marketed under the umbrella brand which includes four sub-brands namely, Adaaran Prestige, Adaaran Select, Adaaran Ayurvedic and Adaaran Club catering to different segments of the market.

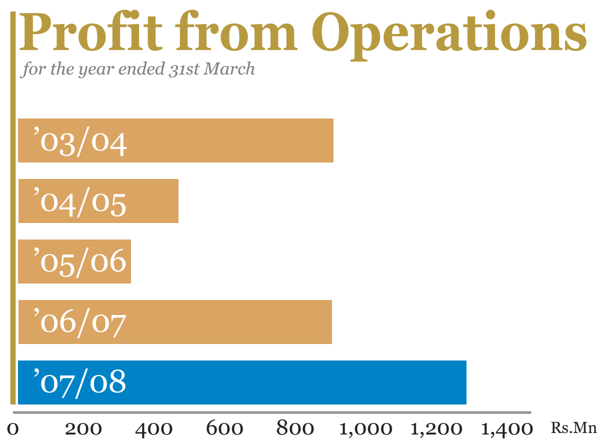
The Group continued its strategy of expansion in the Maldives during the year under review with the acquisition of Vadoo island resort, which is in close proximity to the air port, bringing the count of the resorts under its wing to five. In the forthcoming year this property will be refurbished with the construction of 50 luxurious water villas to be launched under the “Adaaran Prestige” brand targeting a high-end clientele mainly from Japan and Western Europe.

India remains a strong growth market. During the year the Group commenced management of two resorts and four more are billed to commence operations in the forthcoming financial year including a Heritance Resort.

The Group’s foray into new frontiers in Oman places it in a strong position for future growth in the Middle East region, with four properties already under management in Oman the Group hopes to further explore and strategically position its operations in the region in the coming years.

During the year, at the inaugural Presidential Awards for Travel and





Tourism Excellence organized by the Ministry of Tourism in a bid to foster competitiveness and uplift standards within the industry, Heritance Kandalama was awarded the Presidential Award for the Best 5-Star Resort while Skills Development Chef of the Aitken Spence Group, Dimuthu Kumarasinghe won the award for the Best Chef.

The inbound tourism division continued to face challenges due to the adverse country situation. Increased incidences of violence and terrorism throughout the year contributed to a scenario of decreased arrivals from traditional source markets, in the Europe other than the United Kingdom. Travel advisories and related travel insurance issues precipitated the decline in arrivals and were further exacerbated by the reduction of scheduled flights and European charters to Colombo.

However, despite the adversities the Group innovatively structured its operations in a manner where it sourced and secured tourists from alternative markets. This resulted in a significant increase in the overall number of arrivals handled by the division, demonstrating that a challenging business scenarios does not always result in negative growth but can be overcome by innovation and evolutionary thinking. A successful marketing strategy and prudent management is its core competency in the market.

The division, validating the leadership position, at the inaugural Presidential Travel & Tourism Awards, Aitken Spence Travels (Pvt) Ltd., received the best Destination Management Company award, and Ace Travels & Conventions (Pvt) Ltd., was the recipient of the award for best Professional Conference Organiser. In addition, the division also won the Presidential Award for the Best Chauffeur/guide acquiring 3 out of the 4 awards given to travel companies.

The division also progressed towards strengthening its relationship with TUI Travel Plc – the world's largest integrated tourism company – but was not in a position to leverage the full benefits from the partnership due to the adverse country situation. However, going forward, the division holds the key to exponential and rapid growth through the leveraging of synergies between itself with TUI Travel Plc when the country situation does improve.

During the year 2007/2008, Singapore Airlines in its daily operation of a B777-200 aircraft to Colombo was faced with the challenge of changing its schedule from a midnight departure operation to a morning departure operation as a result of security concerns in Colombo. This resulted in the airline stretching its resources in terms of aircraft rotation, crew scheduling and other logistics. Due to service constraints resulting from schedule changes, SIA deployed a B777-200 and B777-300 alternatively. Moreover, by the end of the financial year, competitor airlines resumed night operations, however, due to SIA's stringent safety standards, it continues to serve a morning flight and therefore is compelled to compete more aggressively for business as passengers have and will continue to indicate a preference for night flights.

The spiraling oil prices in the global arena contributed to rising costs thereby necessitating the imposition of a fuel surcharge to soften the impact of the heavy fuel costs on the airlines bottom-line. However, this resulted in the need for lower airfares in a bid to remain competitive in the Sri Lankan market.

Aitken Spence Overseas Travels, the outbound travel arm of the Aitken Spence Group posted a noteworthy year of performance. The division's branch network was further extended with the addition of an office in Negombo, increasing the existing network to seven access points across the country. The division continued during the year to further strengthen the marketing of package offers with innovative marketing strategies.

Tourism Sector Directorate

Mr. R. Subramaniam

Mr. D. D. A. Soza

Mr. S. K. R. B. Jayaweera

Mr. S. T. B. Ellepola

Mr. N. A. N. Jayasundera

Mr. P. L. Perera

Mr. D. J. de Crusz

Mr. G. P. J. Goonewardene

Mr. K. A. A. C. Perera

Mr. H. P. N. Rodrigo

Mrs. N. J. Perera

Mr. N. Ratwatte

Mr. A. Udawatte

Mr. R. S. Rajaratne

Logistics
Sector

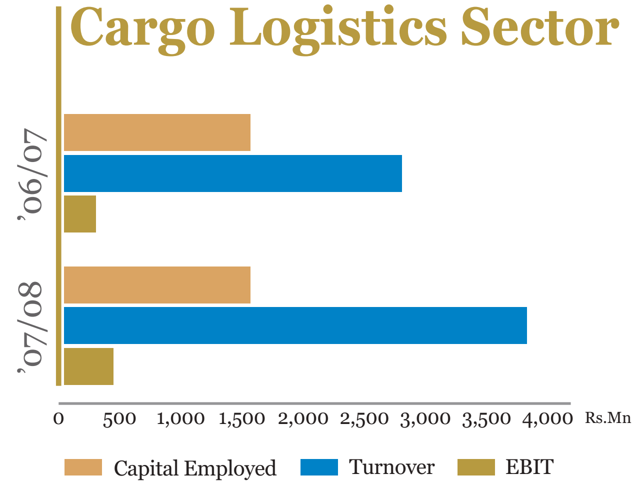
> "The Cargo Logistics sector posted exceptional results during the year, recording an operational profit for the year of Rs. 350.7 million. Growth was evident in all segments of the cargo logistics business with strong contributions from integrated logistics, maritime transport and freight forwarding"

The Cargo Logistics sector posted exceptional results during the year, recording an operational profit for the year of Rs. 350.7 million. Growth was evident in all segments of the cargo logistics business with strong contributions from integrated logistics, maritime transport and freight forwarding.

The integrated logistics division which comprises the segments of container freight station and depot activities, warehousing services, transport and special projects performed creditably in a very competitive business environment, with many companies continuing to adopt a low pricing strategy and thereby exerting pressure on margins. The Group's operations however, were differentiated by efficiency, productivity and focus on high service standards, thereby continuing to maintain and attract a high-yield customer base. The container transport and warehouse segments of business faired well during the year and maintained their leadership position in the industry. During the year the container freight station operation was consolidated in one location to optimize the synergies among the activities and reduce operational cost. In looking to the future, in an effort to compliment its Sri Lankan operation, the division will seek opportunities in overseas markets by leveraging the experience and expertise it has acquired locally.

Unfortunately during the year under review, the Sri Lanka Customs suspended all multi-country consolidation operations outside the port, an activity that has hitherto helped to enhance the hub status of the Colombo Port. As a result, the

"The Group is extremely honoured to have had the opportunity to transfer its in-depth knowledge in port management and its extensive expertise in maritime logistics to Africa's most developed nation thus demonstrating the competency levels of not only the Group but also that of the country"



integrated logistics division was deprived of a key revenue stream while the country was denied a source of valuable foreign exchange. It is hoped that the Government will reverse this decision in the near future.

The maritime transport division grew exponentially during the year by doubling its profits over the previous year.

In the ship agency component of the business, the division retained key agencies in a year of consolidation in which the global trends of mergers and acquisitions framed the industry. Through a recently secured liner principal it commenced a new weekly service from Colombo to Calcutta spurring the growth of inter-regional business. Hapag Lloyd, the new agency procured in 2006/2007 expanded its operations out of Colombo during the year under review.

Maritime freight forwarding performed commendably despite global mergers that impacted on the business. An agency was transferred out of the Group's portfolio due to a global re-alignment. However, the loss was offset with the addition of two new agencies to the portfolio during the year. It is expected that the division will extend its operations to South Africa in the near future.

The divestment of the ship owning venture initiated in 2006/2007 was completed during the year under review with the Group disposing the remaining three ships. This strategic decision to exit from the business was taken as a result of increasing costs and burgeoning maintenance expenditure that characterise the ship owning business.

Continuing the trend of innovation and evolutionary provision of services, the division procured a third service contract for the provision of port efficiency enhancement and management expertise to the Port of Durban, South Africa. The scope of the contract included technical skills enhancement with the provision of supplementary services such as motivational and soft skills development.

The division for the first time embarked on port management consultancy covering all ports in South Africa. The Group is extremely honoured to have had the opportunity to transfer its in-depth knowledge in port management and its extensive expertise in maritime logistics to Africa's most developed nation thus demonstrating the competency levels of not only the Group but also that of the country.

The cancellation of the tender for the Colombo Southern Harbour Project by the Government has not diminished the Group's expectations of procuring the same. With the recent announcement that the tender will be recalled during the year 2008/2009, the Group hopes to re-apply and is confident of submitting a technically and financially viable proposal for the project. Media reports have indicated that the Group's initial proposal was considered to be the best amongst the bidders.

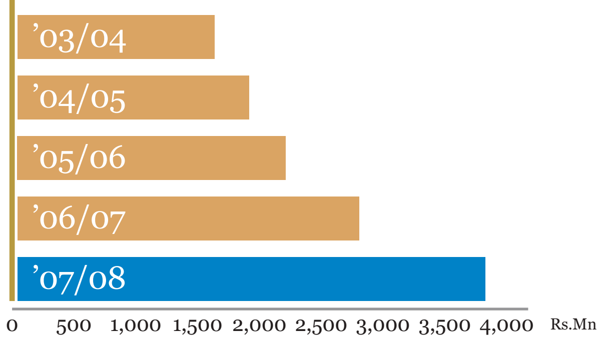
Freight forwarding division faced intense competition as the number of players in the market grew significantly, with large players seeing a decline in business due to a global economic slowdown. However, the air and sea freight operations maintained growth due to its non-reliance on a single international principal. The weakening of the USD and rupee against the EURO together with high escalation of costs such as fuel, utilities and transport hampered the profitability of the division. On the whole, although the division outperformed the operational results of the previous year it could not align itself fully towards the annual targets established, due to the dual effects of increased competitiveness in the market, coupled with a trying economic situation.

As opposed to the traditional freight forwarding solutions, the sector innovated to offer value added services and furthered the value chain, thereby creating a key differentiation to the services offered by its competitors. Supply chain management involving clearing, distribution and local logistics paved the way for sustainability of business for the sector. Therefore, "total logistics solutions" were offered to suit the nature of the customer's requirements and commercial operations. Superseding the targets for the year, the division was buoyed by high yield clients and looks to a promising year of operations in the forthcoming financial year.

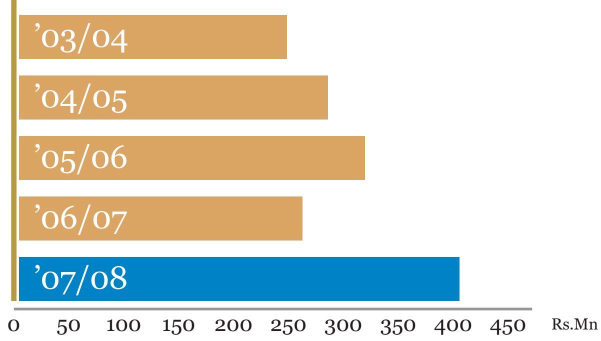
Operations in Bangladesh were marred by political unrest, despite which both freight and airline divisions performed commendably.

The TNT express division posted an excellent return during the year exceeding all expectations. The business volumes of TNT express, Spring Global mail and the domestic delivery service, Ace Xpress grew by impressive levels during the year. The division's success is attributed to high service quality and strong focus on key

Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



performance indicators. Expectations for the future are that the division will continue to enhance market share by maintaining high levels of service, offering of value addition to existing products and introducing innovative solutions to customers.

Customs brokerage continued to maintain a leading position and demonstrated a robust growth through the offer of specialised and efficient service, thus attracting large and high yield customers to its portfolio of business. The operations of the division was affected by an increase in customs duty during the year, which impacted adversely on the non BOI sector clients, effectively reducing the demand for the division's services.

With a view of the limited opportunities for growth in short term in Sri Lanka, the division has embarked on the expansion into regional markets such as India and Pakistan and further development of the Maldivian and Bangladesh operation. It is hoped that this would mitigate the adverse effects of the looming uncertainties of the continuation of the GSP+ benefits afforded to Sri Lanka.

Logistics Sector Directorate

Mr. N. D. F. Perera

Mr. A. Jayasekera

Mr. M. A. J. Perera

Mrs. D. K. Senaratne

Mrs. T. D. M. N. Anthony

Mr. A. M. M. Amir


Mr. H. B. Kelly


Mr. F. P. Paiva


Mr. I. S. Cuttilan


Mr. K. Aluwihare


Mr. J. E. Brohier


Mr. J. M. A. Joseph

Strategic Investments Sector

> "Expansion projects are currently under exploratory stage as the Group recognises the need to move towards generation of alternative energy as a future growth strategy"

Strategic Investments played a key role in the performance of the Group during the year under review. The sector recorded a profit of Rs. 2.0 billion from operations and a revenue of Rs. 18.1 billion.

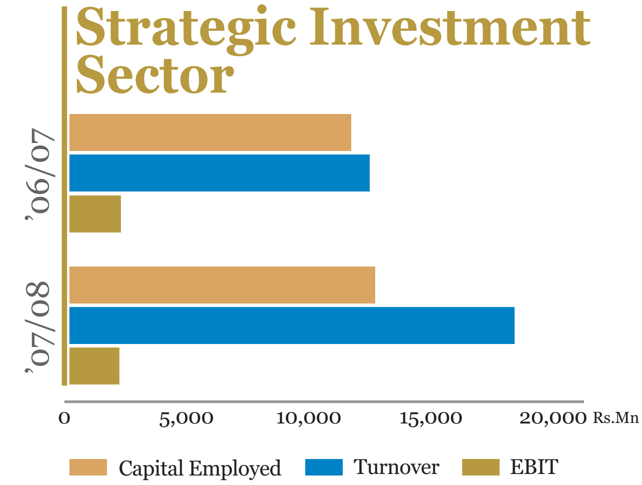
The Group's power generation activities contribution to the overall sector continued to be significant as in the previous years. The year under review saw a greater utilization of hydro power sources by the national grid due to higher rainfall in catchment areas. As a result a corresponding decline in thermal power output was evident.

The 100MW Embilipitiya plant fell short of budgeted generation for the year due to repair and maintenance requirements and associated generation losses. The two smaller plants in Matara and Horana posted commendable returns thereby preventing an overall downturn in the division.

Expansion projects are currently under exploratory stage as the Group recognizes the need to move towards generation of alternative energy as a future growth strategy. Opportunities are being sought for the exploitation of renewable energy, with an active focus towards expansion overseas.

The Group's insurance division experienced another year of creditable results, working with leading global experts such as Lloyds of London, Fuji Fire, Sujimoto and Peoples Insurance Company of China. The world renowned Lloyds Agency Network provides the

"Western Union agent network across the nation increased by over 300 per cent thereby enabling rural and semi-urban Sri Lankan's with quick and convenient access to the service"



exposure and visibility which gives the impetus to the marine survey and pre-shipment operations. Tea and rubber pre-shipment services and the world food programme superintendent work contributed significantly to the divisions profits.

The division moved forward during the year by venturing into insurance brokering. Aitken Spence Insurance Brokers (Pvt) Ltd., was granted a licence to operate in the local insurance market. However, this will be a separately managed and an independent operation.

The garments division operated in a very competitive environment both locally and overseas amidst rising costs of production in Sri Lanka, particularly with regard to wages, utilities and transport. The substantial slow down of the economies of the importing countries also adversely affected the performance of the division. Action has been initiated in respect of productivity improvements and cost control to remain a competitive vendor.

The OTIS elevator agency, which the Group acquired in 1989, maintained a satisfactory year of operations both in Sri Lanka and the Maldives with new installations and maintenance contributing to the overall profits for the year. The division achieved the highest ever profits and revenue exceeding the revenue and profit figures of the previous years.

The brand OTIS meanwhile continued to reign as the world's leader in people moving equipment, thereby increasing the prestige of the Group's association with same. The strategic penetration into areas outside the Western Province as projected in last year's operational review materialized during the current financial year and will no doubt favourably impact the division's returns in the forthcoming financial year.

MMBL Money Transfer (Pvt) Ltd., a principal agent for Western Union money transfer service in Sri Lanka, was included in the Group's portfolio of business with the strategic acquisition of a 50 per cent share in the company during the previous financial year.

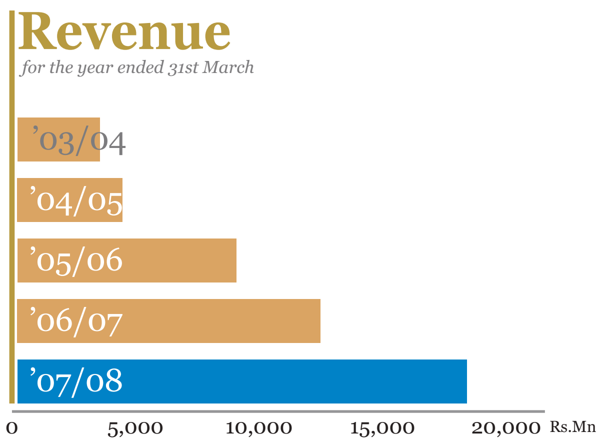
As the largest agent operating in the Sri Lankan market, the business's transaction volumes supersede those of other Western Union agents and money transfer operators in the market. In the year 2007/2008, the contribution of this activity to the sector has been significant and has been fuelled by growth initiatives undertaken during the year. Western Union agent network across the nation increased by over 300 per cent thereby enabling rural and semi-urban Sri Lankan's with quick and convenient access to the service. Now operating with over 1600 sub agents a four fold increase over the previous year, the company has achieved a 100 per cent increase in profits and a 50 per cent increase in transaction volumes over the previous year.

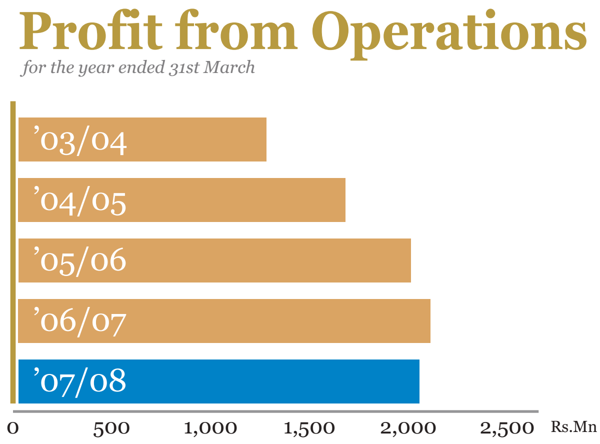
In keeping with the national policy of rural empowerment, the company partnered with Multi-Corporative Societies (MPCS) to extend outreach to rural communities. Through the MPCS network enhanced outreach through 800+ access points was achieved thereby placing the division in good stead for the empowerment of rural wealth.

Looking to the future, the company will continue to achieve high growth in a market which remains relatively under tapped. Further the Government's focus in recognizing the remittance market as one of the most important foreign currency revenue generators and its initiatives to ensure its growth by attracting foreign remittances through the legal channels augurs well for the future. It is reported that Sri Lanka's foreign remittance market is valued at around USD 3 billion in official channels with a further USD 3 billion in unofficial and grey channels, which indicates the vast potential in this industry.

The plantation division witnessed a rebound with both turnover and profitability reaching impressive levels despite the adversities that continued to characterize the sector. External impacts – specifically the wage increase drove operational costs upwards and were compounded by incessant increases in energy costs during the year.

The end 2006 wage related strike constricted the growth of Talawakelle Tea Estates PLC (TTEL) in the year 2007, predominantly as a result of the impact on cost structures and production. The wage bill for the year, of the plantation increased by approximately Rs. 90 million. Furthermore, adverse weather and a dip in tea prices during the first half of the year added to the woes of the TTEL. However, despite drawbacks and challenges, TTEL posted favourable returns and continued to be the No. 1 in gross sales price in high and mid grown teas. The plantation has successfully created a competitive edge for itself as a premium producer, thereby garnering higher prices at both domestic and international markets.





TTEL pursued a policy of strategic investment during the year, endowing resources into field development, two hydropower projects as well as a development of a new factory at the Logi Estate with a view to enhancing productivity and efficiency.

Elpitiya Plantations PLC., (EPL) recorded their best year of performance in 2007/2008, largely assisted by premium tea prices in the international market. The company's bottom-line was also boosted by revenues from the diversification into multi-crops, a strategy that was followed in previous years. Palm Oil contributed significantly to the year's performance.

The sound agricultural practices followed and good weather conditions enabled EPL to record a high yield for tea and palm oil compared to the previous year. The plantation was also able to increase on its intake of bought leaf during the year under review. However rubber production declined as a result of the heavy rainfall experienced. Palm oil development continued to be viewed as an area for growth, and the company will increase its palm oil land base in the future, as this diversification has proven lucrative to the company. It also continues to focus on hydro power, with the Sheen hydro project expected to be operational in September 2008.

The company undertook initiatives to increase distribution of Harrow Ceylon Choice, its own brand of tea, which yielded a 25 per cent growth in turnover during the year.

In the short term Elpitiya Plantations PLC, hopes to invest in quality enhancement strategies in the production processes. Investments planned include energy reduction methodologies, increased operational efficiencies and quality enhancement initiatives such as on going application of ISO 22000/HACCP compliance. Investments into commercial forestry has yielded the required benefit and its current stock is valued over Rs 1.5 billion and is expected to yield substantial benefits for the company in the coming years.

The Group leveraged its international alliances during the year to strategically direct its energies into the growth industry of information technology. The Group established a new entity as a joint venture with EVES Information Technology AG of Germany. This company commenced operations during the year under review and is engaged in developing software for German corporate clients.

Strategic Investments Sector Directorate

Mr. C. R. F. de Costa

Mr. S. C. Ratwatte

Mr. R. G. Salgado

Mr. A. L. W. Goonewardena

Mr. M. S. Mohideen

Mr. M. H. A. Barrie

Mr. A. N. Seneviratne

Mrs. W. A. D. L. Silva

Mr. J. V. A. Corera

Mrs. R. I. D. Katipearachchi

Financial Review

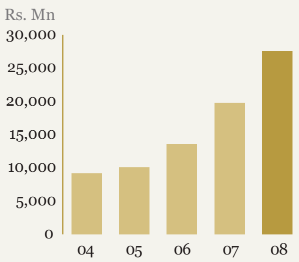
PROFITABILITY

Group Performance

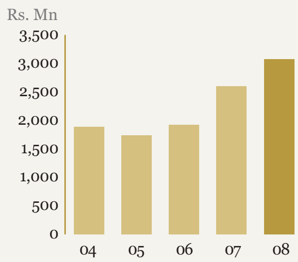
The Aitken Spence Group takes pride in releasing its financial performance for a year in which many an economic uncertainty prevailed. Withstanding all such uncertainties, the Group once again demonstrated its resilience by reporting the highest ever profit recorded todate. The net profit for the period was Rs. 2.8 billion of which Rs. 1.8 billion was attributable to its shareholders. This was a 26.1% improvement in performance over the previous financial year. To achieve this profitability the Group recorded a revenue of Rs. 27.5 billion for the financial year 2007/08. This was a commendable 39.2% improvement over the previous year, with improved performance being reported from all three sectors of the Group.

The soaring cost of consumables led by fuel and energy, high interest rates, lack of liquidity in the market and the appreciation of the Sri Lankan rupee against the US dollar during the year which contributed to a drop in export earnings, did not make the financial year a conducive year for business in the country. However during the year under review the Group successfully reaped the returns of a strategic decision made a few years back to expand its operations overseas. The Group has now become an exporter of services. With the majority of the Group's profitability increases coming from the overseas market, it hopes to further consolidate its overseas operations in the coming years. 36% of the Groups profit before tax was attributable to its operations in various parts of Asia and Africa.

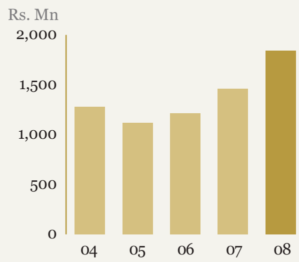
Revenue
for the year ended 31st March



Profit Before Taxation
for the year ended 31st March



Net Profit Attributable
for the year ended 31st March



Economic Value Added

The Group continued its creation of economic profits by recording a positive economic value addition of Rs. 3.0 billion by its activities during the financial year under review. This brings the total positive economic value created by the Group over the last five year period to Rs. 7.9 billion. Economic value represents the total wealth created after financing the total investment of the Group.

Sector Revenue and Profitability

Sectoral Performance – Tourism Sector	*Rs. million*	
	2007/08	2006/07
Total Assets	10,997	8,854
Revenue	7,366	5,351
Profit from Operations	1,258	888

A main contributor to the improvement in Group performance was the Tourism sector, with most of the improvements coming from the hotel properties in the Maldives. The Group increased its portfolio of properties in Maldives to five during the year with the acquisition of Vadoo island resort. This property is currently under development with the construction of 50 exclusive water villas. Vadoo island resort is expected to be rebranded and marketed as a six star resort, when it commences operations in winter 2008/09. Adaaran Select Hudhuranfushi which was acquired last year recorded its first full year of operation and reported a performance much above expectations.

The Sri Lankan hotels experienced another difficult year of operations. However due to various innovative marketing approaches undertaken, the Group was successful in achieving a nearly 35% reduction in the losses incurred last year.

The Tourism sector expanded its operations during the year by moving to India and Oman. It currently manages two properties in India and four more properties to be managed in India by the sector are expected to come into operations next year. The Group also signed the management contract for four hotel properties in Oman during the latter part of the financial year 2007/08. The financial benefits of these management contracts are expected to materialize from 2008/09 onwards.

Out of the box thinking and avant-garde marketing techniques used by the Group's in bound travel arm resulted in it recording one of its best years in 2007/08 despite the many obstacles faced by Sri Lankan tourism. The Group hopes for the revival of the tourism industry in the island, to harness the full potential of its joint venture with TUI Travel Plc.

Financial Review *(Contd.)*

Sectoral Performance – Cargo Logistics Sector	*Rs. million*	
	2007/08	2006/07
Total Assets	2,204	2,446
Revenue	3,282	2,762
Profit from Operations	351	258

The Cargo Logistics sector witnessed a 18.8% increase in revenue and a 36% increase in profit from operations tax over last year. The main contributors to this increase was the shipping agency business led by the Hapag Lloyd agency having recorded its first full year of operations with the Group and the impressive performance of the Group's venture into port efficiency management services in South Africa. The Group's container logistics division and the freight forwarding division also had a good year of performance given the stiff competition and pressure on margins faced by both divisions.

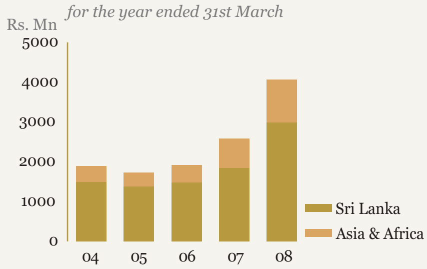
Following the divestment of two ships and the decision to exit from ship ownership last year, the balance three ships held by the Group were sold during the year.

007/08 was the first full year of operations for MMBL Money Transfer (Pvt) Ltd., a principal agent for Western Union in Sri Lanka. It has provided a healthy profitability and has justified the investment made by the Group in this business.

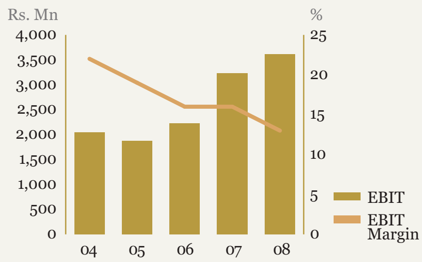
The Group ventured into the market of information technology during the year with a joint venture with EVES Information Technology AG of Germany. This venture was initiated with the objective of developing software mainly to the German market. The Group believes in the potential of this market and the company has already exceeded its expectations during its first few months of operations.

The manufacturing divisions of the Group had a difficult year with the increased competition and high cost of production. The Group's insurance survey and claim settling division and the agency for OTIS elevators both recorded another year of steady growth in profitability.

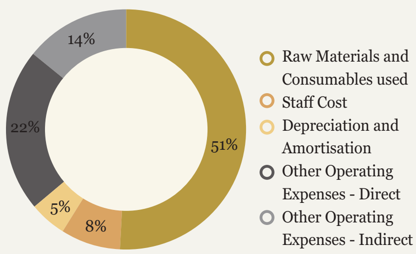
Geographical Analysis of Profit Before Taxation
for the year ended 31st March



EBIT & EBIT Margin
for the year ended 31st March



Analysis of Operating Expenses
for the year ended 31st March 2008



Sectoral Performance – Strategic Investments	*Rs. million*	
	2007/08	2006/07
Total Assets	17,700	14,891
Revenue	18,080	12,264
Profit from Operations	2,002	2,085

A significant increase in revenue was witnessed from the Strategic Investments for the year 2007/08. A sizeable portion of this was due to increase in revenue of the plantation companies as a result of the overall increase in net sales average for tea and the improved performance of oil palm at Elpitiya Plantations. However the plantations were not able to bring in the full benefit of this to its profitability due to the high cost of production. Even though power generation too witnessed an increase in revenue there was no significant growth recorded in the division's profitability, mainly due to heavy maintenance cost incurred at Embilipitiya.

As mentioned in the previous years annual report, the commercial operation of the joint venture between Aitken Spence and GTECH Corporation of United States was ceased due to the termination of the Mahapola on line lottery contract. All unrecoverable dues to the Group from the joint venture company was written off during the current financial year.

During the year the Group sold its investment in Aventis Pharma Ltd., an associate company resulting in a net gain of Rs. 24.6 million.

Group Operating Costs and EBIT

The Group Operating Profit or Earnings before Interest and Tax (EBIT) increased by 11.8% to reach Rs. 3.6 billion for the year. However the Group EBIT margin declined to 13.3% from 16.5% in the previous year. This main decline came from the Strategic Investments sector which witnessed its EBIT margin dropping from 17% in 2006/07 to 11.1% during the financial year 2007/08. This decline

Financial Review *(Contd.)*

was mainly due to the significant cost increases witnessed during the year in consumables and other factors of production. The Cargo Logistics Sector EBIT margin improved from 9.3% in 2006/07 to 10.7% for the current year with improved performance of the Group's investment in South Africa and the Hapag Lloyd agency. An improvement in the EBIT margin of the Tourism sector is seen during the year, mainly as a result of Maldives not being affected by the inflationary pressures in Sri Lanka and the reduction of the losses incurred by the Sri Lankan hotels. The EBIT margin for the Tourism sector stood at 17.1% for 2007/08, compared to 16.6% the previous year.

The total operating cost of the Group amounted to Rs. 23.7 billion for the year, being 87.1% of the Group revenue. This is in comparison to Rs. 16.6 billion recorded as operation costs in 2006/07, which was 85% of revenue. The main component of the operating cost is the raw materials and consumables used in the production of revenue. This accounts for 51.8% of the total operating costs and is a 62.7% increase in value over the previous year.

ASSETS AND ITS UTILIZATION

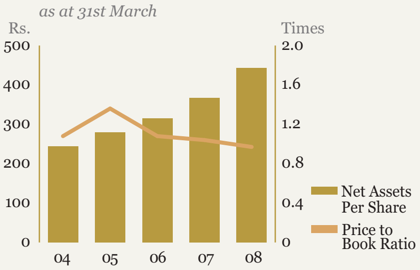
Net Assets per Share

The Net Assets per share of the Group stood at Rs. 439.81 at the end of the financial year under review. This was a 19.9% increase over the Net Assets per share of Rs. 366.92 for the previous year. The price to book ratio of the Group declined from 1.04 times last year to 0.98 times for the current financial year, showcasing a greater appreciation of the value of the Net Assets of the Company, compared to its market price. This clearly indicates the growth potential of the market price of the share.

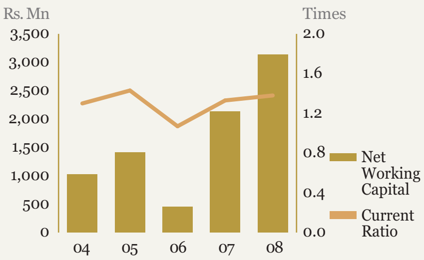
Liquidity

The working capital of the Group increased to Rs. 3.1 billion at the end of the financial year 2007/08 compared to Rs. 2.1 billion reported as at end of 2006/07. The current ratio of the Group improved from 1.33 times last year to 1.37 times for this financial year signifying the improvement of the Groups liquidity position. The quick ratio of the Group also witnessed an improvement with it

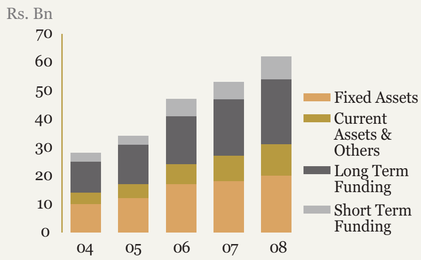
Net Assets Per Share & Price To Book Ratio
as at 31st March



Working Capital & Current Ratio
as at 31st March



Assets & Funding
as at 31st March



Taxation

The Group's provision for taxation for the year was Rs. 235.1 million. The above figure comprises of income tax of Rs.255.3 million, dividend tax of Rs.63 million and a deferred tax credit of Rs.83.2 million. The Group's tax provision decreased by 21.1% compared to the previous year.

The Group's effective tax rate was 7.7% compared to 11.5% the previous year. The Group continues to enjoy a low effective tax rate due to the significant contribution of profits being from Maldives and from companies which enjoy tax exemptions and preferential tax rates.

The Group's effective tax rate after eliminating the profits exempt from income tax increased over the previous year. The increase in the effective tax rate is due to higher profits being contributed by companies which are taxed at higher corporate tax rates and the withdrawal of the 15% small company tax rate for Group companies which are now taxed at 35%.

increasing to 1.21 times for 2007/08 from the 1.20 times recorded in 2006/07.

Total Assets Turnover

The Total Assets Turnover ratio of the Group improved to 0.96 times for the year under review compared to 0.8 times the previous year reflecting a greater utilization of assets by the Group. This ratio has been steadily improving in the recent past reflecting the more efficient and effective management of its assets by the Group.

	2007/08	2006/07	2005/06	2004/05	2003/04
Total Assets Turnover *(times)*	0.96	0.80	0.67	0.64	0.69

57.3% of the Group's total assets are invested in the Strategic Investments sector, while 35.6% and 7.1% are held by the Tourism and Cargo Logistics sectors respectively.

Financial Review *(Contd.)*

Capital Expenditure

The Group invested a total of Rs. 3.2 billion on non current assets during the year, with the main investment being in the new office complex at Vauxhall Street and the investment in Vadoo island resort. Construction work on the second tower at Vauxhall Street office complex is nearing completion and is expected to be ready for occupation in August 2008. The Group has incurred Rs. 1.03 billion on the construction upto end March 2008.

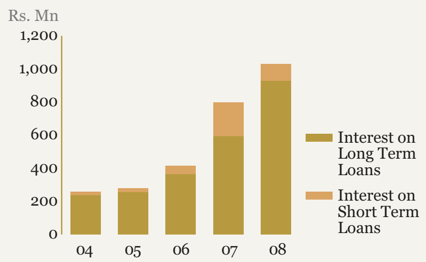
The total value of the Property, Plant and Equipment held by the Group stood at Rs. 18.3 billion.

Return on Equity

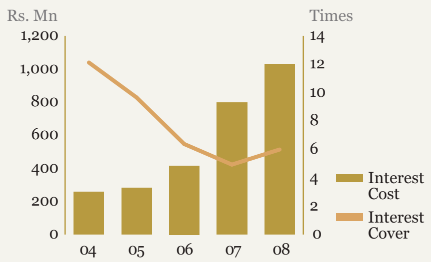
The Group recorded a Return on Equity of 16.9% for the financial year under review compared to 15.8% reported the previous year. The biggest hindrance towards achieving a higher Return on Equity is the low net profit margin of the Group. The ever escalating cost of factors of production has resulted in the steady deterioration of the Group's net profit margin over the years. However the Group has been able to counteract this negative factor through the greater utilization of its assets, as reflected in the improved Assets Turnover ratio. A slight decline in the financial leverage ratio has been witnessed for the year due to the proportionate growth in Group total assets being lower than the increase in shareholder funds during the year.

	2007/08	2006/07	2005/06	2004/05
ROE	16.9%	15.8%	15.1%	15.8%
Net Profit Margin	6.7%	7.4%	8.9%	11.1%
Asset Turnover	0.96	0.80	0.67	0.64
Financial Leverage	2.64	2.68	2.50	2.22

Short Term & Long Term Interest

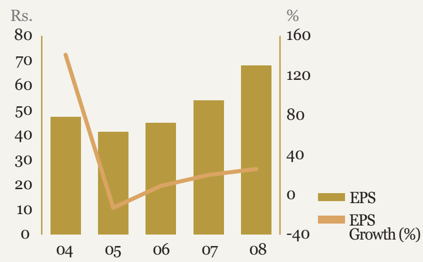


Interest Cost & Interest Cover



EPS & EPS Growth

for the year ended 31st March



TREASURY OPERATIONS

Funding

At the beginning of the year the Group raised Rs.1 billion for its hotel division from a local bank under a concessionary European Union initiated EIB post tsunami line of credit for Sri Lanka which was utilized to settle expensive debt taken in the previous year for major refurbishment work at Heritance Ahungalla.

The Group funded further development and upgrading work at the Adaaran Select Hudhuranfushi resort in the Maldives through Rs.190 million and Rs.265 million term loans taken from two local banks.

In the current year the hotel division also acquired its fifth island resort in the Maldives by taking over the Vadoo island and the acquisition and development costs of Vadoo were arranged through a combination of a US Dollar 16 million bank loan syndicated facility together with internal funds generated by the Group.

The Rs 1.03 billion spent as at 31st March 2008 on the new building at Vauxhall Street has been funded from the Rs. 1.96 billion raised by the parent company last year through a debenture issue and a term loan.

The main debt repayments during the year by Aitken Spence and Company PLC., was the redemption of Rs.200 million of its past debenture issues and the repayment of Rs.50 million of its term loan.

The other main loan repayments were by the power division which settled Rs.1.2 billion in long term syndicated debt repayments and by the hotel division which settled Rs.270 million of its long term loans.

The Group's funding activities this year saw the long term debt increasing marginally from Rs.6.4 billion to Rs.6.5 billion. However the long term debt to equity ratio has improved from 0.49 to 0.42 as at year end, reflecting the increase in total equity due to the profits made during the year. As at 31st March 2008 the parent company held borrowing facilities amounting to Rs.2.03 billion available for short term funding of investments and working capital and all these facilities were unutilized at year end.

Due to healthy internal generation of funds the Group's short term cash holdings improved from Rs.2.7 billion at the beginning of the year to Rs.3.5 billion at the end of the year reflecting a very healthy liquidity position.

It should be mentioned that due to the prudent and efficient management of its internally generated funds coupled with the

Financial Review *(Contd.)*

confidence of the lending institutions, the Group over the last nine years has made major investments in the power, tourism, cargo logistics and the building of an office complex, surpassing Rs.20 billion without relying on its shareholders for any new equity. During this period the Group total assets and net profits after tax has grown by 4.5 times and 7.0 times respectively whilst managing to maintain a healthy debt equity ratio and interest cover ratio of 0.42 and 5.78 respectively. However the Group may need to seek funding from other sources if some of the new ventures it envisages for the future does materialise.

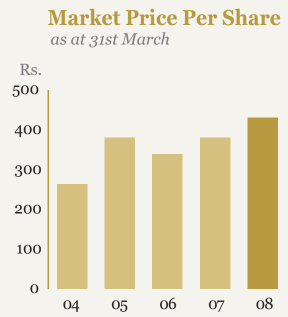
Interest and Foreign Exchange Management

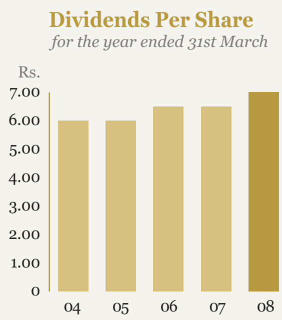
The Group's interest costs increased during the year by 29.2% from Rs.0.8 billion to Rs.1.0 billion. This was mainly due to the substantial long term borrowings made last year for investments as well for the new office complex. The increase in interest costs were also affected by increases in interest rates this year where the AWPLR rose from 17.57% at the beginning of the year to 17.95% at the end of the year.

treasury continuously monitors market movements and advises the sectors on instruments such as interest rate swaps and innovative derivative products for hedging against floating interest rate exposures as well as adverse movements in exchange cross rates which can affect import of equipment or foreign currency payments for services.

During the year under review the power generation division executed a zero cost derivative product in order to hedge the exposure to the Euro in respect of regular monthly payments made in Euro for operations and maintenance of its power plants.

This division also exploited the opportunity that arose due to the rapid reduction in the LIBOR during the year; to fix the LIBOR at a reduced level for part of its LIBOR based floating interest rate US Dollar loans, by executing an Interest Rate Swap.





The common benchmark for floating interest rates which is the 6 month TB rate, increased from 14.69% to 18.96% at the end of the year.

However due to its substantial cash holdings during the year which were invested in Government Securities, the Group benefited by the rise in Treasury Bill rates, which resulted in the interest income increasing from Rs.149 million last year to Rs.417 million. Interestingly though the interest costs have increased substantially the Group's interest cover has increased from 4.93 to a healthy 5.78 due to the effect of the significant increase in interest income as well as the increase in Group profits.

The Group's US Dollar denominated borrowings are linked to Dollar revenue streams and are not exposed to currency rate risk and exchange losses arising from the devaluation of the rupee. The Group

SHAREHOLDER RETURNS

Earnings per Share

The Group recorded an Earnings per Share of Rs. 68.02 for the financial year under consideration, which was a 26.1% increase over the Earning per Share of Rs. 53.93 recorded last year. The Group has constantly been able to report healthy Earnings per Share as a result of the consistent growth in profits and unchanged number of ordinary shares in issue over the recent past.

Market Price per Share

The market price of the Group's share stood at Rs. 430.00 at the end of the financial year 2007/08, compared to Rs. 380.00 at the end of the last financial year. The lowest price at which the share traded during the year under review was Rs. 256.00 whilst the highest price traded was Rs. 430.00. The total value of the share trades during the

Financial Review *(Contd.)*

year amounted to Rs. 449 million. The market capitalization of Aitken Spence stood at Rs. 11.6 billion at the end of the financial year, which was 1.4% of the total market capitalization of the Colombo Stock Exchange.

Price Earnings Ratio.

The Price Earnings Ratio (PER) of the Group stood at 6.32 times compared to that of 7.05 times for the previous year. The market PER stood at 10.4 times at the end of the financial year, indicating the growth potential of the Aitken Spence share price.

Dividends per Share

During the financial year under review the Company declared and paid an interim dividend of Rs. 3.00 per share in April 2008. The Board is recommending a final dividend payment of Rs. 4.00 per share.

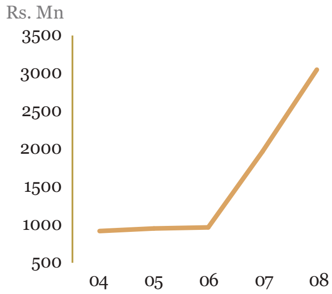
Total Share Holder Return

The total shareholder return for the year amounts to 14.9% for the year 2007/08. Total shareholder return reflects return received by a shareholder through the appreciation of share price and dividends received for the entire year under review.

Economic Value Added

	2007/08 Rs. '000	2006/07 Rs. '000	2005/06 Rs. '000	2004/2005 Rs. '000	2003/2004 Rs. '000
Earnings					
Net Profit for the Period	2,829,682	2,284,071	1,712,492	1,558,524	1,699,496
Add:					
Total Interest on Debt	1,030,526	797,502	416,386	280,650	259,187
Depreciation	1,068,126	956,025	643,641	459,915	444,833
Provisions to other intangible reserves	84,479	163,801	89,981	36,983	63,794
Adjusted Earnings	5,012,813	4,201,399	2,862,500	2,336,072	2,467,310
Total Invested Capital					
Total Equity	15,785,728	13,124,832	11,208,197	9,341,280	8,372,143
Add:					
Total Debt	11,043,035	9,379,486	8,939,157	5,337,357	3,703,633
Cumulative Depreciation	4,876,364	3,917,813	3,065,197	2,390,909	2,216,463
Other intangible reserves	355,490	408,206	276,518	239,361	237,405
Adjusted Total Investment	32,060,617	**26,830,337**	**23,489,069**	**17,308,907**	**14,529,644**
WACC	6.7%	8.9%	9.3%	8.7%	11.6%
(based on cost of debt and Cost of Equity. Cost of Equity calculated based on the dividend growth model) Cost of average investment	1,963,302	2,232,040	1,891,599	1,382,750	1,548,634
Economic Value Added	3,049,511	1,969,359	970,901	953,322	918,676

Economic Value Addtion

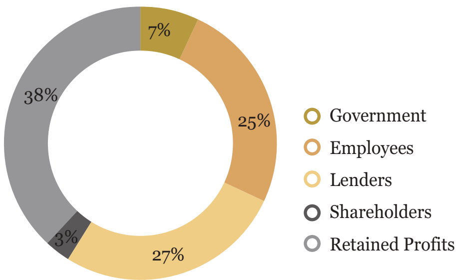


Financial Review *(Contd.)*

Statement of Value Added

		2007/08 Rs. '000		2006/07 Rs. ' 000		2005/06 Rs. ' 000		2004/05 Rs. ' 000	%	2003/04 Rs' 000
Total Revenue		27,515,960		19,765,632		13,593,263		10,063,989		9,157,160
Purchase of goods & services		(20,721,110)		(14,098,869)		(9,851,660)		(6,912,731)		(5,842,674)
		6,794,850		5,666,763		3,741,603		3,151,258		3,314,486
Other operating & interest income		517,569		459,537		564,438		389,337		338,407
Share of Associate Companies profit after tax		132,452		33,958		64,677		67,226		33,585
Total value added by the Group		**7,444,871**		**6,160,258**		**4,370,718**		**3,607,821**		**3,686,478**
Distributed as follows										
To government of Sri Lanka (income tax & turnover tax)	7%	557,188	9%	533,925	9%	376,588	9%	315,937	8%	311,694
To employees (salaries & other costs)	25%	1,870,675	26%	1,588,736	28%	1,224,651	28%	1,025,796	27%	997,416
To lenders of capital (interest on loan capital & minority interest)	27%	2,019,058	26%	1,621,798	21%	914,554	19%	697,709	18%	663,144
To Share holders (dividends)	3%	189,465	3%	175,931	4%	175,931	5%	162,353	4%	162,000
Retained for reinvestments & future growth (depreciation & retained profits)	38%	2,808,485	36%	2,239,868	38%	1,678,994	39%	1,406,026	42%	1,552,224
	100	**7,444,871**	**100**	**6,160,258**	**100**	**4,370,718**	**100**	**3,607,821**	**100**	**3,686,478**

2007/2008 Value Added



Statement of Value Added

The creation of wealth is the main purpose of existence of any commercial organisation. The value added statement highlights the wealth created by the activities of the Aitken Spence Group over the last five years and the distribution of this wealth created among its stakeholders.

Through its operations during the financial year 2007/08, the Aitken Spence Group created a total wealth of Rs. 7.4 billion, which was a 20% increase over the previous year and the highest so far recorded.

25% of the wealth created during the year was distributed amongst the Group employees whilst 27% was used up for servicing of lenders of capital. The Group contributed to Rs. 557 million to Government authorities by way of tax. This accounted for 7% of the total wealth for the year. Payment in the form of dividends accounted for 3% of the wealth created and the largest allocation of 38% was retained by the Group for re-investment in operations for future growth.

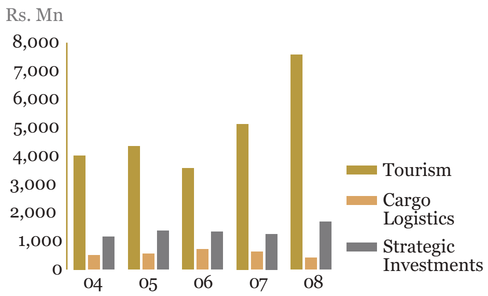
Financial Review *(Contd.)*

Foreign Currency Generation

	2007/08 Rs. '000	2006/07 Rs. '000	2005/06 Rs. '000	2004/2005 Rs. '000	2003/2004 Rs. '000
Tourism Sector	7,574,194	5,133,381	3,574,547	4,348,118	4,020,576
Cargo Logistics Sector	417,294	627,405	720,045	562,716	500,227
Strategic Investment Sector	1,691,393	1,254,220	1,336,847	1,364,086	1,153,884
TOTAL	**9,682,881**	**7,015,006**	**5,631,439**	**6,274,921**	**5,674,687**

Foreign Currency Generation

for the year ended 31st March



This statement represents the foreign currency revenue generated for the period 2003/04 to 2007/08 through the Group's direct and indirect operations. This amounted to a total of Rs. 9.7 billion for the financial year 2007/08, a 38% increase over the previous year.

The largest contributor the Group's foreign currency revenue is the Tourism sector with 78% of the total generation being attributable to the sector. This was also a 48% increase over the previous year, mainly due to the improved performance of the hotel properties in Maldives. A higher contribution from the Tourism sector could be envisaged for the future years, with Group expanding its operations in hotel management to India and Oman.

The Group's exit from ship ownership continued to have an impact on the foreign currency related revenue of the Cargo Logistics sector, with the last three ships held by the Group being disposed during the year under review. The above sector recorded a generation of Rs. 417 million, compared to Rs. 627 million achieved the previous year.

The Strategic Investment sector saw an increase in generation during the year 2007/08, due to it being the first full year of operations for MMBL Money Transfer (Pvt) Ltd., a principal agent for Western Union.

The Sri Lankan rupee appreciated against the dollar during the financial year under review. The rupee ended the financial year 2007/08 at 107.84 against the US dollar, compared to Rs. 109.32 at the end of the last financial year.

Risk Management

Risk is inevitable, avoiding risk is impossible. Risk management is the key, always tilting the venture in favour of reward and away from risk.

1. Risk and Return

The International Standards Organization defines risk as the combination of the probability of an event and its consequences. All investments carry some degree of risk and risk is a fact of business life. Unforeseen consequences can arise from any form of business or operational activity. This is the first principal of risk management and it implies that risk management must cover all operational areas, looking not only to what are called "Known Unknowns", but also dealing with ways to manage the unexpected. Nor is this all, for risk management also has a function related to planning and strategy where every deal, every venture, every new technology introduced, every product or service launched carries its own risk.

The rule of thumb is "Higher the risk-higher the return and Lower the risk-Lower the return". Risk management is all about achieving the optimum trade-off between a potential danger threatening success and an opportunity to enhance returns. The primary goal of risk management is to try and ensure as far as possible that the outcomes of risk taking activities are predictable and consistent with the organizations objectives and risk tolerance. Risk management process sets the directions on how to change strategy in order to bring the risk return trade-off in line with the best long term and short term interest of the institution. Further, an organization should maintain an appropriate balance between risk and reward in order to maximize the share holder-value.

2. Managing Risk at Aitken Spence

Managing risk in a dynamic business environment for any organization is a challenge. As the diversity of an organization increases, so does the complexity of risk management. Given its diversified business setting, the Aitken Spence Group policy on risk is that a disciplined approach to risk management is important in ensuring that the Group only accepts risks that are adequately compensated for when pursuing its strategic objectives. In defining the risk, the Group perceives risk as "any event, situation or circumstances which, if occurred would adversely impact the achievement of Group objectives, including the failure to capitalize on opportunities".

Aitken Spence has a well structured risk management system in place, covering the entire Group and its dealings. The Group applies a structured, and now a well tested and proven methodology, in identifying, evaluating, prioritizing, mitigating and reviewing risks and in deciding whether a risk should be accepted, reduced, avoided and whether it should be transferred to a third party. It is well structured to address both internal and external risks of the Group with a view to protecting its capital and enhancing the share holder value. The risk management system ensures that the Group takes well calculated business risks while safeguarding the Group's capital, its financial resources and profitability from various risks. While trying to eliminate, if possible, certain risks altogether, such as legal risk, operational risk and reputational risks, Aitken Spence is also mindful of the positive correlation between risk and reward in other areas. It is the Group's policy to manage such risks effectively by way of mitigating or minimizing the risk with the aim of maximizing the return to all its stakeholders.

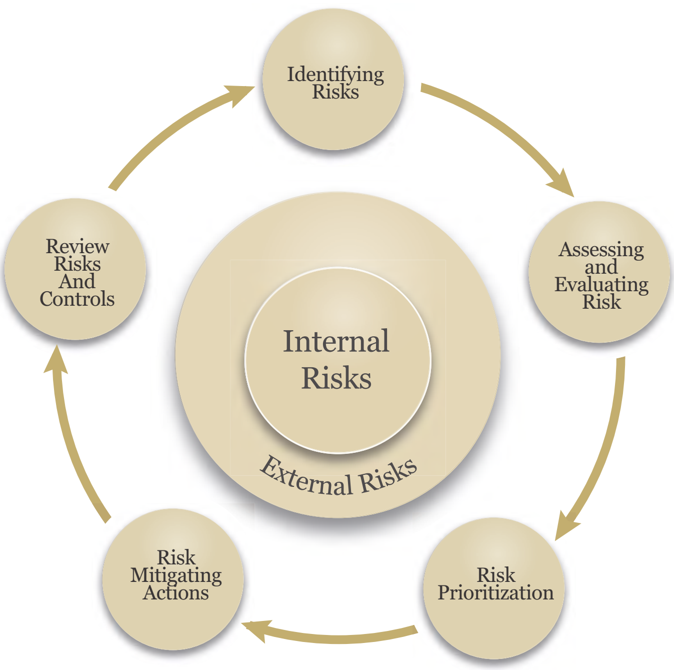


Figure 01: Risk Management Cycle

Risk Management *(Contd.)*

The Board of Directors and the Board of Management provide important oversight to risk management practices of the Group resulting in proper alignment of its strategies with the risk appetite of the Group and appropriate deployment of capital, in its effort to create value for all the stakeholders. The Board of Management is responsible for designing, operating and monitoring risk management and control processes and the Audit Committee, on behalf of the Board of Directors, is responsible for reviewing the adequacy of these risk management processes. The Board has overall responsibility for the system of internal controls and conducts regular reviews to gain assurance on its effectiveness through the Audit Committee.

A comprehensive framework of internal controls for risk management has been established at both Group level and within all constituent businesses to enable the Aitken Spence Group to achieve its corporate objectives within a well managed risk profile. In determining the control environment, Board members and senior managers identify the Group's key business objectives, goals, and strategies together with the Group's management philosophy, culture and ethics to establish and maintain an appropriate control environment. Line managers and employees then articulate how specific objectives and goals are addressed in their business area. Further, in order to achieve these objectives, the management has implemented proper systems, processes and procedures in all dimensions of operations within the broad guidelines and policies set by the Board.

The Group's prudent use of risk management framework allows for greater flexibility in identification, assessment and prioritization of risks. Risk identification and assessment follows a cautious analysis of risks inherent to the Group's businesses and processes. It includes a concerted drive to determine the Group's risk appetite and establish risk measurement practices that are appropriate for the diverse operations of the Group. The Group continues to maintain and update a wide ranging list of possible internal and external risks and has formulated appropriate risk management measures against each identified risk. The heads of the each sector are required to periodically assess the extent of implementation of these risk management measures and evaluate the adequacy and effectiveness of these measures, in the context of the vibrant business environment and prevailing rules and regulations. Further, they are expected to identify potential new risks, if any, which may affect sectorial performance due to changing circumstances.

Consequent to risk prioritization, management from each of the Group's sectors garner a good sense of acceptable and un-acceptable risks.

Once the risks have been identified, evaluated and prioritized a system of risk management takes place where the decisions are taken depending on the nature of the risk to either to accept the risk, mitigate the risk, avoid the risk or to transfer the risk (i.e. transfer a possible loss to a third party as in an Insurance cover). A cost benefit analysis is carried out in each occasion to ascertain the benefit of the method used for risk management in comparison to its cost incurred. Periodic reviews of these mechanisms are carried out to ensure that they are comprehensive enough and are being adhered to , firstly by the Board of Management and Senior Management of the Group, and then by the Board of Directors and Audit Committee.

4. Assessment of Risk Profile of the Group

Table 1: Types of External Risks, their Implications and Mitigatory actions in place at Aitken Spence.

Type of Risk	Implications	Mitigatory Actions
Socio-Economic/Political Stability: The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, economic factors, legislative bodies, other foreign policy makers, or military activities.	Main core areas of the Group's business is affected by instability arising from socio-economic/political issues and general security issues within the operating environment. Both Tourism as well as the Cargo Logistics sectors are dependent on the prevalence of a stable and secure country situation. The non-prevalence of same would incur risks associated with loss of business and the loss of viability of the Group's investments into Tourism and Cargo Logistics.	Diversification of the affected sectors to operating environments beyond that of Sri Lanka to reduce the over dependency on the local economy. This would involve the expansion of the Tourism sector to regional markets and Cargo Logistics to emerging economies that have greater potential for business success. Further, the Group periodically reviews country situations and exposures with foreign countries. Further Group maintains strong relationships with relevant stakeholders, lobby groups and trade unions and plays a vital role in influencing progress towards lasting peace and political / socio- economic stability within the country.
Business Risk : Probability of loss inherent in a firm's operations and environment that may impair its ability to provide returns on investment. Business performance	The complete or partial loss of business of one or more strategic business units resulting in lower profitability to the overall Group could be a result of this risk. This in turn would affect shareholder wealth.	Excellent customer relationships are maintained at all levels with all business units in the Group striving to provide superior services to the customer. Cordial relationships are maintained with all strategic partners, fostering a relationship of trust whilst addressing the interest of all parties concerned.

Risk Management *(Contd.)*

Type of Risk	Implications	Mitigatory Actions
may adversely affect due to high competition, new entrants, change of customer attitudes and adverse economic conditions.		The Group at all business units avoids over dependency to any one party as a proactive action to limit repercussions of loss of a principle business partner. Further, regular assessment of the level of customer satisfaction, taking prompt action on customer complains/suggestions, introduction of innovative products and services, periodic review of business strategy, vision and mission of the Group and constant reminders to the staff on the importance of delighting customers are some of the focal actions employed by the Group to mitigate this risk.
Legal Risk : Potential for loss arising from the uncertainty of legal actions/proceeding or uncertainty in the applicability or interpretation of contracts, laws or regulations. Inadequate documentation, legal or regulatory incapacity may result in unenforceability of contracts with counterparties.	Loss incurred due to the adverse legal judgments, high cost of legal and penalty fees, loss of image and investor confidence on the integrity of the Company would be consequences of this risk.	The Group has its own in house legal division assisting the various business units of the Group. External professional counsel is sort as and when required. Periodic reviews and audits are carried out by the Internal Audit division in collaboration with the Legal division to ensure that all business units conform to legal, regulatory and statutory requirements. The Group recognizes and conforms to its responsibilities as a public quoted company, a taxpayer and an employer. All statutory and legal requirements are met in all transactions.
Foreign Exchange Risk: This refers to the adverse impact of foreign exchange rate fluctuations on cash flows, on assets and liabilities, and on the real business activities (such as purchase of capital goods, raw materials, services and in the conversion of foreign currency receipts to rupees) of the firm.	Adverse movement in the rupee exchange rate against the relevant foreign currency can mean an impact on the profit & loss account on translation of assets/liabilities as well as lead to cash flow issues during realization/settlement of such assets/liabilities. Any such adverse movements that occurs post original evaluation/estimation can impact the profitability of a project or a particular order or transaction.	The Group treasury manages the exposure of each currency separately and also in aggregate with all currencies in a prudent manner. The effect of exposure to foreign currency liabilities are minimized or avoided by matching these liabilities against foreign currency denominated assets. Further the risks associated with future repayments of foreign currency liabilities are mitigated by ensuring such outflows are matched by foreign currency inflows. The impact of adverse movements in exchange rates on import and export transactions are mitigated by the use of forward rates for initial estimating, covering the actual transaction through forward booking of currencies as well as matching of foreign currency inflows and outflows on a consolidated basis across the Group companies. Exchange rate forecasts are constantly monitored to ensure that the risks are hedged as necessary with appropriate treasury products and the Group Treasury through its continuous monitoring of market movements, advices the subsidiaries as to the timing of such hedging mechanisms there by striving to minimize the import costs and maximize revenues at all times whilst at the same time managing the risks involved. During the year under review, the Group has been monitoring the exchange rate movements on a regular basis and hedging its foreign currency exposures successfully through forward rate bookings and foreign currency derivative products.
Interest Rate Risk: The potential for losses that may arise due to adverse movement of interest rates in local currency or foreign currencies.	Increase in general market interest rates both in local and foreign currency will lead to high cost of borrowings and as a result the Group would have a direct impact on its profitability and shareholder wealth. Further financial/opportunity losses may arise due to unexpected movements in market interest rates.	The Group manages and mitigates its interest rate risks through its Treasury by using the following strategies. Exposures to foreign currency liabilities linked to floating rate indexes such as LIBOR were mitigated by the use of innovative financial instruments such as Interest Rate Swaps and other financial Derivative products, during the year under review. Further, the Group has been involved in pioneering Derivative products in Sri Lanka in the pursuit of its risk mitigating objectives.

Type of Risk	Implications	Mitigatory Actions
		The interest rate exposure of rupee long term borrowings is mitigated by negotiating caps and floors or executing interest rate swaps where there are floating interest rates or by negotiating fixed interest rates with the lending agency. The impact of interest rate movements on Group short-term borrowings is minimized through the efficient management of rupee cash flows across the Group in a systematic basis, which includes netting of subsidiary cash flows through the centralised treasury. The efficiency of this method is evident by the fact that the Group has consistently maintained a lower effective interest rate compared to market rates. However, the Group keeps a continuous watch on market trends that can impact its net exposure on short-term borrowings and takes preventative measures where necessary to guard against anticipated fluctuation in rates. Constant monitoring and forecasting of market interest rates was carried out to ensure appropriate steps are taken to maximize the return on financial investments and to minimize the cost of borrowings.

Table 2: Types of Internal Risks, their Implications and Mitigatory actions in place at Aitken Spence.

Type of Risk	Implications	Mitigatory Actions
Operational Risk: Operational risk is defined as the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. This category encompasses those risk arising as a result of systems and procedural failures, processing errors, human errors, frauds, lack of internal controls, compliance requirements, corporate governance practices, and both the natural and man made disasters.	Disruption to smooth functioning of the business operations and the loss incurred thereby, volatile revenues and difficulties in maintaining sustaining profitability, loss of competitiveness, hampered productivity, loss of competencies over competitors, hindrance to expansion, damages to reputation, high cost of legal and penalty charges, and deterioration of the working environment., would be the main consequences of this risk.	A structured and uniform set of internal controls is adhered to through out the Group. These also stipulate the levels of authority and context within which certain transactions are to be performed. Periodic and impromptu checks are carried out by the Groups' Internal Audit division to ensure the adherence and effectiveness of such controls. The organization wide use of the Oracle EBS Applications software ensures the observance of the required internal controls, whilst facilitating a better management of the working capital requirements. Business Continuity Plans are being formulated for all sectors of the Group to ensure smooth operations even at a time of disaster. As a part of this process, all natural and man made disasters that can have an adverse impact on each of the sectors are being identified and preventive and mitigatory actions are being taken based on the potential loss and probabilities of occurrences. The risks of some disasters are translated to a third party via comprehensive insurance practices. Further, Group has taken steps for succession plans, training second layer of staff and building sustainable competencies, regular up grading of hardware and software, conducting internal audits especially on management activities and building up contingency buffers in mitigating operational risk. The Group adheres to all statutory and legal requirements and maintains cordial industrial relationships with all the stakeholders.

Risk Management *(Contd.)*

Type of Risk	Implications	Mitigatory Actions
Reputation Risk: Adverse impact on earnings, capital and corporate image of the Group arising from negative public opinion.	This affects the Groups' ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Group to litigation, financial loss, or a decline in its customer base. Reputation risk exposure is present throughout the company and includes the responsibility to exercise an abundance of caution in dealing with its customers and the community. The reputation risk has a direct impact on shareholder wealth and investor confidence.	In order to maintain its reputation and preserve the confidence of its various stakeholders, Aitken Spence has in place an effective compliance system. The setting up of a business communication unit, with representation from all the strategic business units of the Group to ensure up to date and accurate communication with the general pubic and all stakeholders of the Group coupled with the maintenance of the highest ethical behaviour at all times in all business activities has been the focal actions undertaken to mitigate this risk. All employees are expected to adhere to the 'Code of Ethics' of the Group, which is informed to the employee at the point of recruitment. The Group actively involves itself in community development and places importance on being a socially responsible corporate citizen. Strict adherence to environmental regulations and all other statutory requirements are maintained.
Human Risk: Cost related to high staff turnover, loss of company sensitive information, drop in productivity and quality, increase in human error	Lack of motivation resulting in poor productivity and the resultant drop in revenue and market share. Customer dissatisfaction causing switching to competitor products/services, increased human error and loss of sensitive information tarnishing the image of the Group is all potential outcomes of this risk.	Recruitment of high calibre staff, effective induction to the Groups' corporate culture, training and development with structured career development plans, fostering a reward and recognition culture are the norm in all business units of the Group. These initiatives are lead by the centralized Human Resource Development Unit. Training and development in all relevant spheres are carried out to increase motivation among staff and improve productivity and quality. Open communication is encouraged at all levels of the organization, where all employees are encouraged to voice their grievances to the immediate supervisor or to the Group Human Resources division. The Group takes all precautionary steps necessary to ensure that no sensitive information vital for the performance of operations are disclosed outside of the Group.
Technology Risk: Some of the concerns in this area would be malicious software and its impact on performance, information loss and unauthorized access and loss of business opportunity due to out-dated systems and non-adaptation of new technology. Also the loss of business due to inadequate preparation for failures of systems and links, improper capacity planning. Breaches in systems security leading to unauthorized access intentionally or otherwise by both internal and external users could also be highlighted as a concern in this area.	These risks can impose short term loss of Information Technology services resulting in the non-availability of current business transactions, loss of future business growth and a breach in confidentiality in information.	A multi-tier safeguard mechanism is in place to meet the threat of malicious software and its adverse effects. The mechanism provides real-time detection and elimination of malicious software. The Group is planning to introduce content filtering technology and maintenance of transaction transcripts to comply with regulatory requirements of our international business partners. A multi-point inspection of access rights are in place to ensure better security within the IT infra-structure. In the past this inspection was limited to key hardware devices and devices that connect the enterprise to external entities. However, this inspection is now enforced right up to the internal end user computing devices. Link failure events are treated as likely and a dual service provider link infra-structure, is in place to counter this risk. The company together with the telecom service providers pioneered the introduction of real-time load balances multiple link usage via MPLS networks in Sri Lanka. A well managed capacity adequate Network is a must for co-operating business entities to function smoothly. The latest networking equipment supporting quality of service (QoS) features are in place. This has inducted the concept of "service commitment" in technology services in the Group.

Risk Management *(Contd.)*

Type of Risk	Implications	Mitigatory Actions
		System failure events are treated as occasional. Rapid response agreements and backup procedures are in place to counter these risks. Systems hardware capacity is also monitored to ensure availability of sufficient computational resources. As a rule of thumb – a consistent 70% resource usage is considered the alarm for capacity enhancement. Systems at acquisition stage are subject to stringent evaluation, especially in terms of suitability, conformity to futuristic trends and continuity of systems. The Group maintains a keen eye to spot emerging technology, its maturity and the suitability to strengthen business processes.
Investment Risk: Risk of a poor performing investment and risk associated with an investment project failing mid way before project completion due to external factors.	Deterioration of shareholder value due to the loss incurred and the decline in investor confidence.	Stringent evaluation of risks associated with each new investment through the utilization of in-house expertise and external resources as and when required. All new investments should satisfy the minimum expected return of the Group. Envisaged bottlenecks of a project are identified at the project planning stage, whereby elimination or mitigatory measures are then undertaken before venturing to execution stage. Investment agreements are carefully drafted to ensure that risks to the Group are mitigated or minimized. When investing in new projects, preference is given to the formation of strategic alliances with reputed partners for the creation of synergies. The Group balances the risk return trade off. Certain risks are accepted in light of the future growth and profitability potential of the investment.

Corporate Governance

Aitken Spence and Company PLC., places a very strong emphasis on adopting and implementing sound principles and practices of good Corporate Governance. Corporate Governance is the system by which the Company and its subsidiaries are directed and managed, and which influences the manner in which the objectives of the Company are formulated, accepted, communicated, and achieved.

The Board's primary objective is to enhance long term shareholder value whilst being committed to and upholding the highest standards of integrity, accountability, transparency and business ethics in the governance of the Company and its subsidiaries.

The Company firmly believes that the adoption and implementation of sound principles and practices of Corporate Governance are important to the Group's overall success. The conversion of this belief to practice over the years has enabled the Group to acquire and enhance the confidence and trust of its shareholders, employees, customers, and other stakeholders. The consistent adherence to the principles and practices of good Corporate Governance has been rewarded by the Company acquiring a matchless reputation in Sri Lanka for trustworthiness and reliability amongst all its stakeholders.

The Company is primarily guided by the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the listing Rules of the Colombo Stock Exchange. This report sets out the Company's Corporate Governance processes with reference to the extent of compliance with same.

<table>
<tr><th>Corporate Governance Principle</th><th>Level of Compliance</th></tr>
<tr><td>Directors
The Board of Directors</td><td></td></tr>
<tr><td>Composition</td><td>The Board of Aitken Spence and Company PLC., as at 31st March 2008 comprised of the Chairman, the Deputy Chairman & Managing Director, and five other Directors of whom four are Non Executive. An independent Non-Executive Director was appointed to the Board on 1st May 2008. The names and profiles of the Directors are given on pages 10 to 13 of this report. All Directors are able to and willingly add value and independent opinion on the decision making process, which is of immense benefit to the effective functioning of the Board.</td></tr>
<tr><td>Board meetings</td><td>The Board held four meetings during the financial year, under review. The Chairman presided at all the meetings.
<table><tr><th></th><th>Number of meetings attended</th></tr><tr><td>D.H.S. Jayawardena</td><td>4</td></tr><tr><td>J.M.S. Brito</td><td>4</td></tr><tr><td>R.M. Fernando</td><td>4</td></tr><tr><td>G.C. Wickremasinghe</td><td>4</td></tr><tr><td>R. Sivaratnam</td><td>2</td></tr><tr><td>C.H. Gomez</td><td>2</td></tr><tr><td>N.J. de S Deva Aditya</td><td>2</td></tr></table>
Some Directors were unable to be present at certain Board meetings, due to them being either overseas or indisposed. Directors who were overseas were contactible on the telephone during the duration of the Board meeting for advise or discussion.

In addition to formal Board meetings the directors maintained a regular communication with one another to discuss relevant business issues.

The Chairman ensures that proper procedures are strictly followed in the conduct of Board meetings. The Board meets at regular intervals prior to which detailed Board papers are circulated giving adequate time for individual Directors to study and formulate views on the matters under discussion. This enables active participation of Board members at the meetings.</td></tr>
<tr><td>Availability of formal schedule of matters specifically reserved to the Board of Directors</td><td>• Formulating, communicating, implementing and monitoring the business strategies, policies, objectives and goals of the Group.
• Recruiting a competent Managing Director.
• Appointing a Remuneration Committee being a sub committee of the Board to approve the terms of employment of the Members of the Board of Management and the Senior Management.
• Reviewing, approving and monitoring the operational and financial budgets of the individual Strategic Business Units and the Group.
• Ensuring that a proper risk management system covering all aspects of the business is in place.
• Reviewing, discussing and deciding on new business and investment proposals recommended by the Managing Director and the Board of Management.
• Restructuring and Re-Engineering existing businesses of the Group.
• Ensuring best practices in the strict compliance of all necessary human resource management, legal, ethical, health, environmental and safety standards by the Group.
• Approval of the annual and interim financial statements prior to publication.
• Determining the quantum of the interim dividends and recommending the final dividend for approval by the shareholders.</td></tr>
</table>

Corporate Governance *(Contd.)*

Corporate Governance Principle	Level of Compliance
Obtaining independent professional advice	The Directors seek independent professional advice, whenever required, at the Company's expense in discharging their duties.
Company Secretary	All Directors have access to the Company Secretary, who is a Chartered Accountant by profession. The Company Secretary who is present at all Board meetings ensures that appropriate facilities are available for the proper conduct of Board meetings.
Independent Judgement	All Directors having dedicated adequate time exercise their independent judgement on decision making issues relating to strategy, implementation, performance review, resource allocation and standards of conduct.
Dedication of adequate time and effort to the matters of the Board and the company	The Chairman and the Board of Directors allocate adequate time for the fulfilment of their responsibilities as Directors of the Company. In addition to Board meetings, individual Directors are members of various subcommittees and attend meetings of same. The Board of Directors have delegated the implementation of the day to day operations of the Company and the Group, to a competent, professional and experienced Board of Management. The Board of Management comprises of the Managing Director of Aitken Spence and Company PLC., as Chairman, and the Managing Directors of the various strategic business units of the Group as Executive Directors.
Training of the Directors	The Board ensures that the Directors undertake professional and related training which is necessary to carry out their duties.
Chairman and Managing Director	
Clear division of responsibilities of the chairman and the MD	The functions performed by the Chairman and the Managing Director are distinct and separate, which ensure the balance of power and authority within the organisation, so that no person has unfettered powers of decision making.
Presence of a strong non executive element on the Board.	The majority of the directors are Non-Executive Directors.
Chairman's Role	The Chairman of the Company is one of the most successful and experienced business leaders in this country. The Chairman guides and directs the Board in the discharge of its duties and responsibilities and encourages the individual Directors to participate effectively in all Board matters. He is responsible for and ensures that the meetings of the Board and the shareholders are conducted in an extremely professional manner. He ensures the effective discharge of Board functions.
Financial Acumen	The Managing Director who is a fellow member of the Institute of Chartered Accountants of London & Wales, also holds a Degree in Law and a Masters Degree in Business Administration. In addition the Board includes an investment banker who is a Non Executive Director. These two members of the Board add substantial value and independent judgement on the decision making of the board in matters concerning finance.
Board Balance	The Majority of Directors are Non Executive Directors. Mr. C. H. Gomez and Mr. N.J. de Silva Deva Aditya, Directors of the company are also Directors of Institutions that hold between 15% to 20% of the shares of the company. The Board nevertheless determines they are both Independent Directors after taking into consideration all the relevant circumstances including the fact that they are not resident in Sri Lanka and neither they nor the Institutions in which they are Directors do not in any way directly or indirectly get involved in the day to day management of the business affairs of the company or in any of its subsidiaries. The Board benefits from the large reservoir of in-depth knowledge and business acumen of its members who collectively provide core competencies in finance, legal, commerce, industry, business entrepreneurship and management.
Supply of information	The Group has a well developed and streamlined Management Information system in place, which includes a comprehensive annual budget including key financial and performance indicators which is reviewed monthly and quarterly. The Board Members are circulated appropriate documents in a timely and efficient manner. Board papers, including the detailed agenda, are sent in advance of the Board meetings to enable the Directors to be properly prepared to effectively contribute to discussions and decision making. Board papers contain financial and operational reports of Group Companies, updates on the business and industry scenario, risk and other matters requiring decision. Any additional information requested by the Board Members are coordinated by the Board Secretary.
Appointments to the Board of Directors.	The Directors are elected by the shareholders of the Company in terms of the Articles of Association. The Articles of Association of the Company empower the Board of Directors to either fill a casual vacancy in the directorate or appoint additional Directors. Directors so appointed hold office until the next annual general meeting and are eligible for re- election.
Re-election of Directors	The Company's Articles of Association provide for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to (but not greater than) one third to retire from office by rotation. A Director appointed to the office of Managing Director while holding that office is not subject to retirement by rotation. Retiring Directors are selected on the basis of those who have been longest in office since their last election. In the event there are one or more Directors appointed on the same date the retiring Director is

Corporate Governance *(Contd.)*

Corporate Governance Principle	Level of Compliance
	determined either by agreement or by lot. A retiring Director is eligible for re-election. In order to ensure that the Board comprises of members who add value to the Group, the Board evaluates the qualifications and contribution of each retiring Director before recommending such person for re-election.
Directors Appraisal and Remuneration	
Remuneration procedure	The Board has established a Remuneration Committee. The names of the members of Committee are listed on the inner back cover and the Report of the Committee is given on page 72 of this Annual Report. The Committee formulates and reviews remuneration packages of Executive Directors and Executive Employees. The Remuneration Committee comprises of the Chairman of Aitken Spence and Company Ltd., as Chairman of the Committee and two Non Executive Directors. No Director is involved in determining his or her own remuneration.
The level and make up of remuneration	The Remuneration Committee is responsible for evaluating the performance of the Managing Director, the Executive Directors and the individual and collective performance of the Directors comprising the Board of Management and the structuring of remuneration packages in such a manner to attract the best professional and managerial skills in the country, and thereafter retain and motivate the Executive Directors and the Senior Management of the Group. Non Executive Directors receive a fee for their contribution.
Disclosure of remuneration	The total remuneration of the Directors is disclosed in note 4 to the financial statements.
Relations with shareholders	
Constructive use of the AGM.	The company shareholders exercise their rights at the annual general meeting. Resolutions brought before the shareholders at the annual general meeting are voted on by the Shareholders. All shareholders are invited and encouraged to be present, actively participate and vote at the annual general meeting. The annual general meeting provides a opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet the Directors after the annual general meeting. The External auditors and the Company's lawyers are invited to attend and are present at the annual general meeting to render any professional assistance that may be requested. Shareholders who are not in a position to attend the annual general meeting in person are entitled to have their voting rights exercised by a proxy of their own choice.
Making available the Notice of meeting and the related papers.	The notice of the annual general meeting and the relevant documents required are published and sent to the shareholders at least 15 working days prior to the date of the annual general meeting. The Company circulates the agenda for the meeting and shareholders vote on each issue separately.
Major transactions	During the financial year there were no major transactions which materially altered the company's net asset base or the consolidated group net asset base.
Accountability and Audit	
Financial Reporting	
Statutory & regulatory reporting	In respect of year ended 31st March 2008 the Board of Directors confirm that the financial statements of the company and its subsidiaries that are incorporated in this report have been prepared in a meaningful manner and in accordance with Sri Lanka Accounting Standards and the Companies Act No 7 of 2007. The company has 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 financial statements of the Company were audited by KPMG Ford, Rhodes, Thornton & CO., a leading firm of Chartered Accountants.
The Annual Report of the Directors and the statement by the auditors.	The Annual Report of the Directors are presented on pages 74 to 77 of the Annual Report. The Auditors report on the financial statements for the year ended 31st March 2008 is presented on page 79 of this annual report.
Presenting a management report in the annual report	The management report of the Company is presented as the operational review of the company and its subsidiaries on pages 20 to 35 of the report.
Declaration by the Board as to whether the business is a going concern	The relevant declaration is presented in the Annual Report of the Directors on page 77 of this annual report.
Internal Controls	
Maintaining a sound system of risk management	The Board addresses potential and inherent, operational and financial risk at all levels with the active participation of the Board of Management, the Audit Committee and the Senior Management of the strategic business units. Shareholders' risks are minimised by a strict evaluation procedure for all proposed investments in new projects and the expansion of existing units. Shareholder risks are also minimised by instituting corrective action wherever necessary with regard to existing businesses. Effective key performance indicators have been introduced which assist in the monitoring and evaluation of the performance of all strategic business units.

Corporate Governance *(Contd.)*

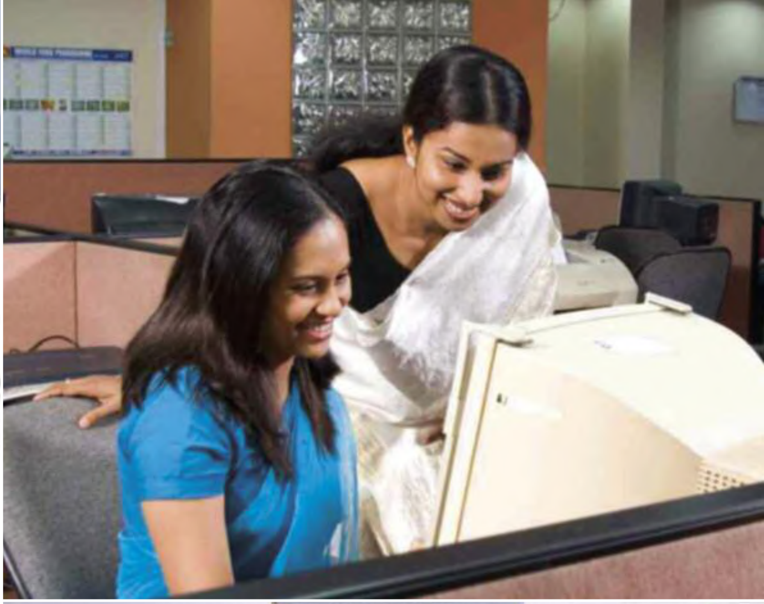
Corporate Governance Principle	Level of Compliance
	The company uses comprehensive general and company specific reporting and monitoring systems to identify, assess and manage these risks. Risk management report of the Company is presented on pages 46 to 51 of this report.
Maintaining a sound system of internal controls and reviewing effectiveness of the internal controls.	The Board is responsible for the formulation of the appropriate systems of internal Controls for the Group and ensuring its effectiveness. The Board is fully conscious that any internal control system contains inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, frauds, or other irregularities. The Board has therefore taken appropriate action to minimise such situations.
Audit Committee and auditors	
Availability of an Audit committee	The Audit Committee is a sub committee of the Board of Directors of Aitken Spence and Company PLC. The Committee comprises of three Non Executive Directors. The names of the members of the Audit Committee are listed on the inner back cover and the Report of the Audit Committee is given on page 73 of this Annual Report. The Audit Committee endeavours to assist the Board to discharge its duty of ensuring that the Group's internal controls and conduct of business are in accordance with the best practices appropriate to the Company and the Strategic Business Units. The Audit Committee monitors and guides the Internal Audit function.
Maintaining appropriate relationships with the External Auditors.	The audit committee has a responsibility for evaluating the performance of the external auditors, making a recommendation to the Board of Directors on the re-appointment or removal which is subject to the approval of the shareholders at the Annual General Meeting.
Areas of Relevance/ stakeholders	
Employees	The Board of Management ensures that the vision, goals and objectives of the Group are appropriately formulated, clearly communicated, duly understood and strictly adhered to by all employees. Hence the strategic direction of the Company is clearly known to all employees of the Group. All employees are aware of their specific duties, tasks and functions which they are required to perform. The Company strictly ensures that no employee below the legal minimum age is offered employment. The Group rigidly complies with the ILO Conventions with regard to the employment of persons. The Group affords equal opportunities to potential employees irrespective of gender, race, or religion. There is no gender discrimination and irrespective of the gender, eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path.
Relationship with Institutions and Regulatory Bodies	A meaningful relationship is maintained with Institutions such as the relevant Line Ministries, the Central Bank of Sri Lanka, The Board of Investment, the Registrar of Companies, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange, the Department of Inland Revenue, Professional and Trade Associations and the various Chambers of Commerce. The Group's operations and activities strictly adhere to the rules, regulations and codes of conduct set out by the relevant Regulatory and Advisory Bodies and the laws of the country.
Business and Corporate Ethics	The Board ensures that the Company strictly complies with all relevant laws, regulations and codes of best business practices and is not involved in any unethical practices. The compliance referred to above is achieved by the Company maintaining a comprehensive and unambiguous code of business conduct and ethics for its employees including its Directors. The Board of Directors ensures that in the organization, the code of ethics which has been duly documented is given to all executives of the Company who confirm their acceptance of same. A violation of the code of ethics is considered an offence which is subject to disciplinary action.
Statutory Obligations	The Directors, to the best of their knowledge and belief are satisfied that all financial obligations due to the Government, the employees and other creditors have been either duly paid or adequately provided in the financial statements.
Environment	The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. The Companies of the Group promote detailed and defined health and safety procedures appropriate to each employees' nature of work as well as to outsiders who come in contact with the relevant Strategic Business Units. The Group does not comprise on its commitment of strict adherence to best practices on Environmental issues. The numerous Environmental awards won by Group Companies are ample testimony to this aspect of the Group's governance system.
Compliance	The company except for any matters mentioned above has adhered to the Code of Conduct on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the listing rules of the Colombo Stock Exchange on Corporate Governance.

ever sharing

Human Resources - ever evolving

The quality of our human resources has been a driving force in the organisation's success. As the Group evolves, so does our human talent – transforming and re-energising itself to meet greater challenges and better its own performance.

In recognition of the value of our human talent, we changed our focus this year to one driven by values, in a bid to further enhance and improve business results. Our goal was to create a strong basis of good HR practices within the subsidiaries in order to enable each and every one of our employees to gear themselves better to achieve business goals. Our strategy was to make HR management a vital tool for all line managers in the Group.



Employee Development further intensified

The Group strongly believes in providing employees with the right resources to develop themselves and improve their skills and expertise. Aitken Spence has been recognized over the years as a training ground for both on the job and off the job training, and this year too employees were able to take advantage of a series of internal and external training programmes that covered a wide variety of training needs. The number of training programmes undertaken for the year reflected a 5 per cent increase in management category training over the previous year while there was a 10 per cent growth in training programmes for executive and clerical grades. This achievement is a reflection of the HR function's commitment to HR development.

80 per cent of the training on soft skills development was met by the in-house training team. Some of the programmes that had an impact on the services provided by the Group included competency based training for the indoor sales team and cognitive development programmes that focused on increasing employee commitment and contribution. As we strive to create the leaders who will take Aitken Spence to the next level, we have also increasingly recognized and developed a number of executives via the management training programme (MTP).

Recognition for Human Resources

This year our HR practices were given due recognition when Aitken Spence became the only conglomerate to receive an award at the Sri Lanka HRM Awards (2007).

HR on-line

Creating the right conditions for employee satisfaction has been a focal point of the HR function, and in the year under review we took another stride in this direction by launching an online Human Resource Management system. The solution makes employee interaction with the HR division more effective and frequent, enabling us to bridge physical and geographical boundaries that will no doubt increase as we grow.

As at present we have automated the performance management system, employee information manager, time & attendance,

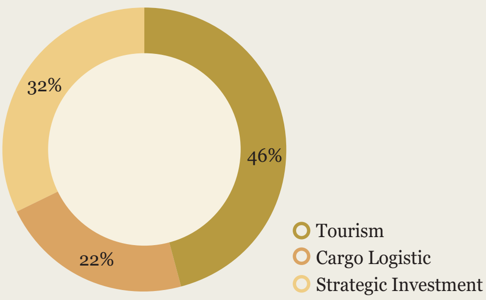
employee life cycle and training and development modules. We are in the process of implementing the HR planning, exit interview, recruitment & selection and the HR dash board modules.

HR Audits

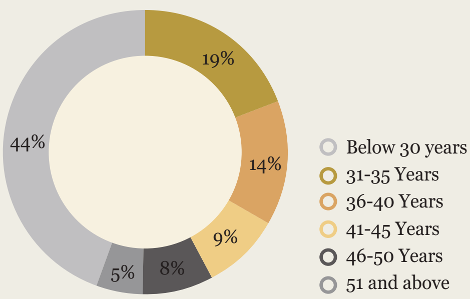
We streamlined our HR processes during the year in an effort to improve the value of our human capital. With the assistance of a world renowned HR consultancy firm, Aitken Spence audited all HR practices in line with the benchmarked practices in the world. The audit focused on manpower planning, talent management, development and learning, performance, rewards and recognition, work environment and health and well being.

The HR audit was an effective tool to ensure compliance and reduce exposure to employment related liabilities which can be a significant threat to an organization's assets, public relations, employment brand, and bottom line. We plan to undertake such HR audits periodically to ensure that our HR systems are geared to support the right employees in the right way.

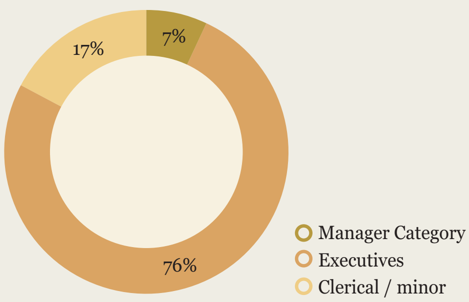
Sector-wise Analysis



Age Analysis



Employee Development



Scoring on the Business Score Card

An increased focus on employee satisfaction meant that we looked inwards this year, to understand how we may enhance the contribution made by the Human Resources Division and what HR professionals need to do to transform what they do and how they are perceived. We identified that Group HR must transform itself from a partner to a player, and therefore designed a HR business scorecard which reflects HR's contribution in achieving the set organisational goals. The scorecard, designed in-house, meets the needs of the 3 key HR strategies i.e. becoming a model employer, retaining talent and measuring the impact of training against the 4 HR roles i.e. HR competencies, HR practices, HR deliverables and HR systems.

Key Performance Indicators (KPI's) for HR Officers

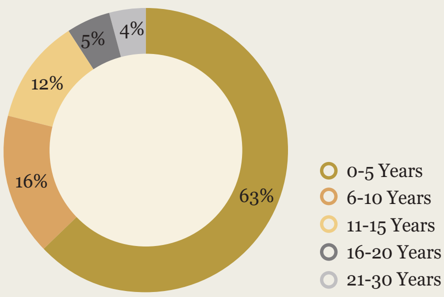
In line with efforts to serve our employees better, the Aitken Spence HR team worked towards developing a tool to monitor the performance of the HR officers in subsidiaries. As a result a set of KPI's were developed based on the HR score card to measure the performance of these individuals in the areas of training and development, retaining talent and advocating model employer values. The aim of introducing KPIs is to help subsidiaries to define and measure the contribution made by their respective HR officers towards organisational objectives and priorities. The proposed framework adopts a balanced approach and it is hoped that the new KPI's can provide a better mechanism for more effective performance monitoring taking account of corporate priorities, for continuous service improvement and enhanced accountability of resources spent.

Sharing Knowledge

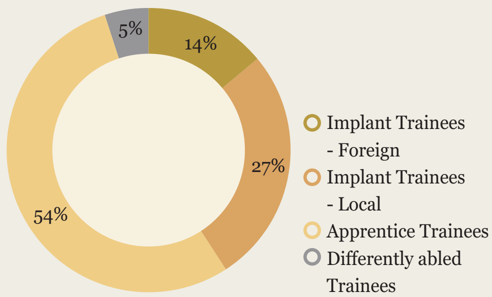
During the year 2007, the Group HR division provided mentoring for twenty four local undergraduates from the Kelaniya and Moratuwa universities. We also provided internship training for six apprentice trainees and four foreign undergraduates studying in the United States of America, Australia and Singapore in the field of human resource management, business management and science. This has been an on going practice that has helped the individuals and the Company to share best practices. The aim of this project is to provide them real working experience whilst obtaining their assistance in adding value to systems and procedures.

The four Undergraduates went through a rigorous training, which tested not only their job skills but also their people skills, a prerequisite to survival in a corporate environment.

Service Analysis



Knowledge Sharing



Corporate Responsibility at Aitken Spence

Corporate responsibility has long been a tradition at Aitken Spence. It has been a way to connect with the societies in which we operate; a way to positively contribute to the global fight against global warming and most importantly, a way to enrich the lives of our employees.

This holistic approach to work is underpinned by a strong business ethic - the backbone of Aitken Spence and the strength of our reputation.

SPENCE EVOLUZIONE CHARITABLE TRUST

The Spence Evoluzione Charitable Trust was created following the devastating tsunami of 2004. The trust was fully registered as a Voluntary Social Service / NGO under the Voluntary Social Services Organisations (Registration & Supervision) Act, No. 31 of 1980.

Its immediate function was to be a collection point for funds that were graciously donated from all those who were associated with Aitken Spence. It succeeded in providing critical relief assistance to thousands of people who were affected by the catastrophic wave.

Following the antecedent chaos, was a period of regrouping and reconstructing, in which, Aitken Spence played a pivotal part, not only for our own employees but also for others affected by the tsunami.

At this stage, objectives for the Trust were set out and the platform for sustainable development at Aitken Spence slowly took shape. The core objective was to use the money in a beneficial way to provide for those affected by the tsunami and other natural disasters in terms of housing, infrastructure, education and general community development.

Kumburupiddy Housing Complex (Trincomalee) Phase II

During the current financial year, the Trust continued its work with the construction of a community centre, medical centre, pre-school and playground for the residents of the complex.

Unfortunately, construction was halted on several occasions due to the security situation of the area. Construction has now re-commenced and it is hoped that this project can be completed in its entirety without more disruption.

Aitken Spence School of Hospitality

In 2007/2008, the Trust extended its post-tsunami work to a new community outreach project. Addressing the need of the country for a specialised hotel school, it commissioned the Aitken Spence School of Hospitality in Ahungalla, under the purview of Aitken Spence Hotel Holdings. With the first batch taken in June 2007, the school has gone from strength to strength producing well-rounded hospitality graduates who have undergone extensive training.

The project provides education to young men and women of employable age for a period of 3 months. The students while at school receive theoretical knowledge in all aspects and some practical knowledge. This is supplemented by exposing them to the actual working environment at the Group's own hotels at Ahungalla, Negombo and Beruwala. This provides the students an opportunity to acquire further skills, the right attitude and thorough working knowledge.

The first batch of students, at the end of their course, was given an opportunity to work at Browns Beach Hotel for nine months as part of their industrial training. During this time, they were given accommodation and an allowance from Browns Beach Hotel.

The school has now taken in its third batch of students. Each of these students has the opportunity to undergo industrial training at an Aitken Spence hotel. By empowering these unemployed youth, the project allows them not only to garner a livelihood but also to develop themselves and to mould a progressive career path for the future.

New Beginnings

The year 2008 herald a new beginning for the Group's corporate responsibility activities. The commissioning of a Sustainability Committee strengthen the Group's commitment not just to being socially responsible, but also to becoming sustainable in all aspects of the business.

Members of the committee comprise of employees from each subsidiary. Together, activity plans for the year are formulated, thus building capacities within their own subsidiaries. In all activities and initiatives, the principles of the United Nations Global Compact and the Global Reporting Initiative are given precedence.

The core focus of the Group continues to be three-pronged in its approach and concentrates on our employees, the environment and the community.

Our main goals are :

- Enriching the lives of our employees by providing a safe working environment, conducive to learning and maturing not just professionally, but personally too, thus creating responsible citizens of the future.
- Managing our carbon footprint by implementing best practices in terms of energy, green cover, transport, resource management and getting involved in replanting the seeds of a healthy environment.
- Reaching out to the communities we are directly and indirectly associated through our projects which are aimed at not only creating livelihoods, but also bringing about a change in outlook so as to make communities more harmonious.

The United Nations Global Compact (UNGC)

Establishing links with the UNGC Sri Lanka Network has taken Aitken Spence further along its sustainability journey. Having been recognised as one of Sri Lanka's best practitioners in the tourism sector, and having joined the UNGC steering committee, the commitment of the Group to the principles of the UNGC only further affirms the sustainability ethos of the Group.

Strategic Corporate Responsibility has been at the forefront of discussions at the local UNGC network and as such, this has been echoed throughout the Group. In this way, our activities must satisfy the triple bottom line; the creation of an equitable platform for the economic, environmental and the social factors which govern our sustainability and profits.

The activities and processes of Aitken Spence takes into account the social inequities, the need for protecting the environment and the balance required in creating an equilibrium with these two factors and the economic aspect of our Company.

Our commitment to the principles of UNGC and our efforts to achieve the Millennium Development Goals (MDG) remains strong and unwavering, as we work towards establishing an equitable and successful triple bottom line environment.

Employees

A seminar was conducted for the staff to mark World AIDS Day. Having understood the importance of curbing the spread of this fatal disease, Plantations has been active in trying to promote healthy behaviours and eradicating the social stigma associating HIV/AIDS.

MDG 6:	Combat HIV/AIDS, Malaria and other diseases
Target 7:	Halt by 2015 and begin to reverse the spread of HIV/AIDS

Aitken Spence Hotels

Aitken Spence Hotel Management, during the year, participated in an ILO programme promoting the awareness of HIV/AIDS at the workplace.

Initially, two employees each from Ramada Resort and Earls Regency were trained by the ILO on HIV/AIDS at awareness the Workplace Project. This number has now grown to eleven master trainers and 48 peer educators and has spread to Heritance Kandalama, Browns Beach Hotel, Tea Factory and Neptune Hotel.

These trainers first built up awareness amongst their fellow employees in a way that they are comfortable with voluntary counselling and testing. An all round programme on all aspects of HIV/AIDS was presented to employees, who were then able to change not only their behaviours but also their attitude towards those living with HIV/AIDS.

Awareness was then filtered down to the families of employees and also other stake holders such as beach guides, taxi drivers and vendors in local areas.

The hotels also collected funds, through their guests, for Lanka Plus; an organisation which assists people who live in the throes of HIV/AIDS .

Aitken Spence Plantations

With the assistance of the World University Services of Canada team, first-aid programmes were conducted monthly for each division for those employees who handle chemical spraying at Sheen estate.

Child Care and Development

The children of workers are looked after in a crèche, whilst their parents are at work. Child care and development are of the utmost importance and activities are conducted to reflect this. The Plantations are responsible for providing the children with their mid-day meal, along with the daily running and maintenance cost of the crèche. The total investment in this project has been Rs.6.5 million 50% of which is undertaken by Aitken Spence Plantations, whilst other donor participants have contributed the balance. This is a project that was started in 2006 and was completed in March 2008.

The estates also recognises the importance of its female employees. To celebrate Women's Day, a seminar on cash management and family planning was conducted for all female employees. The estate firmly believes that all employees, whether male or female, should experience equality, not just in their work life but also in their personal lives.

Group Human Resource Development Division

Through the GHRDD, a number of developmental programmes were conducted for all levels of employees throughout the Group. These programmes include individual development, management development and organisational development. Across the Group, 1722 executives and 135 clerical/supervisory staff have been trained. In South Africa, there have been 360 participants involved in various GHRDD developed programmes.

MDG 3:	Promote gender equality & empower women
Target 4:	Eliminate gender disparity in primary & secondary education and in all levels of education no later than 2015.
MDG 8:	Develop a global partnership for development
Target 16:	Develop and implement strategies for decent and productive work for youth.

Aitken Spence Cargo

Dedunupitiya Maha Vidyalaya, a school in Mawanella was identified by a World Food Programme survey as being "below the poverty line". Aitken Spence Cargo saw an ideal opportunity to enrich the lives of the students at the school and as such organised a mentoring and career guidance for the Ordinary and Advanced Level students. With the assistance of the Group Human Resource Development Division, these young minds were exposed to a comprehensive workshop that allowed them to define their ambitions and goals in their working lives.

From this programme, six students, all awaiting their Advanced Level results, were given the opportunity to partake in on-the-job training in the Kandy and Colombo offices of Aitken Spence Cargo. The programme, has availed the students an opportunity to be exposed to learning the norms and culture of the private sector working environment. Guidance was also given on soft skill development, and confidence building thus improving their level of employability.

MDG 3:	Promote gender equality & empower women
Target 4:	Eliminate gender disparity in primary & secondary education and in all levels of education no later than 2015.
MDG 8:	Develop a global partnership for development
Target 16:	Develop and implement strategies for decent and productive work for youth.

Aitken Spence Hotels

Productivity Awareness Programmes

Aitken Spence Hotels actively organised and participated in ten 5S programmes in their local communities. These programmes have had a great impact on the daily functions of places such as community police stations, schools and even divisional secretariats. Not only has it increased the aesthetic value of these institutions, the 5S programmes have definitely created more efficiency in the work carried out.

Construction of Dharmashalawe

The staff of Heritance Kandalama, in a gesture of solidarity with the people of the surrounding village, constructed a Dharmashalawe in Kaluwagahela, Kandalama. A special project, in that the employees not only got involved financially, but also under took all construction work.

MDG 8:	Develop a global partnership for development
Target 16:	Develop and implement strategies for decent and productive work for youth.

Aitken Spence Hotels

HIV/AIDS Awareness Programmes

An awareness programme was organised by Earl's Regency Hotel for local school children. It is important in Sri Lanka that education on this fatal disease begins from an early stage so that young minds are attuned to correct behaviours. It is also important for children to lose their fear of dealing with people already living with HIV/AIDS.

Aitken Spence Plantations

HIV/AIDS programmes were also organised by the dunsinane, Sheen and Fernlands estates to highlight the importance of healthy behaviours and of the need to remove the social stigma surrounding HIV/AIDS. These programmes, held in December , were attended by over 400 people.

MDG 6:	Combat HIV/AIDS, Malaria and other diseases
Target 7:	Halt by 2015 and begin to reverse the spread of HIV/AIDS.

It is important to note, that all estates under the purview of Aitken Spence Plantation Managements organised awareness programmes for World AIDS Day.

Aitken Spence Plantations

Infrastructure development

Water and sanitation has always been an important issue, especially in plantations. The up keep of standards is imperative for a healthy society. Recognising this importance, the New Peacock Estate was involved in coordinating an upgrading for the water system that catered to the estate community, which comprised of about 200 families. They were also involved with the development of fifty latrines, once again for the estate families.

Aitken Spence Power

Designing and Provision of Infrastructure

Ace Power Embilipitiya has been involved in a number of infrastructure designs for the local water system. With the provision of water pipes and the augmentation of the Water Supply Scheme at

MDG 7:	Ensure environmental sustainability.
Target 10:	Halve by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

a cost of Rs.2.8 million Ace Power Embilipitiya has ensured safe drinking water to their surrounding community. This investment also included a flood prevention bund for the Embilipitiya School, to protect the children from any adverse effects of heavy rains.

Environment

Aitken Spence Hotels

Reuse of discarded materials

Heritance Kandalama has on two occasions made practical and beneficial use of discarded materials. In the first instance, Heritance Kandalama donated two tractor loads of timber for the construction of a local temple. They then donated 52 roofing sheets to another nearby temple. These materials have been reused and this has meant that they were not dumped at a landfill where they would have produced toxic substances, thus not being a burden on our environment.

Browns Beach Hotel has novel ways of reusing and recycling the waste produced by the functions of the Hotel. The daily collection of wet garbage is given to a farmer such that he could use these materials to assist him with his day-to-day work and develop his business. Once the dry waste matter has been sorted out, it is given, at a nominal fee, to a vendor. These materials have then been used by the vendor to develop his business. At Browns Beach, all plastics, polythene and unwanted paper are recycled.

Learning opportunities for youth

Renowned for being one of the world' s most eco-friendly hotels, Heritance Kandalama opened its doors to four Colombo University Zoology students so that they could learn and collect information for their dissertations. They were provided with meals and accommodation, and most importantly an invaluable opportunity to learn about the flora and fauna of Dambulla.

Awareness programmes

A number of Environment Awareness programmes were conducted by Heritance Kandalama and Browns Beach Hotel for their local communities. Whilst Heritance Kandalama focussed on bringing Global Warming to the forefront, they also had events to commemorate World Water Day. At Browns Beach Hotel, an awareness programme on the "year of the Dolphins 2007" was organised and conducted with the assistance of TUI GmBH.

World Environment Day

As with every year, special events were organised by Aitken Spence Hotels to commemorate World Environment Day. This year was no different, with clean up campaigns being organised at Heritance Kandalama and Browns Beach Hotel.

Tree planting campaigns were also organised by both hotels to commemorate World Forestry Day and World Tourism Day.

A tree planting programme was organised by Earl's Regency Hotel as part of the Mahaweli River Bank Conservation Project.

The Gasifier

To address the ever increasing issue of global warming, the environmentally conscious Aitken Spence Hotels took the initiative to install the country's first "Gasifier" at the Tea Factory on the 23rd of October 2007. The brain child of Director Engineering of Aitken Spence Hotel Managements and implemented by a dedicated team, the Gasifier utilises Grilicidea; a wood which minimises the amount of diesel burnt to produce hot water. This not only addresses the environmental concerns but it also provides a livelihood for those who cultivate this crop.

This method of energy production is as much economically viable as it is environmentally friendly. The Tea Factory's switch to the Gasifier will bring a substantial financial saving and will also reduce the Hotel's carbon footprint by 168 tonnes per year.

Aitken Spence Plantations

Renewable energy sources

Elpitiya Plantations has invested in an innovative Mini Hydro project. Using the flow of a waterfall to produce energy, the electricity is sold to the main grid. From 2009 onwards, part of this electricity will be used on the Dunsinane and Sheen estates.

MDG 7:	Ensure environmental sustainability.
Target 9:	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.

Economic Review

The Sri Lankan economy posted a growth rate of 6.8 per cent during the year 2007, albeit a few percentage points lower than the GDP growth posted in 2006. This growth however could still be considered admirable and showcases the country's resilience despite grappling with rising global petroleum and commodity prices, spiraling cost of living and an escalating war in the North and East which occasionally spilled into the commercial capital of Colombo.

In achieving a growth in excess of 6 per cent for the third consecutive year for the first time since independence, Sri Lanka further consolidated its position as a nation that has surpassed its historical average of 4-5 per cent growth. Further, the rate of unemployment continued its declining trend observed over the past few years and dropped to its lowest annual rate of 6 per cent in 2007, while the per capita income rose further to USD 1,617 during the year

The commendable growth rate was fuelled by healthy performance in the industry and service sectors, with an impressive recovery seen in the agriculture sector. There have been increased exports in both rubber and tea which benefited from favourable weather conditions and high global demand, which were definitive contributory factors in gaining a higher growth rate.

GDP Composition

The economic growth in 2007 was mainly driven by the performance in industry and service sectors which grew by 7.6 per cent and 7.1 per cent, respectively, while the agriculture sector grew moderately by 3.3 per cent. With a contribution of 62 per cent to the overall GDP growth, the service sector retained its position as the primary impetus to economic growth. Industry and agriculture sectors contributed 32 per cent and 6 per cent, respectively.

The growth in value addition of the services sector decreased marginally, mainly due to the tourism sub-sector, which was affected by the unfavourable security situation, and also due to the slowdown in imports and domestic trading activities. The service sector growth was therefore driven by export trading services and port related services, reflecting healthy external demand, while the domestic oriented services, such as, banking and telecommunication services also contributed significantly.

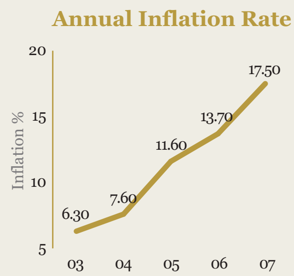
The growth momentum in the industrial sector in 2007 was mainly attributed to the dynamism of manufacturing. The textile, apparel and leather products category, which is the major export oriented industrial sub-sector of the country, recorded a higher output with the increased utilisation of GSP+ duty concessions.

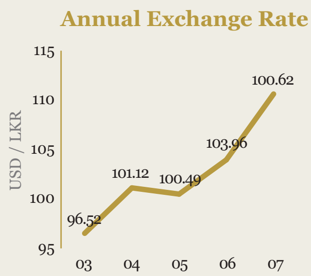
In 2007, most of the sub-sectors in the agriculture sector achieved relatively high growth rates except for tea and paddy. Continuous efforts to enhance the quality of Sri Lankan tea, higher global demand and increased value addition led tea prices to rise well above the global average price, offsetting the decline in production. Rubber production benefited from attractive prices, combined with the adoption of new technologies.

Inflation and Financial Markets

The general price levels increased in 2007 over 2006 consequential upon the build up of price pressure due to combined effects of domestic as well as external demand and supply factors. As a result the year evidenced spiraling inflation caused by increasing Government expenditure including rapidly rising defence expenditures. The situation was compounded by an unprecedented increase in world petroleum prices during the year as well as increases in the prices of wheat and milk powder in the international markets. The official Government inflation rate alone for 2007 was 17.50 per cent compared to 13.70 per cent for 2006.

In a bid to control inflation the Government continued the practice of the last two years and allowed the Treasury bill rates and Inter-Bank rates to rise by adopting a tight monetary policy stance through aggressive open market operations. One year Treasury bill rates rose from 14.53 per cent to 19.00 per cent which was a further 30 per cent increase and the overnight money market rate climbed from 15.00 per cent to 17.50 per cent. The overnight repo rates and reverse repo rates of the CBSL were kept throughout the year at 10.50 per cent and 12.00 per cent respectively which were artificial rates that were not used in practice in the money market.





Economic Review *(Contd.)*

The overall increase in short and medium term interest rates was reflected in the Average Weighted Prime Lending Rate (AWPLR) of all commercial banks as published by the Central Bank of Sri Lanka, which increased from 17.57 per cent to 17.95 per cent by year end.

The short term bonds also witnessed sharp increases with the 2 year bond rate increasing from 14.07 per cent to 18.00 per cent and 5 year bond rate increasing from 13.68 per cent to 15.55 per cent.

Due to the rising interest rate scenario as well as the instability arising from an adverse security situation in the Northern and Eastern provinces, there was no demand for long term bonds. This resulted in there being no issues of 10, 15 & 20 year Treasury Bonds for the fourth year running and it appears that the development of the long term bond market in Sri Lanka is at a standstill.

Despite turbulence in the worldwide stock markets due to the sub-prime issue, the Colombo Stock Exchange (CSE) attracted more foreign inflows on both gross and net basis, demonstrating investor interest in Sri Lanka. However the All Share Price Index (ASPI) and Milanka Price Index (MPI), which rose to the highest levels in February, declined by 7 per cent and 11 per cent for the overall year 2007, compared to an increase of 42 per cent and 51 per cent, respectively in 2006. The market capitalization also declined to Rs 821 Billion at the end 2007 from Rs 835 Billion at the end 2006.

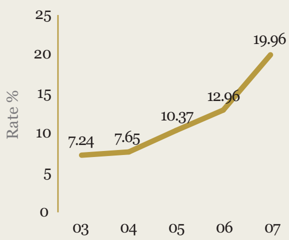
Foreign Exchange Market and FDI

The Sri Lanka rupee fell sharply against the USD from Rs. 108.65 at the beginning of the financial year to Rs. 113.00 levels during the year and then rose equally sharply to end up at Rs. 107.80 by 31st March 2008 showing an overall revaluation of 0.8 per cent. The investment in Rupee bonds by foreign entities, the substantial flows of inward remittances by expatriate Sri Lankans, the Iranian credit line to the CPC and the USD 500 million international bond issue by the government of Sri Lanka helped to mitigate the pressures on the Sri Lankan rupee caused by rising inflation and the printing of money to cope with increased government expenditure.

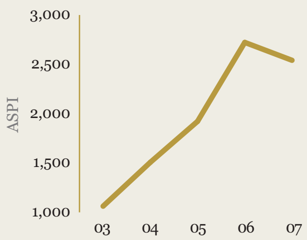
In 2007, the Foreign Direct Investments surpassed the previous peak level recorded in 2006 reflecting the continuous investor confidence in the Sri Lankan economy and the prevailing investor friendly regulatory regime in the country. The gross FDI inflows, including the foreign loans obtained by BOI approved companies, reached a record level of USD 734 million in 2007 from USD 604 million in 2006, mainly due to a sharp increase in reinvestment of retained earnings by existing BOI companies, especially those engaged in the services sector. Total long-term and medium-term loan inflows to the government increased to USD 1,290 million compared to USD 932 million in 2006. The balance of payments recorded a surplus of USD 531 million, which raised the country's external reserves to a higher level, along with a greater stability in the exchange rate.

Key facts pertaining to Sri Lanka	
Land Area	: 65,610 sq. km.
Commercial Capital	: Colombo
Climate	: Tropical (10 C -32 C)
Population	: 19.6 million
Literacy Rate	: 92.5 per cent
Per Capita Income	: (USD) 1,617
Currency	: Sri Lankan Rupee
Corporate Tax Rate	: 35 per cent
Ethnic Groups	: Sinhalese 74 per cent, Tamils 18 per cent, Moors 7 per cent, Others 1 per cent
Religions	: Buddhists 69 per cent, Hindu 15 per cent, Muslim 8 per cent, Christian 8 per cent
Ports	: Colombo, Galle and Trincomalee
Languages	: Sinhala, Tamil and English

1Year TB Rate



All Share Price Index



evergrowing

Remuneration Committee Report

The Remuneration Committee consists of the Chairman of Aitken Spence and Company PLC, as Chairman of the Committee and two other Non-Executive Directors who are independent of Management and free from any business or other relationship which could interfere with the exercise of their independent judgment. The Managing Director of Aitken Spence and Company PLC., attends the meetings by invitation. The Remuneration Committee formally met twice in the last financial year.

The Group policy on remuneration packages is to attract and retain the best professional and managerial talent to the Group and also to motivate and encourage them to perform at the highest possible level. The Group has a structured and professional methodology in evaluating the performance of employees.

The Remuneration Committee having considered the performance of the directors and executives of various Group Companies approved promotions and the revision of individual remuneration packages based on comparative industry levels and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached.

The Remuneration Committee also took into consideration the market rates prevailing at the time of the year, for each level of employees, before such increments and increases were granted to the staff in relation to the Companies performance, and that of other blue chip companies in similar industries. The remuneration package of the directors and executives of the Group is structured in a manner so as to link rewards to corporate and individual performance. No director is involved in deciding his or her own remuneration. The Remuneration Committee also discussed the performance of each Group Company and approved the quantum of the ex-gratia to be allocated to each Company.

Individual remuneration packages are designed to be fair to the Company and its employees.

D. H. S. Jayawardena
Chairman
Remuneration Committee

12th May, 2008.

Audit Committee Report

The Audit Committee comprises of 3 non executive Directors. The Committee met formally 4 times during the year ended 31st March 2008. The Managing Director, the Company Secretary, the Chief Financial Officer and the Chief Internal Auditor attended the meetings on invitation. The Management of the Strategic Business Units, whose audit reports were being reviewed, were invited to attend the meetings, with a view to strengthening the internal controls in operation in their respective units, in order to minimize fraud and errors.

In addition the Chairman of the Audit Committee, had regular informal meetings with the Managing Director, the Company Secretary, the Chief Financial Officer and the Chief Internal Auditor on operational and financial risk related issues. These meetings were of immense benefit to the Group in strengthening internal controls and minimizing operational and financial risks, errors and fraud.

The Audit Committee assisted the Board in the discharge of its duties by ensuring the existence of adequate systems of internal control, the preparation of timely and meaningful financial reports, strict compliance of the prevailing laws of the country and also the directives and guidelines of Regulatory Authorities.

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

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

G. C. Wickremasinghe
Chairman
Audit Committee

28th April 2008.

Annual Report of the Board of Directors

The details set out herein provide the pertinent information required by the Companies Act No 7 of 2007, Colombo Stock Exchange listing rules and the recommended best accounting practices.

The Board of Directors of Aitken Spence and Company PLC., has pleasure in presenting its report together with the audited consolidated financial statements for the year ended 31st March 2008 which were approved by the Directors on 30th May 2008.

Principal Activities

Aitken Spence and Company PLC., is the holding company that directly or indirectly owns investments in companies which form the Aitken Spence Group. In addition to the above the Company provides management and related services to its Group Companies.

The activities of the Group Companies are categorised into three main sectors which are Tourism, Logistics and Strategic Investments. The companies within each sector and its principal activities are described on pages 120 to 123 of the Annual Report. The financial statements of the Company and the Group which include the income statement, balance sheet, cash flow statement, statement of changes in equity, and notes to the financial statements of the company and the Group for the year ended 31st March 2008 are given on pages 80 to 111.

A review of the Company and the performance of its subsidiaries and the future plans of the Group are more fully described in the Chairman's Report, the Managing Director's Report, and the Operational and Financial Reviews of the Annual Report.

During the year under review the Company and its subsidiaries invested Rs. 3.2 billion in new and existing businesses of the Group.

The significant investments made during the year were in Unique Resorts (Pvt) Ltd which operates as Vadoo Resort in the Maldives, and in P.R Holiday Homes Ltd, which will construct a Hotel in the state of Kerala.

During the year under review the Company divested its investment in Aventis Pharma Ltd an associate company. As mentioned in the previous year's Annual Report the commercial operations of the joint venture Aitken Spence GTECH (Pvt) Ltd., ceased operations and all unrecoverable dues to the Company from Aitken Spence GTECH (Pvt) Ltd., were written off during the current financial year. This together with the provisions made against loans given to joint venture companies in the maritime transport division amounted to Rs.256 million. The Group ceased commercial operations in three ship owning companies consequent to the disposal of the vessels.

Group Revenue & Profits

Revenue generated by the Company amounted to Rs.251,012,879/- an increase of 6.6% over last year. The Group revenue was Rs.27,515,959,775/- which was an increase of 39.2% compared to the previous year. An analysis of Group revenue based on business and geographical segments are disclosed in Note 1 to the financial statements on page 92 .

The profit after tax of the Company was Rs.539,620,853/- which is a decrease of 19% over the previous year. The net profit after tax of the Group was Rs.2,829,681,859/- which is an increase of 23.9% over the previous year. The Group's profit attributable to equity shareholders for the year was Rs.1,841,149,908/- (2006/2007 Rs.1,459,775,119/). The segmental profits are disclosed in Note 1 to the financial statements on page 92 .

Donations

During the year charitable donations amounting to Rs.57,500/- were made by the Company of which Rs.30,000/- was paid to approved charities in terms of the Inland Revenue Act No. 10 of 2006 and the charitable donations made by the Group during the year amounted to Rs.7,042,673/-.

	2007/2008 Rs.	2006/2007 Rs.
Group Profits		
The net profit of the Group for the year after providing for all expenses known liabilities and depreciation on property, plant & equipment was	3,064,791,494	2,582,088,275
From which income tax and deferred tax has to be deducted	(235,109,635)	(298,017,381)
Leaving the Group with a profit after taxation of	2,829,681,859	2,284,070,894
From which the amount attributable to minority interest has to be adjusted	(988,531,951)	(824,295,775)
Leaving a profit for the year applicable to the Company of	1,841,149,908	1,459,775,119
To which the balance of the previous year has to be added	5,122,472,005	4,022,929,008
The amount of negative goodwill de-recognised at the beginning of the financial year	Nil	36,677,662
The amount available to the Company for appropriation therefore was	6,963,621,913	5,519,381,789
Appropriations		
The amount available has been appropriated by your Directors as follows:		
Transfer to/from reserves	606,690,980	220,978,164
Interim dividend paid	81,199,209	81,199,209
Final dividend paid 2006/2007 (2005/06)	94,732,411	94,732,411
Leaving an unappropriated balance to be carried forward of	6,180,999,313	5,122,472,005
Final dividend proposed for the year but not accounted for	108,265,612	94,732,411

Annual Report of the Board of Directors *(Contd.)*

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 7 to the financial statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax liability of the Group is given in Note 25 to the financial statements.

Dividends

An interim ordinary dividend of Rs 3.00 per share was paid on the 10th of April 2008. The Directors recommend a final ordinary dividend of Rs. 4.00 per share making a total dividend payment of Rs. 7.00 per share for the year ended 31st March 2008. The total dividend paid in respect of the previous year was Rs. 6.50 per share. The total dividend for the current year is distributed from exempt dividends received by the Company and is exempt from tax in the hands of the shareholders.

The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No 7 of 2007 immediately after the proposed dividend distribution.

Stated Capital and Reserves

As at 31 st March 2008 the Company had issued 27,066,403 ordinary shares and the stated capital of the company was Rs. 2,135,139,952/. The total Group reserves as at 31st March 2008 was Rs.9,768,883,624/- (2007 - Rs.7,795,984,198/-). This consist of capital reserves of Rs.1,581,702,922/- (2007 - Rs.1,501,754,892/-) and revenue reserves of Rs.8,187,180,702/- (2007 - Rs.6,294,229,306/-). The movement in these reserves is shown in the Statement of Changes in Equity – Consolidated on page 82.

Unquoted Debentures

As at 31 st March 2008 the unsecured redeemable debentures of the Company was Rs. 1,360 million. The details and the movement in the debentures are disclosed in page 118 of the Annual Report. The applicable interest on these debentures was duly paid on the due dates.

The details of the debentures issued and redeemed are as follows;

1. Unsecured Redeemable Debentures 2004-2009

(i) Fixed Rate

5,000 fixed rate unsecured redeemable debentures of Rs. 100,000/00 each was issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a., out of which 1,000 debentures were redeemed on 29th June 2007. The applicable interests on these debentures were duly paid on 29th June 2007 and 28th December 2007.

(ii) Floating Rate

5,000 floating rate unsecured redeemable debentures of Rs. 100,000/00 each was issued on 30th July 2004 with interest payable semi annually at an interest rate computed at six month net treasury bill rate +2.15% p.a., out of which 1,000 debentures were redeemed on 29th July 2007. The applicable interest on these debentures were duly paid on 29th July 2007 and 29th January 2008.

2. Unsecured Redeemable Debentures 2006-2012

In October 2006 the Company raised Rs 960 million by way of a private placement issuing 9,600,000 unsecured redeemable debentures of Rs. 100/00 each.

(i) Fixed rate

3,000,000 Fixed rate unsecured redeemable debentures of Rs. 100/00 each was issued on 25th October 2006 with interest payable annually at the interest rate of 13.75% p.a. The applicable interest on these debentures was duly paid on 24th October 2007.

(ii) Floating rate

6,600,000 Floating rate unsecured redeemable debentures of Rs. 100/00 each was issued on 25th October 2006 and 24th November 2006 with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures were duly paid on 25th April 2007 and 24th October 2007.

Date of issue	No. of debentures
25th October 2006	4,100,000
24th November 2006	2,500,000

Property, Plant & Equipment

The book value of Property Plant & Equipment for the Company and the Group as at 31 st March 2008 amounted to Rs. 47,100,575/- and Rs.16,982,305,850/-respectively.

The total expenditure on the acquisition of property, plant & equipment during the year in respect of new assets and replacements by the Company and the Group amounted to Rs. 17,683,896/- and Rs. 1,654,071,152/- respectively.

Market Value of Freehold Properties

The freehold land owned by companies in the Group were revalued by professionally qualified independent valuers during the financial year 2003/2004, with the exception of those owned by Aitken Spence Hotel Holdings PLC which were revalued during the financial year 2006/2007. The Group revalues its freehold land once in every five years. Details of the revaluation, written down value and the carrying amount at cost are given in Note 10.3 to the financial statements.

Directors

The Board of Directors of the Company as at 31 st March 2008 comprised of,

D. H. S. Jayawardena - Chairman
J. M. S. Brito - Deputy Chairman and Managing Director
R. M. Fernando
G. C. Wickremasinghe
R. Sivaratnam
C. H. Gomez
N. J. de S. Deva Aditya

All the above Directors of the Company held office during the entire financial year. Mr. V. M. Fernando, Attorney-at-Law was appointed to the Board as a non Executive Independent Director on 1st May 2008.

Annual Report of the Board of Directors *(Contd.)*

The resume of the Directors are given on pages 10 to 13 of the Annual Report.

Board Sub Committees

The following Directors of the Board serve as members of the Board Audit Committee and Remuneration Committee.

Audit Committee

G. C. Wickremasinghe - *Chairman*
R. Sivaratnam
C. H. Gomez

Remuneration Committee

D. H. S. Jayawardena - *Chairman*
G. C. Wickremasinghe
R. Sivaratnam

Recommendation for re-election

All Directors of the Company held office during the entire financial year other than Mr. V. M. Fernando who was appointed to the Board on 1st May 2008.

Dr. R. M. Fernando retires by rotation in terms of Article 85 of the Articles of Association of the Company and being eligible is recommended by the Board for re election at the forth coming Annual General Meeting.

Mr. V. M. Fernando retires in terms of Article 91 of the Articles of Association of the Company and being eligible is recommended by the Board for re-election at the forthcoming Annual General Meeting.

Mr. G. C. Wickremasinghe attained the age of 70 years on 15th August 2003 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, he vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. G. C. Wickremasinghe, and that he be re-appointed as a Director at the Annual General Meeting. The Directors recommend the adoption of the Ordinary Resolution.

Mr. R. Sivaratnam attained the age of 70 years on 7th January 2008 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, he vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. R. Sivaratnam, and that he be re-appointed as a Director at the Annual General Meeting. The Directors recommend the adoption of the Ordinary Resolution.

Directors' Shareholding and their Interests.

The Directors of the Company together with their spouses held 693,139 Shares as at 31 st March 2008. Their holdings amounted to 2.6% of the total issued share capital, as detailed below.

Shareholding of Directors together with their spouses

	31.03.08	31.03.07
D. H. S. Jayawardena	Nil	Nil
J. M. S. Brito	19,233	14,733
R. M. Fernando	Nil	Nil
G. C. Wickremasinghe	487,216	487,216
R. Sivaratnam	186,690	272,190
C. H. Gomez	Nil	Nil
N. J. de S. Deva Aditya	Nil	Nil
V. M. Fernando	Nil	Nil

The Indirect shareholding of Directors:

	31.03.08	31.03.07
D. H. S Jayawardena		
- Stassen Exports Ltd	216,300	216,300
- Milford Exports (Ceylon) Ltd	288,100	288,100
G. C. Wickremasinghe		
- Manohari Enterprises Ltd	19,922	19,922

Shares held by the Directors in Group Companies

	31.03.08	31.03.07
Aitken Spence Hotel Holdings PLC		
J. M. S. Brito	9,000	3,000
G. C. Wickremasinghe	316,551	316,551
R. Sivaratnam	73,334	73,334
Hethersett Hotels Ltd		
G. C. Wickremasinghe	1,041,500	1,041,500
R. Sivaratnam	25,000	25,000

Apart from the above shareholdings, the Directors of the Company did not hold any shares in Group companies.

Interest Register

An Interest Register is maintained by the Company as per the Companies Act No 7 of 2007.

The Share ownership of the Directors is indicated above on this page.

Directors Remuneration

The Directors remuneration in respect of the Company and the Group for the financial year ended 31st March 2008 is disclosed on page 93 of the financial statements.

Directors Interest in Contracts

Directors interest in contracts or proposed contracts with the Company, both direct and indirect are disclosed on pages 110 to 111 of the Annual Report. These interests have been declared at Director's meetings.

Accounting Policies

There were no changes in the accounting policies adopted by the Company or its subsidiaries during the financial year.

Subsidiary Board of Directors

The names of the Subsidiary Board Directors are given on pages 120 to 123 of the Annual Report.

Annual Report of the Board of Directors *(Contd.)*

Auditors
The auditors report on the financial statements is given on page 79 of the Annual Report. The retiring auditors Messrs KPMG Ford Rhodes Thornton & Co have stated their willingness to continue in office and as per the requirements a resolution to re-appoint them as auditors and granting authority to the Board to decide on their remuneration will be proposed at the Annual General Meeting.

The audit fees payable by the Company to the auditors Messrs. KPMG Ford Rhodes Thornton & Co., was Rs.560,000/-.

In addition to the above amount they were paid Rs.590,781/- for permitted non audit related services including tax consultancy services.

Messrs. KPMG Ford Rhodes Thornton & Co who are the auditors of the Company are also the auditors of certain subsidiaries of the Group. The List of subsidiaries audited by them is included on pages 120 to 123 of the Annual Report. The amount payable by the Group as audit fees to Messrs KPMG Ford Rhodes Thornton & Co was Rs. 5,269,458/-. A further Rs.2,624,601/- was paid for permitted non audit related services including tax consultancy services. In addition to the above Rs. 1,805,258/- was payable to other auditors for carrying out audits in the subsidiaries where the audits are not carried out by Messrs. KPMG Ford Rhodes Thornton & Co. The amount paid to such auditors for permitted & non audit related services including tax consultancy services was Rs 1,689,943/-.

As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries that would have an impact on their independence.

Shareholder Information
Information relating to earnings, net assets, dividends and market price per share is given in the Financial Highlights on page 1 of the Annual Report. The Share & Debenture Information is given on pages 116 to 119 of the Annual Report.

Corporate Governance
The Company's corporate governance practices are set out on pages 52 to 55 of the Annual Report.

Internal Control
The Directors accept ultimate responsibility for the Group's system of internal control. The systems are geared to provide with reasonable assurance that the assets of the Group are safeguarded and that all transactions are relevant, properly authorised and duly recorded. Further details of the internal control systems in operation are contained in the Statement of Directors' Responsibilities on page 78 and the Audit Committee Report set out on page 73 of the Annual Report.

Contingent Liabilities
Contingent liabilities exist in respect of guarantees given to third parties in respect of bank and credit facilities obtained by subsidiaries and associate companies. Details are given in Note 30 to the financial statements.

Statutory Payments
The Directors, to the best of their knowledge and belief are satisfied that all statutory obligations due to the Government and to the employees have been either duly paid or adequately provided in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 78 of this Annual Report.

Environmental Protection
The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment in which the Group operates and ensures strict adherence to all environmental laws. The numerous environmental awards won by Group companies are ample testimony to this aspect of the Group's corporate social responsibility. The Group has not engaged in any activities which are harmful and dangerous to the environment. The corporate social responsibility report is included on pages 62 to 68 of the Annual Report.

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

Events occurring after the Balance Sheet date
No material events that require adjustments to the financial statements have taken place, subsequent to the date of the Balance Sheet.

Shareholdings
There were 1636 shareholders as at 31st March 2008. The distribution of the shares is detailed on page 116. Details of the twenty largest shareholders as at 31st March 2008 are given on page 117.

Public Holding
The percentage of the shares held by the public as at 31st March 2008 was 51.19%.

For and on behalf of the Board of Directors,

D.H.S. Jayawardena	**J.M.S. Brito**	**R.E.V. Casie Chetty**
Chairman	*Deputy Chairman*	*Company Secretary*
Colombo	Colombo	Colombo

30th May 2008

Statement of Directors' Responsibility

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements to the shareholders in accordance with the relevant provisions of the Companies Act No.7 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 confirm that the financial statements of the Company and its subsidiaries for the year ended 31st March 2008 incorporated in this report have been prepared in accordance with the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

In the preparation of the financial statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Any material departures if any from accounting policies have been disclosed and explained in the financial statements.

The Directors have adopted the going concern basis in preparing the financial statements. 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 has adequate resources to continue in operation.

The Directors accept the responsibility 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 reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal controls in order to prevent and detect fraud and other irregularities.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

The Directors confirm to the best of their knowledge that all taxes, levies and financial obligations of the Group have been either duly paid or adequately provided in the financial statements.

By Order of the Board,

R.E.V. Casie Chetty
Company Secretary

Colombo
30th May 2008.

Independent Auditor's Report

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300,
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TO THE SHAREHOLDERS OF
AITKEN SPENCE AND COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence and Company PLC, the consolidated financial statements of the Company and its subsidiaries as at that date which comprise the balance sheet as at March 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 80 to 111 of this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2008 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2008 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2008 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

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

Ford Rhodes Thornton

KPMG Ford, Rhodes, Thornton & Co.
Chartered Accountants

Colombo
30th May 2008

Income Statements

For the year ended 31st March	Notes	Group 2008 Rs. '000	Group 2007 Rs. '000	% Change	Company 2008 Rs. '000	Company 2007 Rs. '000	% Change
Revenue	1	27,515,960	19,765,632	39.2	251,013	235,401	6.6
Revenue tax		(322,078)	(235,907)	36.5	-	-	-
Net revenue		27,193,882	19,529,725	39.2	251,013	235,401	6.6
Other operating income	2	100,820	310,178	(67.5)	855,924	755,804	13.2
Changes in inventories of finished goods and work-in-progress		22,519	4,552	394.7	-	-	-
Raw materials and consumables used		(12,268,781)	(7,542,092)	62.7	-	-	-
Employee benefits expense		(1,870,675)	(1,588,736)	17.7	(129,221)	(89,976)	43.6
Depreciation and amortisation		(1,156,799)	(1,013,298)	14.2	(20,993)	(19,488)	7.7
Other operating expenses - direct	3	(5,135,279)	(4,041,870)	27.1	-	-	-
Other operating expenses - indirect		(3,274,360)	(2,427,018)	34.9	(420,036)	(160,498)	161.7
Profit from operations	1 & 4	3,611,327	3,231,441	11.8	536,687	721,243	(25.6)
Financial income		416,749	149,359	179.0	522,460	295,672	76.7
Financial expenses	5	(1,095,736)	(832,670)	31.6	(501,934)	(331,953)	51.2
Net financing income / (expense)		(678,987)	(683,311)	(0.6)	20,526	(36,281)	156.6
Share of associate companies profits / (loss)	6	132,452	33,958	290.0	-	-	-
Profit before tax		3,064,792	2,582,088	18.7	557,213	684,962	(18.7)
Income tax expense	7	(235,110)	(298,018)	(21.1)	(17,592)	(18,700)	(5.9)
Net profit for the period		2,829,682	2,284,070	23.9	539,621	666,262	(19.0)
Attributable to:							
Equity holders of the parent		1,841,150	1,459,775	26.1	539,621	666,262	(19.0)
Minority interest		988,532	824,295	19.9	-	-	
		2,829,682	2,284,070	23.9	539,621	666,262	(19.0)
Earnings per share - Basic/Diluted (Rs.)	8	68.02	53.93	26.1	19.94	24.62	(19.0)
Dividends per share (Rs.)	9	7.00	6.50	7.7	7.00	6.50	7.7

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheet

As at 31 March	Notes	Group 2008 Rs. '000	Group 2007 Rs. '000	Company 2008 Rs. '000	Company 2007 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant & equipment	10	16,982,305	16,770,495	47,101	46,419
Leasehold property	11	1,356,987	-	-	-
Intangible assets	12	122,520	159,407	-	-
Investment property	13	28,936	28,936	712,206	716,604
Investments in subsidiaries and joint ventures - unquoted	14	-	-	4,095,617	3,965,512
Investments in subsidiaries - quoted	14	-	-	679,300	679,300
Investments in associates	15	764,489	697,111	335,515	398,441
Long term investments	16	263,576	170,098	159,233	162,932
Deferred tax asset	17	39,342	-	-	-
		19,558,155	17,826,047	6,028,972	5,969,208
Current Assets					
Inventories	18	1,304,955	872,227	1,511	1,420
Amount due from subsidiaries		-	-	1,459,581	2,209,426
Amount due from associates		115,652	115,133	107,498	108,731
Trade and other receivables	19	6,085,144	4,257,000	113,238	348,249
Current investments	20	4,554	4,266	436	147
Deposits and prepayments		481,627	516,953	20,163	28,119
Current tax receivable		17,764	22,942	9,443	-
Short-term deposits		2,596,529	2,202,740	1,871,220	1,333,645
Cash and cash equivalents		858,862	533,517	60,216	28,214
		11,465,087	8,524,778	3,643,306	4,057,951
Assets held for sale	21	161,951	-	57,237	-
Total Assets	22	31,185,193	26,350,825	9,729,515	10,027,159
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	23	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	23	3,587,884	2,673,510	1,835,012	1,228,868
Retained earnings		6,181,000	5,122,472	1,975,014	2,217,234
		11,904,024	9,931,122	5,945,166	5,581,242
Minority interest		3,881,704	3,193,710	-	-
Total Equity		15,785,728	13,124,832	5,945,166	5,581,242
Non-Current Liabilities					
Interest bearing liabilities	24	6,508,062	6,423,906	1,990,000	2,310,000
Deferred tax liability	25	187,272	231,124	4,639	7,047
Retirement benefit obligations	26	208,500	177,082	29,691	22,975
		6,903,834	6,832,112	2,024,330	2,340,022
Current Liabilities					
Trade payables		1,836,475	1,204,913	-	-
Provisions and other payables	27	1,945,994	2,033,723	278,293	346,852
Interest bearing liabilities repayable within one year	24	2,106,021	1,824,022	320,000	250,000
Amount due to subsidiaries		-	-	946,594	1,388,687
Amount due to associates		4,390	1,528	-	34
Current tax payable		92,600	116,938	-	16,540
Interim dividend declared		81,199	81,199	81,199	81,199
Short term bank borrowings		2,428,952	1,131,558	133,933	22,583
		8,495,631	6,393,881	1,760,019	2,105,895
Total Equity and Liabilities		31,185,193	26,350,825	9,729,515	10,027,159

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.

I certify that the financial statements for the year ended 31st March 2008 are in compliance with the requirements of Companies Act. No. 7 of 2007.

Ms. N. Sivapragasam
Chief Financial Officer

For and behalf of the Board;

D. H. S. Jayawardena
Chairman

J.M.S. Brito
Deputy Chairman/Managing Director

30th May 2008
Colombo, Sri Lanka

Statement of Changes in Equity - Consolidated

For the year ended 31st March 2008	Attributable to Equity holders of the parent							Minority Interest	Total Equity
	Stated Capital	Revaluation Reserve	Other Capital Reserves	General Reserves	Exchange Fluctuation Reserve	Retained Earnings	Total		
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 31st March 2006	2,135,140	1,278,282	127,521	900,067	64,513	4,022,929	8,528,452	2,679,745	11,208,197
Adoption of SLAS 25 (Revised 2004) - Business Combinations	-	-	-	-	-	36,678	36,678	-	36,678
Adjusted balance as at 31st March 2006	2,135,140	1,278,282	127,521	900,067	64,513	4,059,607	8,565,130	2,679,745	11,244,875
Currency translation differences	-	-	-	-	(13,805)	-	(13,805)	34,655	20,850
Effect of new companies acquiring	-	-	-	-	-	-	-	(810)	(810)
Transfer to general reserves	-	-	-	-	-	-	-	-	-
Transfer to/from retained earnings	-	-	-	220,979	-	(220,979)	-	-	-
Surplus on revaluation	-	95,953	-	-	-	-	95,953	33,016	128,969
Net income recognised directly in equity	-	95,953	-	220,979	(13,805)	(220,979)	82,148	66,861	149,009
Profit for the period	-	-	-	-	-	1,459,775	1,459,775	824,296	2,284,071
Total recognised income and expenses for the period	-	95,953	-	220,979	(13,805)	1,238,796	1,541,923	891,157	2,433,080
Final Dividend paid for 2005/2006 (Note 9)	-	-	-	-	-	(94,732)	(94,732)	-	(94,732)
Interim dividend proposed 2006/2007 (Note 9)	-	-	-	-	-	(81,199)	(81,199)	-	(81,199)
Dividends of subsidiaries	-	-	-	-	-	-	-	(377,192)	(377,192)
Balance as at 31st March 2007	2,135,140	1,374,235	127,521	1,121,046	50,708	5,122,472	9,931,122	3,193,710	13,124,832
Currency translation differences	-	-	-	-	204,895	-	204,895	97,184	302,079
Share of net assets of associate companies	-	103,569	-	-	-	-	103,569	21,871	125,440
Unclaimed dividends transferred to reserves						234	234	-	234
Transfer to general reserve	-	-	-	629,532	-	(629,532)	-	-	-
Transfer to/from retained earnings	-	(23,622)	-		-	23,622	-	-	-
Effect of changes in percentage holding in subsidiaries	-		-	-	-	(1,015)	(1,015)	1,742	727
Net income recognised directly in equity	-	79,947	-	629,532	204,895	(606,691)	307,683	120,797	428,480
Profit for the period	-	-	-	-	-	1,841,150	1,841,150	988,532	2,829,682
Total recognised income and expenses for the period	-	79,947	-	629,532	204,895	1,234,459	2,148,833	1,109,329	3,258,162
Final dividend paid for 2006/2007 (Note 9)	-	-	-	-	-	(94,732)	(94,732)	-	(94,732)
Interim dividend proposed 2007/2008 (Note 9)	-	-	-	-	-	(81,199)	(81,199)	-	(81,199)
Dividends of subsidiaries	-	-	-	-	-	-	-	(421,335)	(421,335)
Balance as at 31st March 2008	2,135,140	1,454,182	127,521	1,750,578	255,603	6,181,000	11,904,024	3,881,704	15,785,728

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

For the year ended 31st March 2008	Stated Capital Rs'000	Revaluation Reserve Rs'000	General Reserves Rs'000	Retained Earnings Rs'000	Total Rs'000
Balance as at 31st March 2006	2,135,140	217,368	790,521	1,947,882	5,090,911
Transfer to/from retained earnings	-	-	220,979	(220,979)	-
Net income recognised directly in equity	-	-	220,979	(220,979)	-
Profit for the period	-	-	-	666,262	666,262
Total recognised income and expenses for the period	-	-	220,979	445,283	666,262
Final Dividend paid for 2005/2006 (Note 9)	-	-	-	(94,732)	(94,732)
Interim dividend proposed 2006/2007 (Note 9)	-	-	-	(81,199)	(81,199)
Balance as at 31st March 2007	2,135,140	217,368	1,011,500	2,217,234	5,581,242
Unclaimed dividends transferred to reserves	-	-	234	-	234
Transfer to general reserve	-	-	629,532	(629,532)	-
Transfer to/from retained earnings	-	(23,622)	-	23,622	-
Net income recognised directly in equity	-	(23,622)	629,766	(605,910)	234
Profit for the period	-	-	-	539,621	539,621
Total recognised income and expenses for the period	-	(23,622)	629,766	(66,289)	539,855
Final dividend paid for 2006/2007 (Note 9)	-	-	-	(94,732)	(94,732)
Interim dividend proposed 2007/2008 (Note 9)	-	-	-	(81,199)	(81,199)
Balance as at 31st March 2008	2,135,140	193,746	1,641,266	1,975,014	5,945,166

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Group 2007/2008 Rs. '000	Group 2006/2007 Rs. '000	Company 2007/2008 Rs. '000	Company 2006/2007 Rs. '000
Cash Flows From / (Used in) Operating Activities				
Net profit before taxation	3,064,792	2,582,088	557,213	684,962
Adjustments for				
Depreciation & amortisation	1,113,008	956,220	20,993	19,488
Impairment of goodwill	43,791	57,273	-	-
Interest expense	1,030,526	797,502	501,934	331,953
(Profit)/loss of sale of property plant & equipment	26,339	(17,420)	(246)	(1,015)
Profit of sale of Investments	(26,242)	(141,555)	(36,598)	(766)
Interest Income	(416,749)	(149,359)	(522,460)	(295,672)
Surplus on acquisition of companies	-	(11,209)	-	-
Share of associate companies' profit after tax	(132,452)	(33,958)	-	-
Provision / write off of bad and doubtful debts	210,767	18,456	257,449	-
Effect of subsidiaries disposed during year	-	247,688	-	-
Effect of subsidiaries acquired during year	-	26,726	-	-
Effect of entities held for sale	(7,677)	-	-	-
Unclaimed dividends transferred to reserves	234	-	234	-
Movement in provision for fall in value of investment	-	-	20,000	-
Foreign exchange profit	(52,549)	(87,161)	-	(13,984)
Gratuity provision	56,718	53,294	9,705	6,402
	1,845,714	1,716,497	251,011	46,406
Operating profit before working capital changes	4,910,506	4,298,585	808,224	731,368
(Increase)/decrease in trade and other receivable	(2,039,428)	161,599	728,639	(277,910)
(Increase)/decrease in inventories	(432,728)	(177,488)	(91)	(438)
Increase/(decrease) in trade and other payables	546,413	715,226	(510,969)	(267,445)
(Increase)/ decrease in deposits & prepayments	35,327	(170,627)	7,956	(25,255)
	(1,890,416)	528,710	225,535	(571,048)
Cash generated from operations	3,020,090	4,827,295	1,033,759	160,320
Interest paid	(1,030,526)	(797,502)	(501,934)	(331,953)
Income tax paid	(337,464)	(230,622)	(45,982)	(13,842)
Gratuity payment	(25,300)	(23,803)	(2,989)	(760)
	(1,393,290)	(1,051,927)	(550,905)	(346,555)
Net cash generated from / (used in) operating activities	1,626,800	3,775,368	482,854	(186,235)

(carried forward to next page)

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Group 2007/2008 Rs. '000	Group 2006/2007 Rs. '000	Company 2007/2008 Rs. '000	Company 2006/2007 Rs. '000
(brought forward from previous page)				
Net cash generated from / (used in) operating activities	1,626,800	3,775,368	482,854	(186,235)
Cash flow from investing activities				
Investments made during the year	(103,622)	(43,848)	(150,395)	(41,445)
Purchase of property, plant and equipment	(1,654,071)	(2,315,437)	(17,684)	(14,775)
Purchase of leasehold rights	(1,401,870)	-	-	-
Proceeds from sale of property, plant and equipment	306,505	26,131	651	1,173
Proceeds from sale of investment	47,905	230,012	45,988	237,742
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(421,335)	(377,192)	-	-
Dividends received from associate companies	18,588	27,222	-	-
Net cash generated from / (used in) investing activities	(3,207,900)	(2,453,112)	(121,440)	182,695
Cash flow from financing activities				
Interest received from deposits	416,749	149,359	522,460	295,672
Proceeds from interest bearing liabilities	2,347,951	2,616,718	-	1,960,000
Repayment of interest-bearing liabilities	(1,934,713)	(2,032,585)	(250,000)	(400,000)
Dividends paid	(175,647)	(175,601)	(175,647)	(175,601)
Net cash generated from financing activities	654,340	557,891	96,813	1,680,071
Net increase/(decrease) in cash and cash equivalents	(926,760)	1,880,147	458,227	1,676,531
Cash and cash equivalents at the beginning of the period	1,953,199	73,052	1,339,276	(337,255)
Cash and cash equivalents at the end of the period	1,026,439	1,953,199	1,797,503	1,339,276
Cash and cash equivalents at the end of the period				
Cash at bank and in hand	858,862	533,517	60,216	28,214
Short term deposits	2,596,529	2,202,740	1,871,220	1,333,645
Short-term bank borrowings	(2,428,952)	(1,131,558)	(133,933)	(22,583)
Cash and cash equivalent as previously reported	1,026,439	1,604,699	1,797,503	1,339,276
Effect of exchange rate changes	-	348,500	-	-
Cash and cash equivalent as restated	1,026,439	1,953,199	1,797,503	1,339,276

The Accounting Policies and Notes on pages 86 through 111 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Accounting Policies

Aitken Spence and Company PLC., (the " Company") is a 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 at the "Aitken Spence Towers" 305, Vauxhall Street, Colombo 02

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 120 to 123 of this report.

Aitken Spence and Company PLC. does not have an identifiable parent.

Statement of compliance

The financial statements of Aitken Spence and Company PLC., and those consolidated with such comprise the balance sheet, income statement, cash flow statement, statement of changes in equity, accounting policies and notes to the financial statements. These statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The financial statements for the year ended 31st March 2008 were authorised for issue by the Directors on the 30th of May 2008

Basis of preparation

The financial statements are presented in Sri Lankan rupees, rounded to the nearest thousand.

The financial statements referred to are based on the historical cost convention, except for certain investments, and items of property, plant & equipment in respect of which valuations are based as explained in Accounting Policies 1.3 and 2 below.

The preparation of financial statements in conformity with Sri Lanka Accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that financial year, or the period of the revision and future periods if the revision affects both current and future financial years.

1. General accounting policies

Accounting Policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by the entities in the Group.

1.2 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and its subsidiaries and the Group's interest in associate companies and jointly controlled entities.

Subsidiaries, joint ventures and associates consolidated are disclosed in Note 14-15 to the financial statements.

1.2.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities which is evident when the company controls the composition of the board of directors of the entity or holds more than 50% of (a) the issued shares of the entity (b) the voting rights of the entity (c) the entitlement to receive dividend from shares carrying unlimited rights to participate in the distribution of profits or capital.

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

The financial statements of subsidiaries are included in the consolidated financial statements when control effectively commences and until control effectively ceases.

1.2.2 Minority Interest

The proportion of the profit or loss after taxation applicable to outside shareholders of subsidiary companies is reflected under "Minority Interest" in the consolidated income statement.

The interest of the outside shareholders in the net assets employed of those companies are reflected under the heading "Minority Interest" in the balance sheet.

1.2.3 Associates

These are undertakings in which the Group has 20% to 50% of the voting rights but which are not subsidiaries or joint ventures, and in respect of which the Group exercises significant influence but does not have control, over their financial and operating policies.

The results of associate companies are accounted for under the equity basis of accounting, where the Group's share of profits and losses is incorporated in the consolidated income statement, and the related investments carried forward in the consolidated balance sheet at values adjusted to reflect the Group's share of retained assets. Dividends declared by the associates are recognised against the equity value of the Group's investment.

1.2.4 Joint Ventures

Enterprises in which the Group has joint control over their financial and operating policies are termed joint ventures. The Group's interest in jointly controlled entities is accounted for on a proportionate consolidation basis. The Group's share of the assets and liabilities of such entities are included in the

Accounting Policies *(Contd.)*

consolidated balance sheet and the Group's share of their profits and losses are included in the consolidated income statement in accordance with Sri Lanka Accounting Standard 31 - Financial Reporting of Interests in Joint Ventures.

1.2.5 ***Goodwill***

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

Goodwill is initially recognised at cost. The company will test the goodwill for impairment annually and assess any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately in the income statement.

The carrying amount of goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible asset and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the consolidated income statement.

1.2.6. ***Reporting date***

All the Group's subsidiaries, jointly controlled entities and associate companies have a common financial year other than Hayleys Plantations Services Ltd. and Talawakelle Tea Estates PLC., whose financial year ends on 31st December. Talawakelle Tea Estates PLC., is a subsidiary of Hayleys Plantation Services Ltd., which is an associate company. The difference between the reporting date of the above subsidiaries and that of the parent does not exceed three months.

1.2.7. ***Intra-group transactions***

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

1.2.7.1 ***Transactions eliminated on consolidation***

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in full in the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated unless there is evidence of impairment.

1.3 Transactions in foreign currencies

1.3.1 All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the balance sheet date. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement, except in the case of cash flow hedges, which are accounted as stated below.

1.3.2 In respect of transactions which meet the conditions for special hedge accounting in relation to cash flow hedges, the portion of the exchange gain or loss on the hedge instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the income statement.

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

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

2. Assets and bases of their valuation

2.1 Property, plant & equipment

Property, plant and equipment other than land, are stated at cost less accumulated depreciation and impairment. The cost of an item 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 a self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

Accounting Policies *(Contd.)*

The Group revalues land at least once in every five years which is stated at its fair value at the date of revaluation less any subsequent impairment loss. On revaluation of land any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land are disclosed in Note 10.3 to the financial statements.

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2.1.1. ***Subsequent cost***

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably.

2.1.2 ***Depreciation***

Depreciation of property, plant and equipment of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of each part of the asset.

Depreciation is not provided on land and assets under construction.

Generally assets are depreciated on a straight-line method over the following periods.

Leasehold Premises.	**Over the periods of the leases**
Buildings	20 - 50 years
Plant & Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years
Motor Vehicles	04 - 10 years
Furniture & Fittings.	10 years
Computer Equipment	3-5 years
Crockery, Cutlery & Glassware	3-5 years
Tug Boats & Supply crafts	5 years
Vessels	35 years
Soft Furniture	5-10 years

Depreciation is provided proportionately in the year of purchase and in the year of disposal of the asset.

Buildings of the Group's resorts in the Maldives that are not depreciated as above, are depreciated on an annuity method over the period of the leases.

Power generation plants are depreciated from the date of first commercial operation of the plant.

2.1.3 ***Leased assets***

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as leased assets under property, plant and equipment and is stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less the accumulated depreciation.

2.2 Leasehold property

The cost of acquiring leasehold property that is accounted for as an operating lease, is amortised over the period of lease term in accordance with the pattern of benefits expected to be derived from the lease. Cost of leasehold property is tested for impairment annually.

2.3. Investments

2.3.1 Unquoted investments are treated as long-term investments and valued at cost in the financial statements. Investments in preference shares are treated as long-term investments and valued at the par value of the shares in the financial statements.

2.3.2 Investments in subsidiary companies and jointly controlled entities are valued at cost and treated as long-term investments in the parent company's financial statements.

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

2.3.4 All other quoted investments are treated as current investments and accordingly valued at the lower of cost and market value on a portfolio basis, with any resultant gains or losses recognised in the income statement.

2.4. Investment properties

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both are treated as investment properties and valued at cost less aggregate depreciation in the balance sheet. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognise the decline.

Certain items of land and building that had been revalued to fair value prior to 1st April 2005, the date of transition to the Sri Lanka Accounting Standard No 40 –Investment Property, are measured on the basis of deemed cost, being the revalued amount at the date of the revaluation.

2.4.1 ***Depreciation***

No depreciation is provided on land treated as investment property.

Depreciation of other investment property of the Group is provided for on a consistent basis, over the period

Accounting Policies *(Contd.)*

appropriate to the estimated useful lives of the assets on a straight-line method.

Leasehold Premises	Over the periods of the leases
Buildings	Over 20 - 50 years

2.4.2 In the consolidated financial statements, properties which are occupied by the companies within the group for the production or supply of goods and services or for administration purposes is treated as property, plant and equipment while these properties are treated as investment property in the company owning the asset.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost other than in the hotel companies in the Republic of Maldives where inventories are valued on a first in first out basis. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads based on normal operating capacity.

2.6 Debtors

Debtors are stated at the amounts estimated to be realised. Provision has been made in the financial statements for bad and doubtful debts.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks and short-term liquid money market investments. Bank overdrafts and short-term borrowings repayable on demand are included as a components of cash and cash equivalents for purpose of cash flow disclosures.

2.8 Assets held for sale

Assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on above assets is first allocated to goodwill, and then to 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 measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

2.9 Impairment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of goodwill is estimated at each balance sheet date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of subsidiaries acquired are allocated first to reduce the carrying amount of any goodwill allocated to the entity and then to reduce the carrying amount of other assets in the entity on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less estimated costs of sale. 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 or cash-generating unit.

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 balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in the income statement.

3. Liabilities and provisions

Liabilities are recognised in the balance sheet when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of a creditor or within one year of the balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet date are treated as non-current liabilities in the balance sheet.

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for

Accounting Policies *(Contd.)*

which a reliable estimate could be made is required to settle the obligation.

4. Taxation

4.1 Current tax

4.1.1 Companies incorporated in Sri Lanka.

Provision for current tax in respect of companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No 10 of 2006, and its amendments thereto.

4.1.2 Companies incorporated outside Sri Lanka

Provision for current tax in respect of companies incorporated outside Sri Lanka have been computed in accordance with the relevant tax statutes as disclosed in Note 07 to the financial statements.

4.1.3 Taxation for the current and previous periods to the extent unpaid is recognized 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 recognized as an asset in the financial statements.

4.2 Deferred taxation

Deferred tax is recognized using the balance sheet method, and is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments 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 at the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each balance sheet 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 balance sheet and are not offset.

5. Income statement

5.1 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax and intra-group sales.

5.2 Profit

The profit earned by the Group before taxation as shown in the consolidated income statement is after making provision for bad and doubtful debts, all known liabilities and depreciation of property, plant & equipment except as referred to under para 2.1.1 above.

5.3 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

5.4 Borrowing costs

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

5.5 Revenue recognition

5.5.1 Revenue is recognised on an accrual basis in such transactions involving the sale of goods, when all significant risks and rewards of ownership have been transferred to the buyer.

5.5.2 Revenue on rendering of services is recognised on a job completion basis.

5.5.3 In respect of the Group's hotel operations, apartment revenue is recognised on the rooms occupied on a daily basis, and food & beverage sales are accounted for at the time of sale.

5.5.4 Interest income is accrued on a time basis other than for debenture income which is recognised on a cash basis.

5.5.5 Dividends from investments (excluding those from subsidiaries and associates) are recognised when the right to receive such is established.

5.6 Disposal of property, plant & equipment

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

5.7 Movement of reserves

Movements of reserves are disclosed in the statement of changes in equity.

Accounting Policies *(Contd.)*

6. Segment information

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

6.1 Business segment

The activities of the Group have been broadly classified into three main segments according to the nature of the product or service provided.

6.2 Geographical segment

The activities of the Group have been broadly classified into two segments, namely, operations within Sri Lanka and those outside Sri Lanka, that is, Asia & Africa. Geographical segment is identified by the location of assets.

6.3 Segment expenses are expenses that are directly attributed to a segment or a relevant portion of expenses that can be allocated on a reasonable basis as determined by the management.

6.4 Segment information analysed by industry and geographical segments is disclosed in notes to the accounts 1 & 21 on pages 92, 105 and 106.

7. Cash flow

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

8. 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 Company's control.

Contingent liabilities are disclosed in Note 30 to the financial statements.

9. Retirement benefits

9.1 Defined benefit plan - retiring gratuity

Provision has been made in the financial statements for retiring gratuities. This has been based on an actuarial valuation carried out on a projected unit credit method as recommended by Sri Lanka Accounting Standard 16- Retirement Benefit Cost. The actuarial valuation was carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd.

9.1.1 The principal actuarial assumptions used in determining the cost are;

(i) rate of interest is equal to 12% which is the market yield on government bonds on the date of valuation.
(ii) salary increments will range between 7% and 11% p.a.
(iii) retirement age of 55 years.
(iv) the Company will continue in business as a going concern.

9.1.2 The actuarial valuation was made on 31st March 2007.

9.1.3 The liability is not externally funded.

9.1.4 It is proposed that a valuation is obtained at least once in every three years.

9.2 Defined contribution plan

Obligations for contributions to a defined contribution plan are recognised as an expense in the income statement as incurred.

The Group contributes 12% - 15% and 3% of gross emoluments of employees as provident fund and trust fund contribution respectively.

10. Events occurring after the balance sheet date

All material post balance sheet events have been considered, disclosed and adjusted where applicable.

Notes to the Financial Statements

1. Segment analysis of group revenue and profit

1.1 Business Segment

a. Revenue

	Total Revenue Generated		Inter - Segmental Revenue		Intra-Segmental Revenue		Revenue from External Customers	
	2007/2008 Rs'.000	2006/2007 Rs'.000	2007/2008 Rs'.000	2006/2007 Rs'.000	2007/2008 Rs'.000	2006/2007 Rs'.000	2007/2008 Rs'.000	2006/2007 Rs'.000
Tourism Sector*	8,047,975	5,703,290	25,765	25,927	656,066	326,504	7,366,144	5,350,859
Cargo Logistics Sector*	3,766,808	3,186,213	312,081	246,535	172,529	178,158	3,282,198	2,761,520
Strategic Investments*	18,279,958	12,406,510	149,745	98,907	50,263	43,528	18,079,950	12,264,075
Total Segment Revenue	30,094,741	21,296,013	487,591	371,369	878,858	548,190	28,728,292	20,376,454
Share of associate company revenue	(1,212,332)	(610,822)	-	-	-	-	(1,212,332)	(610,822)
Total Revenue	28,882,409	20,685,191	487,591	371,369	878,858	548,190	27,515,960	19,765,632

** Includes Associate Companies*

b. Profit

	Profit from Operations		Profit from Ordinary Activities		Non Cash Expenses		Income Tax	
	2007/2008 Rs.'000	2006/2007 Rs.'000	2007/2008 Rs.'000	2006/2007 Rs.'000	2007/2008 Rs.'000	2006/2007 Rs.'000	2007/2008 Rs.'000	2006/2007 Rs.'000
Tourism Sector *	1,258,451	888,363	947,472	672,149	22,291	21,847	54,200	81,095
Cargo Logistics Sector *	350,724	258,221	379,602	223,483	23,897	32,854	120,829	85,078
Strategic Investments *	2,002,152	2,084,857	1,737,718	1,686,456	221,298	19,442	60,081	131,845
	3,611,327	3,231,441	3,064,792	2,582,088	267,486	74,143	235,110	298,018

** Includes Associate Companies*

Profits from operations and profits from ordinary activities of the strategic investments segment is after recognising Rs. 43.8 Mn as impairment of goodwill. There were no impairment losses recognised directly to the equity during the year and no reversals of impairment losses recognised in profits or directly in equity during the year.

1.2. Geographical Segment

	Revenue		Profit on Ordinary Activities	
	2007/2008 Rs.'000	2006/2007 Rs.'000	2007/2008 Rs.'000	2006/2007 Rs.'000
Sri Lanka	22,570,240	16,747,783	1,982,225	1,848,502
Asia & Africa	6,312,169	3,937,408	1,082,567	733,586
	28,882,409	20,685,191	3,064,792	2,582,088

2. Other operating income

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Profit/(loss) on sale of property, plant & equipment	(26,339)	17,420	246	1,015
Profit on sale of Investments *	26,242	141,555	36,598	766
Dividend from investments	13,275	10,469	819,003	703,544
Amortisation of surplus on acquisition	-	11,209	-	-
Foreign exchange profit	52,549	87,161	-	13,984
Insurance received	27,975	-	-	-
Effect of restructuring of subsidiaries	-	35,730	-	35,730
Sundry income	7,118	6,634	77	765
	100,820	310,178	855,924	755,804

* The profits resulting from the divestment of investment in Aventis Pharma Ltd, an associate company, is included under current year profit on sale of investments.

Notes to the Financial Statements *(Contd.)*

3. Other operating expenses-direct

Direct operating expenses as disclosed in the income statement refers to the cost of services other than staff costs which are directly related to revenue. Since most of the companies in the Group operate in service industries the above amount represents a substantial portion of the total operating costs.

4. Profit from operations before interest is stated after charging

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Cost of inventories and services	19,579,069	13,411,245	129,236	80,956
Directors' remuneration & fees	170,125	130,066	16,002	10,989
Auditors' remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	5,269	4,531	560	490
- Other auditors	1,806	1,562	-	-
Fees paid to Auditors for non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	2,625	2,498	591	819
- Other auditors	1,690	684	-	180
Depreciation	1,068,126	956,220	20,993	19,488
Amortisation	44,883	-	-	-
Impairment of goodwill	43,791	57,273	-	-
Provision / write off of bad and doubtful debts*	210,767	18,456	257,449	-
Defined contribution plan cost - EPF & ETF	120,661	127,883	13,178	11,458
Defined benefit plan cost - Gratuity	56,718	53,294	9,705	6,402

* Subsequent to the cessation of commercial operations of the joint venture between Aitken Spence and G-TECH Corporation of United States due to the termination of the Mahapola on-line lottery contract, all unrecoverable dues to the group from the above joint venture (net of the share of settlement proceeds) amounting to Rs. 188 Mn was written off by the Group during the year. Further the Company provided for the unrecoverable portion of loans amounting to Rs. 69 Mn given to the other joint venture companies in the maritime transport division during the year.

5. Financial expenses

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Interest on long-term borrowings	927,566	591,154	404,922	203,030
Interest on short-term borrowings	102,960	206,348	95,371	119,499
Bank charges	47,185	33,781	1,641	408
Finance charges on leases	18,025	1,387	-	9,016
	1,095,736	832,670	501,934	331,953

There were no borrowing costs capitalised on qualifying assets by the Group during the financial year 2007/2008 (2006/2007 - Rs. 1,913,070/). No borrowing costs capitalised by the company during the financial years 2007/2008 & 2006/2007.

6 Share of associate companies profit/(loss) after tax

	Group	
	2007/2008 Rs. '000	2006/2007 Rs. '000
M.P.S. Hotels Ltd.	(244)	782
Browns Beach Hotels Ltd.	5,303	(1,163)
Aventis Pharma Ltd.	-	4,236
Aitken Spence Plantation Managements Ltd.		
(consolidated with Elpitiya Plantations PLC, and other subsidiaries)	39,254	6,963
Hayleys Plantation Services Ltd.		
(consolidated with Talawakelle Tea Estates PLC.)	35,308	19,206
Ceyspence (Pvt) Ltd. *	51,505	27,625
Ceyserv Lines (Pvt) Ltd. *	1,326	(82)
Ceyfirst Shipping (Pvt) Ltd. *	-	(23,609)
	132,452	33,958

** Refer note 21*

Notes to the Financial Statements *(Contd.)*

7. Taxation

Income tax provision of Aitken Spence and Company PLC, has been calculated on its adjusted profit at 35% in terms of the Inland Revenue Act No.10 of 2006.

The taxation details of the other companies in the Group are as follows:

7.1 Tourism Sector

- The profits of Aitken Spence Hotel Managements Asia (Pvt) Ltd, are exempt from income tax for a period of 3 years, in terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.
- The profits of Neptune Ayurvedic (Pvt) Ltd., are exempt from income tax for a period of 5 years in terms of Section 19 of the Inland Revenue Act No.10 of 2006.
- The profits of the Aitken Spence Hotels (International) Ltd., and Ace Ayurvedic (Pvt) Ltd., are exempt from income tax in terms of Section 13 of the Inland Revenue Act No.10 of 2006.
- The profits and income of Aitken Spence Travels (Pvt) Ltd., Ace Travels & Conventions (Pvt) Ltd., Aitken Spence Hotels Ltd., Aitken Spence Hotel Holdings PLC and Aitken Spence Hotel Managements Ltd., Hethersett Hotels Ltd., and Kandalama Hotels Ltd., being companies involved in the promotion of tourism are liable to tax at a concessionary rate of 15%, in terms of Section 45 of the Inland Revenue Act No.10 of 2006.
- The profits of BIR Hotel Management (Pvt) Ltd., Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd, Crest Star Ltd., Crest Star (BVI) Ltd, and ADS Resorts (Pvt) Ltd., are not liable to income tax in the respective countries in which they are incorporated.
- P.R. Holiday Homes (Pvt) Ltd., which is a company incorporated in India is liable to an effective income tax rate of 33.66% as per the Indian tax law.

7.2 Cargo Logistics sector

- The qualified export profits of Ace Container Repair (Pvt) Ltd., being a specified undertaking under Section 60 are liable to income tax at a concessionary rate of 15% upto and including year of assessment 2014/2015, in terms of Section 52 of the Inland Revenue Act No.10 of 2006.
- The profits and income earned by Spence Shipping (Pvt) Ltd., on transshipment agency fees are liable to income tax at a concessionary rate of 15%, in terms of Section 59 of the Inland Revenue Act No.10 of 2006.
- The profits of Ace Bangladesh Ltd. and Spence Mac Bangladesh (Pvt) Ltd. are liable to income tax at 37.5% in Bangladesh.
- The profits of Port Management Container Service (Pvt) Ltd., are exempt from income tax in terms of Section 13 of the Inland Revenue Act No.10 of 2006, but the profits and income derived in South Africa are taxed at 34% as per the South African tax laws.

7.3 Strategic Investments

- The export profits of Ace Exports (Pvt) Ltd., are liable to tax at a concessionary rate of 15% upto and including year of assessment 2014/2015, in terms of Section 52 of the Inland Revenue Act No.10 of 2006.
- The export profits and income of Aitken Spence Exports Ltd., are liable to tax at a concessionary rate of 15% in terms of Section 52 of the Inland Revenue Act No.10 of 2006.
- The export profits and income of Aitken Spence Garments Ltd., are liable to tax at a concessionary rate of 15% in terms of Section 52 of the Inland Revenue Act No.10 of 2006.
- The profits and income of Ace Power Generation Matara PLC. are exempt from income tax for a period of 10 years from the year of assessment 2002/2003 in terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.
- The profits and income of Ace Power Generation Horana (Pvt) Ltd., are exempt from income tax for a period of 10 years from the year of assessment 2002/2003 in terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.
- The profits and income of Ace Power Generation Embilipitiya Ltd., are exempt from income tax for a period of 10 years from the year of assessment 2005/2006 in terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.
- The profits and income of Eves Information Technology Lanka (Private) Ltd, are exempt from income tax for a period of 5 years from in

Notes to the Financial Statements *(Contd.)*

terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.

- The profits and income of San Spence Ltd, are exempt from income tax for a period of 3 years in terms of an agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978.
- Vauxhall Property Developments Ltd., has completed its tax exempt period and as per the agreement concluded with the Board of Investment of Sri Lanka under Section 17 of the BOI Law No.4 of 1978, and is liable to income tax at a tax rate of 2% of turnover.

7.4 Associate Companies

- The relevant profits and income of Aitken Spence Plantation Managements Ltd. and Hayleys Plantation Services Ltd., being companies providing management services to agricultural undertakings are liable to tax at a concessionary rate of 15% in terms of Section 46 of the Inland Revenue Act No.10 of 2006.
- The relevant profits and income of Elpitiya Plantations PLC and Talawakelle Tea Estates PLC. being agricultural undertakings are exempt from income tax for a period of 5 years commencing from the year of assessment 2005/2006, in terms of Section 16 of the Inland Revenue Act. No. 10 of 2006.
- The profit and income of Browns Beach Hotels Ltd and MPS Hotels Ltd., being companies involved in the promotion of tourism are liable to tax at a concessionary rate of 15%, in terms of Section 45 of the Inland Revenue Act No.10 of 2006.

7.5 Social responsibility levy of 1 % which is payable on the income tax liability of the companies, as per the Finance Act No 11 of 2006 has been accounted for and included in the income tax provision.

7.6 The companies in the Group have brought forward losses amounting to Rs.1,410 million which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted on these losses amounts to Rs. 61 million.

7.7 Income tax expense

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Tax on current year profits	243,476	202,624	20,000	21,150
Under/ (over) provision in previous years	11,816	(5,607)	-	-
Tax on dividends	63,012	69,116	-	-
Deferred tax charge/ (reversal)	(83,194)	31,885	(2,408)	(2,450)
	235,110	298,018	17,592	18,700

Notes to the Financial Statements *(Contd.)*

7.8 Reconciliation of the Accounting Profit and the Income Tax Expense

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Profit from operations after interest	2,932,340	2,548,130	557,213	684,962
Share of profits of associate companies	132,452	33,958	-	-
Other consolidation adjustments	(13,124)	(90,790)	-	-
Profit from operations after adjustments	3,051,668	2,491,298	557,213	684,962
Income not liable for income tax	(2,712,996)	(1,882,369)	(819,003)	(703,473)
Accounting losses adjusted for tax purposes	287,312	216,288	287,312	216,288
Adjusted profit	625,984	825,217	25,522	197,777
Non - taxable receipts / gains	(50,052)	(1,311)	(35,598)	(180,773)
Aggregate disallowed expenses	586,793	448,083	90,703	61,675
Capital allowances	(337,173)	(935,319)	(13,939)	(11,238)
Aggregate allowable deductions	(109,085)	(80,257)	(10,580)	(7,978)
Utilisation of tax losses	(10,746)	(20,207)	-	-
Current year tax losses not utilised	175,880	728,455	-	-
Taxable income	881,601	964,661	56,108	59,463
Income Tax charged at				
Standard rate	165,878	117,839	20,000	21,150
Concessionary rate of 15%	21,918	21,819	-	-
Income taxed at other rates	19,620	43,980	-	-
Off-shore profits at varying rates	36,060	18,986	-	-
	243,476	202,624	20,000	21,500
Dividends tax	63,012	69,116	-	
Deferred tax charge/ (reversal)	(83,194)	31,885	(2,408)	(2,450)
Under/ (over) provision for previous year	11,816	(5,607)	-	-
	235,110	298,018	17,592	18,700

8. Earnings per share

Basic Earnings Per Share is calculated by dividing the net profit/(loss) for the year attributable to 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 computations.

	Group		Company	
	2007/2008 Rs. '000	2006/2007 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Net profit attributable to ordinary shareholders of the parent (Rs.)	1,841,149,908	1,459,775,119	539,621,877	666,261,880
Weighted average number of ordinary shares in issue	27,066,403	27,066,403	27,066,403	27,066,403
Earnings Per Share	68.02	53.93	19.94	24.62

As there were no share options outstanding at year end diluted earnings per share is equal to the basic earnings per share for the year.

Notes to the Financial Statements *(Contd.)*

9. Dividends

	2007/2008 Rs. '000	2006/2007 Rs. '000
Interim ordinary declared : Rs.3.00 per share (2006/07 - 3.00- per share), (paid on 10th April 2008)	81,199	81,199
Final ordinary dividend recommended Rs. 4.00 - per share. (2006/2007 : Rs.3.50- per share)	108,266	94,732
	189,465	175,931

Directors have recommended a Rs.4.00-per share final dividend payment for the year ended 31st March 2008. to be approved at the Annual General Meeting on 27th June 2008.

The entire dividend for the year is paid out of exempt dividends received by the company and is exempt from tax in the hands of the shareholders. In compliance with Sri Lanka Accounting Standard no. 12 Events after Balance Sheet date (revised 2005) the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2008.

10 . Property, plant & equipment

10.1 Group

	Freehold Land Rs.'000	Freehold Buildings Rs.'000	Plant Machinery & Equipments Rs.'000	Motor vehicles Rs.'000	Furniture & Fittings Rs.'000	Leased Assets Rs.'000	Vessels Rs.'000	Capital Work-in-Progress Rs.'000	Total Rs.'000
Cost or Valuation									
Balance as at 01.04.2007	1,879,795	6,589,084	10,000,906	549,151	900,268	11,001	285,573	472,530	20,688,308
Exchange difference	2,284	(48,889)	(8,320)	(703)	(2,300)	-	-	-	(57,928)
Additions	41,451	252,494	377,561	123,486	50,574	36	-	808,468	1,654,071
Transfers	-	-	968	-	(968)	-	-	-	-
Disposals	-	(303)	(36,632)	(33,046)	(4,444)	-	(285,573)	(65,784)	(425,782)
Balance as at 31.03.2008	1,923,530	6,792,386	10,334,483	638,889	943,130	11,037	-	1,215,214	21,858,670
Accumulated Depreciation									
Balance as at 01.04.2007	-	975,565	2,265,718	268,979	368,354	6,935	21,800	10,462	3,917,813
Exchange difference	-	(7,996)	(6,385)	(639)	(1,616)	-	-	-	(16,636)
Charge for the year	-	289,383	639,439	66,665	70,568	546	-	1,525	1,068,126
Disposals	-	(3,113)	(29,209)	(28,362)	(3,236)	-	(21,800)	(7,218)	(92,939)
Balance as at 31.03.2008	-	1,253,840	2,869,563	306,643	434,069	7,481	-	4,769	4,876,364
Written Down Value as at 31.03.2008	1,923,530	5,538,546	7,464,920	332,246	509,061	3,556	-	1,210,446	16,982,305
Written Down Value as at 31.03.2007	1,879,795	5,613,519	7,735,188	280,172	531,914	4,066	263,773	462,068	16,770,495

The value of property, plant & equipment pledged as security for facilities obtained from banks amounted to Rs.4,905 million (2006/2007- Rs.5,521 million) Company-nil.

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

Notes to the Financial Statements *(Contd.)*

10.2. Company

	Plant Machinery & Equipments Rs. '000	Motor Vehicles Rs. '000	Furniture & Fittings Rs. '000	Total Rs. '000
Cost				
Balance as at 01.04.2007	124,339	5,966	18,023	148,328
Additions	13,523	3,940	221	17,684
Disposals	(451)	-	(121)	(572)
Balance as at 31.03.2008	137,411	9,906	18,123	165,440
Accumulated Depreciation				
Balance as at 01.04.2007	83,246	4,474	14,189	101,909
Charge for the year	14,291	1,708	748	16,747
Disposals	(196)	-	(121)	(317)
Balance as at 31.03.2008	97,341	6,182	14,816	118,339
Written Down Value as at 31.03.2008	40,070	3,724	3,307	47,101
Written Down Value as at 31.03.2007	41,093	1,492	3,834	46,419

10.3 Details of revaluation of land

Company	Location	Last revaluation Date	WDV as at 31.03.2008 Rs. '000	Revaluation Surplus Rs. '000	Carrying Amount at Cost 31.03.2008 Rs. '000
Aitken Spence and Company PLC	315, Vauxhall Street, Colombo 02	31.03.2004	160,000	158,843	1,157
Aitken Spence and Company PLC	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2004	76,379	71,388	4,991
Aitken Spence and Company PLC	170, Sri Wickrema Mw., Colombo 15	31.03.2004	87,760	44,799	42,961
Aitken Spence and Company PLC	Neptune Hotel, Moragalla, Beruwala	29.09.2003	244,458	243,504	954
Aitken Spence Hotel Holdings PLC	"Heritance Ahungalla", Galle Road, Ahungalla	31.03.2007	260,839	243,398	17,441
Ace Containers (Pvt) Ltd.	775/5, Negombo Road, Wattala	31.03.2004	354,500	259,109	95,391
Ace Containers (Pvt) Ltd.	385, Colombo Road, Welisara	31.03.2004	113,000	26,327	86,673
Vauxhall Property Developments Ltd.	305, Vauxhall Street, Colombo 02	31.03.2004	94,000	79,269	14,731
Vauxhall Investments Ltd.	316, K. Cyril C. Perera Mw.., Colombo 13	31.03.2004	33,594	11,755	21,839
Aitken Spence (Garments) Ltd.	222, Agalawatte Road, Matugama	31.03.2004	6,000	3,420	2,580
Clark Spence & Co., Ltd.	24-24/1, Church Street, Galle	31.03.2004	54,300	54,265	35
Pearl Beach Hotels Ltd.	Moragalla, Beruwala	31.03.2004	121,640	110,560	11,080
			1,606,470	1,306,637	299,833

The above land has been revalued by independent, qualified valuers on the basis of current market value.

11. Leasehold property

	Group 31.03.2008 Rs. '000	31.03.2007 Rs. '000
Cost		
Balance as at 01.04.2007	-	-
Additions	1,401,870	-
Balance as at 31.03.2008	1,401,870	-
Accumulated amortisation		
Balance as at 01.04.2007	-	-
amortisation during the year	44,883	-
Balance as at 31.03.2008	44,883	-
Carrying amount as at 31.03.2008	1,356,987	-

Notes to the Financial Statements *(Contd.)*

12. Intangible assets

	Group	
	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Goodwill on consolidation		
Cost		
Balance as at 01.04.2007	159,407	240,265
Accumulated amortisation as at 31.03.2006	-	(48,454)
Additions	6,904	24,869
Impairment during the year	(43,791)	(57,273)
Balance as at 31.03.2008	122,520	159,407
Accumulated amortisation		
Balance as at 01.04.2007	-	(48,454)
Transfer of accumulated amortisation on adopting SLAS 41	-	48,454
Balance as at 31.03.2008	-	-
Unamortised goodwill as at 31.03.2008	122,520	159,407

13. Investment property

13.1 Movement during the year

	Group		Company	
	31.03.2008 Rs. '000	31.03.2007 Rs. '000	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Cost or valuation				
Balance as at 01.04.2007	28,936	28,936	776,674	776,674
Disposed during the year	-	-	(303)	-
Balance as at 31.03.2008	28,936	28,936	776,371	776,674
Accumulated depreciation				
Balance as at 01.04.2007	-	-	(60,070)	(55,741)
Disposed during the year	-	-	151	-
Charge for the year	-	-	(4,246)	(4,329)
Balance as at 31.03.2008	-	-	(64,165)	(60,070)
Written Down value as at 31.03.2008	28,936	28,936	712,206	716,604

13.2 Market value

Investment properties in the group are accounted on the cost model. The open market value of the above property based on the directors valuation as at 31st March 2008 was Rs. 28.9 million (2006/2007- Rs. 28.9 million) company Rs. 2,306 million (2006/2007 - Rs. 877.4 million)

13.3 Income earned from investment property

The total rent income earned by the company from investment property during the year was Rs. 37.0 million (2007-Rs.37.7 million)(Group-nil). There were no direct operating expenses arising from any of the above investment properties.

Notes to the Financial Statements *(Contd.)*

14. Investments

14.1 Investments in subsidiaries and joint ventures - unquoted

	Number of Shares	Company Holding %	Group Holding %	31.03.2008 Rs. '000	31.03.2007 Rs. '000
a) Ordinary Shares					
Subsidiary companies					
Aitken Spence Exports Ltd (a)	52,500	100.0	100.0	514	514
Aitken Spence Cargo (Pvt) Ltd (a) (formerly known as Aset Ltd)	10,000	100.0	100.0	820	820
Clark Spence & Company (Pvt) Ltd (a)	25,000	100.0	100.0	357	357
Aitken Spence Insurance (Pvt) Ltd (a)	10,000	100.0	100.0	100	100
Ace Container Repair (Pvt) Ltd. (a)	2,250,000	100.0	100.0	22,500	22,500
Aitken Spence Printing (Pvt) Ltd (a)	4,760,000	100.0	100.0	47,600	47,600
Ace Exports (Pvt) Ltd (a)	1,400,000	100.0	100.0	14,000	14,000
Aitken Spence Apparels (Pvt) Ltd	1,500,000	100.0	100.0	15,000	7,000
Ace Containers (Pvt) Ltd (a)	4,010,000	100.0	100.0	40,100	40,100
Aitken Spence Developments (Pvt) Ltd	46,000	92.0	92.0	1,825	1,825
Ace Container Terminals (Pvt) Ltd (a)	1,550,002	100.0	100.0	15,500	15,500
Vauxhall Investments Ltd (a)	1,320,000	100.0	100.0	13,200	13,200
Aitken Spence Hotel Management (Pvt) Ltd (a)	20,000	100.0	100.0	200	200
Aitken Spence Hotel Management Asia (Pvt) Ltd (a) (b)*	24,500	49.0	86.9	245	245
Aitken Spence Group Ltd (a) (b)	10,000	100.0	100.0	100	100
Ace Distriparks (Pvt) Ltd (a)	8,900,000	100.0	100.0	89,000	89,000
Vauxhall Property Developments Ltd (a) (b)	11,270,000	100.0	100.0	153,401	153,401
Kandalama Hotels Ltd (a)	6,000,000	37.0	82.8	182,050	182,050
Ace Freight Management (Pvt) Ltd (a)	5,222,500	100.0	100.0	36,307	36,307
Elevators (Pvt) Ltd (a)	133,400	66.7	66.7	7,269	7,269
Triton Ltd (a)	10,000	100.0	100.0	50	50
Ace Power Generation Horana (Pvt) Ltd. (a) (b)	20,046,998	51.0	51.0	200,470	200,470
Ace Power Generation Matara PLC (a) (b)	21,523,362	51.0	51.0	215,234	215,234
Ace Power Embilipitiya (Pvt) Ltd. (a)	124,033,413	74.0	74.0	1,404,415	1,404,415
Aitken Spence Hotels (International) Ltd. (a)*	10,323,225	49.0	86.9	99,000	1,000
Aitken Spence Moscow (Pvt) Ltd. (a)	37,500	75.0	75.0	375	375
Aitken Spence Corporate Finance (Pvt) Ltd (a)	2	100.0	100.0	-	-
Ace Cargo (Pvt) Ltd. (a)	922,500	93.2	93.2	231,547	231,547
Ace International (Pvt) Ltd (a)	280,000	100.0	100.0	2,800	2,800
Aitken Spence Property Developments (Pvt) Ltd (a)	74,865,000	90.0	100.0	748,650	748,650
Ace Freight Logistics (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Ace International Express (Pvt) Ltd (a)	10,000	100.0	100.0	100	100
Aitken Spence Shipping International Ltd (a)	140,000	100.0	100.0	1,400	1,400
Ace Aviation Services (Pvt) Ltd (a)*	10,001	50.0	100.0	100	-
Aitken Spence Shipping Services Ltd (a)*	99	1.0	100.0	1	-
Ace Printing & Packaging (Pvt) Ltd (a)	10,000	100.0	100.0	100	-
Spence International (Pvt) Ltd (a)	1,500,000	100.0	100.0	15,000	-
Aitken Spence Insurance Brokers (Pvt) Ltd (a)	150,000	100.0	100.0	1,500	-
Pearl Beach Hotels (Pvt) Ltd (a)*	1	-	72.7	-	-
Ahungalla Resorts Ltd (a)*	1	-	74.4	-	-
PR Holiday Homes (Pvt) Ltd (a)*	-	-	86.9	-	-
Ace Haulage (Pvt) Ltd (a)*	-	-	100.0	-	-
Aitken Spence Hotels Ltd (a)*	-	-	72.7	-	-
Aitken Spence Aviation (Pvt) Ltd., (a) (formerly known as Aset Airways Ltd)	-	-	100.0	-	
BIR Hotel Management (Pvt) Ltd (a)*	-	-	70.7	-	-
Jetan Travel Services Company Pvt Ltd (a)*	-	-	70.7	-	-

Notes to the Financial Statements *(Contd.)*

14.1 Investments in subsidiaries and joint ventures - unquoted *(contd.)*

	Number of Shares	Company Holding %	Group Holding %	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Hethersett Hotels Ltd (a)*	-	-	37.4	-	-
Crest Star Ltd (a)*	-	-	74.4	-	-
Crest Star (BVI) Ltd (a)*	-	-	74.4	-	-
Cowrie Investments (Pvt) Ltd. (a)*	-	-	44.6	-	-
Ace Ayurvedic (Pvt) Ltd (a)*	-	-	74.4	-	-
Neptune Ayurvedic Village (Pvt) Ltd (a)*	-	-	74.4	-	-
ADS Resorts (Pvt) Ltd (a) *	-	-	86.9	-	-
Port Management Container Services (Pvt) Ltd (a)	-	-	100.0	-	-
Aitken Spence Resources (Pvt) Ltd (a)*	-	-	100.0	-	-
Unique Resorts (Pvt) Ltd (a)*	-	-	86.9	-	-
Joint ventures					
Aitken Spence Travels (Pvt) Ltd (a)	1,704,000	50.0	50.0	60,876	60,876
MMBL Money Transfer (Pvt) Ltd (a)	3,000,000	50.0	50.0	35,566	30,000
Aitken Spence (Garments) Ltd (a)	998,750	50.0	50.0	26,257	26,257
Vauxhall Shipping (Pvt) Ltd.	12,250	49.0	49.0	150	150
Spence Mac Holdings (Pvt) Ltd (a)	5,000,000	50.0	50.0	50,000	50,000
Eves Information Technology Lanka (Pvt) Ltd (a)	833,850	50.0	50.0	8,338	-
San Spence Limited (a) (b)	1,350,000	50.0	50.0	13,500	-
Aitken Spence Shipping Ltd * (a)	-	-	50.0	-	-
Spence Shipping (Pvt) Ltd * (a)	-	-	60.0	-	-
Clark Spence Garments Ltd * (a)	-	-	50.0	-	-
Ace Travels & Conventions (Pvt) Ltd. * (a)	-	-	50.0	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. * (a)	-	-	50.0	-	-
Shipping & Cargo Logistics (Pvt) Ltd * (a)	-	-	25.0	-	-
Delta Shipping (Pvt) Ltd. * (a)	-	-	51.0	-	-
GAC Shipping Ltd. *	-	-	25.0	-	-
GAC Logistics Ltd. *	-	-	25.0	-	-
GAC Marine Services (Pvt) Ltd. *	-	-	25.0	-	-
Mc Ships Agencies (Colombo) Ltd. *	-	-	50.0	-	-
Ace Global Aviation Services (Pvt) Ltd. * (a)	-	-	60.0	-	-
Ace Bangladesh Ltd * (a)	-	-	45.7	-	-
Spence Mac Bangladesh *	-	-	25.0	-	-
Spence Logistics (Pvt) Ltd * (a)	-	-	50.0	-	-
Spence Maldives (Pvt) Ltd (a)*	-	-	55.9	-	-
				3,755,617	3,605,512

b) Preference shares

	Number of Shares	Company Holding %	Group Holding %	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Aitken Spence (Garments) Ltd	1,500,000	50.0	50.0	15,000	15,000
Kandalama Hotels Ltd	17,500,000	100.0	100.0	175,000	175,000
Aitken Spence Hotel Holdings Ltd	16,500,000	100.0	100.0	165,000	165,000
Aset Airways Ltd	500,000	100.0	100.0	5,000	5,000
Hethersett Hotels Ltd *	-		74.4	-	-
				360,000	360,000
Provision for fall in value of Investments				(20,000)	-
				4,095,617	3,965,512

Notes to the Financial Statements *(Contd.)*

14.2 Investment in subsidiaries - quoted

	Number of shares	Company Holding %	Group Holding %	31.03.2008 Rs.000	31.03.2007 Rs.000
Aitken Spence Hotel Holdings PLC (a)					
(Ordinary Shares)	27,368,127	71.2	74.4	679,300	679,300
Net Book Value as at 31st March				679,300	679,300
Market Value as at 31st March				2,545,236	1,915,769

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC, Aitken Spence Hotels Ltd, Aitken Spence Travels Ltd, Aitken Spence Garments Ltd., Spence Mac Holdings (Pvt) Ltd., Ace Cargo (Pvt) Ltd., Triton Ltd., Ace Containers (Pvt) Ltd., Aitken Spence Shipping Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Shipping International Ltd., Aitken Spence Hotels (International) Ltd., Crest Star BVI Ltd., Aitken Spence Hotel Management Asia (Pvt) Ltd., Clark Spence & Co. (Pvt) Ltd or Aitken Spence Hotel Management (Pvt) Ltd.

** Jetan Travel Services Company (Pvt) Ltd., B.I.R Hotel Managements (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., ADS Resorts (Pvt) Ltd., Unique Resorts (Pvt) Ltd., and Spence Maldives (Pvt) Ltd. are incorporated in the Republic of Maldives,Crest Star (BVI) Ltd is incorporated in the British Virgin Islands, Crest Star Ltd. is incorporated in Hongkong, Ace Bangladesh Ltd. and Spence Mac Bangladesh are incorporated in Bangladesh and PR Holiday Homes (Pvt) Ltd., is incorporated in India, while all other companies are incorporated in Sri Lanka.

a, b - refer note 32.

15. Investment in associate companies

15.1 Investment in associate companies - unquoted

	Group				Company			
	No. of Shares	Holding %	31.03.2008 Rs.'000	31.03.2007 Rs.'000	No. of Shares	Holding %	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Aventis Pharma Ltd								
(Ordinary Shares)	-	-	-	5,689	-	-	-	5,689
M.P.S. Hotels Ltd								
(Ordinary Shares)	985,000	22.0	32,912	32,912	-	-	-	-
Aitken Spence Plantation								
Managements Ltd (a) (b)								
(Ordinary Shares)	8,300,000	39.0	165,000	165,000	8,300,000	39.0	165,000	165,000
Hayleys Plantation Services Ltd (a) (b)								
(Ordinary Shares)	6,700,000	33.3	170,515	170,515	6,700,000	33.3	170,515	170,515
Elpitiya Plantations PLC (a) (b)								
(Ordinary Shares)								
(Subsidiary of Aitken Spence								
Plantation Management Ltd.	-	23.7	-	-	-	-		
Talawakelle Tea Estates PLC (a) (b)								
(Ordinary Shares)								
(Subsidiary of Hayleys Plantation								
Services Ltd)	-	23.3	-	-	-	-		
Ceyspence (Pvt) Ltd (a)*								
(Ordinary Shares)	-	-		57,237	-	-		57,237
Ceyfirst Shipping (Pvt) Ltd*								
(Ordinary Shares)								
(Associate of Spence Mac								
Holdings (Pvt) Ltd)	-	-		9,412	-	-	-	-
Ceyserve Lines (Pvt) Ltd*								
(Ordinary Shares)								
(Associate of Spence Mac								
Holdings (Pvt) Ltd)	-			15,000	-	-	-	-
Net Book Value as at 31st March			368,427	455,765			335,515	398,441
Share of movement in equity value			247,965	183,985			-	-
Equity value of investments			616,392	639,750			-	-

a, b - refer note 32.

**refer note 21*

Notes to the Financial Statements *(Contd.)*

15.2 Investment in associate companies - quoted

	Group				Company			
	No. of Shares	Holding %	31.03.2008 Rs.'000	31.03.2007 Rs.'000	No. of Shares	Holding %	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Browns Beach Hotels PLC (Ordinary Shares)	2,841,718	21.9%	67,810	67,810			-	-
Net book value as at 31st March	-	-	67,810	67,810			-	-
Share of movement in equity value	-	-	80,287	(10,449)				
Equity Value of investments	-	-	148,097	57,361				
Market value of quoted investments as at 31st March			85,252	76,726			-	-

Equity Value - unquoted	-	-	616,392	639,750	Net book value - Unquoted	335,515	398,441
Equity Value - quoted	-	-	148,097	57,361	Net Book Value -quoted	-	-
Equity Value as at 31st March	-	-	764,489	697,111	**Net book value as at 31st March**	335,515	398,441

15.3 Summarised financial information of associates

	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Group share of balance sheet		
Total assets	2,770,007	2,384,302
Total liabilities	(2,005,518)	(1,687,191)
	764,489	697,111
Group share of revenue and profit		
Revenue	1,212,332	610,822
Profit	132,452	33,958

16. Long-term investments

	Group			Company		
	No. of Shares	31.03.2008 Rs.'000	31.03.2007 Rs.'000	No. of Shares	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd. (Preference Shares)	7,500,000	75,000	75,000	7,500,000	75,000	75,000
Sumiko Lanka Hotels (Pvt) Ltd. (Secured Redeemable Debentures of Rs.100/- each)	557,000	55,703	59,402	557,000	55,703	59,402
Palm Village Hotels Ltd (Ordinary Shares)	1,815,674	10,068	10,068	606,099	3,530	3,530
Rainforest Ecolodge (Pvt) Ltd (ordinary shares)	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Hotel Training Institute (Pte) Ltd. (Ordinary Shares)	1,000	10	10	-	-	-
Cargo Village Ltd (Ordinary Shares)	38,571	357	357	-	-	-
Willkin Spence Packaging Lanka (Pvt) Ltd. (Ordinary Shares)	-	-	312			
Barefoot Resorts & leisure (Pvt) Ltd. (Ordinary Shares)	25,000	86,589	-	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd (Ordinary Shares)	10,000	100	100	-	-	-
Skynet Worldwide Express Management Company Ltd (Ordinary Shares)	1,000	99	99	-	-	-
Aitken Spence Hotel Services (Pvt) Limited (Ordinary Shares)	10,000	270	-	-	-	-
San Spence Construction LLC (Ordinary Shares)	75,000	10,630				
		263,826	170,348		159,233	162,932
Provision for fall in value of Investments		(250)	(250)		-	-
Net Book Value as at 31st March		263,576	170,098		159,233	162,932

Notes to the Financial Statements *(Contd.)*

17. Deferred tax asset

	Group 31.03.2008 Rs. '000
Deferred tax asset	
Tax effect on defined benefit plan	29,811
Tax effect on other items	17,821
	47,632
Deferred tax liability	
Tax effect on capital allowances	(4,858)
Tax effect on other items	(3,432)
	(8,290)
Net Deferred tax asset	39,342
Balance as at the beginning of the year	-
Transferred from / (to) income statement	39,342
Balance as at the end of the year	39,342

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

18. Inventories

	Group		Company	
	31.03.2008 Rs. '000	31.03.2007 Rs. '000	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Raw materials	1,124,811	706,643	-	-
Work in progress and finished goods	139,472	81,165	-	-
Consumables	40,672	81,820	1,511	1,420
Land	-	2,599	-	-
	1,304,955	872,227	1,511	1,420

Value of inventories pledged as security for facilities obtained from banks amounted to Rs.453,831,314 (2006/2007-Rs. 576,785,707). Company-nil.

19. Trade & other receivables

	Group		Company	
	31.03.2008 Rs. '000	31.03.2007 Rs. '000	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Trade debtors	5,397,286	3,298,028	-	-
Other debtors	848,628	1,054,293	189,647	345,847
Provision for bad debts	(181,160)	(105,987)	(84,322)	(5,496)
	6,064,754	4,246,334	105,325	340,351
Loans to employees	20,390	10,666	7,913	7,898
	6,085,144	4,257,000	113,238	348,249

The movement of loans above Rs.15,000/- given to executive staff is as follows:

Loan to company officers - summary

	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Balance as at the beginning of the year	7,898	10,495
Loans granted during the year	4,350	3,279
	12,248	13,774
Recoveries during the year	(4,335)	(5,876)
Loans as at 31st March	7,913	7,898

No loans have been given to the Directors of the company.

Notes to the Financial Statements *(Contd.)*

20. Current investments

	Group			Company		
	No. of Shares	31.03.2008 Rs.'000	31.03.2007 Rs.'000	No. of Shares	31.03.2008 Rs.'000	31.03.2007 Rs.'000
DFCC Bank (Ordinary Shares)	12,385	398	110	12,385	399	110
Overseas Realty (Ceylon) PLC. (Ordinary Shares)	3,750	37	37	3,750	37	37
Colombo Dockyard PLC (Ordinary Shares)	5,850	59	59	-	-	-
Hatton National Bank PLC (Non-voting ordinary Shares)	127,600	4,060	4,060	-	-	-
		4,554	4,266		436	147
Provision for fall in value of Investments		-	-		-	-
Net Book value as at 31st March		4,554	4,266		436	147
Market Value as at 31st March		8,497	8,017		1,606	1,651

21. Assets held for sale

21.1 Divestment of Ship owning business

Consequent to the decision made by the group to divest from the ship owning business and the sale of two ships owned by the associate companies Ceyserv Lines (Pvt) Ltd. and Ceyfirst Shipping (Pvt) Ltd., the balance three ships held by the two joint venture companies Ceycapital Shipping (Pvt) Ltd., and Ceyaki Shipping (Pvt) Ltd,, and the associate company Ceyspence (Pvt) Ltd., were disposed during the year. As at balance sheet date the Board of Directors of the above companies have resolved to liquidate these companies. Assets and Liabilities of these companies (for group) and the investments in relevant companies (for the company) is classified as held for sale in the financial statements. Liquidation of Ceyserv Lines (Pvt) Ltd., and Ceyfirst Shipping (Pvt) Ltd., was completed subsequent to the balance sheet date on the 15th of April 2008.

	31.03.2008	
	Group Rs. '000	Company Rs. '000
21.2 Assets held for sale		
Share of net assets of associates	154,273	57,237
Net current assets	7,678	-
	161,951	57,237

The above assets classified as held for sale are recognised at fair value in the financial statements.

22. Segmental information

a. Business Segment

	Total Assets		Total Liabilities	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Tourism sector	10,997,238	8,854,491	5,563,325	3,495,824
Cargo Logistics sector	2,203,892	2,445,527	949,617	1,159,521
Strategic Investments	17,699,593	14,891,400	8,886,523	8,570,648
	30,900,723	26,191,418	15,399,465	13,225,993
Goodwill on consolidation	122,520	159,407	-	-
	31,023,243	26,350,825	15,399,465	13,225,993
Assets held for sale	161,950	-	-	-
	31,185,193	26,350,825	15,399,465	13,225,993

Notes to the Financial Statements *(Contd.)*

22. Segmental information *(Contd.)*

	Additions to Property, Plant & Equipment		Depreciation & Amortisation	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Tourism sector	750,867	1,774,185	551,588	370,788
Cargo Logistics sector	105,391	180,998	83,565	88,778
Strategic Investments	797,813	360,253	521,646	553,732
	1,654,071	2,315,436	1,156,799	1,013,298

b. Geographical segment

	Total Assets		Total Liabilities	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Sri Lanka	23,838,424	21,082,197	11,935,322	10,712,157
Asia & Africa	7,224,249	5,109,221	3,464,143	2,513,836
	31,062,673	26,191,418	15,399,465	13,225,993
Goodwill on consolidation / deferred income	122,520	159,407	-	-
	31,185,193	26,350,825	15,399,465	13,225,993

	Additions to Property, Plant & Equipment		Depreciation & Amortisation	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Sri Lanka	982,204	1,049,230	783,909	814,892
Asia & Africa	671,868	1,266,206	372,890	198,406
	1,654,071	2,315,436	1,156,799	1,013,298

23. Stated capital & reserves

23.1 Stated capital

	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Stated Capital as at 31st March	2,135,140	2,135,140
No of Shares	27,066,403	27,066,403

In accordance with Section 58 of Companies Act No 7 of 2007, which became effective from 3rd May 2007, share capital and share premium have been re-classified as stated capital. The comparative information has also been reclassified accordingly.

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 meetings of the share holders or one vote per share in the case of a poll.

23.2 Reserve

Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant & equipment.

General reserve

The General reserve reflects the amount the Group has reserved over the years from its earnings.

Exchange Fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group and the portion of exchange gain or loss arising from the translation of the hedge instrument in relation to cash flow hedges.

Other capital reserves

This represents the portion of other capital reserves of subsidiaries attributable to the Group.

Notes to the Financial Statements *(Contd.)*

24. Interest-bearing liabilities

24.1 Analysed by lending institution

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Hatton National Bank PLC	2,565,910	1,013,764	-	-
Commercial Bank of Ceylon PLC	1,193,990	1,505,694	950,000	1,000,000
DFCC Bank	666,219	831,794	-	-
Bank of Ceylon	631,076	1,008,780	-	-
People's Bank	585,576	902,334	-	-
Nation Trust Bank	467,891	297,323	-	-
Standard Chartered Bank	441,138	6,635	-	-
National Savings Bank	330,000	370,000	330,000	370,000
Sri Lanka Insurance Corporation Ltd.	300,256	412,032	40,000	60,000
Union Assurance PLC	250,000	250,000	250,000	250,000
Employee Trust Fund	250,000	250,000	250,000	250,000
Hongkong & Shanghai Banking Corporation Ltd.	235,124	418,628	-	-
National Development Bank of Sri Lanka	218,202	325,027	200,000	300,000
Indian Bank	200,000	200,000	200,000	200,000
Seylan Bank PLC	130,128	176,016	-	-
Waldock Mackenzie Ltd.	80,000	120,000	80,000	120,000
Quoted Debentures	54,000	107,500	-	-
Eagle Income Fund	6,000	6,000	6,000	6,000
Mercantile Merchant Bank Ltd.	2,500	-	-	-
Central Finance Co., PLC	2,073	5,647	-	-
Trustees of the church of England	2,000	2,000	2,000	2,000
International Water MGT Institute Pension Fund	2,000	2,000	2,000	2,000
Pan Asia Bank PLC	-	36,754	-	-
	8,614,083	8,247,928	2,310,000	2,560,000
Current portion of interest bearing borrowings	(2,106,021)	(1,824,022)	(320,000)	(250,000)
Non-Current interest - bearing liabilities	6,508,062	6,423,906	1,990,000	2,310,000

24.2 Analysed by repayment period

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Payable within one year	2,106,021	1,824,022	320,000	250,000
Payable between one and two years	1,708,489	1,951,740	370,000	320,000
Payable between two and five years	3,306,686	3,400,813	1,620,000	1,446,000
Payable after five years	1,492,887	1,071,353	-	544,000
	8,614,083	8,247,928	2,310,000	2,560,000

24.3 Analysed by currency equivalent in rupees

	Group				Company	
	31.03.2008 Rs. Equivalent Rs. '000	%	31.03.2007 Rs. Equivalent Rs. '000	%	31.03.2008 Rs. Equivalent Rs. '000	31.03.2007 Rs. Equivalent Rs. '000
United States Dollars	3,933,525	46	5,017,491	61	-	-
Sri Lankan Rupees	4,680,558	54	3,230,436	39	2,310,000	2,560,000
	8,614,083	100	8,247,927	100	2,310,000	2,560,000

Notes to the Financial Statements *(Contd.)*

24.4 Movement of interest-bearing liabilities

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Total outstanding as at the beginning of the year	8,247,928	7,345,845	2,560,000	1,000,000
Exchange difference	(47,083)	317,949	-	-
Loans received during the year	2,347,951	2,616,718	-	1,960,000
	10,548,796	10,280,512	2,560,000	2,960,000
Loan repayments during the year	(1,934,713)	(2,032,584)	(250,000)	(400,000)
	8,614,083	8,247,928	2,310,000	2,560,000
Current portion of interest-bearing liabilities	(2,106,021)	(1,824,022)	(320,000)	(250,000)
Non-current interest-bearing liabilities	6,508,062	6,423,906	1,990,000	2,310,000

25. Deferred tax liability

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Deferred tax liability				
Tax effect on capital allowances	195,676	346,510	15,031	15,088
Tax effect on share based payments	18,424	34,455	-	-
	214,100	380,965	15,031	15,088
Deferred tax asset				
Tax effect on Defined Benefit Plan	(22,485)	(26,801)	(10,392)	(8,041)
Tax effect on Tax losses	(4,343)	(123,040)	-	-
	(26,828)	(149,841)	(10,392)	(8,041)
Net Deferred tax liability	187,272	231,124	4,639	7,047
Deferred tax liability				
Balance as at the beginning of the year	231,124	199,623	7,047	9,497
Companies disposed during the year	-	(384)	-	-
Transferred from / (to) income statement	(43,852)	31,885	(2,408)	(2,450)
Balance at the end of the year	187,272	231,124	4,639	7,047

26. Retirement benefits obligations

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Balance as at the Beginning of the year	177,082	154,656	22,975	17,333
Companies acquired during the year	-	286	-	-
Companies disposed during the year	-	(7,352)	-	-
Provision for the Year	56,718	53,294	9,705	6,402
Payments during the Year	(25,300)	(23,802)	(2,989)	(760)
Balance as at the end of the year	208,500	177,082	29,691	22,975

The provision for retiring gratuity for the year is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2007. The actuarial present value of the promised retirement benefits as at 31st March 2007 amounted to Rs. 177,082,076/- (Company -Rs.22,975,355/-)

Notes to the Financial Statements *(Contd.)*

27. Provisions and other payables

	Group		Company	
	31.03.2008 Rs.'000	31.03.2007 Rs.'000	31.03.2008 Rs.'000	31.03.2007 Rs.'000
Accruals and other payables	1,923,313	1,993,026	276,259	345,102
Provisions *	20,647	38,947	-	-
Unclaimed dividends	2,034	1,750	2,034	1,750
	1,945,994	2,033,723	278,293	346,852

* Out of the Rs.127.9 Mn provision made during 2004/2005 for the reconstruction of damaged hotel buildings caused by the tsunami on 26th December 2004, Rs. 2.8 Mn was utilized during the year. The Group utilized in full the provisions of Rs.15.5 million made in 2006/07 for staff compensation in the current financial year for payments to the staff under the group companies.

28. Joint ventures

The groups interest in joint ventures and their principal activities are described in note 14.1 and pages 120 to 123 respectively. Included in the consolidated financial statements are the following items that represent the group interest in the assets and liabilities, revenue and expenses of the joint ventures.

	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Income	1,518,941	1,539,830
Expenses	1,428,723	1,603,474
Current assets	839,862	339,843
Non-current assets	97,284	409,007
Current liabilities	800,447	566,915
Non-current liabilities	30,976	159,143

29. Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March 2008 have not been provided for in the financial statements:

	31.03.2008 Rs. '000	31.03.2007 Rs. '000
Approximate amount approved but not contracted for	704,307	672,917
Approximate amount contracted for but not incurred	2,726,889	66,004
	3,431,196	738,921

30. Contingent liabilities

The contingent liability as at 31.03.2008 on guarantees given by Aitken Spence and Company PLC., to third parties amounted to Rs. 1,601,922,400/- of this sum, Rs.1,458,622,400/- and Rs.143,300,000/- relates to facilities obtained by subsidiaries and joint ventures respectively and none to associate companies. The contingent liability as at 31.03.2008 on guarantees given by subsidiaries to third parties amounted to Rs. 1,064,890,000/- None of the above guarantees were in relation to facilities obtained by companies other than companies within the Group. There were no guarantees given in relation to facilities obtained by Aitken Spence and Company PLC.

31. Directors' fees

The directors of the Company have received fees amounting to Rs. 122,400/- from subsidiaries for the year ended 31st March 2008.

Notes to the Financial Statements *(Contd.)*

32. Related party transactions

Aitken Spence Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard no 30 – Related Party Disclosures. 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 a Director of two of its subsidiaries Ace Power Horana (Pvt) Ltd., and Ace Power Matara PLC. He was the Chairman, Managing Director or a Director of the companies indicated by a * in the companies listed under note 32.4.

Mr. J.M.S. Brito, Deputy Chairman/Managing Director of the company was also the Chairman or a Director of the subsidiaries, joint ventures and associate companies that are indicated by "a" in Notes 14 and 15 to the financial statements. Mr. J.M.S Brito is also the Chairman of DFCC Bank, DFCC Vardhana Bank and Barefoot Resorts and Leisure (Pvt) Ltd.

Dr. R.M. Fernando was also the Managing Director or a Director of the companies marked by "b" in note 14 and 15 to the financial statements.

Transactions between the companies within the group and related parties are given in note no. 32.1 - 32.4.

The Directors had no other direct or indirect interest in any other contract with the company. The Directors have disclosed their interest in contracts of the Company at meetings of the directors.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence and Company PLC		Transactions with Group companies	
	2007/2008 Rs' 000	2006/2007 Rs' 000	2007/2008 Rs' 000	2006/2007 Rs' 000
32.1 Transactions with subsidiary companies listed in note 14				
Income from services rendered	177,582	146,019	N/A	N/A
Rent Income received	31,498	33,234	N/A	N/A
Allocation of common personnel and administration expenses	38,875	38,035	N/A	N/A
Purchase of goods and services	15,236	16,374	N/A	N/A
Interest income received	136,044	174,497	N/A	N/A
Interest paid	31,165	23,895	N/A	N/A
Amounts receivable as at 31st March 2008	1,281,755	1,989,446	N/A	N/A
Amounts payable as at 31st March 2008	523,410	1,162,934	N/A	N/A
32.2 Transactions with associate companies listed in note 15				
Sale of goods and services	3,750	3,244	33,629	12,441
Purchase of goods and services	140	173	9,930	13,715
Provision / (Repayment) of short term finances	-	-	-	(22,427)
Amounts receivable as at 31st March 2008	107,498	108,732	115,651	115,134
Amounts payable as at 31st March 2008	-	34	4,390	1,528
32.3 Transactions with joint venture companies listed in note 14				
Sale of goods and services	38,334	50,215	N/A	N/A
Purchase of goods and services	436	394	N/A	N/A
Provision for doubtful debts	68,963	-	N/A	N/A
Written off of doubtful debts	188,486	-	188,486	N/A
Amounts receivable as at 31st March 2008	133,725	219,980	N/A	N/A
Amounts payable as at 31st March 2008	200,495	225,754	N/A	N/A
32.4 Transactions with other related companies				
Sale of goods and services	-	-	100,691	57,782
Purchase of goods and services	8,815	9,632	613,849	695,779
Loans obtained	-	-	2,168,546	145,764
Repayment of loans and debentures	20,000	20,000	550,113	559,615
Short/ Long term facilities as at 31st March	-	-	3,788,216	2,523,283
Amounts receivable as at 31st March 2008	-	-	13,699	11,233
Amounts payable as at 31st March 2008	41,309	61,222	3,377,607	3,234,970

Notes to the Financial Statements *(Contd.)*

Transactions with Stassen Exports Ltd.*, Stassen International Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Milford Exports (Ceylon) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Pattipola Live Stock Company Ltd.*, Sri Lanka Insurance Corporation Ltd.*, Periceyl (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Milk Foods (CWE) Ltd.*, Distilleries Company of Sri Lanka Ltd.*, Hatton National Bank Ltd.*, DFCC Bank, DFCC Vardhana and Barefoot Resorts and Leisure (Pvt) are given in the above other related party transactions details.

32.5 Transactions with key management personnel

Aitken Spence and Company PLC considers its Board of Directors as the key management personnel of the company. The Boards of Directors of subsidiary companies are considered as key management personnel of individual companies.

Compensation paid to/on behalf of key management personnel of the Company is as follows:

	Company Rs.'000	Group Rs.'000
Short term employee benefits	14,139	150,985
Post employment benefits	1,863	20,765

No retirement benefits were paid to Directors of Aitken Spence and Company PLC during the financial year.

The company/Group did not have any material transactions with its key management personnel or their close family members during the year.

33. Foreign currency translation

The principal exchange rates used for translation purposes were:

	31.03.2008 Rs. '000	31.03.2007 Rs. '000
United State Dollar	107.84	109.32
British Pound	215.15	214.62
Euro	170.31	145.74
Bangaladesh Taka	1.66	1.66
South African Rand	13.24	15.00

34. Number of employees

The number of employees of the Group as at end of the year was 5,090 (2007 - 4199) . The number of employees of the Company at end of the year was 98 (2007 - 98).

35. Events occurring after balance sheet date

Subsequent to the balance sheet date the board of directors of the company recommended a final ordinary dividend for th year 2007/2008 to be approved at the annual general meeting. Futher the liquidation of Ceyfirst Shipping (Pvt) Ltd., and Ceyserv Lines (Pvt) Ltd. which was clasified as held for sale concluded on 15th April 2008.

The details of the final ordinary dividend recommended and the liquidation of the ship owing companies are disclosed in note No. 9 and 21 respectively.

There were no other material events that occurred after the balance sheet date that require adjustments to or disclosure in the financial statements.

36. Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. Comparative information relating to the share of associate company income tax in the income statement and the current tax receivable in the balance sheet have been reclassified to confirm to the current years presentation.

37. Director's responsibility

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

Consolidated Income Statement in USD

For the year ended 31st March		2008 US$ '000	2007 US$ '000
Revenue		255,155	180,805
Revenue tax		(2,987)	(2,158)
Net Revenue		252,169	178,647
Other operating income		935	2,837
Changes in inventories of finished goods and work-in-progress		209	42
Raw materials and consumables used		(113,768)	(68,991)
Employee benefits expense		(17,347)	(14,533)
Depreciation and amortisation		(10,727)	(9,269)
Other operating expenses - direct		(47,619)	(36,973)
Other operating expenses - indirect		(30,363)	(22,201)
Profit from operations		33,488	29,559
Financial income		3,865	1,366
Financial expenses		(10,161)	(7,616)
Net financing cost		(6,296)	(6,250)
Share of associates companies profits before tax		1,228	437
Profit before tax		28,420	23,746
Taxation		(2,180)	(2,853)
Net profit for the period		26,240	20,893
Attributable to:			
Equity holders of the parent		17,073	13,353
Minority interest		9,167	7,540
		26,240	20,893
Net profit attributable to Aitken Spence and Company PLC		17,073	13,353
Unappropriated profit brought forward		47,501	36,269
Profit available for appropriation		64,574	49,622
Appropriations			
Transfer to general reserve		5,626	2,021
Final dividend for 2006/2007		878	867
Interim dividend for 2007/2008		753	743
Retained in the business		57,316	45,991
Earnings Per Share	*US$ cents =*	63.08	49.00
Exchange rate	*US $ =*	*107.84*	*109.32*

Consolidated Balance Sheet in USD

For the year ended 31st March	2008 US$ '000	2007 US$ '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	157,477	153,407
Leasehold property	12,583	-
Intangible assets	1,136	1,458
Investment property	268	265
Investments in associates	7,089	6,377
Long term investment	2,445	1,556
Deferred tax assets	365	-
	181,363	163,063
Current Assets		
Inventories	12,101	7,979
Amount due from associates	1,072	1,053
Trade and other receivables	56,428	38,941
Current investments	42	39
Deposits and prepayments	4,466	4,729
Current tax receivable	165	210
Short-term deposits	24,078	20,149
Cash and cash equivalent	7,964	4,880
	106,316	77,980
Assets held for sale	1,501	-
Total Assets	289,180	241,043
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Stated capital	19,799	19,531
Reserves	33,270	24,456
Retained earnings	57,316	46,858
	110,385	90,845
Minority Interest	35,995	29,214
Total Equity	146,380	120,059
Non-Current Liabilities		
Interest bearing liabilities	60,349	58,762
Deferred tax liability	1,737	2,114
Retirement benefit obligation	1,933	1,620
	64,019	62,496
Current Liabilities		
Trade payables	17,030	29,625
Provisions and other payables	18,045	-
Interest bearing liabilities repayable within one year	19,529	16,685
Amount due to associates	41	14
Current tax payables	859	1,070
Interim dividend declared	753	743
Short term bank borrowings	22,524	10,351
	78,781	58,488
Total Equity and Liabilities	289,180	241,043
Exchange rate *US $ =*	*107.84*	*109.32*

Our Network


EUROPE
ASIA
AFRICA
PACIFIC OCEAN
INDIAN OCEAN
AUSTRALIA
Oman
India
Delhi
Bangladesh
Dhaka
Chittagong
Kerala
Madurai
Andaman islands
Maldives
Durban
South Africa
SRI LANKA
Jaffna
Trincomalee
Mihintale
Kandalama
Kurunegala
Negombo
Talawakelle
Katunayake
Kandy
Pussellawa
Pudaluoya
Welisara
Nuwara Eliya
Mabole
Nanu Oya
Bandarawela
Biyagama
Colombo
Ratmalana
Seethawaka
Embilipitiya
Horana
Ratnapura
Kalutara
Matugama
Deniyaya
Elpitiya
Beruwala
Baddegama
Ahungalla
Galle
Koggala
Matara
Tourism
Logistics
Strategic Investment

Ten Year Summary

Year Ended 31st March	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000	2001 Rs. '000	2000 Rs. '000	1999 Rs. '000
Operating Results										
Revenue	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160	7,030,843	4,536,324	4,524,020	3,724,595	3,353,175
Profit before taxation	3,064,792	2,582,088	1,910,115	1,721,123	1,883,501	877,992	544,823	649,094	490,588	383,008
Income tax expense	235,110	298,018	197,623	162,599	184,005	145,576	105,280	100,795	84,353	53,425
Profit after taxation	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496	732,416	439,543	548,299	406,235	329,583
Profit attributable to Aitken Spence and Company PLC	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523	525,185	346,082	452,720	352,579	279,642
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,134,326	2,130,837	2,112,433	2,094,107	2,086,637	2,079,884	1,357,458
Reserves	3,587,883	2,673,510	2,370,383	2,306,075	2,038,132	975,543	811,731	810,973	791,818	1,523,251
Retained Earnings	6,181,000	5,122,472	4,022,929	3,126,517	2,405,847	1,626,591	1,303,856	1,064,503	754,720	496,473
Minority interest	3,881,705	3,193,710	2,679,745	1,774,362	1,765,622	1,433,522	1,252,413	1,146,962	477,875	440,673
Non-current liabilities	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832	3,439,933	2,517,504	1,088,454	478,078	816,309
Current liabilities	8,495,631	6,393,881	6,182,957	3,288,637	3,432,392	2,492,515	3,638,465	3,156,661	2,395,046	1,985,640
	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537	11,618,076	9,354,190	6,977,421	6,619,804
Assets										
Property, plant & equipment	16,982,305	16,770,495	15,450,267	11,005,913	8,576,500	7,754,569	6,791,715	4,801,965	3,336,790	3,363,336
Leasehold property	1,356,987	-	-	-	-	-	-	-	-	-
Intangible assets	122,520	159,407	191,811	170,058	92,017	98,117	102,251	117,417	269,535	190,164
Investments	1,057,002	896,145	932,544	1,231,412	1,150,139	856,579	933,971	981,392	1,133,604	750,423
Deferred tax assets	39,342	-	-	-	-	-	-	-	-	-
Current assets	11,465,086	8,524,778	6,632,072	4,699,342	4,459,006	3,371,272	3,790,139	3,453,416	2,237,492	2,315,881
Assets held for sale	161,951	-	-	-	-	-	-	-	-	-
	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537	11,618,076	9,354,190	6,977,421	6,619,804
Share Information										
Earnings per share (Rs.)	68.02	53.93	44.85	41.32	47.36	19.69	13.05	17.08	13.33	11.93
Market value per share (Rs.)	430.00	380.00	339.00	380.00	263.50	140.00	90.00	78.25	120.00	90.00
Highest market value per share (Rs.)	430.00	400.00	410.00	390.00	319.00	156.00	125.00	121.00	140.00	200.00
Market capitalisation on 31st March (Rs. mn)	11,639	10,285	9,176	10,282	7,113	3,754	2,391	2,075	3,180	2,379
Price earnings ratio	6.32	7.05	7.56	9.20	5.56	7.11	6.90	4.58	9.00	7.54
Net assets per share (Rs.)	439.81	366.92	315.09	279.67	243.56	175.81	158.42	149.44	136.87	127.78
Employees Information										
No. of employees	5,090	4,199	4,209	4,209	4,112	3,590	3,783	4,040	3,967	4,558
Value added per employee (Rs. '000)	1,463	1,467	1,038	857	897	697	482	441	366	276
Ratios & Statistics										
Ordinary dividend (Rs.'000)	189,465	175,931	175,931	162,341	161,969	120,974	106,243	106,077	92,757	79,292
Dividend per share (Rs.)	7.00	6.50	6.50	6.00	6.00	4.50	4.00	4.00	3.50	3.00
Dividend cover (times covered)	9.72	8.30	6.90	6.88	7.88	4.34	3.26	4.27	3.68	3.53
Dividend - payout ratio	0.10	0.12	0.14	0.15	0.13	0.23	0.31	0.23	0.26	0.25
Current ratio (times covered)	1.37	1.33	1.07	1.43	1.30	1.35	1.04	1.09	0.93	1.17
Debt / Equity	0.42	0.49	0.48	0.45	0.27	0.52	0.43	0.18	0.08	0.18
ROE (%)	16.86	15.82	15.08	15.79	22.60	11.77	8.47	11.93	9.72	9.15
Interest cover ratio	5.78	4.93	6.38	9.66	12.12	5.10	4.55	5.75	5.96	3.59

Share & Debenture Information

Stock Exchange Listing
Aitken Spence and Company PLC., is a Public Quoted Company, the issued ordinary shares of which are listed on the Colombo Stock Exchange.

Market Sector : Diversified Holdings

Reuters code : SPEN.CM

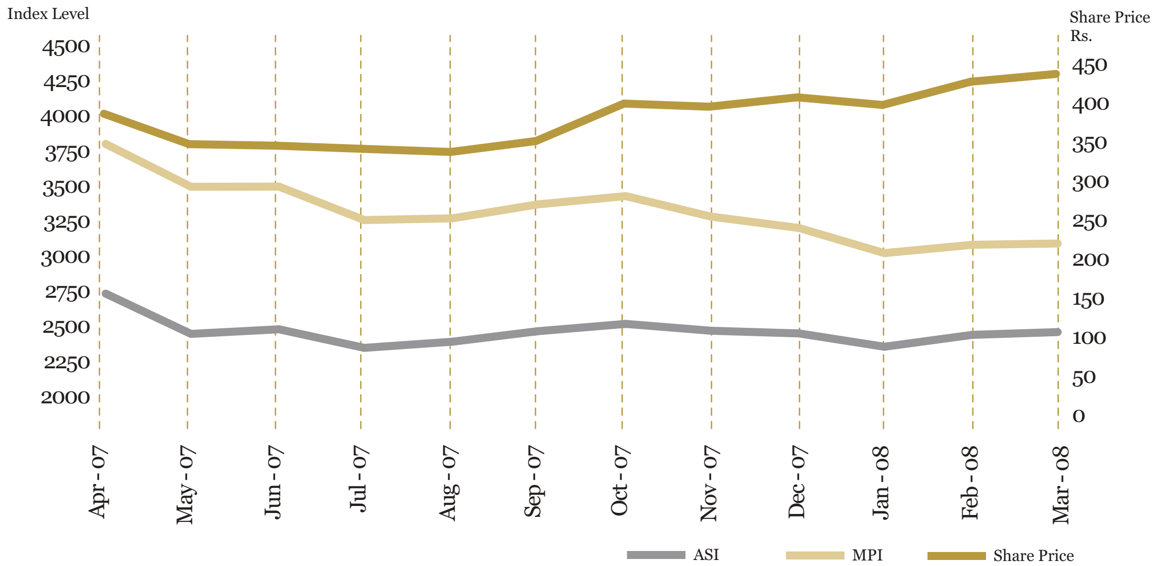
Shareholders
There were 1,636 (31st March 2007 – 1,659) registered shareholders as at 31st March 2008, whose shareholding is distributed as follows:

Category	31st March 2008			31st March 2007		
	No. of Shareholders	Shareholding	%	No. of Shareholders	Shareholding	%
1 - 1,000	1239	277,421	1.03	1218	285,907	1.06
1,001 - 5,000	248	598,826	2.21	268	628,188	2.32
5,001 - 10,000	49	347,927	1.29	58	417,214	1.54
10,001 - 50,000	56	1,205,327	4.45	71	1,535,050	5.67
50,001 - 100,000	10	759,200	2.80	13	1,017,442	3.76
100,001 - 500,000	23	4,738,460	17.51	23	5,697,660	21.05
500,001 - 1,000,000	6	3,477,939	12.85	3	1,823,639	6.74
1,000,001 - above	5	15,661,303	57.86	5	15,661,303	57.86
Total	1636	27,066,403	100.00	1659	27,066,403	100.00

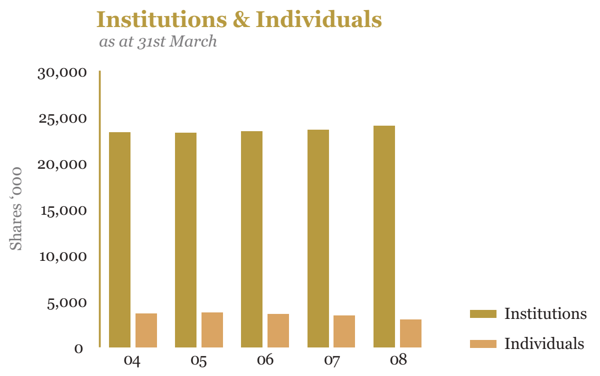
	31st March 2008		31st March 2007	
	No. of shares	%	No. of shares	%
Institutions	24,047,158	88.84	23,607,537	87.22
Individuals	3,019,245	11.16	3,458,866	12.78
	27,066,403	100.00	27,066,403	100.00

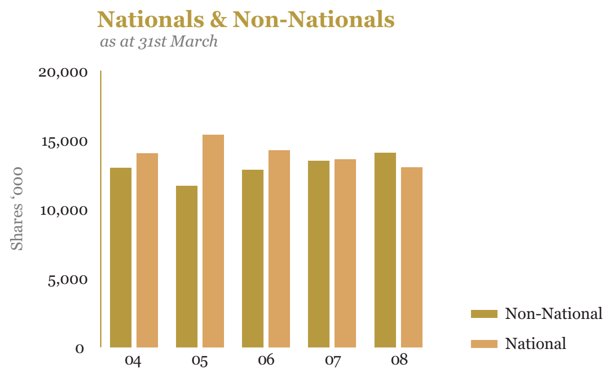
	31st March 2008		31st March 2007	
	No. of shares	%	No. of shares	%
Nationals	12,998,418	48.02	13,586,415	50.20
Non Nationals	14,067,985	51.98	13,479,988	49.80
	27,066,403	100.00	27,066,403	100.00

Share Price Vs Indices
12 Months Trend



Share & Debenture Information *(Contd.)*





Substantial Shareholdings

The twenty largest shareholdings as at 31st March 2008, are given below:

Name	No. of shares	%
1. Distilleries Company of Sri Lanka Limited	4,658,355	17.21
2. Rubicond Enterprises Limited	4,399,343	16.25
3. Sri Lanka Insurance Corporation Ltd - General Fund	2,935,505	10.85
4. HSBC International Nominees Ltd - SNFE - Arisaig India Fund Limited	2,512,700	9.28
5. HSBC International Nominees Ltd - BPSS LDN- Aberdeen Asia Pacific Fund	1,155,400	4.27
6. Northern Trust Company S/A Murray Johnstone International Delaware Business Trust	736,900	2.72
7. HSBC International Nominees Ltd - JPMCB-SCOTTISH ORL SML TR GTI 6018	639,000	2.36
8. HSBC International Nominees Ltd - BPSS LDN- Aberdeen Investment Fund ICVC Aberdeen Emerging Markets Fund	554,500	2.05
9. Employees Provident Fund	532,239	1.97
10. HSBC International Nominees Ltd - BPSS LUX Aberdeen Global Asian Smaller Companies Fund	512,700	1.90
11. HSBC International Nominees Ltd - HSBC Bank Plc-CMG First State Indian –Subcontinent	501,700	1.85
12. G.C. Wickremasinghe	487,216	1.80
13. Placidrange Holdings Limited	368,100	1.36
14. HSBC International Nominees Ltd - BPSS LUX - Aberdeen Global Emerging Market Fund	327,400	1.21
15. HSBC International Nominees Ltd - SSBTL - Aberdeen New Dawn Investment Trust	300,237	1.11
16. Milford Exports (Ceylon) Limited	288,100	1.06
17. Hongkong & Shanghai Banking Corp Ltd - National Equity	241,400	0.89
18. Bank of New York - Bear Stearns Securities Corporation	241,300	0.89
19. Stassen Exports Limited	216,300	0.80
20. A.T. Wickremasinghe	209,465	0.77
Total	**21,817,860**	**80.60**

Share Valuation

The market value of the ordinary shares as at 31st March 2008 was Rs. 430.00 per share (31st March 2007 – Rs. 380.00). The market value of ordinary shares as at 22nd May 2008 was Rs.525.00 per share.

Share & Debenture Information *(Contd.)*

Earnings

Earnings per share for 2007/2008 was Rs.68.02 (2006/2007 – Rs. 53.93). The price earnings ratio (P/E) was 6.32(2006/2007 – 7.05).

Dividends

An interim dividend of Rs. 3.00 per share (2006/2007 - Rs. 3.00 per share) was paid on 10th April 2008. A final ordinary dividend of Rs.4.00 per share (2006/2007 – Rs. 3.50 per share) is proposed and payable on 4th July 2008. (2006/2007 – 5th July 2007).

Unquoted Debentures

1. Unsecured Redeemable Debentures 2004-2009

The Company raised by a private placement Rs. 1 billion by the issue of 10,000 unsecured redeemable debentures of Rs. 100,000.00 being each. Fitch Rating Lanka Limited, granted a credit rating of AA (Sri) on these debentures. The details of the unquoted debentures issued and redeemed are as follows:

(i) 5,000 fixed rate unsecured redeemable debentures of Rs. 100,000.00 each was issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a., out of which 1,000 debentures were redeemed on 29th June 2007. The applicable interests on these debentures were duly paid on 29th June 2007 and 28th December 2007.

(ii) 5,000 floating rate unsecured redeemable debentures of Rs. 100,000.00 each was issued on 30th July 2004 with interest payable semi annually at an interest rate of six month net treasury bill rate +2.15% p.a., out of which 1,000 debentures were redeemed on 29th July 2007. The applicable interests on these debentures were duly paid on 29th July 2007 and 29th January 2008.

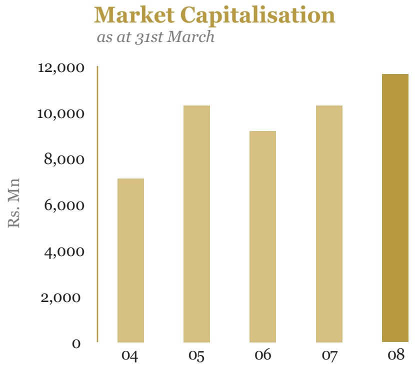
2. Unsecured Redeemable Debentures 2006-2012

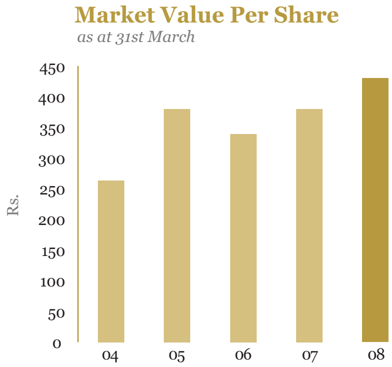
The Company raised by a private placement Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100.00 each. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures. The details of the unquoted debentures are as follows:

(i) 3,000,000 Fixed rate unsecured redeemable debentures of Rs. 100.00 each was issued on 25th October 2006, with interest payable annually at the interest rate of 13.75% p.a. The applicable interest rate on these debentures are payable on 25th October of every year until redeemed.

(ii) 6,600,000 Floating rate unsecured redeemable debentures of Rs. 100.00 each was issued on 25th October 2006 and 24th November 2006* with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures are payable on 25th April and 24th October, of every year until redeemed.

Date of issue	No. of debentures
25th October 2006	4,100,000
24th November 2006	2,500,000





Share & Debenture Information *(Contd.)*

Shares Traded during the year

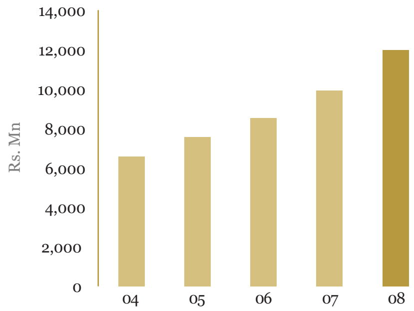
	2007/08	2006/07
Number of transactions	669	1042
No. of shares traded during the year	1,167,500	2,086,500
Total value (Rs. million)	449	681
Percentage of Total Value Transacted	0.52%	0.59%
Highest Price traded (Rs.) and date	430.00 (31.03.2008)	400.00 (19.02.2007)
Lowest Price traded (Rs.) and date	256.00 (05.10.2007)	270.00 (24.04.2006)
Market Capitalization on 31st March (Rs. million)	11,639.0	10,285.2
Percentage of Total Market Capitalization	1.41%	1.18%

History of Dividend Per Share and Share prices for the Past 10 Years

Year	Dividend Per Share (Rs)	Share Price as at 31st March (Rs)
1998/99	3.00	90.00
1999/00	3.50	120.00
2000/01	4.00	78.25
2001/02	4.00	90.00
2002/03	4.50	140.00
2003/04	6.00	263.50
2004/05	6.00	380.00
2005/06	6.50	339.00
2006/07	6.50	380.00
2007/08	**7.00**	**430.00**

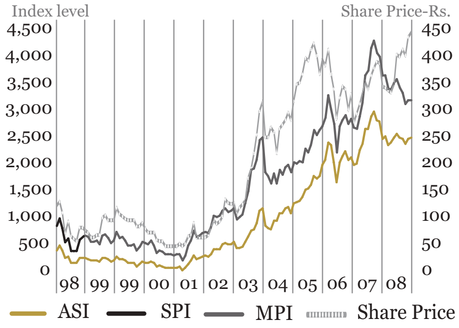
Shareholder's Funds

as at 31st March



Share Prices vs Indices

10 year trend



Group Companies

Tourism Sector

INBOUND TRAVEL

Aitken Spence Travels (Pvt) Ltd. **

Destination Management Company. Represents world renowned Tour operators TUI the largest in Europe.

Directors: J.M.S. Brito (Chairman), G.M. Perera (Managing Director), W.F.H.Bremer, R. Subramaniam, T. Ellepola, N. Rodrigo, N. Jayasundera, P.L. Perera, O.R Seifert (resigned w.e.f 24th January 2008).

OUTBOUND TRAVEL

Aitken Spence Aviation (Pvt) Ltd.

General sales agents for Singapore Airlines and Singapore Airlines Cargo.

Directors : J.M.S. Brito (Chairman), S. Ganeshan (Managing Director), S.K.R.B. Jayaweera.

Aitken Spence Overseas Travel Services (Pvt) Ltd. **

An IATA-accredited travel agent and general sales agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages.

Directors : J.M.S. Brito (Chairman), S. Ganeshan (Managing Director), G.M. Perera, S.K.R.B. Jayaweera.

Aitken Spence Moscow (Pvt) Ltd. **

Exclusive passenger sales agents for Aeroflot.

Directors : J.M.S. Brito (Chairman), J.W.A. Perera (Managing Director), G.M. Perera, R. Subramaniam, S.K.R.B. Jayaweera.

CONVENTION SERVICES

Ace Travels & Conventions (Pvt) Ltd. **

Professional conference, exhibition & event organiser. Also offers destination management services.

Directors : J.M.S. Brito (Chairman), G.M. Perera (Managing Director), D.D.A. Soza, R. Subramaniam, D.J.de Crusz.

HOTELS

Aitken Spence Hotel Holdings PLC. **

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

Directors : D.H.S. Jayawardena (Chairman), J.M.S. Brito (Managing Director), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema, K.A.A.C. Perera, G.P.J. Goonewardena, H. Cader (resigned w.e.f. 19th July 2007).

Aitken Spence Hotels Ltd. **

Owns and operates Neptune Hotel, holding company of Kandalama Hotels Ltd.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema, N. Ratwatte, G.P.J. Goonewardena.

Pearl Beach Hotels (Pvt) Ltd. **

Leases the Company owned land to Aitken Spence Hotels Ltd.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty.

Kandalama Hotels Ltd. **

Owns and operates Heritance Kandalama.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema.

Hethersett Hotels Ltd. **

Owns and operates Tea Factory.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema.

Neptune Ayurvedic Village (Pvt) Ltd. **

Owns and operates Neptune Ayurvedic Village.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, C.M.S. Jayawickrema.

Ahungalla Resorts Ltd. **

Owns a land for a proposed future hotel.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema.

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

The holding company and managing agents of B.I.R. Hotel Management (Pvt.) Ltd., and Jetan Travel Services Company (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), K.A.A.C. Perera.

BIR Hotel Management (Pvt) Ltd. **

Owns and operates Adaaran Club Bathala - Maldives.

Directors : J.M.S. Brito (Chairman), K.A.A.C. Perera, H. Mohamed, M. Mahdy.

Jetan Travel Services Co. (Pvt) Ltd. **

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors : J.M.S. Brito (Chairman), K.A.A.C. Perera, H. Mohamed, M, Mahdy.

Cowrie Investments (Pvt.) Ltd. **

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors : J.M.S. Brito (Chairman), I.M. Didi, M. Salih, C.M.S. Jayawickrema, K.A.A.C. Perera.

ADS Resorts (Pvt) Ltd. **

Owns and operates Adaaran Select Hudhuranfushi – Maldives

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, K.A.A.C. Perera, M. Mahdy.

Ace Ayurvedic (Pvt) Ltd. **

Operates the Ayurvedic centre in Adaaran Select Meedhupparu Island Resorts - Maldives.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, K.A.A.C. Perera.

Unique Resorts (Pvt) Ltd. **

Owns and operates Vadoo Resort - Maldives

Directors : J.M.S. Brito (Chairman), C.M.S Jayawickrema, K.A.A.C. Perera.

PR Holiday Homes (Pvt) Ltd.

Owner of Heritance Cochin - India, currently under construction.

Directors : J.M.S. Brito, S.M. Hapugoda, C.M.S. Jayawickrema, K. Khadar, Narayanan.

Aitken Spence Hotel Managements (Pvt) Ltd. **

Manages resorts in Sri Lanka.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda (Managing Director), C.M.S. Jayawickrema, G.P.J. Goonewawrdene, D.A.H.U. Udawatte, R.S. Rajaratne, Ms. N.J. Perera (resigned w.e.f. 30th April 2007), R. Ferrnando (resigned w.e.f. 30th June 2007).

Group Companies *(Contd.)*

Aitken Spence Hotels (International) Ltd. **

Owns and manages Maldivian Resorts.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty.

Aitken Spence Hotel Managements Asia (Pvt) Ltd. **

Manages Poovar Island Resort, Barefoot Resort & PR Holiday Homes - India, Manages Heritance Madurai – India and manages 4 hotels resorts in Oman.

Directors : D.H.S. Jayawardena, R.M. Fernando, Ms. N. Sivapragsam, G.P.J. Goonewardena.

Triton Ltd.

The holding company of Aitken Spence Aviation (Pvt) Ltd.

Directors: J.M.S.Brito (Chairman), S. Ganeshan.

Aitken Spence Resources (Pvt) Ltd. **

Human resource management, foreign employment & recruitment company.

Directors: J.M.S. Brito (Chairman), S.M. Hapugoda ,C.M.S. Jayawickrema, G.P.J. Goonewardene.

Crest Star Ltd.

Directors: J. M.S. Brito (Chairman), C.M.S. Jayawickrema.

Cargo Logistics Sector

FREIGHT FORWARDING

Ace Cargo (Pvt) Ltd.

Provides international freight forwarding services.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), M.A.J. Perera, H.B. Kelly, Ms.D.K. Senaratne.

Ace Bangladesh Ltd.

Provides international freight forwarding services in Bangaladesh.

Directors : A. Mannan (Chairman), J.M.S. Brito, Mrs. F.R. Ahmed, K.R.T. Peiris, A. Rahman.

Ace International Express (Pvt) Ltd.

Provides international air express, domestic delivery and international mailing services.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), M.A.J. Perera, J. Brohier.

Aitken Spence Cargo (Pvt) Ltd.

International freight forwarding & general sales agents for airline cargo.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), H.B. Kelly, Ms.D.K.Senaratne.

Ace Global Aviation Services (Pvt) Ltd. **

Operates as general sales agents for airline cargo.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris, H.K. Vithalani.

Ace Aviation Services (Pvt) Ltd. **

Operates as general sales agents for airline cargo.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris.

Spence International (Pvt) Ltd.

Regional operating headquarters to manage operation overseas.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris, M.A.J. Perera, H.B. Kelly, Mrs. D.K. Senaratne.

Spence Maldives (Pvt) Ltd.

Provides air express & freight forwarding services in Maldives.

Directors : J.M.S. Brito, K.R.T. Peiris, M.A.J. Perera, M. Firaq, A. Rashed (resigned w.e.f. 7th February 2008), I. Rashed (resigned w.e.f. 7th February 2008).

Ace International (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris ,M.A.J. Perera.

Ace Freight Logistics (Pvt) Ltd.

Import/Export brokerage and supply chain management.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), M.A.J. Perera, Ms. D.K. Senaratne.

INTEGRATED LOGISTICS

Ace Containers (Pvt) Ltd. **

Operates an inland container depot and a freight station.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph.

Ace Container Terminals (Pvt) Ltd. **

Provides container storage, customs brokerage and warehousing services.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), K.R.T. Peiris, A.M.M. Amir.

Ace Haulage (Pvt) Ltd. **

Transporters of laden and empty containers.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph.

Ace Container Repair (Pvt) Ltd. **

Undertakes container repairs and garments on hanger conversion.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), A.M.M. Amir.

Ace Distriparks (Pvt) Ltd. **

Provides total logistics support and warehousing with multi country cargo consolidation.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), K.R.T. Peiris, A.M.M. Amir, J.M.A. Joseph.

Ace Freight Management (Pvt) Ltd.

Undertakes clearing, forwarding and operates an inland container depot.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), N.P. Nallaratnam, M.A.J. Perera, H.B. Kelly, Ms. D.K. Senaratne, A.M.M. Amir, J.M.A. Joseph.

Maritime Transport

Spence Mac Holdings (Pvt) Ltd. **

Holding company of certain Maritime Transport sector companies.

Directors : J.M.S. Brito (Chairman), P. Dissanayake (Jt. Managing Director), J.R.U de Silva (Jt. Managing Director), Ms. N. Sivapragasam, Ms. S.S. Jayawardana, R.M. Wijesinghe.

Aitken Spence Shipping International Ltd. **

Holding Company of Spence Shipping (Pvt) Ltd., and Port Management Container Services (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), P. Dissanayake.

Group Companies *(Contd.)*

Aitken Spence Shipping Services Ltd. **

Shipping Agent.

Directors : J.M.S. Brito (Chairman), P. Dissanayake, I.S. Cuttilan.

Aitken Spence Shipping Ltd. **

Liner, Cruise and Tramp agency representation, NVOCC and an international freight forwarder.

Directors : P. Dissanayake (Chairman & CEO), N.D.F. Perera (Jt. Managing Director), J.M.S. Brito, A. Jayasekera, I.S. Cuttilan, Ms. T.D.M.N. Anthony, K.R, Aluwihare, J.R.U. de Silva.

Clark Spence & Company (Pvt) Ltd. **

Shipping and bunkering agents in the ports of Colombo, Galle and Trincomalee and an international freight forwarder.

Directors : J.M.S. Brito (Chairman), P. Dissanayake (Managing Director), N.D.F. Perera (Jt. Managing Director), I.S. Cuttilan.

Shipping & Cargo Logistics (Pvt) Ltd. **

Liner agency representation.

Directors : V.M. Fernando (Chairman), J.M.S. Brito (Managing Director), K.M.A.T.B. Tittawella, I.S. Cuttilan.

Spence Logistics (Pvt) Ltd. **

NVOCC Freight forwarding operator.

Directors : J.M.S. Brito (Chairman), P. Dissanayake, N.D.F. Perera, J.R.U de Silva.

Spence Mac Bangladesh (Pvt) Ltd.

Handles shipping operations in Bangladesh.

Directors : P. Dissanayake, M. Rashid, J.R.U. de Silva, C.M.L. Kamal.

Port Management Container Services (Pvt) Ltd. **

Operating & training in port management.

Directors : J.M.S. Brito (Chairman), P. Dissanayake, N.D.F. Perera, I.S. Cuttilan.

Spence Shipping (Pvt) Ltd. **

Liner agency representation.

Directors : J.M.S. Brito (Chairman), N.D.F. Perera.

Delta Shipping Ltd. **

Provides international freight forwarding services.

Directors : J.M.S. Brito (Chairman), M. Shabir (Jt Managing Director) N.D.F. Perera.

Mcship Agencies (Colombo) Ltd.

Provides shipping agency services.

Directors : J. R. U. de Silva, M.G. Padmabandu, Ms. S.S. Jayawardana.

GAC Shipping Ltd.

Provides shipping agency services in Colombo and Galle ports, P & I Club Services, Overseas recruitment of employees.

Directors : J. R. U. de Silva, W. M. Rodrigo, R. N. Ponnambalam, W. P. E. Fernando, L. Safverstrom, L. P. Heisselberg, L. T. L. Latti, L. T. Bergstrom.

GAC Logistics Ltd.

Providers of logistic warehouse management & freight forwarding services.

Directors: J. R. U. de Silva, L. Safverstrom, W.P.E Fernanda, L. T. L. Latti, L. T. Bergstrom.

GAC Marine Services (Pvt) Ltd.

Provides off-shore ship supply services , marine contracting, managers of fleet of supply vessels.

Directors: J. R. U. de Silva, M.G. Padmabadu, W. P. E. Fernando, L. Safverstrom, L. P. Heisselberg, L.T.L. Latti, P.T.C. Perera, L. T. Bergstrom.

Manufacturing Sector

PRINTING & PACKAGING

Ace Exports (Pvt) Ltd. **

Provides printing & packaging services to the export market.

Directors : J.M.S. Brito (Chairman), D.I. Abeywardene.

Ace Printing & Packaging (Pvt) Ltd. **

Provides printing & packaging services to the local market.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, D.I. Abeywardena, D.S. Mendis, A.P. Wilkins (resigned w.e.f. 19th July 2007).

Aitken Spence Printing (Pvt) Ltd. **

Hires printing machinery.

Directors : J.M.S. Brito (Chairman), D.I. Abeywardene (Managing Director).

GARMENT MANUFACTURE

Aitken Spence (Garments) Ltd.

Manufacturer and exporter of high quality men's, boys, ladies & girls shirts and blouses to prestigious departmental stores in USA and EU.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, R.G. Pandithakorralage, J.S.A. Fernando (resigned w.e.f. 17th June 2007), Ms. K.A. Smith (resigned w.e.f. 22nd June 2007), G.P. Gunawardena (resigned w.e.f. 22nd May 2007).

Aitken Spence Apparels (Pvt) Ltd.

Manufacturer and exporter of high quality men's, boys, ladies & girls shirts and blouses to prestigious departmental stores in USA and EU.

Directors : S.C. Ratwatte (Chairman), R.E.V. Casie Chetty, D.V.H. de Mel, J.S.A. Fernando (resigned w.e.f. 17th June 2007).

Clark Spence Garments Ltd.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, D.S. Rose (resigned w.e.f. 31 March 2008), J.S.A. Fernando (resigned w.e.f. 17th June 2007), Ms. K.A. Smith (resigned w.e.f. 22nd June 2007), G.P. Gunawardena (resigned w.e.f. 22nd May 2007).

Infrastructure

Ace Power Generation Matara PLC.

Owns and operates a 24MW power plant in Matara to supply power to the national grid.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), D.H.S. Jayawardena, R.M. Fernando, Ms. N. Sivapragasam, R. Gupta, F.M. Chudhary, K.N. Ahsan, A.Malla, Ms. K.P. Tennila (resigned w.e.f. 10th September 2007).

Ace Power Generation Horana (Pvt) Ltd.

Owns and operates a 24MW power plant in Horana to supply power to the national grid.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), D.H.S. Jayawardena, R.M. Fernando, Ms. N. Sivapragasam, R. Gupta, F.M. Chudhary, K.N. Ahsan, A.Malla, Ms. K.P. Tennila (resigned w.e.f. 10th September 2007).

Group Companies *(Contd.)*

Ace Power Embilipitiya (Pvt) Ltd.

Owns and operates a 100MW power plant in Embilipitiya to supply power to the national grid.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), Ms. N. Sivapragasam, S.C. Ratwatte, M.S. Mohideen, S.R. Rajaratnam, Ms. M. Spoelgen.

Services & Others

PROPERTY DEVELOPMENT

Vauxhall Property Developments Ltd. **

Owns and operates the multi-storied office complex; "Aitken Spence Towers" which serves as the Group's corporate office at Vauxhall Street in Colombo.

Directors : J.M.S. Brito (Chairman), R.M. Fernando, Ms. N. Sivapragasam.

Aitken Spence Property Developments (Pvt) Ltd. **

Owner and operator of a multi-storied office complex to be used by the Group and currently under construction.

Directors : J.M.S. Brito (Chairman), Ms. N. Sivapragasam.

Vauxhall Investments Ltd.

Owns and operates the printing office complex.

Directors : J.M.S. Brito (Chairman), D.I. Abeywardene.

Aitken Spence Developments (Pvt) Ltd.

Property development company.

Directors : N.P. Nallaratnam, A.M.M. Amir.

INSURANCE SURVEY & CLAIM SETTLING AGENCY

Aitken Spence Insurance (Pvt) Ltd. **

Survey and claim settling agents for several reputed insurance companies and organisations worldwide, including Lloyd's, Cesam, AVIVA, PICC and Tokio Marine & Fire Insurance Company Ltd., Oriental Insurance Co. of India. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

Directors : J.M.S. Brito (Chairman), Ms. N.W.de A Guneratne (Managing Director), A.N. Seneviratne.

Insurance Brokering

Aitken Spence Insurance Brokers (Pvt) Ltd. **

Placement of insurance business life & general with insurance Companies in Sri Lanka.

Directors : J.M.S. Brito (Chairman), Ms. N.W. de A. Guneratne, A.N. Seneviratne.

ELEVATOR AGENCY

Elevators (Pvt) Ltd. **

Solely responsible in Sri Lanka and Maldives for marketing, installing, commissioning and maintaining OTIS Lifts, escalators and other equipment, the world leader in elevators, escalators, moving walkways and dumb waiters.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, R.G. Salgado, M.P. Quang, S. Malhotra (resigned w.e.f. 9th June 2007).

FINANCIAL SERVICES

MMBL Money Transfer (Pvt) Ltd. **

Principal agent for Western Union Money Transfer Services in Sri Lanka.

Directors : Ms. Y.N. Perera (Chairperson), D.S. Mendis (Managing Director), J.M.S. Brito, K.Balasundaram, Ms. N. Sivapragasam, J.V.A Corera, M.D.D. Peiris.

MANAGEMENT SERVICES

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

Provides management services and the company secretary to the Group companies.

Directors : J.M.S. Brito (Chairman), Ms. N. Sivapragasam (Managing Director), R.E.V. Casie Chetty, D.V.H. de Mel, R.G. Pandithakorralage, C.R.F. de Costa, S.C. Ratwatte, M.H.A. Barrie, Ms. W.A.D.L Silva, Ms. R.I.D. Katipearachchi.

Aitken Spence Group Ltd. **

Overall management of the Aitken Spence Group Companies.

Directors : J.M.S. Brito (Chairman), R.M. Fernando, R.E.V. Casie Chetty, K.R.T. Peiris, N.P. Nallaratnam, D.I. Abeywardene, Ms. N. Sivapragasam, G.M. Perera, D.V.H. de Mel, P. Dissanayake, S.M. Hapugoda, Ms. N.W. de A. Guneratne, Sasi Ganeshan, C.M.S. Jayawickrema, R.G. Pandithakorralage, D.S. Mendis.

Aitken Spence Exports (Pvt) Ltd. **

Exports dry rations and perishables to the Group's resorts in the Maldives. Also bottles and markets "Hethersett bottle water".

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty.

EVES Information Technology Lanka (Pvt) Ltd. **

Developer of software.

Directors : J.M.S. Brito (Chairman), G.M. Perera, H.R.S. Ebel, V. Eckhardt.

San Spence Ltd. **

Carrying out construction management work in the Middle East.

Directors : J.M.S. Brito (Chairman), R.M. Fernando, M.D.R. Gunatilleke, Y. Tahara.

Associate Companies

PLANTATIONS

Aitken Spence Plantation Managements Ltd.

Managing agents for Elpitiya Plantations Ltd.

Elpitiya Plantations PLC

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,851 hectares.

Talawakelle Tea Estates PLC

Owns 18 estates with total land extent of 6,519 hectares. The Company producers a mix of high and low grown teas.

Hayleys Plantation Services Ltd.

Managing agents for Talawakelle Plantations Ltd. and owns majority share of Talawakelle Plantations Ltd.

HOTELS

Browns Beach Hotels Ltd.

Owns and operates Browns Beach Hotel, Negombo.

M.P.S. Hotels Ltd.

Owns and operates Hotel Hill Top, Kandy.

** *The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.*

Historical Overview

The origins of the Aitken Spence Group trace back to a partnership born one hundred and thirty eight years ago in the southern port of Galle. Then the hub of commercial activity, Galle was a thriving thoroughfare for entrepreneurial success. Taking advantage of this central location, Scotsmen Thomas Clark and Patrick Gordon Spence founded Clark Spence & Company in 1868, the seed of the present day conglomerate. The entry of brothers Edward and S.R. Aitken to the business saw the birth of Aitken Spence and Company in 1870.

Engaged primarily in trading, the enterprise was a typical colonial trading company, dealing in export and import. However, following its appointment in 1876 as an agent for Lloyds of London – the world's most renowned insurer - the company diversified into other aspects of business notably insurance and shipping, representing global players from both the industries. To date, Aitken Spence values its relationship with Lloyds, a notable catalyst in the change of structure and stature of the company.

With the growth of business, a move to Colombo's commercial district was imminent in the early 1900s. Relocating to the heart of Fort, the Company purchased the Freudenberg building renaming it "Lloyd's Building". It continued to headquarter the conglomerate till 1995, after which the business moved to its custom-built premises on Vauxhall Street.

The 1920s and 1930s heralded further changes to the nature of the business. Given the expansion of plantations and the prominence of tea as a growing industry in the country's economy, Aitken Spence and Company PLC., seized yet another opportunity for diversification. Becoming an agency house for plantation companies Aitkens Spence plunged in to the flourishing tea industry that later evolved in to plantation management. The Great Depression in the 1930s curtailed trading prompting the Company to intensify its interests in shipping, insurance and plantation management. These

Historical Overview *(Contd.)*

new ventures contributed to the Company's growth and reputation as a veritable commercial force among the then Ceylonese corporates.

World War II followed by the country's Independence from British rule in 1948 opened up vistas of opportunity for the Company. Transformed into a private limited company in 1950, ownership continued to be unchanged. Business opportunities intensified and the firm diversified into industrial printing, light engineering and travel, obtaining IATA membership. Upon the retirement of P.W.G. Spence – the last Chairman representing the founding families - in 1952, the first Sri Lankan Chairman E.L. Van Langenberg was appointed to lead the Company.

In 1968, Aitken Spence became a wholly Sri Lankan owned business venture – exactly 100 years after its inception. Nationalization of industries in the early 1970s propelled the Company into unchartered waters including freight forwarding, marine container allied services, courier services, property development, garment manufacture and most importantly tourism. During the period of economic liberalization the Company was converted to a public listed company in 1983, with an issued share capital of Rs. 51 million.

Tourism soon became the Company's core area of business, mainly as a result of the potential in the global tourism and hospitality industry. The Neptune Hotel initiated Aitken Spence & Company to the industry in 1974. The Heritance Ahungalla, then known as "Triton", Sri Lanka's first five star resort followed in 1981. Concept properties Heritance Kandalama and the Tea Factory followed in 1994 and 1996. The Heritance Kandalama Hotel, built by the renowned architect Geoffrey Bawa, is noted for its ecologically conscious outlook, a fact that was underlined when the hotel achieved the prestigious "Green Globe 21" certification in 1999 at the World Travel Market, the first hotel to be recognized in the Asian region. Heritance Kandalama remains as one of the icons of the Sri Lankan hospitality industry. It has received many accolades for its unique architectural style and operational approach. Winning the Ultimate Service Award presented by CNN in 2001 for the Indian Ocean Region as well as the CIMA Community Leader Award and the Presidential Award for Environmental Management during the year 2003 and 2004, Kandalama has been acclaimed as one of the most environmentally friendly resorts. As a tribute to the legacy of service excellence and the Group's commitment to the locality and heritage of Sri Lanka, the Group launched the brand Heritance during the year 2005/2006.

The Group's investment in hotels and tourism, extended to the Maldives, with the acquisition of Bathala Island resort in 1993. In the year 2006/2007, the Group launched the flagship brand Adaaran for the boutique, upscale, niche properties in its resort chain which now comprises of five properties with the latest addition in 2007/2008 of Vadoo Island resort. This property is to be refurbished and launched under the brand "Adaaran Prestige" in winter 2008. In the year 2006/2007, the Group made further headway into global markets by expanding to India with properties in Cochin, Trivandrum, Andaman, Delhi and Madurai of which two are already operational with four more coming into operations next year. The year 2007/08 saw the Group expanding its horizons to the middle eastern region with the commencement of management of four hotel properties in Oman.

Following the development of the Colombo Port, Aitken Spence has rapidly claimed its stake as a front runner in inland container operations, integrated warehousing, shipping and freight forwarding, the core of the Group's cargo logistics sector today. In 2006/07 the Group became the first Sri Lankan company to venture into port efficiency management services outside the country by undertaking a contract for port efficiency enhancement and the provision of management expertise in the Port of Durban, South Africa.

In response to the government's privatization programme the company re-entered the plantation business with strategic investments in two of the privatized regional plantation companies. More recently, the company took the opportunity to venture into infrastructure development, with the commissioning of operations of two 20 MW thermal power plants in Horana and Matara in 2000, and another 100MW thermal plant in Embilipitya in 2005/2006.

Having received a AA(lka) Rating from Fitch Ratings Lanka Limited, for Rs. 400 million debentures issued in 2001, the Group has maintained the same rating for the all of its debenture issues since then. Rated amongst the "Best Under a Billion" companies in USD revenues outside of the United States by the prestigious Forbes Global, for three consecutive years the Group has climbed to the highest echelons in Sri Lanka's Corporate standing.

Subsequent to 138 years of passionate entrepreneurship, Aitken Spence and Company PLC., in 2005/2006 re-launched its corporate identity as a stylized rendition of the components of the signatures of its founder chairmen, Edward Aitken and Patrick Spence. The brand builds on time-honoured values and rich traditions that will continue to translate into energy, entrepreneurship, and exceptional service in the twenty-first century.

The Group in 2006/07, fortified its foundations by acquiring the esteemed Hapag Lloyd shipping agency and by exploring the progress of the Money Transfer market by investing in a principal agency holder of the global money transfer giant Western Union. 2007/08 saw the Group moving into the growth industry of information technology, with the commencement of a joint venture with EVES Information Technology AG of Germany, catering to the German corporate clientele.

The Group having established itself as one of Sri Lanka's most respected and profitable conglomerates, now look to the future by venturing out to the international arena, with evolutionary strategies, innate leadership and with confidence.

Glossary of Financial Terms

Assets Held for Sale
The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

Assets Turnover
Total turnover (including share of Associate Companies turnover) divided by average total assets.

Bond
A long-term debt instrument carrying an interest coupon.

Capital Expenditure
The total of additions to property, plant & equipment and the purchase of outside investments.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Commercial Paper
Short-term promissory note issued in the open market that represents obligations of the issuing entity, guaranteed by a standby credit line with a commercial bank.

Compound Shareholder Return
Total Shareholder Return (TSR) for the time length of three years.

Current Ratio
Current assets divided by current liabilities.

Debenture
A long-term debt instrument issued by a corporate.

Debt/Equity Ratio
Non-current interest bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Diluted EPS
Net profit for the period attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue during the period, adjusted for the effects of all dilutive potential ordinary shares.

Dividend Cover
Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend – Payout Ratio
Dividends per share divided by earnings per share. This indicates the percentage of the Company's earnings that is paid out to shareholders in cash.

Dividend Yield
Dividend per share divided by the market value of a share.

Dividend per Share
Dividends paid and proposed divided by the number of issued shares, which ranked for those dividends.

DuPont Analysis
An analysis of the relationship between return on investment, asset turnover, financial leverage and the profit margin.

Earnings per Share
Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EBIT Margin
Earings before interest and tax divided by net revenue.

Economic Value Added
The measure of wealth created after funding the total investment of the Company.

Effective Rate of Dividend
Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

Effective Rate of Interest
Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

Financial Leverage
Total average assets divided by total average equity.

Goodwill on Consolidation
The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

Intangible Assets
An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services for rental to others or for administrative purposes.

Glossary of Financial Terms *(Contd.)*

Interest Cover
Operating profit before interest divided by the total interest.

Interest Rate Cap
An agreement where the lender agrees to compensate the borrower when the floating reference rate exceeds a pre-determined level.

Interest Rate Floor
An agreement where the borrower agrees to compensate the lender when the floating reference rate falls below a pre-determined level.

Interest Rate Swap
An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

Investment Property
Investments in land and buildings that are held to earn rentals or for capital appreciation or for both.

LIBOR
London Inter Bank Offered Rate.

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

Minority Interest
Part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent.

Net Assets per Share
Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

Net Treasury Bill Rate
Weighted average treasury bill rate net of withholding tax published by the Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

Price Earnings Ratio
Market value per share divided by the earnings per share.

Price to Book Ratio
Market price per share divided by net assets per share.

Quick Asset Ratio
Total current assets less inventories divided by total current liabilities.

Related Parties
Parties who could control or significantly influence the financial and operating decisions of the business.

Return on Equity
Profit after tax and minority interest divided by average equity less minority interest at the beginning and end of the year.

Revaluation Surplus
Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves
Reserves set aside for future distributions and investments.

Share Option Scheme
The right but not the obligation to purchase an agreed number of shares at a fixed price within a pre-determined time period.

SIBOR
Singapore Inter Bank offered rate.

Total Equity
Total of share capital, reserves, retained earnings and minority interest.

Total Shareholder Return (TSR)
Change in market price of the share between end and beginning of the financial year, plus dividend for the year, divided by the market price of the share at the beginning of the financial year.

Unquoted Shares
Shares which are not listed in the Stock Exchange.

Yield to Maturity
The Discount rate that equals present value of all expected interest payment and the repayment of principal.

Notice of Meeting

Notice is hereby given that the Fifty Sixth Annual General Meeting of Aitken Spence and Company PLC will be held at the "Sapphire Ballroom" Ceylon Continental Hotel Colombo 1 at 10.00 a.m. on Friday, 27th June 2008, for the following purposes :-

- To receive and consider the Statement of Accounts for the year ended 31st March 2008 with the Reports of the Directors and Auditors thereon.
- To declare a dividend as recommended by the Directors.
- To re-elect Dr. R. M. Fernando, who retires in terms of Article 85 of the Articles of Association, as a Director.
- To elect Mr. V. M. Fernando, who retires in terms of Article 91 of the Articles of Association, as a Director.
- To re-elect Mr. G. C. Wickremasinghe who is over the age of 70 years, as a Director by passing the following resolution:

  "That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G. C. Wickremasinghe who has attained the age of 74 years and that he be re-elected a Director of the Company"
- To re-elect Mr. R. Sivaratnam, who is over the age of 70 years, as a Director by passing the following resolution:

  "That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R. Sivaratnam who has attained the age of 70 years and that he be re-elected a Director of the Company"
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

BY ORDER OF THE BOARD

R.E.V. Casie Chetty
Company Secretary

Colombo

30th May, 2008

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office No. 305, Vauxhall Street, Colombo 2, not less than forty eight hours before the time fixed for the meeting.
3. Any member or proxy holder attending the meeting is kindly requested to bring this report.
4. It is proposed to post the dividend warrants on July 4, 2008, provided that the Final Dividend recommended is approved. In accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex- dividend with effect from June 30, 2008.

Form of Proxy

I/We..

of ....

being a member/members of Aitken Spence and Company PLC hereby appoint ....

.... of .... (whom failing)

Don Harold Stassen Jayawardena of Colombo	(whom failing)
Joseph Michael Suresh Brito of Colombo	(whom failing)
Rohan Marshall Fernando of Colombo	(whom failing)
Gaurin Chandraka Wickremasinghe of Colombo	(whom failing)
Ratneswara Sivaratnam of Colombo	(whom failing)
Charles Humbert Gomez of Gibraltar	(whom failing)
Niranjan Joseph de Silva Deva Aditya of United Kingdom	(whom failing)
Vernon Manilal Fernando of Colombo	

as my/our Proxy to represent me/us and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 27th day of June 2008, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand and Eight.

....

Signature

Note : Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

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.

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.

In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Registered Office of the Company, No. 305 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 25, 2008, being 48 hours before the time appointed for the holding of the meeting.

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Corporate Information

Name
Aitken Spence and Company PLC

Legal Form
A Public quoted Company with limited liability, incorporated in Sri Lanka in 1952

Company Registration Number
PQ 120

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

Directors
D. H. S. Jayawardena - *Chairman*
J. M. S. Brito - *Deputy Chairman and Managing Director*
R. M Fernando
G. C. Wickremasinghe
R. Sivaratnam
C. H. Gomez
N. J. de S Deva Aditya
V. M. Fernando *(appointed w.e.f 1st May 2008)*

Audit Committee
G. C. Wickremasinghe - *Chairman*
R. Sivaratnam
C. H. Gomez

Remuneration Committee
D. H. S. Jayawardena - *Chairman*
G. C. Wickremasinghe
R. Sivaratnam

Company Secretary
R.E.V. Casie Chetty

Auditors
KPMG Ford, Rhodes, Thornton & Co.,
Chartered Accountants

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

Telephone : (94 11) 2308308
Facsimile : (94 11) 2445406
Internet : www.aitkenspence.lk

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