



adaptability...

## Vision

To achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers, and become a globally competitive market leader in the region.

2	Group Financial Highlights
6	Chairman's Message
10	Managing Director's Review
16	Board of Directors
20	Board of Management
26	Our Network
28	Management Discussion and Analysis
62	Financial Review
74	Corporate Governance
86	Risk Management
95	Human Resources
102	Annual Report of the Board of Directors
107	Remuneration Committee Report
108	Nominations Committee Report
109	Audit Committee Report
110	Statement of Directors' Responsibility
111	Independent Auditors' Report
112	Financial Statements
154	Consolidated Income Statement In USD
155	Consolidated Balance Sheet In USD
158	Sustainability Strategy
175	GRI Index
182	Investor Information
187	Ten Year Summary
190	Economic Review
192	Group Companies
199	Glossary of Terms
200	Notice of Meeting
201	Form of Proxy
IBC	Corporate Information



The dandelion (*Taraxacum officinale*) is famous for its strikingly adaptable biology. Growing in a remarkable variety of environments, the dandelion holds strong resurrective power and reproduces prodigiously. Fast, strong and persistent, this plant uses its understated power to grow and expand wherever it is found. Today, Aitken Spence is proud to claim many of these fine characteristics for ourselves. As one of Sri Lanka's biggest, most dynamic conglomerates, we are ready to adapt to whatever the future holds, while growing every sector with confidence, intelligence and imagination.



# adaptability...

Adaptability is the greatest strength of any diversified group. Every sector has its unique challenges and opportunities. Only the most dynamic and professional can adapt, transform and continue to grow.

Aitken Spence is one of Sri Lanka's premier blue chips. To remain at the top, the Group stands steadfast upon its fundamentals. Through every initiative strategically adopted, we remain as adaptable as ever - ready to change direction as required, ready to grow and ready to maintain our strong presence and leading role in the business world of Sri Lanka.

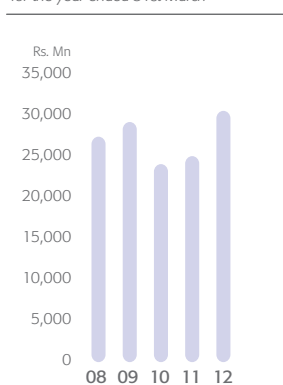
"Only the most dynamic  
and professional can  
adapt, transform and  
continue to grow."

## Group Financial Highlights

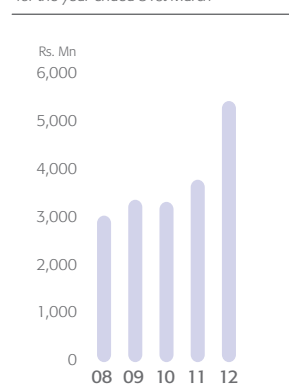
For the year	2011/2012 Rs '000	2010/2011 Rs '000
<b>Performance</b>		
Group revenue with associates	33,910,658	27,949,395
Group revenue	30,670,417	25,143,811
Profit from operations	5,604,383	3,956,516
Profit before taxation	5,463,457	3,815,555
Profit attributable to equity shareholders of the company	3,709,162	2,535,956
Earnings per share (Rs.)	9.14	6.25
<b>As at 31st March</b>		
Total equity	31,248,053	26,645,874
Total assets	51,730,845	40,144,825
Net assets per share (Rs.)	62.93	53.00
Current ratio	1.33	1.43
<b>Dividend</b>		
Dividend per share (Rs.)	1.40	1.00
<b>Key Indicators</b>		
Market capitalisation on 31st March (Rs. billion)	45.76	65.89
Return on equity (ROE) %	15.76	12.55
Debt/Equity	0.18	0.16

"We have made great strides in areas of our competencies, expanding our global network, whilst creating meaningful changes in our communities. In doing so, we have consistently delivered exceptional shareholder returns year after year ..."

**Revenue**  
for the year ended 31st March



**Profit before Taxation**  
for the year ended 31st March



**Rs. 33.9 bn**

**Revenue**  
(including associates)



**Rs. 5.6 bn**

**Profit from operations**



**Rs. 3.7 bn**

**Profit attributable to equity holders**

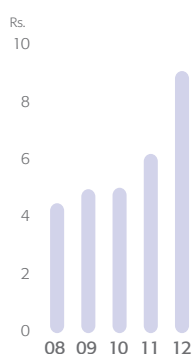


**15.8%**

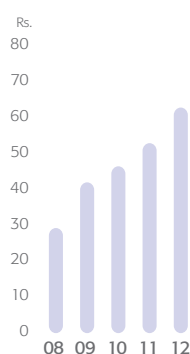
**Return on equity**



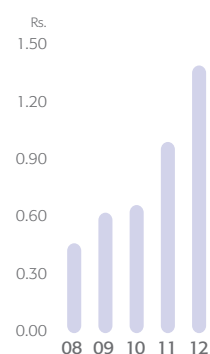
**Earnings Per Share**  
for the year ended 31st March

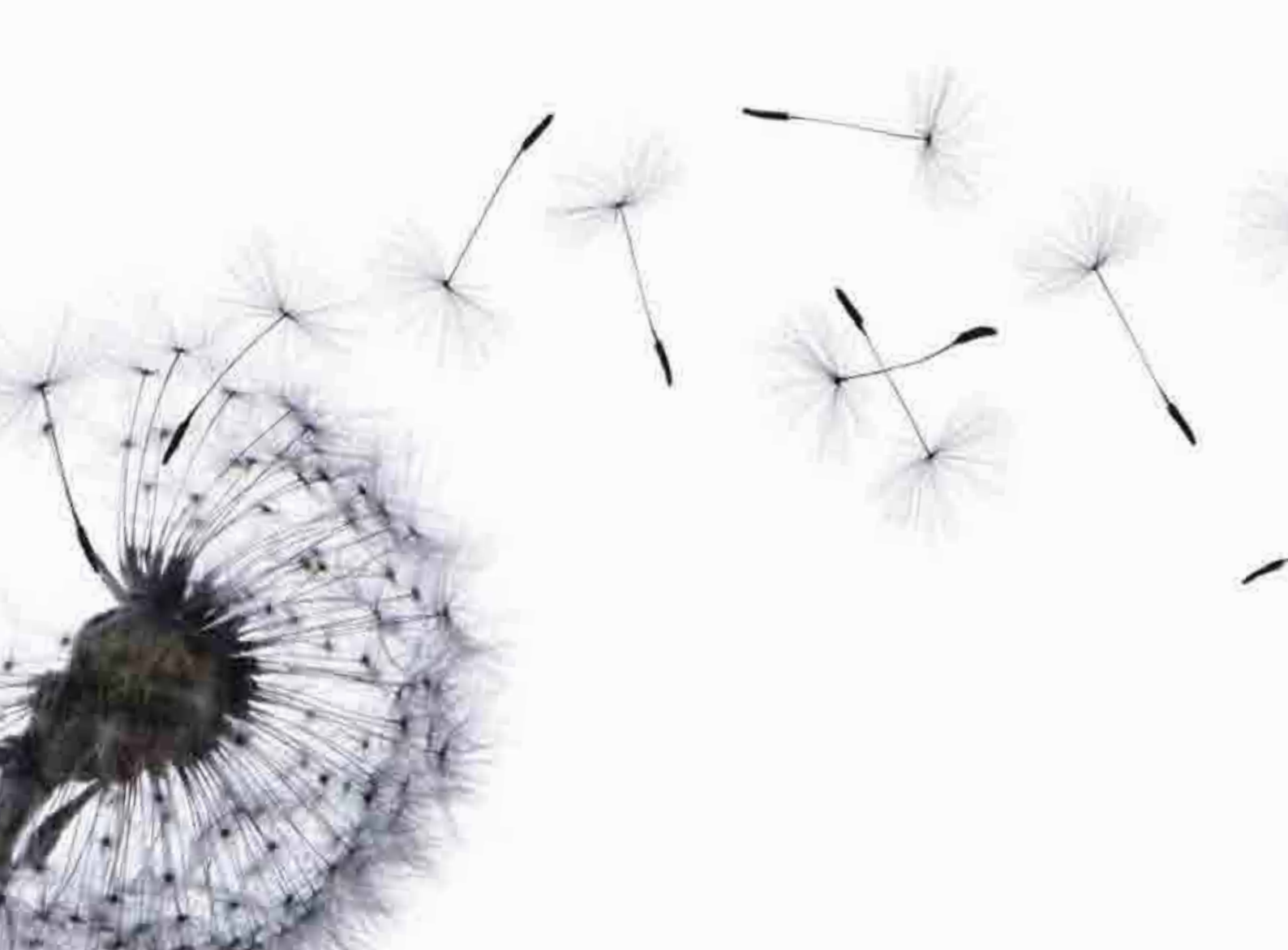


**Net Assets Per Share**  
as at 31st March



**Dividend Per Share**  
for the year ended 31st March





## Operational Information

Chairman's Message	6
Managing Director's Review	10
Board of Directors	16
Board of Management	20

### Management Discussion and Analysis

Our Network	26
Tourism Sector	28
Tourism Sector Senior Management Team	38
Cargo Logistics Sector	40
Cargo Logistics Sector Senior Management Team	47
Strategic Investments Sector	48
Strategic Investments Sector Senior Management Team	55
Services Sector	56
Services Sector Senior Management Team	61
Financial Review	62
Corporate Governance	74
Risk Management	86
Human Resources	95

A collection of dandelion seed heads and their stems, some with seeds still attached, scattered across the upper left portion of the page. The stems are thin and dark, while the seed heads are light and feathery.

*flexible...*

## Chairman's Message



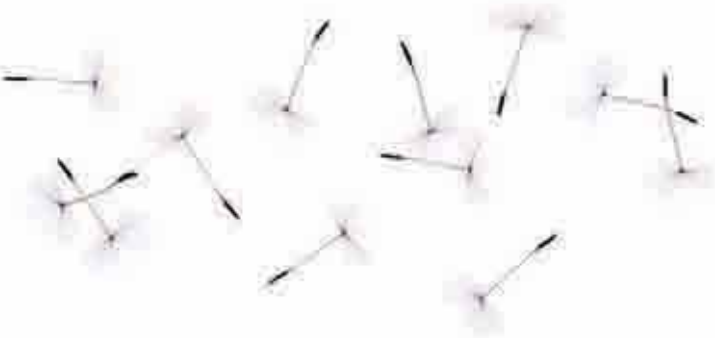
"Aitken Spence has thrived and continued to grow by taking the right decisions at the right time, swiftly adapting ourselves to strategic opportunities and ground realities..."





It is with pleasure that I present the Annual Report and Accounts of Aitken Spence PLC., for the year ended 31st March 2012.

As a diversified conglomerate with a strong presence in many sectors of the economy, your Company



encountered a unique set of opportunities as well as challenges this year. Aitken Spence has thrived and continued to grow by taking the right decisions at the right time, swiftly adapting ourselves to strategic opportunities and ground realities. In doing so, we have stood steadfast in our beliefs, while being inspired by our heritage and supported by our strong fundamentals.

The results presented in this report speak for themselves and are the best evidence that the business decisions we have made over the past year have been profitable, strategic and prudent.

### Economic Environment

The global economy grew by 3.8% in 2011, marginally better than the IMF's early estimates of 3.3%. Emerging and developing economies continued to lead, recording 6.2% growth compared to the advanced economies which recorded a growth of 1.6%. Businesses worldwide faced mounting external pressures during 2011, as the European economies spiralled into a sovereign debt crisis, the US continued to be beleaguered by low consumer demand and high unemployment and the Middle East remained gripped by the Arab Spring social revolutions. Asian giants China and India recorded 9.2% and 7.4% growth respectively but the spillover effects of global conditions have begun slowing down the Asian economic bloc.

The Sri Lankan economy performed well in this environment, growing 8.3% to better the high of 8% recorded in 2010. Upbeat sentiment enabled the economy to be somewhat insulated for the better part of the year. The country's infrastructure development must be highlighted, as physical conditions conducive to international business continues to improve at a rapid pace. The investments in infrastructure over the

## adaptability...

next few years will no doubt bring extraordinary opportunities for Sri Lanka.

Considerable volatility was witnessed in the economy in late 2011 and early 2012 as a widening trade deficit, dwindling reserves and rapidly expanding credit led to a slew of policy changes, including the depreciation of the rupee, higher interest rates and lending restrictions. As a net foreign exchange earner, your Company stands to benefit from a weaker rupee; however, the high interest rates and tight liquidity are of concern to our plans in the pipeline. It is hoped that the release of USD 427 million tranche of the IMF's standby facility would stabilize the present volatile conditions.

### Corporate Performance

Aitken Spence PLC., posted a consolidated profit after tax of Rs. 4.7 billion for the year, a growth of 37.4% over the previous year. The net profit attributable to the shareholders stood at Rs. 3.7 billion which is the highest ever for the Group. Taking the growth in profits into consideration, the Board has proposed a dividend of Rs. 1.40 per share which is an increase of 40% over the previous year.

In order to reap the advantages of the expected tourism boom in Sri Lanka, the hotel sector refurbished several properties to strengthen its portfolios of resorts to serve its clientele. Over the next two years, we would see our iconic portfolio growing further with the construction and completion of our resorts in Negombo, Kalutara and Ahungalla.

In Maldives, our Adaaran chain of resorts performed exceedingly well, reaping the benefits of consistent investments made over the years to

## Chairman's Message

build a strong and competitive offering for the thriving Maldivian tourism industry. Several operational strategies unrolled during the year resulted in remarkable results, in spite of the introduction of new corporate and goods and services taxes. We believe the Maldives will continue to offer tremendous potential to Aitken Spence, who is one of the top five resort operators in the Maldives.

Your Company remains the foremost provider of end-to-end logistics solutions in Sri Lanka and has the potential to become a key player in the regional supply chain. The maritime segment has had much success in South Africa with its port efficiency enhancement programme and would continue to seek new opportunities. As a first step in this direction, we invested in Colombo International Nautical and Engineering College (CINEC) the largest private sector maritime and higher education campus in Sri Lanka. We are certain that this investment combined with our experience would create many new avenues of growth.

During the last financial year Colombo International Container Terminals Ltd., signed and finalized the Build Operate Transfer (BOT) agreement for the construction and operation of the Colombo South Container Terminal at the port of Colombo with the Government of Sri Lanka, and the project is now under way. After careful financial evaluation, the decision was made to sell our 30% stake in Colombo International Container Terminals Ltd., to our consortium partner China Merchant Holdings (International) Company Limited; the sale realised a capital gain of Rs. 655 million. The decision was made in the best interest of shareholders, considering substantial estimated cost overruns in the project. We are indeed proud of having been the initial promoters of this success story which is expected to bring great benefits to the country.

The power generation segment made a successful entry into Bangladesh during the year, an example of the Group's capacity to extend its expertise in the region. We are now in the process of finalising the Power Purchase Agreements with the Government of Bangladesh and expect to commence construction shortly.

As one of the foremost and oldest established corporates in Sri Lanka, Aitken Spence considers it vital to have in place appropriate systems of governance and risk management in order to secure the investments of our shareholders and minimise negative impact on stakeholders. We have now unrolled a robust disaster recovery system to minimize the potential impact of risks to operations. Our corporate governance structure is in compliance with "The Code of Best Practice on

Corporate Governance" issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Being a responsible conglomerate, your Company's commitment to a sustainable future and green business is far reaching. During the year, the Group's sustainability agenda was accelerated in several sectors, including power, hotels, printing and freight forwarding. The entire Group also made significant advances towards a paperless environment.

## Future Outlook

As mentioned by me last year, meaningful public-private partnership is vital for Sri Lanka to reach its full economic potential and become a business hub. The private sector led by the large corporates, demonstrated utmost positivity and belief in Sri Lanka even during the war, and now with business conditions having undergone a post-war metamorphosis, it is imperative that the government facilitates a level playing field to empower and encourage the private sector to achieve its ambitions.

The region offers many examples of how enabling environments have thrust their private sectors to the forefront of international business: the many world-leading Indian entrepreneurs are a case in point. Our Asian neighbours such as Cambodia, Laos, Vietnam and Myanmar – all recovering from their own protracted internal conflicts – are reaping the benefits of measures taken to promote private sector participation and encourage investment.

Sri Lanka is yet to garner the level of investment momentum anticipated two years ago; while some international brand names have already commenced investing in Sri Lanka there are further opportunities to exploit the market. There is a fundamental need for a coherent and enduring policy framework that fosters business. The creation of such homogenous policies will support the entire nation to seize the remarkable opportunity created by His Excellency Mahinda Rajapakse's defeat of terrorism.

In this context, I must commend the one-stop shop now operated by Sri Lanka Tourism for those interested in entering the industry. The facilitation body is a much needed single point of contact and has clearly eased the processing and coordination complexities faced by investors. We sincerely hope that the unit will be strengthened further in the coming year, as many of the world's most powerful leisure brands have shown genuine interest in entering the local market. Embracing the big names by wooing them with suitable land and other incentives is vital for a small country such as Sri Lanka, considering the benefits of shared destination marketing.

The continuous slump experienced by the traditional power bases of Europe and America offers Sri Lankan businesses an opportunity to push their boundaries and explore beyond our shores. The time has come for Sri Lankan business to think big and firmly place our country on the international business landscape.

In its efforts to help the country reach its full potential, the corporate sector must contribute to the equitable development of the North and East. Much effort has been made to encompass the newly liberated areas in to the mainstream economy, but much more remains to be done. This is natural, given that the region must recoup thirty years of missed opportunities. The infrastructure development in the North and East must go hand in hand with efforts to create suitable opportunities and thereby empower the citizens of the former battlefield.

I note with much concern a growing shortage of suitably skilled and qualified human resources; over the past few years the entire corporate sector has faced continuous challenges in finding the right people for the right jobs, especially at entry levels. This trend has become a critical issue for the hospitality industry and is set to exacerbate with the rapid expansion planned for the trade. There must be a cohesive and urgent effort to understand and address the shortcomings of the current labour force, thereby making youth more employable.

The country's reliance on fossil fuels is also of concern; spiralling world oil prices have necessitated local price increases which have had a cascading effect on other sectors of the economy. The high energy and transportation costs have an immense impact on business, as climbing production costs cannot constantly be passed on to the consumer. It is important that the country forges towards alternative sustainable sources of energy in order to diminish our overdependence on petroleum.

Despite these concerns, I reiterate that the potential Sri Lanka offers to serious investors remains undiminished; it is a market on the cusp of a new future, with expanding economic opportunities that complement the Asian economic thrust. Sri Lanka will continue to be the focus of the Aitken Spence Group's expansion plans; we will continue to invest prudently in growth areas of the economy and play our part in leading the country's corporate sector.

## Acknowledgments

I wish to thank my fellow Board Directors, for their prudent judgment and the ready support they have extended over the year.

The Board of Management, sector management teams and staff has steered the strategy and operations of the company with a clear vision and sense of purpose. To them, I say thank you for a job well done in their relentless pursuit of extraordinary achievements.

My heartfelt gratitude to each and every member of the Aitken Spence team, whose dynamism and professionalism have become the hallmarks of the company.

To you, our investors, I express my sincere appreciation for the confidence you have placed in the Company, and assure you of the management's foremost commitment to always work in your best interest.



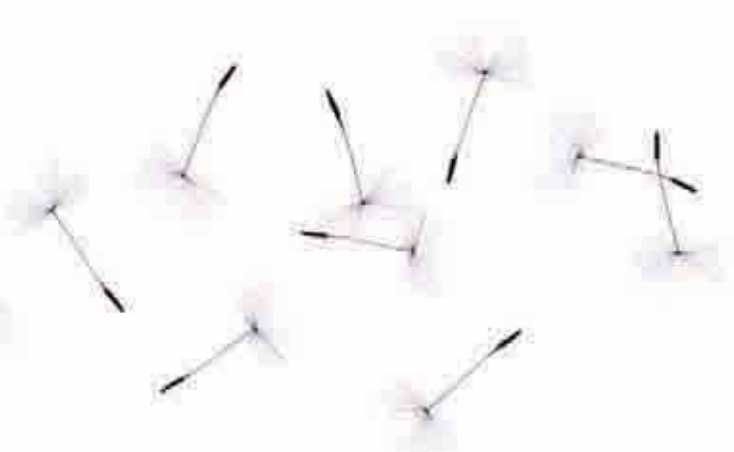
**D.H.S. Jayawardena**  
*Chairman*

25th May 2012

## Managing Director's Review

*"Consolidated profit before tax increased by 43.2% to Rs. 5.5 billion which is the highest ever recorded to date. Profit after tax was Rs. 4.7 billion and net profit attributable to shareholders was Rs. 3.7 billion..."*





## adaptability...

For Aitken Spence 2011/12 was a year of mixed fortunes, and I am proud to report that your company, with its inherently positive vision and resilient spirit, embraced the many opportunities and overcame the many challenges which tested its capabilities during the year. This year we present our first integrated Annual Report, which I sincerely hope gives you, our stakeholders, a more holistic view of the strategies, operations, governance and sustainability of the Group.

Aitken Spence has been in operation for over one and a half centuries, growing its footprint in Sri Lanka, Asia and Africa. The hallmarks of our success and sustainability have been our ability to harness the right business opportunities; our capacity and agility to reposition, realign and reinvent ourselves to capitalise on market realities; and the business acumen and instincts of our team of well-honed professionals whose bold decisions have paved the way for the stable and solid results we showcase here. The Group's long history - from shipping and insurance agents to a highly diversified conglomerate - is proof of this adaptability.

### Performance

Group Revenue increased to Rs. 30.7 billion which is a 22.0% growth over the previous year while consolidated profit before tax increased by 43.2% to Rs. 5.5 billion which is the highest ever recorded to date. Profit after tax was Rs. 4.7 billion and net profit attributable to shareholders was Rs. 3.7 billion which is an increase of 46.3% over the previous financial year.

Operating conditions in Sri Lanka were conducive for the better part of the year, offering an environment of

low interest rates, steady inflation, price stability and stable foreign exchange rates. This was in sharp contrast to global conditions, which were affected by a sovereign debt crisis in Europe, a decline in the world's largest economy – the US and citizen-led political upheavals in the Middle East.

The infrastructure development in the country during the year was indeed welcomed – particular mention must be made of the country's first expressway connecting Colombo with Galle, which has a positive impact on several of our key sectors. We are very happy to note the development that has taken place in the North and East since the end of the war three years ago and the Government's efforts to establish an additional sea port and airport in Hambantota, are indeed encouraging.

The fourth quarter of 2011/12 witnessed some economic volatility following the free float of the rupee in February 2012, restrictions on lending, rising interest rates, higher inflation and eroding investor sentiment. We are concerned regarding restricted credit growth, which will have an impact on the investments in the pipeline. It is hoped that the pressures on the local economy will be somewhat eased by the release of USD 427 million from the IMF's standby facility, in April 2012.

Aitken Spence believes that Sri Lanka offers much potential to grow its core businesses while offering exciting new avenues in yet unexplored areas. Overseas, we will pursue a strategy of consolidation while seeking opportunities which enable us to capitalise on our proven expertise.

### Tourism

The Tourism Industry in Sri Lanka is set to welcome one million tourists in 2012, harnessing the post-war boom which saw 855,975 tourist arrivals during 2011. It is heartening to note that over 200 new hotel projects are in the pipeline, which will add approximately 14,000

## Managing Director's Review

rooms to the country's inventory over the next few years. Several well known international hotel chains have firmed up plans to enter Sri Lanka while many others have shown interest in the nascent market with projects commencing during the current year to construct Sri Lanka's first Sheraton, Shangri La and other international hotel chains. The addition of a new airport and the growing number of budget airlines which have added Sri Lanka as a destination augurs well for the entire industry, and indeed for Aitken Spence, which is one of the largest tourism players in Sri Lanka.

The Group's Sri Lankan hotels performed well, although the partial closure of some of our hotels for renovation and refurbishment, negated this performance to some extent, resulting in the contribution to profits being on par with the previous year. Heritance Kandalama is constructing a state-of-the-art conference hall which is expected to be operational in mid 2012. Further investments are being carried out at The Sands in Kalutara, and Browns Beach Hotel in Negombo to position these properties as "niche properties" to benefit from the tourism boom. The newly acquired Hilltop Hotel in Kandy has proved a success and enjoyed good occupancy throughout the year. I am also happy to note the creditable performance of Heritance Ayurveda Maha Gedara, which opened during the year as the foremost Ayurveda resort in Sri Lanka. In Trincomalee, we have applied for planning permission to construct a luxury resort on the beautiful stretch of Nilaveli beach owned by Aitken Spence. It is planned to develop the area further in collaboration with an international operator by building a golf course and a luxurious resort on the adjoining property.

The Adaaran resorts returned a stellar performance, reflecting a good year for the Maldivian tourism industry, despite the industry players

having to face a new challenge in the form of goods and services tax and corporate taxation for the first time during the year. It is reassuring that the political uncertainty in Malé has not had an adverse effect on tourism, the mainstay of the country's economy. Our resorts in the Maldives strategically adapted themselves to market realities there by changing their operating models, which has brought immediate results.

The Group's managed hotels in India have yet to generate the anticipated volumes and the segment must strive to operate at a larger inventory. The Group's properties in Oman enjoyed a better year, gradually recovering from the effects of the Arab Spring.

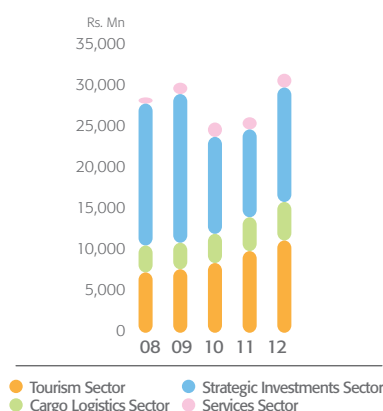
Our destination management segment recorded its best year and continues to grow. The segment's efforts to strategically seek and promote itself in new markets have borne fruit, enabling it to achieve a healthy mix of tourists from the traditionally strong European sector as well as from new generating markets such as India, Middle East and Eastern Europe. I wish to extend my appreciation to our valued joint venture partner TUI, the world's largest tourism player for their contribution to this success and hope that TUI would take an even greater interest in Sri Lanka with more investments during the coming year.

As a representative of over 200 leading global tour operators, Aitken Spence Travels notes that in the long term it is in the best interest of the industry, to allow market forces to determine the pricing of room rates. We are aware that major tour operators continue to view the regulation of rates negatively, and have also reacted unfavourably to the many ad-hoc increases in entry fees to tourist sites during the year, which could be an impediment to the planned growth of the industry.

The Singapore Airlines GSA continues to face intense competition especially from low cost airlines, and Middle Eastern carriers. Globally, the price-driven industry has forced legacy carriers to change their business models to stay competitive and we welcome

### Sector Revenue

for the year ended 31st March





a recent decision by Singapore Airlines to offer competitive fares on several popular sectors from Colombo.

### Strategic Investments

The power segment did extremely well to return a positive performance despite the closure of its 100 MW plant in Embilipitiya for four months of the year due to a technical failure and the plant is now fully operational after the defective components were replaced. We have applied for an extension of the Power Purchase Agreement on the Matara plant and are currently in discussion with the Ceylon Electricity Board. During the year, the segment successfully entered the Bangladesh market through its engagement in two independent power purchase contracts, which will allow us to build on our local competencies in overseas markets. With ample appetite to expand, we will continue to seek opportunities overseas. We are excited about several renewable energy projects which are set to come on board in 2012/13; these include the Branford hydro power plant, the wind power project in Ambewela as well as a waste-to-energy project for the conversion of municipal waste in Colombo. Renewable energy is the future of energy and I urge that the private sector be encouraged to participate in such projects, to enable the country to reduce its dependence on fossil fuels.

The printing segment ended the year on a positive note, having made several new investments including acquisition of a six-colour printing machine that increased efficiency. The new investments contributed in increasing market share particularly in niche products. The printing operation has now moved to its new state-of-the-art facility in Mawaramandiya.

The plantation sector faced yet another wage hike during the year, but retained its profitability as a result of several measures undertaken over the year to right size its operations. The pressure on tea and other commodity prices in the world market have had a sharp impact on the segment; although its strategy of

diversifying into areas such as palm oil, rubber and hydropower held it in good stead.

The garments segment performed extremely creditably, successfully overcoming the downside of the EU's withdrawn GSP+ concessions through stronger partnerships with customers and a commitment to quality and delivery. I must make special mention of the combined efforts of the staff of this segment in achieving this turnaround.

### Logistics

The Company's involvement in the Colombo South Terminals Ltd., came to an end during the year, with the sale of our 30% stake in the joint venture company to our consortium partner China Merchant Holdings (International) Company Limited. The decision to exit the project was necessitated by cost escalations as well as unfavourable changes to financing terms due to global economic conditions, exacerbated by the inordinate delays between the submission of the bid and the final agreement. Having carefully considered the financial viability of the project in the best interests of the Company and the shareholders, Aitken Spence finalised the sale which realised a capital gain of Rs. 655 million to the Group.

The maritime segment posted extraordinary growth despite a tough year for the entire global supply chain. The sector's port efficiency enhancement operations in the African continent have gained ground as Aitken Spence has now built a strong reputation through proven expertise in the region. During the year the segment increased its stake in Colombo International Nautical and Engineering College (CINEC), Sri Lanka's largest private sector maritime and higher education campus. CINEC is the only maritime university in the region that offers specialised instruction and modern laboratory and simulator facilities specifically geared to the maritime sector. As Sri Lanka's foremost logistics solutions provider, the Group can derive many synergies from its association with CINEC by creating a cadre of skilled maritime specialists in support of the government's vision of transforming Sri Lanka into a maritime hub.

The logistics segment recorded a gradual rise in profits, with its container freight station operations performing remarkably well to offset pressures from high fuel and wage costs and heightened competition. The acquisition of Logilink (Pvt) Ltd., during the last financial year has borne fruit, with the specialised container freight station enjoying heavy demand from its customers. Further

## Managing Director's Review

investments were made during the year to build capacity and increase efficiencies across the various activities of the segment, while its processes are being automated with a view to increasing productivity.

The freight forwarding segment faced numerous external constraints during the year as the global industry experienced turmoil. Hence its performance in this environment is noteworthy. During the year Qatar Airways appointed us as the general sales agent for cargo operations in Sri Lanka.

For over thirty years, Aitken Spence has represented TNT Express in Sri Lanka and we look forward to new opportunities following the merger of TNT (Worldwide) and the international freight forwarder UPS in the coming year.

### Services

MMBL Money Transfer (Pvt) Ltd., the largest principal agent for Western Union in Sri Lanka witnessed increased inward remittances and posted strong growth. The Group is bullish on the potential for Western Union in Sri Lanka and has made several strategic inroads in key markets which will be reflected in the results of the coming year.

The operations and maintenance segment has proven its capability to manage the reliability and increase the efficiency of power plants. The only ISO certified power sector O&M operator in the country is ready to offer these services to external clientele, both in Sri Lanka and overseas.

The OTIS elevator agency continues to benefit from the growth in the construction industry and has spread its footprint across the island.

The Lloyds insurance agency grew steadily, undertaking specialised surveys for the first time and continuing its fruitful partnership with the World Food Programme's projects in the Maldives and Sri Lanka.

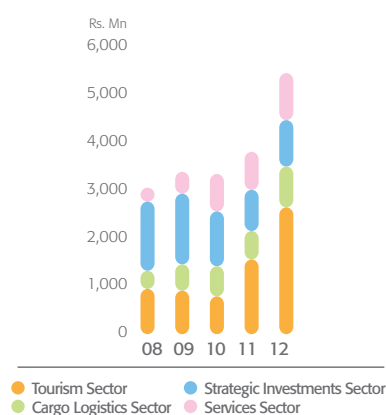
Aitken Spence has identified information technology as a growth area and as such, consolidated operations of the new technology subsidiary by buying out our joint venture partner Calsoft Group of India. The company now known as Aitken Spence Technologies is an Oracle Gold Level Partner of the Oracle Partner Network and a member of the IBM PartnerWorld program. The company was recently appointed as an Oracle University Approved Education Reseller Partner as well as an authorized training centre, offering professional training courses towards prestigious Oracle University certifications.

The financial shared services centre established two years ago has realised the anticipated advantages and the Group has made a smooth transition to centralised back office operations. The overseas subsidiaries of the Group have gradually been brought into the shared services fold over the year. The automated and streamlined structure has generated a higher quality of management information and has granted subsidiary-level management more time to focus on the strategic expansion of businesses.

We are aware that the success of our Group is mainly due to the experience, knowledge and commitment of our employees. Training and development is not an option but a necessity for the successful growth of the Company. Therefore it is viewed as a capital investment where the results would bear fruit over a period of time. The Group is extensively training employees on technical, operational and managerial aspects in an endeavor to enhance the performance of the Group.

The IT infrastructure of the Group was modernised during the year with the investment in a virtual server while a robust disaster recovery plan is now in place. The Group continues its shift towards a paperless environment and saw the implementation of an Oracle document management project during the

**Sector Profit before Taxation**  
for the year ended 31st March





year, which will be rolled out across the Group in the coming year. This project will enable us to take a further step towards the paperless office concept which is one of our sustainability initiatives.

## Sustainability

The Group's sustainability strategy has taken shape from a clear assessment of the impacts we have on our key stakeholders as well as the overarching trends of our industry groups, and our goal is to create value through every action we practice. The main interests and goals of our sustainability agenda are environmental protection through the preservation of ecosystems, cleaner and efficient energy, resource efficiency; national development through community upliftment; personal and professional development of employees; excellence in product and service delivery and strong governance practices.

The Group is also committed to contributing to the larger good by sharing our learnings with our local and global networks and participating in policy dialogues. We continue our commitment and support for the United Nations Global Compact and also support the Caring for Climate Initiative and Women's Empowerment Principles, and we consistently work towards internalising these principles into our business model.

The Group prides itself on its commitment to quality, environment and safety management practices, as evidenced by our subsidiaries/processes being certified by the International Organisation for Standardisation (ISO). In fact, during the year Heritance Ahungalla became the first resort in the world to be awarded ISO 50001:2011 for Energy Management Systems, while Aitken Spence Cargo became the first major freight forwarder in Sri Lanka to receive ISO 14001:2004 Environmental Management Systems certification.

The Group's assimilation of principles of sustainability into its strategy and operations naturally requires us to approach our reporting in a more holistic and inclusive

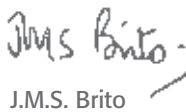
manner; thus this report marks our first foray into integrated reporting. We have reported operational and sustainability parameters in parallel, and trust that you, our stakeholders, will find the information contained herein more enlightening and constructive.

## Appreciations

Over 5,000 men and women now make up the Aitken Spence family and each of them is a testament to the qualities espoused by the Group: proficiency, fortitude, positivism and resilience. Aitken Spence has always positioned itself as a knowledge bank, driven by the expertise of the highly skilled professionals within its fold. In this context, I wish to emphasize to our employees that their contribution is always valued and respected and thank them wholeheartedly for their efforts.

My appreciations to the Chairman and Board of Directors who have been a great source of strength and guidance during the year, and to the Board of Management for the unstinted support and vision to take Aitken Spence forward in an increasingly competitive world.

Sri Lanka is on the threshold of a future full of promise and Aitken Spence is ready to embrace the future by doing what we do best: boldly seeking new opportunities; adapting and reinventing ourselves with agility; championing sustainable business and creating real and lasting value for our stakeholders.



**J.M.S. Brito**

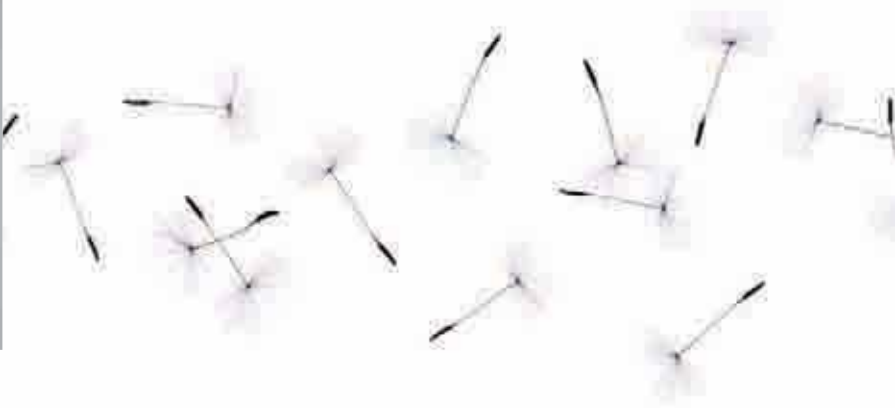
*Deputy Chairman and Managing Director*

25th May 2012

## Board of Directors



Mr. D.H.S. Jayawardena



Mr. J.M.S. Brito



Dr. R.M. Fernando



Mr. G.M. Perera

"We act in the best interest of our shareholders. Our decisions are based on four keystones: integrity, growth, sustainability and stability. Your company is in safe hands..."



Dr. P. Dissanayake



Mr. G.C. Wickremasinghe

adaptability...



Mr. C.H. Gomez



Mr. N.J. de Silva Deva Aditya



Mr. V.M. Fernando



Mr. R.N. Asirwatham

## Board of Directors

### 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 Chairman/Managing Director of the Stassen Group of Companies – a diversified group in exports and import trade, and Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC., and Lanka Bell (Pvt) Ltd. He is a former Director of Hatton National Bank, the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

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

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

### Mr. J.M.S. Brito

Mr. Rajan Brito has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of both Institutes of Chartered Accountants of Sri Lanka and England and Wales. Together with this multi-disciplined knowledge, he also brings with him a wealth of 25 years of international experience working with a number of international organizations. Presently Mr. Brito is the Deputy Chairman and Managing Director of Aitken Spence PLC, the Chairman of DFCC Bank, DFCC Vardhana Bank and The Employers' Federation of Ceylon. He is a former Chairman of Sri Lankan Airlines, and a former Director of Sri Lanka Insurance Corporation.

Mr. Brito was appointed to the Board of Aitken Spence 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 at Aitken Spence PLC., holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) 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 plays an important role in the re-branding strategy of Aitken Spence and also leads the CSR and Sustainability Initiatives of the Group. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

He has been recently appointed as Honorary President of CIM, Sri Lanka region and Chairman of United Nations Global Compact Network, Ceylon.

### Mr. G.M. Perera

Mr. Gehan M. Perera heads the travel segment in the Group. He served on the board of the Sri Lanka Tourism Promotion Bureau and 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.

### Dr. P. Dissanayake

Dr. Parakrama Dissanayake is the Chairman/CEO - of Aitken Spence Maritime, Logistics & Cargo and Director - Aitken Spence PLC., is a former Chairman/CEO 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 has served on the UN/UNCTAD Panel as an expert on Ports & Shipping is a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board and Past Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat. He is a member of the Faculty Industry Consultative Board – Dept. of Transport & Logistics Management of the University of Moratuwa and Chairman of Ceylon Chamber of Commerce -Steering Committee on Ports, Shipping, Aviation and Logistics and Director of CINEC Maritime and Management Campus.

Dr. Dissanayake a University of Oxford Business Alumni is a Graduate of Harvard Business School Executive Education Programme on "Global Economy".

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). He is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers; Contribution to society Award by PIMA of the University of Sri Jayewardenapura and Services Rendered to the Shipping Industry by Ceylon Association of Ships' Agents.

### **Mr. G.C. Wickremasinghe**

Mr. G.C. Wickremasinghe started his career in 1954 on an Aitken Spence managed plantation. He has therefore had an unbroken association of over 58 years with the Company. 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, including the Lloyd's Agency 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 PLC., in 1972 and was Chairman from 1996 to 1997. He has therefore been a Director of the Company continuously for a period of over 40 years. He 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 Heritage Tea Factory.

### **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 PLC., on 14th May 2002.

### **Mr. N.J. de Silva Deva Aditya**

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

first Asian MP to serve in the British Government as PPS in the Scottish Office and first Asian born MP to be elected to the European Parliament. He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "Viswa Kirthi Sri Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication.

### **Mr. 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 the current Chairman of Holcim (Lanka) Ltd., and its subsidiary Companies. He is also Chairman and or Director of other public listed and private companies. He is also a Director of Sri Lankan Airlines Ltd., and a Trustee of Joseph Frazer Memorial Hospital.

Currently Mr. Fernando is a Member of the FIFA and AFC Executive Committee and AFC Asian Cup 2015 Organising Committee. He is the Chairman of Futsal Committee-FIFA, Aid 27-AFC and Stadium and Security Committee of FIFA. In addition he is also the Deputy Chairman of the Players Status Committee of FIFA. He has since 1990 been a Vice President of the National Olympic Committee of Sri Lanka.

### **Mr. R.N. Asirwatham**

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President of Sri Lanka. As at present, Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce Advisory Council and a member of the council of the University of Colombo. He also serves on the Boards of Vallibel One Limited, Ceylon Tea Services PLC, Browns Beach Hotels PLC, Royal Ceramics PLC, Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC, Rajawella Holdings (Pvt) Limited, Mercantile Merchant Bank and Yaal Hotels (Pvt) Limited.



## Board of Management



Mr. J.M.S. Brito



Dr. R.M. Fernando



Mr. G.M. Perera



Dr. P. Dissanayake



Mr. R.E.V. Casie Chetty



Mr. K.R.T. Peiris



Ms. N. Sivapragasam



Mr. D.V.H. de Mel



Mr. S.M. Hapugoda



Ms. N.W. de A. Guneratne



Mr. C.M.S. Jayawickrama



Mr. R.G. Pandithakorralage



Mr. D.S. Mendis



Mr. V.M. Gunatilleka

## Board of Management

### Mr. J.M.S. Brito

See Board of Directors profile.

### Dr. R.M. Fernando

See Board of Directors profile.

### Mr. G.M. Perera

See Board of Directors profile.

### Dr. P. Dissanayake

See Board of Directors profile.

### Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC., and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has over 40 years post qualifying experience. During this period he has held very senior and responsible positions in extremely respectable private sector organisations. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

### Mr. K.R.T. Peiris

Mr. Rohantha Peiris heads Freight Forwarding, Express and Airline division and he brings into the industry a depth of knowledge and valuable expertise. He is responsible for operations in Bangladesh, India, Pakistan and Maldives. He was also a Director of the American Chamber of Commerce for two consecutive years and presently represents the Company at all American Chamber of Commerce activities. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them in an advisory capacity. He is also a Director of SLFFA Cargo Services Ltd. He is a Member of the Chartered Institute of Logistics & Transport – International and is also affiliated with most of the industry bodies.

### 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 UK. She is a member of the Statutory Accounting Standards and the Statutory Auditing Standards Committees and serves on the Committees of the Tax and Financial Reporting Faculties of the Institute of Chartered Accountants of Sri Lanka. She is also a member of the Urgent Issues

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 and is the Chairperson of the CFO forum.

Ms. Sivapragasam currently serves on the Sri Lanka Accounting & Auditing Standards Monitoring Board which has been set up by an Act of Parliament and is a member of the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division. She is a council member of the Board of the Sri Lanka Institute of Directors and is also a Member of the Taxation Sub-Committee and Financial & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce.

She completed her Articles at Ernst & Young Colombo and has over 25 years of post qualifying experience in the industry.

### Mr. D.V.H. de Mel

Mr. Devan de Mel is the Managing Director of the Power Generation Sector of the Group, prior to which he headed the Group Corporate Planning Unit. He is also on the Management Committees of the Group Plantation and Printing sectors. 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.

### Mr. S.M. Hapugoda

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

### 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 the General Manager of the Lloyd's Agency in Colombo and the Maldives, and also the Chief Legal Officer of the Aitken Spence Group. She is a Fellow of the Chartered Insurance Institute of UK, and a Chartered Insurance Practitioner 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 Past President of the Sri Lanka Insurance Institute.

### **Mr. C.M.S. Jayawickrama**

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

### **Mr. R.G. Pandithakorralage**

Mr. Rohan Pandithakorralage is the Director/Chief Human Resources Officer of Aitken Spence Group Ltd. At present he is a member of the Board of Governors of National Institute of Labour Studies (NILS), National Labour Advisory Council (NLAC) and the Council of the Employers Federation of Ceylon (EFC).

He is a Business graduate of Victoria University of Australia with an Executive training at NUS Business School in Singapore and has received extensive management training at Nippon - Keidanren International Cooperation Center (NICC) in Japan.

He is a past president of the International Public Management Association for Human Resources - (IPMA-HR) Sri Lanka Chapter and Executive Committee Member of the IPMA-HR Asia Network. He is a founder committee member and a past president of the Association of Human Resource Professionals in Sri Lanka (HRP). He was the Chairman of the Executive Committee of HRM Awards 2010.

He was a visiting lecturer at the University of Colombo and University of Ruhuna. He won the Prestigious HR

Leadership Award at the Asia Pacific Congress (APHRM) 2007/08. He was recognized 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 the Financial Solutions segment is additionally responsible for Aitken Spence Technologies (Pvt) Ltd. He is also involved in new business initiatives of the Group. He holds a Bachelor of Science Degree (Magna Cum Laude) in Business Administration specialising 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 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 in the retail industry in USA.

### **Mr. V.M. Gunatilleka**

Mr. Vipula Gunatilleka currently serves as the Group Chief Corporate Officer/Director of Aitken Spence Group Ltd., overlooking the BPO, information technology, risk management, audit and compliance activities of Aitken Spence.

He counts over 20 years experience holding senior accounting positions in some of the blue chip companies in Sri Lanka, Singapore and Australia. He started his accounting career at KPMG in Colombo and then worked at Hayleys Group in Sri Lanka for few years before joining Electronic Data Systems Group in Singapore where he worked as the Finance Director. He also worked for the GE Group in Australia as a Controller for the ANZ region.

Prior to joining Aitken Spence, he worked as the Group Chief Financial Officer of Dialog Axiata PLC. Vipula was a key member of the senior management team responsible for re-structuring the Dialog Group and implementing many key strategic initiatives to turnaround the Dialog Group. He was also the Chief Financial Officer/Acting CEO of the national carrier Sri Lankan Airlines and played a pivotal role during the management transition of the National Carrier from Emirates to the Government of Sri Lanka in 2008.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow Member of the Chartered Institute of Management Accountants of UK (FCMA) and Fellow Member of the Certified Public Accountant of Australia (FCPA), holds a MBA from the University of Colombo and a GE Trained Six Sigma. He currently serves as a member of the CIMA Sri Lanka Governance Board.

## Diversity is our strength

### TOURISM

- *Hotels*
- *Inbound & Outbound Travel*
- *Airline GSA*

**+65%**

The Tourism sector of Aitken Spence achieved a record Rs. 2.6 billion profit from operations. This was a 65.3% improvement in performance in comparison to the previous year

### CARGO LOGISTICS

- *Freight Forwarding*
- *Courier Services*
- *Integrated Logistics*
- *Maritime Transport*

**+41%**

Cargo Logistics sector of the Group recorded its best performance to date achieving a profit from operations of Rs. 846.8 million, which was a 40.7% growth over the previous year

expanding...

## STRATEGIC INVESTMENTS

- *Power Generation*
- *Printing & Packaging*
- *Garment Manufacture*
- *Plantations*

**+18%**

The Strategic Investments sector recorded a net profit from operations of Rs. 1.1 billion, a 17.7% year on year increase.

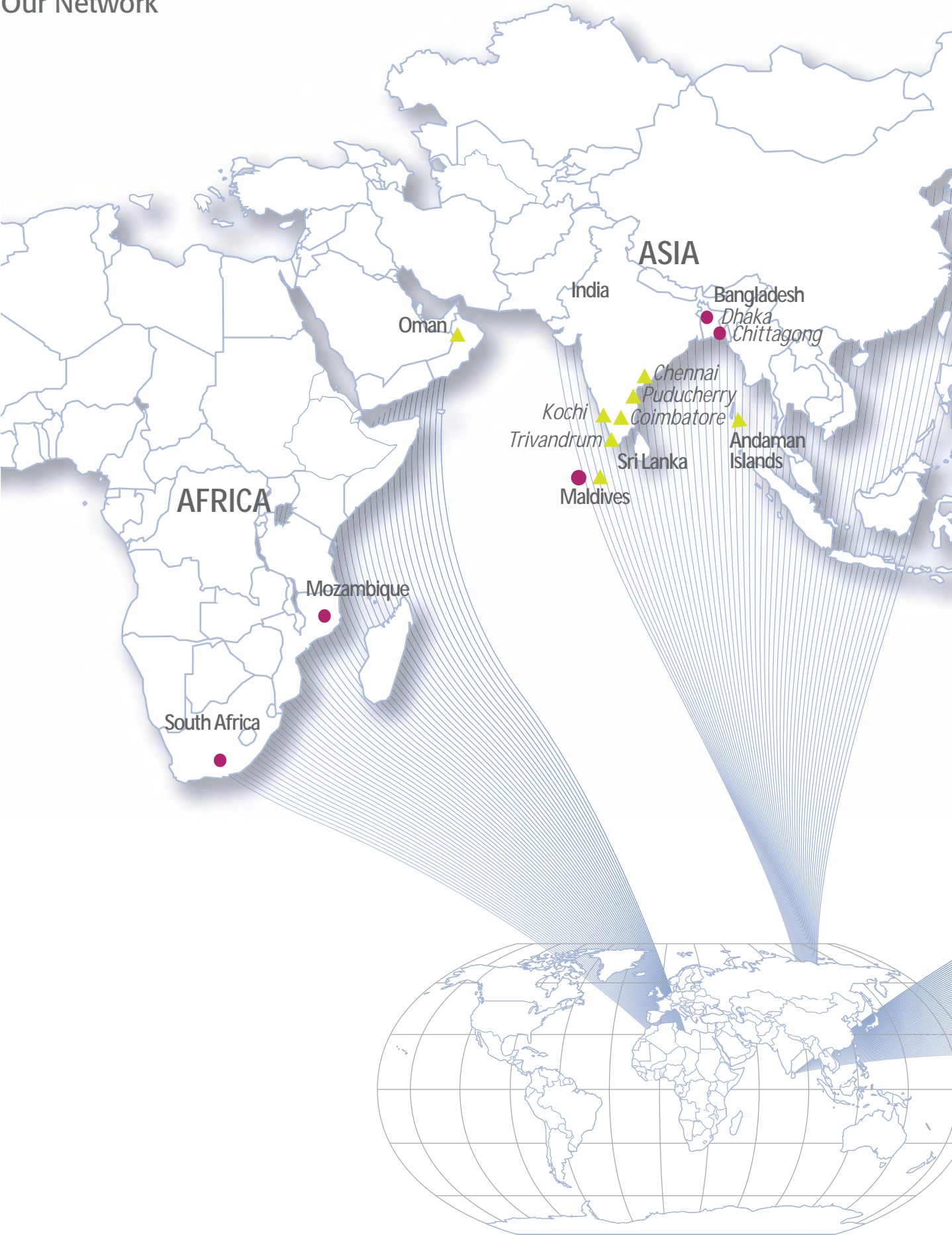
## SERVICES

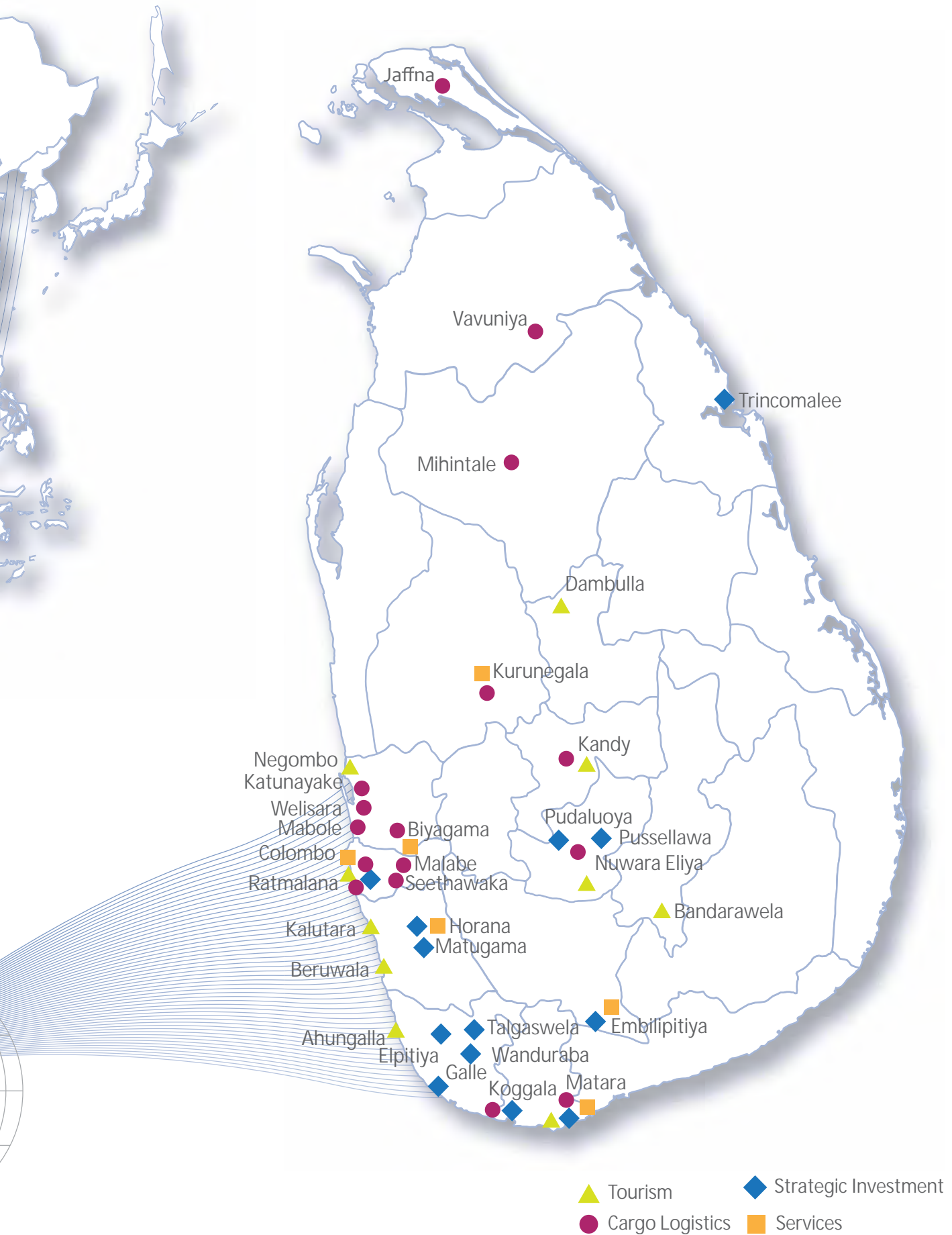
- *Inward Money Transfer*
- *Operation & Maintenance of Power Plants*
- *Elevator Agency*
- *Insurance*
- *Property Management*

**+24%**

The services sector recorded a net profit from operations of Rs. 977.6 million a 23.5% improvement in performance over the previous year.

Our Network







## Management Discussion and Analysis

### Sector information

*"The Tourism sector of Aitken Spence achieved a record Rs. 2.6 billion profit from operations. This was a 65.3% improvement in performance in comparison to the previous year..."*

World tourist arrivals recorded a high of 980 million in 2011, a growth of 4.4%. The World Tourism Organisation predicts that this growth will continue in 2012, although at a slower pace. International tourist arrivals are thus set to reach the milestone one billion mark during 2012. Brazil and China dominated the outbound markets during 2011, while higher disposable incomes in the Asian region saw more of its citizens travelling, compared with traditional European markets such as Germany and United Kingdom which witnessed slow growth due to the continuing economic crisis.

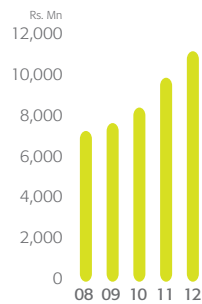




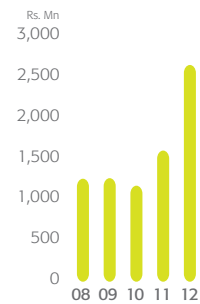
## TOURISM

The rising affluence of the growing Asian middle class, particularly in China and India together with the proliferation of budget airlines bodes well for the Group's operations in Sri Lanka, Maldives, India and Oman. Wooing the Chinese traveller with a tourism product that caters to their requirement is likely to prove lucrative, as the National Tourism Administration of China expects 77 million Chinese tourists to undertake outbound travel in 2012, compared to 65 million in 2011.

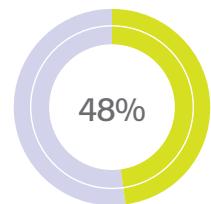
**Revenue**  
for the year ended 31st March



**Profit from Operations**  
for the year ended 31st March



**The % of Sector Profit before Tax in comparison to Group PBT**  
for the year ended 31st March



## Management Discussion and Analysis

### Sector information

The post war turnaround witnessed by the tourism industry in Sri Lanka continued its growth momentum during the year, with industry earnings reaching an all-time high of USD 830 million, from a record 855,975 tourists arriving in the country. Emerging markets such as India and the Middle East provided a healthy balance with traditional European markets. It is important however for the Sri Lankan tourism industry to sustain European interest due to its greater capacity to generate revenues through longer stays.

While the growth in arrivals is clearly reflected in the 2 star and 3 star categories, the hotels and resorts in the upper segments have been unable to record similar growth. This is mainly attributed to the continuing perception of Sri Lanka as an 'affordable destination', a reputation created during the war years. The need of the hour for tourism in Sri Lanka is a concerted positioning and promotion effort that facilitates greater visibility in generating markets, thereby enabling Sri Lanka to attract the rates it deserves. The ideal tourism proposition for Sri Lanka is a balanced portfolio of which around 50% should consist of high-end products generating higher per capita spend.

The Tourism sector of Aitken Spence achieved a record Rs. 2.6 billion profit from operations. This was a 65.3% improvement in performance in comparison to the previous year. The highest contributor towards this growth was the Group's resort properties in the Maldives. The Tourism sector contributed nearly 50% of the Group's profit from operations in the financial year 2011/12.

The Sri Lankan hotels recorded operating profits on par with 2010/11, due solely to closures of several key properties. Heritance Tea Factory performed exceptionally well during the year, while Heritance Ahungalla also returned a satisfactory performance; although it is believed that the Ahungalla property is yet to reap its full potential. Heritance Ayurveda Maha Gedera opened its doors during the year as an authentic ayurveda resort and has been well accepted by the market.

The Dambulla wing of Heritance Kandalama was closed for six months for construction of a conference hall and refurbishment of guest rooms. The conference hall is expected to be completed by July 2012. The Sands by Aitken Spence, the Kalutara resort acquired in 2010, opened in May 2012 following an extensive

*"Heritance Tea Factory performed exceptionally well during the year ... Heritance Ayurveda Maha Gedera opened its doors during the year as an authentic ayurveda resort and has been well accepted by the market..."*





## TOURISM



refurbishment. A further 90 rooms will be added to the property by end 2013. In a first for Sri Lanka, The Sands will operate as an all inclusive hotel with dine around concept, offering three dining options to guests. The newly acquired Hilltop Hotel in Kandy will also commence a partial refurbishment in mid 2012.

Several major developments will also come to fruition over the next few years. Work will commence shortly at Browns Beach Hotel to construct a brand new resort. Master plans have been drawn up for a proposed development, including a 180-200 roomed Heritage hotel, at the Group's prime beachfront property in Trincomalee. Initial discussions have commenced with high-end leisure brands to develop an integrated leisure project including a golf course and exclusive villas, which will fully and efficiently utilize the extensive land base. The proposed joint venture project with the Six Senses Group in 2011/12 fell behind schedule due to ownership changes in the Six Senses Group.

The Maldivian tourism industry has enjoyed positive growth, continuing an upward trend over the past decade. The growth recorded last year was despite a degree of political uncertainty which saw a change of regime during the latter part of the year. The geography of the archipelago enables the scattered resort islands to be well ensconced away from the capital Malé, thus insulating tourists from local political developments to a great extent.

The Maldivian tourism industry surpassed the government's targeted 800,000 tourists to record 931,333 tourist arrivals for the calendar year 2011, with Chinese tourists being the largest market (21.3%) arriving in the Maldives followed by traditional European markets such as United Kingdom (11.2%), Germany (9.7%) and Italy (8.9%). The industry now consists of 105 resorts, which enjoyed an average occupancy of around 80% during the year.

In this backdrop the Group's Maldivian resorts performed exceptionally well, virtually doubling the previous year's performance. The results followed a strategic revision of our operations in the Maldives, taking into account present market realities and trends. The Group's six resorts compete in different

## Management Discussion and Analysis

### Sector information

market segments, but are collectively positioned in the 4 star and 5 star categories, which has seen a heavy demand in a market studded with up market resorts. In order to capitalize on the opportunities in this segment, the resorts were converted into 'all inclusive' offerings, and operations were streamlined accordingly. The strategic move has proven to be immensely successful.

During the year, lease extensions were granted for all four islands, entitling the Group to lease the properties for further periods of upto 25 years. Continuous refurbishments and upgrades are being carried out to maintain the resorts at the desired standards and plans are in place to expand the Huduranfushi resort by constructing an additional 32 water bungalows as well as a restaurant and lounge over water.

The sector's Indian operations continue on a management model and a further quantum of rooms is being sought in order to improve the viability of operations. The Group is focusing on Southern India as its preferred market.

The hotels in the Oman segment turned around, recording satisfactory growth. Oman benefits from its political stability relative to its Arab neighbours, and thus attracts a large number of European and Indian tourists as well as regional business travellers.

The internet has brought about a sea of change in the industry – placing the freedom of researching their holidays and booking their own travel at the fingertips of tourists. In fact, the World Travel Monitor shows that nearly half of all bookings are now made online while travel agents only enjoy a third of bookings. Recognising the potential of the web channel, Aitken Spence was quick to strengthen its web presence and online marketing a few years ago, a move that has paid rich dividends. The Group's website has become a very effective channel in generating bookings and the continuous growth of web sales reflects the greater confidence in Sri Lanka as a destination, as more and more guests are willing to book on-line directly.

The tourism industry in Sri Lanka continues to be plagued by a lack of trained staff, and this problem is set to exacerbate with the planned expansion of the room inventory by nearly 14,000 rooms in the short to medium term. Action must be taken to ensure better quality tourism studies in universities while

*"the Group's Maldivian resorts performed exceptionally well, virtually doubling the previous year's performance. The results followed a strategic revision of our operations in the Maldives, taking into account present market realities and trends..."*



## TOURISM

---



training programmes must be better geared to deliver professional expectations. There is a dire need to produce suitable trained tour guides, who often serve as the face of a country to a tourist.

During the year, the lobbying for sustainable tourism in the country gathered speed. It must be emphasised that the future is in sustainable tourism, especially for small markets such as Sri Lanka where a conflict in direction can erode the entire tourism offering. The tourism industry must shift to a more sustainable business model by making itself greener and more socially responsible. Aitken Spence hotels are proud to have been at the forefront of promoting sustainable tourism, long before it became an industry buzzword.

Sustainability is a core belief of Aitken Spence hotels, and indeed one of its competitive advantages. All hotels across the Group ensure that an integrated sustainability policy is implemented in every conceivable operational process, across all functions and levels. They adopt best practices in environmental and social governance in alignment with the principles

of the United Nations Global Compact and the Millennium Development Goals and adopt Global Reporting Initiative's G3.1 Framework for Sustainability Reporting. The sustainability objectives of hotels involve enriching the lives of employees by creating a safe and stimulating working environment; managing the carbon footprint by implementing environmental best practices and reaching out to the communities with a view to improving their prospects through livelihood and social development.

The plethora of awards won by the various properties stands testimony to this commitment; the Heritance Tea Factory was the only hotel to win a PATA Grand Award in the Heritage and Culture category, for successfully transforming an abandoned tea factory into an eco-friendly, world-class hotel while incorporating the culture of the locality into its operations. Heritance Kandalama had the distinction of being highlighted by the United Nations World Tourism Organisation (UNWTO) in 2011 in its compendium of case studies on best practices in ecotourism. Heritance Ahungalla became the first hotel in Sri Lanka to receive ISO 50001:2011 certification for its Energy Management System while the Group's hotels swept the boards at the National Energy Efficiency Awards 2011, winning Gold (Heritance Kandalama),



## Management Discussion and Analysis

### Sector information

Silver (Heritage Tea Factory) and Bronze (Heritage Ahungalla) in the Large Scale Hotel Sector category.

Aitken Spence hotels have pioneered the concept of environmental conservation in the Aitken Spence Group as well as the Sri Lankan tourism industry. Environmental Management Systems (EMS) were introduced to the Group through examples from the iconic internationally awarded Heritage Kandalama hotel. All Heritage properties and The Sands Kalutara are ISO 14001 certified; they practice the 7R principle to isolate and manage waste resources with the ultimate objective of releasing zero waste. All water discharged from the hotels is treated and reused in gardening, and in cisterns at staff washrooms thereby reducing the use of freshwater. At Heritage Tea Factory, only organic fertilizer is used on the tea plantation and the vegetable garden while the rainwater harvesting system at the Heritage Tea Factory has a capacity of 100,000 litres.

The Group's energy conservation policy focuses on reducing dependence on fossil fuels by employing renewable energy sources. Both Heritage Tea Factory and Heritage Kandalama have biomass gasifiers on their premises, which help reduce 750 tonnes of carbon emissions per year by using *Gliricidia* wood instead of fossil fuel. The gasifiers are also a boon to local communities, who earn over USD 110,000 per year by cultivating *Gliricidia*. Overall, the Group's hotels have reduced their dependence on diesel by 300,000 litres. In addition, Heritage Ayurveda Maha Gedera employs solar-powered hot water systems, which preheat the water before it enters heat exchangers, thereby reducing energy consumption. The hotel will be saving 1,417 liters of furnace oil consumed by the boiler annually, thus mitigating its carbon footprint by 4.6 tonnes.

The very first Aitken Spence property in Sri Lanka, Neptune Hotel, reopened during the year as Heritage Ayurveda Maha Gedera. Leveraging on innovative renewable energy strategies, it became the first Sri Lankan hotel to enter into a net metering agreement using solar photovoltaic as the renewable energy source. The electricity saved through this system each year is 4,639 kWh, equivalent to about 3.4 tonnes of carbon emissions offset. The hotel also has a biogas plant which uses kitchen garbage as the primary source for the production of biogas which is utilized in the herbal preparation unit of the ayurveda resort.

*"Aitken Spence hotels have pioneered the concept of environmental conservation in the Aitken Spence Group as well as the Sri Lankan Tourism Industry. Environmental Management Systems (EMS) were introduced to the Group through examples from the iconic internationally awarded Heritage Kandalama hotel..."*



## TOURISM

---



The sector has begun calculating the carbon footprint at Heritance Kandalama, with the assistance of external resource persons. The engineering team of the sector is also carrying out an in-house measurement of fuel usage and carbon emissions at all other hotels using existing mechanisms.

Aitken Spence Hotel Holdings PLC., once again became the only hotel company to be listed among the top 10 companies in the STING Corporate Accountability Index of 2012, up one place from last year. Aitken Spence Hotel Managements (Pvt) Ltd., has also maintained their Gold classification in the Index.

The destination management segment of the Group enjoyed its best year on record, strengthening its leadership position with a substantial growth year on year.

Arrivals from European markets have shown a decline during the year, especially in the charter segment, which is expected to dwindle over the next few years.

In this context, it is important to leverage growing markets such as China and India by offering the products and pricing demanded by those markets.

The improved air access into Sri Lanka is welcomed; low cost carriers in particular, must be encouraged as they have proven to have a huge impact on driving volumes in most destinations. In order to reap the benefits of improved access, it is vital that normal market forces are allowed to operate in the determination of pricing.

The industry requires a more meaningful and credible analysis of arrival statistics. Genuine tourist arrivals are clouded by high numbers of transit travellers, those visiting friends and relatives, business and trader traffic. Although there is an increase in leisure arrivals, the tour operator arrivals and the upper end of the market seem to be declining. It is also of vital importance to market the destination effectively. The absence of this may result in the loss of confidence of traditional tour operators and in addition the country would be unable to attract the upper end of the market.

The destination management market has seen rapid and sometimes unexpected changes in the recent past – for example,

## Management Discussion and Analysis

### Sector information

the introduction of a visa system still poses an impediment compared to competitor markets while some price increases at tourist sites cannot be substantiated in comparison to the offerings of competing destinations. These policy changes have compelled the segment to be agile in its adaptability to meet the challenges. Further the segment is actively developing capabilities on several product platforms including cruise handling, meetings, incentives, conferences and exhibitions (MICE) tourism and adventure tourism.

During the year, Aitken Spence Travels became part of Worldcome, a TUI-led initiative that brings together leading destination management companies (DMC) from 22 countries to leverage on their strengths to reap common benefits. The alliance, with common service standards, thus became the largest DMC network worldwide. Aitken Spence has made a significant contribution to the launch of Worldcome which was recognized at Internationale Tourismus – Borse, Berlin (ITB) fair in March 2012.

The segment's carbon footprint consists mainly of its significant usage of fuel in the transport division and being mindful of this, several strategic initiatives have been taken to optimize fuel usage efficiency such as combining transfers and maintaining vehicle running charts. These measures have contributed to the reduction of the annual consumption by about 50,000 liters of fuel.

The segment is also promoting eco-friendly tours which encourage clients to get to know the biodiversity and ecosystems of the country and participate in environmental conservation efforts. Marking World Environment Day, the segment - in partnership with its joint venture partner TUI also carried out capacity building programmes for staff members and chauffeur guides on the forest diversity of Sri Lanka.

Mindful of the need to pass on the benefits of tourism to local communities, Aitken Spence Travels works with local suppliers wherever possible. In fact, 100% of safari vehicles, 50% of transportation and 30% of tour guides are sourced from local communities. Home stays and temple stays have been introduced to give tourists a flavor of a true Sri Lankan culture while providing a livelihood to local families. This programme which had the patronage of the French market was extended to the Benelux nations as well as South America.

*"Aitken Spence Travels became part of Worldcome, a TUI-led initiative that brings together leading destination management companies (DMC) from 22 countries to leverage on their strengths to reap common benefits. The alliance, with common service standards, thus became the largest DMC network worldwide..."*





## TOURISM

---



Aitken Spence Travels continued with community development initiatives in associations with its principals – this year, the Arep Incentive, France supported the construction of class rooms at Anula Wijerama Children’s Home, Balapitiya at a cost of over Rs 2 million. This project is entirely facilitated by Aitken Spence Travels and once completed, the classroom will accommodate 50 girls for training in various skills including computer literacy and sewing.

The ISO 9001 certified company gives priority to service quality and has made further investments during the year to strengthen its customer feedback and complaint management system.

Singapore Airlines’ (SIA) operations in Sri Lanka came under pressure during the year amid heightened price competition in a global scenario of weakening travel and cargo spend.

SIA Sri Lanka made several changes to its pricing and commission policy during the year, in response to the market conditions and began to pay commissions on

airfare and as well as on the fuel surcharges from January 2012. Towards the end of 2011/12, prices were reduced by 30 – 35% on several popular sectors, a move that has already seen impressive demand.

With fuel prices at high levels, the current industry downturn is likely to continue over the next two years, posing significant challenges to the General Sales Agency operation.

Meanwhile in March 2012, the International Air Transport Association (IATA) suspended Kingfisher Airlines from the Billing Settlement Plan (BSP) due to the continued financial crisis faced by the airline. As a result of this, the continuation of the segment’s General Sales Agency (GSA) operations of the Airline became unviable and lead to the termination of the GSA agreement with effect from 31st March 2012.

## Management Discussion and Analysis

### Senior Management Team



Mr. A.A.H.M.M. Ali



Mr. D.J. de Cruz



Mr. C.L.B. Ekanayake



Mr. S.T.B. Ellepola



Mr. G.P.J. Goonewardene



Mr. J.T.P. Gunawardana



Mr. M.H. Jayah



Mr. N.A.N. Jayasundera



Mr. S.K.R.B. Jayaweera



Mr. T.D.U.D. Peiris



## TOURISM

*\* Names in alphabetical order.*



Mr. D.D. Perera



Mr. P.L. Perera



Mr. R.S. Rajaratne



Mr. N. Ratwatte



Mr. H.P.N. Rodrigo



Mr. B.H.R. Sariffodeen



Mr. D.D.A. Soza



Mr. R. Subramaniam



Mr. D.L. Warawita



Mr. M.P. Wijesekera

## Management Discussion and Analysis

### Sector information

*"The Cargo Logistics sector of the Group recorded its best performance to date achieving a profit from operations of Rs. 846.8 million, which was a 40.7% growth over the previous year..."*

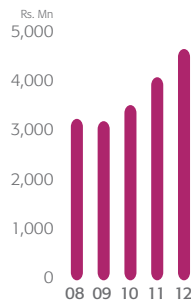
The global economic slowdown was reflected in the performance of the cargo handling, ports and civil aviation sub sector of the Sri Lankan economy, which recorded a decelerated growth of 7.2% compared with 16.8% in 2010. 4.3 million Twenty Foot Equivalent Units (TEUs) were handled at the Port of Colombo during the calendar year 2011 – a growth of just 3.0% year on year. Transshipment volumes accounted for 75% of the total throughput volume. During the year the transshipment volumes recorded only a growth of 0.3% while the domestic TEU volumes grew by 12.3%.



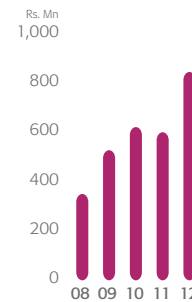
## CARGO LOGISTICS

External trade of the country expanded with imports increasing by 50.7% in 2011, compared to the 31.8% increase in 2010. Exports witnessed a growth of 22.4% in 2011 against the 21.8% increase in 2010. A sharp rise in imports of motor vehicles by 93.6% contributed to a 47.5% growth in consumer goods imports while the infrastructure boom in the country led to a 55.4% increase in imports of investment goods. Imports of intermediate goods such as petroleum, fertilizer and raw material recorded an increase of 52.4%. The country's main export continued to be garments, which performed well to

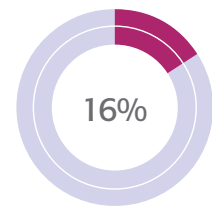
**Revenue**  
for the year ended 31st March



**Profit from Operations**  
for the year ended 31st March



**The % of Sector Profit before Tax in comparison to Group PBT**  
for the year ended 31st March





## Management Discussion and Analysis

### Sector information

overcome the withdrawal of GSP+ concessions and recorded a 24.9% growth in earnings and a 13.5% increase in volumes. Industrial exports grew by 31.1% during the year while agricultural exports increased by 9.7%. However the reduced world market demand for tea and other agricultural produce led to a 2.5% drop in agricultural export volumes.

In this backdrop the Cargo Logistics sector of the Group recorded its best performance to date achieving a profit from operations of Rs. 846.8 million, which was a 40.7% growth over the previous year. This profitability was generated from a revenue that grew by 13.9% over the previous year to Rs. 4.7 billion.

The maritime segment enjoyed a growth in profitability of over 80% during the year, recording the highest pre-tax profitability in the company's history. The segment's performance was commendable given the immense competitive pressure faced by the global maritime industry. The containerised shipping industry saw an increase in capacity of 7.9% in 2011 due to new vessels constructed coming on stream during the year. By comparison the container traffic on the Asia-Europe sea lane experienced a drop of 3.4% in west-bound volumes and a drop of 1.3% in east-bound volumes. Freight rates from Asia to Europe experienced a 59.7% decline and a 66.9% decline was witnessed in the rates from Asia to the Mediterranean during the calendar year 2011. To further aggravate the situation, the increase in oil prices in the world market drastically affected the operating costs of shipping lines, resulting in all the major carriers posting huge losses in 2011.

The main thrust of the segment's growth was from the port efficiency enhancement operations in the African continent. Aitken Spence is consistently conscious of the opportunities that would develop for organisations with proven expertise, such as Aitken Spence, to become involved in port efficiency enhancement projects in new markets. It is thus pursuing a long-term directional shift from being service-related to becoming an investment-driven operation.

During the year, Aitken Spence became the largest shareholder of Colombo International Nautical and Engineering College (CINEC), the largest private sector maritime and higher education campus in Sri Lanka. The Group envisages to harness its expertise in management disciplines to extend CINEC

*"During the year, Aitken Spence became the largest shareholder of Colombo International Nautical and Engineering College (CINEC), the largest private sector maritime higher education campus in Sri Lanka..."*



## CARGO LOGISTICS

---



educational programmes to other industries. The investment is in line with the maritime segment's sustainability focus, which lies in youth empowerment through capacity building in related industries.

The Group re-evaluated its involvement in the construction and development of the South Container Terminal at the Port of Colombo in the light of unfeasible projected construction cost escalations. The 30% stake held by Aitken Spence was sold to its consortium partner China Merchants Holdings (International) Company Limited, in the best interests of the shareholders of Aitken Spence, while making a noteworthy capital gain.

The near term outlook for the maritime industry is somewhat bleak as the sovereign debt crisis in Europe does not show any sign of abatement, with many nations taking measures to curb imports and impose austerity measures to reduce spending. Worldwide, there is also a trend of rationalisation among major operators who have formed alliances to achieve consolidation and higher resource utilisation levels.

Today, four large alliances control approximately 83% of global capacity posing huge challenges to port operators, importers and exporters, who must brace themselves for the fallout with appropriate strategies. Ultra-large container carriers are gradually coming on stream, increasing capacity on the one hand but on the other, creating pressure on freight rates. Larger vessels will call at fewer ports and the onus is on the Port of Colombo to make its services attractive by achieving world class standards of operational efficiency.

The segment's port efficiency enhancement and terminal management services company, Port Management Container Services Ltd., was one of the three shortlisted finalists for the Investment in People award at the inaugural Containerisation International Awards held in London last year. The Containerisation International Awards was the first global ceremony held to acknowledge and recognize the leaders, achievers and innovators in the container shipping industry, who have over the past year made an outstanding contribution by being innovative, proactive and pioneering.

The logistics segment of the Group which handles the land based logistics continued its good performance, marking the sixth year

## Management Discussion and Analysis

### Sector information

of continuous growth and quadrupling earnings during that period. The largest player offering a full spectrum of logistics services, the segment continued to invest in capacity building at its depot operation, container freight station (CFS), warehousing, mobile storage, transportation, container repairs and specialised cargo movement divisions.

The container freight station operations made an exceptional contribution during the year. 2011/12 marked the first full year of commercial operations since the investment into Logilink (Pvt) Ltd., the specialised CFS for garments. The facility has functioned at full capacity during the year and further expansion is planned to cater to increasing demand.

The warehousing division reaped the benefits of innovation, performing extremely well, while seeking avenues for expansion. During ensuing year, the division plans to invest in a major IT drive, with a view to automating all sectors within the division and thereby gaining efficiencies and competitive advantage.

The segment enhanced its container handling capacity with a Rs. 120 million investment in three new container handlers, leading to greater efficiency and a reduced load on existing machinery. Taking note of the massive increase in vehicle imports, selected container storage space was converted to automobile storage to meet the increasing demand for storage of vehicles.

The yard hard surfacing work in Mabole is nearing completion despite several setbacks due to bad weather and space constraints; enabling the facility to become by far the best and largest container depot facility in the country.

The special operations division was involved in two major projects during the year, as the logistics partner to transport over dimensional cargo. The infrastructure development taking place in Sri Lanka offers many opportunities for the division.

The transport division operates the largest fleet of container trucks as well as the largest private sector fleet for bulk liquid transportation in the country. The dry weather conditions necessitated greater energy generation, and therefore the bulk fuel transportation operation functioned at full capacity during the year.

*"The container freight station operations made an exceptional contribution during the year marking the first full year of commercial operations since the investment into Logilink (Pvt) Ltd., the specialised CFS for garments..."*





## CARGO LOGISTICS

---

The division welcomes the decision by the authorities to allow heavy vehicles on the Southern expressway which will enable the division to benefit from reduced travel time between Galle and Colombo from three hours to one hour, leading to better fuel efficiency, low maintenance and most importantly, reduced driver fatigue. The division is also addressing efficiency enhancement by installing GPS trackers on all vehicles for better monitoring.

The logistics segment is planning to expand into total supply chain management in the forthcoming year, using its resources and its network of principals to offer a total logistics solution to large customers. The future of the sector lies in this direction and the expertise acquired by the division backed by the stability of the Group allows the segment to explore this avenue.

The fuel price fluctuation is of grave concern for the segment. As such, the segment is exploring alternatives which can better utilise existing resources. The supply of skilled labour is another area of concern, as blue collar jobs are becoming less attractive to youth. Reliant as it is on trained and professional drivers, the segment emphasizes the need for structured training for heavy vehicle drivers in order to improve road safety.

The logistics segment has embarked on the initiative of putting in place a sustainable environmental management system and is in the process of drafting a suitable manual. The division will be championing the cause of Occupational Health and Safety in this endeavour.

The freight forwarding segment experienced the ripple effects of tough global conditions, as the slowdown in the European and the US economies continued throughout 2011. Worldwide air freight cargo movements experienced a nearly 40% decline with customers switching the mode of transport to sea. The segment is a freight partner to high end retail stores in Europe, many of whom scaled down operations during the year, and opted for fewer movements, which are mostly restricted to ocean freight. However

it is promising to note that the export of perishables gradually picked up in Sri Lanka thereby bridging the gap to a certain degree.

Consequently ocean freight division recorded a significant growth during the year, benefiting from the overflow of customers opting out of air freight and from newly adopted marketing strategies which focus on local sales rather than network sales overseas. As more and more exporters shift to ocean freight as a cheaper mode, the division stands ready to strengthen its presence during the coming year.

The brokerage division performed well, with the hallmarks of safety and reliability of operations, attracting and retaining key customers in the areas of apparel, tyres and project cargo. The division foresees several challenges during the coming year, including fluctuations in fuel prices and exchange rates which cause dramatic cost escalations and drops in import volumes. A further concern is the slowdown in European demand for garments and hence the impact on exports especially as several emerging markets such as Africa and Vietnam are posing potential competition to markets such as Sri Lanka.

Domestic supply chain management operations, mainly in support of rehabilitation and resettlement activities in the North and East have slowed down and the division is seeking alternative opportunities. The domestic express operations meanwhile have shown a continuous growth.

The international express division which represents TNT Express in Sri Lanka witnessed volume growth despite Europe being its main market. The increase in volumes however has not been reflected in contribution due to unfavourable movements in cross exchange rates and additional security surcharges. The division has earmarked potential growth markets and has strengthened marketing efforts in relevant countries.

The division functions as cargo General Sales Agent (GSA) for three airlines – Qatar Airways, Kingfisher Airlines and Laudair. Qatar Airways which appointed the division as Cargo GSA in October 2011, is the only airline operating freighters out of Sri Lanka and fared exceptionally well during the six months of operation. The high service levels enabled Qatar Airways to enjoy a high 80-90% yield on most flights, with perishable cargo, accounting for the bulk of the volumes. The Bangladesh subsidiary

## Management Discussion and Analysis

### Sector information

was also appointed cargo agent for United Airlines, which merged with Continental Airlines during the year to become one of the largest airlines in the world. This segment has vast potential if a turnaround of the US economy is witnessed.

The segment's reputation and credibility as a strong operator in Malé since 2004 led to its selection over several other bidders as the GSA for Sri Lankan Airlines cargo in the Maldives. Sri Lankan Airlines operates 32 flights per week from Malé, the second highest frequency after Colombo. The segment's proven strengths in Malé enable it to now offer its experience and expertise in a wider spectrum of freight services to the country.

The global express market is witnessing the merger of two giants following the acquisition of TNT Express by UPS. As the local partner for TNT for over three decades, Aitken Spence views this merger as a positive development and is optimistic about the future of the business.

The sustainability of freight forwarding businesses in Sri Lanka lies heavily with the private sector; as such, policymakers are urged to encourage growth by relaxing red tape and regulations to improve the ease of doing business in Sri Lanka. While strengthening its position in Sri Lanka, Bangladesh and Maldives, Aitken Spence is actively seeking overseas expansion in India and Pakistan. The segment will also make efforts to develop and capitalise on intra Asian business opportunities.

The freight forwarding segment has chosen to champion Green Freight Forwarding as its sustainability focus. Having completed implementing its Environment Management System, the sector had the distinction of becoming one of the first companies in the international freight forwarding industry in Sri Lanka to obtain ISO 14001 certification. The segment has maintained an ISO certified quality management system for over fifteen years and is currently ISO 9001: 2008 certified.

The segment has provided support to community service projects in line with Millennium Development Goal no. 2 which is "Achieve Universal Primary Education" while its principal TNT continues to be a donor and logistics partner for 'Walk the World', a global initiative to raise funds for the UN World Food Programme's school feeding project.

*"The freight forwarding segment has chosen to champion Green Freight Forwarding as its sustainability focus. Having completed implementing its Environment Management System, the sector had the distinction of becoming one of the first companies in the international freight forwarding industry in Sri Lanka to obtain ISO 14001 certification..."*



## CARGO LOGISTICS

### Senior Management Team

*\* Names in alphabetical order.*



Mr. K.R. Aluwihare



Mr. A.M.M. Amir



Ms. T.D.M.N. Anthony



Mr. J.E. Brohier



Mr. I.S. Cuttilan



Mr. D.R.C. Hindurangala



Mr. A. Jayasekera



Mr. F.P. Paiva



Mr. N.D.F. Perera



## Management Discussion and Analysis

### Sector information

*“The Strategic Investments sector recorded a net profit from operations of Rs. 1.1 billion, a 17.7% year on year increase. The sector accounted for 20.2% of the Group’s profit from operations...”*

The Strategic Investments sector recorded a net revenue of Rs. 14.0 billion for the financial year 2011/12 compared to Rs. 10.7 billion achieved in the previous year. Its net profit from operations stood at Rs. 1.1 billion, a 17.7% year on year increase. The sector accounted for 20.2% of the Group’s profit from operations.

The power segment continued to achieve a positive performance during the year, whilst moving forward with its initiatives for the generation of renewable energy in Sri Lanka and taking its first steps to venture

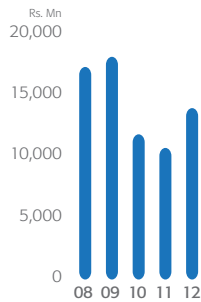




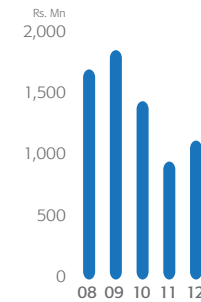
## STRATEGIC INVESTMENTS

overseas to set up and operate power generation plants in the region. These positive results were achieved despite the significant impact of a 4-month closure of the segment's main power plant in Embilipitiya from April to August 2011 due to a technical failure which was subsequently corrected by the equipment supplier. The term of the Power Purchase Agreement of the Matara power plant ended in March 2012 and negotiations for an extension are underway.

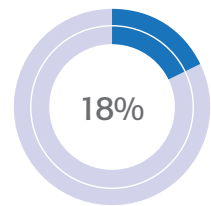
**Revenue**  
for the year ended 31st March



**Profit from Operations**  
for the year ended 31st March



**The % of Sector Profit before Tax in comparison to Group PBT**  
for the year ended 31st March



## Management Discussion and Analysis

### Sector information

Aitken Spence was successful in the entry to the power generation industry in Bangladesh during the year. It was able to secure two thermal power projects through a competitive bidding process. The segment has currently been awarded the Letters of Intent for these two power plants which have a total capacity of 200MW and is expecting to finalise the remaining documentation by mid 2012/2013. In view of the limited opportunities in Sri Lanka for the power segment, Bangladesh offers much scope for expansion.

The segment continues to focus on developing power generation plants through the use of renewable sources of energy. During the year it constructed a 2.5 MW mini hydro power plant at Matale and is also developing a 3MW wind power plant at Ambewela. The segment is awaiting approval for a 10MW waste-to-energy project which will use municipal solid waste collected by the Colombo Municipal Council. There are substantial, proven benefits of renewable energy and it is critical that this sector be opened to private sector participation, in order to reduce the country's dependence on fossil fuel imports.

The power generation companies of Aitken Spence are among the first power generation companies in Sri Lanka to have certified Environmental (ISO 14001), Quality (ISO 9001) and Occupational Health & Safety (OHSAS 18001) management systems for all its power plants. The segment is in the process of implementing an integrated management system combining these three management systems for the central head office and hopes to obtain certification for them within the next year. All power plants continuously strive to improve their generation systems to increase efficiency. Periodic monitoring is done by independent authorities to confirm compliance of emission, noise and effluent levels within the permitted limits.

The power segment has been innovative in its approach to resolving environmental concerns. During the year, the Horana power plant introduced a mechanism to clean used food wrappers using easily available utensils so that the polythene sheets could be recycled. At Embilipitiya, a campaign was launched to make its premises "Polythene Free".

While the power plants in Horana and Matara are within industrial zones, the Embilipitiya plant is situated on a 44 acre property of which 34 acres have been converted into a sustainable model garden project that includes nearly 15,000

*"the Group's Embilipitiya plant is situated on a 44 acre property of which 34 acres have been converted into a sustainable model garden project that includes nearly 15,000 plants, medicinal herbs, rare endemic species, agricultural projects, animal husbandry and an apiary..."*





## STRATEGIC INVESTMENTS



plants, medicinal herbs, rare endemic species, agricultural projects, animal husbandry and an apiary. All three power plants have taken necessary steps to mitigate any significant direct and indirect impacts on the environment due to their operations. While maintaining the criteria set forth by the Central Environmental Authority, Aitken Spence Power performs above and beyond compliance to protect the environment.

The sustainable development efforts of Aitken Spence Power also focuses on "Youth Empowerment", with projects carried out to facilitate the independence and self-sufficiency of youth in nearby communities. In Matara, Aitken Spence Power has assisted in the improvement of facilities in schools while in Embilipitiya, local youth are being trained in the English language.

The printing segment enjoyed a satisfactory year, regaining market share in the packaging industry and enhancing capacities to position itself as a preferred print partner for high quality products for local and

export markets. Sri Lanka has lately witnessed a proliferation of small players pushing the printing industry towards saturation. However the size, technology and capacity of the Group's printing operation enables it to successfully differentiate itself as a faster, higher quality printing partner with the ability to meet time targets of the customer, which are increasingly moving towards just-in-time production processes. During the year, the segment undertook further automation of several processes, with a view to reducing lead time while also introducing high value added printing effects and finishes to niche markets. The segment is also seeking overseas expansion for its packaging and book printing solutions, and is initially targeting the Australian, South African and Middle Eastern markets.

Operations have begun at the newly constructed state-of-the-art factory complex in Mawaramandiya. A fully streamlined production process will be in place by the first quarter of 2012/13. The facility is in the process of obtaining the LEED Gold certification by the United States Green Building Council and it will be the first environmentally friendly green printing facility in Sri Lanka for its sustainable design which encompasses natural lighting, rainwater harvesting, waste water treatment and an energy efficient air conditioning system. It has also calculated the carbon foot print of

## Management Discussion and Analysis

### Sector information

the new facility and are working towards reaching carbon neutral status. The new premises have been designed to maximize the use of resources, especially paper and board through a streamlined production process that delivers greater efficiency and less wastage.

The segment's Environmental Management System will be revised and re-implemented at Mawaramandiya, following which it will seek ISO 14001 certification. Attention to employee health and safety is addressed through a trained health and safety committee which oversees all activities and carries out hazard spotting exercises.

Aitken Spence Printing implemented a quality management system and obtained ISO 9001: 2008 certification during the year. Furthermore the company won 3 Distinction awards and 4 Merit awards at the Sri Lanka Print Exhibition Collate & Awards organised by the Sri Lanka Association of Printers and several awards at the Lanka Star awards conducted by the Sri Lanka Institute of Packaging.

The Group's garment manufacturing segment posted a substantial improvement in performance this year, resulting from a strategic focus on operational and production efficiency, waste management, human resource management and stronger relationships with customers, suppliers and other stakeholders. The segment achieved a record year on year growth, a significant achievement given that capacity was not expanded. Going forward the rising cost of oil, electricity and other utilities pose a burden on production costs. This has necessitated structured and scientific solutions, which have already been implemented to reduce the adverse impact on production costs.

The segment endorses the 'Garments without Guilt' pledge of the Sri Lankan apparel industry and upholds the policies on anti-discrimination and provides equal opportunities irrespective of gender, age, ethnicity and religion. It also has strong policies with respect to human rights of employees. In addition to this the segment also utilises an environmental management policy and an occupational health and safety policy to guide its operational activities. Regularly, the segment conducts training programmes and integrated internal audits of environmental impacts, security procedures, health & safety and metal free policy requirements.

*"Operations have begun at the newly constructed state-of-the-art factory complex in Mawaramandiya. A fully streamlined production process will be in place by the first quarter of 2012/13. The facility is in the process of obtaining the LEED Gold certification by the United States Green Building Council, and it will be the first environmentally friendly green printing facility in Sri Lanka..."*





## STRATEGIC INVESTMENTS



Several measures have been implemented to increase energy efficiency at the production facilities. An evaporative cooling system has been introduced at the factory to improve working conditions. Skylights installed recently at the factory have reduced the use of lights within the factory premises thereby dropping the energy consumption by an estimated 460 GJ (129,000 kWh) per annum. This is almost 100 metric tonnes of carbon emissions reduced. The segment ensures the segregation and proper disposal of waste material as well as waste water treatment.

Compliance with quality management systems and maintaining quality and standards are important to the continuity of any business. The segment deals with responsible vendors who require the manufacturer of their garments to adhere to responsible manufacturing, a commitment that the segment endorses. In an effort to transparently disseminate its own practices to customers, Aitken Spence Garments uploads all information, policies and procedures relating to its activities on to a customer chain website where it is freely available for evaluation.

The plantations industry had a difficult 2011/12, with the effects of yet another unsubstantiated wage increase, one of the highest on record. Since privatisation in 1992, the plantation industry has experienced significant increases in wages that has unfortunately not been matched with an increase in production. Macroeconomic conditions, especially the tensions in the Middle East and the downturn in Europe, have had downward pressure on commodity prices, exacerbating the issues faced by the local tea plantation community.

However, Elpitiya Plantations has been able to cushion the losses arising from tea with substantial profits from its diversification into rubber, palm oil and hydro power. The company has continued to diversify its asset base, moving into high growth areas less vulnerable to commodity issues and is confident that these measures will bear fruit soon. In a bid to optimize productivity, the plantation conducted accelerated training and development, and increased the efficiency of its resource allocation by right-sizing operations. The company has engaged the trade unions in ways of improving productivity and it is hoped these discussions will provide a breakthrough in achieving higher levels of productivity which will benefit both parties.

## Management Discussion and Analysis

### Sector information

At an industry level, the company has recognised that the tea industry is at a critical juncture and has submitted several mitigating measures to the relevant authorities, calling for a cohesive and concerted effort by all stakeholders to ensure the future sustainability of the industry. Given the importance of the industry and the resources at stake, it is imperative that a comprehensive and pragmatic plan is put in motion. It is also unfortunate that expansion plans have been constrained by the curtailment of credit and the lack of long term funding to plantation companies. Steps must be taken to improve this mismatch by providing long term loans for agricultural investments, which by nature involves long term returns.

Elpitiya Plantations and the plantation sector in general provide great opportunities for the development of land for commercial forestry as well as to meet the rising needs of food security. Diversification into these areas calls for a mindset change that embraces the concept of sustainability. This also requires new skills to be developed and built among employees to take advantage of the new economic opportunities.

The segment has unrolled strategic sustainability programmes with key stakeholders across its 15 plantations, which cover 8,851 hectares. During the year, a new secondary level waste water treatment unit was constructed at Deviturai Estate, encompassing anaerobic and aerobic tanks and a clarifier tank, to reduce the impact of waste water generated from the manufacture of rubber.

Five of the factories have certified ISO 22000/HACCP: 2005 food safety systems, with the others also in the process of obtaining certification. Elpitiya Lifestyle Solutions (Pvt) Ltd., which manufactures furniture for export, received the Forestry Stewardship Certificate (FSC) accreditation from the Control Union of Certifications of Netherlands. Its entire wood requirement for production and for heating is sourced from managed forests. The plantation also boasts of a forestry management programme which preserves the eco system of the plantations, and enhances their environmental value. Already, over 700 hectares of forest have been planted.

Through various energy efficiency and conservation efforts the plantation segment has saved approximately 1,000 GJ during the course of the year. Contributing towards increasing cleaner energy sources in the national energy portfolio, the segment

has invested in a 560 kW mini hydro power project on Sheen estate. The annual generation from the project nearly matches the power consumption of the plantation; proof that responsible corporate citizens can meet energy needs through renewable sources. The carbon emission reduced from the mini hydro power plant at Sheen estate is 1,170 tonnes. The plantation has identified a further four sites for similar mini hydro projects, ranging in capacity from 200 kW to 900 kW.

The plantation segment engages with the community by extending healthcare and welfare, infrastructure development, education and skills development, crèche and child development facilities, among the workforce. Established mechanisms to communicate with the community include the Estate Worker Housing Cooperative Society, Crèche Development Committee, Mid-Day Meal Project, Road Rehabilitation Project and Welfare Societies. Having identified the critical needs, the segment has undertaken development work on field rest rooms, water schemes, play grounds, places of worship and roads.

Elpitiya Plantations operate about 45 crèche facilities at the estates, where the highest standards of healthcare and welfare are maintained. The plantation's crèches have been uplifted to Child Development Centres (CDCs) with qualified and trained child development officers overseeing operations. The CDC of Gulugahakanda estate received recognition as the "Best Child Development Centre" by the Plantation Human Development Trust while at regional level, the Trust recognised the General Manager of Talgaswella Estate as the Best Manager for his "Outstanding Achievements in Improving the Quality of Life of Workers and Worker Families on the Estate".



## STRATEGIC INVESTMENTS

### Senior Management Team

*\* Names in alphabetical order.*



Mr. C.R.F. de Costa



Mr. J.S.A. Fernando



Mr. A.L.W. Goonewardena



Mr. P. Karunathilake



Ms. R.I.D. Katippearachchi



Mr. M.S. Mohideen



Mr. R.T.B. Navaratne



Mr. V.S. Premawardhana



Mr. S.B.C. Wijedasa

## Management Discussion and Analysis

### Sector information

*"The Services sector's net profit from operations stood at Rs. 977.6 million up from Rs. 791.6 million recorded last year..."*

The Services sector of the Aitken Spence Group recorded a net revenue of Rs. 1.7 billion during the financial year 2011/12, achieving a 13.3% growth over the previous year. The Sector's net profit from operations stood at Rs. 977.6 million up from Rs. 791.6 million recorded last year.

MMBL Money Transfer (Pvt) Ltd, (MMBL) a joint venture company of the Group, which is the largest principal agent for Western Union in Sri Lanka recorded a healthy growth during the year mirroring the growth in inward remittances received by the country which amounted to USD 5.15 billion. The revenue expansion in the country

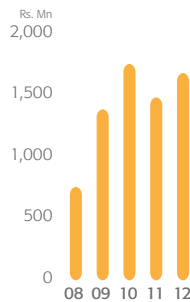




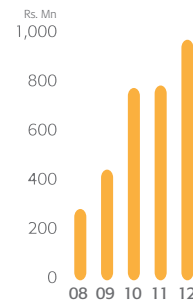
## SERVICES

was from the Western, North Western and Eastern provinces. Among the currently active corridors for inward remittances are the Middle East and Western Europe markets. There exists far greater potential for Western Union in Sri Lanka and in a bid to garner new markets MMBL has begun strategically promoting the Sri Lanka corridor in remittance generating markets such as South Korea, South East Asia and Canada to expand its reach. The strategies and investments rolled out during the year are expected to translate into positive results during the coming year.

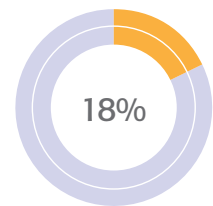
**Revenue**  
for the year ended 31st March



**Profit from Operations**  
for the year ended 31st March



**The % of Sector Profit before Tax in comparison to Group PBT**  
for the year ended 31st March



## Management Discussion and Analysis

### Sector information

The segment's sub agent network stood at over 2,000 as at year end, following a critical evaluation and rationalisation of the network with a view to reducing dormancy levels. Locations of MMBL agents did the company proud at "WU & You Sri Lanka 2011", a programme organised by Western Union to honour the best performing locations within their Sri Lanka network. MMBL locations made up 67 of the 91 locations recognised including 4 of the top 5 locations in Sri Lanka.

The company's key focus in sustainable development is to build awareness and capacity within local communities on minimising risk by transferring their money through legal channels. The programme known as "Remittance Literacy and Business Clinics" is facilitated by MMBL resource personnel in partnership with Sarvodaya SEEDS (Sarvodaya Economic Enterprises Development Services).

In conforming to the Group's sustainable development programme, MMBL completed its environmental management system manuals during 2011/12. The segment has targeted to increase the number of transactions per bundle in order to reduce paper usage. Within one year, it has achieved a 17.8% reduction in its paper requirement, and has now set a reduction target of 80% – 90%. MMBL also conducted programmes to disseminate its sustainability efforts to their business development officers throughout the country.

The operations and maintenance (O&M) service at the power plants recorded an extremely busy year particularly at Embilipitiya where but for the unstinting and committed labours of our staff and engineers the plant shut down which occurred as a result of a technical failure would have been longer. The segment has proven its ability to manage major repairs with in-house resources and as such, is seeking opportunities to offer its expertise outside the Group with the competitive advantage of being the only such entity to possess ISO 9001, ISO 18001 and ISO 14001 certification. Strengthening its human resource capabilities, extensive external training was undertaken during the year to improve the specialist skills required by the industry.

The elevator agency segment of the Group continues to benefit from the construction boom in Sri Lanka, which has brought with it growing opportunities for new installations. During the year, the segment secured several contracts for prestigious new projects in Colombo, and also extended its presence throughout Sri Lanka, the benefits of which will reflect in enhanced maintenance revenues in

*"Locations of MMBL agents did the company proud at "WU & You Sri Lanka 2011", a programme organised by Western Union to honour the best performing locations within their Sri Lanka network. MMBL locations made up 67 of the 91 locations recognised including 4 of the top 5 locations in Sri Lanka..."*





## SERVICES

---



the future. The segment is confident about its future prospects in the light of the rapid growth of mega construction projects in the country, including hospitals, hotels, malls, and apartment complexes. Gearing itself to capitalise on these opportunities, the segment has taken steps with the support of its principal OTIS, to enhance the skill base of its staff.

The safety of passengers and employees and the provision of a high quality service are critical factors for Elevators, which maintains regular contact with clients in order to ensure that the segment is kept aware of feedback. An in-house safety engineer leads a trained safety team while weekly programmes are conducted to upgrade and assure safety skills of employees.

As part of the segment's commitment to the environment, waste is segregated and recycled or disposed in an environmentally friendly manner. The segment also promotes to the Sri Lankan market, energy efficient elevators with variable voltage, variable frequency regenerative type drive systems that consume 40% less energy compared to a conventional elevator.

The insurance segment, which began specialised surveys last year, had a successful year securing the survey of the largest shipping/cargo operation in the Port of Hambantota to date. The segment also carried out a large number of hull and machinery surveys at the ports of Galle and Colombo and also on vessels captured and released by Somalian pirates.

The segment continues its engagement with the World Food Programme (WFP) as superintendents for its projects in Sri Lanka and the Maldives. The projects include emergency food aid to internally displaced persons, provision of nutritional supplements for pregnant women and children and meals for school children. In the dispersal of its duties, the segment often works beyond their contractual obligations in order to get aid to those in need faster. As a long-term partner of the WFP, Aitken Spence resource personnel also assist the UN agency in its logistics development workshops at Vavuniya and Colombo.

Aitken Spence Property Developments (Pvt) Ltd., (ASPDL) and Vauxhall Property Developments Ltd., (VPDL), own and operate the Group's office complexes "Aitken Spence Towers". The two business units abide by the integrated sustainability policy and work towards implementing the essential action points of the policy, with a focus on energy efficiency, water conservation, waste resource management and occupational health and safety.

## Management Discussion and Analysis

### Sector information

Aitken Spence Tower II, the corporate head office of the Group, has a state-of-the-art building management system with several technological features that enable energy saving. The system, implemented and managed by the property segment is continuously improved through the introduction of new features. Most recently, faucets in the staff lunch room were replaced with those fitted with motion sensors to reduce water consumption while naturally cool clay pots replaced energy-consuming water dispensers.

The occupational health & safety representative of the property segment has been given specialised training in first aid and hazard spotting, as the activities at these premises can potentially impact the neighbouring communities and the Beira lake which runs adjacent to the property. Constant monitoring takes place in order to mitigate any negative impacts. The technical, maintenance, administrative and externally sourced janitorial staff have also undergone refresher training in occupational health and safety as well as the environmental management system.

The energy saved during the year at Aitken Spence Towers was 788.12 GJ. Total carbon emission was calculated at 2,185.5 tonnes of carbon dioxide and the carbon emissions reduced through collective efforts at the Aitken Spence Towers is 156.52 tonnes of carbon dioxide which suggests that the energy consumption per sq ft of the rentable area has reduced by 7.16%. Water consumption in the building has reduced by 6,384 m<sup>3</sup>. The office complex also has a rain water harvesting tank with a capacity of 121.67 m<sup>3</sup> and the harvested water is used in the cisterns in all the washrooms.

Marking the Group's recognition of information technology as a growth industry, the Group acquired the stake owned by Calsoft Group of India in Calspence Technologies, a joint venture company making it a wholly owned subsidiary, and rebranded it 'Aitken Spence Technologies'. While the entity's first year of commercial operations met the expectations for operational growth, 2012/13 will see the company exploring avenues of expansion both organically and through acquisition, and is expected to be a year of accelerated growth.

Aitken Spence Technologies is an Oracle Gold Level partner and a member of the IBM PartnerNetwork, and operates three core lines of businesses: Enterprise Content Management (ECM), Enterprise Resource Planning (ERP), both based on core-Oracle applications and technologies, and application development based on open source/Java technologies. The Company is an approved reseller

partner and an authorised training centre for Oracle university; a move into education which addresses the high demand for Oracle certified personnel. The company had the distinction of being recognised as 'Oracle Partner of the Year 2011 for Fusion Middleware', becoming one of just 5 winners; a creditable recognition in its very first year of operations.

The Group's financial shared services centre (FSSC) continued to introduce process improvements across the unit and championed the journey towards a paperless environment through further automation and the implementation of host-to-host online banking solutions. In one of the key initiatives of the Group's shift to a paperless environment, the Oracle document management project was completed during the year. To date, over twenty applications have been automated Group-wide, leading to tangible efficiency improvements. Nearly all financial processes of the Group companies including the Maldivian resorts are now managed centrally through the FSSC. During 2012/13, the FSSC will expand operations to encompass the power segment's presence in Bangladesh and the cargo segment's operations in the Maldives.

The audit and risk management unit focused on operational risk, with greater attention to system audits and process based audits. The most critical applications have now been stationed at a fully functional disaster recovery site, to enable the Group to function at near-normal pace during a disaster situation. Group IT has begun the process of benchmarking its processes against international standards and will seek ISO 27001:9000 certification in 2012/13.

Having identified the "Dissemination of Knowledge" among neighbourhood communities as a key sustainability focus area, programmes that address leadership, etiquette, personal hygiene, interview skills and career guidance have been planned by the Company's corporate services for youth within a 5km radius of the Aitken Spence corporate head office. Trial programmes are set to be held at the Girl Guides and Boy Scouts headquarters in the beginning of 2012/13.

## SERVICES

### Senior Management Team

*\* Names in alphabetical order.*



Mr. J.V.A. Corera



Mr. J.A.R.L. de Saram



Mr. G.P.B.N. Gunarathne



Mr. A.E.A. Perera



Mr. R.G. Salgado



Mr. A.N. Seneviratne



Ms. W.A.D.L. Silva

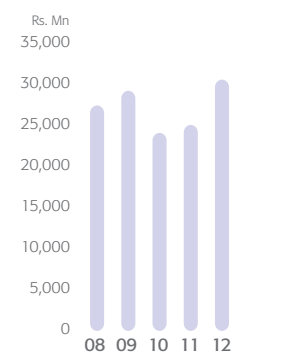


Mr. K.A.K. Wanniarachchi

## Financial Review

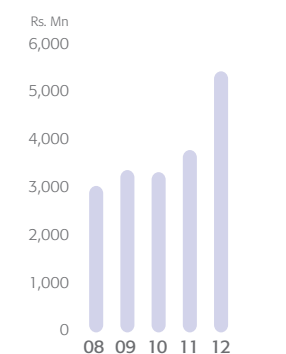
### Revenue

for the year ended 31st March



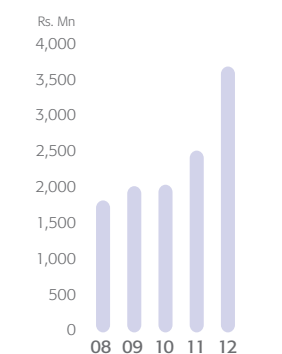
### Profit before Taxation

for the year ended 31st March



### Net Profit Attributable

for the year ended 31st March



## Profitability

### Group Performance:

The financial year 2011/12 was a year of consolidation and growth for the corporate sector in Sri Lanka. Despite the continuing turmoil in global markets Sri Lanka achieved a commendable economic growth on the back of record tourist arrivals and post conflict infrastructure projects undertaken by the Government. The Aitken Spence Group was able to reap rich dividends from investments made in key growth sectors, reflecting its strategic foresight, meticulous planning and project execution capabilities.

The Group achieved an outstanding growth in profitability during the period. The consolidated net profit was Rs. 4.7 billion of which Rs. 3.7 billion was attributable to the equity holders. The net profit was a 37.4 % increase over the previous financial year while the profits attributable to shareholders increased by 46.3%. The Group achieved a net revenue growth of 22.0% to reach Rs. 30.7 billion during the financial year 2011/12. The main driving factors behind the results achieved by the Group were the stellar performance of the Tourism and Cargo Logistics Sectors.

The Group's overseas operations, especially the Maldivian resorts, performed strongly during the year contributing significantly to the profit before tax. The Group also made a strategic decision during the year to dispose the 30% stake it owned in the joint venture company incorporated to develop

the south container terminal in the Port of Colombo. A total capital gain of Rs. 655 million was recorded during the financial year, through this disposal.

## Sector Revenue and Profitability

### Tourism Sector

Sri Lanka had the best year ever for tourism in 2011 with 855,975 arrivals. This was a 30.8% growth over the previous year with revenues of USD 830 million, an increase of 44.2%. India remained the number one market for Sri Lanka generating 171,374 visitors while the United Kingdom and Germany were the main western markets with 106,082 and 55,882 arrivals respectively. During the first quarter of the calendar year 2012 the number of arrivals increased by 21.1% to 260,525 visitors. As a result visitor arrivals to Sri Lanka during the financial year 2011/12 was 901,376, a 27.1% increase over the previous financial year.

During the financial year 2011/12 the Tourism sector of the Group reported a 13.0 % growth in revenue to Rs. 11.3 billion whilst recording a 65.3% increase in profit from operations to Rs. 2.6 billion. The performance of the Tourism sector highlights the leading role played by the Aitken Spence Group in marketing Sri Lanka as a sought after destination in South Asia. The sector profitability was boosted by increased occupancies and room rates as the Group moved gradually towards the higher end of the tourism market by catering



more to the Free Independent Traveller (FIT) category as against the tour operator segment.

### Cargo Logistics Sector

The Cargo Logistics sector reported a 13.9% growth in revenue to Rs. 4.7 billion while profit from operations increased by 40.7% to Rs. 846.8 million during the financial year 2011/12. The growth in the sector was primarily driven by a combination of higher cargo volumes handled and a greater contribution from overseas operations. The sector increased its investment in the tertiary maritime education sphere during the financial year and the Group is confident that this investment would provide a further impetus to the growth of the sector in the future.

### Strategic Investments Sector

The Strategic Investments sector reported a 30.3% increase in revenue and a 17.7% growth in profit from operations during the financial year under review. The revenue and the profit from operations reported by the sector were Rs. 14.0 billion and Rs. 1.1 billion respectively. The dry weather which prevailed in the country for the most part of the year required an increased generation of thermal power thereby making a positive impact to the sector results, inspite of the closure of the Embilipitiya power plant during the first quarter of the financial year.

The garment segment continued its turnaround and reported significantly higher results. Initiatives taken in process improvements which resulted in improved quality of the product and timely delivery to the customers coupled with investments made in order to reduce energy costs contributed significantly to the divisions improved performance.

The printing segment reported improved performance during the financial year under consideration. The new state-of-the-art printing facility for the segment has commenced partial operations and is expected to be fully commissioned by end of the first quarter of financial year 2012/13. The new facility will enable the segment to position itself at a higher level in the value chain thereby increasing the profitability.

The results of the plantations segment were impacted by negative trends in world market prices for tea and increased

cost of production which was the direct result of the wage increase that was implemented in the recent past.

### Services Sector

The Services sector, which comprises of the Group's service based operations, reported revenues of Rs. 1.7 billion during the year under review, which is an increase of 13.3% over the previous financial year.

The profit from operations of the sector increased by 23.5% during the financial year 2011/12 to Rs. 977.6 million.

All segments of the sector, namely, elevator agency, money transfer, insurance agency and operations and maintenance of power plants performed creditably during the financial year 2011/12 contributing to the growth.

### Group Operating Costs & EBIT

The Group profit from operations or earnings before interest and tax (EBIT) recorded a significant increase of 41.6% during the year to Rs. 5.6 billion. Apart from the substantial increase in net revenue, an increase in other operating income and the decrease in depreciation and amortization expenses, contributed to the higher EBIT. The Group's operating profit margin increased from 15.7% in the previous financial year to 18.3% during the financial year 2011/12. The Group's total operating costs amounted to Rs. 25.3 billion for the year, being 83.8% of the net revenue of the Group. This is in comparison to Rs. 21.0 billion recorded as Group operating costs in the previous financial year, which amounted to 85.1% of net revenue. The increase in operating costs was primarily due to the 48.4 % increase in raw materials and consumables used, and the 7.4 % increase in other direct operating expenses. The cost of raw materials and consumables used in the production of revenue amounting to 39.0% of the total operating costs has increased from the previous financial year mainly due to the increase in thermal power generation during the period under consideration and the increase in the price of heavy furnace oil. Other direct operating expenses amounts to 24.0 % of the total operating costs for the financial year 2011/12 in comparison with 26.9% in the previous financial year.

## Financial Review

### Taxation

The Group was affected by significant changes in the tax systems of both local and foreign jurisdictions for the financial year 2011/12. The Group's provision for taxation for the financial year 2011/12 was Rs. 752.9 million which was a considerable increase of 94.4% over the previous year's tax provision of Rs. 387.3 million. The increase in income tax was mainly due to the introduction of Business Profit Tax in the Republic of Maldives from July 2011, which had hitherto been a tax free regime. Companies incorporated in the Maldives were subject to a corporate tax of 15% and Sri Lankan companies operating in Maldives were subject to a withholding tax of 10% on remittances of fees and other charges.

Dividend tax for the financial year under review was Rs. 95.6 million which is a 30.9% decrease from the previous financial year. The decrease in the dividend tax was a result of the reduction in dividends declared from the power segment during the financial year. The deferred tax charge for the financial year was Rs. 98.1 million, against a reversal of Rs. 87.1 million in the previous financial year. The deferred tax charge for the current financial year resulted from accelerated depreciation allowances, substantial utilization of tax losses and recognition of off-shore taxes. Due to the above mentioned reasons Group's effective tax rate for the financial year was 13.8%, an increase from 10.2% over previous year.

### Net Assets per Share

The net assets per share of the Group was Rs. 62.93 at the end of the financial year 2011/12. This was an 18.7% increase over the net assets per share of Rs. 53.00 at the end of the previous financial year. The Price to Book Value (PBV) of the share decreased to 1.79 at the end of the financial year from 3.06 at the end of the previous financial year mainly due to the decrease in the market price of shares as a result of a downturn in the stock market.

### Liquidity

The working capital of the Group increased to Rs. 4.5 billion at the end of the financial year under review from Rs. 3.7 billion at the end of the previous financial year. The current ratio at the end of the period was 1.33 times in comparison to 1.43 times in the previous financial year, mainly due to the increase

in trade and other payables. The quick asset ratio of the Group was 1.20 times at the end of the financial year 2011/12.

### Assets Turnover

The asset turnover ratio of the Group was 0.67 times for the financial year under review and was a marginal increase from the previous financial year. 40.7% of the Group's total assets are invested in the Strategic Investments sector, while 41.0%, 10.1% and 8.2% are invested in Tourism, Cargo Logistics and Services sectors respectively.

### Capital Expenditure

The Group invested a total of Rs. 5.6 billion on the acquisition of property, plant and equipment, intangible assets and leasehold properties during the financial year which is a 171 % growth over the previous year. The additions to property plant and equipment during the year was Rs. 4.2 billion which is a increase of 108.4% over the previous year. The tourism sector attracted a significant investment in property, plant and equipment with Rs. 1.4 billion invested in the refurbishment of hotels at Heritance Kandalama and The Sands at Kalutara. Further Rs. 1.0 billion was invested to extend the leasehold rights of the four Maldivian islands for a further period of 25 years. The Cargo Logistics sector accounted for Rs. 283 million invested primarily in heavy equipment, while the Strategic Investments sector invested Rs. 2.3 billion in the power segment and for the construction of the new printing facility at Mawaramandiya.

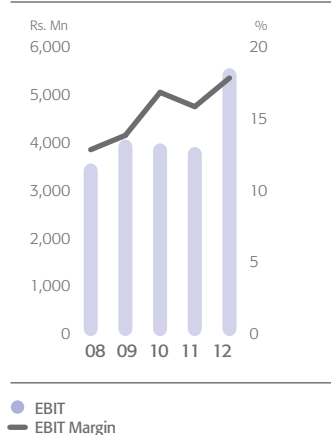
The total value of the property, plant and equipment held by the Group was Rs. 27.9 billion while the total non-current assets amounted to Rs. 33.1 billion at the end of the financial year.

### Return on Equity

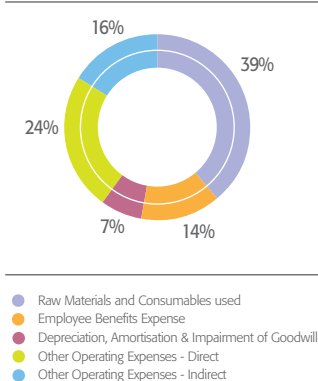
The Group recorded a return on equity of 15.8% for the financial year under review compared to 12.6% reported in the previous year. The net profit margin improved to 12.1% from 10.1% in the previous year.

Enhanced profitability of the key industry sectors and the benefits received through productivity improvement initiatives throughout the Group were the significant contributors to the increase in profitability.

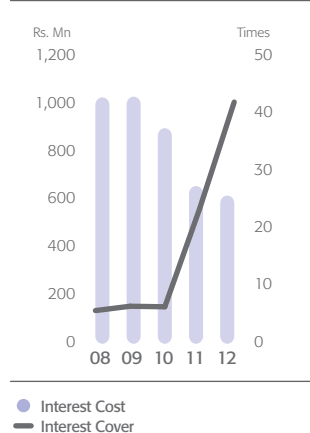
**EBIT & EBIT Margin**  
for the year ended 31st March



**Analysis of Operating Expenses**  
for the year ended 31st March 2012



**Interest Cost & Interest Cover**  
for the year ended 31st March



## Treasury Operations

### Management of Group Funds

The Group treasury closely monitors and manages the liquidity of the Group in order to ensure optimal utilisation of monetary resources. The treasury facilitates internal matching of borrowings and lendings of Group companies, thereby minimizing the exposure of individual companies to external sources of borrowing and market shocks, whilst reaping economies of scale due to the pooling effect. The bulk of the Group's inter-bank fund transfers are also routed via the Group treasury.

The treasury negotiates for rates on the pooled funds of the Group and is usually able to obtain favourable rates due to its bargaining strength. Surpluses are invested at optimum rates, with top-tier counterparties in terms of credit worthiness and taking pertinent factors such as risk and liquidity into consideration. Deficits are funded by deploying low cost funding options available to the Group. The treasury is able to make use of arbitrage opportunities available in the market, based on appropriate yield curve positioning combined with vigilant and relentless monitoring of money markets.

Negative impacts of floating rate loans were minimised to a large extent by exploring opportunities for natural hedging through short term investments. Aitken Spence PLC., possessed clean borrowing facilities in excess of Rs. 4 billion at the end of the financial year 2011/12 which could be

drawn and utilised with short-notice to fund investments and working capital requirements.

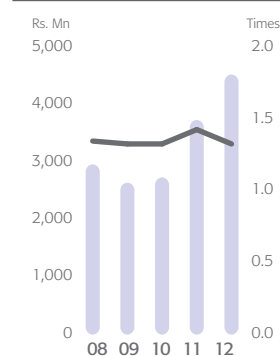
The 12 month weighted average treasury bill yield opened the year at 7.30% and hit a low of 7.25% from which it rose almost continuously to reach 11.32% by the end of the financial year, amidst reserve tightening and interest rate hikes by the Central Bank as it attempted to resolve balance of payment concerns. Inflation was at a rather benign level of 5.4% in March 2012, compared to 8.6% in March 2011. During the year the treasury was able to significantly reduce the duration of its fixed income securities portfolio by timely and pro-active sales of Government securities crystallising significant gains.

The market liquidity declined from Rs. 106 billion at the beginning of the financial year 2011/12, bottoming out at a negative Rs. 10.6 billion and recovered to reach a level of Rs. 19.5 billion at the end of the financial year. The Central Bank's stock of Government securities was at Rs. 214 billion at the end of financial year 2011/12, compared with Rs. 2 billion at the beginning of the financial year. The treasury was vigilant of those adverse developments and ensured sufficient liquidity was maintained throughout the period for the smooth functioning of all operations of the Group.

Cash and cash equivalents reduced by 47.2% to Rs. 1.7 billion, from Rs. 3.2 billion in the previous financial year. Net finance expenses declined to Rs. 204.9 million, from Rs.

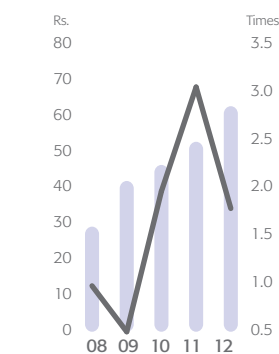
## Financial Review

### Net Working Capital & Current Ratio *as at 31st March*



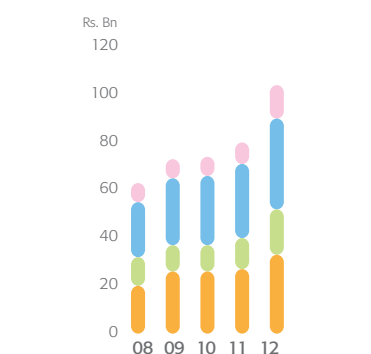
● Net Working Capital  
— Current Ratio

### Net Assets Per Share & Price to Book Ratio *as at 31st March*



● Net Assets Per Share  
— Price to Book Ratio

### Assets & Funding *as at 31st March*



● Fixed Assets ● Long Term Funding  
● Current Assets & Others ● Short Term Funding

236.3 million in 2010/11 mainly as a result of reduced financial expenses.

### Foreign Exchange Management

Import driven credit growth exerted pressure on the rupee as well as on local interest rates during the year, although the Central Bank continued defending the rupee as well as interest rates, for most part of the period, to ensure sustained post-war economic growth. However, the rapid credit growth continued to erode market liquidity and was threatening to lead to a balance of payment crisis. The rupee was perceived as highly overvalued considering the widening trade deficit, increased demand for imports and significant depreciations in most regional currencies, necessitating urgent action in terms of devaluing or floating the currency whilst tightening the monetary policy which the Central Bank carried out towards the latter part of the financial year. These sudden and largely unexpected policy decisions pushed the US Dollar to an all time high of around Rs. 131.60 from a low of Rs. 109.50 during the year. The Group treasury acted swiftly to minimise negative impacts of these surprise moves and also to make use of opportunities presented in the market due to hitherto unseen volatilities.

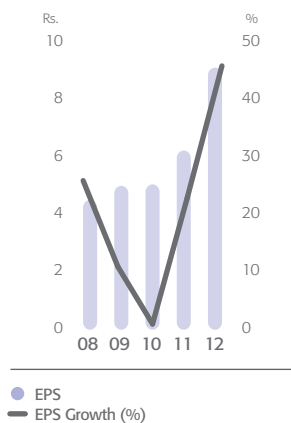
Group companies were provided with regular and timely updates and views on market movements which facilitated sound monitoring of exposures and helped reduce

uncertainties of market movements to a large extent. The market in general showed a lack of foreign currency liquidity due to extreme volatilities and as a result a widening of bid-offer spreads was witnessed. The treasury was successful in hedging most foreign currency inflows and outflows of the Group by matching transactions and thereby minimising effective spreads.

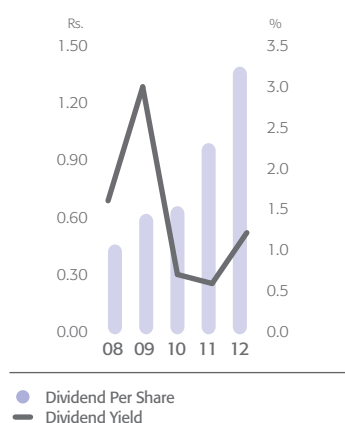
Envisaged foreign inflows to the country via foreign direct investments, expatriate remittances, sovereign bond issues, private sector borrowings and other debt instruments against outflows for imports and foreign debt repayments along with the trade deficit are likely to be the deciding factors of the medium to long term direction of the exchange rate. The extent of credit expansion in the public and the private sectors, the effectiveness in managing the fiscal deficit and the direction and flexibility of the monetary policy are likely to determine the level and the direction of interest rates during the coming financial year. External factors such as credit concerns that continue to torment the euro-zone, tensions in the Middle East, the continuing global economic slump and developments in BRIC (Brazil, Russia, India and China) economies are likely to have a direct impact on Sri Lanka's economy keeping markets jittery and volatile into the foreseeable future. The treasury will continue to be vigilant of these factors to ensure potential opportunities are made use of whilst the negative impacts are minimised.



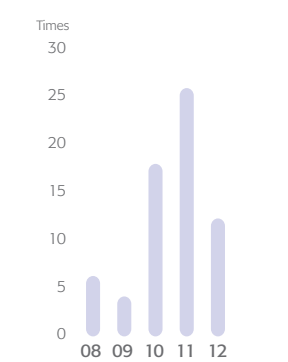
**EPS & EPS Growth**  
for the year ended 31st March



**Dividend Per Share & Dividend Yield**  
for the year ended 31st March



**Price Earnings Ratio**  
as at 31st March



## Shareholder Returns

### Earnings per Share

The Group reported an earnings per share of Rs. 9.14 for the financial year under review which was a significant 46.2% growth relative to the previous financial year,

### Market Price per Share and Market Capitalisation

The market price of the Company's share was Rs. 112.70 at the end of the financial year 2011/12 compared to Rs. 162.30 at the end of the previous financial year. The decline in the share price was primarily a reflection of the depressed stock market conditions which prevailed during the latter half of the financial year. The lowest price at which the share traded during the year under review was Rs. 100.00 whilst the highest traded price was Rs. 169.50. The total value of the shares traded on the Colombo Stock Exchange during the year amounted to Rs. 12.1 billion. The market capitalisation of Aitken Spence PLC., was Rs. 45.8 billion at the end of the financial year which was 2.27% of the total market capitalisation of the Colombo Stock Exchange.

### Price Earnings Ratio

The price earnings ratio of the Company at the end of the financial year 2011/12 was 12.3 times compared to 25.9 times at the end of the previous financial year. The decline in price to earnings ratio is a result of both the decline in the market price of the share and the increase in earnings per

share. The market price to earnings ratio was 15.8 times at the end of the financial year and the Company's multiple was at a 22% discount to the market multiple.

### Dividend per Share

The Board is recommending a first and final dividend payment of Rs. 1.40 per share for the financial year which is a 40% increase from the previous year's dividend payment and is a payout of 15.3%.

### Total Shareholder Returns

The total shareholder returns was a negative 29.7% for the financial year 2011/12 compared to 78.3% in the previous year. The total shareholder return has declined in the financial year under review due to the decrease in the market price of shares. The Group's potential for long term shareholder value creation is amply demonstrated by its three year and five year compounded total shareholder returns of 76.6% and 35.8% respectively.

## Financial Review

### New Accounting Standards Issued but not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka together with the Statutory Accounting Standards Committee made a decision to converge all Sri Lanka Accounting Standards with the International Financial Reporting Standards in order to maintain the uniformity and high quality of financial reporting in Sri Lanka. The Institute of Chartered Accountants having authority under The Sri Lanka Accounting and Auditing Standard Act No 15 of 1995 to adopt and publish accounting standards, issued and enacted a new volume of Sri Lanka Accounting Standards, which are applicable for accounting periods beginning on or after 01st January 2012.

These new Sri Lanka Accounting Standards comprise of Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS) and are commonly referred to by the term SLFRSs. The Council of The Institute of Chartered Accountants of Sri Lanka has also adopted the Interpretation guidelines issued by the International Financial Reporting Interpretation committee (guidelines referred to as IFRICs) and Standing Interpretation Committee (guidelines referred to as SICs).

The Group would be preparing its first SLFRS compliant financial statements for the year ending 31st March 2013. Comparative financial information that would be presented with the first SLFRS financial statements would be re-stated to comply with the relevant SLFRSs.

Due to the complexity of the new standards and their application to the Group companies an external consulting firm who had much experience in similar implementations was appointed to assist the Group in the implementation of the new SLFRSs. The Group Finance Division together with the external consultants completed an extensive assessment of the impact of applying the SLFRSs, LKASs, IFRICs & SICs to the Group companies and identified the gaps in the current accounting practices applied by the Group. The implementation team after many in-depth discussions with the top management and the subsidiary companies reviewed and finalised the relevant changes necessary for the correction of the identified gaps. Upon finalization the Group Finance Division obtained the requisite approvals from the Group

Audit Committee. All companies in the Group have also completed the required modifications to their operational and accounting systems to facilitate the above changes

In order to ensure that all levels of operational staff are made aware of the complexities in application of these standards to their day to day activities many training workshops were conducted for all levels of staff including those in non- financial functions.

All levels of staff in the finance function including those in the financial shared services centre were given extensive training on the applicability of the new standards in order to ensure smooth transition to the SLFRSs.

A detailed listing of the new accounting standards applicable to the Group are given in Accounting Policy 5 in the notes to the Financial Statements on page 125 of the Annual Report.

An impact study of the applicable standards was carried out by the Group and the financial impact each of the relevant standards would have on the financial statements for the year ended 31st March 2012, was quantified.

The following table provides a summary of the standards that would have a material impact on the Group financial statements . The quantified impact of these changes on the financial statements for the year ended 31st March 2012, when reporting as comparative figures during the financial year 2012/13, have been made on a best effort basis

Accounting Standard and the requirement	Applicable Changes	Assessment of approximate Financial Impact for 2011/2012
<b>SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards</b>		
This standard requires the Group to apply the same accounting policies in the opening SLFRS Statement of Financial Position and through all the periods presented in the first SLFRS financial statements. These accounting policies would comply with each SLFRS that would be effective as at 31st March 2013.	Comparative financial information that would be presented with the first SLFRS financial statements would be re- stated to comply with the relevant SLFRSs	
SLFRS 1 also permits companies to elect to measure an item of Property Plant and Equipment (PPE) and Investment Property at its fair value and use this fair value as the deemed cost as at 1st April 2011, the date of transition to SLFRSs	The Group opted to use this exemption and measured all items of Investment Property, and fully depreciated revenue generating Property Plant & Equipment, at fair value	Based on the initial assessment, the impact of the recognition of the deemed cost on the above asset categories would be an increase of Rs. 1,544 million in the opening retained earnings
<b>LKAS 1 Presentation of Financial Statements</b>		
LKAS 1 requires a complete set of financial statements to include the following: <ul style="list-style-type: none"> <li>- A Statement of Financial Position as at the end of the period</li> <li>- A single Statement of Comprehensive Income for the period</li> <li>- A Statement of Other Comprehensive Income for the period</li> <li>- A Statement of Changes in Equity for the period</li> <li>- A Statement of Cash Flows for the period</li> <li>- Notes comprising of the summary of significant accounting policies and other explanatory information.</li> </ul>	As required by LKAS 1 the Group will be presenting its financial position and the financial performance through the new statements	No financial impact
<b>LKAS 16 Property, Plant and Equipment (PPE)</b>		
a) Component capitalisation: LKAS 16 requires an entity to allocate the amount initially recognized as cost in respect of an item of PPE to its significant parts and depreciate each of these parts separately	The Group identified all hotel buildings into readily identifiable components in order to depreciate each of these parts separately.	Reduction in the opening retained earnings of Rs. 58 million and a reduction in profits during 2011/2012 of Rs. 11 million
b) Assets acquired on deferred payment terms: This standard also requires the Group to measure an item of PPE at its cash price equivalent at the recognition date.	For items of PPE that was acquired on deferred payment terms beyond the normal credit period the difference between the cash price equivalent and the total payment was recognized as interest over the period of credit.	The impact to the Group's retained earnings and PPE due to the separation of the interest component of such assets purchased on deferred terms is a reduction of Rs. 42 million

## Financial Review

Accounting Standard and the requirement	Applicable Changes	Assessment of approximate Financial Impact for 2011/2012
<p>c) Intangible assets:</p> <p>The standard requires the Group to identify intangible type components of assets which are not integral to the larger asset under Intangible Assets and not under Property Plant and Equipment.</p>	<p>The Group identified software costs currently capitalized together with computers and servers which are not an integral part of the equipment; and recognised such as Intangible Assets.</p>	<p>The Group has identified software to the value of Rs. 72 million that would have to be included under Intangible Assets instead of under PPE</p>
<b>SLFRS 7 Financial Instruments: Disclosures</b>		
<b>LKAS 32 Financial Instruments: Presentation</b>		
<b>LKAS 39 Financial Instruments: Recognition and Measurement</b>		
<p>a) Under the above standards the Group is required to measure all financial assets at fair value subsequent to the initial measurement on the following bases</p> <ul style="list-style-type: none"> <li>- Fair value through Profit &amp; Loss (FVPL) - assets to be measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income for the period</li> <li>- Available for sale Financial Assets (AFS) - to be measured at fair value with changes in fair value recognised in the Statement of Other Comprehensive Income for the period</li> <li>- Held to Maturity (HTM) - to be measured at amortised cost</li> <li>- Loans and Receivables (L&amp;R) - to be measured at amortised cost</li> </ul> <p>The above standards also require the Group to recognize the financial liabilities initially at fair value and measure these liabilities at each reporting date as follows</p> <ul style="list-style-type: none"> <li>- Fair value through Profit &amp; Loss (FVPL) – liabilities to be measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income for the period</li> <li>- Other liabilities at amortised cost.</li> </ul>	<p>As required by these standards the Group would be classifying all derivatives as FVPL assets , all share investments as AFS assets and investments in treasury bills and bonds as either FVPL or AFS assets depending on whether the portfolio is being held for trading or until maturity.</p>	<p>Fair valuing these assets at each balance sheet date would result in an increase of Rs. 19.1 million in opening retained earnings, an increase of Rs. 55.1 million in the opening fair value reserve in the OCI, a decrease of Rs.55.6million to the current year profit and a decrease in the fair value reserves in the OCI of Rs. 62.4 million for the year 2011/12.</p>



Accounting Standard and the requirement	Applicable Changes	Assessment of approximate Financial Impact for 2011/2012
b) Impairment of Debtors	At end of each reporting period the Group is required to assess whether there is any objective evidence that a financial asset or a group of assets measured at amortised cost is impaired. Consequently the Group measured its trade debtors outstanding as at 31st March 2011 and 31st March 2012 collectively for impairment and the results were tested against the bad debt provision recognised for the two periods as per the current accounting policy.	This assessment resulted in an increase of Rs 32.5million in the opening retained earnings and a decrease of Rs. 1.3 million in the profit for the year 2011/12.
<b>IFRIC 4 Determining whether an arrangement contains a lease &amp; LKAS 17 Leases</b>		
The Group assessed the applicability of the IFRIC 4 - Determining whether an arrangement contains a lease, and IFRIC 12 – Service Concession Arrangements, on all power companies owned by the Group and concluded that the power plant in Embilipitiya which is operated by one of the Group companies falls under the guidelines given in IFRIC 4.	The arrangement between the Ceylon Electricity Board (Lessee) and Ace Power Embilipitiya (Lessor) was identified as a finance lease arrangement under LKAS-17 Leases. Ace Power Embilipitiya being the Lessor would thus de-recognize the asset and recognise a lease rental receivable in the opening financial statements.	This change in accounting policy resulted in a decrease in the Group's opening retained earnings of Rs 1,171 million, a decrease in the current year's profit of Rs.111.7 million, a decrease in PPE of Rs. 4,224 million and an increases in non current assets and other debtors Rs. 2,748 million and Rs. 232.5 million respectively. The impact to the minority interest due to this re-classification is a decrease of Rs. 451 million

## Foreign Currency Generation

Foreign Currency Generation	2011/12 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Tourism sector	11,432,943	10,906,775	9,367,237	7,605,646	7,659,662
Cargo Logistics sector	1,144,128	1,103,979	859,174	610,843	417,294
Strategic Investments sector	1,034,942	1,014,282	1,434,024	1,180,318	1,410,083
Services sector	191,925	195,965	182,944	226,097	195,842
<b>TOTAL</b>	<b>13,803,938</b>	<b>13,221,001</b>	<b>11,843,379</b>	<b>9,622,904</b>	<b>9,682,881</b>

Over the years the Aitken Spence Group has remained a net foreign exchange earner and has continued to contribute significantly through its direct and indirect activities towards the foreign currency inflows into the country. Financial year 2011/12 saw an inflow equivalent to Rs. 13.8 billion in to Sri Lanka through the direct and indirect operations of the Group. This was a 4.4% increase over the previous year.

The highest contribution towards the foreign exchange generation was the Tourism sector, accounting for 82.8% of the total generation, which was a 4.8% growth in foreign exchange generation over the last financial year. The Cargo Logistics sector accounted for 8.3% of the total generation with the highest contribution in the sector coming from the Group's maritime segment. The Group's activities in the segments of plantations and garments were the main contributors towards the Strategic Investment sector's foreign exchange generation, whilst the highest contribution of the Services sector was attributable to the operations of the Group's inwards remittances segment.

The Sri Lankan rupee stood at Rs. 110.40 at the beginning of the financial year 2011/12 and remained strong vis-à-vis the US Dollar during greater part of the first six months of the year. However during the third quarter the rupee was devalued in the Government budget to Rs. 113.90. The exchange rate reached Rs. 128.20 to the US Dollar at the end of the financial year subsequent to the floatation of the currency in the fourth quarter of the financial year. The Euro remained volatile during the financial year under review fluctuating between a range of Rs. 143.75 and 174.00 due to the continuing instability in the euro zone.

**Foreign Currency Generation**  
for the year ended 31st March



## Statement of Value Added

	2011/12 Rs. '000	2010/11 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Total revenue	30,670,417	25,143,811	24,168,970	29,307,818	27,515,960
Purchase of goods & services	(20,001,504)	(15,947,674)	(15,700,541)	(21,862,281)	(20,514,679)
	10,668,913	9,196,137	8,468,429	7,445,537	7,001,281
Other operating & interest income	1,187,302	749,168	438,666	810,188	517,569
Share of associate companies profit	63,993	95,304	19,102	(9,239)	132,452
Total value added by the Group	11,920,208	10,040,609	8,926,197	8,246,486	7,651,302

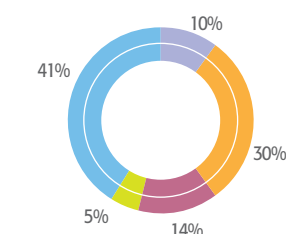
### Distributed as follows

To governments in countries we operate (income tax & revenue tax)	10%	1,231,419	8%	802,155	8%	739,885	8%	635,783	7%	557,188
To employees (salaries & other costs)	30%	3,580,485	30%	3,055,354	29%	2,624,483	27%	2,216,935	27%	2,077,107
To lenders of capital interest on loan capital & minority interest)	14%	1,621,693	15%	1,552,704	20%	1,829,540	25%	2,062,444	26%	2,019,058
To shareholders (dividends)	5%	568,394	4%	405,996	3%	270,664	3%	257,131	2%	189,465
Retained for reinvestments & future growth (depreciation & retained profits)	41%	4,918,217	43%	4,224,400	40%	3,461,625	37%	3,074,193	38%	2,808,484
	100%	11,920,208	100%	10,040,609	100%	8,926,197	100%	8,246,486	100%	7,651,302

As a responsible corporate citizen, Aitken Spence has always been conscious of the requirement to positively impact the society and the economy of Sri Lanka by the creation of wealth through its activities. The Group over the years has consistently been enhancing its wealth creation year on year.

This statement provides the total wealth or value the Group has created through its activities during the year and how such wealth was distributed amongst its stakeholders. The Group generated a total value addition of Rs. 11.9 billion during the financial year under review, which was an 18.7% increase over the value added by the Group in the previous financial year. As in the previous year 30% of the value created was distributed to the employees of the Group whilst 14% was dispensed to the lenders of capital. 10% of the total value addition was paid out to government authorities in the form of taxes. This was a 53.5% increase over the previous year, with the main reason for this significant increase being the introduction of new corporate and goods and services taxes in the Maldives. The shareholders of the Company were allotted 5% of the total value added while 41% was retained by Group for future expansion of operations and working capital requirements.

### 2011/12- Distribution of Wealth Created



- To government authorities
- To employees
- To lenders of capital
- To shareholders
- Retained for reinvestments & future growth

## Corporate Governance

Trust is built by doing the right thing the right way. Aitken Spence takes pride in its long history of doing precisely this. It has paved the way for sound corporate governance principles and practices by which the Company seeks to ensure that it is run according to the intentions of the shareholders and stakeholders alike.

The commitment to doing what is right is at the foundation of effective governance realized through the leadership and collaboration of each individual across the Group and its subsidiaries. Conducting robust integration of plans and actions that continuously challenge the status quo, ensuring the high standards of decision making – simultaneously dynamic, adaptable and flexible in the uncertain micro and macroeconomic business environment, is endemic at Aitken

Spence. The Company strives to enhance long term shareholder value whilst perpetuating the highest standards of integrity, accountability, transparency and business ethics.

Actions are sustained and harnessed to drive a culture of continuous improvement in sustainability and eco efficiency whilst upholding the high standards of corporate governance. Such principles and practices adopted by the Company are elaborated on this report. These principles and practices draw upon the jointly issued guidelines by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and other Codes of Professional Institutes and the Chamber of Commerce.

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>1. Company</b>			
<b>A. Directors</b>			
<b>A.1 / 7.10.1 (a), 7.10.2 (a) and 7.10.3 (c-d) The Board</b>			
The Board comprises of a Chairman, a Deputy Chairman & Managing Director, and eight other Directors, five of whom are Non-Executive Directors. The Board considers the long-term interest of all stakeholders of the Group in their continuous efforts to ensure good governance and the effective functioning of the Company.			
The names and profiles of each of the Directors are on pages 18 to 19 of this Annual Report. None of the Directors are related to each other which enable each of the Directors to express their views independently and objectively.			
Board meetings	A.1.1	Complied	<p>Board Meetings were held seven times during the financial year and were presided over by the Chairman. The Board meetings are scheduled in advance enabling the Directors to plan their commitments facilitating attendance at the meetings. Any instances of non attendance at the meetings were due to personal commitments or illness.</p> <p>Attendances at these meeting are indicated in the table on page 85.</p> <p>The Directors are provided with the agenda and Board papers in advance giving them adequate time to review the Board papers and call for any additional information and clarification. They are able to formulate independent views which enable active and effective participation by each Board member. Minutes of the Board Meetings are accurately recorded and circulated to the Directors for confirmation of same at the next meeting. When decisions are taken via circular resolutions, all relevant information is sent together with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated, prior to obtaining their consent.</p>



	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	<p>The Board is responsible for the formulation and execution of sound business strategies of the Group:</p> <p>Ensuring that the Managing Director, Board of Management and the senior management teams demonstrate the right balance of independence, knowledge, skills, background and experience to implement strategies and bring about fresh perspectives.</p> <p>Ensuring that those delegated with the authority to manage the operations of the Company adhere to the policies and procedures of the Group whilst ensuring effective senior management succession strategy.</p> <p>Ensuring that the Company's values and standards are aligned with the adoption and compliance with appropriate and applicable statutes, accounting and financial regulations, environmental and ethical standards.</p> <p>Recommending the appointment or removal of the external auditors subject to the approval of the shareholders at the Annual General Meeting.</p> <p>Appointing members to the Audit, Remuneration and Nomination committees, who possess the experience and expertise to add value to the committees to which they are appointed.</p> <p>Self-evaluation of the Board is conducted on its own performance and that of its committees.</p> <p>Reviewing and approving the operational and financial budgets and monitoring the performance of the individual Strategic Business Units of the Group whilst seeking complete information to form views, critique management and take strategic decisions. Introducing the appropriate and effective systems to secure integrity of information; internal controls and risk management systems to encompass all aspects of the businesses.</p> <p>Evaluating the new businesses and investment proposals in depth prior to commitment, restructuring and re-engineering existing businesses of the Group where necessary.</p>
Compliance with laws and access to independent professional advice	A.1.3	Complied	<p>The Board of Directors, both individually and collectively, recognise the importance of its responsibility towards all its stakeholder groups. As such, they strive to ensure that the Company and its subsidiaries comply with the applicable laws and regulations of the country, regulatory authorities, professional institutes and trade associations and best practices on environmental, health, safety and ethical standards. The Board further ensures that all stakeholders' interests are considered in corporate decisions. As and when required, the Directors and the Board are able to obtain independent professional advice at the Company's expense in discharging its duties.</p>
Company Secretary	A.1.4	Complied	<p>All Directors have access to the advice and services of the Company Secretary. The Company Secretary is present at all Board meetings and ensures that Board procedures are followed and regularly reviewed. He is primarily responsible to ensure compliance with applicable rules and regulations and acts as the interface between the management and regulatory authorities for governance matters. He further ensures delivery of relevant information and documentation to the respective Directors and that appropriate facilities are available for the proper conduct of meetings and effective decision making.</p>

## Corporate Governance

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
Independent judgment of the Directors	A.1.5	Complied	All Directors add value and give an independent opinion on issues of strategy, financial and operational performance, key appointments, standards of business conduct and all other matters which are considered by the Board.
Dedicating adequate time and effort	A.1.6	Complied	The Chairman and the Board of Directors allocate adequate time for the fulfillment of their responsibilities as Directors of the Company. In addition to attending Board meetings, individual Directors are members of various subcommittees of the Board and attend meetings after due preparation prior to such meetings. They dedicate sufficient time before such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification in addition to familiarisation of micro and macroeconomic issues, legal risk and political changes in the global business environment.
Training for new and existing Directors	A.1.7	Complied	<p>The Board recognises the need for continuous training and development.</p> <p>In addition to the one-on-one meetings with the management of each subsidiary, visits to sites/factories/hotels and meetings with key investors, suppliers, customers, service providers and other key stakeholders, new Directors are given an initial formal orientation and subsequent periodic training with respect to the areas below.</p> <ul style="list-style-type: none"> <li>• Company Structure and Strategy: including Group structure; history, vision, mission, goals, employees, succession plans, Board procedures including ethics and corporate governance practices, Board Committees, Board minutes, Board effectiveness reviews, action plans and financial matters.</li> <li>• Company's functions at operational levels: of all business areas, key relationships with all stakeholders including suppliers and customers, major contracts, Group Risk Profile and its approach to risk.</li> <li>• Industry and competitive environment: not limited to customer trends, consumer and regulatory environment including governance and all relevant consumer and industry bodies, CSR environment and sustainability.</li> <li>• Sentiment and reputation: including brand positioning and media profile marketing campaigns, brand values, analyst and investor opinion, review of investor surveys, key stakeholder relationships including employees customers suppliers service providers, opinion leaders and an overview of the remuneration policy.</li> <li>• Periodic presentations are made at the Board and Committee Meetings on business and performance updates of the Company, global business environment, business strategy and risks appetite.</li> <li>• Board members are also provided with the necessary documents, reports and internal policies to enable them to familiarise with the Company's procedures and practices.</li> <li>• Periodic updates and training programmes for Board members are also conducted on relevant statutory changes and landmark judicial pronouncements encompassing important laws.</li> </ul>

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>A.2. Chairman and Chief Executive Office</b>			
There is clear distinction of responsibilities between the Chairman and the Managing Director. The functions performed by the Chairman and the Managing Director are distinct and separate, which ensure the balance of power and authority within the organisation, so that no person has unfettered powers of decision making and implementation. The Chairman controls and preserves order at Board meetings and provides the Board with strategic direction and guidance. The Managing Director is responsible for the performance of the day to day operation of the Company with the support of the Executive Directors, Board of Management and the senior management team. The Managing Director also acts as the Chief Executive Officer of the Company.			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	As mentioned above the Company has segregated the duties between the Chairman and Managing Director.
<b>A.3 Chairman's Role</b>			
The Chairman of the Company is one of the most successful and proficient business leaders in the country. He is responsible for preserving order and good corporate governance of the Group whilst facilitating the effective discharge of Board functions and business strategies.			
Role of Chairman	A.3.1	Complied	<p>The Chairman ensures that the Board effectively performs its functions, adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company. He also ensures that its obligations to the various stakeholders and regulatory bodies are met. He encourages effective participation by both executive and non-executive Directors on matters taken up for consideration, and those issues under consideration are reviewed, prior to taking decisions.</p> <p>The Chairman ensures that all Directors are adequately briefed on matters arising at Board Meetings and that they effectively contribute with their respective capabilities for the best benefit of the Company.</p> <p>The Chairman ensures that shareholders are given adequate opportunity to make the observations, express their views and seek clarifications at meetings of shareholders.</p>
<b>A.4 Financial Acumen</b>			
Financial acumen	A.4	Complied	The Managing Director is a fellow member of the Institute of Chartered Accountants of England & Wales and holds a Degree in Law and a Master's Degree in Business Administration. The Board includes two chartered accountants and an investment banker. These Directors with their academic and/or entrepreneurial financial skills, business acumen and wide practical wisdom contribute substantial value, knowledge and independent judgment to decision making on matters concerning finance and investment.
<b>A.5 Board Balance</b>			
Presence of Non-Executive Directors	A.5.1 <u>7.10.1 (a)</u> <u>7.10.2(a) and</u> <u>7.10.3 (a)</u>	Complied	As evident in the table on page 85 the board is optimally balanced with five out of the ten Directors on the Board, (50% of the board strength), being Non-Executive Directors, which is above the requirement of the code. The Board members are from diversified backgrounds having rich and versatile experience and leadership expertise in their respective fields. In the Company, the Chairman and the Managing Director is not the same person.

## Corporate Governance

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
Independence of Non-Executive Directors	A.5.2 & 5.3 5.5 <u>7.10.2 (a-b) and 7.10.3 (a-b)</u>	Complied	As indicated in the Table on page 85, the Board comprises of five Non-Executive Directors namely, Mr. G.C. Wickremasinghe, Mr. C.H. Gomez, Mr. N.J. Deva Aditya, Mr. V.M. Fernando and Mr. R.N. Asirwatham. Mr. N.J. Deva Aditya, although a Director of the Company and a Director of Institutions that hold over 15% of the shares of the Company, is however determined as an Independent Director after taking into consideration all the relevant circumstances including the fact that he resides overseas. Furthermore, the Institutions in which he is a Director do not directly or indirectly get involved in the day to day management of either the Company or its subsidiaries and as such are independent of management and free of business relationship. Mr. V.M. Fernando and Mr. R.N. Asirwatham were appointed to the Board as Independent Directors. Mr. C. H. Gomez is a Non-executive Independent Director. The Board having considered the circumstances and the criterion on independence in relation to Mr. G.C. Wickremasinghe; construed Mr. G.C. Wickremasinghe to be independent as he refrains from any involvement in the day to day management of the Company or any of its subsidiaries.
Annual Declaration of Non-Executive Directors	A.5.4 <u>7.10.2 (b)</u>	Complied	Each Non-Executive Director submits a signed declaration annually with regards to his independence/non independence against the specific criteria.
Requirement to appoint a 'Senior Non-Executive Director'	A.5.6 and A.5.7	Not applicable	This is not relevant to the Company as the Chairman and the Managing Director roles are segregated.
Chairman conducting meetings with the Non-Executive Directors	A.5.8	Complied	The Chairman meets with only the Independent non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.9	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes, if applicable.
<b>A.6 Supply of Information</b>			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a state-of-the-art management information system to process and monitor the performance of the Group. Appropriate and timely information is made available to the Board members who make further inquiries where necessary.
Adequate time for circulation of respective Board documents	A.6.2	Complied	The Board minutes, agenda and papers are circulated giving adequate time for individual Directors to study and formulate independent views and perspectives enabling the active and effective participation of each Board member.



	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>A.7 Appointments to the Board</b>			
Nomination Committee and the assessment of composition of the Board	A.7.1 and 7.2	Complied	<p>The Nomination Committee consists of three Independent Non-Executive Directors in addition to the Chairman and the Managing Director of the Company.</p> <p>The names of the members of the Committee are listed on page 105 and on the inner back cover of the Annual Report.</p> <p>The function of the Nomination Committee is to recommend to the Board of Directors, the suitability of appointments and re-appointments of Directors to the Company and to its Subsidiaries, and to regularly review the structure, size, composition and the competencies of the Board and its members in addition to making recommendations to the Board in a formal and transparent manner.</p>
Disclosure to Shareholders	A.7.3	Complied	<p>Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the such Director containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.</p>
<b>A.8 Re Election</b>			
Reelection of Directors including Chairman	A.8.1 and 8.2	Complied	<p>The Directors are elected by the shareholders of the Company in terms of the Articles of Association and submit themselves for re-election at regular intervals. The Articles of Association of the Company empower the Board of Directors to either fill a casual vacancy in the directorate or to appoint additional Directors. Directors so appointed hold office until the next annual general meeting at which they are eligible for re- election. 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 one third (but not exceeding one third) to retire from office by rotation other than the offices of the Chairman and the Managing Director, who are not subject to retirement by rotation. The retiring Directors are selected on the basis of those who have been longest in office since their last election. In the event more than one Director is appointed on the same date the retiring Director is 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 contribution made by each retiring Director before recommending such a Director for re-election.</p>
<b>A.9 Appraisal of Board performance</b>			
Appraisals of the board and the sub committee	A.9.1 , A.9.2 and A.9.3	Complied	<p>The performance of the Board and the subcommittees are reviewed and evaluated annually based on a self-appraisal basis on the performance of its key responsibilities as outlined in section A 1.2.</p>

## Corporate Governance

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>A.10 Disclosure of information in respect of Directors:</b>			
Directors disclosures	A.10.1 <u>Z.10.3 (c-d)</u>	Complied	<p>The names of the Directors of the Board, their background leadership expertise, skills and their profiles are disclosed on pages 18 to 19 of this report.</p> <p>Directors' interest in contracts is disclosed on pages 150 to 152 of this annual report.</p> <p>The number of board meetings attended by the Directors is given on page 85 of this report.</p> <p>Names of the Chairman and the members of the Board Committees are provided on the inner back cover of the annual report.</p>
<b>A.11 Appraisal of Chief Executive</b>			
Setting of the annual targets and the appraisal of the CEO	A.11.1 and A.11.2	Complied	The Board in consultation with the Managing Director reviews and approves the operational and financial budgets/targets in line with the short, medium and long-term objectives of the company that should be met by the Managing Director during the year. The evaluation of performance is conducted by the Board on a regular basis as well as bi-annually and annually with assessment of whether failure to meet such set targets was reasonable in the given circumstances.
<b>B Directors Remuneration</b>			
<b>B.1/ <u>Z.10.5</u> Remuneration Procedure</b>			
Establishment of a remuneration committee and its composition	B.1.1 ,B.1.2 and B.1.3 <u>Z.10.5 (a) and Z.10.5 (b)</u>	Complied	The Remuneration Committee comprises of three Non-Executive Directors one of whom acts as the Chairman of the Committee. No Director is involved in determining his or her own remuneration. The Company endeavors to attract, retain, develop and motivate the qualified experts and skilled leaders along with the high performance workforce needed to achieve its strategic and operational objectives. The policies and non-discriminatory practices inclusive of gender, age, ethnicity and/or religion; ensure internal equality and fairness among employees is maintained amidst a suitable work environment and working conditions.
Determination of the remuneration of the Non-Executive Directors	B.1.4	Complied	The Board remunerates the Non-Executive Directors as per the Articles of Association of the Company. The fees and reimbursable expenses are paid taking into consideration the basis of contribution/services performed at the Board and Committee Meetings and the Company's year-end financial performance.
Consultation with the Chairman and the CEO	B.1.5	Complied	The Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposal including revision in salary (as and when necessary) to Executive Directors and the senior management. This is done taking into consideration the cost of living, inflation rates and industry norms in addition to the each Individual's and Company's performance. No Director is involved in determining his or her own remuneration.

	Reference to SEC & ICASL Code; <i>CSE Listing Rules</i>	Compliance	Details of Compliance
<b>B.2 Level and Make up of Remuneration</b>			
Level and make- up of the remuneration of Directors and comparison of remuneration with other Companies	B.2.1, 2.2 and 2.3	Complied	<p>The Remuneration Committee is responsible for evaluating the performance of the Managing Director, Executive Directors and the individual and collective performance of the Directors and the Senior Management. The Committee structures remuneration packages to attract, retain, develop and motivate Directors, the senior management and executives in accordance with the caliber and skill levels required to maintain the high standards of the company.</p> <p>The remuneration packages are based on cost of living, inflation rates, comparative industry norms and correspond to the contribution of the individual to the performance of the Group and the respective subsidiary to which such individual is attached.</p>
Performance based remuneration	B.2.4	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and a portion of the remuneration is in the form of performance bonus based on the achievement of both individual and corporate goals and targets.
Executive share options	B.2.5	Not applicable	The Company as at date has no share options made available to the Directors, Executives or employees of the Company.
Designing the remuneration.	B.2.6	Complied	The procedure followed in deciding of remuneration of employees is set out in the Remuneration Committee report which is given on page 107.
Early Termination of Directors	B.2.7 and B.2.8	Complied	Is determined by the Articles of Association of the Company.
Remuneration of non-executive Directors	B.2.9	Complied	Non-Executive Directors are paid a fee and/or a reimbursement for their participation in Board and Committee meetings as set out under B.1.4.
<b>B.3 / 7.10.5 (C) DISCLOSURE OF REMUNERATION</b>			
Disclosure of remuneration	B.3.1	Complied	The names of the members of the Remuneration Committee are indicated on page 104 and listed on the inner back cover. The report of the Committee is given on page 107 of this Annual Report. Please refer note 8 to the financial statements for the details of remuneration paid to the Directors and key management personnel.
<b>C. Relations with Shareholders</b>			
<b>C.1 Constructive use of Annual General Meeting</b>			
Use of Proxy	C.1.1	Complied	It is ensured that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to the Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue.
Chairman of Board committee to be present	C.1.3	Complied	At the Annual General Meeting the respective Chairmen of the Remuneration, Audit and Nomination Committees are present to provide any clarification to shareholders as and when necessary.

## Corporate Governance

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
Adequate notice of Annual General Meeting and summary of Procedure	C.1.4 and C.1.5	Complied	The notice and the agenda for the annual general meeting together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working day's notice prior to the date of the Annual General Meeting.
<b>C.2 Major Transaction</b>			
Disclosures of Major transactions	C.2.1	Complied	There were no major transactions during the financial year which materially altered the Company's net asset base or the Group's net asset base.
<b>D. ACCOUNTABILITY AND AUDIT</b>			
<b>D.1 Financial Reporting</b>			
Board responsibility to present the financial statements	D.1.1	Complied	The Board of Directors confirm that the quarterly reports, annual financial statements as well as the management discussion and analysis of the Company and its subsidiaries that are incorporated in this Annual Report have been prepared and presented in a reliable manner on balanced and comprehensive assessment of the financial performance of the Company and its subsidiaries. All financial statements are in accordance with the Companies Act No 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act and the Listing Rules of the Colombo Stock Exchange. 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 Messrs. KPMG, Chartered Accountants.
Annual report of the Directors	D.1.2	Complied	The Directors have made the required declarations on pages 102 to 106 of this Annual Report.
Statement by the Directors and the Auditors	D.1.3	Complied	The Directors responsibility statement is on page 110 of the Annual Report. The Independent Auditors' Report on the financial statements for the year ended 31st March 2012 is presented on page 111 of this Annual Report.
Management discussion and analysis	D.1.4	Complied	The management discussion and analysis is presented as the operational review of the Company and its subsidiaries on pages 28 to 61 of this Annual Report.
Declaration by the Board as to whether the business is a going concern.	D.1.5	Complied	The relevant declaration is presented in the Annual Report of the Directors on page 104 of this Annual Report.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.6	Not applicable	This is not applicable but should the situation arise an Extraordinary General Meeting would be called upon and the shareholders would be notified.



	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>D.2 Internal Control</b>			
Directors to review internal Controls	D.2.1	Complied	<p>The Board is responsible for formulating and implementing appropriate and sound systems of internal control and risk management for the Group and for reviewing its effectiveness and integrity on a continuous basis. The internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task.</p> <p>Any internal control system has its inherent limitations. The Board is aware of the inherent limitations in that the systems are designed to manage rather than eliminate risks and hence appropriate steps are taken to minimise such situations of material misstatements or loss.</p>
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group has an internal audit division to assist in the maintenance of a sound system of internal control for purposes of protecting stakeholder investment and assets.
<b>D.3 /7.10.6 Audit Committee</b>			
Composition of the Audit Committee and the Duties	D.3.1 and D.3.2/ <u>Z10.6 (a) and Z10.6 (b)</u>	Complied	<p>As per table on page 85, the Audit Committee is a sub-committee of the Board of Directors of Aitken Spence PLC. The Committee comprises of four Independent Non-Executive Directors one of whom is a member of the Institute of Chartered Accountants and is the Chairman of the Committee. The Audit Committee advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance and internal audit can be improved. The duties and responsibilities of the Audit Committee are in accordance with the Code of best practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.</p> <p>The annual audit plan is reviewed and approved by the Committee. The audit observations submitted to the Audit Committee are closely monitored together with remedial actions by circulating the minutes of the Committee meetings. The Audit Committee also reviews the reports on the routine and special assignments by the Internal and external auditors.</p>
Terms of Reference for Audit Committee	D.3.3	Complied	The Audit Committee assists the Board in discharging its duty in ensuring that the Group's internal controls, risk management procedures and conduct of business are in accordance with the best practices appropriate to the Company and to the Group's Strategic Business Units. The Audit Committee evaluates the performance of the independent external auditors and makes its recommendation to the Board of Directors on their re-appointment or removal which is subject to the approval of the shareholders at the Annual General Meeting.
Disclosures of names of the members of the Audit Committee	D.3.4 <u>Z10.6(c)</u>	Complied	<p>The names of the members of the Audit Committee are indicated on page 104.</p> <p>The Audit Committee reviews the scope and results of the audits, its effectiveness and the independence and objectivity of the Internal Audit function. The report of the Audit Committee is on page 109 of this Annual Report.</p>

## Corporate Governance

	Reference to SEC & ICASL Code; <u>CSE Listing Rules</u>	Compliance	Details of Compliance
<b>D.4 Code of Business Conduct and Ethics</b>			
The Company is committed to carry out all business activities to the highest standards of integrity, ethical values and professionalism whilst following the laws of the country as per the stakeholder expectations.			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	The Company has developed and institutionalised a strong set of corporate values and a written code of conduct that is circulated to Directors and all employees. The Board ensures that Directors and employees strictly comply with the Code of Business Conduct and Ethics at all levels in performance of their official duties, communications, role modeling and in any circumstances so as not to tarnish the Company's image in any manner. The violation of the code of ethics is an offence which is subject to disciplinary action.
Affirmation of the code of conduct and ethics	D.4.2	Complied	As per the Chairman's message on page 8 of this Annual Report, The Company affirm the adherence to good business conduct and ethics.
<b>D.5 Corporate Governance Disclosures</b>			
Disclosures of Corporate Governance	D.5.1	Complied	The Company aims to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all its business activities whilst adhering to highest standards of corporate governance as is evident in this report from pages 74 to 85.
<b>2. Shareholders</b>			
<b>E. Institutional Investors</b>			
Shareholder voting	E.1.1	Complied	The Company recognises the importance of two-way communication and as such conducts regular discussions with Institutional Investors based on mutual understanding of objectives. Existing and prospective investors are given a balanced report that enables them to make well-informed decisions in their dealings with the Company. All shareholders are welcomed at the AGM and encouraged to make comments or observations, seek any clarifications and are requested to cast their vote on applicable issues.
<b>F. Other Investors</b>			
<b>F.1 Investing and divesting decision</b>			
Investing and divesting decision	F.1	Complied	The Company has no restriction with regards to investors carrying out adequate analysis and obtaining independent advice regarding their investment in the company and encourages any shareholder to do so.
<b>F.2 Shareholder Voting</b>			
Individual shareholders voting	F.2	Complied	<p>All shareholders seeking appropriate information are welcome to contact the Company directly throughout the year.</p> <p>They are encouraged to be present, actively participate and vote at General meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance in addition to meet with any Director in person, after the meeting.</p> <p>The comprehensive annual report will enable both existing and potential stakeholders to make well-informed decisions in their dealings with the Company.</p>

## Board and the Committee Attendance

Name of Director	Attendance at Board Meetings								Audit Committee	Remuneration Committee	Nomination Committee	Direct/Indirect Interest in Shareholding
	May 31, 2011	Jun 29, 2011	Aug 5, 2011	Oct 7, 2011	Nov 14, 2011	Jan 3, 2012	Feb 10, 2012	Total				
<b>Chairman</b> Deshamanya D.H.S. Jayawardena	✓	✓	✓	✓	✓	✓	✓	7	-	-	✕	Indirect
<b>Deputy Chairman/ Managing Director</b> Mr. J.M.S. Brito	✓	✓	✓	✓	✓	✓	✓	7	-	-	✕	Direct
<b>Executive/Non-Independent Directors</b> Dr. R.M. Fernando	✓	✓	✓	✓	✓	✓	✓	7	-	-	-	-
Mr. G.M. Perera	✓	✓	✓	-	✓	✓	✓	6	-	-	-	-
Dr. M.P. Dissanayake	✓	✓	✓	✓	-	✓	✓	6	-	-	-	-
<b>Non-Executive/Independent Directors</b> Mr. G.C. Wickremasinghe	-	✓	-	-	✓	✓	✓	4	✕	Chairman	Chairman	Direct/ Indirect
Mr. C.H. Gomez	-	✓	-	-	-	-	-	1	✕	-	-	-
Mr. N.J. de Silva Deva Aditya	-	-	✓	✓	✓	✓	-	4	✕	-	-	-
Mr. V.M. Fernando	-	✓	✓	✓	✓	-	✓	5	-	✕	✕	-
Mr. R.N. Asirwatham	✓	✓	✓	-	✓	✓	✓	6	Chairman	✕	✕	Direct

# Risk Management

## 1. Introduction to Risk Management

Risk can be defined as the probable occurrence of an undesirable event that could hinder the achievement of the Group's objectives. The event could be caused by external or internal forces.

Risk Management, is the process of analysing exposure to risks by identifying vulnerabilities and their probability of outcome in order to determine how to best handle such exposure. It also looks at implementing various policies, procedures and practices that work to identify, analyse, evaluate and monitor risks, followed by applications and solutions to minimise the probability of occurrence and/ or the impact of the identified risks. Transferring risks to outside parties, mitigating the negative effect of risk and avoiding risk altogether are considered as risk management strategies across the Group.

The Aitken Spence Group is involved in a diverse range of business activities, spanning several industries, market segments and geographical locations. Whilst this diversification provides a hedge against the positive correlation of business and environmental risks, it also exposes the Group to a wider range of risks and opportunities. These risks have been broadly categorised as follows,

- a) Strategic Risks
- b) Financial Risks
- c) Operational Risks

## 2. Importance of Risk Management

The Group recognises the importance of adopting a proactive approach when dealing with risk. With globalisation and technology bringing about astonishing changes in international

and domestic markets this becomes even more important. Failure to adopt such measures could result in financial losses, lost opportunities and in extreme cases even corporate failure.

In the past, the single key recognised risk was credit risk. However today, the financial world faces a variety of new risks. Many of the risks faced by the Group are in the form of uncertainties or emerging risks which may be difficult to quantify or control. Thus effective risk management is critical in achieving the Group's strategic objectives in a highly competitive and uncertain environment.

Aitken Spence has a comprehensive system of controls in place to manage risks. The Group conducts regular reviews of the major risks which may affect its business and financial performance. These risks are identified, evaluated and mitigated through a combination of a 'top-down' (driven by the Board) and 'bottom-up' (originating from the operational divisions) approaches. This has been made possible because the Group has clearly identified the role of the Board of Directors and their responsibilities in managing all risks affecting the Group. In each area, the Board is supported by the Board of Management, the Audit Committee and Managers with key functional responsibilities

Risk Management is also a key element of the Aitken Spence system of Corporate Governance. It attempts to create a suitable balance between an entrepreneurial attitude and the level of risk associated with business opportunities. The Group maintains high awareness of business risks and has internal control procedures which give assurance to stake holders of the existence of a process that regularly reviews the risks faced by individual sectors of the Group and implements measures to minimise the effects of identified risks.

### Strategic Risks

- Competitive Risk
- Economic Risk
- Reputation Risk
- Marketing Risk
- Environmental Risk
- Regulatory Risk

### Financial Risks

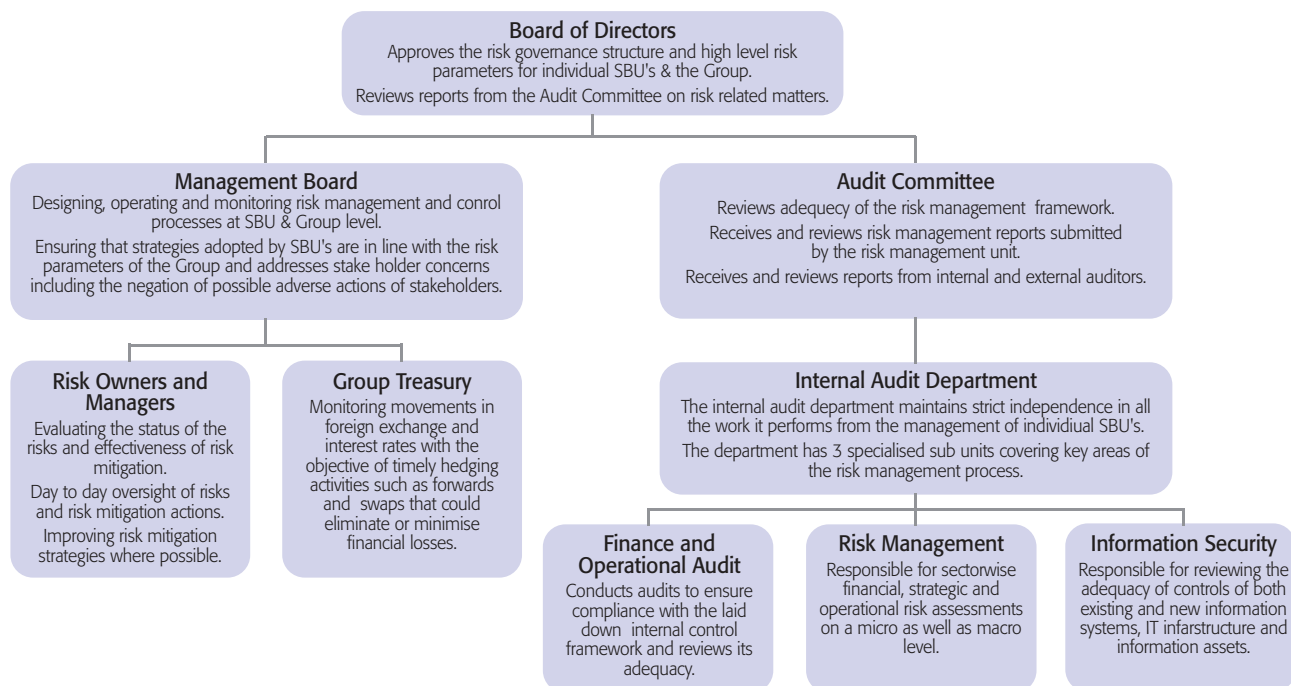
- Interest Rate Risk
- Foreign Exchange Risk
- Credit Risk
- Liquidity Risk
- Investment Risk

### Operational Risks

- Employee Risk
- Legal Risk
- Operations Risk
- Fraud Risk
- Technology Risk



### 3. Risk Management Structure



### 4. Risk Management Process at Aitken Spence

The Aitken Spence Group has established and adheres to a comprehensive risk management framework at both SBU and Group level to ensure the achievement of its corporate objectives, within a well-managed risk profile. In formulating this framework the Board of Directors and Senior Management have identified and taken into consideration the Group's key business objectives, goals and strategies.

The Group's consistent application of its risk management framework has allowed for the successful identification, assessment and prioritisation of risks. Risks are identified and assessed, by analysing in detail the inherent risks faced by the industry in which the respective sectors operate in, its trickle-down effect on the SBU within the sector concerned and the adequacy of processes in place within these sectors, to mitigate these risks. Risk assessments will determine which risk factors have a greater impact on the business concerned and the likelihood of such risks materialising. It includes establishing the Group's risk appetite and formulating risk management practices that are appropriate to this appetite, and the Group's business activities. The Group maintains and

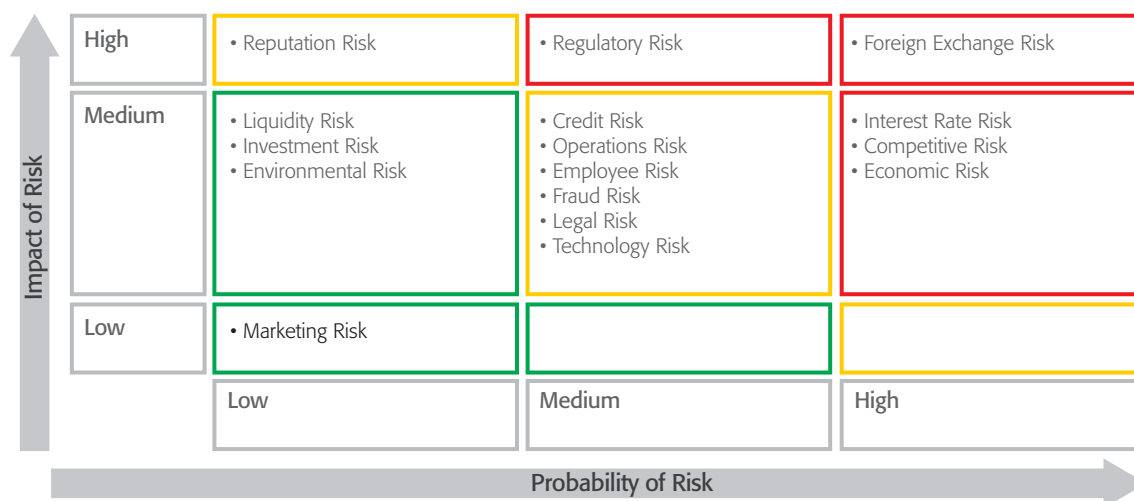
continually updates a risk register which identifies possible internal and external risks together with appropriate risk management strategies formulated to mitigate these risks.

The level of risk associated with an event is estimated based on the impact of that event on the Group and its probability of occurrence. Depending on the nature of the risk, action taken will range from strategies of acceptance, mitigation and avoidance or transfer of the risk. A cost benefit analysis is carried out for identified events, to ascertain the most suitable method of risk management to be used.

## Risk Management

### 5. Risk Profile of the Group

The categories of risks faced by the Group and their significance with regard to the threat they pose to its activities are shown below.



Interest Rate Risk	
Definition	Mitigation Strategy
The probability of income losses arising owing to a change in domestic or foreign interest rates.	<ul style="list-style-type: none"> <li>• Constant monitoring and forecasting of market interest rates is carried out to ensure appropriate steps are taken to maximise the return on financial investments and to minimise the cost of borrowings. Negotiations with banks and financiers are often timed to take place to obtain the best possible interest rate for Groups' borrowings and investments, by the treasury department.</li> <li>• In addition the Group also adopts the following strategies to minimise the effects of interest rate risks: <ul style="list-style-type: none"> <li>- The impact of interest rate movements on the Group's short-term borrowings is minimised by obtaining facilities on favourable terms from commercial banks. The Group aggressively negotiates with competing banks to obtain favourable terms for short term borrowings.</li> <li>- The adverse impact of movements in interest rates on long term borrowings are mitigated by interest rate swaps where applicable.</li> <li>- The Group, through the efficient management of Rupee cash flows ensures that it earns an interest yield, which is on average, higher than the market yield on short term investments. The process includes netting of subsidiary cash flows and negotiation of preferential rates by the central treasury.</li> <li>- Exposure to foreign currency liabilities linked to floating rate indices such as LIBOR are mitigated by the use of financial instruments such as Interest Rate Swaps and other financial derivatives.</li> </ul> </li> </ul>

HIGH RISK

<b>HIGH RISK</b>	<b>Foreign Exchange Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	The adverse impact of foreign exchange rate fluctuations on the Group's cash flows, assets and liabilities, business activities such as purchasing of capital goods, raw materials, services and the resultant conversion to Rupees.	<ul style="list-style-type: none"> <li>Exchange rate forecasts are constantly monitored to ensure that timely and appropriate hedging activities are taken to mitigate FOREX risks.</li> <li>Group treasury provides advice to SBU's within the Group on strategies to minimise costs and maximise revenue in Sri Lankan Rupees, when dealing with foreign currency.</li> <li>The effect of the exposure to foreign currency liabilities are minimised or avoided by matching these liabilities against foreign currency denominated assets.</li> <li>Risks associated with future repayments of foreign currency liabilities are mitigated by ensuring such outflows are matched by foreign currency inflows.</li> <li>Adverse movements in exchange rates on import and export transactions are mitigated by forward booking of currencies and by matching of foreign currency inflows and outflows.</li> </ul>
	<b>Competitive Risk</b>	
<b>MEDIUM RISK</b>	<b>Definition</b>	<b>Mitigation Strategy</b>
	The probability of loss from a decline in a firm's competitiveness due to both qualitative and quantitative factors.	<ul style="list-style-type: none"> <li>To maintain the company's brand image, Group Business Development Division monitors and helps subsidiaries to maintain graphic and visual standards of the brand and has commenced initiatives to assess specific aspects of behavioural values that contribute towards delivering the brand promise.</li> <li>The integrated sustainability policy and its integral implementation framework is focused on ensuring the long-term competitiveness of the company.</li> <li>The Group continuously looks at diversifying its investment portfolio and adding value to its existing portfolio by methods such as, investing in R&amp;D, process improvements and obtaining ISO certifications. This helps the Group obtain efficiencies and economies of scale which enable it to stay abreast of its competition.</li> <li>Competitor activity and performance is monitored to ensure that the Groups competitiveness is maintained.</li> </ul>
	<b>Credit Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
<b>MEDIUM RISK</b>	Credit risk is the income loss arising due to the probability of default by the company's debtors.	<ul style="list-style-type: none"> <li>Quarterly analysis of the Group's debtors. The analysis includes a comprehensive analysis of debtors by each sector and company and concentration by client.</li> <li>Legal debtors are identified and kept track of.</li> </ul>
	<b>Economic Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	<p>The risk of the possibility of an economic downturn negatively impacting the Group's investments and business operations.</p> <p>Economic risk is closely related to political risk as government decisions can impact the economy as a whole.</p>	<ul style="list-style-type: none"> <li>The risk unit of the Group constructs a report on domestic economic performance and forecasts on a quarterly basis whilst reporting on key domestic indicators on a monthly basis.</li> <li>The unit also carries out industry studies that include recent developments on a regular basis.</li> <li>The impact of significant international economic events on the Sri Lankan economy and its industries are also analysed.</li> <li>The Group continues to diversify its business activities outside of Sri Lanka so as to reduce its dependence on local operations and the Sri Lankan economy.</li> <li>The Group also constantly seeks profitable investment opportunities within its risk profile that would result in reducing its dependence on its core markets. The Group periodically reviews the performance of foreign countries it plans to diversify into and those that it already operates in.</li> <li>The Group maintains strong relationships with relevant stakeholders, lobby groups and trade unions.</li> </ul>

## Risk Management

MEDIUM RISK	<b>Employee Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	Risks arising from the inability to attract, motivate and retain skilled and experienced staff.	<ul style="list-style-type: none"> <li>Recruitment of high calibre staff, effective induction to the Group's 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.</li> <li>The Group while recognising the importance of employee retention has implemented a system of internal transfers, job rotations and innovative reward systems.</li> <li>Succession planning for all departments and business units is being formulated; the respective staff are being trained and groomed. A vibrant Management Training Programme (MTP) is maintained for this purpose.</li> <li>The Group has an open door policy where any employee can speak to the Chief Human Resource officer of the Group, Senior Management or the employee's supervisors / managers regarding their concerns.</li> <li>The Group also organises various employee engagement activities, so as to enhance employee motivation. Emphasis is also given to maintaining a good working environment.</li> <li>The Group takes all precautionary steps necessary to ensure that sensitive information vital for the performance of operations are not disclosed outside of the Group.</li> <li>In keeping with the first two principles of the United Nations Global Compact on Human Rights, the Group is in the process of increasing awareness among key internal stakeholders. Capacity building sessions exceeding 300 man hours for the Group's security personnel and the sustainability committee members have been conducted. In addition a GAP analysis was conducted during the year, of the Group's policies, practices and procedures to implement a human rights protection framework.</li> </ul>
	<b>Legal Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	<p>The potential for losses arising from the uncertainty of legal actions/or possible losses arising from the misinterpretation of prevailing laws, regulations and contracts.</p> <p>The risk could also arise due to legal or regulatory incapacity despite having adequate documentation which may result in the un-enforceability of contracts with counterparties.</p>	<p>A dedicated centralised in-house legal division that assists and advises Group SBU's on legal matters.</p> <ul style="list-style-type: none"> <li>The use of external professional counsel when required.</li> <li>The conducting of periodic reviews and audits by the Internal Audit division in collaboration with the Legal division to ensure that all business units conform to legal, regulatory and statutory requirements.</li> <li>The Group recognises and accepts its responsibilities as a public quoted company, a taxpayer and an employer. Therefore all statutory and legal requirements are met in all transactions.</li> </ul>



	Operations Risk	
	Definition	Mitigation Strategy
MEDIUM RISK	These are the direct or indirect losses resulting from insufficient or failed internal processes, people and systems, or from external events.	<p>A structured and uniform set of internal controls has been implemented and is being adhered to throughout the Group.</p> <ul style="list-style-type: none"> <li>• Periodic and impromptu checks are carried out by the Group's Internal Audit division to ensure compliance and the effectiveness of these controls.</li> <li>• The Group's wide use of the Oracle EBS Applications software ensures adherence with the required internal controls through automation.</li> <li>• Business continuity plans are 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 mitigation strategies are based on the potential loss and probabilities of occurrences.</li> <li>• The Groups disaster recovery (DR) plan was strengthened during the year with the implementation of the disaster recovery site.</li> <li>• Strong centralised support of Technology, Financial and Human Resources covering all SBU's of the Group.</li> <li>• Group has established formal policies and procedures for business conduct and procurement.</li> <li>• The Group's integrated sustainability policy is supported by an implementation framework, categorised into tiers for implementation. These tiers look at action points considered essential, expected and exemplary for the successful and sustainable operation of the Company. Tier I action points are classified as essential and aim at bringing all subsidiaries into one platform in all focus areas such as occupational health &amp; safety, talent management, supply chain management etc.</li> </ul>

## Risk Management

	Technological Risk	
	Definition	Mitigation Strategy
MEDIUM RISK	<p>This is any risk related to information technology and is a relatively new term due to an increasing awareness that information security is one facet of a multitude of risks that are relevant to IT and the real-world processes it supports.</p> <p>Potential risks would include,</p> <ol style="list-style-type: none"> <li>Malicious software and its impact on performance, information loss and unauthorised access.</li> <li>Loss of business opportunity due to out-dated systems and non-adaptation of new technology.</li> <li>The loss of business due to inadequate preparation for failures of systems, links and improper capacity planning.</li> <li>Breaches in systems security leading to unauthorised access, intentional or otherwise, by both internal and external users.</li> </ol>	<ul style="list-style-type: none"> <li>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.</li> <li>Link failure events are treated as likely and a dual service provider link infrastructure is in place to counter this risk. The company together with its telecom service providers pioneered the introduction of real-time load balanced multiple link usage via MPLS networks in Sri Lanka. The Group utilises a well-managed capacity adequate network to ensure the smooth functioning of its operations. 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.</li> <li>System failure events are treated as occasional; rapid response agreements and backup procedures are in place to counter these risks. In addition, automated monitoring of system failures and alerting systems to minimise down time are in place.</li> <li>Systems hardware capacity is 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 suitability to strengthen business processes of the Group.</li> <li>A comprehensive review of IT security was undertaken by the Group with external consultants.</li> <li>The Group's IT policy is being updated to reflect changes in the Technological environment.</li> <li>A technological road map is being developed to identify future technological changes which may need to be adapted to the Group's advantage.</li> </ul>

LOW RISK	<b>Investment Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	Risk of a poor performing investment and uncertainties attached while making an investment that it may not yield the expected returns. This could result in a deterioration of shareholder value due to the loss incurred and the decline in investor confidence.	<ul style="list-style-type: none"> <li>Stringent evaluation of risks associated with each new investment through the utilisation of in-house expertise and external resources as and when required. All new investments should satisfy the minimum expected return of the Group and be within its risk appetite. Envisaged bottlenecks of a project are identified at the project planning stage, whereby elimination or mitigatory measures are then undertaken before venturing to a more detailed evaluation stage and the subsequent execution stage.</li> <li>Investment agreements are carefully drafted to ensure that risks to the Group are mitigated or minimised. 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 the light of the future growth and profitability potential of the investment.</li> <li>The Group ensures its investments strictly consider and address potential adverse ethical, social and environmental factors.</li> </ul>
	<b>Reputation Risk</b>	
	<b>Definition</b>	<b>Mitigation Strategy</b>
	This is risk to the Group's reputation that is likely to destroy shareholder value and investor confidence and have negative effects on Group earnings and corporate image.	<p>In order to maintain its reputation and preserve the confidence of its various stakeholders, the Group has in place an effective compliance system. This includes,</p> <ul style="list-style-type: none"> <li>A business communication unit, with representation from all strategic business units of the Group. This ensures up to date accurate communication with all stakeholders.</li> <li>All media communications are channelled through the Group's Business Development Unit, which ensure consistency in communications.</li> <li>The maintenance of the highest ethical behaviour and standards at all times in all business activities. The Group has its own code of ethics and regularly conducts workshops on ethical behaviour for its staff.</li> <li>All employees' undergo training and awareness at Group learning programmes, about company procedures on anti-corruption and ethical behaviour which are mentioned in employee contract letters.</li> <li>Aitken Spence also believes in reliability, trust and the quality of service in all interactions with customers. Each subsidiary has its own set of customers, end-consumers, intermediaries and internal customers. All subsidiaries have a process of obtaining feedback from customers to gauge their satisfaction levels and to generate continuous improvement.</li> <li>The Group actively involves itself in community development and places importance on being a socially responsible corporate citizen. Building a sustainable business is an integral part of the Group's long term strategy to enhance shareholder value and investor confidence.</li> <li>Strict adherence to statutory requirements and environmental regulations to the extent of even enhancing the environment in some instances.</li> </ul>

## Risk Management

LOW RISK	Environmental Risk	
	Definition	Mitigation Strategy
	The potential risks as a result of the Group's operations as well as risks posed by global ecological changes caused through human activity.	<ul style="list-style-type: none"> <li>• The Group has in place many Environmental Management Systems(EMS's), aligned to the ISO 14001:2004 standard, which attempt to scientifically mitigate if not eliminate the adverse environmental impacts of the Group's activities.</li> <li>• The Group is presently equipped with 43 EMS's of which 12 are already ISO 14001 certified. These EMS's include programmes to manage activities, primarily in the areas of energy management, renewable energy investment, waste resource management, water management and protection of bio diversity and natural ecosystems.</li> <li>• Twenty seven sustainability committee members across the Group were trained as Internal EMS Auditors to monitor and maintain these systems.</li> <li>• The Group's operations are not located within close proximity to national reserves or protected areas. The Group also ensures that areas of high bio diversity are protected and preserved.</li> <li>• The Group shares its experiences and best practices and enables the sharing of knowledge and skills among industry leaders by entering into partnerships such as the United Nations Global Compact. This is a proactive step the Group has taken to contribute towards environmental trusteeship both nationally and internationally.</li> </ul>



## Human Resources

*"The Group's competitive advantage in human resource management lies in its ability to identify the changing needs of business and the modern employee, and its adroitness in adopting suitable solutions to achieve a win-win solution for both the Company and the employee...."*



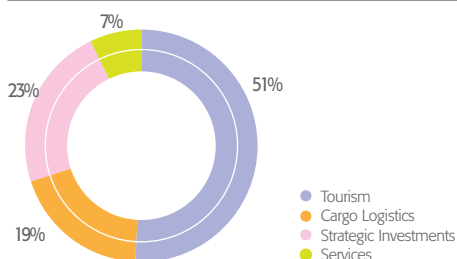
Aitken Spence has built a solid reputation as an employer of choice – an achievement built on years of strategic efforts to attract, develop and retain key talent. The Group's competitive advantage in human resource management lies in its ability to identify the changing needs of business and the modern employee and its adroitness in adopting suitable solutions to achieve a win-win solution for both the Company and the employee.

This emphasis on creating a knowledge culture filled with opportunities for learning and development has made Aitken Spence a breeding ground for talent, which is of long-term benefit to the nation as a whole. It holds the Group in good stead in an era when Sri Lanka is emerging into a new phase of economic activity, leaving the corporate sector facing an unprecedented shortage of suitable staff. This is already especially evident in the Tourism sector, which is in dire need of skilled staff to service the burgeoning tourist numbers and the growing room inventory. Another concern faced by companies is the growing number of qualified professionals seeking employment and migrating overseas.

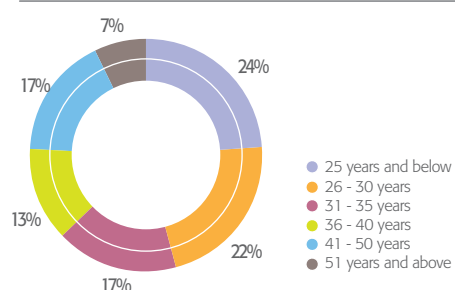
Corporate Sri Lanka must also adapt to the needs of the 'new age worker': a new generation of youth whose appetite for risks and new experiences is matched by their desire to explore the world of work on their own terms. The Aitken Spence Group has witnessed the average age of employees dropping steadily; already, over 25% of its executive staff is aged 25 years or below.

The corporate trainee intake for the year consisted of ten young talented candidates who faced a rigorous selection process. The

### Sector-wise Employee Analysis



### Age Group-wise Employee Analysis



## Human Resources

Aitken Spence corporate trainee programme lays more emphasis on real life situations than on qualifications.

The Group has proactively undertaken a rotation campaign at grassroot level, to provide exposure to multiple environments and challenges. Employees in the office assistant and clerical categories have been identified for rotation among the SBUs, and the scheme is now in progress.

In an effort to enhance the motivation of new recruits an evening forum was introduced where they could meet and interact with the Board of Management. The new recruits are encouraged to openly share their views and opinions with the Board of Management, setting up an open channel of communication at the very outset...

The project initiated to create a central database of job descriptions (JDs) continued throughout the year. Group HR is carrying out analysis of various executive positions within the Group.

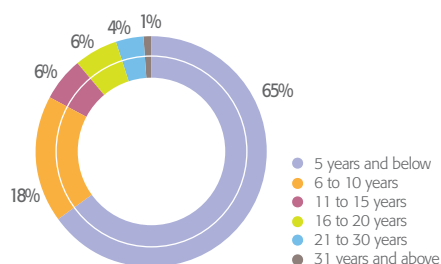
The Aitken Spence Group has maintained an online performance management system for all executive staff since 2008. The system is a living tool, with improvements made continuously; most of them, based on the feedback of employees themselves. This year, the system was improved by revising rating scales and weightages allocated for various staff categories.

There was greater emphasis during the year on proactively listening to employees through formal and informal means and all subsidiaries have been covered in this respect. The common issues identified during this process have been addressed. One on one discussions were held with a cross section of staff ranging from Managing Directors to minor staff, allowing

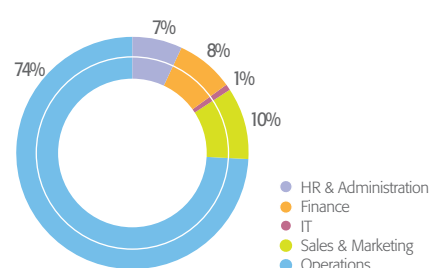
*"In an effort to enhance the motivation of new recruits an evening forum was introduced where they could meet and interact with the Board of Management. The new recruits are encouraged to openly share their views and opinions with the Board of Management, setting up an open channel of communication at the very outset..."*



### Length of Service



### Functional Analysis



*"The annual 5S competition which has now been titled the 'Group 6S Competition', saw the participation of 48 subsidiaries. 'Shed' a new concept in improving productivity standards was introduced during the year, as an extension to the Japanese 5S concept which the Group has practiced for nearly a decade..."*



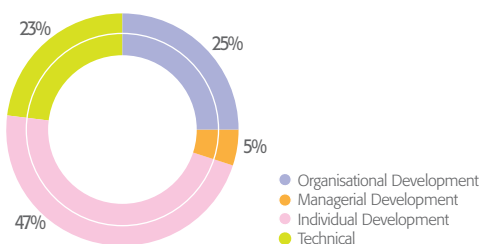
employees to voice their opinions, comments and make suggestions about the current HR related practices in the Group. The initiative facilitates bottom-to-top communication and serves as a strategic tool that can facilitate employee-centric HR decisions, especially in the areas of culture, benefits, job design and communication.

Employee Satisfaction (ESAT) surveys were conducted for several subsidiaries with a view to strategically identify areas of concern from the employees' viewpoint. The survey results assist the management in the early identification of critical areas that can impact job satisfaction.

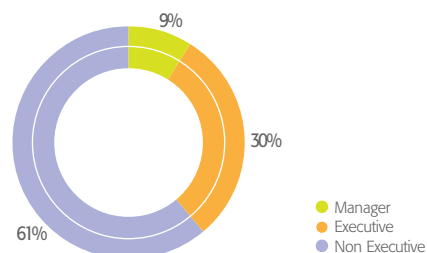
The annual 5S competition which has now been titled the 'Group 6S Competition', saw the participation of 48 subsidiaries. 'Shed' a new concept in improving productivity standards was introduced during the year, as an extension to the Japanese 5S concept which the Group has practiced for nearly a decade. 'Shed' signifies the importance of shedding undesired excess in terms of 8 types of waste. The shift from '5S' to '6S' marks a transition from fundamental housekeeping to "lean management".

The Group's learning and development activities during the year focused on managerial development, with numerous programmes designed to develop managerial capability, emotional intelligence, decision making and leadership. This included a programme on the use of a state-of-the-art decision making tool, for top management on the complex decisions demanded by challenging environments. The Group is focusing on creativity, as a core competency in building a competitive advantage and tools are being developed to enable people to apply their creativity to solving problems. During the year,

### Types of Training



### Employees Trained Category-wise



## Human Resources

employees from across the Group participated in technical, managerial and soft skills development programmes. International training and cross exposure programmes have also been increased to facilitate global trends.

In a bid to improve leadership and communications skills, Aitken Spence formed a Toastmasters Club, with the involvement of a diverse group of employees. The club serves as a useful tool for employee engagement and empowerment, as it is managed outside of the formal structure of the organisation.

The Group now lays claims to a state-of-the-art corporate auditorium capable of accommodating 100 participants. This facility has improved the quality of delivery, ambience and logistical arrangements for training programmes...

Aitken Spence became a lead sponsor of the Institute of Chartered Accountants of Sri Lanka (ICASL) for the year 2011. Extending partnership to professional bodies such as the ICASL allows the Company to contribute towards the creation of future professional talent, which is critical for the business sector given the migration of human resources away from Sri Lanka.

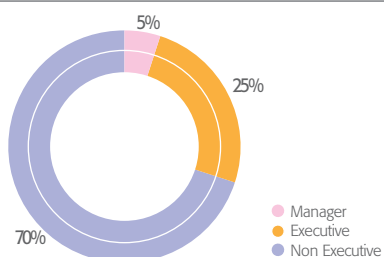
The visibility of the Group was significantly enhanced last year through participation in job fairs, career guidance programmes and University linkages across the island, especially in communities around where we operate.

An important link in the Group's engagement with its employees are the two internal newsletters, the Ace (in English) and the Athwela (in Sinhala). These help keep employees informed of all key events that take place in the Group. Furthermore, regular email announcements are sent out, keeping employees informed of Group news as it happens. The internal Group blog

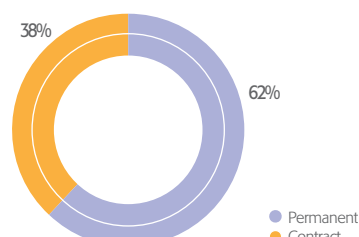
*"The Group now lays claims to a state-of-the-art corporate auditorium capable of accommodating 100 participants. This facility has improved the quality of delivery, ambience and logistical arrangements for training programmes..."*



### Category-wise Employee Analysis



### Employment Types





*"A fully functional HR management system is now in place for the Group's Maldivian operations, where the strategies proven in Sri Lanka have been implemented with the necessary changes to suit its environment..."*

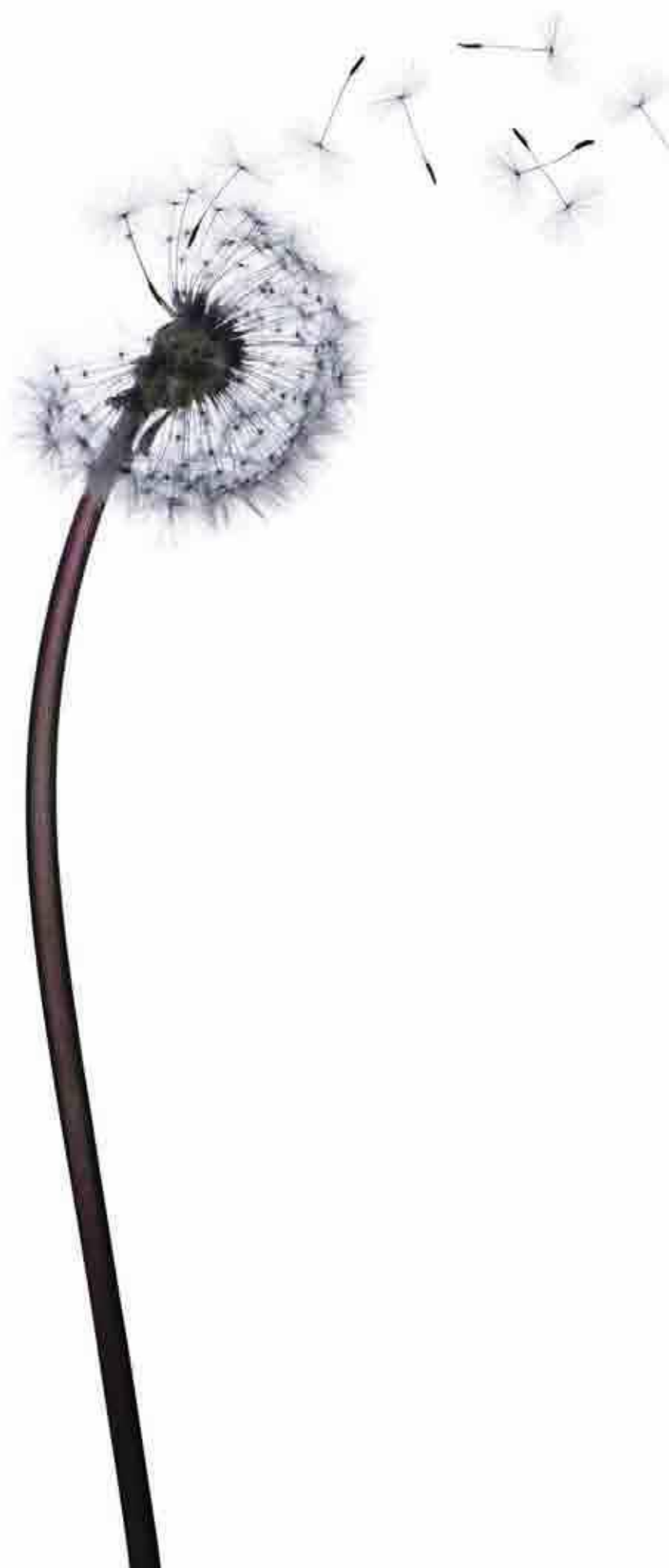


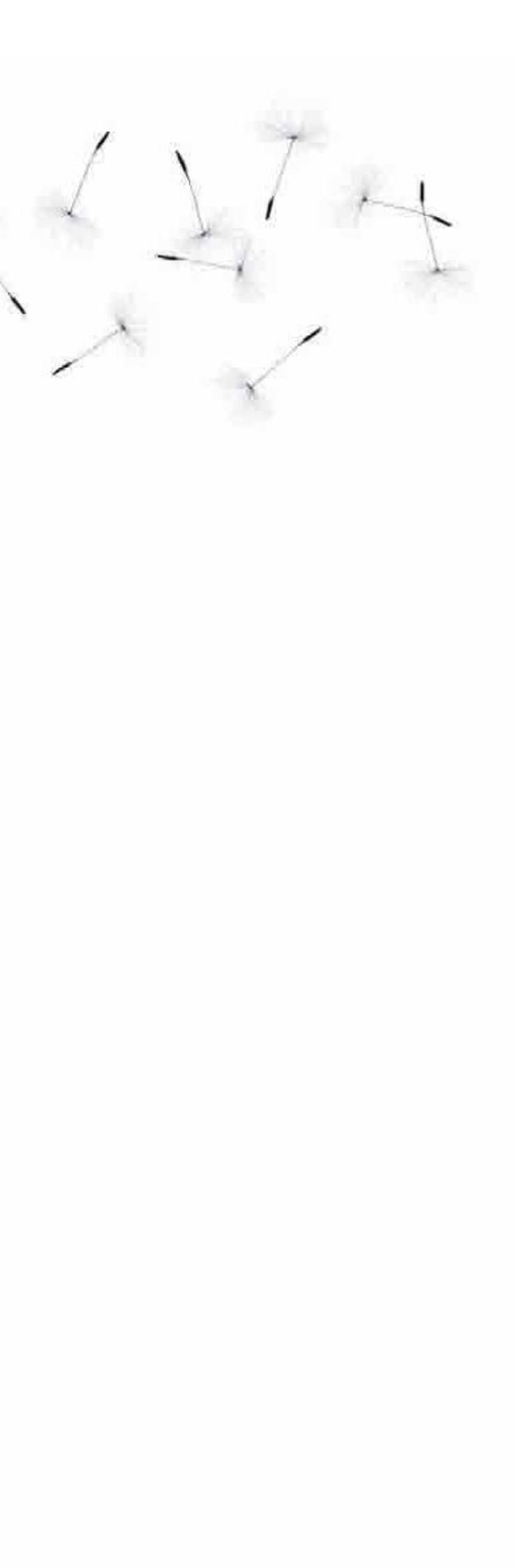
known as 'Knowledge Centre' serves as a recreational activity for employees, enabling them to engage in discussions and access all notices circulated.

The Sports Club organised several events during the year to promote interaction among employees across all segments and ages, thereby enhancing team spirit and loyalty. The events included a Vesak lantern competition, Sport-O-Rama, mercantile sports events and the inter-company bowling tournament to name a few. The Sports Club also facilitates several fitness programmes such as aerobics, social dancing and swimming.

A fully functional HR management system is now in place for the Group's Maldivian operations, where the strategies proven in Sri Lanka have been implemented with the necessary changes to suit the environment. Furthermore, the Group's pioneering training efforts in the Maldives have received recognition from the Government of the Maldives, which has requested Aitken Spence to train its tourism ministry officials.

As Aitken Spence moves boldly towards the future, we do so with the clear understanding that one of the strongest sources of our competitive advantage lies in our human resources. Being a service based company, the skills, expertise, and attitudes of our team determine the depth of the results we achieve. The value we place in developing a world class team capable of embracing opportunities and overcoming any challenge is demonstrated in the sustainable strategies we have outlined in this report. We will strive to remain responsive and responsible in developing and retaining our talent.





*strong...*

## Financial Reports

Annual Report of the Board of Directors	102
Remuneration Committee Report	107
Nominations Committee Report	108
Audit Committee Report	109
Statement of Directors' Responsibility	110
Independent Auditors' Report	111

## Financial Statements

Income Statements	112
Balance Sheets	113
Statement of Changes in Equity - Group	114
Statement of Changes in Equity - Company	115
Cash Flow Statements	116
Notes to the Financial Statements	118
Consolidated Income Statement In USD	154
Consolidated Balance Sheet In USD	155

# 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, the Colombo Stock Exchange Listing Rules and the best accounting practices. The Board of Directors of Aitken Spence PLC., has pleasure in presenting the Annual Report together with the audited financial statements for the year ended 31st March 2012 which were approved by the Board of Directors on 25th of May 2012.

## 1. Principal Activities

Aitken Spence 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 the Group Companies. During the year there were no significant changes in the principal activities of the Company and the Group.

The activities of the Group are categorised into four main sectors namely Tourism, Cargo Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 192 to 198 of the Annual Report. The financial statements of the Company and the Group which include the income statements, balance sheets, cash flow statements, statements of changes in equity and notes to the financial statements for the year ended 31st March 2012 are given on pages 112 to 153.

## 2. Review of Operations

A review of performance, future plans of the Company and the Group Companies are described in greater detail in the Chairman's Message on pages 6 to 9, Managing Director's Review on pages 10 to 15, Management Discussion and Analysis on pages 28 to 61, and the Financial Review on pages 62 to 73 in the Annual Report. These reports together with the financial statements reflect the state of affairs of the Company and the Group.

### 2.1 Investments

The Group invested Rs. 1,052 million in equity shares of new and existing ventures. Of this amount Rs. 285 million was invested by Aitken Spence PLC., in the equity of Branford Hydropower (Pvt) Ltd., Western Power Company Ltd., Ace Alliance Power Ltd, Ace Windpower (Pvt) Ltd., Aitken Spence Printing and Packaging (Pvt) Ltd., Ace Cargo (Pvt) Ltd., and Aitken Spence Technologies (Pvt) Ltd.

Port Management Container Services (Pvt) Ltd., invested Rs. 413 million for the acquisition of additional shares of Colombo International Nautical Engineering College (Pvt) Ltd.

Aitken Spence Hotel Holdings PLC., acquired the balance 69.6% shares of MPS Hotels Ltd., for Rs. 272 million and invested Rs. 82 million to increase its stake in Brown Beach Hotels PLC.

Aitken Spence PLC., divested its 30% stake in Colombo International Container Terminals Ltd to China Merchant Holdings (International) Company Ltd. The capital gain on this transaction was Rs. 655 million.

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

### 3.1. Group Revenue & Profits

Revenue generated by the Company during the year amounted to Rs. 448 million. (2011 – Rs.377 million). The Group revenue was Rs. 30,670 million (2011 - Rs.25,144 million) which is a growth of 22% compared to the previous year. An analysis of Group revenue based on business and geographical segments is disclosed in Note 6 to the financial statements on page 127.

The profit after tax of the Group was Rs. 4,711 million (2011 - Rs. 3,428 million) The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 3,709 million (2011 - Rs. 2,536 million) which was a 46% increase over the previous year. The segmental profits are disclosed in Note 6 to the financial statements on page 127.

### 3.2. Donations

During the year, donations amounting to Rs.325,000 /- were made by the Company, while the donations made by the Group during the year amounted to Rs.5,779,534/-.

### 3.3 Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are given in note 12 to the financial statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 22 and 30 to the financial statements.

### 3.4 Dividends

The Directors recommend a dividend payment of Rs.1.40 per share which is a dividend growth of 40 % over the previous year. The dividend paid in respect of the previous year was Rs.1.00 per share. The total dividend for the current year will be



distributed from exempt dividends received by the Company and will be 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 payment of the final dividend distribution.

## 4. Synopsis of the Balance Sheet of the Company and the Group

### 4.1 Stated Capital and Reserves

As at 31st March 2012 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The total Group reserves as at 31st March 2012 were Rs. 23,413 million (2011-Rs. 19,381 million). This consisted of capital reserves of Rs. 5,486 million (2011-Rs.5,186 million) and revenue reserves of Rs. 17,927 million (2011-Rs.14,195 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 114.

### 4.2 Debentures

#### *Unsecured Redeemable Debentures outstanding as at 31 st March 2012*

The value of unsecured redeemable debentures outstanding as at 31st March 2012 is Rs 384 million. The debentures carry a credit rating of AA (lka) from Fitch Rating Lanka Ltd. The details of the debentures are given below:

#### *(i) Fixed rate debentures*

3,000,000 fixed rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 with interest payable annually at an interest rate of 13.75% p.a. The

applicable interest on these debentures was duly paid on 25th October 2011. In accordance with the terms of issue 30% of the face value (Rs 30/-) of these debentures was redeemed on 25th October 2011. With this redemption the Company has redeemed 60% of the face value (Rs.60/-) of these debentures with the balance outstanding being Rs 120 million.

#### *(ii) Floating rate debentures*

6,600,000 floating rate unsecured redeemable debentures of Rs. 100/- each were issued in tranches of 4,100,000 and 2,500,000 on 25th October 2006 and 24th November 2006 respectively with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest on these debentures was duly paid on 25th April 2011 and 25th October 2011. In accordance with the terms of the issue, 30% of the face value (Rs 30/-) of these debentures was redeemed on 25th October 2011. With this redemption the Company has redeemed 60% of the face value (Rs.60/-) of these debentures with the balance outstanding being Rs 264 million.

### 4.3. Property, Plant & Equipment

The carrying value of property plant & equipment for the Company and the Group as at 31 st March 2012 amounted to Rs. 208 million and Rs. 27,893 million respectively.

The total expenditure on the acquisition of property, plant & equipment during the year in respect of new assets by the Company and the Group amounted to Rs. 47 million and Rs. 4,196 million respectively.

For the year ended 31 March	Group 2012 Rs. '000	Group 2011 Rs. '000
The net profit of the Group after providing for all expenses, all known liabilities and depreciation on property, plant and equipment	5,463,457	3,815,555
Provision for taxation including deferred tax	(752,900)	(387,335)
Net profit after tax	4,710,557	3,428,220
Profit attributable to minority shareholders	(1,001,395)	(892,264)
Profit attributable to equity shareholders	3,709,162	2,535,956
Income directly recognised in the equity statement	728,291	356,425
Balance brought forward from the previous year	21,516,187	18,894,470
Amount available for appropriation	25,953,640	21,786,851
Interim dividend paid 2010/11 (2009/10)	-	(94,732)
Final Dividend for 2010/2011 (2009/10)	(405,996)	(175,932)
<b>Balance carried forward</b>	<b>25,547,644</b>	<b>21,516,187</b>

## Annual Report of the Board of Directors

### 4.4 Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2012 amounted to Rs. 672 million and Rs. 102 million respectively.

### 4.5 Market Value of Freehold Properties

The freehold land owned by companies in the Group was revalued by professionally qualified independent valuers during the financial year 2008/2009, with the exception of those owned by Ahungalla Resorts Ltd., which was revalued in 2010/2011, Aitken Spence Hotel Holdings PLC., and PR Holiday Homes (Pvt) Ltd., which were revalued during this financial year.

The Group records building at cost and revalues its freehold land once in every five years. Land and buildings purchased during the last five years are recorded in the financial statement at cost. Details of the revaluation, written down value and the carrying amount at cost are given in note 15.3 to the financial statements.

### 4.6 Contingent Liabilities

The details of contingent liabilities are disclosed in note 36 to the financial statements on page 150.

## 5. Post Balance Sheet Events

No event of material significance that require adjustments to the financial statements has arisen other than that disclosed in note 41 to the financial statements on page 153.

## 6. Accounting Policies

The financial statements of the Group were prepared based on applicable Sri Lankan Accounting Standards. There were no changes to the accounting policies adopted by the Company or the Group during the financial year. The accounting policies adopted by the Company and the Group are disclosed in the financial statements on pages 118 to 126.

With Sri Lanka converging to International Financial Reporting Standards the Group's Financial Statements would be prepared based on the new Sri Lanka Accounting Standards with effect from 1st April 2012.

The Group has assessed and quantified the potential impact of the changes, on the basis that these standards were applicable for 2011/2012, the details of which are given on pages 68 to 71.

## 7. Going Concern

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

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

### 8.1 Board of Directors

The Board of Directors of the Company as at 31st March 2012 comprised of,

D.H.S. Jayawardena	- Chairman
J.M.S. Brito	- Deputy Chairman and Managing Director

R.M. Fernando  
G.M. Perera  
M.P. Dissanayake  
G.C. Wickremasinghe  
C.H. Gomez  
N.J. de S Deva Aditya  
V.M. Fernando  
R.N. Asirwatham

All Directors of the Company held office during the entire year. The profiles of the Directors are given on pages 18 to 19 of the Annual Report.

Mr. A.L. Gooneratne was appointed as an Alternate Director to Mr. N.J. de S Deva Aditya on the 8th of May 2012.

### 8.2 Board Sub Committees

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

#### Audit Committee

R.N. Asirwatham (Chairman)  
G.C. Wickremasinghe  
C.H. Gomez  
N.J. de S. Deva Aditya

#### Remuneration Committee

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

### Nomination Committee

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

### 8.3 Recommendation for re-election

Mr. C.H. Gomez and Mr. G.M. Perera retire by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible for re-election are 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 who has attained the age of 78 and that he be re-elected as a Director at the Annual General Meeting.

### 8.4 Directors' Shareholding and their Interests

The Directors shareholdings and their interest is provided in the Investor section on page 184 of the Annual Report.

### 8.5 Interest Register

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

### 8.6 Directors Remuneration

The Directors remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2012 are disclosed on page 128 of the financial statements.

### 8.7 Related party transactions

Related party transactions of the Group are disclosed on pages 150 to 152 of the Annual Report. These interests have been duly declared by the Directors.

### 8.8 Subsidiary Board of Directors

The names of Directors of the subsidiary and joint venture companies who held office as at 31st March 2012 and Directors who ceased to hold office during the accounting period are reflected on pages 192 to 198 of the Annual Report.

## 9. Human Resources

Our HR strategies and practices have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The Human Resource Report is set out on pages 95 to 99 of the Annual Report.

## 10. Governance

The Group has not engaged in any activity, which contravenes the laws of the country. The Group rigidly adheres to the regulations of Professional Institutes, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The company complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Group has applied very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 74 to 85 of the Annual Report.

## 11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The risk management report of the Group is on pages 86 to 94 of this report.

## 12. Internal Controls

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

## Annual Report of the Board of Directors

procedures which result in financial and operational effectiveness and efficiency.

The Statement of Directors' Responsibility on pages 110 and the Audit Committee Report set out on page 109 of the Annual Report provide further information in respect of the above.

### 13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations due to the Government and to the employees have been either duly paid or adequately provided for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibility on page 110 of this Annual Report.

### 14. Corporate Sustainability

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year are a testament to our commitment as we continue to benchmark our practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of long-term growth. More details of the Group's sustainability efforts are included in the Management Review and discussion section of this report and at [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability).

### 15. Shareholder Information

There were 4,606 shareholders as at 31st March 2012. The distribution schedule of the number of shareholders and their share holdings is detailed in pages 182 to 184 of the report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2012 are given on page 185 of the report. The percentage of the shares held by the public as at 31st March 2012 was 40.26 %.

Information relating to earnings per share and the net assets per share for the Company and the Group, the dividend per share and market price per share is given in pages 183 to 186 of the Annual Report.

### 16. Auditors

The independent auditors' report on the financial statements is given on page 111 of the Annual Report. The retiring auditors Messrs KPMG have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant

authority to the Board to decide on their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG is Rs. 750,000/-.

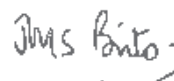
In addition to the above Rs. 285,868/- was payable by the Company for permitted audit related and non audit related services including tax advisory services.

Messrs KPMG who are the auditors of the Company are also the auditors of certain subsidiaries, joint ventures and associate companies of the Group. The list of the subsidiaries, joint ventures and associate companies audited by them are included on pages 192 to 198 of the Annual Report.

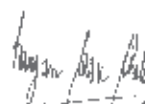
The amount payable by the Group to Messrs KPMG as audit fees is Rs. 8,890,225/- while a further Rs. 3,976,961/- was payable for permitted audit related and non audit related services including tax advisory services. In addition to the above Rs. 6,038,890/- is payable to other auditors for carrying out audits in the subsidiaries and joint ventures where the audits were not carried out by Messrs KPMG. The amount payable to such other auditors for permitted audit related and non audit related services including tax advisory services was Rs. 4,937,254/-. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and associate companies that would have an impact on their independence.



**D.H.S. Jayawardena**  
Chairman



**J.M.S. Brito**  
Deputy Chairman & Managing Director



**R.E.V. Casie Chetty**  
Company Secretary

25th May 2012  
Colombo



## Remuneration Committee Report

The Remuneration Committee consists of three Non-Executive Independent Directors one of whom functions as the Chairman of the committee. This committee is independent of management and totally free from any business, personal or other relationship that could interfere with its decisions.

The Remuneration Committee formally met once during the year under review. The Chairman and the Managing Director of Aitken Spence PLC attended the meeting by invitation.

The Group policy on remuneration packages is to attract and retain the best professional, skilled and managerial talent to the Group and also to motivate and encourage them to perform at the optimum level. The Group has a structured and professional methodology to evaluate the performance of employees. The policies ensure that internal equity and fairness among employees are maintained, suitable work environment and working conditions are provided. Further, no discrimination is practised on account of gender, age, ethnicity or religion.

The Remuneration Committee having considered the performance of the employees of various companies of the Group, approved promotions and the revision of individual remuneration packages. These packages were based on the cost of living, inflation and comparative industry norms. The remuneration packages further considered the performance of the Group and the contribution of the individual to the Group and the respective Strategic Business Unit to which such individual is attached. No Director is involved in deciding his/ her own remuneration.

The Remuneration Committee's decisions were based on the above mentioned policies and practices and therefore ensured sound and measured judgments in order to retain the best talent in the Group.



**G.C. Wickremasinghe**

*Chairman*

*Remuneration Committee*

Colombo

4th April 2012

## Nominations Committee Report

The Nomination Committee consist of three independent Non-Executive Directors one of whom acts as the Chairman of the Committee, the Chairman of Aitken Spence PLC., and the Deputy Chairman and Managing Director of the Company. The members of the Committee individually and jointly possess a large reservoir of knowledge, experience and entrepreneurial skills which enables them to perform their responsibilities and duties effectively.

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

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



**G.C. Wickremasinghe**

*Chairman*

*Nomination Committee*

Colombo

13th March 2012

## Audit Committee Report

### Committee Composition

The Audit Committee comprises of four Independent Non Executive Directors, one of whom acts as the Chairman.

### Meetings and Attendance

The Managing Director, The Chief Corporate Officer, The Chief Financial Officer, The Company Secretary and the Chief Internal Auditor attended the meetings by invitation, but not as members.

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

Whenever the Audit Committee considered it necessary, the Functional Heads of the Strategic Business Units, whose audit reports were being reviewed and discussed, were also invited to attend these meetings.

### Functions of the Committee

The annual and quarterly financial statements which were prepared in strict compliance with the Companies Act No 7 of 2007, the Sri Lanka Accounting Standards and regulations of relevant Institutes and Organisations were reviewed and subsequently discussed with the Board prior to their release.

The Audit Committee regularly monitors and reviews the implementation of International Financial Reporting Standards and its impact on the Group's Financial Statements.

The Audit Committee uses its extensive experience, knowledge and specialised expertise to assist the Board of Directors to perform their duty of ensuring that the Company's internal controls and conduct of business are in accordance with best practices.

The Audit Committee approved the plan of activities, of the Group Internal Audit Department which was prepared in accordance with the requirements of the Group. The Audit Committee monitors and guides the Group Internal Audit Department which performs audits according to the plan of activities which covers financial and operational audits, risk assessments and IT security reviews. The reports of the Group Internal Audit Department have been reviewed and discussed

by the Committee, which thereafter recommended suitable action to be instituted by the management.

### External Audit

The Audit Committee met the External Auditors Messrs KPMG, on the progress and conduct of the statutory audit, discussed audit related issues with them, and considered the observations and views brought to their attention. 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 PLC, the re-appointment of Messrs KPMG, as auditors of the Company for the current year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.



**R.N. Asirwatham**

*Chairman*

*Audit Committee*

Colombo

4th April 2012

## 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 and other statutory reports. These documents need to be prepared 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 and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2012 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. 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 of ensuring that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group.

The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal controls in order to minimise and detect fraud, errors 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 Board of Directors confirm that the financial statements of the Company and the Group give a true and fair view of the Company and Group as at the Balance Sheet date and the profit of the Company and the Group for the financial year ended 31 st March 2012. The Directors confirm to the best of their knowledge and belief that all payments due to employees, regulatory and statutory authorities due and payable by the Company, its subsidiaries and joint ventures have been either duly paid or adequately provided for in the financial statements.

By Order of the Board,



**R.E.V. Casie Chetty**  
*Company Secretary*

Colombo  
25th May 2012



## Independent Auditors' Report



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AITKEN SPENCE PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence PLC, (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at 31st March, 2012, which comprise the balance sheet as at that date, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 112 to 153 of this Annual Report.

#### Management's Responsibility for the Financial Statements

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

#### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

#### Opinion

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

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

#### Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS

Colombo

25th May 2012

KPMG, a Sri Lanka Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

MR. Mahipala FCA, MR. Jayasinghe FCA, MR. S. Joseph FCA, S. D. L. Perera FCA, MR. V. P. Perera FCA, T. J. S. Rajaratne FCA, MR. S. M. A. Jayasinghe ACA, G. A. U. Karunaratne ACA, P. Y. S. Perera FCA, W. W. J. C. Perera FCA, W. E. G. Adipathiranga ACA, P. M. D. B. Rajapaksa ACA, Principals - S. M. Perera ACMA, L. B. Altonnayake LL.M., T. S. Gunewardene ACA

## Income Statements

For the year ended 31st March	Notes	Group		Company	
		2012 Rs:'000	2011 Rs:'000	2012 Rs:'000	2011 Rs:'000
<b>Revenue</b>	6	30,670,417	25,143,811	448,428	377,485
Revenue tax		(478,519)	(414,820)	(8,516)	(10,141)
<b>Net revenue</b>		30,191,898	24,728,991	439,912	367,344
Other operating income	7	698,246	254,205	1,837,391	1,825,023
Changes in inventories of finished goods and work-in-progress		(5,875)	20,402	-	-
Raw materials and consumables used		(9,856,597)	(6,641,636)	-	-
Employee benefits expense		(3,580,485)	(3,055,354)	(275,385)	(221,813)
Depreciation, amortisation and impairment of goodwill	8	(1,777,449)	(2,094,440)	(51,396)	(44,047)
Other operating expenses - direct	9	(6,076,253)	(5,659,838)	-	-
Other operating expenses - indirect		(3,989,102)	(3,595,814)	(234,669)	(256,600)
<b>Profit from operations</b>	6	5,604,383	3,956,516	1,715,853	1,669,907
Finance income		489,056	494,963	423,819	348,846
Finance expenses	10	(693,975)	(731,228)	(361,300)	(361,591)
<b>Net finance expense</b>		(204,919)	(236,265)	62,519	(12,745)
Share of associate companies profit (net of tax)	11	63,993	95,304	-	-
<b>Profit before tax</b>	6 & 8	5,463,457	3,815,555	1,778,372	1,657,162
Income tax expense	12	(752,900)	(387,335)	(12,479)	-
<b>Profit for the year</b>		4,710,557	3,428,220	1,765,893	1,657,162
Attributable to:					
Equity holders of the company		3,709,162	2,535,956	1,765,893	1,657,162
Minority interest		1,001,395	892,264	-	-
<b>Profit for the year</b>		4,710,557	3,428,220	1,765,893	1,657,162
Earnings per Share - Basic/Diluted (Rs.)	13	9.14	6.25	4.35	4.08
Dividends per Share (Rs.)	14	1.40	1.00	1.40	1.00

The notes on pages 118 through 153 form an integral part of these financial statements.


Figures in brackets indicate deductions.

## Balance Sheets

As at 31st March	Notes	Group		Company	
		2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
ASSETS					
Non-Current Assets					
Property, plant & equipment	15	27,893,497	23,925,653	207,963	209,129
Leasehold properties	16	2,549,265	1,359,483	-	-
Intangible assets	17	528,857	134,026	-	-
Investment property	18	102,156	102,799	672,488	675,888
Investments in subsidiaries and joint ventures - unquoted	19	-	-	4,888,877	4,599,972
Investments in subsidiaries - quoted	19	-	-	2,458,287	2,458,287
Investments in associates	20	1,470,157	1,335,002	165,000	165,000
Long-term investments	21	383,495	473,945	167,873	167,873
Deferred tax assets	22	210,468	138,314	-	-
		33,137,895	27,469,222	8,560,488	8,276,149
Current Assets					
Inventories	23	1,788,467	1,607,724	1,651	1,755
Trade and other receivables	24	8,953,827	4,148,373	629,107	274,359
Amounts due from subsidiaries & joint ventures		-	-	2,723,674	2,003,004
Amounts due from associates		6,100	23,326	3,983	8,143
Current investments	25	241,542	261,436	436	436
Deposits and prepayments		755,758	547,022	60,176	23,205
Current tax receivable		158,172	122,298	140,483	109,659
Short-term deposits		5,892,079	5,047,926	3,275,132	2,700,285
Cash at bank and in hand		647,880	736,009	19,042	20,554
		18,443,825	12,494,114	6,853,684	5,141,400
Assets classified as held for sale	26	149,125	181,489	57,237	70,837
Total Assets	27	51,730,845	40,144,825	15,471,409	13,488,386
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Stated capital	28	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	28	12,557,127	11,071,652	6,494,816	5,737,726
Retained earnings		10,855,377	8,309,395	1,670,127	1,067,320
		25,547,644	21,516,187	10,300,083	8,940,186
Minority interest		5,700,409	5,129,687	-	-
Total Equity		31,248,053	26,645,874	10,300,083	8,940,186
Non-Current Liabilities					
Interest-bearing liabilities	29	5,742,548	4,143,648	2,100,000	844,000
Deferred tax liabilities	30	444,582	267,078	-	-
Employee benefits	31	387,984	335,637	56,394	46,936
		6,575,114	4,746,363	2,156,394	890,936
Current Liabilities					
Trade and other payables	32	6,604,061	3,942,187	235,264	334,209
Interest-bearing liabilities repayable within one year	29	2,135,469	1,718,328	544,000	568,000
Amounts due to subsidiaries & joint ventures		-	-	1,967,010	1,940,706
Amounts due to associates		14,088	482	726	45
Current tax payable		286,567	179,647	-	-
Short-term bank borrowings		4,867,493	2,911,944	267,932	814,304
		13,907,678	8,752,588	3,014,932	3,657,264
Total Equity and Liabilities		51,730,845	40,144,825	15,471,409	13,488,386

The above balance sheet is to be read in conjunction with the notes to the financial statements on page 118 to 153.

I certify that the financial statements for the year ended 31st March 2012 are in compliance with the requirements of Companies Act No. 7 of 2007.

  
**Ms. N. Sivapragasam**  
 Chief Financial Officer

The Board of Directors is responsible for preparation and presentation of these financial statements.  
 For and on behalf of the Board:

  
**D.H.S. Jayawardena**  
 Chairman

  
**J.M.S. Brito**  
 Deputy Chairman and Managing Director

## Statement of Changes in Equity - Group

For the year ended 31st March 2012

	Attributable to equity holders of the company						Total	Minority interest	Total equity
	Stated capital	Revaluation reserve	Other capital reserves	General reserves	Exchange fluctuation reserve	Retained earnings			
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Balance as at 31st March 2010</b>	2,135,140	4,623,582	127,521	4,185,177	380,919	7,442,131	18,894,470	4,566,388	23,460,858
Currency translation differences	-	-	-	-	(66,000)	-	(66,000)	(41,968)	(107,968)
Share of net assets of associate companies	-	-	-	-	-	2,566	2,566	(1,208)	1,358
Surplus on revaluation	-	434,938	-	-	-	-	434,938	149,656	584,594
Issue of shares by subsidiaries	-	-	-	-	-	-	-	637,286	637,286
Direct cost on share issue	-	-	-	-	-	(14,610)	(14,610)	(5,027)	(19,637)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	(469)	(469)	(557)	(1,026)
<b>Net income recognised directly in equity</b>	-	434,938	-	-	(66,000)	(12,513)	356,425	738,182	1,094,607
Profit for the year	-	-	-	-	-	2,535,956	2,535,956	892,264	3,428,220
<b>Total recognised income and expenses for the year</b>	-	434,938	-	-	(66,000)	2,523,443	2,892,381	1,630,446	4,522,827
Transfer to general reserve	-	-	-	1,385,515	-	(1,385,515)	-	-	-
Dividends for 2009/2010 (Note 14)	-	-	-	-	-	(270,664)	(270,664)	-	(270,664)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	(1,067,147)	(1,067,147)
<b>Balance as at 31st March 2011</b>	2,135,140	5,058,520	127,521	5,570,692	314,919	8,309,395	21,516,187	5,129,687	26,645,874
Currency translation differences	-	-	-	-	428,752	-	428,752	226,899	655,651
Share of net assets of associate companies	-	27,820	-	-	-	(3,472)	24,348	7,817	32,165
Surplus on revaluation	-	271,813	-	-	-	-	271,813	93,855	365,668
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	3,378	3,378	(15,701)	(12,323)
<b>Net income recognised directly in equity</b>	-	299,633	-	-	428,752	(94)	728,291	312,870	1,041,161
Profit for the year	-	-	-	-	-	3,709,162	3,709,162	1,001,395	4,710,557
<b>Total recognised income and expenses for the year</b>	-	299,633	-	-	428,752	3,709,068	4,437,453	1,314,265	5,751,718
Transfer to general reserve	-	-	-	757,090	-	(757,090)	-	-	-
Dividends for 2010/2011 (Note 14)	-	-	-	-	-	(405,996)	(405,996)	-	(405,996)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	(743,543)	(743,543)
<b>Balance as at 31st March 2012</b>	2,135,140	5,358,153	127,521	6,327,782	743,671	10,855,377	25,547,644	5,700,409	31,248,053

The notes on pages 118 through 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## Statement of Changes in Equity - Company

<i>For the year ended 31st March 2012</i>					
	Stated capital Rs.'000	Revaluation reserve Rs.'000	General reserves Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 31st March 2010	2,135,140	193,746	4,158,465	1,066,337	7,553,688
Profit for the year	-	-	-	1,657,162	1,657,162
<b>Total recognised income and expenses for the year</b>	-	-	-	1,657,162	1,657,162
Transfer to general reserve	-	-	1,385,515	(1,385,515)	-
Dividends for 2009/2010 (Note 14)	-	-	-	(270,664)	(270,664)
<b>Balance as at 31st March 2011</b>	<b>2,135,140</b>	<b>193,746</b>	<b>5,543,980</b>	<b>1,067,320</b>	<b>8,940,186</b>
Profit for the year	-	-	-	1,765,893	1,765,893
<b>Total recognised income and expenses for the year</b>	-	-	-	1,765,893	1,765,893
Transfer to general reserve	-	-	757,090	(757,090)	-
Dividends for 2010/2011 (Note 14)	-	-	-	(405,996)	(405,996)
<b>Balance as at 31st March 2012</b>	<b>2,135,140</b>	<b>193,746</b>	<b>6,301,070</b>	<b>1,670,127</b>	<b>10,300,083</b>

The notes on pages 118 through 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.



## Cash Flow Statements

For the year ended 31st March	Group		Company	
	2012 Rs.'000	2011 Rs.'000	2012 Rs.'000	2011 Rs.'000
<b>Cash flows from operating activities</b>				
Net profit before taxation	5,463,457	3,815,555	1,778,372	1,657,162
<b>Adjustments for</b>				
Depreciation & amortisation	1,751,315	2,070,436	51,396	44,047
Impairment of goodwill	26,134	24,004	-	-
Interest expense	620,298	660,440	356,338	355,705
Gain on disposal of property plant & equipment	(61,671)	(41,925)	(8,173)	(10,070)
Loss on disposal of investment property	-	-	-	23,711
Gain on disposal of investments	(591,793)	(10,691)	(591,793)	(180,564)
Gain on retirement of assets held for sale	(343)	-	(12,781)	-
Interest income	(489,056)	(494,963)	(423,819)	(348,846)
Surplus on acquisition of companies	(7,784)	(30,127)	-	-
Share of associate companies' profit after tax	(63,993)	(95,304)	-	-
Provision / (write-back) of bad and doubtful debts	8,782	(3,894)	(14,611)	987
Movement in assets held for sale	-	(19,826)	-	-
Provision for fall in value of investments	19,894	(995)	-	4,488
Net foreign exchange gain / (loss)	(4,536)	(137,068)	(61,554)	13
Provision for retirement benefit obligations	88,476	80,020	13,404	9,163
	1,295,723	2,000,107	(691,593)	(101,366)
<b>Operating profit before working capital changes</b>	6,759,180	5,815,662	1,086,779	1,555,796
(Increase)/decrease in trade and other receivables	(4,797,010)	1,301,776	(1,056,647)	320,984
(Increase)/decrease in inventories	(180,743)	(214,138)	104	36
Increase/(decrease) in trade and other payables	2,674,404	(251,976)	(73,036)	669,096
(Increase)/decrease in deposits & prepayments	(208,736)	(56,644)	(36,971)	10,870
	(2,512,085)	779,018	(1,166,550)	1,000,986
<b>Cash generated from operations</b>	4,247,095	6,594,680	(79,771)	2,556,782
Interest paid	(620,298)	(660,440)	(356,338)	(355,705)
Income tax paid	(585,821)	(406,612)	(43,302)	(28,388)
Retirement benefit obligations paid	(43,837)	(39,863)	(3,946)	(3,901)
	(1,249,956)	(1,106,915)	(403,586)	(387,994)
<b>Net cash generated from / (used in) operating activities</b>	2,997,139	5,487,765	(483,357)	2,168,788
<b>Cash flows from investing activities</b>				
Investments made during the year	(176,097)	(1,030,107)	(365,366)	(2,028,726)
Acquisition of subsidiaries & joint ventures (Note A)	(727,910)	(224,132)	-	-
Effect of changes in percentage holding in subsidiaries	(41,875)	(8,814)	-	-
Purchase of property, plant and equipment	(4,195,609)	(2,012,935)	(47,388)	(150,163)
Purchase of investment property	(109)	(56,612)	(109)	(14,941)
Purchase of leasehold rights	(1,022,800)	(5,547)	-	-
Proceeds from disposal of property, plant and equipment	144,987	115,896	8,840	11,062
Proceeds from disposal of investments	671,754	289,440	671,754	351,586
Proceeds on retirement of assets held for sale	32,708	-	22,880	-
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(743,543)	(1,067,147)	-	-
Dividends received from associate companies	-	34,066	-	-
<b>Net cash generated from / (used in) investing activities</b>	(6,058,494)	(3,965,892)	290,611	(1,831,182)

(carried forward to next page)

The notes on pages 118 through 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## Cash Flow Statements

For the year ended 31st March	Group		Company	
	2012 Rs:'000	2011 Rs:'000	2012 Rs:'000	2011 Rs:'000
<i>(brought forward from previous page)</i>				
<b>Cash flows from financing activities</b>				
Interest received from deposits	489,056	494,963	423,819	348,846
Proceeds from interest-bearing liabilities	3,246,944	1,244,137	1,800,000	300,000
Repayment of interest-bearing liabilities	(1,763,371)	(1,891,150)	(568,000)	(508,000)
Issue of shares by subsidiaries	-	637,286	-	-
Direct cost on share issue by a subsidiary company	-	(19,637)	-	-
Dividends paid	(404,920)	(269,941)	(404,920)	(269,941)
<b>Net cash generated from / (used in) financing activities</b>	<b>1,567,709</b>	<b>195,658</b>	<b>1,250,899</b>	<b>(129,095)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,493,646)</b>	<b>1,717,531</b>	<b>1,058,153</b>	<b>208,511</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,166,112</b>	<b>1,448,581</b>	<b>1,968,089</b>	<b>1,759,578</b>
<b>Cash and cash equivalents at the end of the year (Note B)</b>	<b>1,672,466</b>	<b>3,166,112</b>	<b>3,026,242</b>	<b>1,968,089</b>

### A. Acquisition of subsidiaries & joint ventures

During the year the Group acquired control of M.P.S. Hotels Ltd., Western Power Company Ltd., and the balance control of Aitken Spence Technologies (Pvt) Ltd. The Group also purchased a further 30% stake in Colombo International Nautical and Engineering College (Pvt) Ltd., which is now accounted as a joint venture. The fair value of assets acquired and liabilities assumed of these acquisitions are as follows;

	Rs:'000
Property, plant & equipment	(513,616)
Inventories	(3,450)
Trade and other receivables	(45,392)
Deposits and prepayments	(1,221)
Interest bearing liabilities	2,408
Deferred taxation	7,921
Current taxation	3,822
Employee benefits	7,596
Trade and other payables	89,668
Cash and cash equivalents	(28,349)
Investments made prior to acquisition of controlling /joint controlling shares	132,112
Net assets acquired	(348,501)
Goodwill on acquisition of companies	(415,542)
Surplus on acquisition of companies	7,784
Purchase consideration paid on acquisition	(756,259)
Cash and cash equivalents acquired	28,349
<b>Net cash outflow on acquisition of companies</b>	<b>(727,910)</b>

### B Cash and cash equivalents at the end of the year

For the year ended 31st March	Group		Company	
	2012 Rs:'000	2011 Rs:'000	2012 Rs:'000	2011 Rs:'000
Cash at bank and in hand	647,880	736,009	19,042	20,554
Short term deposits	5,892,079	5,047,926	3,275,132	2,700,285
Short-term bank borrowings	(4,867,493)	(2,911,944)	(267,932)	(814,304)
Cash and cash equivalents as previously reported	1,672,466	2,871,991	3,026,242	1,906,535
Effect of exchange rate changes	-	294,121	-	61,554
<b>Cash and cash equivalents as restated</b>	<b>1,672,466</b>	<b>3,166,112</b>	<b>3,026,242</b>	<b>1,968,089</b>

The notes on pages 118 through 153 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## Notes to the Financial Statements

### 1 Reporting Entity

Aitken Spence 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 located at "Aitken Spence Tower II", 315 Vauxhall Street, Colombo 02.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 192 to 198 of this report.

Aitken Spence PLC does not have an identifiable parent.

### 2 Basis of Preparation

#### 2.1 Statement of compliance

The financial statements of Aitken Spence PLC, and those consolidated with such comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements. These financial statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

#### 2.2 Approval of financial statements by Directors

The financial statements for the year ended 31st March 2012 were authorised for issue by the Board of Directors on the 25th of May 2012.

#### 2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain investments and items of property, plant & equipment which are measured at fair value; and defined benefit plans which are measured at the present value of the defined benefit obligations as explained in notes 3.2, 3.3 and 3.4.1 to the financial statements.

##### Functional currency

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

#### 2.4 Use of estimates and judgements

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 and 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 the judgement about 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.

#### 2.5 Going concern

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

### 3 Significant Accounting Policies

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.

#### 3.1 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.

The subsidiaries, joint ventures and associates consolidated are disclosed in notes 19 and 20 to the financial statements.

##### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control also exists when the company controls the composition of the board of directors or equivalent body, holds more than half of the issued shares of the entity, or controls more than half of the voting rights of the

entity, or where control is provided by virtue of contractual arrangements.

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

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

### 3.1.2 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.

### 3.1.3 Associates

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

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

### 3.1.4 Jointly controlled operations

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

### 3.1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or a joint venture over the

Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is initially recognised at cost. Such goodwill is identified into cash generating units and is annually tested for impairment as described in note 3.3.9 to the financial statements. After initial recognition goodwill is stated at cost less accumulated impairment losses.

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

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

### 3.1.6 Reporting date

All the Group's subsidiaries, jointly controlled entities and associate companies have a common financial year other than, Business Travels LLC., which is a joint venture company whose financial year ends on 31st December. The difference between the reporting date of the above subsidiaries and that of the parent does not exceed three months.

### 3.1.7 Intra-group transactions

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

#### 3.1.7.1 Transactions eliminated on consolidation

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

### 3.2 Transactions in foreign exchange

3.2.1 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 reporting 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

## Notes to the Financial Statements

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.

**3.2.2** 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.

**3.2.3** 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 reporting 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 Sri Lanka Accounting Standard No.21 – Effects of Changes in Foreign Exchange Rates.

### 3.3 Assets and bases of their valuation

#### 3.3.1 Property, plant & equipment

##### 3.3.1.1 Recognition and measurement

Property, plant and equipment other than land, are measured at cost less accumulated depreciation and accumulated impairment losses.

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 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 them in the site on which they are located.

All items of property, plant and equipment are recognised initially at cost. The Group revalues land at least once in

every five years which is measured at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity 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 retained earnings 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 15.3.1 to the financial statements.

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

##### 3.3.1.2 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. The carrying amount of the parts that are replaced is derecognised from the cost of the asset.

The Group also recognises the costs of major planned overhauls to the power generation plants in the carrying amount of the plant as a replacement when the above recognition criteria are satisfied.

##### 3.3.1.3 Depreciation

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

Depreciation of property, plant and equipment of the Group is recognised in the income statement 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.



Leased Assets	Over the periods of the lease
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
Speed Boats & Supply crafts	5 years
Soft Furnishing	5-10 years

The buildings of some 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.

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

The cost of major planned overhauls capitalised are depreciated over the period until the next planned maintenance.

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

### 3.3.2 Leases

#### 3.3.2.1 Finance leases

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 are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments. Leased assets are depreciated over the remaining lease period or the useful life of the asset whichever is shorter.

#### 3.3.2.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

#### 3.3.2.3 Leasehold property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortised over the period of the lease in accordance with the pattern of benefits

expected to be derived from the lease. Cost of leasehold property is tested for impairment annually.

### 3.3.3 Investments

**3.3.3.1** Unquoted investments are treated as long-term investments and measured at cost in the financial statements. Investments in preference shares are treated as long-term investments and measured at cost in the financial statements.

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

**3.3.3.3** Investments in associate companies are treated as long-term assets and measured as explained in paragraph 3.1.3 above in the consolidated financial statements. In the parent company's financial statements, the investments are measured at cost.

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

### 3.3.4 Investment properties

Investments in land and buildings that are held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes are treated as investment properties and measured 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 last revaluation.

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

## Notes to the Financial Statements

Leased Assets	Over the periods of the lease
Buildings	Over 20 - 50 years

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

### 3.3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost. 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.

### 3.3.6 Receivables

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

### 3.3.7 Cash and cash equivalents

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

### 3.3.8 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 the above assets is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be 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 recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

### 3.3.9 Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of goodwill is estimated at each reporting 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 largely are independent from other assets. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

#### 3.3.9.1 Calculation of recoverable amount

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

#### 3.3.9.2 Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the 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.

### 3.4 Liabilities and provisions

Liabilities classified as current liabilities on the balance sheet are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances that become repayable after one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

#### 3.4.1 Employee benefits

##### 3.4.1.1 *Defined benefit plan - retiring gratuity*

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

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees, in conformity with Sri Lanka Accounting Standard 16 (Revised 2006) - Retirement Benefit Costs.

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

The liability is not externally funded.

##### 3.4.1.2 *Defined contribution plan*

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

The Group contributes a sum not less than 12% of the gross emoluments of employees as provident fund benefits and 3% as trust fund benefits respectively.

##### 3.4.1.3 *Short-term employee benefits*

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

#### 3.4.2 Provisions

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

### 3.5 Income statement

#### 3.5.1 Revenue

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

#### 3.5.2 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 note 3.3.1.3 above.

#### 3.5.3 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.

#### 3.5.4 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. Borrowing costs capitalised are disclosed in note 10 to the financial statements.

#### 3.5.5 Revenue recognition

Revenue is recognised on an accrual basis from the sale of goods when all significant risks and rewards of ownership have been transferred to the buyer.

## Notes to the Financial Statements

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

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.

Dividends from investments are recognised when the right to receive such is established.

### 3.5.6 Disposal of property, plant & equipment

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

### 3.5.7 Grants and subsidies

Grants and subsidies which are intended to compensate a related cost are recognised in the income statement on a systematic basis over the period necessary to match the grant with the related cost.

Grants and subsidies which intend to compensate an expense or loss already incurred or received for the purpose of immediate financial support with no future related costs are recognised in the income statement in the period in which the grant becomes receivable.

Grants and subsidies related to assets are immediately recognised in the balance sheet as a deferred income and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

### 3.5.8 Income tax expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in statement of changes in equity.

#### 3.5.8.1 Current Tax

The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Companies incorporated in Sri Lanka*

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

#### *Companies incorporated outside Sri Lanka*

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to

the relevant tax statutes as disclosed in note 12 to the financial statements.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods the excess is recognised as an asset in the financial statements.

#### 3.5.8.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the group balance sheet and are not offset against each other.

#### 3.5.8.3 Economic service charge

As per the provisions of the Economic Service Charge Act No 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

#### 3.5.9 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. The business segments are determined based on the Group's management and internal structure.

Segment results, assets and liabilities include items that are directly attributed to a segment or a relevant portion of results, assets and liabilities that can be allocated on a reasonable basis as determined by the management.

#### **3.5.9.1 Business segment**

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

#### **3.5.9.2 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.

Segment information analysed by business and geographical segments are disclosed in notes to the accounts 6 & 27 on pages 127 and 145.

### **3.6 Other general accounting policies**

#### **3.6.1 Movement of reserves**

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

#### **3.6.2 Cash flow**

##### **3.6.2.1 Cash and cash equivalents**

The cash flow statement has been prepared using the "indirect method".

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

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

#### **3.6.3 Commitments and contingencies**

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control.

Commitments and Contingent liabilities are disclosed in Note 34, 35 and 36 to the financial statements.

#### **3.6.4 Related Party transactions**

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

#### **3.6.5 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### **4. Events Occurring after the Balance Sheet Date**

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

### **5. New Accounting Standards Issued but not effective as at Balance Sheet date**

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

5.2 These new Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS) and are commonly referred to by the term SLFRSs. Application of the Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time is deemed to be an adoption of SLFRSs for the first time. The Council of The Institute of Chartered Accountants of Sri Lanka has also adopted the Interpretation Guidelines issued by the International Financial Reporting Interpretation Committee (guidelines referred to as IFRICs) and Standing Interpretation Committee (guidelines referred to as SICs).



## Notes to the Financial Statements

5.3 The Group completed an extensive assessment of the impact of applying the SLFRSs, LKASs, IFRICs & SICs to Group companies and identified the gaps in the current accounting practices applied by the Group. The Group has reviewed and finalised the relevant changes necessary for correction of the identified gaps and has obtained the requisite approvals from the Group Audit Committee. The Group has also completed the modifications to the operational and accounting systems to facilitate the above changes and completed the

necessary training for the employees at all levels who are required to implement the changes.

5.4 The Group evaluated each new Accounting Standard and the relevant Interpretation Guidelines (SLFRSs, LKASs, IFRICs & SICs) and identified the standards relevant to the Group. The following table summarises the applicability of these standards to the Group.

	Applicable to the Group with Material changes to the Financial Statement	Applicable to the Group but no Material changes to the Financial Statement	Currently not applicable to the Group
SLFRS 1 - First - time Adoption of Sri Lanka Accounting Standards	✓		
SLFRS 2 - Share-based Payment			✓
SLFRS 3 - Business Combinations		✓	
SLFRS 4 - Insurance Contracts			✓
SLFRS 5 - Non-current Assets Held for Sale and Discontinued Operations		✓	
SLFRS 6 - Exploration for and Evaluation of Mineral Resources			✓
SLFRS 7 - Financial Instruments: Disclosure	✓		
SLFRS 8 - Operating Segments		✓	
LKAS 1 - Presentation of Financial Statements	✓		
LKAS 2 - Inventories		✓	
LKAS 7 - Statement of Cash Flows	✓		
LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors		✓	
LKAS 10 - Events after the Reporting Period		✓	
LKAS 11 - Construction Contracts			✓
LKAS 12 - Income Taxes		✓	
LKAS 16 - Property, Plant and Equipment	✓		
LKAS 17 - Leases	✓		
LKAS 18 - Revenue		✓	
LKAS 19 - Employee Benefits		✓	
LKAS 20 - Accounting for Government Grants and Disclosure of Government Assistance		✓	
LKAS 21 - The Effects of Changes in Foreign Exchange Rates		✓	
LKAS 23 - Borrowing Costs		✓	
LKAS 24 - Related Party Disclosures		✓	
LKAS 26 - Accounting and Reporting by Retirement Benefit Plans			✓
LKAS 27 - Consolidated and Separate Financial Statements		✓	
LKAS 28 - Investments in Associates		✓	
LKAS 29 - Financial Reporting in Hyperinflationary Economies			✓
LKAS 31 - Interests in Joint Ventures		✓	
LKAS 32 - Financial Instruments: Presentation	✓		
LKAS 33 - Earnings per Share		✓	
LKAS 34 - Interim Financial Reporting		✓	
LKAS 36 - Impairment of Assets		✓	
LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets		✓	
LKAS 38 - Intangible Assets		✓	
LKAS 39 - Financial Instruments: Recognition and Measurement	✓		
LKAS 40 - Investment Property		✓	
LKAS 41 - Agriculture	✓		
IFRIC 4 - Determining whether an Arrangement contains a lease	✓		
IFRIC 12 - Service Concession Arrangements		✓	
All other IFRICs and SICs			✓

## 6 Segment analysis of group revenue and profit

### 6.1 Business segment

#### a. Revenue

	Total revenue generated		Inter - segmental revenue		Intra-segmental revenue		Revenue from external customers	
	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000
Tourism sector*	12,678,164	10,779,827	46,409	23,726	1,369,767	788,830	11,261,988	9,967,271
Cargo logistics sector	5,189,783	4,604,821	353,426	296,774	134,665	180,044	4,701,692	4,128,003
Strategic investments*	14,176,444	10,894,292	155,885	133,980	53,067	37,153	13,967,492	10,723,159
Services sector	1,866,267	1,670,455	164,363	169,456	17,106	14,238	1,684,798	1,486,761
Total segment revenue	33,910,658	27,949,395	720,083	623,936	1,574,605	1,020,265	31,615,970	26,305,194
Share of associate company revenue	(945,553)	(1,161,383)	-	-	-	-	(945,553)	(1,161,383)
Total revenue	32,965,105	26,788,012	720,083	623,936	1,574,605	1,020,265	30,670,417	25,143,811

\* Includes associate companies

#### b. Profit

	Profit from operations		Profit before tax *		Non cash expenses		Income tax expense	
	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000
Tourism sector	2,648,384	1,602,206	2,654,254	1,564,264	17,398	44,734	389,818	48,382
Cargo logistics sector	846,825	601,670	853,077	594,566	40,506	21,380	249,390	192,751
Strategic investments	1,131,534	961,046	972,061	861,922	27,253	25,256	79,864	109,840
Services sector	977,640	791,594	984,065	794,803	10,417	2,256	33,828	36,362
	5,604,383	3,956,516	5,463,457	3,815,555	95,574	93,626	752,900	387,335

\* Includes associate companies

Profits from operations and profits before tax of the strategic investments segment is after recognising Rs. 26 million 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.

### 6.2 Geographical segment

	Total revenue generated		Revenue from external customers		Profit before tax	
	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000	2011/2012 Rs'.000	2010/2011 Rs'.000
Sri Lanka	23,817,806	19,483,953	22,304,527	18,321,249	3,058,864	2,738,078
Asia & Africa	9,147,299	7,304,059	8,365,890	6,822,562	2,404,593	1,077,477
	32,965,105	26,788,012	30,670,417	25,143,811	5,463,457	3,815,555

## Notes to the Financial Statements

### 7 Other operating income

	Group		Company	
	2011/2012 Rs'000	2010/2011 Rs'000	2011/2012 Rs'000	2010/2011 Rs'000
Dividends from investments	8,145	7,902	1,163,086	1,656,179
Gain on disposal of investments	591,793	10,691	591,793	180,564
Gain on retirement of assets held for sale	343	-	12,781	-
Gain on disposal of property, plant & equipment	61,671	41,925	8,173	10,070
Loss on disposal of investment property	-	-	-	(23,711)
Net foreign exchange gain / (loss)	4,536	137,068	61,554	(13)
Compensation received	13,500	-	-	-
Proceeds from insurance claims	-	12,849	-	1,772
Government grants	-	4,747	-	-
Surplus on acquisition of companies	7,784	30,127	-	-
Sundry income	10,474	8,896	4	162
	698,246	254,205	1,837,391	1,825,023

#### 7.1 Gain on disposal of shares in Colombo International Container Terminals Limited.

During the year the Company concluded the sale of its 30% shareholding in Colombo International Container Terminals Limited (CICT) to China Merchants Holdings (International) Company Limited, the joint venture partner. The total gain on the above divestment recognised during the year is as follows;

	Group/ Company Rs'000
Gain on disposal of investment ( <i>included under other operating income</i> )	590,798
Foreign exchange gain ( <i>included under other operating income</i> )	61,556
Interest income on deferred terms ( <i>included under finance income</i> )	2,328
	654,682

### 8 Profit before tax

Profit before tax is stated after charging the following:

	Group		Company	
	2011/2012 Rs'000	2010/2011 Rs'000	2011/2012 Rs'000	2010/2011 Rs'000
Cost of inventories and services	19,985,978	15,792,050	265,184	212,650
Directors' remuneration & fees	222,722	193,544	37,571	22,896
Auditors' remuneration				
- KPMG	8,890	7,718	750	682
- Other auditors	6,039	4,827	-	-
Fees paid to Auditors for non-audit services				
- KPMG	3,977	3,250	286	1,786
- Other auditors	4,937	3,813	-	-
Depreciation	1,711,330	2,001,576	51,396	44,047
Amortisation	39,985	68,860	-	-
Impairment of goodwill	26,134	24,004	-	-
Operating lease payments	282,772	394,720	-	-
Provision / (write back) of bad and doubtful debts	8,782	(3,894)	(14,611)	987
Provision for fall in value of investment	19,894	(995)	-	4,488
Legal Expenses	7,196	3,953	71	45
Defined contribution plan cost - EPF & ETF	228,718	205,988	27,820	22,880
Defined benefit plan cost - Retirement benefits	88,476	80,020	13,404	9,163

## 9 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, other direct operating expenses represents a substantial portion of the total operating costs.

## 10 Finance expenses

	Group		Company	
	2011/2012 Rs.'000	2010/2011 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000
Interest on long-term borrowings	432,214	433,756	228,605	177,642
Interest on short-term borrowings	188,084	226,684	127,733	178,063
Bank charges	52,575	44,954	4,962	5,886
Finance charges on leases	21,102	25,834	-	-
	693,975	731,228	361,300	361,591

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 45.1 million (2010/2011 - Rs. 3.3 million) (Company-nil).

## 11 Share of associate companies profit (net of tax)

	Group	
	2011/2012 Rs.'000	2010/2011 Rs.'000
Aitken Spence Plantation Managements (Pvt) Ltd. (consolidated with Elpitiya Plantations PLC.)	15,810	93,643
Browns Beach Hotels PLC.	48,183	(4,628)
M.P.S. Hotels Ltd. *	-	6,289
	63,993	95,304

\* During the period under review the Group acquired the balance control of M.P.S. Hotels Ltd., the financial results of which are accounted as a subsidiary for the year 2011/2012.

## 12 Income tax expense

- Income tax provision of Aitken Spence PLC., its subsidiaries, joint venture companies and associate companies which are resident in Sri Lanka have been calculated on their adjusted profits at 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto; other than for companies which carry on any undertaking with an annual turnover not exceeding Rs. 300 million (except buying and selling), whose profits have been taxed at 10%.
- Tax status of companies in the Group which are;
  - Enjoying income tax exemptions/concessionary tax rates are given in note 12.1
  - Incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.2
  - Incorporated and operating outside Sri Lanka are given in note 12.3

## Notes to the Financial Statements

### 12.1 Companies exempt from income tax /liable to tax at concessionary rates

#### - Companies exempt from tax

Company	Statute	Period
Ace Power Generation Matara (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2011/2012
Ace Power Generation Horana (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2012/2013
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2014/2015
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years from 1st Year of Profit
Aitken Spence Property Developments (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 Years Ending 2012/2013
Golden Sun Resorts (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2012/2013
Logilink (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years Ending 2014/2015
Aitken Spence Hotels (International) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite

#### - Companies liable to tax at concessionary rates

Company	Statute	Period
Aitken Spence Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Holdings PLC	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Managements (Pvt) Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hethersett Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Kandalama Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
M.P.S. Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence (Garments) Ltd	12% under Section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Container Repair (Pvt) Ltd	12% under Section 52 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Ace Exports (Pvt) Ltd	12% under Section 52 & 56 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Spence International (Pvt) Ltd	10% under Section 17 of BOI Law No. 4 of 1978	2 Years Ending 2011/2012
Vauxhall Property Developments (Pvt) Ltd	2% of Turnover under Section 17 of BOI Law No. 4 of 1978	15 Years Ending 2018/2019
Colombo International Nautical & Engineering College (Pvt) Ltd	15% under Section 17 of BOI Law No. 4 of 1978	15 Years Ending 2014/2015
Aitken Spence Plantation Managements Ltd	12% under Section 46 of Inland Revenue Act No. 10 of 2006	Indefinite
Elpitiya Plantations PLC	Agricultural Profits Liable for Tax at 10% under Section 48A of Inland Revenue Act No. 10 of 2006	Indefinite

In addition to the above, the following income tax exemptions and concessions are available to companies operating in the Group in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto;

- Profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka is exempt from income tax in terms of section 13 (ddd) of above.
- Profits and income from any undertaking for the operation and maintenance of facilities for storage, development of software and educational services carried out in Sri Lanka are liable for tax at 10%.



**12.2 Companies incorporated in Sri Lanka and operating outside Sri Lanka**

Company	Countries Operated	Tax Status
Port Management Container Services (Pvt) Ltd	South Africa	Business profits liable to tax at 33% in South Africa and exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Oman	Business profits liable to tax at 12% in Oman and exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006

**12.3 Companies incorporated and operating outside Sri Lanka**

Company	Countries Operated	Tax Status
Jetan Travel Services Company (Pvt) Ltd	Republic of Maldives	Liable at 15% as per Maldives Tax Law
Cowrie Investments (Pvt) Ltd	Republic of Maldives	Liable at 15% as per Maldives Tax Law
Crest Star Ltd	Hong Kong	Nil
Crest Star (BVI) Ltd	British Virgin Islands	Nil
ADS Resorts (Pvt) Ltd	Republic of Maldives	Liable at 15% as per Maldives Tax Law
Unique Resorts (Pvt) Ltd	Republic of Maldives	Liable at 15% as per Maldives Tax Law
Spence Maldives (Pvt) Ltd	Republic of Maldives	Liable at 15% as per Maldives Tax Law
Aitken Spence Hotel Services (Pvt) Ltd	India	Liable at 30.9% as per Indian Tax Law
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Liable at 30.9% as per Indian Tax Law
PR Holiday Homes (Pvt) Ltd	India	Liable at 30.9% as per Indian Tax Law
Ace Bangladesh Ltd	Bangladesh	Liable at 37.5% as per as per Bangladesh Tax Law
Business Travel Services LLC	Oman	Liable at 12% as per as per Oman Tax Law

- Income derived from the provision of services by non-resident companies operating in the Republic of Maldives is subject to withholding tax of 10%, when remitted overseas w.e.f. July 2011.

- 12.4** The companies in the Group have brought forward tax losses amounting to Rs. 2,311 million (2010/11 – Rs. 2,196 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. 73 million (2010/11 - Rs. 102 million). Aitken Spence PLC has a brought forward tax loss of Rs. 174 million (2010/11 - Rs. 188 million) which is available to be set off against the future tax profits of the company. Deferred tax asset not accounted on these losses amounts to Rs. 49 million (2010/11 - Rs. 53 million).

**12.5 Income tax expense**

	Group		Company	
	2011/2012 Rs'000	2010/2011 Rs'000	2011/2012 Rs'000	2010/2011 Rs'000
Tax on current year profits (Note 12.6)	549,081	351,055	7,609	-
Deferred tax expense / (income) (Note 12.7)	98,134	(87,136)	-	-
Tax on dividends paid by subsidiaries	95,599	138,342	-	-
Under / (over) provision in respect of previous year	10,086	(14,926)	4,870	-
	752,900	387,335	12,479	-

## Notes to the Financial Statements

### 12.6 Reconciliation of the accounting profit and tax on current year

	Group		Company	
	2011/2012 Rs.'000	2010/2011 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000
Profit before tax	5,463,457	3,815,555	1,778,372	1,657,162
Consolidation adjustments	18,349	(6,123)	-	-
Profit after adjustments	5,481,806	3,809,432	1,778,372	1,657,162
Income not liable for income tax	(2,622,189)	(2,897,029)	(1,162,822)	(1,652,452)
Effect of revenue taxed at source	350,063	-	-	-
Accounting (gain) / losses adjusted for tax purposes	(14,611)	5,625	(14,611)	5,625
Adjusted profit / (loss)	3,195,069	918,028	600,939	10,335
Non - taxable receipts / gains	(105,812)	(16,776)	(663,701)	(184,292)
Aggregate disallowed expenses	1,398,565	983,596	203,566	170,633
Capital allowances	(994,310)	(471,682)	(43,010)	(38,777)
Aggregate allowable deductions	(744,010)	(230,734)	(61,285)	(48,677)
Utilisation of tax losses	(187,261)	(144,809)	(13,452)	-
Current year tax losses not utilised	603,954	194,157	-	90,778
Taxable income	3,166,195	1,231,780	23,057	-
Income tax charged at:				
Standard rate of 28% (2010/11 - 35%)	105,205	210,534	7,250	-
Concessionary rate of 10% or 12% (2010/11 - 15%)	85,667	75,107	-	-
Other rates	600	500	-	-
Varying rates on off - shore profits	357,609	64,914	359	-
	549,081	351,055	7,609	-

### 12.7 Deferred tax expense / (income)

	Group		Company	
	2011/2012 Rs.'000	2010/2011 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000
Origination of temporary differences	132,272	33,959	-	-
Impact of tax rate changes	-	(24,330)	-	-
Change in unrecognised other temporary differences	49,020	166,327	-	-
Recognition of previously unrecognised tax losses	(83,158)	(263,092)	-	-
	98,134	(87,136)	-	-

### 13 Earnings per share

Basic earnings per share is calculated by dividing the net profit 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	
	2011/2012	2010/2011	2011/2012	2010/2011
Net profit attributable to ordinary shareholders of the parent (Rs.)	3,709,162,417	2,535,955,572	1,765,893,105	1,657,162,313
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	9.14	6.25	4.35	4.08

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

## 14 Dividends

	2011/2012 Rs.'000	2010/2011 Rs.'000
Final ordinary dividend recommended - Rs. 1.40 per share (2010/11 Rs. - 1.00 per share)	568,394	405,996
	568,394	405,996

The Directors have recommended a Rs. 1.40 per share final dividend payment for the year ended 31st March 2012 to be approved at the Annual General Meeting on 28th June 2012.

The entire dividend for the year will be paid out of tax exempt dividends received by the company and will be exempt in the hands of the shareholders.

In compliance with Sri Lanka Accounting Standard No. 12- Events after the Balance Sheet Date (Revised 2005), the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2012.

## 15 Property, plant & equipment

### 15.1 Group

	Freehold land	Freehold buildings	Plant machinery & equipment	Motor vehicles	Furniture & fittings	Leased assets	Capital work-in- progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation</b>								
Balance as at 01.04.2011	6,335,297	10,877,542	13,037,774	1,223,502	1,264,916	4,909	632,405	33,376,345
Surplus on revaluation	365,668	-	-	-	-	-	-	365,668
Companies acquired during the year	314,702	188,829	96,476	9,327	31,368	13,347	-	654,049
Exchange difference	1,892	889,107	180,658	17,948	41,569	-	2,126	1,133,300
Additions	82,131	130,415	1,494,973	124,116	31,789	1,666	2,330,519	4,195,609
Transfers	-	398,362	169,867	4,256	23,649	-	(596,134)	-
Disposals / write-offs	-	(72,727)	(83,212)	(49,532)	(5,198)	(5,301)	(100)	(216,070)
<b>Balance as at 31.03.2012</b>	<b>7,099,690</b>	<b>12,411,528</b>	<b>14,896,536</b>	<b>1,329,617</b>	<b>1,388,093</b>	<b>14,621</b>	<b>2,368,816</b>	<b>39,508,901</b>

### Accumulated depreciation

Balance as at 01.04.2011	-	2,539,645	5,680,797	542,847	683,376	2,803	1,224	9,450,692
Companies acquired during the year	-	35,205	66,968	5,605	25,125	7,530	-	140,433
Exchange difference	-	272,062	130,874	12,597	30,922	-	-	446,455
Charge for the year	-	208,142	1,273,212	137,067	87,871	4,286	-	1,710,578
Transfers	-	2,609	(1,909)	(20)	(680)	-	-	-
Disposals / write-offs	-	(2,213)	(77,192)	(43,393)	(5,335)	(4,621)	-	(132,754)
<b>Balance as at 31.03.2012</b>	<b>-</b>	<b>3,055,450</b>	<b>7,072,750</b>	<b>654,703</b>	<b>821,279</b>	<b>9,998</b>	<b>1,224</b>	<b>11,615,404</b>
<b>Carrying amount as at 31.03.2012</b>	<b>7,099,690</b>	<b>9,356,078</b>	<b>7,823,786</b>	<b>674,914</b>	<b>566,814</b>	<b>4,623</b>	<b>2,367,592</b>	<b>27,893,497</b>
Carrying amount as at 31.03.2011	6,335,297	8,337,897	7,356,977	680,655	581,540	2,106	631,181	23,925,653

## Notes to the Financial Statements

The value of property, plant & equipment pledged by the Group as security for facilities obtained from banks amounted to Rs. 9,919 million (2010/2011-Rs. 8,906 million).

Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during the construction of a capital asset.

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.

In compliance with the accounting policy, the Group revalues land owned by the Group companies by independent, professional valuers at least once in every five years. Details of the revalued land are given in the Note 15.3.1 to the financial statements.

There were no tax implications or tax liabilities arising due to the revaluation of land.

On re-assessment of the fair value of the group's assets, it has been identified that there is no permanent impairment of property plant & equipment which requires provision in the financial statements.

### 15.2 Company

	Plant machinery & equipment Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Total Rs.'000
<b>Cost or valuation</b>				
Balance as at 01.04.2011	205,986	94,033	81,213	381,232
Additions	21,754	18,803	6,831	47,388
Disposals	(2,259)	(2,160)	(2)	(4,421)
<b>Balance as at 31.03.2012</b>	<b>225,481</b>	<b>110,676</b>	<b>88,042</b>	<b>424,199</b>
<b>Accumulated depreciation</b>				
Balance as at 01.04.2011	128,591	25,312	18,200	172,103
Charge for the year	26,367	14,032	7,488	47,887
Disposals	(2,092)	(1,635)	(27)	(3,754)
<b>Balance as at 31.03.2012</b>	<b>152,866</b>	<b>37,709</b>	<b>25,661</b>	<b>216,236</b>
<b>Carrying amount as at 31.03.2012</b>	<b>72,615</b>	<b>72,967</b>	<b>62,381</b>	<b>207,963</b>
Carrying amount as at 31.03.2011	77,395	68,721	63,013	209,129

There were no assets pledged by the Company as security for facilities obtained from the banks.

### 15.3 Freehold land

#### 15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2012 Rs:'000	Revaluation surplus Rs:'000	Carrying amount at cost Rs:'000
Aitken Spence PLC. <sup>1</sup>	315, Vauxhall Street, Colombo 02	31.03.2009	1 A 1 R 0 P	900,000	898,843	1,157
Aitken Spence PLC. <sup>1</sup>	316, K. Cyril C. Perera Mvw, Colombo 13	31.03.2009	1 A 0 R 20.40 P	223,650	218,659	4,991
Aitken Spence PLC. <sup>1</sup>	170, Sri Wickrema Mvw, Colombo 15	31.03.2009	3 A 3 R 31.00 P	188,000	145,039	42,961
Aitken Spence PLC. <sup>1</sup>	Moragalla, Beruwala	31.03.2009	10 A 1 R 23.97 P	499,200	498,246	954
Aitken Spence PLC. <sup>1</sup>	290/1, Inner Harbour Road, Trincomalee	31.03.2009	0 A 1 R 10.92 P	12,700	12,700	-
Ace Containers (Pvt) Ltd. <sup>1</sup>	775/5, Negombo Road, Wattala	31.03.2009	22 A 0 R 24.88 P	1,240,700	1,145,309	95,391
Ace Containers (Pvt) Ltd. <sup>1</sup>	385, Colombo Road, Welisara	31.03.2009	8 A 3 R 12.23 P	424,000	337,327	86,673
Ace Power Generation Matara (Pvt) Ltd. <sup>1</sup>	Hittetiya - Matara	31.03.2009	0 A 0 R 5.68 P	284	84	200
Ahungalla Resorts Ltd. <sup>2</sup>	'Ahungalla Resorts', Galle Road, Ahungalla	15.06.2010	10 A 2 R 39.25 P	509,039	470,001	39,038
Ahungalla Resorts Ltd. <sup>2</sup>	Meeraladuwa Island, Ahungalla	15.06.2010	26 A 2 R 10.40 P	423,525	333,093	90,432
Aitken Spence (Garments) Ltd. <sup>1</sup>	222, Agalawatte Road, Matugama	31.03.2009	2 A 3 R 0 P	8,800	6,220	2,580
Aitken Spence Hotel Holdings PLC. <sup>2</sup>	"Heritance Ahungalla", Galle Road, Ahungalla	31.03.2012	11 A 3 R 34.02 P	565,000	547,559	17,441
Aitken Spence Property Developments Ltd. <sup>1</sup>	"Creamland Farm", Mawaramandiya.	31.03.2009	3 A 0 R 25.08 P	30,300	5,872	24,428
Clark Spence & Co., Ltd. <sup>1</sup>	24-24/1, Church Street, Galle	31.03.2009	0 A 1 R 27.90 P	67,900	67,865	35
Heritance (Pvt) Ltd. <sup>2</sup>	Moragalla, Beruwala	31.03.2009	5 A 3 R 6.80 P	194,500	183,420	11,080
Kandalama Hotels Ltd. <sup>2</sup>	Kandalama, Dambulla	31.03.2009	169 A 2 R 22.00 P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd. <sup>2</sup>	Ayurvedic village - Moragalla, Beruwala	31.03.2009	0 A 0 R 19.30 P	4,425	362	4,063
PR Holiday Homes (Pvt) Ltd. <sup>3</sup>	Cochin - Kerala	31.03.2012	16 A 3 R 24.00 P	208,300	64,160	144,140
Vauxhall Investments Ltd. <sup>1</sup>	316, K. Cyril C. Perera Mvw, Colombo 13	31.03.2009	0 A 1 R 21.08 P	76,287	54,448	21,839
Vauxhall Property Developments (Pvt) Ltd. <sup>1</sup>	305, Vauxhall Street, Colombo 02	31.03.2009	0 A 2 R 37.50 P	529,000	514,269	14,731
				6,114,610	5,505,092	609,518

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

1. Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)
2. Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)
3. Valuation of the land was carried out by Mr. T.T. Kripananda Singh, B.S.C.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of N. Raj Kumar & Associates, India



## Notes to the Financial Statements

### 15.3.2 Land carried at cost / fair value

Company	Location	Acquisition date Rs'000	Extent	Carrying amount as at 31.03.2012 Rs'000
Ace Distriparks (Pvt) Ltd.	80, Negombo Road, Wattala	29.09.2009	2 A 2 R 1703 P	421,992
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kalutara	27.08.2010	1 A 3 R 23.20 P	51,978
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kalutara	20.10.2011	0 A 1 R 33.50 P	9,174
Ahungalla Resorts Ltd.	"Ahungalla Resorts", Galle Road, Ahungalla	20.04.2011	2 A 1 R 8.00 P	59,002
Branford Hydropower (Pvt) Ltd.	263, 1st lane, Gangabada Road, Kaludewala, Matale	11.05.2009	2 A 0 R 23.32 P	3,183
Branford Hydropower (Pvt) Ltd.	263, 1st lane, Gangabada Road, Kaludewala, Matale	02.11.2010	1 A 0 R 1.31 P	7,350
Colombo International Nautical & Engineering College	Millenium Drive, IT Park, Malabe	27.10.2011	6 A 2 R 24.72 P	79,081
Colombo International Nautical & Engineering College	Mirishena, Ethnamadala, Kalutara North	27.10.2011	1 A 1 R 10.00 P	8,400
Golden Sun Resorts (Pvt) Ltd.	418, Parellel Road, Kudawaskaduwa, Kalutara	19.03.2010	5 A 2 R 0 P	21,253
Loglink (Pvt) Ltd.	309/4 a, Negombo Road, Welisara	16.07.2010	2 A 1 R 9.50 P	82,491
M.P.S. Hotels Ltd.	200/21, Peradeniya Road, Kandy	01.04.2011	3 A 1 R 8.00 P	241,176
				985,080
<b>15.3.3 Total carrying amount of land</b>				
	Land carried at revalued amount			6,114,610
	Land carried at cost / fair value			985,080
				7,099,690

### 16 Leasehold properties

	Group	
	31.03.2012 Rs'000	31.03.2011 Rs'000
<b>Cost</b>		
Balance as at 1st April	1,551,988	1,597,261
Exchange difference	243,459	(50,820)
Additions *	1,022,800	5,547
<b>Balance as at 31st March</b>	<b>2,818,247</b>	<b>1,551,988</b>
<b>Accumulated amortisation</b>		
Balance as at 1st April	192,505	128,812
Exchange difference	36,492	(5,167)
Amortisation during the year	39,985	68,860
Balance as at 31st March	268,982	192,505
<b>Carrying amount as at 31st March</b>	<b>2,549,265</b>	<b>1,359,483</b>

The acquisition cost of the leasehold rights of the Island of Vadoo in the Republic of Maldives and prepaid lease rentals for the Island of Meedhupparu, HudhuRan Fushi and Rannalhi in the Republic of Maldives & properties at Biyagama, Katunayake & Seethawake is recognised under leasehold properties.

\* Additions during the year represent the total fees paid to the Maldives tourism authority to obtain the extension of leases for four properties in the Republic of Maldives in terms of Section 8 of the second amendment to the Maldives Tourism Act ( Law no 2/99).

## 17 Intangible assets

	Group	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000
<b>Goodwill on consolidation</b>		
Balance as at 1st April	134,026	154,185
Addition on acquisitions	415,542	3,628
Addition on change in percentage holdings in Group companies	5,423	217
Impairment during the year	(26,134)	(24,004)
<b>Carrying amount as at 31st March</b>	<b>528,857</b>	<b>134,026</b>

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

Business growth	– Based on the long term average growth rate for each business unit. The weighted average growth rate used is consistent with the forecast included in industry reports.
Inflation	– Based on current inflation rate.
Discount rate	– Risk free rate adjusted for the specific risk relating to the industry.
Margin	– Based on past performance and budgeted expectations.

## 18 Investment property

## 18.1 Movement during the year

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
<b>Cost or valuation</b>				
Balance as at 1st April	103,048	28,936	724,162	747,464
Additions	109	56,612	109	14,941
Transferred from property, plant & equipment	-	17,500	-	-
Disposals	-	-	-	(38,243)
<b>Balance as at 31st March</b>	<b>103,157</b>	<b>103,048</b>	<b>724,271</b>	<b>724,162</b>
<b>Accumulated depreciation</b>				
Balance as at 1st April	249	-	48,274	58,978
Charge for the year	752	249	3,509	3,828
Disposals	-	-	-	(14,532)
<b>Balance as at 31st March</b>	<b>1,001</b>	<b>249</b>	<b>51,783</b>	<b>48,274</b>
<b>Carrying amount as at 31st March</b>	<b>102,156</b>	<b>102,799</b>	<b>672,488</b>	<b>675,888</b>

## Notes to the Financial Statements

### 18.2 Details of land under investment property

Location	Extent	Carrying value of investment property		Number of buildings
		Group Rs.'000	Company Rs.'000	
315, Vauxhall Street, Colombo 02*	1 A 1 R 0 P	-	160,000	2
316, K. Cyril C. Perera Mw, Colombo 13*	1 A 0 R 20.37 P	-	76,379	3
170, Sri Wickrema Mw, Colombo 15*	3 A 3 R 31.00 P	-	96,167	8
Moragalla, Beruwala*	10 A 1 R 23.97 P	-	296,957	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 10.92 P	-	-	1
Irakkakandi Village, VC road, Nilaweli	113 A 1 R 1.00 P	84,656	42,985	4
3/2, Seewali lane, Kudaedanda, Wattala	0 A 0 R 36.10 P	17,500	-	-
		102,156	672,488	

Properties which are occupied by the companies within the group for the production or supply of goods and services or for administration purposes are treated as property plant and equipment in the consolidated financial statements while these properties are treated as investment property in the relevant company's balance sheet.

Value of land and buildings that had been revalued to fair value prior to 1st April 2005, the date these were identified as investment property in the company financial statements is treated as deemed cost of the asset as at this date.

### 18.3 Market value

Investment properties in the group are accounted for on the cost model. The open market value of the above property based on the Directors valuation as at 31st March 2012 for the Group was Rs. 3,035 million (2010/2011 - Rs. 1,676 million), and for the Company was Rs. 4,760 million (2010/2011 - Rs. 3,461 million). Directors valuation of the properties marked \* is based on the last professional valuation carried out by the Group which is also the value recorded under property, plant & equipment in the consolidated financial statements.

### 18.4 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 15.7 million (2010/2011 - Rs. 10.4 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

## 19 Investments

## 19.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding %	Group holding %	31.03.2012 Rs'000	31.03.2011 Rs'000
<b>a) Ordinary Shares</b>					
<b>Subsidiary companies</b>					
Ace Cargo (Pvt) Ltd. (d)	990,000	100.00	100.00	245,173	231,547
Ace Container Repair (Pvt) Ltd. (d)	2,250,000	100.00	100.00	22,500	22,500
Ace Container Terminals (Pvt) Ltd. (d)	1,550,002	100.00	100.00	15,500	15,500
Ace Containers (Pvt) Ltd. (d)	4,010,000	100.00	100.00	40,100	40,100
Ace Distriparks (Pvt) Ltd. (d)	8,900,000	100.00	100.00	89,000	89,000
Ace Exports (Pvt) Ltd.	1,400,000	100.00	100.00	14,000	14,000
Ace Freight Management (Pvt) Ltd. (d)	5,222,500	100.00	100.00	36,307	36,307
Ace International Express (Pvt) Ltd. (d)	10,000	100.00	100.00	100	100
Ace Printing & Packaging (Pvt) Ltd.	10,000	100.00	100.00	100	100
Ace Windpower (Pvt) Ltd.	11,925,001	100.00	100.00	119,250	-
Aitken Spence Apparels (Pvt) Ltd.	1,500,000	100.00	100.00	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd. (d)	10,000	100.00	100.00	820	820
Aitken Spence Exports (Pvt) Ltd.	52,500	100.00	100.00	514	514
Aitken Spence Group Ltd. (b) (c) (d)	10,000	100.00	100.00	100	100
Aitken Spence Hotel Managements (Pvt) Ltd.	4,020,000	100.00	100.00	40,200	40,200
Aitken Spence Insurance (Pvt) Ltd.	10,000	100.00	100.00	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd.	150,000	100.00	100.00	1,500	1,500
Aitken Spence Maritime Ltd. (d)	140,000	100.00	100.00	1,400	1,400
Aitken Spence Printing & Packaging (Pvt) Ltd.	10,000,000	100.00	100.00	100,000	47,600
Aitken Spence Shipping Ltd. (d)	2,038,072	100.00	100.00	132,717	132,717
Aitken Spence Technologies (Pvt) Ltd. (b)	1,577,506	100.00	100.00	13,888	1,888
Branford Hydropower (Pvt) Ltd.	16,400,100	100.00	100.00	223,000	210,000
Logilink (Pvt) Limited. (d)	30,000,000	100.00	100.00	222,690	222,690
Royal Spence Aviation (Pvt) Ltd. (c)	50,000	100.00	100.00	500	500
Spence International (Pvt) Ltd. (d)	1,500,000	100.00	100.00	15,000	15,000
Spence Logistics (Pvt) Ltd. (d)	25,000	100.00	100.00	650	650
Triton Ltd.	10,000	100.00	100.00	50	50
Vauxhall Cargo Logistics (Pvt) Ltd. (d)	10,000,000	100.00	100.00	50,000	50,000
Vauxhall Investments Ltd.	1,320,000	100.00	100.00	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd.	11,270,000	100.00	100.00	153,401	153,401
Aitken Spence Developments (Pvt) Ltd. (d)	46,000	92.00	92.00	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd. (b)	74,865,000	90.00	99.96	748,650	748,650
Western Power Company Ltd.	80	80.00	80.00	75,000	-
Aitken Spence Moscow (Pvt) Ltd. (c)	37,500	75.00	75.00	375	375
Ace Power Embilipitiya (Pvt) Ltd. (a)	124,033,413	74.00	74.00	1,404,415	1,404,415
Elevators (Pvt) Ltd. (a)	133,400	66.75	66.75	7,302	7,269
Ace Alliance Power Ltd.	6,400	64.00	64.00	96	-
Ace Power Generation Horana (Pvt) Ltd. (b)	20,046,998	51.00	51.00	200,470	200,470
Ace Power Generation Matara (Pvt) Ltd. (b)	21,523,362	51.00	51.00	215,234	215,234
Ace Aviation Services (Pvt) Ltd. (d)*	10,001	50.00	100.00	263	263
Aitken Spence Hotel Management Asia (Pvt) Ltd. (b)*	4,924,500	49.00	86.99	49,245	49,245
Aitken Spence Hotels (International) Ltd. *	10,323,225	49.00	86.99	99,000	99,000
Kandalama Hotels Ltd. *	6,000,000	37.00	82.97	182,050	182,050
Aitken Spence Corporate Finance (Pvt) Ltd.	2	100.00	100.00	-	-
Ace International (Pvt) Ltd.	-	-	-	-	2,800

a, b, c, d - refer note 38.

## Notes to the Financial Statements

## 19.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)

	Number of shares	Company holding %	Group holding %	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Aitken Spence Aviation (Pvt) Ltd. (a) (c)*	-	-	100.00	-	-
Aitken Spence Resources (Pvt) Ltd. *	-	-	100.00	-	-
Aitken Spence Shipping Services Ltd. (a) (d)*	-	-	100.00	-	-
A E Lanka (Pvt) Ltd. *	-	-	100.00	-	-
Clark Spence & Company (Pvt) Ltd. (d) *	-	-	100.00	-	-
Port Management Container Services (Pvt) Ltd. (d)*	-	-	100.00	-	-
ADS Resorts (Pvt) Ltd. *	-	-	86.99	-	-
Aitken Spence Hotel Managements (South India) Pvt Ltd.*	-	-	86.99	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	-	-	86.99	-	-
Unique Resorts (Pvt) Ltd. *	-	-	86.99	-	-
Ahungalla Resorts Ltd. *	-	-	74.49	-	-
Aitken Spence Resorts Ltd. *	-	-	74.49	-	-
Crest Star (BVI) Ltd. (a)*	-	-	74.49	-	-
Crest Star Ltd. *	-	-	74.49	-	-
Golden Sun Resorts (Pvt) Ltd. *	-	-	74.49	-	-
M.P.S. Hotels Ltd. (c)*	-	-	74.49	-	-
Neptune Ayurvedic Village (Pvt) Ltd. *	-	-	74.49	-	-
PR Holiday Homes (Pvt) Ltd. *	-	-	73.57	-	-
Aitken Spence Hotels Ltd. *	-	-	72.96	-	-
Heritance (Pvt) Ltd. *	-	-	72.96	-	-
Jetan Travel Services Company (Pvt) Ltd. *	-	-	70.77	-	-
Hethersett Hotels Ltd. *	-	-	65.22	-	-
Cowie Investments (Pvt) Ltd. (a)*	-	-	44.69	-	-
<b>Joint ventures</b>					
Aitken Spence Travels (Pvt) Ltd. (a) (c)	1,704,000	50.00	50.00	60,876	60,876
Aitken Spence (Garments) Ltd.	998,750	50.00	50.00	26,257	26,257
MMBL Money Transfer (Pvt) Ltd. (a)	750,000	50.00	50.00	35,566	35,566
Hapag-Lloyd Lanka (Pvt) Ltd. (a) (d)*	-	-	60.00	-	-
Spence Maldives (Pvt) Ltd. *	-	-	60.00	-	-
Delta Shipping (Pvt) Ltd. *	-	-	51.00	-	-
Ace Travels & Conventions (Pvt) Ltd. (c) *	-	-	50.00	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. (c) *	-	-	50.00	-	-
Clark Spence Garments Ltd. *	-	-	50.00	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (d) *	-	-	50.00	-	-
Ace Bangladesh Ltd. (a) *	-	-	49.00	-	-
Business Travels Services LLC. (b) *	-	-	43.50	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. *	-	-	40.00	-	-
				4,673,384	4,390,779
<b>b) Preference Shares</b>					
Aitken Spence Aviation (Pvt) Ltd. (c)	500,000	100.00	100.00	5,000	5,000
Aitken Spence Hotel Holdings PLC. (a)	16,500,000	100.00	100.00	165,000	165,000
Kandalama Hotels Ltd.	17,500,000	100.00	100.00	175,000	175,000
Aitken Spence (Garments) Ltd.	4,000,000	72.70	72.70	40,000	40,000
Hethersett Hotels Ltd. *	-	-	74.49	-	-
Unique Resorts (Pvt) Ltd. *	-	-	74.49	-	-
				385,000	385,000
Provision for fall in value of investments				(169,507)	(175,807)
<b>Carrying amount as at 31st March</b>				<b>4,888,877</b>	<b>4,599,972</b>

a, b, c, d - refer note 38.



## 19.2 Investment in subsidiaries - quoted

	Number of shares	Company holding %	Group holding %	31.03.2012 Rs'000	31.03.2011 Rs'000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	239,472,667	71.20	74.49	2,458,287	2,458,287
<b>Carrying amount as at 31st March</b>				2,458,287	2,458,287
Market value as at 31st March				16,763,087	21,839,907

\* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels Ltd., Aitken Spence Travels (Pvt) Ltd., Aitken Spence (Garments) Ltd., Ace Cargo (Pvt) Ltd., Triton Ltd., Aitken Spence Shipping Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Hotels (International) Ltd., Crest Star (BVI) Ltd., Aitken Spence Hotel Management Asia (Pvt) Ltd., Clark Spence & Company Ltd., Aitken Spence Hotel Management (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd., or Port Management Container Services (Pvt) Ltd.

Jetan Travel Services Company (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 Ace Alliance Power Ltd., is incorporated in Bangladesh, PR Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Management (South India) (Pvt) Ltd. are incorporated in India and Business Travels LLC. is incorporated in Oman, while all other companies are incorporated in Sri Lanka.

a, b, c, d - refer note 38.

## 20 Investment in associates

## 20.1 Investment in associates - unquoted

	Group				Company			
	No. of shares	Holding %	31.03.2012 Rs'000	31.03.2011 Rs'000	No. of shares	Holding %	31.03.2012 Rs'000	31.03.2011 Rs'000
M.P.S. Hotels Ltd. (Ordinary shares)	-	-	-	36,114	-	-	-	-
Aitken Spence Plantation Managements Ltd. (b) (Ordinary shares)	8,300,000	39.0	165,000	165,000	8,300,000	39.0	165,000	165,000
Elpitiya Plantations PLC. (a) (b) (Ordinary shares) (Subsidiary of Aitken Spence Plantation Managements Ltd.)	-	24.0	-	-	-	-	-	-
<b>Carrying amount as at 31st March</b>			165,000	201,114			165,000	165,000
Share of movement in equity value			215,332	215,936			-	-
<b>Equity value of investments</b>			380,332	417,050			165,000	165,000

a, b, c - refer note 38.

## Notes to the Financial Statements

### 20.2 Investment in associates - quoted

	Group				Company			
	No. of shares	Holding %	31.03.2012 Rs.'000	31.03.2011 Rs.'000	No. of shares	Holding %	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Browns Beach Hotels PLC. (a)								
(Ordinary shares)	48,384,563	27.8	923,482	841,101			-	-
<b>Carrying amount as at 31st March</b>			923,482	841,101			-	-
Share of movement in equity value			166,343	76,851			-	-
<b>Equity value of Investments</b>			1,089,825	917,952			-	-
Market value of quoted investments as at 31st March			706,415	941,796			-	-
Equity value					Net book value			
- unquoted			380,332	417,050	- unquoted		165,000	165,000
Equity value					Net Book Value			
- quoted			1,089,825	917,952	- quoted		-	-
<b>Equity value as at 31st March</b>			1,470,157	1,335,002	Net book value as at 31st March		165,000	165,000

### 20.3 Summarised financial information of associates

#### Group share of balance sheet

Total assets	2,679,934	2,494,656
Total liabilities	(1,209,777)	(1,159,654)
	1,470,157	1,335,002

#### Group share of revenue and profit

Revenue	945,553	1,161,383
Profit (net of tax)	63,993	95,304
Dividends	-	34,066

### 21 Long-term investments

	Group			Company		
	No. of shares	31.03.2012 Rs.'000	31.03.2011 Rs.'000	No. of shares	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Rainforest Ecolodge (Pvt) Ltd. (Ordinary shares)	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Palm Village Hotels Ltd. (Ordinary shares)	1,815,674	10,070	10,070	934,707	3,533	3,533
Business Process Outsourcing LLC. (Ordinary shares)	7,500	8,640	8,640	7,500	8,640	8,640
Sumiko Lanka Hotels (Pvt) Ltd.						
(Secured Redeemable Debentures of Rs.100/- each)	-	130,700	55,700	-	130,700	55,700
Sumiko Lanka Hotels (Pvt) Ltd. (Preference shares)	-	-	75,000	-	-	75,000
Poovar Island Resorts (Ordinary shares)	988,764	126,650	126,650	-	-	-
Barefoot Resorts & Leisure (Pvt) Ltd. (Ordinary shares)	25,000	86,590	86,590	-	-	-
Cargo Village Ltd. (Ordinary shares)	38,571	357	357	-	-	-
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	-	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (Ordinary shares) *	-	-	90,450	-	-	-
		388,206	478,656		167,873	167,873
Provision for fall in value of investments		(4,711)	(4,711)		-	-
<b>Carrying amount as at 31st March</b>		383,495	473,945		167,873	167,873

\* Consequent to the purchase of an additional 30% stake in Colombo International Nautical and Engineering College (Pvt) Ltd., during the year, the investment is now accounted as a joint venture.

## 22 Deferred tax assets

		Group	
		31.03.2012 Rs.'000	31.03.2011 Rs.'000
22.1	<b>Movement in deferred tax assets</b>		
	Balance at the beginning of the year	138,314	56,823
	Companies acquired during the year	-	5,011
	Exchange gain	705	674
	Impact of rate change transferred to income statement	-	(27,845)
	Reversal of temporary differences transferred from income statement	71,449	103,651
	<b>Balance at the end of the year</b>	<b>210,468</b>	<b>138,314</b>
22.2	<b>Composition of deferred tax assets</b>		
	Deferred tax assets attributable to:		
	Defined benefit obligations	37,075	40,955
	Tax losses carried forward	257,761	212,868
	Other items	20,563	23,849
	Companies acquired during the year	-	5,011
	Property, plant & equipment	(104,931)	(144,369)
	<b>Net deferred tax assets</b>	<b>210,468</b>	<b>138,314</b>

## 22.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2012 Rs.'000	Recognised in income statement Rs.'000	Exchange gain Rs.'000	As at 31st March 2011 Rs.'000	Recognised in income statement Rs.'000	Subsidiaries acquired Rs.'000	Exchange gain Rs.'000	As at 1st April 2010 Rs.'000
<b>Deferred tax assets</b>								
Defined benefit obligations	37,075	(3,880)	-	40,955	297	-	-	40,658
Other items	20,563	(3,991)	705	23,849	360	-	674	22,815
Tax losses carried forward	257,761	44,893	-	212,868	212,506	-	-	362
Companies acquired / (transferred) during the year	-	(5,011)		5,011	(2,716)	5,011	-	2,716
	315,399	32,011	705	282,683	210,447	5,011	674	66,551
<b>Deferred tax liability</b>								
Property, plant & equipment	(104,931)	39,438	-	(144,369)	(134,641)	-	-	(9,728)
	(104,931)	39,438	-	(144,369)	(134,641)	-	-	(9,728)
<b>Net deferred tax assets</b>	<b>210,468</b>	<b>71,449</b>	<b>705</b>	<b>138,314</b>	<b>75,806</b>	<b>5,011</b>	<b>674</b>	<b>56,823</b>

## 23 Inventories

		Group		Company	
		31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Raw materials		1,414,101	1,333,840	-	-
Work in progress and finished goods		86,864	79,244	-	-
Consumables		287,502	194,640	1,651	1,755
		<b>1,788,467</b>	<b>1,607,724</b>	<b>1,651</b>	<b>1,755</b>

Value of inventories pledged as security for facilities obtained from banks by the Group amounted to Rs. 900 million (2010/2011-Rs. 683 million) (Company-nil).

## Notes to the Financial Statements

### 24 Trade & other receivables

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Trade receivables	7,438,967	3,466,261	-	-
Other receivables	1,611,956	776,592	611,879	272,611
Provision for bad and doubtful debts	(116,160)	(113,685)	-	(15,094)
	8,934,763	4,129,168	611,879	257,517
Loans to employees	19,064	19,205	17,228	16,842
	8,953,827	4,148,373	629,107	274,359

The movement of loans above Rs. 20,000/- given to executive staff is as follows:

#### Loan to company officers - summary

	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Balance as at the beginning of the year	16,842	14,667
Loans granted during the year	7,400	7,510
	24,242	22,177
Recoveries during the year	(7,014)	(5,335)
<b>Loans as at 31st March</b>	<b>17,228</b>	<b>16,842</b>

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

### 25 Current investments

	No. of shares	Group		No. of shares	Company	
		31.03.2012 Rs.'000	31.03.2011 Rs.'000		31.03.2012 Rs.'000	31.03.2011 Rs.'000
DFCC Bank (Ordinary shares)	24,770	399	399	24,770	399	399
Overseas Realty (Ceylon) PLC. (Ordinary shares)	3,750	37	37	3,750	37	37
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
Hatton National Bank PLC (Ordinary shares)	191,400	4,060	4,060	-	-	-
Distilleries Company of Sri Lanka PLC (Ordinary shares)	1,500,000	256,817	256,817	-	-	-
		261,436	261,436		436	436
Provision for fall in value of investments		(19,894)	-		-	-
<b>Carrying amount as at 31st March</b>		<b>241,542</b>	<b>261,436</b>		<b>436</b>	<b>436</b>
Market Value as at 31st March		241,542	322,164		2,839	2,184

### 26 Assets classified as held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/08 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd. & Ceyspence (Pvt) Ltd. under Assets held for sale. The liquidation of these companies are not yet concluded.

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Share of net assets of associates classified as held for sale	141,446	141,446	57,237	57,237
Net current assets of group companies classified as held for sale	7,679	40,043	-	13,600
	149,125	181,489	57,237	70,837

There were no discontinued operations recognised in the income statement during the period.

## 27 Segmental information - Group

## a. Business segment

	Total assets		Total liabilities	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Tourism sector	20,951,069	16,388,280	7,116,263	5,808,687
Cargo logistics sector	5,165,999	4,722,771	1,731,645	1,396,996
Strategic investments	20,772,729	14,891,287	11,300,199	5,972,414
Services sector	4,163,066	3,826,972	334,685	320,854
	51,052,863	39,829,310	20,482,792	13,498,951
Goodwill on consolidation	528,857	134,026	-	-
	51,581,720	39,963,336	20,482,792	13,498,951
Assets classified as held for sale	149,125	181,489	-	-
	51,730,845	40,144,825	20,482,792	13,498,951

	Additions to property, plant & equipment		Depreciation, amortisation and impairment of goodwill	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Tourism sector	1,411,176	664,872	488,910	786,085
Cargo logistics sector	282,515	162,974	137,960	108,826
Strategic investments	2,320,804	1,096,958	1,059,639	1,066,779
Services sector	181,114	88,131	90,940	132,750
	4,195,609	2,012,935	1,777,449	2,094,440

## b. Geographical segment

	Total assets		Total liabilities	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Sri Lanka	40,337,520	31,353,308	15,950,545	9,437,959
Asia & Africa	10,715,343	8,476,002	4,532,247	4,060,992
	51,052,863	39,829,310	20,482,792	13,498,951
Goodwill on consolidation	528,857	134,026	-	-
	51,581,720	39,963,336	20,482,792	13,498,951
Assets classified as held for sale	149,125	181,489	-	-
	51,730,845	40,144,825	20,482,792	13,498,951

	Additions to property, plant & equipment		Depreciation, amortisation and impairment of goodwill	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Sri Lanka	3,986,301	1,901,339	1,522,688	1,495,316
Asia & Africa	209,308	111,596	254,761	599,124
	4,195,609	2,012,935	1,777,449	2,094,440



## Notes to the Financial Statements

### 28 Stated capital & reserves

	31.03.2012 Rs.'000	31.03.2011 Rs.'000
<b>28.1 Stated capital</b>		
Stated capital as at 31st March	2,135,140	2,135,140

	31.03.2012 No. of shares	31.03.2011 No. of shares
Opening balance	405,996,045	270,664,403
Issue of shares on subdivision	-	378,929,642
Closing balance	405,996,045	405,996,045

### 28.2 Reserves

#### Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant & equipment. There were no restrictions on distribution of these balances to the shareholders.

#### 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 share premium of subsidiaries attributable to the Group.

### 29 Interest-bearing liabilities

#### 29.1 Analysed by lending institution

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Hatton National Bank PLC	4,385,423	3,332,877	700,000	100,000
DFCC Bank	1,994,100	250,731	1,300,000	100,000
Commercial Bank of Ceylon PLC	532,729	940,950	260,000	540,000
Hongkong & Shanghai Banking Corporation Ltd.	452,282	439,999	-	-
Nations Trust Bank PLC	122,033	204,848	-	-
Employees' Trust Fund	100,000	175,000	100,000	175,000
National Savings Bank	100,000	175,000	100,000	175,000
Union Assurance PLC	100,000	175,000	100,000	175,000
Indian Bank	80,000	140,000	80,000	140,000
Bank of Ceylon	6,050	20,117	-	-
Eagle Income Fund	2,400	4,200	2,400	4,200
Premier Leasing & Finance Ltd.	1,400	-	-	-
International Water Management Institute Pension Fund	800	1,400	800	1,400
Incorporated Trustees of the Church of England in Ceylon	800	1,400	800	1,400
Federal Bank Ltd.	-	454	-	-
	7,878,017	5,861,976	2,644,000	1,412,000
<b>Current portion of interest-bearing liabilities</b>	<b>(2,135,469)</b>	<b>(1,718,328)</b>	<b>(544,000)</b>	<b>(568,000)</b>
<b>Non-current interest-bearing liabilities</b>	<b>5,742,548</b>	<b>4,143,648</b>	<b>2,100,000</b>	<b>844,000</b>

## 29.2 Analysed by repayment period

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Payable within one year	2,135,469	1,718,328	544,000	568,000
Payable between one and two years	1,537,022	1,911,177	157,500	544,000
Payable between two and five years	3,584,686	1,802,093	1,732,500	-
Payable after five years	620,840	430,378	210,000	300,000
	7,878,017	5,861,976	2,644,000	1,412,000

## 29.3 Analysed by currency equivalent in rupees

	Group				Company	
	31.03.2012 Rs. Equivalent Rs.'000	%	31.03.2011 Rs. Equivalent Rs.'000	%	31.03.2012 Rs. Equivalent Rs.'000	31.03.2011 Rs. Equivalent Rs.'000
United States Dollars	3,492,293	44	3,888,966	66	-	-
Sri Lankan Rupees	4,385,724	56	1,973,010	34	2,644,000	1,412,000
	7,878,017	100	5,861,976	100	2,644,000	1,412,000

## 29.4 Movement of interest-bearing liabilities

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Total outstanding as at 01st April	5,861,976	6,697,809	1,412,000	1,620,000
Exchange difference	530,060	(189,341)	-	-
Loans obtained during the year	3,246,944	1,244,137	1,800,000	300,000
Companies acquired during the year	2,408	521	-	-
	9,641,388	7,753,126	3,212,000	1,920,000
Loan repayments during the year	(1,763,371)	(1,891,150)	(568,000)	(508,000)
<b>Total outstanding as at 31st March</b>	<b>7,878,017</b>	<b>5,861,976</b>	<b>2,644,000</b>	<b>1,412,000</b>
<b>Current portion of interest-bearing liabilities</b>	<b>(2,135,469)</b>	<b>(1,718,328)</b>	<b>(544,000)</b>	<b>(568,000)</b>
<b>Non-current interest-bearing liabilities</b>	<b>5,742,548</b>	<b>4,143,648</b>	<b>2,100,000</b>	<b>844,000</b>

## 30 Deferred tax liabilities

	Group	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000
<b>30.1 Movement in deferred tax liabilities</b>		
Balance at the beginning of the year	267,078	278,408
Companies acquired during the year	7,921	-
Impact of rate change transferred from income statement	-	(52,176)
Origination of temporary differences transferred to income statement	169,583	40,846
<b>Balance at the end of the year</b>	<b>444,582</b>	<b>267,078</b>
<b>30.2 Composition of deferred tax liabilities</b>		
Deferred tax liabilities attributable to;		
Property, plant & equipment	460,290	278,895
Undistributed profits of consolidated entities	8,588	12,497
Companies acquired during the year	7,921	-
Defined benefit obligations	(22,940)	(14,266)
Tax losses carried forward	(9,277)	(10,048)
<b>Net deferred tax liabilities</b>	<b>444,582</b>	<b>267,078</b>

## Notes to the Financial Statements

### 30.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2012	Subsidiaries acquired	Recognised in income statement	As at 31st March 2011	Recognised in income statement	As at 1st April 2010
<b>Deferred tax liabilities</b>						
Property, plant & equipment	460,290	-	181,395	278,895	24,982	253,913
Undistributed profits of consolidated entities	8,588	-	(3,909)	12,497	2,623	9,874
Companies acquired/ (transferred) during the year	7,921	7,921	-	-	(44,909)	44,909
	476,799	7,921	177,486	291,392	(17,304)	308,696
<b>Deferred tax assets</b>						
Defined benefit obligations	(22,940)	-	(8,674)	(14,266)	(932)	(13,334)
Tax losses carried forward	(9,277)	-	771	(10,048)	6,906	(16,954)
	(32,217)	-	(7,903)	(24,314)	5,974	(30,288)
<b>Net deferred tax liabilities</b>	444,582	7,921	169,583	267,078	(11,330)	278,408

### 31 Employee benefits

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
<b>31.1 Retirement benefits obligations</b>				
Present value of unfunded obligations	387,984	335,637	56,394	46,936
<b>Recognised liability for defined benefit obligations</b>	387,984	335,637	56,394	46,936
<b>31.2 Movement in present value of the defined benefit obligations</b>				
Defined benefit obligations as at 01st April	335,637	295,266	46,936	41,674
Benefits paid by the plan	(43,837)	(39,863)	(3,946)	(3,901)
Current service cost	36,105	31,702	5,166	4,252
Interest cost	39,563	35,423	5,632	5,001
Actuarial (gains) / losses	12,808	12,895	2,606	(90)
Exchange difference	112	(41)	-	-
Defined benefit obligations of companies acquired during the year	7,596	255	-	-
<b>Defined benefit obligations as at 31st March</b>	387,984	335,637	56,394	46,936

### 31.3 Expenses recognised in profit or loss

	Group		Company	
	31.03.2012 Rs.'000	31.03.2011 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000
Current service cost	36,105	31,702	5,166	4,252
Interest cost	39,563	35,423	5,632	5,001
Actuarial (gains) / losses	12,808	12,895	2,606	(90)
	88,476	80,020	13,404	9,163

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2012. The actuarial present value of the promised retirement benefits as at 31st March 2012 amounted to Rs. 387,984,018/- (Company - Rs. 56,394,211/-) The liability is not externally funded.

The principal actuarial assumptions used in determining the cost are given below;

- Discount rate 12%.
- Salary increments will range between 7% and 11% p.a.
- Retirement age of 55 years.
- The company will continue in business as a going concern

Assumptions regarding future mortality are based on published statistics and mortality tables.

## 32 Trade and other payables

	Group		Company	
	31.03.2012 Rs'000	31.03.2011 Rs'000	31.03.2012 Rs'000	31.03.2011 Rs'000
Trade payables	2,462,172	1,289,858	-	-
Other payables	4,137,237	2,648,753	230,612	330,633
Unclaimed dividends	4,652	3,576	4,652	3,576
	6,604,061	3,942,187	235,264	334,209

## 33 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 19.1 and pages 192 to 198 respectively. Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenue and expenses of the joint ventures.

	31.03.2012 Rs'000	31.03.2011 Rs'000
Income	3,448,173	2,858,405
Expenses	3,084,770	2,631,343
Current assets	1,297,850	1,041,646
Non-current assets	457,059	214,268
Current liabilities	1,392,251	958,122
Non-current liabilities	81,929	50,683

## 34 Contracts for capital expenditure

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

	31.03.2012 Rs'000	31.03.2011 Rs'000
Approximate amount approved but not contracted for	4,441,473	3,846,024
Approximate amount contracted for but not incurred	191,790	168,521
	4,633,263	4,014,545

## 35 Lease commitments

	31.03.2012 Rs'000	31.03.2011 Rs'000
Lease rentals due on non-cancellable operating leases of the Group are as follows;		
Lease rentals payable within one year	324,101	279,955
Lease rentals payable between one and five years	1,620,817	1,068,968
Lease rentals payable after five years	6,556,367	962,159
	8,501,285	2,311,082

## Notes to the Financial Statements

### 35.1 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels Ltd.	Dambulla	30 years
Hethersett Hotels Ltd.	Nuwara Eliya	82 years
Jetan Travel Services Company (Pvt) Ltd. *	Republic of Maldives	29 years
Cowrie Investments (Pvt) Ltd. *	Republic of Maldives	36 years
ADS Resorts (Pvt) Ltd. *	Republic of Maldives	14 years
Unique Resorts (Pvt) Ltd. *	Republic of Maldives	33 years
Ace Container Terminals (Pvt) Ltd.	Biyagama	75 years
Ace Container Terminals (Pvt) Ltd.	Katunayake	75 years
Ace Container Terminals (Pvt) Ltd.	Seethawake	40 years

\* During the year the Group's properties in the Republic of Maldives obtained extensions to the remaining lease periods upto a maximum of a further 25 years in terms of Section 8 of the second amendment to the Maldives Tourism Act (Law no. 2/99). The unexpired lease periods given above is reported after adjusting for such extensions.

### 36 Contingent liabilities

The contingent liability as at 31.03.2012 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 2,301 million. Of this sum Rs. 2,103 million and Rs. 198 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to associate companies. Liability as at 31.03.2012 on guarantees given by subsidiaries to third parties amounted to Rs. 2,683 million. 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 PLC.

Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company currently supplies power to the Ceylon Electricity Board based on a generation license validly obtained on 14th January 2004 for which payment has been received regularly. However, the Sri Lanka Electricity Act No.20 of 2009, states that for a company to be eligible to obtain a power generation license for power generation capacity of over and above 25MW, the company must be incorporated under the Companies Act No.7 of 2007, in which the government, a public corporation, a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury with the concurrence of the Minister in charge of the subject of Finance. However such determination has not been made by the Secretary to the Treasury to-date. Based on the legal opinion obtained by the company we are of the view that the above provision of the Act will not have a material impact on the financial position of the subsidiary and/or the Group. Further, in the absence of the determination by the Secretary to the Treasury, Aitken Spence PLC is unable to determine the financial effect on the dilution, if any, of its holding in the shares of Ace Power Embilipitiya (Pvt) Ltd.

### 37 Directors' fees

The Directors of the Company have received fees amounting to Rs. 122,400 /- from subsidiaries for the year ended 31st March 2012.

### 38 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, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC., Aitken Spence Hotel Management Asia (Pvt) Ltd., Ace Power Horana (Pvt) Ltd., and Ace Power Matara (Pvt) Ltd., which are Subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC., an associate company and the Chairman, Managing Director or a Director of companies indicated by " \* " in the list of companies disclosed under note 38.4.

Mr. J.M.S Brito, Deputy Chairman /Managing Director of the company is also the Chairman or a Director of the subsidiaries, joint ventures and associate companies that are indicated by " a " in Notes 19 and 20 to the financial statements. Mr. J.M.S Brito is also the Chairman of DFCC Bank., and DFCC Vardhana Bank Ltd.



Dr. R.M Fernando a Director of the company is also the Managing Director or a Director of the companies marked by "b" in note 19 and 20 to the financial statements.

Mr. G.M.P erera a Director of the company is also the Managing Director or a Director of the companies marked by "c" in note 19 and 20 to the financial statements. He is also a Director of Rainforest Ecolodge (Pvt) Ltd.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "d" in note 19 and 20 to the financial statements.

Mr. C.H. Gomez a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC.

Mr. N.J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of Distilleries Company of Sri Lanka PLC and Melstacorp Ltd.

Mr. V.M. Fernando a Director of the company is also the Chairman of Shipping and Cargo Logistics (Pvt) Ltd., which is a joint venture company of the Group. He is also the Chairman or a Director of Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., National Olympic Committee (NOC), and Dynamic AV Technologies (Pvt) Ltd.

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC., and Browns Beach Hotels PLC. He is also a Director of CIC Holdings PLC., LOLC PLC., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Royal Ceramics PLC., and Dankotuwa Porcelain PLC.

Transactions between the companies within the group and related parties are given in note no. 38.1 - 38.6.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2011/2012 Rs' 000	2010/2011 Rs' 000	2011/2012 Rs' 000	2010/2011 Rs' 000
<b>38.1 Transactions with subsidiary companies listed in note 19</b>				
Income from services rendered	390,020	361,392	N/A	N/A
Rent income received	15,735	10,380	N/A	N/A
Allocation of common personnel and administration expenses	42,112	41,439	N/A	N/A
Purchase of goods and services	29,652	42,741	N/A	N/A
Interest income received	140,321	175,781	N/A	N/A
Interest paid	264,157	190,039	N/A	N/A
<b>38.2 Transactions with associate companies listed in note 20</b>				
Sale of goods and services	4,260	9,498	7,068	31,416
Purchase of goods and services	615	1,013	14,014	48,177
<b>38.3 Transactions with joint venture companies listed in note 19</b>				
Sale of goods and services	54,148	63,781	N/A	N/A
Purchase of goods and services	2,658	38,642	N/A	N/A
<b>38.4 Transactions with other related companies</b>				
Sale of goods and services	-	-	270,443	183,958
Purchase of goods and services	120,225	14,246	675,755	664,202
Loans obtained	1,800,000	200,000	3,100,895	1,093,680
Repayment of loans and debentures	-	-	752,457	869,933
Short/ long term facilities as at 31st March	2,000,000	200,000	8,193,231	5,288,206

## Notes to the Financial Statements

Transactions with Ambewela Livestock Company Ltd.\*, Ambewela Products (Pvt) Ltd.\*, Stassen Exports (Pvt) Ltd.\*, Stassen International (Pvt) Ltd.\*, Stassen Natural Foods (Pvt) Ltd.\*, Stassen Foods (Pvt) Ltd.\*, Lanka Dairies (Pvt) Ltd.\*, Periceyl (Pvt) Ltd.\*, Lanka Bell (Pvt) Ltd.\*, Lanka Milk Foods (CWE) PLC.\*, Distilleries Company of Sri Lanka PLC.\*, Continental Insurance Lanka Ltd.\*, Bell Solutions (Pvt) Ltd.\*, Ceylon Garden Coir (Pvt) Ltd.\*, Indo Lanka Exports (Pvt) Ltd.\*, Texpro Industries Ltd.\*, Hatton National Bank PLC (Directed till 31.12.11)\*, DFCC Bank, DFCC Vardhana Bank Ltd., Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., Holcim (Lanka) Ltd., National Olympic Committee (NOC), Dynamic AV Technologies (Pvt) Ltd., CIC Holdings PLC, Melstacorp Ltd., Rainforest Ecolodge (Pvt) Ltd., LOLC PLC., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Royal Ceramics PLC., and Dankotuwa Porcelain PLC. are reflected under transactions with other related companies, above.

	Balances with Aitken Spence PLC		Balances with Group companies	
	2011/2012 Rs' 000	2010/2011 Rs' 000	2011/2012 Rs' 000	2010/2011 Rs' 000
<b>38.5 Amounts due from related parties</b>				
Fully owned subsidiaries	1,139,269	1,008,612	N/A	N/A
Partly owned subsidiaries	1,554,493	943,333	N/A	N/A
Joint ventures	29,912	51,059	N/A	N/A
Amount due from subsidiaries & joint ventures	2,723,674	2,003,004	N/A	N/A
Associates	3,983	8,143	6,100	23,326
Other related companies	-	-	6,831	7,136
<b>38.6 Amounts due to related parties</b>				
Fully owned subsidiaries	618,192	764,960	N/A	N/A
Partly owned subsidiaries	108,240	622,175	N/A	N/A
Joint ventures	1,240,578	553,571	N/A	N/A
Amount due to subsidiaries & joint ventures	1,967,010	1,940,706	N/A	N/A
Associates	726	45	14,088	482
Other related companies	2,000,000	200,556	6,754,080	3,988,882

### 38.7 Transactions with key management personnel

Aitken Spence PLC, considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of group companies. 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	37,571	316,775
Post employment benefits	-	29,728

No post-employment benefits were paid to key management personnel of Aitken Spence 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.

**39 Foreign currency translation**

The principal exchange rates used for translation purposes were;

	31.03.2012 Rs' 000	31.03.2011 Rs' 000
United States Dollar	127.85	110.46
British Pound	204.88	177.86
Euro	171.18	156.15
Oman Rial	332.96	286.73
South African Rand	16.63	16.18
Indian Rupee	2.50	2.48
Maldivian Rufiya	8.30	8.63
Bangladesh Taka	1.56	1.52

**40 Number of employees**

The number of employees of the Group at the end of the year was 5,791 (2011 - 5,328) The number of employees of the Company at the end of the year was 192 (2011 - 163).

**41 Events occurring after balance sheet date**

The Board of Directors of the Company resolved to recommend a first & final ordinary dividend of Rs. 1.40 per share for the year 2011/2012 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

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

**42 Comparative information**

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

## Consolidated Income Statement In USD

For the year ended 31st March		2012 USD:'000	2011 USD:'000
Revenue		239,894	227,628
Revenue tax		(3,743)	(3,755)
<b>Net revenue</b>		<b>236,151</b>	<b>223,873</b>
Other operating income		5,461	2,301
Changes in inventories of finished goods and work-in-progress		(46)	185
Raw materials and consumables used		(77,095)	(60,127)
Employee benefits expense		(28,005)	(27,660)
Depreciation, amortisation and impairment of goodwill		(13,903)	(18,961)
Other operating expenses - direct		(47,526)	(51,239)
Other operating expenses - indirect		(31,201)	(32,553)
<b>Profit from operations</b>		<b>43,836</b>	<b>35,819</b>
Finance income		3,825	4,481
Finance expenses		(5,428)	(6,620)
<b>Net finance expense</b>		<b>(1,603)</b>	<b>(2,139)</b>
Share of associate companies profit (net of tax)		501	863
<b>Profit before tax</b>		<b>42,734</b>	<b>34,543</b>
Income tax expense		(5,889)	(3,507)
<b>Profit for the year</b>		<b>36,845</b>	<b>31,036</b>
<b>Attributable to:</b>			
Equity holders of the company		29,012	22,958
Minority interest		7,833	8,078
<b>Profit for the year</b>		<b>36,845</b>	<b>31,036</b>
<b>Net profit attributable to Aitken Spence PLC</b>		<b>29,012</b>	<b>22,958</b>
Unappropriated profit brought forward		64,993	67,374
<b>Profit available for appropriation</b>		<b>94,005</b>	<b>90,332</b>
<b>Appropriations</b>			
Transfer to general reserve		5,922	12,652
Dividend for 2010/2011		3,176	2,450
<b>Retained in the business</b>		<b>84,907</b>	<b>75,230</b>
Earnings per Share	USD cents	= 7.15	5.66
Exchange rate	USD	= 127.85	110.46

Figures in brackets indicate deductions.

## Consolidated Balance Sheet In USD

<i>As at 31st March</i>	2012 USD:'000	2011 USD:'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	218,174	216,977
Leasehold properties	19,939	12,307
Intangible assets	4,137	1,213
Investment property	799	553
Investments in associates	11,499	12,086
Long term investments	3,000	4,291
Deferred tax assets	1,646	1,252
	259,194	248,679
<b>Current Assets</b>		
Inventories	13,989	14,555
Trade and other receivables	70,034	37,555
Amounts due from associates	48	211
Current investments	1,889	2,367
Deposits and prepayments	5,911	4,952
Current tax receivable	1,237	1,107
Short-term deposits	46,086	45,699
Cash at bank and in hand	5,068	6,663
	144,262	113,109
Assets classified as held for sale	1,166	1,643
<b>Total Assets</b>	404,622	363,431
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the company</b>		
Stated capital	16,700	19,330
Reserves	98,218	100,227
Retained earnings	84,907	75,230
	199,825	194,787
Minority interest	44,587	46,439
<b>Total Equity</b>	244,412	241,226
<b>Non-Current Liabilities</b>		
Interest-bearing liabilities	44,916	37,513
Deferred tax liabilities	3,477	2,418
Employee benefits	3,035	3,039
	51,428	42,970
<b>Current Liabilities</b>		
Trade and other payables	51,656	35,687
Interest-bearing liabilities repayable within one year	16,703	15,556
Amounts due to associates	110	4
Current tax payable	2,241	1,626
Short-term bank borrowings	38,072	26,362
	108,782	79,235
<b>Total Equity and Liabilities</b>	404,622	363,431
<i>Exchange rate</i>	<i>USD =</i>	
	127.85	110.46

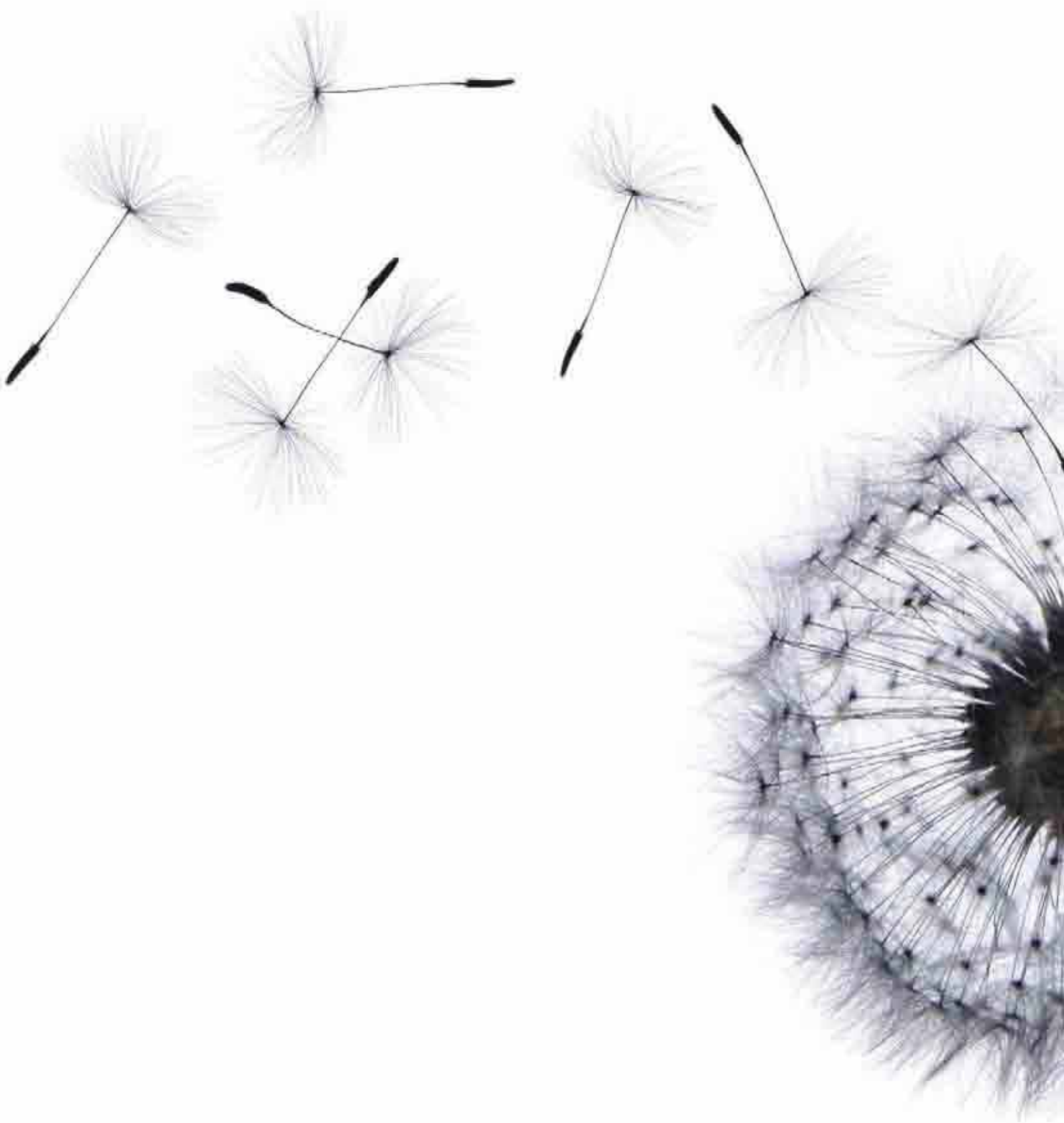




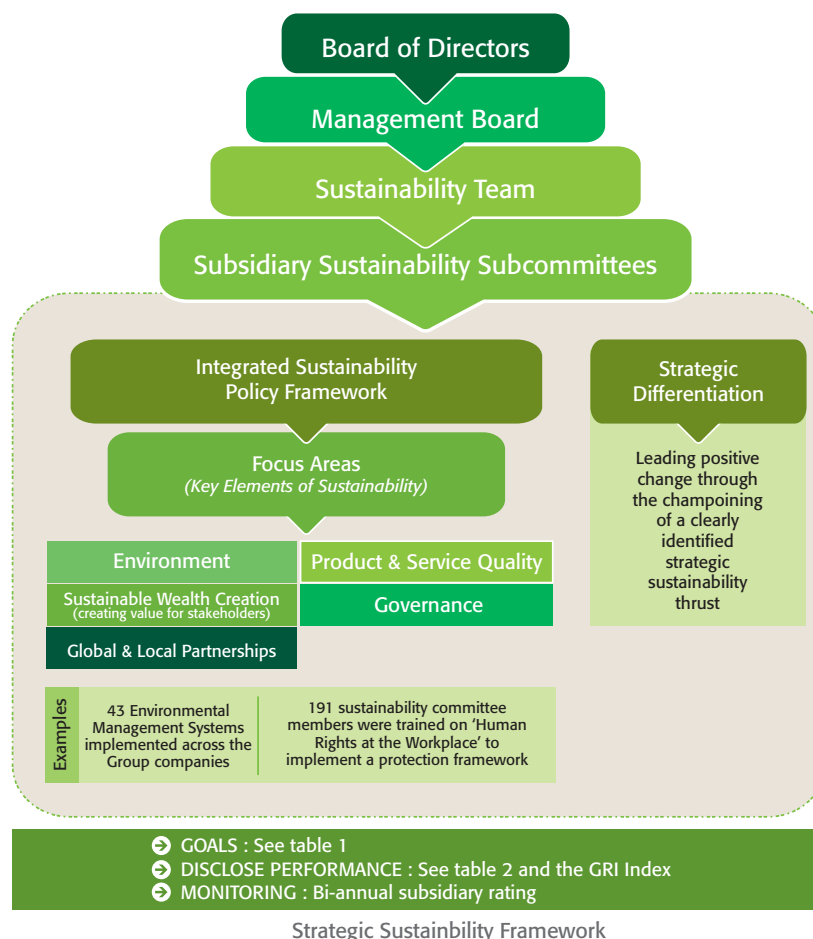
## Supplementary Information

Sustainability Strategy	158
Global Compact Principles	172
GRI Index	175
Investor Information	182
Ten Year Summary	187
Time Line	188
Economic Review	190
Group Companies	192
Glossary of Terms	199
Notice of Meeting	202
Form of Proxy	203

*resilient...*



## Sustainability Strategy



Organisations have come to the forefront of driving sustainability forward by engaging in efficient, productive and smarter ways of doing business to meet the challenges of economic, environmental and social risks. Adaptability to climate change, social and economic trends and future vulnerabilities would be a key ingredient to the profitability, integrity and viability of an organisation in the years to come. A strong sustainability-consciousness and a long term focused strategy have been hallmarks of Aitken Spence well before this global paradigm shift took shape. Throughout our history of over 150 years the company has always sought ways of making a meaningful and relevant contribution to all of our key stakeholders, thereby generating sustainable value and enduring relationships.

### Integrated Sustainability Strategy

By mid-2009, Aitken Spence began implementing a Group-wide integrated sustainability policy, which enabled the formal

and structured integration of sustainability into our business model. The policy encompasses 19 clauses on compliance, ethical conduct, environment, community outreach, sustainable processes, governance, stakeholder engagement, quality, customer service, talent management, innovation, health and safety, human rights, information security, continuous improvement and credible reporting. The policy framework is implemented on a tier basis, to ensure that basic requirements in all key areas are met. From a patchwork of sustainability initiatives tackled in different manners, the integrated policy served to blanket all areas identified as important for the sustainable growth of the organisation and implement essential activities in all areas across the Group. Simultaneously subsidiary companies are required to pay closer attention to key areas specific to their operation as per the impacts, risks and opportunities identified. For more details of this analysis see: [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability).

Tier I of the integrated policy framework involves the implementation of essential elements and activities to ensure sustainable operations and proactive risk management across all strategic business units (SBUs). In this respect, each subsidiary works towards setting benchmarks of acceptable behaviour, thereby setting a trend that leads itself to competitive advantage. The overarching elements of tier I policy implementation include the reduction of energy and water consumption and carbon emissions; zero waste dumping; increased resource efficiency; maintaining customer satisfaction and loyalty; establishing required governance structures; maintaining strong and competitive human resources and assisting communities.

Tier II action points are intended to raise Company benchmarks on various sustainability aspects to a level that is expected from a leading sustainable company. Companies who identify value in championing specific sustainability issues in their respective industries would consider the implementation of relevant tier III – IV action points.

Extensive efforts were undertaken during 2011/12 for capacity building on sustainability with the Group committing over 60,000 man hours towards capacity building on sustainability topics and implementation of the strategy. As of 31st March

2012 the Group companies had completed over 70% of the implementation of essential or tier I action points that are common to all SBUs and are now in the process of customising the remaining action points in a more SBU specific manner.

Companies undertake a process of leading positive change through the championing of a clearly identified strategic sustainability thrust, known as Strategic Differentiation. The differentiation so identified must be one that is directly connected to the operations of each SBU and therefore a source of sustainable business benefit. Companies are encouraged to share their knowledge and experience and to seek recognition for their efforts.

The Group's sustainability activities are conceptualised, directed and managed entirely through internal expertise, and are driven by the Sustainability Team which is supported by subsidiary-level sustainability sub committees. The Company has developed a Rating Scheme to assess the sustainability implementation standards of the different subsidiaries. This is presented to the Sustainability Team and the Management Board in a performance scorecard every 6 months.

## Sustainability Strategy

### Key Elements of Sustainability

Our focus areas of sustainability are categorised into the key elements listed below. The identified goals of key elements to achieve the sustainability model of the Group are presented in table 1.

Table 1.

Key Elements	Environment	Sustainable Wealth Creation	Product/Service Delivery	Governance	Local & Global Partnerships
Goals	<ul style="list-style-type: none"> <li>➤ <b>Mitigate adverse environmental impacts</b> from the operations using a scientific approach.</li> <li>➤ <b>Protect ecosystems</b> impacted by the operations of our company.</li> <li>➤ Increase <b>energy efficiency</b> and usage of energy from renewable and <b>cleaner energy sources</b>.</li> <li>➤ Improve <b>waste resource management</b>.</li> <li>➤ Develop adaptation strategies to tackle <b>climate change</b> effects on our business interests.</li> <li>➤ Develop and implement <b>good environmental programmes and policies</b>.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Maintain strong <b>economic performance</b>.</li> <li>➤ Establish and maintain a strong and competitive, skilled <b>human resource</b>.</li> <li>➤ <b>Community upliftment</b> through employment creation, local purchasing, child and elder care programmes.</li> <li>➤ <b>Infrastructure development</b>.</li> <li>➤ Review and revise the channels for all key <b>stakeholders</b> to provide feedback.</li> <li>➤ <b>Extend opportunities for skills development</b> and lifelong learning for the employees and communities.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure <b>product/service responsibility</b> and safety.</li> <li>➤ Ensure the <b>health and safety</b> of all key stakeholders including employees, guests and clients.</li> <li>➤ Engage with <b>suppliers</b>, contractors and other service providers to ensure all links within the supply chain network are aware of the Group's values and commitments.</li> <li>➤ Establish <b>quality management</b> systems aligned with internationally accepted standards.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Establish required <b>governance structures</b>.</li> <li>➤ Review and revise Group wide code of <b>ethics</b>, policies, practices and procedures as per the <b>risks, challenges and opportunities</b> identified.</li> <li>➤ Establish a workplace <b>human rights</b> protection framework.</li> <li>➤ Maintain <b>occupational health and safety systems</b> within all Group Companies.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Internalise the 10 principles of the <b>UN Global Compact</b>.</li> <li>➤ Internalise the 7 <b>UN Women's Empowerment Principles</b>.</li> <li>➤ Maintain a GHG emission inventory and meet the requirements of the <b>Caring for Climate initiative</b>.</li> <li>➤ Fulfil the commitment to the Global Compact Local Network.</li> <li>➤ Increase <b>awareness of global issues</b> on a local platform.</li> <li>➤ <b>Develop a network</b> of stakeholders with similar interests for knowledge sharing and to work on long term strategy development.</li> </ul>

In order to achieve the goals mentioned, the Group has prioritised the following activities and efforts for next financial year.

Table 2.

Key Elements	Environment	Sustainable Wealth Creation	Product/Service Delivery	Governance	Local & Global Partnerships
Priorities for 12/13	<ul style="list-style-type: none"> <li>➤ Reducing overall energy cost.</li> <li>➤ Increasing resource efficiency.</li> <li>➤ Zero waste dumping.</li> <li>➤ Increase awareness of environmental sustainability among employees and other key stakeholders.</li> <li>➤ Reduce withdrawal of freshwater by increasing efficiency of usage.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase engagement with key stakeholders to identify impacts and risks to plan adaptation and risk management strategies.</li> <li>➤ Increase hours committed for skills development and lifelong learning of the employees.</li> <li>➤ Engage in required skills development and improving the employability of target groups.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Carry out a customer perception study.</li> <li>➤ Implement brand awareness and brand qualities within the employees.</li> <li>➤ Strengthen the OHS risk management procedures of the strategic business units.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Implement the Human Rights Protection Framework.</li> <li>➤ Internalise the 7 Women's Empowerment Principles.</li> <li>➤ Continue to review the established policies, procedures and general practices against ISO 26000 guidelines and improve areas vulnerable to potential risk.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Engage more effectively with entities within the Global Compact network.</li> <li>➤ Increase awareness of the UNGC principles, the Women's Empowerment Principles.</li> <li>➤ Establish a carbon emission inventory and disclose data on emission reductions as per the Caring for Climate initiative.</li> </ul>



## Stakeholder engagement

The ability to engage with its stakeholders in healthy, mutually beneficial, lasting relationships forms the bedrock of a sustainable organisation. The multiple and diverse relationships built by Aitken Spence across industries and society have been formed on trust, mutual respect and understanding and developed over time. There are many channels in place, as illustrated in the diagram, to facilitate engagement with these stakeholders so that the Company and the Stakeholder both receive continuous feedback. At Aitken Spence, the feedback thus received is analysed based on the relevance and priority of each stakeholder group and enables us to make an internal judgment about business priorities.

Key sustainability issues and concerns addressed through stakeholder engagement include return on investment, profit and growth for investors, business partners and shareholders; career progression, benefits, remuneration, working facilities and personal development for employees; product and service quality, cost, reliability for customers; economic, social and environmental impact including local purchasing and employment for communities.

An example of a project launched in response to stakeholder concerns raised is the development of the container yard and the 400 ft stretch of road at Mabile at the cost of the company to improve the facility for customers and community members. (See performance table on pages 163 to 168.)

See [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability)

## Sustainability Reporting

The 2011/12 annual report of Aitken Spence PLC is presented as an integrated report – an attempt at portraying the sustainability strategy of the Group in its actual implementation structure. We believe that integrated reporting allows our stakeholders to evaluate the strategic, long term focus of our sustainability programmes.

The disclosures contained in this report follow the GRI G3.1 guidelines of the GRI Reporting Framework and meet the application criteria of a self-declared B Level report. The reporting process is driven and supervised entirely by the internal expertise of the Group.

This Annual Report complies with the financial reporting regulations pertaining to the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange, and follows the reporting criteria laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL).

## Report content and reporting boundary

The report encompasses information pertaining to all owned and managed operations with significant operational control, which includes operations in Asia and South Africa. A limitation of this report is that only the sustainability performance of owned and managed operations in Sri Lanka and Maldives are disclosed as the sustainability programmes have not yet been extended to other operations in India, Oman and South Africa.

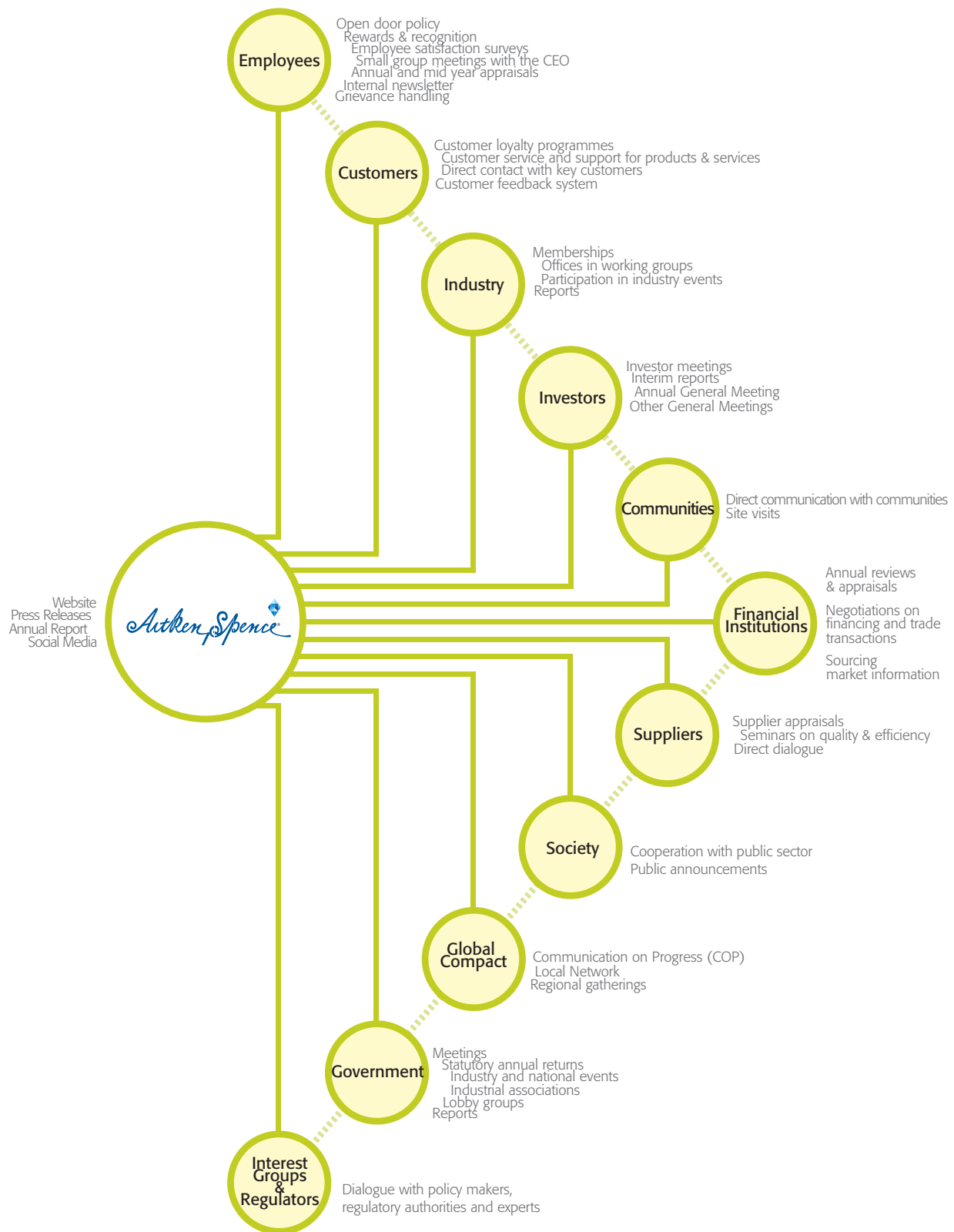
Data collection at SBU level has been sourced through the main representative of each subsidiary's sustainability sub committee, who has the responsibility to coordinate with their colleagues to extract the necessary information. Some limitations exist in the availability of required data. The data has been calculated and measured on the basis of generally accepted industry norms and standards, and has been presented in the most comparable manner.

The process of identifying the indicators to report, involved first shortlisting all performance indicators of significant importance to the Group by the centre. These indicators were then filtered through the subsidiary sustainability representatives and other subsidiary personnel following which, the senior management were consulted. The identification of the disclosures were governed by the materiality of the performance indicators, the completeness of the information available and the requirements of stakeholders.

For detailed information, please visit [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability).

Please refer to the GRI Index on pages 175 to 181.

## Sustainability Strategy



## Sustainability Performance Summary

The efforts made by Group Companies in achieving the goals mentioned in table 1 are summarised below.

Note: The impact/ risk analysis leading to this summary is available for perusal at [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability)

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Economic Performance	Policy, practices and proportion of spending on locally based suppliers -(EC6)	<p>Priority given to local service providers as general practice.</p> <p>Plantations source raw materials for estate requirements from a 25km radius vicinity of the estate. Certain exceptions are made for specialised items such as packing materials, fertilizer and chemicals which are sourced from reliable sources in Colombo.</p> <p>Aitken Spence Hotel Holdings PLC adheres to local purchasing as and when possible with a written policy for local purchasing being maintained at all Heritance properties. Aitken Spence Travels sources 100% of the safari vehicles from local suppliers.</p>
	Development and impact of infrastructure investments and services provided -(EC8)	<p>Aitken Spence power plant in Embilipitiya contributed Rs. 15 million for the Gemi Diriya Sanitation and Water Project which benefited about 350 families within the immediate vicinity of the power plant.</p> <p>Aitken Spence Travels together with the Foundation of Goodness renovated a building for educational purposes at the Anula Girl's Home at Balapitiya which provides hostel and educational facilities for around 45 destitute girls. The total project value was approximately USD 20,000.00</p> <p>The yard development project in the logistics segment of the Group, initiated in 2009, will benefit approximately 400 customers and 500 staff members once completed. Project cost is approximately Rs. 375 million. The road development project of about 400 ft in front of the container yard in response to key issues brought up in stakeholder engagements was completed in 2011 at a cost of about Rs. 8 million.</p> <p>For more details see Management Discussion and Analysis and <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a></p>
	Access points in low populated or economically disadvantaged areas by type  (FS13 – Financial Services Sector Supplement for MMBL Money Transfer)	<p>MMBL Money Transfer (Pvt) Ltd, (MMBL)- Access points are available in low populated and rural areas where access to financial services are provided to low income communities via rural banks or multipurpose Co-operative Societies. MMBL maintains 296 access points in the Western Province (54% of the total access points in the area), 94 in the Central Province (24%), 284 in the North Central Province (62%), 241 in the Southern Province (56%), 19 in the Eastern Province (18%) and 9 in the Northern Province (12%). No additional charges are imposed on the receiving parties and the community members are provided with fast and reliable service, for their fund transfer requirements, who would otherwise have to travel extensively to reach access points in the nearest towns.</p> <p>MMBL hopes to extend their services to increasing financial literacy among low income and rural communities as part of their strategic sustainability programmes.</p>
Energy	Energy saved due to conservation and efficiency improvement efforts -(EN5)	<p>Energy saving at Aitken Spence Towers, the Group's garment manufacturing segment, Elpitiya Plantations and the printing segment was 788.12 GJ, 460 GJ, approx. 1,000 GJ and approx. 560 GJ per annum respectively. Total energy saving at the Sri Lankan hotels was 2,335 GJ. Energy saving at the Maldivian hotels and the logistics segment is not quantifiable at the moment because of insufficient data.</p>

## Sustainability Strategy

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Energy	Initiatives to provide energy efficient of renewable energy based products and services-(EN6)	<p>Building Management System (BMS) maintained at Aitken Spence Towers.</p> <p>Energy efficient elevator product introduced and promoted in the local market by the elevators segment of the Group.</p> <p>New 'Green Printing' facility in the Group's printing segment which was completed during the year.</p> <p>Investment in mini hydro power projects in the plantation sector and renewable energy based power plants in the power segment.</p> <p>The destination management segment of the Group takes initiatives to increase fuel efficiency of the vehicle fleet.</p> <p>The Group's hotel properties maintain environmental friendly operations in line with the ISO 14001: 2004 standards and energy management systems in line with the ISO 50001:2011 standard.</p> <p>The Cargo Logistics sector of the Group maintains operations in line with the requirements of the ISO 14001:2004 certification for environmental management systems.</p> <p>See Management Discussion and Analysis and <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for more details.</p>
	Direct energy consumption by primary energy source-(EN3)	<p>Energy consumption from diesel fuel for the generator at Aitken Spence Towers was 131 GJ. At the Aitken Spence Power plants, the energy consumption is mostly from diesel fuel. The power plant in Matara consumed less than 3% of the generated power for plant operations and the power plant in Embilipitiya consumed 24.5 GJ. At the Sri Lankan hotels total direct energy consumption was 19,410 GJ from non-renewable sources and 7,752 GJ from biomass. Energy consumption at the plantations segment from petrol and diesel fuel was 5,446 GJ.</p> <p>See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for more details.</p>
	Indirect energy consumption by primary source-(EN4)	<p>Consumption of energy from electricity at Aitken Spence Towers was 10,218 GJ. The printing and logistics segments of the Group quantified the energy consumption from electricity at an average of 5,800 GJ per annum and approx. 5,000 GJ per annum respectively. The consumption of energy through electricity at the plantation sector was 14,589 GJ.</p> <p>Note: Percentage share of renewable and non-renewable energy sources is not possible to differentiate since both these sources are fed to a common grid. Thermal and hydro power are the main contributors while solar and wind energy sources have a very small share.</p> <p>See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for more details.</p>

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Emissions, effluents and waste	Total direct and indirect greenhouse gas emissions by weight -(EN16)	Aitken Spence Towers - 2,185.5 tonnes of carbon emissions. Sri Lankan hotels - 7,221 tonnes. Maldivian hotels - 14,105 tonnes.  Carbon emission details are currently not available for the Strategic Investments sector and the logistics segment of the Group. For more details see <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> .
	Initiatives to reduce greenhouse gas emissions and reductions achieved-(EN18)	At Aitken Spence Towers, the Building Management System (BMS) and programmes to conserve energy as per the Environmental Management Systems (EMSs) of the Group companies have achieved a reduction of 156.52 tonnes of carbon emissions from the previous year. Elpitiya Plantations achieved a reduction of 1,170 tonnes of carbon emissions from the mini hydro power plant at the Sheen estate. The quantified carbon emission reductions achieved at the Sri Lankan hotels was 691 tonnes.  Due to insufficient data the emission reductions achieved at the Maldivian hotels and the Group's logistics segment are not quantified.
	Total number and volume of significant spills -(EN 23)	None
Water	Total water withdrawal by source-(EN8)	<b>Municipal Water Utilities:</b> 142,256 m <sup>3</sup> <b>Cooling water for chillers:</b> 8,100 m <sup>3</sup> <b>Ground Water:</b> 474,768 m <sup>3</sup> <b>Sea Water:</b> 586,409 m <sup>3</sup> <b>Surface Water:</b> approx. 100 m <sup>3</sup> at the logistics segment. See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for more details.
	Percentage and total volume of water recycled and reused -(EN 10)	Aitken Spence Towers - approx. 121.67 m <sup>3</sup> of rainwater harvested for use in cisterns within the building.  The garments manufacturing segment - Water from the canteen is directed to a secondary water treatment unit before discharging and the quantity is not currently measured.  Elpitiya Plantations - Primary level and secondary level water treatment units installed at Talgaswella and Deviturai estates respectively where the treated water is reused in the palm cultivations.  Embilipitiya power plant - 640 m <sup>3</sup> which is 1.88% of the total volume of water used. Matara power plant - 150 m <sup>3</sup> which is less than 1% of the total volume of water used. Sri Lankan hotels – 219,508.9 m <sup>3</sup>  Treated water used for irrigation purposes is 1,750 m <sup>3</sup> (Assumption – 30% of the year are rainy days).  Maldivian hotels – 211,107 m <sup>3</sup> which is about 36% of the total water withdrawal.  For our Maldivian hotels, the assumption in the calculation of above figures is that since there is no separate metering, 10% of the total water produced by the Reverse Osmosis (RO) Plant is lost due to evaporation and other means.



## Sustainability Strategy

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Biodiversity	Location and size of land owned, leased, managed or adjacent to, protected areas and areas of high biodiversity value outside protected areas -(EN11)	<p>The transmission line corridors from the power plants to the nearest substations have relatively short distances – 500m in Horana, less than 1km in Embilipitiya and 3km in Matara. These lines restrict the height of trees along their path to 25m but do not restrict movement of any animals along the pathways. No heated water is released to the environment from any of the three power plants.</p> <p>The power plant in Embilipitiya is situated on a 44 acre block of land out of which 34 acres consist of flower gardens, herb gardens, tree cover, landscape plots, animal husbandry plots, and an apiary.</p> <p>The Heritance Kandalama Hotel conserves 58 acres of forest area, flora and fauna within the hotel and 198 acres of forest area rich in bio diversity outside the hotel.</p> <p>See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for more details.</p>
	Description of significant impacts of activities, products, services on biodiversity in protected areas and areas of high biodiversity value. -(EN12)	<p>None of our operations are located within close proximity to national reserves or protected areas. We take necessary precautions to ensure that areas of high biodiversity are protected and preserved.</p> <p>See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a></p>
Investment and procurement practices	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained -(HR3)	<p>Training conducted by the Group Business Development division for the sustainability subcommittee members of Aitken Spence Companies.</p> <p>191 out of 213 sustainability committee members, who are responsible for the execution of sustainability driven strategies at subsidiary level, have been trained since the Human Rights at the Workplace programme was introduced in 2010 to the Group. Of this number almost 55% received their training during the 2011/12 financial year. This amounts to 336.5 man hours committed across the Group to capacity building on “Human Rights at the Workplace” to date.</p>
Security practices	Percentage of security personnel trained in the organisation’s policies or procedures concerning aspects of human rights -(HR8)	<p>Group wide effort – Personnel in the Group Security Division and the externally sourced personnel at Aitken Spence Towers have been trained on “Human Rights at the Workplace” and a refresher programme is planned for 2012/13.</p>

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Product and Service Labeling	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction -(PR5)	<p>A customer responsiveness study launched during the year to assess the effectiveness of Group wide practices.</p> <p>General practice is to maintain direct contact and open communication with the customers and clients to ensure customer satisfaction.</p> <p>Audit conducted of the Aitken Spence Tower II to evaluate accessibility for differently abled persons.</p> <p>Printing segment – ISO 9001: 2008 certified Quality Management System. The printing segment was the latest company in the Group to receive the ISO 9001: 2008 certification.</p> <p>Garments manufacturing segment – Routine compliance audits conducted by the clients.</p> <p>Elpitiya Plantations - ISO 22001/ HACCP compliant food safety systems are maintained by the plantation sector of which 5 factories are certified.</p> <p>Power segment – All 3 Aitken Spence power plants are ISO 9001:2008, ISO 14001: 2004 and OHSAS 18001: 2007 certified.</p> <p>Aitken Spence Travels – ISO 9001: 2008 certified Quality Management System.</p> <p>Sri Lankan hotels – All owned hotels in Sri Lanka are Sri Lanka Tourist Board Star Classified.</p> <p>Cargo Logistics sector – ISO 9001: 2008 certified Quality Management System.</p> <p>Aitken Spence Shipping Ltd., maintains an ISO 9001:2008 certified QMS for their operations.</p>
Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Compliance	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations-(SO8)	None
	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations-(EN28)	None
	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services-(PR9)	None
Occupational Health & Safety	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases -(LA8)	Awareness programmes on HIV/AIDS as a workplace issue in the Group's orientation programme.

## Sustainability Strategy

Overview of Sustainability Performance		
Performance indicators for key aspects managed (Please also refer to the GRI Index on pages 175 to 181)		Tourism Cargo Logistics Strategic Investments Services
Training & Education	Programmes for skills management and lifelong learning – (LA11)	Programmes conducted by the Group Human Resources Division.  (See Human Resources report).
Non - discrimination	Total number of incidents of discrimination and actions taken – (HR4)	No incidents reported.
Marketing Communications	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship – (PR7)	None
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data – (PR8)	None

## Certifications

### ISO 14001:2004 Certification

#### Certifications sustained

Ace Power Embilipitiya (Pvt) Ltd.  
Ace Power Generation Horana (Pvt) Ltd.  
Ace Power Generation Matara Ltd.  
Bandarawela Hotel  
Browns Beach Hotel  
Earl's Regency  
Heritage Ahungalla  
Heritage Kandalama  
Heritage Tea Factory  
The Sands, Kalutara

#### New certifications

Ace Aviation Services (Pvt) Ltd.  
Ace Cargo (Pvt) Ltd.  
Aitken Spence Cargo (Pvt) Ltd.

### ISO 9001:2008 Certification

#### Certifications sustained

Ace Aviation Services (Pvt) Ltd.  
Ace Cargo (Pvt) Ltd.  
Ace International Express (Pvt) Ltd.  
Ace Power Embilipitiya (Pvt) Ltd.  
Ace Power Generation Horana (Pvt) Ltd.  
Ace Power Generation Matara Ltd.  
Aitken Spence Cargo (Pvt) Ltd.  
Aitken Spence Travels Ltd.  
Aitken Spence Shipping Ltd.

#### New certifications

Aitken Spence Printing & Packaging

### Forestry Stewardship Certificate (FSC)

Elpitiya Lifestyle Solutions (Pvt) Ltd. received the Forestry Stewardship Certificate (FSC) accreditation from the Control Union of Certifications of Netherlands, for Forestry Standards with the FSC Chain of Custody (COC) 'Lanka' Group.

### ISO 50001: 2011 Certification

#### New certifications

Heritage Ahungalla  
(First resort hotel in the world to receive the certification)

### ISO 22000/ HACCP: 2005 Certification

#### Certifications sustained

Deviturai Tea Factory  
Dunsinane Tea Factory  
Earl's Regency  
Heritage Ahungalla  
Heritage Kandalama  
Heritage Tea Factory  
Nayapana Tea Factory  
New Peacock Tea Factory  
Talgaswella Tea Factory  
Adaaran Club Rannalhi  
Adaaran Select Meedhupparu  
Adaaran Select Hudhuran Fushi  
Adaaran Prestige Vadoo

### Greening SL Hotels Certificate - Ministry of Tourism, Sri Lanka Sustainable Energy Authority & Ministry of Environment & Natural Resources

#### Certifications sustained

Bandarawela Hotel  
Browns Beach Hotel  
Earl's Regency  
Heritage Ahungalla  
Heritage Kandalama  
Heritage Tea Factory  
Hilltop Hotel  
The Sands, Kalutara

### OHSAS 18001: 2007 Certification

#### Certifications sustained

Ace Power Generation Matara Ltd.  
Ace Power Generation Horana (Pvt) Ltd.  
Ace Power Embilipitiya (Pvt) Ltd.

### Worldwide Responsible Accredited Production (WRAP) Certification

#### Certifications sustained

Aitken Spence Garments

### Hygienically Certified Establishment (HCE): SGS

#### Certifications sustained

Bandarawela Hotel

### EarthCheck Silver Certificate

#### Certifications sustained

Bandarawela Hotel  
Browns Beach Hotel  
Earl's Regency  
Heritage Ahungalla  
Heritage Kandalama  
Heritage Tea Factory  
Hill Top Hotel  
Heritage Ayurveda Maha Gedara  
The Sands, Kalutara

## Sustainability Strategy

### Recognition

#### Group Awards - Aitken Spence PLC

- Ranked at No. 2 in the STING Corporate Accountability Index 2012 out of 63 leading business entities and SMEs in Sri Lanka, Aitken Spence PLC remains the 'Best in Class for Policy Coverage' and is the highest ranked Diversified Holdings Company in the Index. The Company has also maintained the Platinum Classification for the third consecutive year.
- Ranked among the Ten Best Corporate Citizens of Sri Lanka, which is conducted by the Ceylon Chamber of Commerce, for the 6th consecutive year.
- Aitken Spence PLC won the Silver award in the Diversified Holdings category at the ICASL Annual Report Awards 2011.

#### Tourism Sector

##### Aitken Spence Hotel Holdings PLC

- Winner of the Hospitality Sector at the National Business Excellence Awards (NBEA) 2011 presented by the National Chamber of Commerce of Sri Lanka. Aitken Spence Hotel Holdings PLC also won a Merit Award in the Extra Large category.
- Silver award winner in the Hotel Companies category at the ICASL Annual Report Awards 2011.
- Winner of the Medium Scale category at the ACCA Sustainability Reporting Award 2012 (ACCA Sri Lanka).
- Heritance Hotels crowned the Most Energy Efficient Hotel Chain in Sri Lanka at the National Energy Efficiency Awards 2011. The hotel chain bagged the Gold (Heritance Kandalama), Silver (Heritance Tea Factory) and Bronze (Heritance Ahungalla) Awards.
- Ranked at 8th place out of 63 leading corporate entities and state owned enterprises in Sri Lanka in the STING Corporate Accountability Index 2012. Aitken Spence Hotels Holdings has been rated Gold again.
- Heritance Hotels collectively won 13 special awards out of a total of 32 special awards at the 14th Culinary Art Competition organised by the Chefs Guild of Sri Lanka in August 2011. The special awards received include the award for the Best Hotel Team in the island. Aitken Spence Hotels won an unprecedented 145 medals at the competition.

##### Heritance Kandalama

- Heritance Kandalama received the International Gold Award for the Built Environment at the International Green Apple Awards ceremony held at the University of Westminster in London.
- Gold Flame Award - Sri Lanka National Energy Efficiency Awards 2011
- Gold Award in the Large Scale Hotel category - National Green Awards 2011.
- Presented with a Green Hero Award by the Green Organisation at their 18th annual international awards ceremony held at the House of Commons in recognition of the environmental projects at Heritance Kandalama.
- Winner of Most Outstanding Regional Team (Cultural Triangle Province) at the 14th Culinary Art Competition (August 2011) organised by the Chefs Guild of Sri Lanka.
- Awarded the Best Host Hotel for Eco Tourism at the Sri Lanka Tourism Awards 2010 which concluded in May 2011.

##### Heritance Ahungalla

- Bronze Flame Award - Sri Lanka National Energy Efficiency Awards 2011.
- Named Best Hotel Team, Best Culinary Team in Sri Lanka and Most Outstanding Regional Team (Southern Province) at the 14th Culinary Art Competition (August 2011) organised by the Chefs Guild of Sri Lanka.
- Awarded the Best 5-Star Resort in the island at the Sri Lanka Tourism Awards 2010 (which concluded in May 2011).

##### Heritance Tea Factory

- First Sri Lankan hotel to win a Pacific Asia Travel Association (PATA) Grand Award in its 2012 awards.
- Presented a Green Hero Award by The Green Organisation at their 18th annual international awards ceremony held at the House of Commons in recognition of the environmental projects at Heritance Tea Factory.
- Heritance Tea Factory received the International Gold Award for Architectural Heritage at the International Green Apple Awards ceremony held at the University of Westminster in London.
- Silver Flame Award in the Large Scale Hotel Sector category at the Sri Lanka Energy Efficiency Awards 2011.



- Awarded the Best 4-Star Resort in the island for the second year in a row at the Sri Lanka Tourism Awards 2010 (which concluded in May 2011).
- Silver Award in the Medium Scale Hotel category - National Green Awards 2011.

#### **Adaaran Select Meedhupparu**

- Winner of the Thomson Gold Award 2011 for the Three T category in Maldives.
- Winner of the Best Hotel Partner category and the Best Hotel Partner of TEZ TOUR in the TEZ WORLDBERRY Award for two consecutive years – 2010, 2011.

#### **Adaaran Club Rannalhi**

- Winner of the TEZ WORLDBERRY award in 2010 & 2011; Winner of best Hotel Partner category and the best Hotel-partner of TEZ TOUR – 2010, 2011.

#### **Aitken Spence Travels**

- Hayes and Jarvis (British Tour Operator) Service Excellence award 2011.
- Hayes and Jarvis Preferred Partner award 2011.

### **Cargo Logistics Sector**

#### **Port Management Container Services Ltd.**

- Aitken Spence's port efficiency enhancement and terminal management services segment, Port Management Container Services Ltd. was one of the three shortlisted listed finalists for the 'Investment in People' award at the inaugural Containerisation International Awards held in London. The award attracted 90 applications from companies worldwide. The other two finalists were Port of Salalah in Oman and the Belgium-based multinational Safmarine Lines.

### **Strategic Investments Sector**

#### **Elpitiya Plantations**

- The Plantations Human Development Trust (PHDT) recognised the General Manager of Talgaswella Estate as the Best Manager for his "Outstanding Achievements in Improving Quality Life of Workers, Worker Families on the Estate".
- The Child Development Centre (CDC) of Gulugahakanda estate has been recognised at regional level as the "Best Child Development Centre" by the PHDT.

#### **Ace Printing & Packaging (Pvt) Ltd.**

- Aitken Spence Printing won 3 Distinction and 4 Merit awards at the Sri Lanka Print Exhibition & Awards Night "Collate 2012" organised by the Sri Lanka Association of Printers.
- Winner of 4 Gold awards, 3 Silver awards and 1 Bronze award at the Lanka Star Competition in the Consumer, Transport And Student category.

### **Services Sector**

#### **MMBL Money Transfer (Pvt) Ltd.**

- Locations of MMBL agents emerged victorious at the "WU & You Sri Lanka 2011", a programme organised by Western Union to honour the best performing locations within their Sri Lanka network. MMBL locations made up 67 of the 91 locations recognised including 4 of the top 5 locations in Sri Lanka.

## Global Compact Principles

The United Nations Global Compact (UNGC) is a voluntary strategic policy initiative launched by the UN in order to encourage businesses to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour standards, environment and anti-corruption. Aitken Spence PLC has been a signatory of the Global Compact since 28th May 2002 and a privileged member of the UNGC steering committee of the Sri Lanka Network. We have also been appointed to the Board of Directors of the UNGC Network Ceylon which is currently chaired by Dr. Rohan Fernando who is a Director of Aitken Spence PLC.

The UNGC Local Network's role is to promote the Global Compact within Sri Lanka and to facilitate the progress of companies engaged in the Global Compact with respect to implementation of the ten principles, create opportunities for multi-stakeholder engagement, collective action and to deepen the learning experience of all participants through their own activities and promote action in support of broader UN goals.

Note: Integrated Policy of Aitken Spence PLC is available at [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability)

UNGC Principle	Relevant GRI Indicators Disclosed	General Practices at Aitken Spence
<b>Human Rights</b>		
1. Businesses should support and respect the protection of internationally proclaimed human rights	LA8, LA14, HR3, HR4, HR8, PR8	<p>The Integrated Sustainability Policy of Aitken Spence PLC formalises the general practice of the Company to support and protect internationally proclaimed human rights by including a written clause (Clause P) on the same;</p> <ul style="list-style-type: none"> <li>• Building capacity on 'Human Rights at the Workplace' (structured training programme reviewed by reputed human rights lawyer in Sri Lanka) for the Group's sustainability subcommittee members</li> <li>• Assessment of the Aitken Spence PLC policies, procedures and general practices against the essential, expected and exemplary action points of the Human Rights Protection Framework as subscribed by the Business Leaders Initiative.</li> <li>• Open door policy for grievance handling where all employees are encouraged to go to the highest authority figure for any complaints</li> <li>• Planned activities for 2012/13 include refresher training for the Group Security Division and the externally sourced security personnel on duty at the Aitken Spence premises on Vauxhall Street as well as extending the assessment of policies/ procedures/ general practices of individual Aitken Spence Companies to identify SBU specific activities.</li> </ul>
2. Businesses should make sure that they are not complicit in human rights abuses	HR3, HR4, HR8	

UNGC Principle	Relevant GRI Indicators Disclosed	General Practices at Aitken Spence
<b>Labour Standards</b>		
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA5, HR3	Sri Lanka has become signatory to and ratified the core conventions of the International Labour Organisation which are in the areas of Freedom of Association, Forced Labour, Discrimination and Child Labour. The Group rigidly complies with the labour laws of Sri Lanka and the ILO conventions with respect to employment of persons.
4. Businesses should uphold the elimination of all forms of forced or compulsory labour	HR3	The Group affords equal opportunities to existing and potential employees irrespective of gender, race, or religion. All eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path. The Recruitment Policy (not a public document) of the company ensures that discrimination is discouraged and no persons below the legal minimum age are offered employment. The common practice of the Company is to match the skill sets of employees to the job description rather than allocating specific quotas to different groups.  General practices of Aitken Spence PLC have been reviewed against the Human Rights Framework as explained above.  An assessment has also been conducted of the Company's Group-wide practices in line with the Women's Empowerment Principles and action points which can be implemented have been identified. Further discussions are still in place to implement the principles within the Group strategies.
5. Businesses should uphold the effective abolition of child labour	HR3	
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA14, HR3, HR4, HR8	

UNGC Principle	Relevant GRI Indicators Disclosed	General Practices at Aitken Spence
<b>Environment</b>		
7. Businesses should support a precautionary approach to environmental challenges	(EN18 Partially reported)	<p>The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. Environmental Management Systems (EMSs) aim to identify activities and aspects that have significant impacts on the environment proactively and manage them through programmes that are formulated through a scientific approach. Implementation of EMSs in line with the ISO 14001:2004 standard is considered an essential action point for the sustainable development of the Company. Aitken Spence Group currently has 43 EMSs, 12 of which are certified with more EMSs to be certified in the foreseeable future.</p> <p>Continuous awareness building for sustainability sub-committees as well as all Aitken Spence staff members is conducted as and when possible. Selected representatives from across the Group were trained as Internal EMS Auditors and 27 members completed this programme with another class of Aitken Spence executives scheduled to follow the programme in May 2012.</p>
8. Businesses should undertake initiatives to promote greater environmental responsibility	EN5, EN6, EN8, EN11, EN12, EN23, EN28  (EN3, EN4, EN10, EN16, EN18 Partially reported)	<p>Commemorating 'World Days' such as the World Environment Day gives the organisation an opportunity to increase awareness among a larger audience. The 2011 World Environment Day was marked with an email awareness campaign to all executive staff and a training programme conducted for Aitken Spence Travels staff on the 'Forest Diversity of Sri Lanka' marking the year of forests declared by the UNEP. Prior to the World Water Day 2012 an email quiz was carried out asking simple questions related to water scarcity where the winners were sponsored free waterless car washes (promoting new technologies)</p> <p>Participating in public forums and sharing our experiences is another method used to influence a larger audience to be more environmentally conscious.</p>
9. Businesses should encourage the development and diffusion of environmental friendly technologies	EN5, EN6 (EN10, EN18 Partially reported)	<p>Energy efficiency improvement programmes and energy management efforts across the Group are discussed in detail in other sections of this report (See GRI Index on pages 175 to 181).</p> <p>With the aim of monitoring our carbon emissions more efficiently we have initiated an emission inventory for the Group Companies.</p>
<b>Anticorruption</b>		
10. Businesses should work against corruption in all its forms, including extortion and bribery	SO2, SO3	<p>The Company code of ethics has stringent instructions on anti-corruption.</p> <p>The Internal Audit Department of the Company audits all units periodically to make sure that adequate internal control systems are in place to prevent and detect fraud. All employees including new recruits are required to know the stipulated procedures and carry out their business activities in accordance with them. Even at our estates while all executive staff receives training and awareness at Group learning programmes, Company procedures on anti-corruption and ethical behaviour are mentioned in all appointment letters including those of estate workers.</p>

## GRI Index

■ Fully disclosed ■ Partially disclosed

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
<b>1.</b>	<b>Standard Disclosures - Strategy and Analysis</b>						
1.1	Statement from the Managing Director and Chairman	Chairman's Report Managing Director's Review	■	Organizational governance	6.2	1.1	6-9 10-15
1.2	Key impacts, risks and opportunities	Managing Director's Review Risk Management	■	Organizational governance	6.2	1.2	10-15 86-94
<b>2.</b>	<b>Standard Disclosures - Organisational Profile</b>						
2.1	Name of the Organisation	Corporate Information	■	-	-	-	IBC
2.2	Primary brands, products and/or service	Management Discussion and Analysis Group Companies	■	-	-	2.1	28-61 192-198
2.3	Operational structure of the organisation	Management Discussion and Analysis Group Companies	■	Organizational governance	6.2	2.5/2.6	28-61 192-198
2.4	Location of the organisations headquarters	Corporate Information	■	-	-	-	IBC
2.5	Number of countries where the organisation operates	Management Discussion and Analysis Our Network	■	-	-	2.7	28-61 26-27
2.6	Nature of ownership and legal form	Corporate Information	■	-	-	2.5	IBC
2.7	Markets served	Management Discussion and Analysis Financial Statements Our Network	■	-	-	2.3/2.7	28-61 112-153 26-27
2.8	Scale of the organisation	Management Discussion and Analysis Financial Statements	■	-	-	27	28-61 112-153
2.9	Significant changes during the reporting period	Chairman's Report Managing Directors Review Management Discussion and Analysis Annual Report of the Board of Directors	■	-	-	-	6-9 10-15 28-61 102-106
2.10	Awards received in the period	Recognition & Certifications	■	-	-	-	169-171
<b>3.</b>	<b>Standard Disclosures - Report Parameters</b>						
3.1	Reporting Period	1st April 2011 to 31st March 2012	■	-	-	3.1	-
3.2	Date of the most recent previous report	31st March 2011	■	-	-	3.1	-
3.3	Reporting cycle	Annual	■	-	-	3.1	-
3.4	Contact point for further information	Corporate information	■	-	-	-	IBC
3.5	Process for defining report content	Sustainability Reporting	■	-	-	3.2	161
3.6	Boundary of the report	Sustainability Reporting	■	-	-	3.2/ 3.3	161
3.7	Limitation on the scope of the boundary of the report	Sustainability Reporting	■	-	-	3.2/ 3.4	161
3.8	Basis of reporting on joint ventures and other operations	Financial Statements	■	-	-	3.2	112-153
3.9	Data measurement techniques	Sustainability Reporting	■	-	-	-	161
3.10	Effects of any re-statements	Financial Statements	■	-	-	-	112-153
3.11	Significant changes from previous reporting periods	Sustainability Reporting Management Discussion and Analysis	■	-	-	3.2	161 28-61





















## GRI Index

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
<b>4.</b>	<b>Standard Disclosures - Governance, Commitments and Engagements</b>						
4.1	Governance structure of the organisation	Chairman's Report Corporate Governance		Organizational governance	6.2	-	6-9 74-85
4.2	Indicate whether the chair of the highest governance body is also an executive member	Corporate Governance		Organizational governance	6.2	-	74-85
4.3	The Board composition	Corporate Governance		Organizational governance	6.2	-	74-85
4.4	Mechanisms for shareholders and employees to provide recommendations	Stakeholder Engagement		Organizational governance	6.2	-	161,162
4.5	Linkages between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	Remuneration Committee Report Corporate Governance Financial Statements		Organizational governance	6.2	-	107 74-85 112-153
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance		Organizational governance	6.2	-	74-85
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy	Corporate Governance		Organizational governance	6.2	-	74-85
4.8	Internally developed statements of mission or values, codes of conduct and principles	Vision Corporate Governance Risk Management		Organizational governance	6.2	-	IBC 74-85 86-94
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Risk Management Corporate Governance		Organizational governance	6.2	-	86-94 74-85
4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance		Organizational governance	6.2	-	74-85
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk Management		Organizational governance	6.2	-	86-94
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Risk Management Global Compact Principles		Organizational governance	6.2	-	86-94 172-174
4.13	Memberships of 'Aitken Spence PLC' in associations (such as industry associations) and/ or national/ international advocacy organisations	Membership in the Ceylon Chamber of Commerce Membership in the Steering Committee of the Global Compact Network Ceylon (GCNC) Member of the Board of the GCNC Members of the Sri Lanka Association of Software and Services Companies (SLASSCOM) (See <a href="http://www.aitkenspence.com/sustainability">www.aitkenspence.com/sustainability</a> for a detailed list)		Organizational governance	6.2	-	-
4.14	List of stakeholder groups engaged by the organisation	Sustainability Strategy		Organizational governance	6.2	5.1	158-171








Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
4.15	Basis of identification and selection of stakeholder	Sustainability Strategy	■	Organizational governance	6.2	5.2	158-171
4.16	Approaches to stakeholder engagement	Sustainability Strategy	■	Organizational governance	6.2	5.3	158-171
4.17	Key topics and concerns raised through stakeholder engagement	Sustainability Strategy	■	Organizational governance	6.2	5.4	158-171
<b>Performance Indicators - Economic Performance Indicators</b>							
EC1	Direct economic value generated and distributed	Financial Review	■	Community involvement and development Community involvement Wealth and income creation Social investment	6.8 6.8.3 6.8.7 6.8.9	ECON1	62-73
EC 3	Coverage of the organisations defined benefit plan obligations	Financial Statements	■	-	-	ECON2	112-153
EC 6	Policy, practices, and proportion of spending on locally-based suppliers	Management Discussion and Analysis Sustainability Strategy	■	Promoting social responsibility in the value chain Community involvement and development Employment creation and skills development Wealth and income creation	6.6.6 6.8 6.8.5 6.8.7	ECON4	28-61 158-171
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Management Discussion and Analysis Sustainability Strategy	■	Economic, social and cultural rights Community involvement and development Community involvement Education and culture* Employment creation and skills development Technology development and access* Wealth and income creation Social investment	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9	ECON5	28-61 158-171

## GRI Index

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
<b>Performance Indicators - Environmental Performance Indicators</b>							
EN5	Energy saved due to conservation and efficiency improvements	Management Discussion and Analysis Sustainability Strategy		The Environment Sustainable resource use	6.5 6.5.4	ENVT5	10-15 158-171
EN6	Initiatives to provide energy – efficient or renewable energy based products and services and the reduction in energy consumption as a result of these initiatives					ENVT6	
EN8	Total water withdrawal by source	Sustainability Strategy				ENVT8	158-171
EN11	Location and size of land owned, leased managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Risk Management Sustainability Strategy		The Environment Protection of the environment & biodiversity, and restoration of natural habitat	6.5 6.5.6	ENVT11	86-94 158-171
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas					ENVT12	
EN23	Total number and volume of significant spills	Sustainability Performance Summary		The Environment Prevention of pollution	6.5 6.5.3	ENVT18	163-168
EN28	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations	Sustainability Performance Summary		The Environment	6.5	ENVT22	163-168
EN3	Direct energy consumption by primary energy source	Sustainability Strategy		The Environment Sustainable resource use	6.5 6.5.4	ENVT3	158-171
EN4	Indirect energy consumption by primary source			The Environment Sustainable resource use	6.5 6.5.4	ENVT4	
EN10	Percentage and total volume of water recycled and reused			The Environment Sustainable resource use	6.5 6.5.4	ENVT10	
EN16	Total direct and indirect greenhouse gas emissions by weight			The Environment Climate change mitigation action	6.5 6.5.5	ENVT13	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Management Discussion and Analysis Sustainability Strategy		The Environment Climate change mitigation action	6.5 6.5.5	ENVT14	10-15 158-171
<b>Performance Indicators - Social Performance Indicators</b>							
<b>Labour Practices and Decent Work</b>							
LA1	Total workforce by employment type, employment contract and region	Human Resources		Labour Practices Employment and employment relationships	6.4 6.4.3	SOCL1	95-99

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
LA3	Benefits provided for full time employees	Bonus/ Salary increments on performance basis Festival advance Medical benefits Retirement benefits obligations		Labour Practices Employment and employment relationships Conditions of work and social protection	6.4 6.4.3 6.4.4	SOCL3	-
LA5	Minimum notice periods	1 month		Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue	6.4 6.4.3 6.4.4 6.4.5	-	-
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	Awareness session on HIV/AIDS as a workplace issue in the Group's Orientation Programme for new recruits.		Labour Practices Health and safety at work Community involvement and development Community involvement Education and culture Health	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8	SOCL6	-
LA11	Programmes for skills management and lifelong learning	Human Resources		Labour Practices Human development and training in the workplace Employment creation and skills development	6.4 6.4.7 6.8.5	SOCL8	95-99
LA12	Percentage of employees receiving regular performance and career development reviews	100% of the executive cadre		Labour Practices Human development and training in the workplace	6.4 6.4.7	-	-

## GRI Index

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
LA14	Ratio of basic salary of men to women by employee category	1:1		Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships Conditions of work and social protection	6.3.7 6.3.10 6.4 6.4.3 6.4.4	-	-
<b>Society Performance Indicators</b>							
SO2	Percentage and total number of business units analyzed for risks related to corruption	Risk Management Global Compact Principles		Fair Operating Practices Anti-corruption	6.6 6.6.3	-	86-94 172-174
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures					-	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Sustainability Performance Summary		Fair Operating Practices Respect for property rights Wealth and income creation	6.6 6.6.7 6.8.7*	-	163-168
<b>Human Rights Performance Indicators</b>							
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Global Compact Principles Sustainability Strategy		Human Rights Avoidance of complicity	6.3 6.3.5	-	172-174 158-171
HR4	Total number of incidents of discrimination and actions taken	Sustainability Performance Summary		Human Rights Resolving grievances Discrimination and vulnerable groups Fundamental principles and rights at work Employment and employment relationships	6.3 6.3.6 6.3.7 6.3.10 6.4.3	-	163-168
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights	Sustainability Performance Summary		Human Rights Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.5 6.4.3 6.6.6	-	163-168



Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	NGRS Indicator	Page No.
<b>Product Responsibility Performance Indicators</b>						
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Management Discussion and Analysis Sustainability Strategy	Consumer Issues Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Access to essential services* Education and awareness	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	SOCL16	28-61 158-171
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Sustainability Performance Summary	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Consumer service, support and complaint and dispute resolution Education and awareness	6.7 6.7.3 6.7.6 6.7.9	SOCL18	163-168
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Sustainability Performance Summary	Consumer Issues Consumer data protection and privacy	6.7 6.7.7	-	163-168
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Sustainability Performance Summary	Consumer Issues Consumer service, support and complaint and dispute resolution*	6.7 6.7.6	SOCL19	163-168

\* Indirectly relevant

## Investor Information

### Stock Exchange Listing

Aitken Spence PLC., is a Public Quoted Company, the issued ordinary shares of which are listed on the Colombo Stock Exchange. Stock Exchange code for Aitken Spence PLC share is "SPEN". Reuter code of Aitken Spence PLC is "SPEN.CM".

Market Sector: Diversified Holdings

### ORDINARY SHARES

#### Information on share trading

	2011/12	2010/11
Number of transactions	6,772	16,124
No. of shares traded during the year	100,909,029	63,532,950
Value of shares traded during the year (Rs. Million)	12,144	19,529
Percentage of total value transacted	2.77	2.57
Market Capitalisation on 31st March (Rs. Million)	45,756	65,893
Percentage of total Market Capitalisation	2.27	2.72

#### Market Value

	Highest Rs.	Lowest Rs.	Year End Rs.
2009/2010	1,450.00	330.00	1,373.75
2010/2011 - Pre Sub Division*	3,500.00	1,340.00	
2010/2011 - Post Sub Division	200.10	159.00	162.30
2011/2012	169.50	100.00	112.70

The market value of the Ordinary share as at 24th May 2012 was Rs.110.00

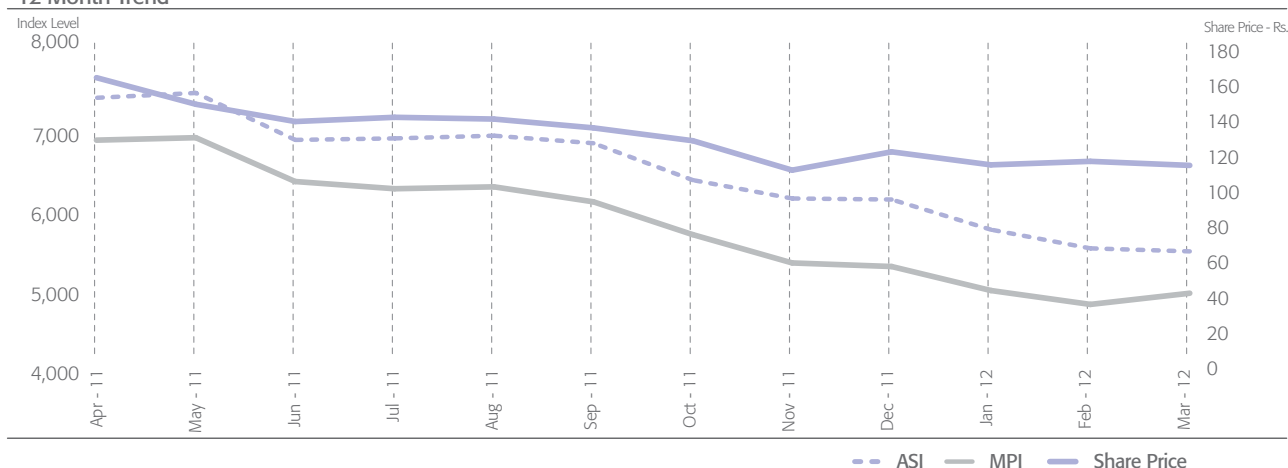
\* Each ordinary share registered as at 5th October 2010 was sub divided in to 15 ordinary shares.

#### Net Assets per share

	31st March 2012	31st March 2011	31st March 2010
The Group (Rs.)	62.93	53.00	46.54
The Company (Rs.)	25.37	22.02	18.61

The above figures are restated taking into consideration the sub-division of share.

#### Share Prices vs Indices - 2011/2012 12 Month Trend

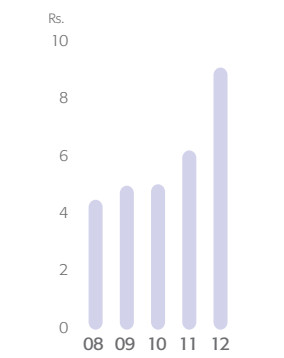


## Earnings

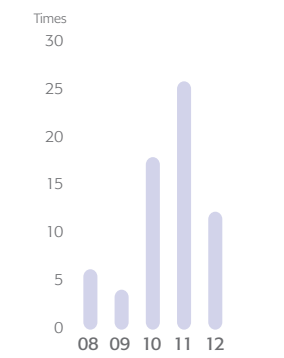
	31st March 2012	31st March 2011	31st March 2010
Earnings per share (Rs.) Basic/Diluted	9.14	6.25	5.07*
Price Earnings ratio (P/E)	12.33	25.97	18.06*

\* The above figures are restated taking into consideration the sub-division of shares.

**Earnings Per Share**  
for the year ended 31st March



**Price Earnings Ratio**  
as at 31st March



## Shareholder Base – Voting Ordinary Shares

There were 4,606 voting registered shareholders as at 31st March 2012 (31st March 2011 - 5,045). The distribution schedule of the number of shareholders and the percentage holdings are as follows:

Range of shareholding	31st March 2012			31st March 2011		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,755	956,184	0.24	2,937	1,046,723	0.26
1,001 - 10,001	1,397	4,724,408	1.16	1,588	5,257,778	1.29
10,001 - 100,000	350	10,332,137	2.54	402	12,150,286	2.99
100,001 - 1,000,000	72	20,410,435	5.03	80	23,380,370	5.76
1,000,001 - above	32	369,572,881	91.03	38	364,160,888	89.70
Total	4,606	405,996,045	100.00	5,045	405,996,045	100.00

## Analysis of Shareholders

### Resident/Non-Resident

	31st March 2012		31st March 2011	
	No. of shares	%	No. of shares	%
Nationals	220,627,110	54.34	249,004,786	61.33
Non- Nationals	185,368,935	45.66	156,991,259	38.67
Total	405,996,045	100.00	405,996,045	100.00

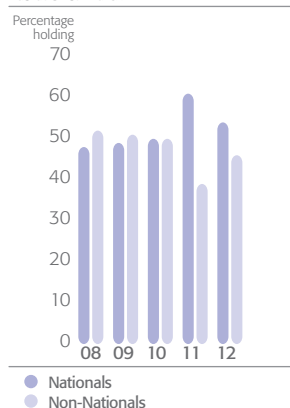
## Investor Information

### Individuals / Institutions

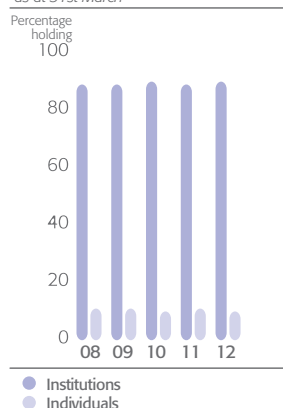
	31st March 2012		31st March 2011	
	No. of shares	%	No. of shares	%
Institutions	367,415,231	90.50	363,033,649	89.42
Individuals	38,580,814	9.50	42,962,396	10.58
Total	405,996,045	100.00	405,996,045	100.00

As per the rule No 7.6 (iv) of Colombo Stock Exchange, percentage of public holding as at 31st March 2012 was 40.26%.

**Nationals & Non-Nationals**  
as at 31st March



**Institutions & Individuals**  
as at 31st March



### Shareholding of directors together with their spouses in Aitken Spence PLC

	31st March 2012	31st March 2011
Mr. J.M.S. Brito	294,495	288,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	-

### Indirect holding by Directors

	31st March 2012	31st March 2011
Mr. G.C. Wickremasinghe – Manohari Enterprises Ltd	298,830	298,830
Mr. D.H.S. Jayawardena – Stassen Exports Ltd	3,244,500	3,244,500
– Milford Exports (Ceylon) Ltd	4,321,500	4,321,500

### In Group companies

		31st March 2012	31st March 2011
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	106,596	106,596
	Mr. G.C. Wickremasinghe	2,852,241	2,852,241
	Mr. R.N. Asirwatham	1,000	-

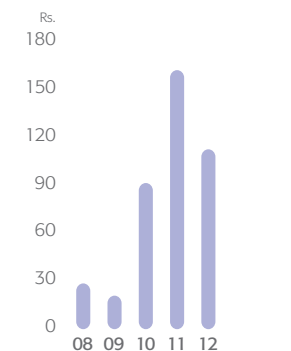
		31st March 2012	31st March 2011
Hethersett Hotel Ltd.	Mr. G.C. Wickremasinghe	1,041,500	1,041,500

### Twenty largest shareholders as at 31st March 2012

	Name	No. of shares	%
1.	Distilleries Company of Sri Lanka PLC	113,728,925	28.01
2.	Rubicond Enterprises Limited	65,990,145	16.25
3.	Melstacorp (Pvt) Limited	47,359,256	11.66
4.	HSBC International Nominees Limited-BPSS LUX-Aberdeen Global-Asian Smaller Companies Fund	23,745,300	5.85
5.	HSBC International Nominees Ltd-BPSS LDN- Aberdeen Asia Pacific Fund	17,192,300	4.23
6.	HSBC International Nominees Ltd-BPSS LUX-Aberdeen Global-Emerging Markets Smaller Companies Fund	11,000,000	2.71
7.	HSBC International Nominees LTD-SSBT-Aberdeen Institutional Commingled Funds, LLC	10,129,500	2.49
8.	Mr. G. C. Wickremasinghe	7,308,240	1.80
9.	HSBC International Nominees Ltd-SSBT-National Westminster Bank Plc As Depositary of First State Asia Pacific Fund, A Sub Fund of First State Investments ICVC	7,232,455	1.78
10.	Placidrange Holdings Limited	5,521,500	1.36
11.	Mellon Bank N.A.-Florida Retirement System	5,050,852	1.24
12.	Employees Provident Fund	5,000,063	1.23
13.	HSBC International Nominees Ltd-Bp2s London Aberdeen New Dawn Investment Trust Xcc6	4,503,555	1.11
14.	HSBC International Nominees Ltd-BPSS LDN-Aberdeen Investment Fund ICVC Aberdeen Emerging Markets Fund	4,342,500	1.07
15.	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
16.	HSBC International Nominees Ltd-BPSS LUX-Aberdeen Global-Emerging Markets Equity Fund	4,311,000	1.06
17.	HSBC International Nominees Ltd.-SSBT-Janus Overseas Fund	3,768,000	0.93
18.	Stassen Exports Limited	3,244,500	0.80
19.	Ms. A.T. Wickremasinghe	3,211,975	0.79
20.	Ms. K. Fernando	3,135,070	0.77
	Total	332,122,450	86.20

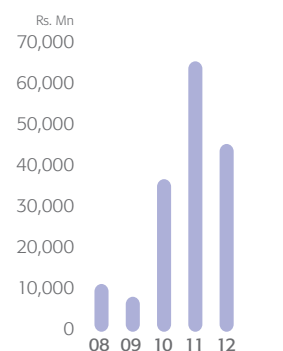
#### Market Value Per Share

as at 31st March



#### Market Capitalisation

as at 31st March





## Investor Information

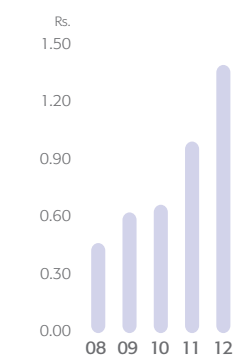
### Dividends

An ordinary dividend of Rs 1.40 per share (2010/2011 – Rs. 1.00 per share) has been recommended to the shareholders for approval at the forth coming Annual General Meeting.

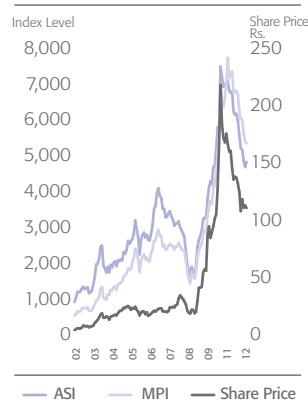
### History of Dividend Per Share and Dividend Cover for the Past 10 Years

Year	Dividend Per Share (Rs.)	Dividend Cover
2002/03	0.30	4.34
2003/04	0.40	7.88
2004/05	0.40	6.88
2005/06	0.43	6.90
2006/07	0.43	8.30
2007/08	0.47	9.72
2008/09	0.63	7.93
2009/10	0.67	7.61
2010/11	1.00	6.25
2011/12	1.40	6.53

**Dividend Per Share**  
for the year ended 31st March



**Share Prices vs Indices**  
10 Year Trend



### Unsecured Redeemable Debentures 2006-2012

The Company, in a private placement, raised Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/- each. Fitch Ratings Lanka Limited assigned a credit rating of AA (lka) on these debentures.

#### (i) Fixed rate

3,000,000 Fixed rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 with interest payable annually at the rate of 13.75% p.a. The applicable interests on these debentures were duly paid on 25th October 2011. In accordance with the terms of the Issue, 30% of the face value (Rs. 30/-) of these debentures were redeemed each on 25th October 2010 and 25th October 2011.

#### (ii) Floating rate

6,600,000 Floating rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 (4,100,000) and 24th November 2006 (2,500,000) with interest payable semi annually at an interest rate of six months gross Treasury Bill rate + 1.25% p.a. The applicable interests on these debentures were duly paid on 25th April 2011 and 25th October 2011. In accordance with the terms of the Issue, 30% of the face value (Rs. 30/-) of these debentures were redeemed each on 25th October 2010 and 25th October 2011.

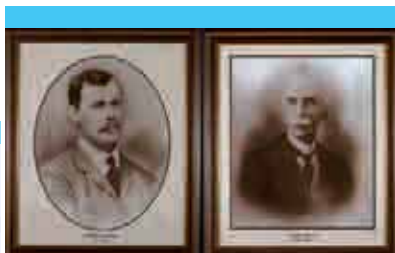
## Ten Year Summary

Year ended 31st March	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000
<b>Operating Results</b>										
Revenue	30,670,417	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160	7,030,843
Profit before taxation	5,463,457	3,815,555	3,353,169	3,396,916	3,064,792	2,582,088	1,910,115	1,721,123	1,883,501	877,992
Taxation	752,900	387,335	366,193	328,385	235,110	298,018	197,623	162,599	184,005	145,576
Profit after taxation	4,710,557	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496	732,416
Profit attributable to Aitken Spence PLC	3,709,162	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523	525,185
<b>Equity &amp; Liabilities</b>										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,134,326	2,130,837	2,112,433
Reserves	12,557,127	11,071,652	9,317,199	7,227,545	3,505,284	2,673,510	2,370,383	2,306,075	2,038,132	975,543
Retained earnings	10,855,377	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517	2,405,847	1,626,591
Minority interest	5,700,409	5,129,687	4,566,388	4,553,439	3,881,704	3,193,710	2,679,745	1,774,362	1,765,622	1,433,522
Non-current liabilities	6,575,114	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832	3,439,933
Current liabilities	13,907,678	8,752,588	8,352,184	8,072,337	8,495,631	6,393,881	6,182,957	3,288,637	3,432,392	2,492,515
	51,730,845	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537
<b>Assets</b>										
Property, plant & equipment	27,893,497	23,925,653	23,328,896	22,635,636	16,982,305	16,770,495	15,450,267	11,005,913	8,576,500	7,754,569
Leasehold property	2,549,265	1,359,483	1,468,449	1,505,151	1,356,987	-	-	-	-	-
Intangible assets	528,857	134,026	154,185	109,164	122,520	159,407	191,811	170,058	92,017	98,117
Investment property	102,156	102,799	28,936	28,936	28,936	28,936	28,936	28,936	-	-
Investments	1,853,652	1,808,947	1,251,078	1,157,582	1,028,065	867,209	903,608	1,202,476	1,150,139	856,579
Deferred tax assets	210,468	138,314	56,823	74,008	39,342	-	-	-	-	-
Current assets	18,443,825	12,494,114	11,093,448	10,721,243	11,465,087	8,524,778	6,632,072	4,699,342	4,459,006	3,371,272
Assets classified as held for sale	149,125	181,489	161,663	149,124	161,951	-	-	-	-	-
	51,730,845	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537
<b>Share Information</b>										
Earnings per share (Rs.)	9.14	6.25	5.07	5.02	4.53	3.60	2.99	2.75	3.16	1.31
Market value per share (Rs.) - post share sub division	112.70	162.30	-	-	-	-	-	-	-	-
Market value per share (Rs.) - pre share sub division	-	-	1,373.75	315.00	430.00	380.00	339.00	380.00	263.50	140.00
Market capitalisation on 31st March (Rs. mn)	45,756	65,893	37,182	8,526	11,639	10,285	9,176	10,282	7,113	3,754
Price earnings ratio	12.33	25.97	18.05	4.18	6.32	7.05	7.56	9.20	5.56	7.11
Net assets per share (Rs.)	62.93	53.00	46.54	42.06	29.32	24.46	21.01	18.64	16.24	11.72
<b>Employees Information</b>										
No. of employees	5,791	5,328	5,042	5,045	5,090	4,199	4,209	4,209	4,112	3,590
Value added per employee (Rs. '000)	2,058	1,884	1,770	1,635	1,503	1,467	1,038	857	897	697
<b>Ratios &amp; Statistics</b>										
Ordinary dividend (Rs. '000)	568,394	405,996	270,664	257,131	189,465	175,931	175,931	162,341	161,969	120,974
Dividend per share (Rs.)	1.40	1.00	0.67	0.63	0.47	0.43	0.43	0.40	0.40	0.30
Dividend cover (times covered)	6.53	6.25	7.61	7.93	9.72	8.30	6.90	6.88	7.88	4.34
Dividend - payout ratio	0.15	0.16	0.13	0.13	0.10	0.12	0.14	0.15	0.13	0.23
Current ratio (times covered)	1.33	1.43	1.33	1.33	1.35	1.33	1.07	1.43	1.30	1.35
Debt-equity ratio	0.18	0.16	0.22	0.29	0.41	0.49	0.48	0.45	0.27	0.52
ROE (%)	15.76	12.55	11.45	14.08	16.86	15.82	15.08	15.79	22.60	11.77
Interest cover ratio	42.14	23.48	6.44	6.54	5.78	4.93	6.38	9.66	12.12	5.10



### 1868

In the southern port city of Galle, Thomas Clark and Patrick Gordon Spence ventured into partnership as merchants and commission agents under the name of 'Clark & Spence'.



### 1873

Name of the partnership in Colombo was changed to 'Aitken Spence Company', after the two brothers Edward and S.R Aitkin joins Thomas Clark and G. Spence.



### 1876

Lloyds of London appoints Aitken Spence & Co., as the agents for Ceylon - a position which the Company holds to this date.



### 1952

The partnership of Edward Aitken and Patrick Gordon Spence, was further strengthened with the attachment of other British capitalists, who later converted the business to a Private Limited Liability Company.

### 1993

Entrance into the Maldivian tourism sector with the acquisition of Bathala Island resort in Maldives establishes Aitken Spence as the pioneers in this field.



### 1994

Commenced commercial operations of Heritance Kandalama one of the worlds defining ecologically conscious hotels and becomes the first Asian hotel to receive the prestigious 'Green Globe 21' certification.



### 1996

The first theme hotel in Sri Lanka 'The Tea Factory, commences operations. The Hotel is awarded the 'Building Conservation award by the Royal Institution of Chartered Surveyors London'.



### 2002

The Governments decision to rely on private sector for generation of power, the first 20 MW thermal power plant is completed in Matara.





### 1974

The first resort hotel of Aitken Spence 'Neptune Hotel' was constructed in Beruwala designed by the renowned architect Geoffrey Bawa. Neptune now is rebranded as 'Heritage Ayurveda Maha Gedara'.



### 1977

The Company which is an IATA agent moved into inbound and outbound travel, with this Aitken Spence Travels Ltd was incorporated.



### 1983

The Company shares were quoted for the first time on the Colombo Stock Exchange with an issued share capital of 51 million.



### 1985

Printing business which was successfully carried out as a division of Aitken Spence & Co., was separated and Aitken Spence Printing (Pvt) Ltd was incorporated.

Ace Containers (Pvt) Ltd, was incorporated, taking over the inland container terminal at Mattakkuliya.

### 2005

The 100 MW thermal power plant at Embilipitiya was completed and commences its commercial operations. Adaaran Prestige Water Villa - a twenty exclusive luxury water villas at Meedhupparu Island is launched.

### 2007

Aitken Spence obtains the management of four hotel properties in Oman, becoming the first hospitality company to enter the Middle East. During that same year the Group becomes the first Sri Lankan Company to venture into 'Port Efficiency Management' outside Sri Lanka.

### 2008

The Group opens 'Adaaran Prestige Vadoo' the fifth resort with fifty luxury villas in close proximity to the Malé atoll.

Aitken Spence Corporate office is relocated to 'Aitken Spence Tower II', with the completion of the construction of a luxurious office complex.

### 2009

Acquires Logilink(Pvt) Ltd a container freight station operation with specialized solutions for warehousing and garments on hangers.



## Economic Review

### Overview

The Sri Lankan economy grew by 8.3% in 2011, keeping pace with the 8.0% growth experienced in 2010. Industrial and the services sectors were the drivers of the high growth momentum in 2011. Industrial output, which accounts for under a third of GDP, grew by 10.3% powered by the manufacturing sub sector which grew by 7.9% due to the contribution made by the garments industry. Construction sub sectors also grew by double-digits, reflecting the major infrastructure projects undertaken by the Government and the private sector.

The Services sector, the largest component of GDP, grew 8.6% with the Hotels and Restaurant sub sector recording a remarkable 26.4% growth as tourist numbers to the country increased. Earnings from tourism reached a record USD 830 million as the number of arrivals exceeded 855,000. The transport and communications sub sectors also grew steadily as the northern and eastern provinces became more integrated with the rest of the economy.

During the first half of 2011 the agricultural output declined due to the adverse weather conditions prevalent in the country but recovered during the second half of the year to record a growth of 1.5%.

The inflation level was maintained at single digits throughout the year, averaging 6.7% though the food inflation was prone

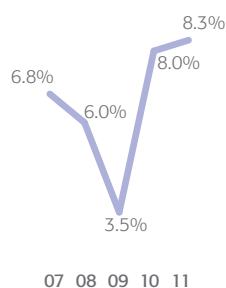
to volatility, especially due to supply side constraints resulting from flood damage, crop failures and world market conditions.

The total consumption expenditure increased by 22.4% to Rs. 5,536 billion of the total consumption. Private consumption grew by 25.1% which was one of the key drivers of economic expansion, fueled by remittances, greater demand from the northern and eastern provinces, and salary increases for public servants.

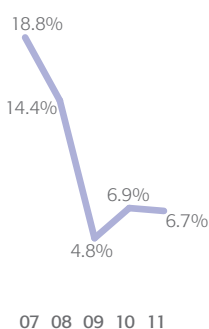
Imports and exports both recorded strong growth, the former by 50.7% due to higher oil prices and strong domestic demand coupled with imports of raw materials for the garments industry and capital goods. Export earnings recorded a growth of 22.4% which was supported by garments, rubber and rubber products, and agricultural produce. The current account deficit more than doubled to 7.8% of GDP in 2011 as imports outpaced exports at a rapid pace. The larger current account deficit was a reflection of the widened trade deficit. Total foreign remittances received from migrant workers' and the increased surplus in the services account helped contain the current account deficit.

The Central Bank maintained a moderate stance on the monetary policy in 2011 to boost economic growth through the rapid expansion of credit. Credit to the private sector has accelerated rapidly since early 2010, with greater injections into the construction, agriculture, and wholesale and retail industries.

GDP Growth Rate



Annual Inflation Rate  
(Year-on-Year)



Average USD/LKR Exchange Rate





Total investment expenditure grew by 26.7% in 2011. The growth in investment expenditure was led by the private sector which was supported by low interest rates, the conducive investment climate and the improved macroeconomic environment. Investment activity also picked up with the implementation of major infrastructure development initiatives, particularly in transport, energy, water, sanitation, and irrigation, as well as with more investors seeking a foothold in the fast-expanding economy. Foreign direct investment inflows recorded an all time high of USD 1 billion and increase of 107%, with the largest FDI inflows was to the hotel and tourism subsector.

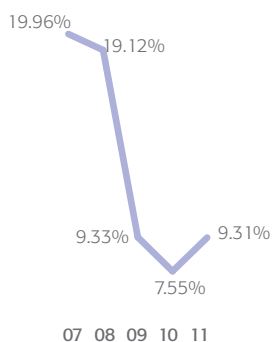
In order to prevent fluctuations in the exchange rate The central bank intervened on both sides of the domestic foreign exchange market for most of part of 2011, the Government announced a 3% devaluation when presenting the 2012 budget in November 2011. The subsequent liberalization of the exchange policy resulted in a rapid devaluation of the Rupee. With strong demand pressures, gross official reserves as at end-March 2012 slipped to USD 6.1 billion from USD 6.6 billion recorded in 2010.

In March 2012, the Government revived the International Monetary Fund (IMF) standby arrangement, which was suspended since last year. A USD 427-million installment was released by the IMF in April strengthening the country's external reserve position. The facility, negotiated in 2009, was intended to build Sri Lanka's foreign reserves. Bank of Ceylon

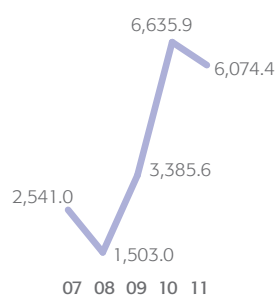
successfully carried out a USD 500 million international bond issue which amply demonstrated the confidence of foreign investors in the country's economy.

The Central Bank has revised its growth projection for 2012 to 7.2%, down from an earlier estimate of 8.0% after the new monetary and fiscal measures were announced. With the Central Bank tightening the monetary policy and increasing policy rates the demand for credit is expected to ease to moderate levels during the current year. The inflation is expected to be at single digits.

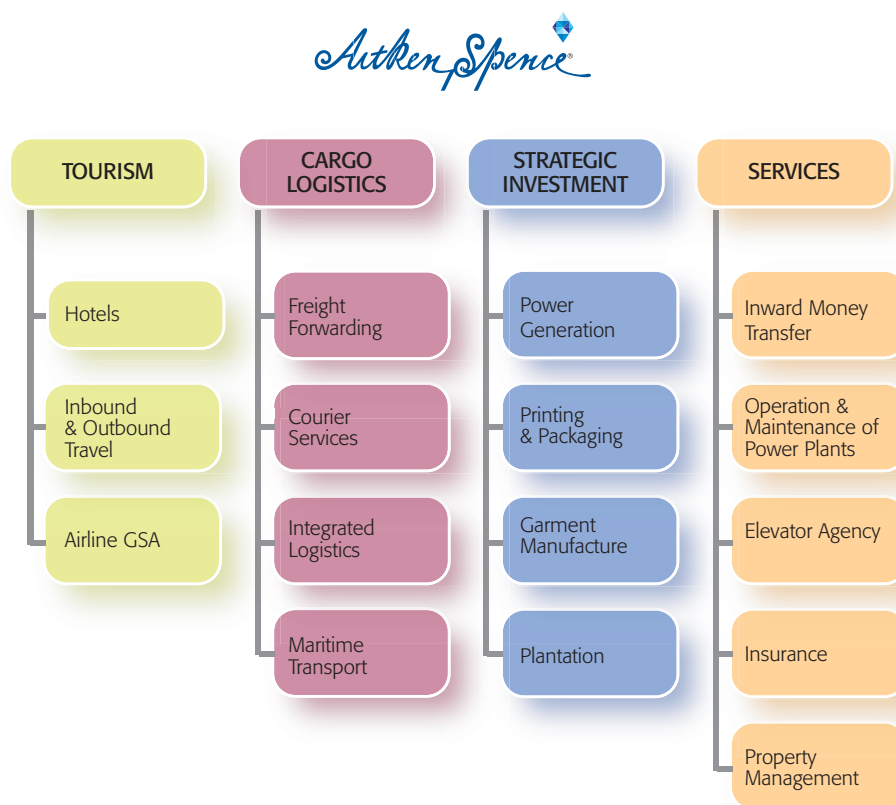
12 Month T Bill Rate



All Share Price Index



## Group Companies



### TOURISM SECTOR

#### INBOUND TRAVEL

##### Aitken Spence Travels (Pvt) Ltd \*\*

Leading Destination Management Company in Sri Lanka. A joint venture with TUI, one of the largest tourism companies in the world.

Directors: J.M.S. Brito (Chairman),  
G.M. Perera (Managing Director),  
R. Subramaniam  
(Departmental Director),  
A.C. Garcia Tenorio DelCerro  
(Resigned w. e. f. 01.02.2012),  
D.C. Schelp.

#### OUTBOUND TRAVEL

##### Aitken Spence Aviation (Pvt) Ltd.

General sales agents for Singapore Airlines and Singapore Airlines Cargo

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

##### 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: R. Subramaniam (Managing Director),  
G.M. Perera,  
N.A. N. Jayasundera  
(Appointed w.e.f. 20.03.2012).

##### Aitken Spence Moscow (Pvt) Ltd \*\*

Former passenger sales agents for Aeroflot.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. J.W.A. Perera (Managing Director),  
G.M. Perera,  
R. Subramaniam.

##### Royal Spence Aviation (Pvt) Ltd

General sales agents for Kingfisher Airlines.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
G.M. Perera,  
R. Subramaniam  
(Appointed w. e. f. 30.12.2011),  
N. A. N. Jayasundera  
(Appointed w.e.f. 20.03.2012).

#### CONVENTION SERVICES

##### Ace Travels & Conventions (Pvt) Ltd \*\*

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

Directors: G.M. Perera (Managing Director),  
R. Subramaniam,  
N.A.N. Jayasundera (Appointed w.e.f.  
20.03.2012),  
S.T.B. Ellepola (Appointed w.e.f.  
20.03.2012).

\*\* The companies financial statements are audited by KPMG.

**Aitken Spence Hotel Holdings PLC. \*\***

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

Directors: Deshamanya D.H.S. Jayawardena (*Chairman*),  
J.M.S. Brito (*Managing Director*),  
R.E.V. Casie Chetty,  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
G.P.J. Goonewardena,  
R.N. Asirwatham,  
C.H. Gomez,  
N.J. de Silva Deva Aditya.

**Aitken Spence Hotels Ltd \*\***

Owns and operates Heritance Ayurveda Maha Gedara.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
N. Ratwatte.

**Heritance (Pvt) Ltd \*\***

Owns a land for a proposed future hotel.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama  
(*Appointed w.e.f. 30.12.2011*),  
R.E.V.Casie Chetty  
(*Appointed w.e.f. 30.12.2011*).

**Kandalama Hotels (Pvt) Ltd \*\***

Owns and operates Heritance Kandalama.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
R.E.V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

**Hethersett Hotels Ltd \*\***

Owns and operates Heritance Tea Factory.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
R. E. V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

**Neptune Ayurvedic Village (Pvt) Ltd \*\***

Leases the land and building to Heritance Ayurveda Maha Gedara.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
R. E. V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

**Ahungalla Resorts Ltd \*\***

Owns a land for a proposed future hotel.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
R. E. V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

**Golden Sun Resorts (Pvt) Ltd \*\***

Owns and operates The Sands.

Directors: J.M.S. Brito  
(*Resigned w. e. f. 30.12.2011*),  
R. E. V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

**Crest Star (BVI) Ltd**

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

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

**Jetan Travel Services Co. Pvt Ltd \*\***

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda (*Managing Director*),  
C.M.S. Jayawickrama  
M. Mahdy,  
H. Mohamed.

**Cowrie Investments Pvt. Ltd \*\***

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors: J.M.S. Brito  
(*Chairman & Managing Director*),  
S.M. Hapugoda,  
I.M. Didi,  
M. Salih,  
C.M.S. Jayawickrama.

**A D S Resorts Pvt Ltd \*\***

Owns and operates Adaaran Select Hudhuranfushi – Maldives

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda (*Managing Director*),  
C.M.S. Jayawickrama,  
M. Mahdy.

**Unique Resorts Ltd \*\***

Owns and operates Adaaran Prestige Vadoo Resort – Maldives.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda (*Managing Director*),  
C.M.S. Jayawickrama,  
M.S. Hassan,  
T.D.U.D. Peiris.

**PR Holiday Homes (Pvt) Ltd**

Owner of Heritance Cochin - India, currently under construction.

Directors: J.M.S. Brito  
(*Resigned w. e. f. 30.12.2011*),  
C.L.B. Ekanayake  
(*Appointed w. e. f. 10.01.2012*),  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
K. Khadar,  
M. Narayanan.

**Aitken Spence Hotel Services (Pvt) Ltd**

Local Marketing of the Indian Hotels in India.

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

**Aitken Spence Hotel Managements (Pvt) Ltd\*\***

Manages resorts in Sri Lanka.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w. e. f. 30.12.2011*),  
S.M. Hapugoda (*Managing Director*)  
C.M.S. Jayawickrama (*Deputy Managing Director*),  
R. E. V. Casie Chetty  
(*Appointed w.e.f. 20.03.2012*).

**Aitken Spence Hotels International (Pvt) Ltd\*\***

Owns Resorts in the Maldives and provides international marketing services to overseas resorts.

Directors: J.M.S. Brito (*Chairman*)  
(*Resigned w.e.f. 30.12.2011*),  
R.E.V. Casie Chetty,  
S. M. Hapugoda  
(*Appointed w.e.f. 30.12.2011*),  
C. M. S. Jayawickrama  
(*Appointed w.e.f. 30.12.2011*).

\*\* The companies financial statements are audited by KPMG.

## Group Companies

### Aitken Spence Hotel Managements Asia (Pvt) Ltd \*\*

Manages resorts in India, Oman and Maldives.

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

### Aitken Spence Hotel Managements (South India) Pvt Ltd

Manages resorts in India.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
C.L.B. Ekanayake.

### Triton (Pvt) Ltd

The Holding Company of Aitken Spence Aviation (Pvt) Ltd.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
S. M. Hapugoda  
(Appointed w. e. f. 20.03.2012),  
R. E. V. Casie Chetty  
(Appointed w. e. f. 30.12.2011),  
C.M.S. Jayawickrama  
(Appointed w.e.f. 20.03.2012).

### Aitken Spence Resources (Pvt) Ltd \*\*

Human resource management, foreign employment & recruitment company

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
G.P.J. Goonewardena.

### Crest Star Ltd

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
C.M.S. Jayawickrama,  
S.M. Hapugoda  
(Appointed w.e.f. 30.12.2011),  
R. E. V. Casie Chetty  
(Appointed w.e.f. 30.12.2011).

### Nilaveli Resorts (Pvt) Ltd

Constructing, owning and operating a beach resort.

Directors: J.M.S. Brito (Resigned w. e. f. 30.12.2011),  
S.M. Hapugoda,  
C.M.S. Jayawickrama  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

### Nilaveli Holidays (Pvt) Ltd

Constructing, owning and operating a beach resort.

Directors: J.M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

### Aitken Spence Resorts (Pvt) Ltd \*\*

To operate a future hotel project

Directors: J.M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
C.M.S. Jayawickrama,  
S.M. Hapugoda,  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

### Business Travel Services LLC

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

### M.P.S. Hotels Ltd

Owns and operates Hotel Hilltop, Kandy.

Directors: Mr. J. M. S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
C.M. S. Jayawickrama,  
S. M. Hapugoda,  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

## CARGO LOGISTICS SECTOR

### FREIGHT FORWARDING

#### Ace Cargo (Pvt) Ltd

Providing International freight forwarding services.

Directors: Dr. P. Dissanayake (Chairman),  
H.B. Kelly  
(resigned w. e. f. 21.06.2011),  
K. R. T. Peiris  
(Appointed w. e. f. 03.06.2011),  
J. E. Brohier  
(Appointed w. e. f. 06.06.2011).

#### Ace Bangladesh Pvt Ltd

Provides international freight forwarding services in Bangladesh.

Directors: A. Mannan (Chairman),  
R. Rahman (Managing Director),  
J.M.S. Brito,  
Mrs. F.R. Ahmed,  
K.R.T. Peiris,  
A. Rahman,  
H.B. Kelly  
(resigned w. e. f. 21.06.2011).

#### Ace International Express (Pvt) Ltd

Provides international air express, domestic delivery and international mailing & supply chain operations.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
K.R.T. Peiris (Managing Director),  
Dr. P. Dissanayake  
(Appointed w.e.f. 20.03.2012),  
J. Brohier.

#### Aitken Spence Cargo (Pvt) Ltd

International freight forwarding & general sales agents for airline cargo.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
K.R.T. Peiris (Managing Director),  
J.E. Brohier  
(Appointed w. e. f. 07.10.2011),  
H.B. Kelly  
(Resigned w. e. f. 21.06.2011).

#### Ace Aviation Services (Pvt) Ltd

Operates as general sales agents for airline cargo.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
K.R.T. Peiris,  
H.B. Kelly  
(Resigned w. e. f. 21.06.2011),  
J.E. Brohier  
(Appointed w. e. f. 07.10.2011).

#### Spence International (Pvt) Ltd

Regional operating headquarters to manage operation overseas.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
K.R.T. Peiris,  
J.E. Brohier  
(Appointed w. e. f. 07.10.2011),  
Dr. P. Dissanayake  
(Appointed w.e.f. 20.03.2012).

**Spence Maldives (Pvt) Ltd**

Provides air express & freight forwarding in Maldives & general sales agent for airline cargo.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
K.R.T. Peiris (Managing Director),  
M. Firaq,  
J. Brohier.

**INTEGRATED LOGISTICS****Ace Containers (Pvt) Ltd \*\***

Operates an inland container depot and a freight station and the provision of Container Transport Services.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
N.D.F. Perera,  
A. M. M. Amir  
(Appointed w.e.f. 20.03.2012).

**Ace Container Terminals (Pvt) Ltd \*\***

Provides container storage, customs brokerage and warehousing services.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
A.M.M. Amir,  
Dr. P. Dissanayake  
(Deputy Chairman),  
N. D. F. Perera  
(Appointed w.e.f. 20.03.2012).

**Ace Container Repair (Pvt) Ltd \*\***

Undertakes container repairs and container conversion.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
N. D. F. Perera  
(Appointed w. e. f. 30.12.2011),  
A. M. M. Amir  
(Appointed w.e.f. 20.03.2012).

**Ace Distriparks (Pvt) Ltd\*\***

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

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
A.M.M. Amir,  
N. D.F. Perera  
(Appointed w. e. f. 03.11.2011).

**Ace Freight Management (Pvt) Ltd**

Undertakes clearing, forwarding and operates an inland container depot.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
N. D. F. Perera  
(Appointed w.e.f. 30.12.2011).

**Logilink (Pvt) Ltd \*\***

Act as a Container Freight Station and to deal in the deconsolidation of imports and the storing, distribution and consolidation of Exports.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Deputy Chairman),  
K.R.T. Peiris,  
N. D. F. Perera  
(Appointed w. e. f. 20.03.2012).

**MARITIME TRANSPORT****Vauxhall Cargo Logistics (Pvt) Ltd \*\***

Holding company of certain Maritime Transport sector companies.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake,  
Ms. N. Sivapragasam,  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

**Aitken Spence Maritime Ltd.\*\***

Holding Company of Hapag-Lloyd Lanka (Pvt) Ltd and Port Management Container Services (Pvt) Ltd.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake,  
I.S. Cuttilan  
(Appointed w. e. f. 30.12.2011),  
D.R. C. Hindurangala  
(Appointed w. e. f. 30.12.2011).

**Aitken Spence Shipping Services Ltd \*\***

Shipping Agent.

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

**Aitken Spence Shipping Ltd \*\***

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

Directors: Dr. P. Dissanayake  
(Chairman & CEO),  
N.D.F. Perera (Managing Director),

J.M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
A. Jayasekera,  
I.S. Cuttilan,  
Ms. T.D.M.N. Anthony,  
K.R. Aluwihare.

**Clark Spence & Co. (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)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake  
(Managing Director),  
I.S. Cuttilan,  
R.E.V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

**Shipping & Cargo Logistics (Pvt) Ltd \*\***

Liner agency representation.

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

**Spence Logistics (Pvt) Ltd \*\***

NVOCC Freight forwarding operator.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake,  
N.D.F. Perera,  
A. M. M. Amir  
(Appointed w.e.f. 20.03.2012).

**Port Management Container Services (Pvt) Ltd \*\***

Operating & productivity enhancement management in ports.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
Dr. P. Dissanayake,  
I.S. Cuttilan,  
D. R. C. Hindurangala  
(Appointed w.e.f. 01.12.2011).

**Hapag-Lloyd Lanka (Pvt) Ltd \*\***

Liner agency representation.

Directors: J.M.S. Brito (Chairman),  
Dr. P. Dissanayake,  
K.R. Aluwihare,  
M.E.G. Elizalde,  
A.M. Thakkar.

\*\* The companies financial statements are audited by KPMG.



## Group Companies

### Delta Shipping (Pvt) Ltd \*\*

Provide international freight forwarding services.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
M. Shabir (Managing Director),  
H.B. Kelly  
(Resigned w. e. f. 21.06.2011),  
K.R.T. Peiris,  
J.E. Brohier  
(Appointed w.e.f. 20.03.2012).

### Colombo International Nautical & Engineering College (Pvt) Ltd

Sri Lanka's largest private maritime and higher education campus.

Directors: P. P. A. P. Wikramanayake,  
C. L. Jayanetti,  
H. Kumara,  
E. P. Komrowski,  
M. P. Dissanayake,  
J. M. S. Brito  
(Appointed w.e.f. 02.12.2011),  
Ms N. Sivapragasam  
(Appointed w. e. f. 02.12.2011),  
Mrs. N.W. De A. Guneratne  
(Appointed w. e. f. 02.12.2011),  
R. G. Pandithakorralage  
(Appointed w. e. f. 02.12.2011).

## STRATEGIC INVESTMENT SECTOR

### MANUFACTURING SECTOR PRINTING & PACKAGING

#### Ace Exports (Pvt) Ltd \*\*

Provides printing & packaging services to the export market

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel,  
P. Karunatilake,  
Ms. N. Sivapragasam  
(Appointed w.e.f. 20.03.2012).

#### Ace Printing & Packaging (Pvt) Ltd \*\*

Provides printing & packaging services to the local market.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel,  
P. Karunatilake,  
Ms. N. Sivapragasam  
(Appointed w.e.f. 20.03.2012).

#### Aitken Spence Printing & Packaging (Pvt) Ltd \*\*

Provides printing & packaging services to the local market.

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel,  
P. Karunatilake,  
Ms.N. Sivapragasam  
(Appointed w.e.f. 01.03.2012).

### APPAREL SECTOR

#### Aitken Spence (Garments) Ltd

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

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
R.E.V. Casie Chetty,  
R.G. Pandithakorralage,  
J.S.A. Fernando  
(Appointed w.e.f. 01.03.2012).

#### Aitken Spence Apparels (Pvt) Ltd

Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

Directors: R.E.V. Casie Chetty,  
D.V.H. de Mel,  
J.S.A. Fernando  
(Appointed w.e.f. 01.03.2012).

#### Clark Spence Garments Ltd

Directors: J. M. S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
R.E.V. Casie Chetty,  
J. S. A. Fernando  
(Appointed w.e.f. 30.12.2011),  
R.G. Pandithakorralage  
(Appointed w.e.f. 01.03.2012).

### INFRASTRUCTURE

#### Ace Power Generation Matara (Pvt) Ltd

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

Directors: J.M.S. Brito (Chairman)  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel (Managing Director),  
Deshamanya D.H.S. Jayawardena,  
Dr. R.M. Fernando,  
Ms. N. Sivapragasam,  
R. Gupta,  
K.N. Ahsan  
(Resigned w.e.f. 09.07.2011),  
A. Malla,  
M. S. Mohideen  
(Appointed w.e.f. 01.02.2012),  
M. Vuksanovic  
(Appointed w.e.f. 21.02.2012),  
J.M.S. Brito appointed as a alternate Director to Deshamanya D.H.S. Jayawardena w.e.f. 24.02.2012,  
G.P.B.N. Gunarathne appointed as a alternate Director to Dr. R.M. Fernando w.e.f. 27.02.2012,  
J.M.S. Brito appointed as a alternate Director to Deshamanya D.H.S. Jayawardena w.e.f. 24.02.2012.

\*\* The companies financial statements are audited by KPMG.

**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)  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel (Managing Director),  
Deshamanya D.H.S. Jayawardena,  
Dr. R.M. Fernando,  
Ms. N. Sivapragasam,  
R.Gupta,  
K.N. Ahsan  
(Resigned w.e.f. 09.07.2011),  
A. Malla,  
M. S. Mohideen  
(Appointed w.e.f. 01.02.2012),  
M. Vuksanovic  
(Appointed w.e.f. 21.02.2012),  
J.M.S. Brito appointed as a alternate  
Director to Deshamanya D.H.S.  
Jayawardena w.e.f. 24.02.2012,  
G.P.B.N. Gunarathne appointed as a  
alternate Director to Dr. R.M.  
Fernando w.e.f. 27.02.2012.

**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,  
M.S. Mohideen,  
Ms. Maria Spoelgen,  
Ms. A.M. Fernando.

**Branford Hydropower (Pvt) Ltd**

Owns a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors: S.A.W. Manawadu (Chairman)  
J.M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel,  
Ms. N. Sivapragasam,  
M.S. Mohideen,  
G.P.B.N. Gunarathne.

**Ace Wind Power (Pvt) Ltd**

Owns a 3 MW Wind Power plant in Ambewela to supply electricity to the national grid, which is scheduled to commission in 2012.

Directors: J.M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
D.V.H. De Mel,  
Ms. N. Sivapragasam.,  
M.S. Mohideen.  
G.P.B.N. Gunarathne.

**Western Power Company (Pvt) Ltd**

Proposed for constructing, commissioning and operating a 10MW Waste to Energy Power Project in Meethotumulla, to supply electricity to the national grid by conversion of municipal solid waste.

Directors: J. M.S. Brito  
(Resigned w. e. f. 30.12.2011),  
D.V.H. de Mel  
(Appointed w.e.f. 05.10.2011),  
Ms. N. Sivapragasam  
(Appointed w.e.f. 05.10.2011),  
P. Benihin  
(Appointed w.e.f. 05.10.2011),  
S.R.S.L. Karunanayake  
(Appointed w.e.f. 31.10.2011).

## SERVICES SECTOR

**PROPERTY DEVELOPMENT****Vauxhall Property Developments (Pvt) Ltd\*\***

'Owns and operates the multi-storied office complex; "Aitken Spence Tower I".

Directors: Ms. N. Sivapragasam,  
R.G.Pandithakorralage.

**Aitken Spence Property Developments (Pvt) Ltd \*\***

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

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
Ms. N. Sivapragasam,  
Dr. R.M. Fernando,  
R. G. Salgado.

**Vauxhall Investments Ltd**

Owns and operates the printing office complex.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
D.V.H. de Mel,  
P. Karunatilake,  
Ms. N Sivapragasam  
(Appointed w.e.f. 20.03.2012).

**Aitken Spence Developments (Pvt) Ltd \*\***

Property Development Company.

Directors: Dr. P. Dissanayake  
(Deputy Chairman),  
A.M.M. Amir,  
N. D.F. Perera  
(Appointed w.e.f. 20.03.2012).

**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, 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)  
(Resigned w.e.f. 30.12.2011),  
Mrs. N.W.de A. Guneratne  
(Managing Director),  
A.N. Seneviratne,  
R. G. Pandithakorralage  
(Appointed w.e.f.21.03.2012).

\*\* The companies financial statements are audited by KPMG.

## Group Companies

### 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)  
(Resigned w.e.f. 30.12.2011),  
Mrs. N.W. de A. Guneratne,  
A.N. Seneviratne,  
R.G. Pandithakorralage  
(Appointed w.e.f.21.03.2012).

### 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 (Managing Director),  
Ms. T.L. Cordes-Fei.

### FINANCIAL SERVICES

#### MMBL Money Transfer (Pvt) Ltd \*\*

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

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

#### Aitken Spence Technologies (Pvt) Ltd

Provision of IT enabled services

Directors: Dr. R.M. Fernando,  
D.S. Mendis,  
Ms. N. Sivapragasam,  
S. Santhosh  
(Resigned w.e.f. 03.01.2012),  
Mrs. N. Narvati  
(Resigned w.e.f. 03.01.2012),  
K.R. Suresh  
(Resigned w.e.f. 03.01.2012).

### MANAGEMENT SERVICES

#### Aitken Spence Corporate Finance (Pvt) Ltd \*\*

Provider of Financial Services and secretaries to the companies of the Group.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
Ms. N. Sivapragasam  
(Managing Director),  
R.E.V. Casie Chetty,  
Mrs. N.W. de A. Guneratne,  
R.G. Pandithakorralage,  
V. M. Gunatilleka  
(Appointed w.e.f. 01.09.2011).

#### Aitken Spence Group Ltd \*\*

Overall management of the Aitken Spence Group Companies.

Directors: J.M.S. Brito (Chairman)  
(Resigned w.e.f. 30.12.2011),  
Dr. R.M. Fernando,  
R.E.V. Casie Chetty,  
K.R.T. Peiris,

Ms. N. Sivapragasam,  
G.M. Perera,  
D.V.H. de Mel,  
Dr. P. Dissanayake,  
S.M. Hapugoda,  
Mrs. N.W. de A. Guneratne,  
C.M.S. Jayawickrama,  
R.G. Pandithakorralage,  
D.S. Mendis,  
V.M. Gunatilleka.

#### 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) (Resigned w.e.f. 30.12.2011),  
S. M. Hapugoda,  
C.M.S. Jayawickrama,  
R. E. V. Casie Chetty  
(Appointed w.e.f. 20.03.2012).

## 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.

### HOTELS

#### Browns Beach Hotels PLC \*\*

Owns Browns Beach Hotel, Negombo.

#### Negombo Beach Resorts (Pvt) Ltd

Constructing, owning and operating a beach resort in Negombo.

\*\* The companies financial statements are audited by KPMG.

# Glossary of 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 divided by average total assets.

## BOT

Build Operate and Transfer

## 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.

## 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 (DPS)

Dividends paid and proposed divided by the number of issued shares, which ranked for those dividends.

## Earnings per Share (EPS)

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 (Operating Profit Margin)

Earnings before interest and tax divided by revenue.

## 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.

## Gross Treasury Bill Rate

Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

## 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.

## Interest Cover

Operating profit before interest divided by the net interest.

## 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 Profit Margin

Net profit attributable to shareholders divided by revenue.

## Net Assets per Share

Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

## Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

## Price to Book Value Ratio (PBV)

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.

## 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.

## Treasury Bill

Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

## Treasury Bond

Medium to Long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (Interest) paid on semiannual basis.

## 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.

## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



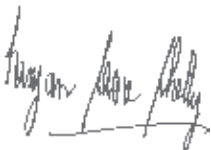


## Notice of Meeting

Notice is hereby given that the Sixtieth Annual General Meeting of Aitken Spence PLC will be held at the Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 07., at 10.00 a.m. on Thursday, June 28, 2012, for the following purposes :-

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company and the Report of the Auditors' thereon for the year ended 31st March 2012.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. C.H. Gomez who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr. G.M. Perera who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr. G.C. Wickremasinghe who is over 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 78 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, 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**  
F.C.A, F.C.M.A, M.C.M.I. J Dip. M.A.

Company Secretary  
Colombo

25th May, 2012

### Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office No. 315, Vauxhall Street, Colombo 2, not less than forty-eight hours before the time fixed for the meeting.
3. It is proposed to post the dividend warrants on July 10, 2012 provided the dividend recommended is approved. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex- dividend with effect from June 29, 2012.

## Form of Proxy

I/We ..... of  
 ..... being a member/members of Aitken  
 Spence 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)
Gehan Marcel Perera of Colombo	(whom failing)
Mahinda Parakrama Dissanayake of Colombo	(whom failing)
Gaurin Chandraka Wickremasinghe 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	(whom failing)
Rajanayagam Nalliah Asirwatham of Colombo	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 28th day of June 2012, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

.....  
 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 (if required), 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. 315 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 26, 2012, being 48 hours before the time appointed for the holding of the meeting.

## Corporate Information

### Name

Aitken Spence PLC

### Legal Form

A public quoted company with limited liability, incorporated in Sri Lanka in 1952

### Company Registration Number

PQ 120

### Registered Office

315 Vauxhall Street  
Colombo 2  
Sri Lanka

### Directors

D.H.S. Jayawardena  
- *Chairman*

J.M.S. Brito LLB, FCA, MBA  
- *Deputy Chairman and Managing Director*

R.M. Fernando Ph.D., MBA, FCIM (UK)

G.M. Perera FAIM

M.P. Dissanayake  
MBA, Ph.D., Postgraduate Dip Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School

G.C. Wickremasinghe

C.H. Gomez

N.J. de S. Deva Aditya DL, FRSA, MEP

V.M. Fernando Attorney-at-Law

R.N. Asirwatham FCA

### Alternate Director

A.L. Gooneratne FCA  
(appointed as Alternate Director to  
N.J. de S. Deva Aditya w.e.f. 08.05.2012)

### Audit Committee

R.N. Asirwatham - *Chairman*

G.C. Wickremasinghe

C.H. Gomez

N.J. de S. Deva Aditya

### Remuneration Committee

G.C. Wickremasinghe - *Chairman*

V.M. Fernando

R.N. Asirwatham

### Nomination Committee

G.C. Wickremasinghe - *Chairman*

D.H.S. Jayawardena

J.M.S. Brito

V.M. Fernando

R.N. Asirwatham

### Company Secretary

R.E.V. Casie Chetty  
FCA, FCMA, M.C.M.I., J.Dip.M.A.

### Auditors

KPMG

Chartered Accountants

### Contact Details

315 Vauxhall Street  
Colombo 2  
Sri Lanka

T : (94 11) 2308308

F : (94 11) 2445406

[www.aitkenspence.com](http://www.aitkenspence.com)

This report has been  
produced by Emagewise  
(Pvt) Limited, a Certified  
Carbon Neutral Company



Designed & produced by [emagewise](http://emagewise.com)  
Photography by Taprobane Street  
Digital Plates & Printing by Aitken Spence Printing & Packaging (Pvt) Ltd



**AITKEN SPENCE PLC**

315 Vauxhall Street  
Colombo 2  
Sri Lanka

T : (94 11) 2308308  
F : (94 11) 2445406

[www.aitkenspence.com](http://www.aitkenspence.com)