Aitken Spence

Annual Report 2013-2014

FACE TO FACE

FACE TO FACE

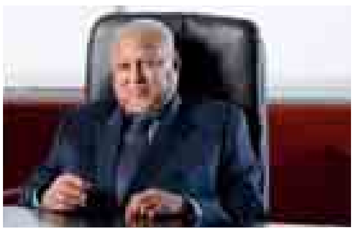
As one of the nation's biggest diversified conglomerates, Aitken Spence holds itself accountable to thousands of stakeholders; from customers and business partners to investors, employees and the communities we work with.

In this report we take a long hard look at how we have delivered on our responsibilities to each of them, bringing the reader face to face with our long-term strategies and internal operations as we analyse Group and sector performances in the context of our broader vision for the success of the Company.

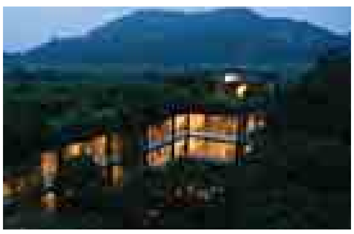
This year as always, we present to our shareholders a solid balance sheet achieved in a challenging environment; proof of the hard work and commitment of every member of our team. The report also deconstructs in detail the prudent policies and far-sighted decisions that have made such results possible.

Aitken Spence
Talking to our stakeholders
Face to face.

CONTENTS



CHAIRMAN'S MESSAGE
PAGE 12



GROUP PERFORMANCE REVIEW
PAGES 59 - 65

AN INTRODUCTION TO THE CONTENTS OF THIS REPORT

THE REPORT COVERS THE INTEGRATED ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE OF THE COMPANIES IN WHICH AITKEN SPENCE PLC.,HAS SIGNIFICANT OPERATIONAL AND MANAGEMENT CONTROL, INCLUDING ACTIVITIES IN ASIA, AFRICA AND SOUTH PACIFIC.

We are pleased to present to stakeholders our integrated annual report for the year ended 31st March 2014.

The report covers the integrated economic, social and environmental performance of the companies in which Aitken Spence PLC.,has significant operational and management control, including activities in Asia, Africa and South Pacific. The report provides information on our subsidiaries, joint ventures and equity accounted investees. The names and details of the companies are set out on pages 211 to 219.

This year, we have reported our performance "in accordance" - Core with the Global Reporting Initiative's G4 Reporting Framework for disclosure on sustainability performance which was launched in May 2013. With the launch of the G4 reporting framework, the process of identifying material aspects was revised and improved to look at the nature of individual operations for different aspects. Selection of sustainability priorities and the assessment of materiality are detailed on pages 21 to 33. This study is still, mostly an internally conducted scientific study, guided by the historical data of the organisation, feedback from specific key stakeholders that the organisation has engaged with through the years, feedback from the Group's sustainability team members and guidance from senior management. The methods used,assumptions made and exclusions are explained in detail in the Group Performance Review. We have provided material disclosures on governance, ethics, strategy, risk, opportunity and remuneration in relation to our financial, economic, ethical, social and environmental performance and prospects, at both Group and operating level at the respective sectors. It is our hope that the annual integrated report will set the basis for meaningful engagement with our stakeholders in the year ahead.

The financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) in alignment with the International Financial Reporting Standards (IFRS) the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange, as well as the Code of Best Practices on Corporate Governance Principles 2013 and other related guidance.

A limitation in this report is that the sustainability performance is monitored for our operations only in Sri Lanka and the Maldives. Also, where sustainability systems are still in the implementation process, comprehensive data is not yet available. Our reporting process is driven and supervised entirely by the internal expertise of the Group and our short to medium term goal is to make the disclosures inclusive of all operational activities, material and relevant to the impacts and risks within our systems and is focused on educating the stakeholders about the operations of Aitken Spence. A comprehensive shareholder feedback form is available at the end of the report so that the disclosures in future reports can be improved to suit the reader's needs better. Further our social media could also be used to get in touch with us for feedback and comments.

REPORT NAVIGATION AID

Further reading within this report.

Web link provides reference to online disclosures.

WEP Performance data relevant to the Women's Empowerment Principles

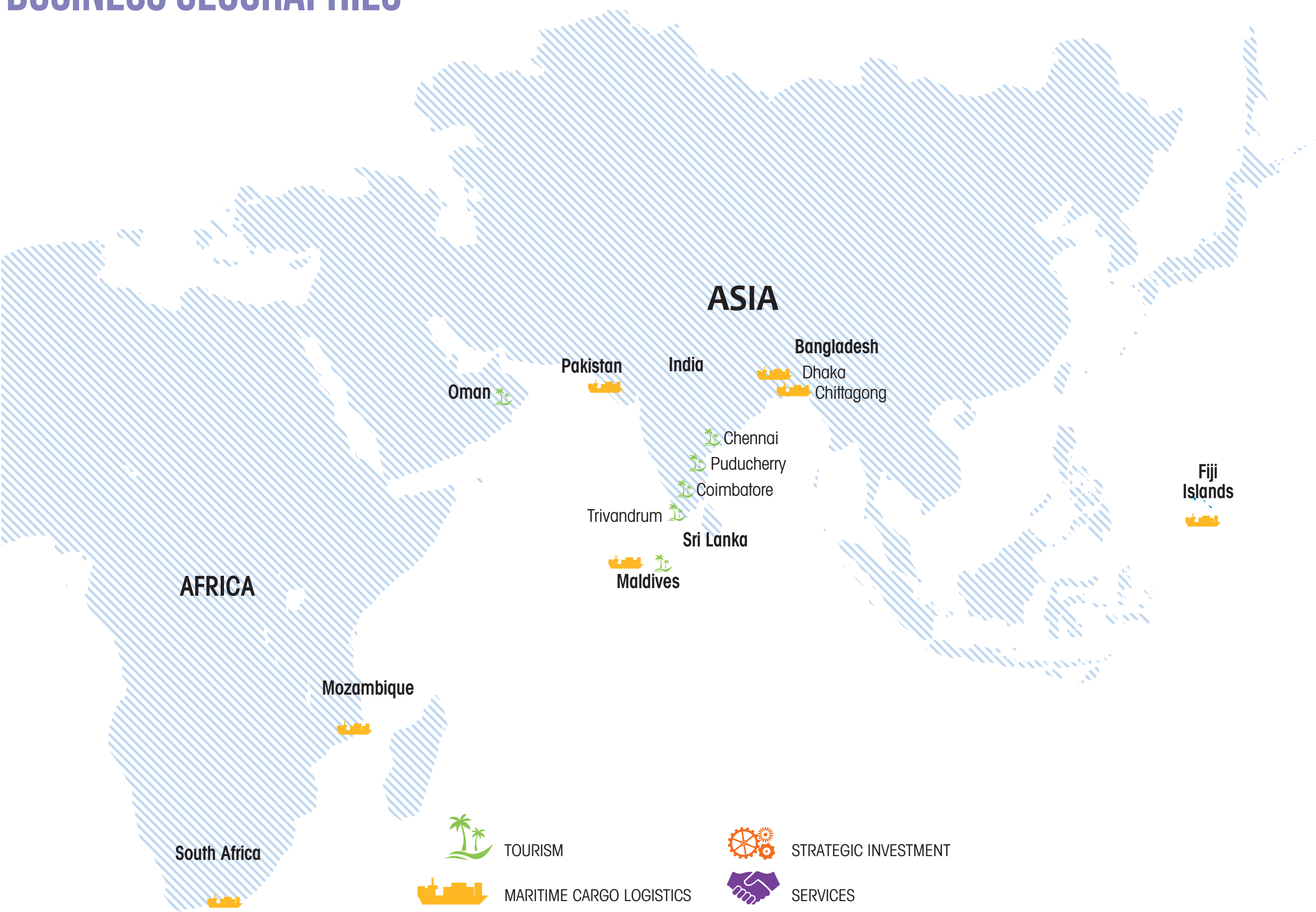
UNGC Performance data relevant to the UNGC Communication on Progress

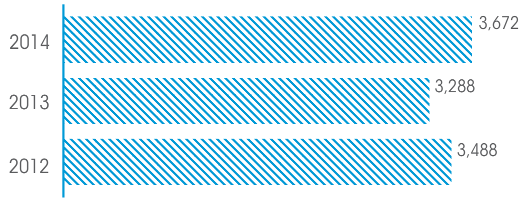
GROUP HIGHLIGHTS

Rs. 39.7 BN
MARKET CAPITALISATION
1.6% OF CSE TOTAL MARKET CAPITALISATION

Rs.36.6 BN
TOTAL REVENUE

BUSINESS GEOGRAPHIES



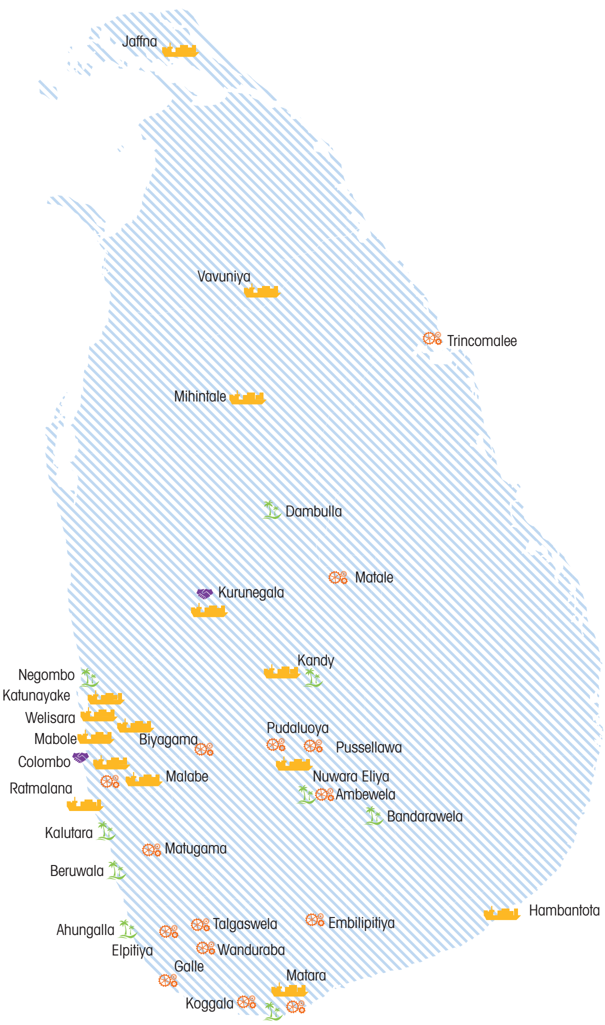


NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Rs. 3,672 MN

for the year ended 31st March

LEGACY OF OVER 150 YEARS IN BUSINESS



TOTAL ASSETS

Rs. 61.1 BN

FOR THE

8TH

CONSECUTIVE YEAR

RANKED AMONG THE TEN BEST CORPORATE CITIZENS OF SRI LANKA

WORKFORCE

6000+

43 ENVIRONMENTAL MANAGEMENT SYSTEMS

12 are ISO 14001 CERTIFIED

PERFORMANCE HIGHLIGHTS 2013-2014

FINANCIAL

	2013/2014 Rs. Mn	2012/2013 Rs. Mn	Change %
Results for the year			
Group revenue with equity-accounted investees	37,673	38,252	(1.5)
Group revenue	36,598	37,140	(1.5)
Profit from operations	5,703	5,531	3.1
Profit before tax	5,409	5,025	7.6
Profit attributable to equity holders of the Company	3,672	3,288	11.7
As at 31st March			
Total assets	61,145	56,151	8.9
Total liabilities	22,367	22,648	(1.2)
Current ratio (times)	1.86	1.44	29.2
Debt to equity (times)	0.19	0.19	–
Return on equity (%)	12.2	12.4	(1.5)
Per Share (Rs.)			
Earnings per share	9.04	8.10	11.7
Dividends per share	2.00	1.50	33.3
Net asset value per share as at 31st March	79.46	69.10	15.0
Market price per share as at 31st March	97.90	119.60	(18.1)

Rs.9.04
EARNINGS PER SHARE

OUR PERFORMANCE WILL DRIVE THE CREATION OF REAL AND LONG-TERM BENEFICIAL RELATIONSHIPS WITH SOCIAL AND BUSINESS PARTNERS WITHIN THE COMPANY AND THE COMMUNITIES IN WHICH WE OPERATE.

12.2%
RETURN ON EQUITY

11.7%
GROWTH IN NET PROFIT TO EQUITY HOLDERS

Rs.7.2 BN
EBITDA

19.7%
EBITDA MARGIN

Rs.32.3 BN
SHAREHOLDERS' FUNDS

SOCIAL

Pg 19 to 97

24 HRS
OF TRAINING PER EMPLOYEE

15%
OF EMPLOYEES HAVE BEEN IN SERVICE FOR OVER 10 YEARS

62%
OF TOTAL EMPLOYEES ARE BELOW 35 YEARS

20%
OF TOTAL MANAGERS ARE YOUNG MANAGERS

Rs. 38.9 MN
TOTAL FUNDS CHANNELLED FOR COMMUNITY DEVELOPMENT

ENVIRONMENT

Rs. 109.4 MN
TOTAL INVESTMENT IN ENVIRONMENTAL PROTECTION

273,252 M^3
VOLUME OF WATER RECYCLED AND / OR REUSED WHICH IS **31.8%** OF TOTAL WATER WITHDRAWN

1,457 TONNES
TOTAL PAPER RECYCLED AND / OR SOLD FOR REUSE

4,780 TONNES
OF GHG EMISSIONS REDUCED AND / OR OFFSET

55,341GJ
ENERGY PRODUCED FROM RENEWABLE SOURCES WHICH IS **3%** OF TOTAL ENERGY PRODUCED

WE REMAIN COMMITTED TO CHAMPION SUSTAINABILITY WITHIN OUR BUSINESSES AND THE WIDER PRIVATE SECTOR.

AITKEN SPENCE AT A GLANCE

SECTORS

TOURISM

Hotels
Inbound & Outbound Travels
Airline GSA

MARITIME CARGO LOGISTICS

Maritime Services
Integrated Logistics
Freight Forwarding
Courier Services

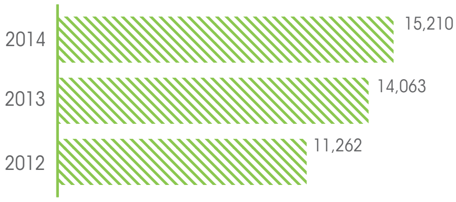
KEY INTERESTS

Aitken Spence is an illustrious name in Sri Lanka's tourism sector with a presence spanning over four decades. The Group's operations vary from owning and managing star class hotels, to providing both inbound and outbound travel solutions covering the entire spectrum of requirements of the modern day traveller. The Group's strength in the hospitality industry is showcased by its expansion in to global tourism hot spots with luxury resorts in the Maldives, India and Oman.

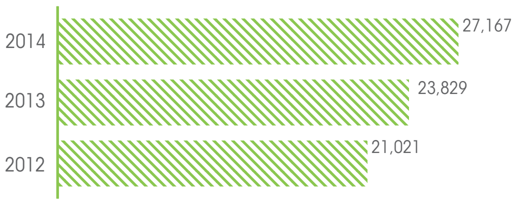
Aitken Spence has emerged from humble beginnings to become a leader in the Sri Lankan maritime and cargo logistics sector. Through a progressive journey the company has integrated its operations in air-sea freight forwarding, warehousing, distriparks and related services, courier and transport to provide a total, seamless solution to the importer and exporter alike. We were the first Company in Sri Lanka to extend port management expertise outside Sri Lanka. Today, our services cover the complete physical cargo flow process from shipper to recipient as well as port management services.

PERFORMANCE HIGHLIGHTS

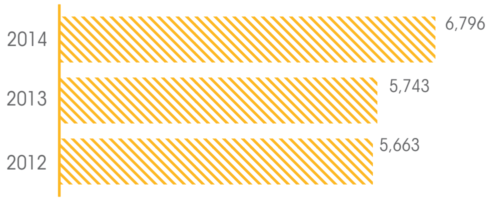
REVENUE (Rs.MN)
FOR THE YEAR ENDED 31ST MARCH



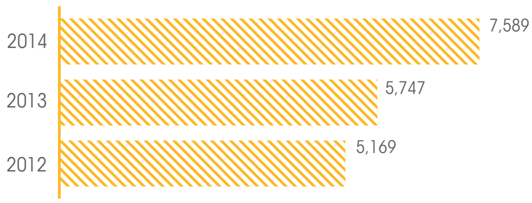
TOTAL ASSETS (Rs.MN)
AS AT 31ST MARCH



REVENUE (Rs.MN)
FOR THE YEAR ENDED 31ST MARCH



TOTAL ASSETS (Rs.MN)
AS AT 31ST MARCH

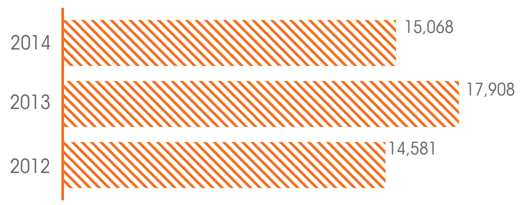


STRATEGIC INVESTMENTS

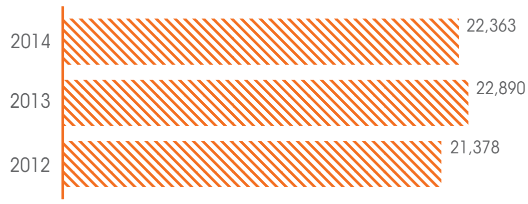
Power Generation
Printing & Packaging
Garment Manufacture
Plantations
Holding Company

The success story of the Aitken Spence Group has been reinforced by astute investments and strategic partnerships in diverse sectors. The Company's unblemished track record proves that it is a proactive player in a dynamic economy. The Strategic Investments sector comprises of various business ventures having high potential in the current economic environment as well as those which are poised for growth in the future. The Group's extensive and profitable presence in a wide range of businesses has simultaneously diversified the risks and enabled the Group harness growth opportunities.

REVENUE (Rs.MN)
FOR THE YEAR ENDED 31ST MARCH



TOTAL ASSETS (Rs.MN)
AS AT 31ST MARCH

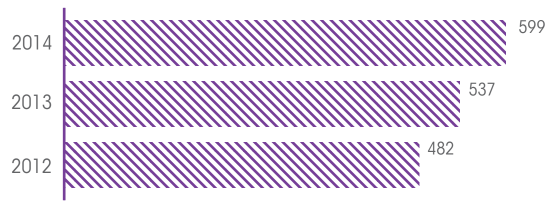


SERVICES

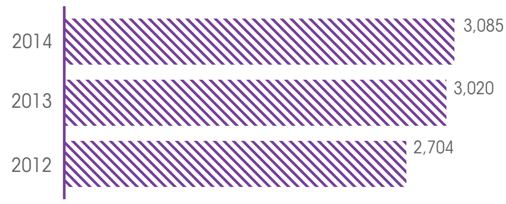
Inward Money Transfer
Elevator Agency
Insurance
Property Management
Information Technology

We were the pioneers in the services industry with a presence going back 138 years as the agent for the world renowned insurer Lloyds of London since 1876. This was the first step towards diversification into the service areas such as insurance broking, electronic money transfers, elevator services, information technology services and property management services. With our proven track record of being a leader in the service industry we are well poised to break new grounds with the launch of the Heritage Grove, the pioneering luxury retirement village in the country.

REVENUE (Rs.MN)
FOR THE YEAR ENDED 31ST MARCH



TOTAL ASSETS (Rs.MN)
AS AT 31ST MARCH



ONE ON ONE

EXECUTIVE REVIEWS

CHAIRMAN'S STATEMENT

YOUR COMPANY HAD AN EXCELLENT YEAR AND RECORDED THE HIGHEST EVER PROFITS, POSTING A PROFIT BEFORE TAX OF RS. 5.4 BILLION FOR THE YEAR.

I welcome you to the sixty second Annual General Meeting of Aitken Spence PLC., and am pleased to present to you the Integrated Annual Report and Financial Statements for the year ended 31st March 2014.

GLOBAL ECONOMY

The global economy posted a growth of 3% in 2013, driven by a recovery in the advanced economies and the continued strong performances of the developing and emerging economies.

Asia Pacific economies continued to outperform their western counterparts, recording a growth of 6.6% despite slower than expected growth in its two largest economies. China grew at 7.7% its slowest growth in over a decade while the Indian economy grew 4.4%. Sentiment on the African continent has improved steadily, with the region growing 4.8% during the year and several of its economies being tagged by analysts as ones to watch in the medium term.

With economic activity gathering pace across the globe, the IMF has projected global growth to strengthen to 3.7% in 2014 and to 3.9 % in 2015. Emerging markets are stated to grow at around 5.1% up from 4.7% in 2013, while advanced economies are expected to grow at 2.2 %, higher than the 1.3% achieved in 2013.

China and India are expected to continue their above par performance, with the Chinese economy remaining robust to grow at 7.5% while India is expected to post a growth of 5.4%. Of the advanced economies, a strong growth of 2.8% has been projected for the United States with the Eurozone expected to return positive growth, despite some members continuing to struggle with high debt and financial fragmentation.

The Group will watch with interest the developments in India, following the election of the BJP leader Narendra Modi as Prime

Minister. This is an opportune moment for the SAARC region to reap its tremendous growth potential by working together towards the common good.

ENABLING ENVIRONMENT

The Sri Lankan economy surged ahead in 2013, achieving a real GDP growth of 7.3% compared with the 6.3% achieved in 2012. The agriculture sector grew 4.7% on the back of strong performances from tea, fisheries and paddy sub-sectors while rubber and coconut industries reported negative growth. The Industry sector grew by 9.9% with the construction industry leading the way with 14.4% growth and the mining and quarrying and electricity industries both expanding over 10%. The services sector grew by 6.4% with the booming hotels and restaurant sub sector growing by a considerable 22.3% and transport services growing by 9.4%.

Tourist arrivals to country surpassed the initial target of 1.2 million to record 1.27 million arrivals which is a growth of 26.7% over the previous year. The continuous increase in tourist arrivals and an increase in average spending per tourist resulted in gross earnings from tourism recording USD 1,715 million in 2013 which is year on year increase of 67.4%.

Exports earned USD 10,394 million recording a 6.4% growth while imports amounted to USD 18,003 million, contracting by 6.2%. The trade deficit declined by 19.2 % to USD 7,609 million in 2013 from USD 9,417 million. With the decline in the trade deficit and with the increase in worker remittances and enhanced earnings in tourism the current account deficit decreased to USD 2,607 in 2013 from USD 3,982 million in 2012. The country's per capita income crossed the USD 3,000 mark, to end at USD 3,280 keeping on track to reach the per capita income target of USD 4,000 by 2016.

Economic conditions in Sri Lanka have positioned the country for a spurt of growth; the low interest rates and low inflation combined with high level of liquidity in the money market and a stable exchange rate have created conducive conditions for businesses. The post-war infrastructure development continues apace; we welcome the extensive efforts across the country to improve the road network as well as the mega projects which have already provided a second international airport and seaport to the country. The economic benefits wrought by such developments and the connectivity they offer will be long term in nature.

The Central Bank of Sri Lanka in its policy for 2014 has announced plans to consolidate the country's overcrowded banking sector, with a view to creating stronger financial institutions that can help sustain the country's growth. The government's vision is for at least five Sri Lankan banks to have one trillion rupee balance sheets by 2016. We welcome the move as a strong financial services sector will be a barometer of a robust economy.

The government has encouraged the private sector to borrow funds from overseas institutions; your Company too has taken advantage of the liberalised exchange control regulations to obtain funding for several of its new investments directly from an overseas lender.

I commend the government on its efforts to create an enabling environment for business in Sri Lanka; the current economic environment, while being challenging in some respects, presents a multitude of opportunities for businesses with the appetite to grow.

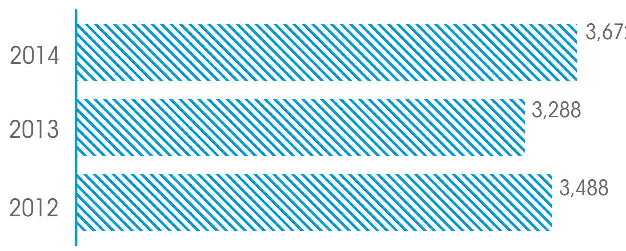
I wish to also reiterate the need to provide support to Sri Lankan entrepreneurs to achieve their true potential. While foreign investments must be encouraged, we must act with prudence to ensure the entry of the right kind of investors, who can add value to our local economy and our people.

I take this opportunity to also salute the government on successfully hosting the Commonwealth Heads of Government Meeting in Colombo in November. Hosting the summit enabled the government to demonstrate its development agenda and its progress in the reconstruction and rehabilitation of the former conflict affected areas. CHOGM 2013 raised post-war Sri Lanka's profile on the global stage, proving the country's position as an exciting and safe destination for both foreign investors and tourists. The challenge is now upon the public and private sector communities to capitalize on opportunities created therein.

CORPORATE PERFORMANCE

Your Company had an excellent year and recorded the highest ever profits, posting a profit before tax of Rs. 5.4 billion for the year, a growth of 7.6% and a net profit attributable to equity holders of Rs. 3.7 billion, a 11.7% growth over the previous year. Earnings per Share stood at Rs. 9.04 while the return on equity was a commendable 12.2%. In keeping with the strong performance and in line with providing an attractive return on investment to our shareholders, the Board recommends a final dividend of Rs 2.00 per share which is an increase of 33.3% over the previous year. While the performance of the individual businesses is described in greater detail in the rest of this report, I would like to bring your attention to a few noteworthy highlights.

The Tourism sector recorded yet another strong performance during the year, boosted



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Rs. 3,672 MN

for the year ended 31st March

CHAIRMAN'S STATEMENT

by an exceptional year for the Maldivian properties. The Sri Lankan hotels also achieved a stronger performance year on year while the Travels segment did well to retain its predominant market position.

The Maritime Cargo Logistics sector had a successful year, and I am particularly encouraged by the investment made by the Group in Fiji for port management; we see vast potential for similar projects, especially in the Asia Pacific and African regions. The investment in maritime education has truly been proven to be a far sighted move, given the successes we continue to see.

Of our Strategic Investments, this has been an exceptional year for the Garments and Printing segments; it is immensely satisfying to observe these segments which have had their share of pressures, performing above expectations.

It was a disappointing year for the power segment, which faced a slew of challenges and was unable to achieve the expected targets. We were adversely affected by delays in payments from the Ceylon Electricity Board and the non-renewal of the power purchase agreements of Horana and Matara plants. Hence during the year the segment disposed the Horana power plant to an overseas buyer and made a provision for impairment of approximately Rs.400 million for the remaining assets of these two companies.

The 100 MW power plant in Embilipitiya which operated throughout the financial year is now in the final year of its power purchase agreement. The Group is presently discussing with CEB on the way forward for the Embilipitiya plant and is confident of a mutually beneficial outcome.

We remain optimistic about our involvement in renewable energy through hydropower and wind power projects, and will seek growth avenues in these areas.

COMPANY OUTLOOK

Your company has been able to deliver consistent results through a combination of strategic foresight and the capacity to transform challenges into opportunities; these qualities of the conglomerate have been underpinned by a well diversified business model that supports this growth trajectory.

In order to create sustainable value for our stakeholders, we have focused on short term performance as well as medium term goals and a long term vision – the combination and alignment of which allow us to broadly map out our business strategies for the next decade.

These are times of rapid change for the entire world, and these mega trends will redefine how states, societies, businesses and individuals operate in the future. These game-changers include demographic shifts such as an ageing population and rapid urbanization; the pressure on natural resources; climate change; the shift in economic power bases from the west to the east; the growing connectedness of people and economies in a virtual world; and the role of new technologies and innovations. Companies such as ours must be mindful of the opportunities presented by such mega trends and the risks they pose to our sustainability. Our strategies for the long term and our exploration of potential new areas of business therefore factor in our consideration and responses to some of the key trends of the future.

Over the last few years, we have instituted a robust risk management framework and strong governance structures with a view to strengthening your company's internal controls. 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.

These mechanisms allow us to manage the business with more transparency and accountability – they also facilitate best practices in succession planning and leadership development, ensuring that the Group nurtures a pipeline of leaders for the future. I am happy to assure you that such measures will inevitably add value to your investment in Aitken Spence PLC.

APPRECIATIONS

It is my duty to thank my fellow members of the Board of Directors for their support and guidance during the year. I wish to welcome Ms. D.S.T. Jayawardena who joined the Board during the year. During the year, the Board was deeply saddened at the passing away of our fellow Director Mr. C.R. de Silva, PC. His tenure on the Board, though brief, was of much value to the Company.

I extend my appreciations to the many notable principals, agents and business partners we work with across the world, with whom we enjoy positive relationships of mutual benefit. I thank you for your loyalty to our Group.

The management of your company, led by the Group Management Committee and the Sector Management teams, has provided yeomen leadership to the employees –on behalf of the Board, I would like to sincerely thank them. The employees are the core of Aitken Spence – I thank them for their commitment, courage and fortitude to take on the challenges of tomorrow.

Finally, I thank you our loyal shareholders, for your trust and faith in the Board and management of your company.

D.H.S. Jayawardena.
Chairman

27th May 2014.

MANAGING DIRECTOR'S REVIEW

Rs.9.04
EARNINGS PER SHARE

FACILITATED BY THE DIVERSITY OF OUR BUSINESSES, IT WAS A YEAR DURING WHICH THE FOCUS OF OUR STRATEGIES, OUR STRENGTH AND AGILITY AS A CONGLOMERATE, AND THE SKILLS AND ADAPTABILITY OF OUR PEOPLE ONCE AGAIN RESULTED IN A STELLAR PERFORMANCE.

I note with pride that Aitken Spence has once again proven its ability to transform challenges into opportunities, achieving growth under challenging conditions for some key sectors. Facilitated by the diversity of our businesses, it was a year during which the focus of our strategies, our strength and agility as a conglomerate, and the skills and adaptability of our people once again resulted in a stellar performance.

Historically, we have recognized the importance of proactively interacting with our stakeholders by listening to and responding to their concerns and priorities. During the last few years, we have fine tuned our processes to ensure that our relationship with each stakeholder creates mutual value. The value we so create is what makes Aitken Spence a solid investment for our investors and a partner of choice for our many stakeholders.

PERFORMANCE

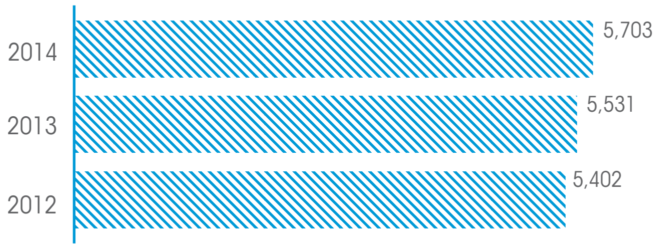
The Group achieved a revenue of Rs. 36.6 billion and a profit before tax of Rs.5.4 billion, which was a growth of 7.6% over the previous financial year. A 11.7% growth was recorded in the profits attributable to equity holders which reached Rs. 3.7 billion.

Reflecting the progress of the Group, the earnings per share was Rs. 9.04 while the

MANAGING DIRECTOR'S REVIEW

return on equity stood at a healthy 12.2% at year end. In acknowledgment of our excellent results and in line with our policy of providing an attractive return to our shareholders, the Board of Directors has recommended a first and final dividend of Rs. 2.00 per share, which is 33.3% higher than last year.

It is disappointing to note the drop in our share price which I strongly believe does not reflect the performance and the fundamental value of the Company. The decline in share price was also partly due to the exit of several large US and European funds from the stock market as a result of the weak conditions in those markets as well as the policy changes signalled by the US Federal Reserve. I hope in the coming year, the share price of your Company would reflect the true value of your Company.



PROFIT FROM OPERATIONS

Rs. 5,703 MN

for the year ended 31st March

As an in depth discussion on the performance of the Group is presented in the Management Discussion and Analysis, I would touch upon the key areas of importance in my report.

SECTOR PERFORMANCE

Tourism

Sri Lanka is ready to take a leap in its tourism industry, having welcomed over 1.27 million tourists during the year 2013, with a target of 1.5 million for 2014. The room inventory has grown, leaving the country poised to cater to greater demand. At this juncture, there must be a collective and cohesive approach towards destination marketing in order to generate better value and growth; the lack of central planning for tourism may lead to rates and yields coming under pressure.

During the next financial year "The Sands" Kalutara will add an additional 90 rooms thereby enhancing the resort's inventory to 200 rooms. construction is in its final stages at the proposed 150 roomed luxury hotel property in Negombo. This luxury hotel will be the latest to join the Heritance portfolio and is expected to commence operations in winter 2014 as "Heritance Negombo" The resort would cater to multiple segments of clients including business travellers.

With rapid infrastructure development taking place in the Eastern province we are now ready to develop our property in Nilaweli, Trincomalee. We are working with authorities to obtain approvals to begin planning work and have been faced with bureaucratic restrictions arising from the land being situated within one mile radius of the Pigeon Island protected wildlife area.

We are excited about our partnership with RIU Hotels, Spain in a USD 100 million investment to build a 500 room, five star luxury hotel on our property in Ahungalle. The hotel will be operated by RIU on its all inclusive model and will cater to high value charter groups flown in to Mattala Rajapaksa International Airport. RIU as well as its partner TUI, a long term partner of Aitken Spence, have identified Sri Lanka as a cornerstone in their growth strategies for the future, which augurs well for the tourism industry.

The Maldivian properties registered an excellent performance during the year, benefitting from a buoyant tourism industry and new strategies adopted to attract emerging markets. Our performance was somewhat hindered by the non operation of 17 water villas at Adaaran Select Hudhuranfushi resort during the second half. The villas, damaged by fire, will recommence operations by September 2014. The Group is also actively seeking opportunities to expand its operations in the lucrative Maldivian market as well as in India, as prospects in both countries should improve as a result of post-election political stability.

The inbound travel segment maintained its pre-eminent position in the market during the year, with considerable growth in volumes and revenue. The partnership with TUI was further energised during the year with a visit by the CEO and senior management of TUI Travel PLC, to explore greater opportunities in the country.

We continue to enjoy an excellent relationship with Singapore Airlines, for whom we have been General Sales Agent in Sri Lanka for over thirty years - the longest serving GSA within the SIA network. During the year, we successfully defended SIA market share in Sri Lanka despite heavy competition and pressures. We also note with satisfaction the progress of our Sri Lankan Airlines GSA in the Maldives.

At Aitken Spence, our future outlook will involve taking advantage of our position as a regional player with its presence in Sri Lanka, the Maldives, India and Oman to offer greater synergies to international tour operators. We are also actively promoting the MICE tourism market, taking advantage of the expanded infrastructure, domestic air travel and the increasing number of international airlines flying into Sri Lanka.

Maritime Cargo Logistics

The Maritime Cargo Logistics Sector had a good year, the highlight of which was the entry of the Maritime Sector into the Republic of Fiji through a public-private partnership. Under this agreement, we secured a 51% stake in Ports Terminal Limited of Fiji, and will operate and manage the ports of Suva and Lautoka over the next 15 years. The Aitken Spence involvement has resulted in a 30%-

40% productivity improvement within just six months – influenced by our learnings from similar operations in African continent. We will continue to seek similar port management opportunities in Asia and Africa.

Our investment in the education sector – the CINEC Maritime Campus has proven a solid investment; the campus now offers degree courses in engineering and management in partnership with foreign universities and is due to begin degree programmes in tourism and hospitality shortly. The Maritime Cargo Logistics sector is pursuing a shift in its business model, from the agency and service-related businesses to investment driven operations since in the current rapidly developing economic landscape, the role of the middleman is waning.

TNT courier had a dip in operational profits this year as it was mainly affected by cross exchange rate losses. The now abandoned proposed merger between TNT and UPS resulted in depressed trading and reduced innovations during 2012/2013, however TNT is now on a reinvigorated growth phase and we look forward to expanding our activities during the coming year. During the year, the freight forwarding segment and the Cargo GSA operations in Sri Lanka, Maldives and Bangladesh performed well bringing in the expected returns to the Group.

The transportation business was impacted by the non-operation of the two thermal power plants resulting in a drastic reduction in the regular fuel transport operations. The extensive diversification within the segment has enabled it to perform well; we are optimistic that the segment will continue to grow in the medium term. The demand for warehousing has grown steadily, and a new investment will be made in an ultra-modern warehousing complex in Welisara.

Strategic Investments

The power generation segment had an extremely difficult year, following the non-renewal of the power purchase agreements of the Horana and Matara plants. During the year the segment disposed the Horana power plant to an overseas buyer and made a provision for impairment of approximately Rs. 400 million for the remaining assets of these two companies, which had an adverse impact to the sector and the Group.

The 100 MW plant in Embilipitiya is now in the final year of its contract and the Group is presently in discussions with the CEB on the way forward for the Embilipitiya plant. The hydropower plant and the wind power plant have not performed at desired levels this year and it is hoped that they would bring in the expected results in the coming years. The Group remains committed to expanding its renewable energy portfolio and is seeking opportunities both in Sri Lanka and overseas. In Bangladesh, we have exited from one proposed thermal power project due to the authorities not being able to provide a suitable land for the plant as per project requirements, while discussions continue in relation to the second project.

The garments segment has performed exceptionally well, establishing itself in its niche and enjoying preferred supplier status with its main customers. The segment is now ready for expansion and during the coming year, we plan to set up a new production facility with enhanced capacities.

The printing segment enjoyed another good year, with its new eco-friendly green factory attracting more business from overseas. The industry demands constant innovation and investment in modern machinery; this year, the segment expanded its offering by introducing variable and digital printing facilities.

The plantations segment had a successful year, driven by its diversification into palm oil and a new joint venture to sell Ceylon Tea in China. It is important to note that the sustainability of the entire plantations industry can only be guaranteed through the adoption of a model where future wage increases are linked to performance and productivity of workers.

Services

The MMBL Money Transfer service reported a healthy performance, driven by its strategic marketing initiatives in the "Send" countries. The growing numbers of skilled and semi-skilled personnel seeking employment opportunities overseas holds positive growth potential for the segment.

The insurance segment continued to act as superintendents for UNWFP and further secured a long term agreement with them this year. This provides us with the largest single source of income in this segment, whilst affording our surveyors the opportunity of training regional logistics staff, thereby serving the community. The segment also ventured into aviation surveys and further expanded its operations in the Maldives to include marine cargo surveys, investigations and discharge surveys.

The OTIS Elevator agency enjoyed a strong performance, winning several prestigious high profile contracts on the back of the infrastructure development in the country. The entry of global brands to Sri Lanka is beneficial for top-end products such as OTIS.

Performance of the information technology segment, in just its second year of operations, has been very encouraging, winning a

MARITIME CARGO LOGISTICS SECTOR HAD A GOOD YEAR, THE HIGHLIGHT OF WHICH WAS THE ENTRY OF THE SECTOR INTO THE REPUBLIC OF FIJI THROUGH A PUBLIC-PRIVATE PARTNERSHIP. WE SECURED A 51% STAKE IN PORTS TERMINAL LIMITED OF FIJI, AND WILL OPERATE AND MANAGE THE PORTS OF SUVA AND LAUTOKA OVER THE NEXT 15 YEARS.

MANAGING DIRECTOR'S REVIEW

THE GROUP WILL CONTINUE TO PURSUE NEW AREAS OF BUSINESS WHILE CONSTANTLY EXPLORING TRADITIONAL SECTORS AS WELL AS NEW EMERGING SECTORS AND INDUSTRIES, FOR OPPORTUNITIES THAT WOULD COMPLEMENT OUR STRATEGIES AND ALIGN WELL WITH OUR VISION.

significant number of implementation contracts; it is also a top performer in the Oracle suite of products and offers much future promise for the Group.

The Group formally entered the luxury retirement homes space during the year with the launch of Heritage Grove project in Negombo. We see great potential in this area once there is sufficient awareness of the concept, which is new to Sri Lanka. We have now commenced the marketing of luxury villas in the US, Canada, Europe and Australia.

HUMAN RESOURCES & SUSTAINABILITY

The success and growth of a diversified Group such as ours is dependent solely upon the contributions made by each and every employee of the Group. We appreciate our employees' continuous contribution towards the Company's improved performance.

During the year HR policies were reviewed and revised to promote better employee engagement and to obtain employee support to face the challenges of the complex business environment in which we operate. Developing the leadership pipeline within the Group was a key priority this year, and would be continued into the future.

A renewed social and environmental governance policy and implementation procedure were introduced this year. We implemented several initiatives within the Group to build capacity and share knowledge related to sustainability. Aitken Spence was among the first businesses to sign up to the United Nations Global Compact, a strategic policy initiative committed to ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We remain committed to champion the principles within our businesses and the wider private sector, by giving leadership and support to the Global Compact Network of Sri Lanka.

NEW BUSINESS

The Group will continue to pursue new areas of business while constantly exploring traditional sectors as well as new emerging sectors and industries, for opportunities that would complement our strategies and align well with our vision. As has been our strength in the past, we will continue to tread new paths, exit those businesses that no longer fit well with our agenda for sustainable development and reinvent ourselves to transform challenges into opportunities.

APPRECIATIONS

I thank each and every member of the Aitken Spence family without whom, our achievements would not have been possible. While thanking you for the journey you have taken with us, I would like to emphasise that greater challenges lie ahead and that innovation must become part of our DNA; it is by forging a spirit of entrepreneurship that we can work towards a collective vision.

JMS Brito.

J.M.S. Brito
Managing and Finance Director

27th May 2014.

Pg 19 to 97

STEP BY STEP

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

IN OUR MANAGEMENT DISCUSSION AND ANALYSIS WE WOULD BE DISCUSSING OUR BUSINESS MODEL, OUR STRATEGIES AND PERFORMANCE AND KEY ECONOMIC, SOCIAL AND ENVIRONMENTAL FACTORS AFFECTING OUR BUSINESSES.

Pages 21 - 25

About Aitken Spence & the Operating Environment

The opportunities and challenges of diverse business segments are met with the same vigour whilst remaining at all times true to its core values; this has enabled Aitken Spence to develop many key strategic strengths over the years.

Pages 26 - 28

Engaging with our stakeholders

We examine the methods and the channels we engage with our stakeholders, and how we address mutual issues.

Pages 29 - 33

Our Strategy

We consider the business model in our four core sectors while discussing economic, social and environmental strategies for the Group in the short, medium and long term.

Pages 34 - 39

Risk Management

The diverse range of business activities exposes the Group to a wider range of risks and opportunities. This report discusses the risk management strategies adopted by the Group.

Pages 40 - 43

Our People

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.

Pages 44 - 58

Who leads us

- Board of Directors
- Group Management Committee
- Senior Management Teams

Pages 59 - 65

Group Performance

Review of the overall Group financial performance along with discussions on financial indicators based on the Group's consolidated performance

Pages 66 - 97

Business Sectors

- Tourism
- Maritime Cargo Logistics
- Services
- Strategic Investments

Discussion on the business, economic, social and environmental conditions in which we operate and a detailed analysis of the performance of each sector.

ABOUT AITKEN SPENCE

OUR 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.

OUR BRAND VALUES

- RELIABLE
- HONEST
- FRIENDLY
- GENUINE
- INSPIRING CONFIDENCE

The roots of Aitken Spence go back 150 years. The Company was founded as a trading and maritime services operation in 1868 by two British entrepreneurs. Over one and a half centuries, the Company expanded its business operations and grew to become one of the largest and most respected conglomerates in the country. Aitken Spence, was listed on the Colombo Stock Exchange in 1983.

Today, Aitken Spence's operations are categorised under four sectors, namely, Tourism, Maritime Cargo Logistics, Services and Strategic Investments. Amongst the strategic investments the Company has made it has significant interests in plantations, power generation, KPO/BPO services, insurance, IT, printing and garments. The Company's operations have a global reach spanning South Asia, the Middle East, Africa and the South Pacific. Aitken Spence has been recognised by Forbes Magazine as one of the most successful publicly - traded companies with annual sales under USD 1 billion outside of the United States, for three consecutive years.

Aitken Spence is a pioneer in making investments in strategic growth sectors. The Company through its strategic foresight has identified and invested in several sectors resulting in exceptional returns over the years. It possesses an enviable record in working with global leaders in many of the industry sectors. Whilst most of the strategic ventures are joint ventures with partners having globally recognised brand names, the Company has developed its own brands in the Tourism sector.

Aitken Spence owns and manages an internationally-acclaimed chain of hotels and resorts in Sri Lanka, the Maldives, India and Oman. The Company has partnered the world's largest name in travel – TUI of Germany (a member of the Worldcome network) for over three decades and represents over 200 leading worldwide tour operators.

Aitken Spence is Sri Lanka's leading provider of logistics solutions, with an unrivalled range of services that include maritime, cargo, express courier, container-related services, warehousing, supply chain management and specialised transport offerings. The Company recently entered into a public-private partnership with Fiji Ports Corporation to operate and manage the ports of Suva and Lautoka, the largest international ports in Fiji.

The Company is a significant player in the power generation sector with a portfolio of thermal, wind and hydro power plants and is strategically evaluating several new power projects both in Sri Lanka and overseas.

The Company acts as agents for Lloyd's of London in Sri Lanka since 1876 and has been representing Singapore Airlines, and OTIS elevators for several decades. It is also a principal agent in Sri Lanka for Western Union Money Transfer. Aitken Spence has also made a significant investment in the higher education sphere when it became the single largest shareholder in the CINEC maritime campus.

The Company has identified a number of strategic frontiers that would enable it to continue its current leadership position in the future. One of the key thrusts would be in the luxury living segment where Aitken Spence broke new ground by introducing the country's first Luxury Retirement Community - Heritage Grove, aimed at attracting expatriates to the country for their retirement.

A visionary and proactive approach to maintaining long term viability, profitability and integrity of the business to enable sustainable value creation at Aitken Spence, sustainability practices are specifically embedded in its operations to ensure they are aligned with the Company's strategy. Many benchmarks were set including the first carbon neutral owned fleet and destination management operation in the country, the first ISO 50001 certified hotel chain in the country, and the first carbon neutral printing facility in the region during the year.

The Company initiated Empowering Sri Lanka First, a programme implemented to provide English and computer literacy skills to students of low income families. This learning opportunity is aimed at inculcating an interest in learning English language and developing computer literacy skills through self-learning and communicative teaching methods.

Aitken Spence is a signatory to the United Nations Global Compact and has been repeatedly recognised by the country's leading business chamber as one of the best corporate citizens in Sri Lanka for the past eight years, and was adjudged as the winner in 2012.

OPERATING ENVIRONMENT

The core essence of the Aitken Spence Brand is RELIABILITY. In striving towards achieving excellence in all our activities, establishing high growth businesses in Sri Lanka and across new frontiers and aiming towards becoming a globally competitive market leader in the region, we aspire to always be recognised as being an organisation that is Reliable, Transparent, Friendly, Genuine and Inspiring Confidence while going the extra mile and a half to deliver that value and provide an exceptional service.

IN DOING SO, WE HOPE TO MAINTAIN OUR CORE STRENGTHS;

- WEALTH OF EXPERIENCE AND PROFESSIONAL MANAGEMENT
- DIVERSE BUSINESS PORTFOLIO
- FINANCIAL STABILITY
- CORPORATE REPUTATION
- BEST TALENT IN SERVICE

Strengths	The Advantage	Our Approach
Wealth of experience and professional management		
Management expertise	Strong domain knowledge, proven experience in building businesses, reputed for intellectual capital.	Contemporary talent management and human resource management strategies, succession planning to train and mentor next line of leadership.
Diverse business portfolio		
Diversity of industries and business sectors	Presence in many key industry sectors insulates overall Group performance against potential risks and negative impacts that may occur in a particular business sector.	Regular strategic evaluation of micro and macro economic fundamentals with a view to invest and/or divest to maintain optimum portfolio.
Geographical and regional diversity	The geographic distribution of operations allows the Group to spread its risk among several regions, leaving it better prepared to offset a potential downturn in one region with strong performance from another.	Seeking expansion in overseas markets utilising our management capabilities and investment capacity and acumen.
Financial stability		
Stable financial structure	Ability to attract and retain strategic partnerships, capacity to expedite new investments/ventures, greater access to funds and more advantageous negotiation powers with financial institutions, greater efficiency in day to day operations.	Focused strategic decision making in choosing areas of investment, diversified portfolio of businesses, tactical decision making in business entry and exit strategies, efficient management of Group wide cash flows.

Strengths	The Advantage	Our Approach
Governance and risk management	Strong focus on internal controls, well established policies and procedures with inhouse internal audit and risk management unit. Resolute culture of doing business ethically at all times and inculcating strong corporate values at all levels.	Regular training and awareness sessions to employees at all levels. Regular interactions with the members of the Board Audit Committee and external auditors to discuss key concerns or early warning signs.
Property and physical infrastructure	A strong base of land and infrastructure in sought-after locations; iconic physical infrastructure considered benchmarks in respective industries.	Evaluating opportunities to utilise existing land and property base for further expansion; strong ethic on maintaining high standards of infrastructure with sound construction process utilising best available inputs and environmentally friendly designs.
Stability and consistency	A good investment for shareholders; stable partner for stakeholders and a just and meaningful contributor towards the economy.	A positive but conservative philosophy towards growth and expansion to ensure long-term performance and sustainability; agile decision making.
Corporate reputation		
Reputation	Has earned the respect and trust of existing and potential stakeholders as a responsible corporate citizen.	Strong focus on governance and sustainable development; commitment to long-standing global partners.
Brand	Strong corporate brand with high equity allows for easy recognition and recall; strategy of umbrella branding results in wide acceptance and synergy.	Brand and perception managed through positive and consistent brand communication; regular brand awareness education for employees.
Best talent in service		
Job satisfaction and security of employees	An empowered, motivated workforce, driven towards performance and aware of the wider goals of the organization.	Proactive engagement with employees to address mutual concerns; extensive training for personal and skills development; responding to the changing nature of the workforce; promotion of work - life balance; regular benchmarking of remuneration and benefits with those offered by the market.

OPERATING ENVIRONMENT

Global Trends, Opportunities, Challenges and the Impact on Our Business

Opportunity	Addressing the Opportunities
Emerging global niche markets and new customer segments provide opportunities to attract new investors and international fund managers and new growth opportunities.	• Developing products to address global trends and demands Efficiency and productivity enhancement and management in ports.
Macro economic growth, rapidly advancing middle-class and emerging unique business opportunities in the Asian and African continent pave the way for new business ventures.	• Exploring business ventures beyond the existing geographical presence.
Evolution of technology and business connectivity, create boundless opportunities for products and services that cater to evolving customer needs.	• Integrating digital concepts and technology to business strategies. • Diversity in operations and the product/ service offering. • Implementation of sustainability performance management software tools to streamline disclosure of performance information.
As organisations increase effort to maximise cost efficiency within the operations, focus is shifting towards outsourcing business operations.	• Investing in a KPO operation to cater to the global market demands.
Focus on climate change mitigation has opened doors to many opportunities in new products and services that contribute positively towards climate change mitigation and ensuring a sustainable future. Provision of eco-friendly and socially responsible products and services create opportunity to increase brand equity.	• Leadership in eco-friendly products and services. • Positioning in the country as a responsible corporate citizen. • Ecosystem conservation efforts. • Renewable energy projects of the Group companies. • Carbon neutral printing facility. • Carbon neutral destination management operations and owned fleet of vehicles. • Investment in innovative agricultural projects.
Infrastructure developments in the country is enabling a growth in the opportunities for all businesses.	• Partnering with new hotel operators and brands. • Establishing logistical infrastructure at Hambantota Port.
There is an increased demand for business intelligence education as evolving business opportunities require more skilled workforce.	• Development of internal educational capabilities and engagement with external academic institutions and industry associations.

Challenges	Addressing the Challenges
Impacts on environment, ecosystem services and biodiversity	• Environmental Management Systems and network of trained and certified internal EMS auditors. • Pollution control across the Group. • Green philosophy implemented across the hotel operations in Sri Lanka and the Maldives. • Energy management systems across the hotel chain; ISO 50001 certified energy management system at Heritance hotels. • Obtaining and retaining LEED certified architecture.
Retention and attraction of talent	• Sustainable talent management schemes. • Succession planning. • Encouraging work - life balance for employees. • Employee competency development. • Proactive employee relations.
Data Security	• Ongoing monitoring and risk management of IT systems.
Competition from new entrants in traditional businesses	• Quality assurance of products and services. • Total solution product offering through diversification.
Increasing energy cost	• Energy management activities across the Group. • Creating awareness on the importance of energy conservation amongst all stakeholders. • Investment in renewable energy.
Fluctuating weather patterns due to climate change	• Forestry management. • Renewable energy investment. • Monitoring and control of emissions. • Energy management systems and environmental management systems. • Innovative management techniques at the estates.
Regulatory barriers and adverse macro - economic trends locally and globally	• Diversification in geographical markets. • Diversification of products.

ENGAGEMENT WITH OUR STAKEHOLDERS

KEY STAKEHOLDER CATEGORIES:

- EMPLOYEES
- INVESTORS, SHAREHOLDERS
- BANKS AND FINANCIAL INSTITUTIONS
- CUSTOMERS , PRINCIPALS & AGENTS
- INDUSTRY PARTNERS & ASSOCIATIONS
- SUPPLIERS/ SERVICE PROVIDERS & COMMUNITY
- ENVIRONMENT/ ENVIRONMENTAL INTEREST GROUPS
- GOVERNMENT AND REGULATORY BODIES

Organisations working towards true sustainability must engage with their stakeholders in a healthy, and mutually beneficial manner which foster lasting relationships. We value the multiple relationships built by Aitken Spence across industries and developed over time, and believe that regular engagement with these stakeholders is critical to maintain those bonds.

The diversity of the Group's operations in both scale and nature means that each industry segment has its own unique set of stakeholders, concerns, impacts, risks, opportunities and benefits. Therefore a 'one-size-fits-all' solution is neither suitable nor sustainable for the Group. As such what we practice is both unique and diverse.

OUR KEY STAKEHOLDERS CAN BE CLUSTERED INTO THE FOLLOWING BROAD CATEGORIES:

Stakeholders within the organisation (stakeholders directly related to our operations);

- EMPLOYEES
- INVESTORS
- SHAREHOLDERS
- PARTNERS

STAKEHOLDERS OUTSIDE OR EXTERNAL TO THE ORGANISATION

(stakeholders indirectly related to the operations);

- CUSTOMERS, PRINCIPALS & AGENTS
- BANKS AND FINANCIAL INSTITUTIONS
- SUPPLIERS/ SERVICE PROVIDERS
- COMMUNITY
- ENVIRONMENT/ ENVIRONMENTAL INTEREST GROUPS
- GOVERNMENT AND REGULATORY BODIES
- ASSOCIATIONS

Channels of Engagement;

The Group uses many channels of engagement, which facilitate continuous feedback to both the Company and its stakeholders. The feedback thus received is analysed based on

- the relevance and priority of each stakeholder,
- severity of any significant impacts,
- business priorities and
- the need for striking the triple bottom line balance.

The methods of engagement for the key stakeholders with whom we have proactively engaged are illustrated in the 'Stakeholder Engagement' diagram in this report. Some of the 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.

The Group conducts scientific study and maintains regular contact with significant stakeholder groups that are directly related. These include shareholders, partners, employees, interest groups, and associations such as the Global Compact Network links and communities that are directly related to us. We constantly assess our businesses and their stakeholders and monitor the current business and operational environments with a view to identifying the potential opportunities and challenges for the company and in order to evaluate the Group's competitive strengths and advantages. This process allows the Group to proactively address each opportunity and challenge in order to improve our readiness and mitigate our risks, thereby achieving our ultimate goals of building a sustainable business.

Results of Stakeholder Engagement Practices;

During the year, there were several examples of the Group responding to stakeholder concerns, directly addressing issues that arose during engagement.

One key concern raised by an investor was that the role awareness of sustainability team members needed to improve. In response, the concept of 'Peer Education Forums' was introduced to bring together different individuals across Aitken Spence companies handling similar responsibilities. This was aimed at improving interaction between participants which could lead to learning opportunities and better awareness of their roles from shared expertise and experience of team members across the Group. These forums were launched in October 2013 with separate forums for the Group's network of Environmental Management Representatives (EMRs) and Occupational Health and Safety (OHS) Representatives on the topics of 'Identifying Environmental Aspects relevant to the Operation' for the EMRs and 'Emergency Evacuation' for the OHS representatives. These forums are planned to be conducted every quarter with the next set of Peer Forums already completed in March 2014 with EMRs discussing 'Energy Management' and the OHS representatives discussing 'OHS Due Diligence'. We hope to launch peer education forums for the Group's Human Rights Focal Points in June 2014.

Commencing work on the Social and Environmental Governance Policy and Procedures and implementing a sustainability performance management software were other steps taken to improve overall organisational performance.

At present our stakeholder engagement process is internally driven without an independent stakeholder engagement study. Plans are in the pipeline to carry out an independent stakeholder engagement study in the foreseeable future with the assistance of an external service provider in order to ensure that the results are unbiased and that all key concerns are addressed.

ENGAGEMENT WITH OUR STAKEHOLDERS

Channels of Engagement

Direct contact ı Participation in forums and training programmes ı Communication via sub agents or representatives ı Site visits and service level agreements ı Meetings and lobby groups

Key areas of interest for stakeholders and the organisation

Adherence to international benchmarks ı Prevention of corruption ı Assurance of products / services ı Progress on agreed activities / procedures ı Capitalising on new business opportunities by catering to the needs of the clientele

Channels of Engagement

Direct dialogue ı Participation in seminars on quality and efficiency ı Supplier appraisals

Key areas of interest for stakeholders and the organisation

Ethical conduct and production ı Profitability ı Assurance for service requirements, concerns, solutions ı Professionalism and on time service ı Efficiency and effectiveness of operations ı Competitive advantage

Channels of Engagement

Dialogue with policymakers, regulatory authorities and experts ı Direct communication I Compliance reviews ı Media

Key areas of interest for stakeholders and the organisation

Climate change mitigation ı Management of environmental impacts ı Waste management ı Compliance with environmental standards, laws and regulations of the country

Channels of Engagement

Dialogue with policymakers, regulatory authorities and experts ı Reports and meetings ı Participation in industry / national level events ı Compliance reviews ı Media

Key areas of interest for stakeholders and the organisation

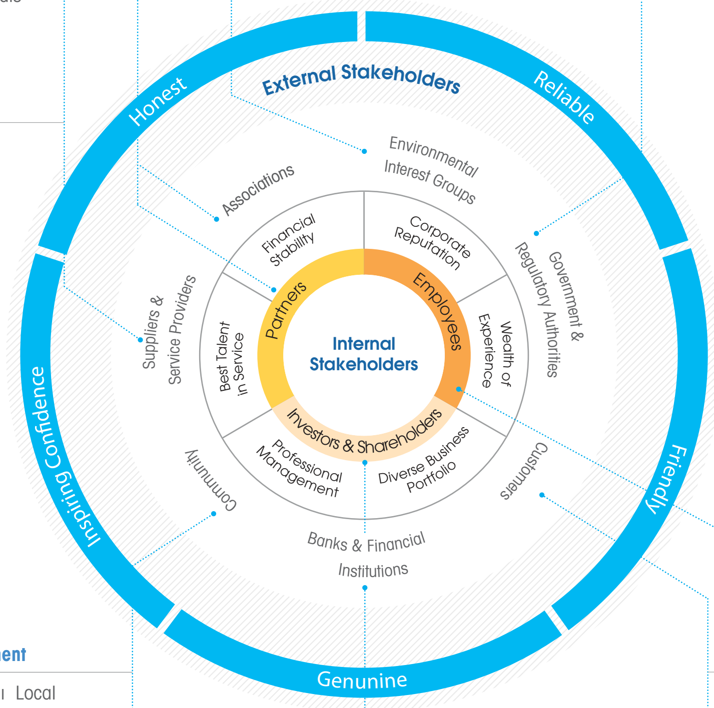
Compliance ı Generation of employment ı Foreign income generation ı Payment of taxes / fees / levies due to government / regulatory bodies ı Prevention of corruption

Channels of Engagement

Employee satisfaction surveys ı Internal newsletters and intranet ı Performance reviews ı Open door policy ı Grievance handling procedures ı Small group meetings with the Managing Director ı Group and SBU level events

Key areas of interest for stakeholders and the organisation

Occupational health and safety ı Remuneration and benefits ı Career progression ı Skills development ı Human Rights at the Workplace ı Work life balance



Channels of Engagement

Direct communication ı Local purchasing engagements ı Dialogues with community groups ı Media and annual reports

Key areas of interest for stakeholders and the organisation

Development of infrastructure ı Employment generation and extending opportunities for local entrepreneurs/ students ı Environmental conservation ı Building sustainable social relationships ı Safety, health and welfare

Channels of Engagement

Annual General Meeting and other meetings ı Financial reporting ı Website and social media ı Media ı Investor discussions

Key areas of interest for stakeholders and the organisation

Return on Investment/ ROE ı Ethical conduct ı Environmental and social governance ı Resilient balance sheet ı Sustainable profitability ı Corporate communication

Channels of Engagement

Customer satisfaction surveys ı Buyer inspections/ audits ı Direct contact ı Customer service and support points-of-contact

Key areas of interest for stakeholders and the organisation

Quality and reliability of products and services ı Ethical production ı Value for given price ı Data security and privacy of information disclosed to the organisation ı Innovation of products and services to meet new trends in markets and customer needs

OUR STRATEGY

Aitken Spence PLC is one of Sri Lanka's largest blue-chip conglomerates. Over hundred years of successful business operation has enabled us to create the rich heritage of the Aitken Spence Brand. The wealth of skill and competencies and strength of our human resources has enabled us to evolve and transcend to the premier Company we are today. The pillars on which our diversification strategy rests are the four core sectors in which the Company operates namely Tourism, Maritime Cargo Logistics, Strategic Investments and Services. Over the years we have expanded our operations in key segments where we have built core competencies and ventured into new business areas in which we have acquired proficiencies through joint ventures and strategic partnerships with international and local corporates. It is with pride that we can state that we were the pioneers in many of the business segments that we are leaders in today. We have also taken our expertise in the core sectors across international boundaries to replicate the success story achieved in Sri Lanka. Our operations are spread across the globe from Asia to Africa, the Middle East and to the South Pacific. We are a Sri Lankan enterprise with a truly global reach. We are consistently aware of our commitment to our stakeholders and strive for an equitable balance between wealth creation and sustainable development whilst nurturing the environment we operate in.

Business model

We at Aitken Spence realise that the success of our Company is our diversification. Therefore we constantly seek strategies to fuel the growth and expansion of our current business segments as well as seek opportunities for diversification into new businesses. Our strategy of diversification is focused on both organic and inorganic initiatives geared towards creating value to our stakeholders. In achieving this we place emphasis in building collaborations with world renowned partners and brands.

WE ASPIRE TO DELIVER STAKEHOLDER VALUE BY:

- POSITIVE ECONOMIC VALUE CREATION THROUGH GEOGRAPHICAL, BUSINESS AND PRODUCT DIVERSIFICATION.
- EMPLOYMENT GENERATION, REWARD AND RETENTION
- CONTRIBUTION TO SOCIETY THROUGH OUR CORPORATE SOCIAL RESPONSIBILITY INITIATIVES
- SUSTAINING THE BUSINESS ENVIRONMENT IN WHICH WE OPERATE.

We believe our sustainable growth requires proactive meticulous planning and decision making based on solid fundamentals and financial discipline. We depict our operational interaction within the core sectors of Aitken Spence along with the strategic direction that is provided by the Board of Directors in page 31.

We invest in and facilitate research and development to ensure continuous innovation to maintain our pioneering nature in our business growth. It is our aim to build long term strategies to leverage on the Aitken Spence Brand by developing a set of cohesive strategies across all the sectors and create synergies for growth both locally and internationally. Aitken Spence is planning its new growth strategy by making an early entry into the "next generation technology business" that will create opportunities and growth both in Sri Lanka and overseas. It is the Aitken Spence Group endeavour to position itself as the preferred partner in the region for international companies that value good corporate, social and environmental governance.

Given below are some of the key strategic directions pursued by Aitken Spence in furthering its operations and commitment to creating stakeholder value.

- Taking advantage of the rapid infrastructure development in the country and the Government's initiative for the development of the nation as a tourism hub, our strategy encompasses the development of four luxury resorts in Negombo, Ahungalla, Galle and Nilaweli. One of which would be with a strategic partnership with RUI Hotels.

- Yet again in a pioneering venture in the Maritime Cargo Logistics sector we have entered into a public private partnership with Fiji Ports Corporation to acquire a 51% equity stake in Ports Terminal Limited for the operation and the management of the ports of Suva and Lautoka. Further keeping in line with the policy direction of the Sri Lankan Government promoting Sri Lanka as a maritime hub we at Aitken Spence hope to contribute towards this goal with the opening of a state of the art logistics complex offering warehousing and container freight station facilities at Welisara.

OUR STRATEGY

- Through our strategic investment in CINEC maritime campus, the largest maritime academy in South Asia, we propose to expand the Aitken Spence foot print in education both in Sri Lanka and overseas.
- Renewable power generation remains a key segment in which we wish to further participate. In this direction we are focused on setting up green field power plants in the emerging markets and to undertake further investments in renewable energy projects in Sri Lanka.
- We acknowledge the fact of the global demographics gradually changing to a more ageing population and the needs of the market segment requiring greater attention. With this in mind Aitken Spence has ventured into a landmark project by investing in a luxury retirement home complex "Heritage Grove", in Negombo. This project also aims at creating a "second home" to the expatriate and the diaspora of the country, a concept which has developed significantly in the region.
- The rapidly changing technological landscape brings with it immense potentials for growth and investment. We constantly keep abreast of these developments to identify and pursue new and innovative technologies that are in keeping with our strategic directions for investment.
- The wealth of our people and the reliability of our service excellence is a focus of our strategy through which we intend to venture into new knowledge and service centered businesses.

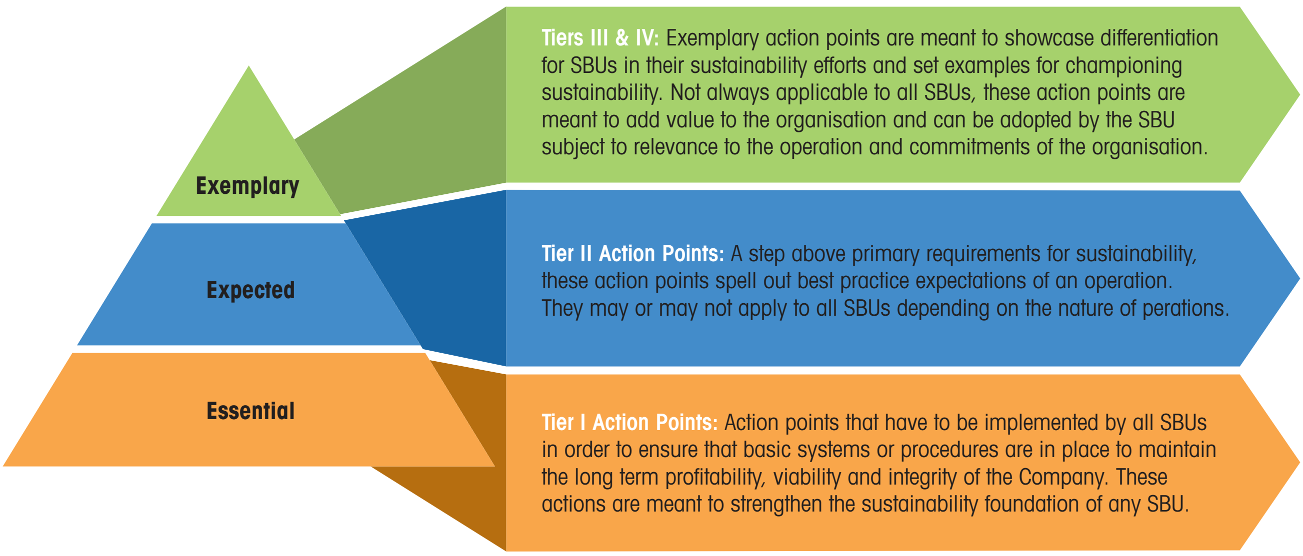
We at Aitken Spence will continue to support the United Nations Global Compact, its ten principles and focused initiatives on specific sustainability challenges. Our strategies are aligned to playing a leading role in strengthening the proliferation of sustainable business practices in areas we operate. Aitken Spence has remained steadfast in ensuring a consistent and good return to its shareholders. Our prudent financial management practices along with our strategic direction has enabled this proven successful track record, which we have no doubt will continue in the future.

The Sustainability Strategy

The sustainability strategy was developed to incorporate strategic focus to the existing sustainability efforts of the SBUs where necessary and also guide them on future action. Implementation of the integrated sustainability policy is the foundation of the strategy. It is meant to assist SBUs to identify any gaps in achieving sustainability as expected, and also to recognise opportunities and new aspects that might be of relevance to their operations.

Simultaneously, Group companies are encouraged to champion an area in sustainability that will enable the most sustainable value creation for that specific SBU and their key stakeholders. This is the second platform of the Aitken Spence sustainability strategy which we refer to as 'Strategic Differentiation of the SBUs'. All SBUs have identified areas that add value to their operations and are in the process of taking action to create differentiation in their efforts.

Group differentiation is the next platform in the strategy where a common sustainability programme is launched to create sustainable value where all companies within the Group can come under one umbrella to support a cause that is of national importance. 'Empowering Sri Lanka First' was developed after much discussion with education experts and stakeholders to provide English language and computer skills education for children within our communities. This is a platform in the strategy which is meant to create differentiation for Aitken Spence, as one Company and provide opportunities for SBUs and employees to get involved in and support.



The Implementation Framework

OUR STRATEGY OF DIVERSIFICATION IS FOCUSED ON BOTH ORGANIC AND INORGANIC INITIATIVES GEARED TOWARDS CREATING VALUE TO OUR STAKEHOLDERS.

WE DEPICT OUR OPERATIONAL INTERACTION WITHIN THE CORE SECTORS OF AITKEN SPENCE ALONG WITH THE STRATEGIC DIRECTION THAT IS PROVIDED BY THE BOARD OF DIRECTORS

OUR STRATEGY

The Integrated Sustainability Policy

Development of a formal 'Sustainability Strategy' for the Group commenced in 2007 with the identification gaps in the operations of Aitken Spence in a sustainability context. The compilation of a comprehensive set of areas that could affect the long term viability, profitability and integrity of Aitken Spence was the start of the Aitken Spence Integrated Sustainability Policy.

The areas identified included;

A. Compliance
B. Internalisation of UNGC principles
C. Ethical Conduct
D. Environmental Conservation
E. Stakeholder Inclusiveness
F. Supply Chain Management
G. Strategic Focus on Sustainability
H. Sustainable Processes
J. Innovation
K. Quality Management
L. Community Development
M. Support to Local Economic Development
N. Occupational Health and Safety
O. Human Resources
P. Human Rights
Q. Reporting
R. Information Security
S. Communication
T. Annual Performance Review and Planning

These areas were listed into an Integrated Sustainability Policy as 'policy clauses' reflected in the policy which is available in English, Sinhala and Tamil in the Group's website www.aitkenspence.com/sustainability.

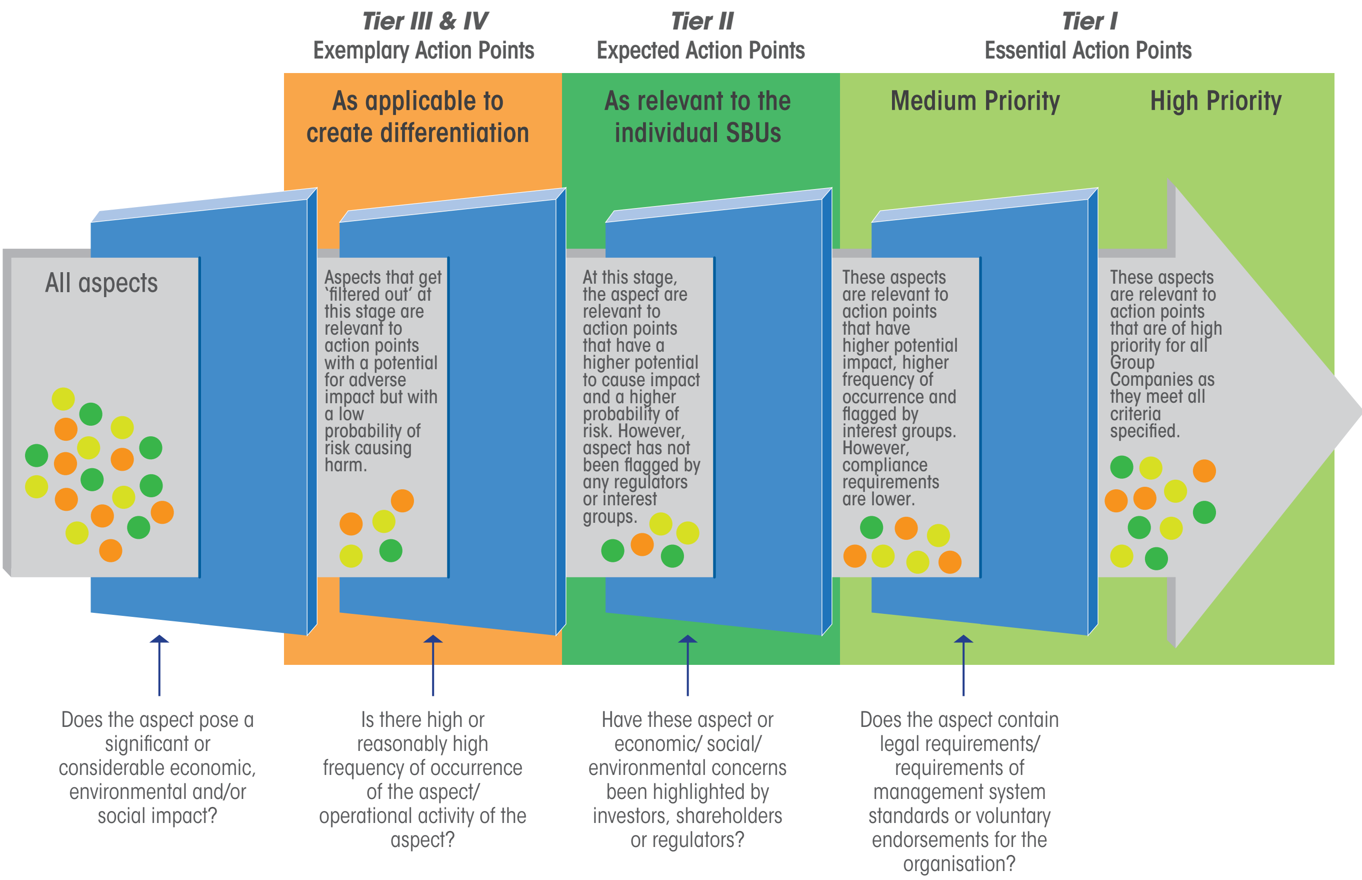
Each policy clause has a set of action points which are organised into a referencing system. The letter 'I' is not used when listing the policy clauses to avoid confusion with number one.

The purpose of establishing the integrated sustainability policy was to benchmark the expected behaviour of the Group and to provide guidance to identify areas where the operation could be improved. Many Strategic Business Units (SBUs) had already demonstrated leadership in specific sustainability areas, and the integrated policy is meant to ensure all SBUs achieve specified standards in sustainability performance.

As such the policy was further expanded into an Implementation Framework by adding action points under each policy clause so that the aspirations of the Company do not remain as mere words on a document.

"The Implementation Framework" as shown in the diagram, is segregated into tier levels and stages of relevance to the SBUs.

For all action points, the following aspects were considered for grouping into tiers;



The Filters to Shortlist and Prioritise Material Aspects

- Environmental/ Social impact of the aspect
- Frequency of occurrence
- Legal requirements/ Requirements of voluntary endorsements such as the UN Global Compact
- Requirements of management systems for key areas of focus (ex: environment, quality, health & safety)
- Concerns highlighted by investors, shareholders or regulators

Current Priorities in the implementation framework

We have prioritised the action points to be spearheaded at Group level. Out of all clauses (focus areas) in the integrated sustainability policy, the current priorities for implementation are action on;

1. Compliance
2. Environment
   a. Energy management
   b. Waste management (emissions, effluents and solid waste)
   c. Water
   d. Biodiversity
3. Occupational health and safety
   a. Hazard spotting and mitigation
   b. Emergency evacuation
4. Human rights at the workplace
5. Internalisation of the UNGC Principles and the Women's Empowerment Principles
6. Development of local communities
7. Human resource issues
8. Reporting on sustainability performance

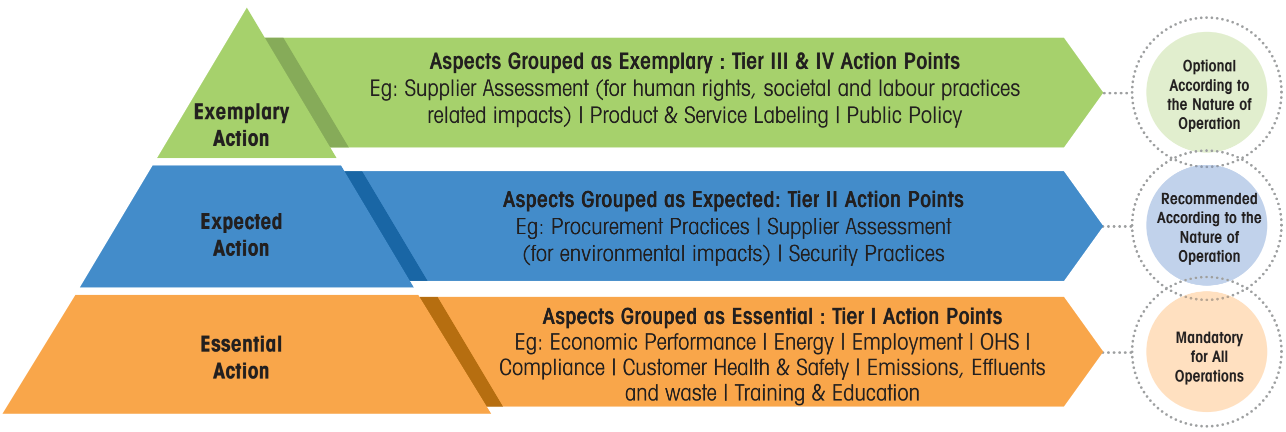
Benchmarking Sustainability Performance Management and Reporting

We adopt the sustainability reporting framework of the Global Reporting Initiative (GRI) which has had significant influence on how we capture and monitor sustainability performance data. With this report, we are "in accordance" - Core with the GRI G4 Reporting Framework.

To shortlist the GRI aspects material to Aitken Spence, we used a similar approach to the integrated policy framework and applied the following 'filters' to the list of aspects.

- Environmental/ social impact of the aspect
- Frequency of occurrence
- Legal requirements/ requirements of management system standards
- Concerns highlighted by investors, shareholders or regulators

Aspects are thus shortlisted and prioritised into tier levels as illustrated in the diagrams "The Filters to Shortlist and Prioritise Material Aspects" and "Snapshot of Material Aspects". Considering that the Group's sustainability strategy is still on a continual improvement and implementation path, not all indicators are disclosed in this annual report. It is a short term goal of the sustainability team and the Group to continually develop the reporting practices till such time it comprehensively embodies the Group's performance in sustainability.



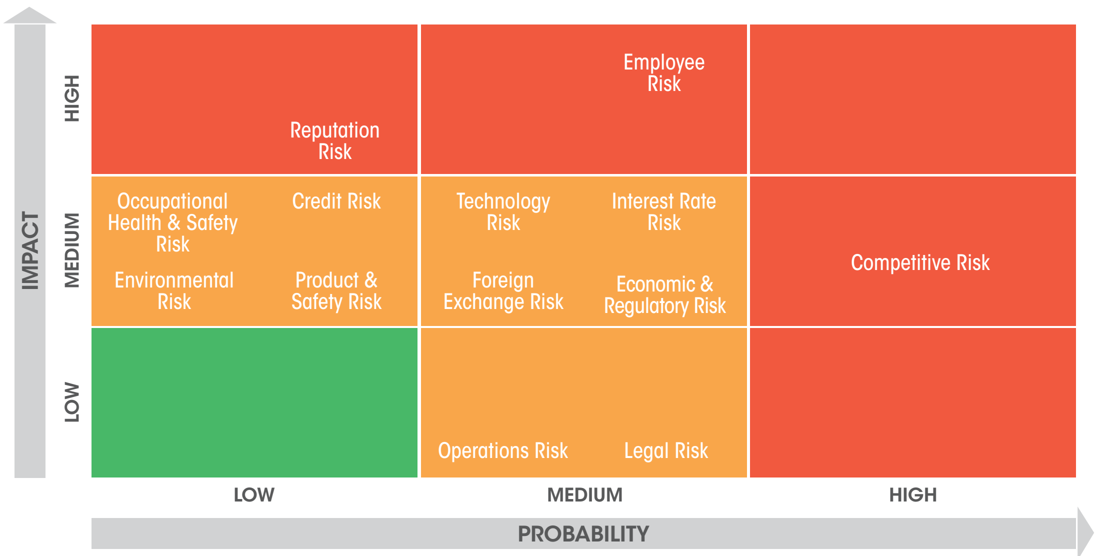
Snapshot of Material Aspects

RISK MANAGEMENT

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

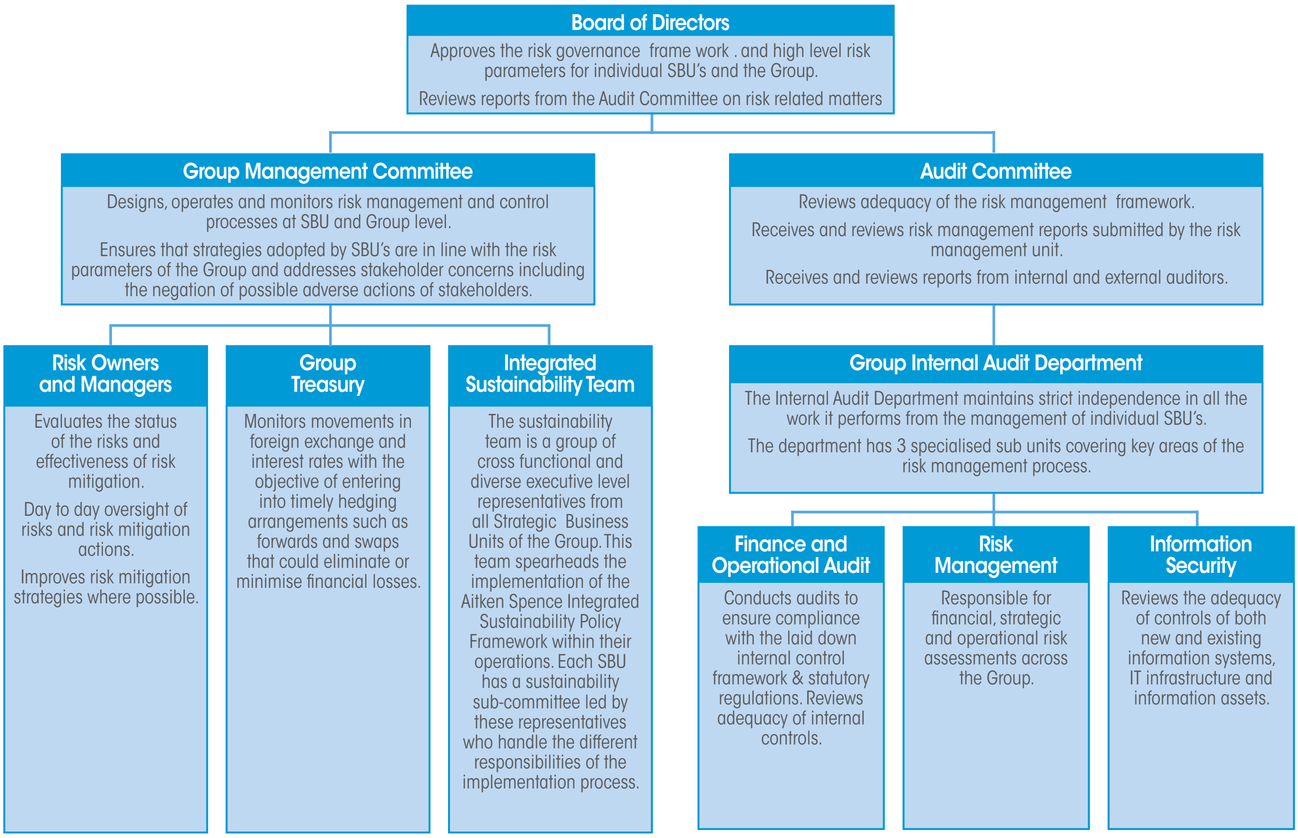
Financial Risks	Business & Strategic Risk	Operational Risk
• Interest Rate Risk	• Competitive Risk	• Employee Risk
• Foreign Exchange Risk	• Economic and Regulatory Risk	• Legal Risk
• Credit Risk	• Reputation Risk	• Operations Risk
	• Environmental Risk	• Technology Risk
		• Product & Safety Risk
		• Occupational Health & Safety Risk

The risks identified are rated based on each risk's probability of occurrence and its magnitude of impact on the Group's operations as depicted in the chart below. Accordingly, each risks final risk rating (as shown in pages 35 - 39) is the product of the individual risks probability of occurrence and its magnitude of impact on the Group's operations.



The Group recognises that risk management is a critical aspect in achieving its strategic objectives and recognises the importance of adopting a proactive approach when dealing with risk. It is also a key element of the Aitken Spence system of Corporate Governance and attempts to create a suitable balance between entrepreneurial attitude and the level of risk associated with business opportunities.

The Risk Management process is driven through a combination of a 'top-down' (driven by the Board) and 'bottom-up' (originating from the Strategic Business Units - SBU's) 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 Group Management Committee, the Audit Committee, and Operational Managers with key functional responsibilities.



Aitken Spence has a comprehensive system of controls in place to manage risks.

The Group's consistent application of its risk management framework at both SBU and Group level has allowed for the successful identification, assessment and mitigation of risks, to ensure the achievement of its corporate objectives.

The Group also maintains and continuously updates a risk register; which identifies possible internal and external risks together with appropriate risk management strategies formulated to mitigate these risks.

Risk assessments are also carried out at SBU level throughout the year as per the annual risk plan,under the three broad categories of Financial, Strategic and Operational risk. The assessments will typically include the detailed identification and analysis of the inherent risks faced by the industry in which the respective SBU operates in, its trickle-down effect on companies within the sector, the risks specific to the SBU on a micro level, the adequacy of mitigation strategies and controls already in place within the SBU and new strategies and controls that could be put in place to deal with new risks identified, as well as to strengthen mitigation strategies of risks already identified.

The Group has a high awareness of business risks and monitors such risks through a weekly bulletin that carries information on market developments, industry trends, possible new business opportunities and competitive threats. A number of forecasts on key economic indicators are also carried out on a routine basis. The impact on the Group is also assessed and circulated amongst key personnel within the Group.

The following section gives a broad overview of the key risks pertinent to the Group and its risk ratings for the year 2013/2014, together with the mitigation strategies adopted.

Economic and Regulatory Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• 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. The impact of significant international economic events on the Sri Lankan economy and its industries is also analysed in order to keep key personnel of the Group informed. • The Unit also constantly looks at new industry trends and new business opportunities available to the Group. • With regards to regulatory changes the Group has put in place dynamic internal processes to adapt to the changes as needed. • The Group also maintains strong relationships with relevant associations, chambers, stakeholders, lobby groups and trade unions.

RISK MANAGEMENT

Competitive Risk

Risk Rating for 2013/14	High
Mitigation Strategies Adopted	• Competitor activity and performance is monitored continuously at a financial and strategic level so as to ensure that the Group's competitiveness is maintained. • The Group continuously looks at diversifying its investment portfolio and adding value to its existing portfolio by methods such as, investing in R&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. • The financial year of 2013/2014 was a year that saw much diversification and value addition. A few key initiatives are mentioned below. - The Group took over the management of the ports in Suva and Lautoka in Fiji. The successful operations of the ports led to yet another breakthrough in establishing the opportunity to manage the Maritime School of the Fiji National University (FNU) in Suva. - The Group entered into a completely new sector through 'Heritage Grove' – the first-ever luxury retirement community in Sri Lanka competing against leading retirement destinations such as Malaysia and Thailand. - The Group partnered with RIU Hotels Spain to build a luxury resort managed by RIU in Ahungalla in order to exploit strategic business opportunities associated with the completion of the Southern Highway to Hambantota and convenient access to the Mattala Airport. - Aitken Spence Printing achieved a definitive competitive edge in the industry when it was jointly crowned the "Sri Lanka Master Printer" and bagged 4 Excellence, 3 Distinction and 3 Merit Awards at the ceremony organized by the Sri Lanka Association of Printers. The printing facility is the first LEED certified facility, competing in the South Asian region.

Interest Rate Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• Constant monitoring and forecasting of market interest rates are carried out to ensure that the cost of borrowing is minimised and returns on financial investments are maximised. • Swaps and other hedging mechanisms are used where applicable and negotiations with banks and other financial institutions are carried out by the Group Treasury Department in order to obtain the best possible interest rates for borrowings and investments, by the Group.

Foreign Exchange Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• Group Treasury provides advice to all SBU's within the Group on strategies to minimise costs and maximise revenue in Sri Lankan Rupees, when dealing with foreign currency. • Exchange rates are constantly monitored and forecasts are carried out to ensure that timely and appropriate hedging activities are taken to mitigate risks. • Sensitivity studies are carried out to assess possible impacts on the Group.

Credit Risk

Risk Rating for 2013/14	Low
Mitigation Strategies Adopted	• A periodical analysis of the Group's trade receivables is carried out to understand the composition, age analysis and concentrations of debtors by each sector and company. • Overdue receivables are identified and monitored by the SBU's and the Group's Legal Division. • The Group's Internal Audit Division reviews the credit approval processes followed by SBU's when conducting operational audits. • The subsidiaries have in place strong credit control strategies and as a result approximately 90% of the Group's total trade receivables are within 90 days.

Employee Risk

Risk Rating for 2013/14	High
Mitigation Strategies Adopted	The Group recognises the competitive labour environment and difficulty to attract and retain high calibre employees as well as key employees in leadership positions. The Group uses the following strategies to negate adverse effects of such situations. • The Group attends job fairs and works with universities to build up a pool of potential candidates for hire when vacancies arise. • Providing training opportunities to freshers with the aim of later hiring them if suitable vacancies arise. • Launching the Aitken Spence School of Management and tying up with international educational bodies to provide employees with more focused training to perform their jobs and anticipated roles. • Evaluating strengths and development areas of identified successors to be groomed to critical/leadership positions. • Providing job rotations and overseas assignments in order to develop managerial capacity of employees. • Conducting climate surveys to identify employee opinions and concerns in order to address them. • Composing/revising policies to accommodate the changing market environment and employee needs. • Organising employee engagement activities. • Introducing new communication channels to improve transparency of organisational events and decisions. • Sponsoring occupation related studies which employees pursue on personal basis. • Introducing stricter controls to justify recruitment and verify authenticity of candidate details. • Arranging for the services of a professional counsellor for the benefit of employees.

Legal Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• 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. • Periodic reviews and audits are conducted by the Internal Audit Division in collaboration with the Legal Division to ensure that all business units conform to legal, regulatory and statutory requirements. • The use of external professional counsel when required.

Operations Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• Periodic and impromptu checks are carried out by the Group's Internal Audit Division to ensure compliance and the effectiveness of these controls. • 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. • The Group's Disaster Recovery plan is strengthened continuously. • 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 & safety, talent management, supply chain management etc.

RISK MANAGEMENT

Technology Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• A comprehensive network vulnerability assessment and a web application security assessment were conducted and its recommendations are being implemented in order to minimise possible hacking carried out by internal / external parties. • Malware continues to increase in sophistication, and has more avenues for execution. Thus, periodic anti-virus control reviews are being conducted to ensure compliance in anti-virus controls, access controls, change management controls etc. • Systems failure events are treated as occasional. IT hardware/ software capacity is monitored to ensure availability of sufficient computational resources. • Employee Information security awareness workshops are being conducted monthly /annually. • Non-disclosure agreements are entered into with vendors. • A framework for incident management, business continuity and disaster recovery is being developed for Group IT services in line with ISO 27001 standard implementation. • ITGC reviews and review of key applications are conducted periodically.

Environmental Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• The Group currently has in place 43 Environmental Management Systems (EMS's), aligned to ISO 14001:2004 standard which attempts to scientifically mitigate the adverse environmental impacts cause by the Group's activities. 12 of the 43 Environmental Management Systems are already ISO 14001 certified. • The Heritance chain of hotels obtained the ISO 50001 certification for Energy Management Systems and also monitor carbon emissions. It has the pride of being the first to obtain this certification in Sri Lanka. The Group is working towards implementing systems to record carbon emissions and greenhouse gas emission data and improve the disclosure of such data across the Group in the near future. • Elpitiya Lifestyle Solutions (Pvt) Limited received the Forestry Stewardship Certificate (FSC) assuring their clientele that the wood sourced for their products stem from managed forests. • The Group continues to ensure that its products, services or activities have minimum impact on areas of high bio-diversity value outside protected areas.

Product & Service Safety Risk

Risk Rating for 2013/14	Medium
Mitigation Strategies Adopted	• Compliance with specific industry standards and the laws and regulations of the country is a priority for the Group. There have been no incidents of non - compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions and sponsorship. No complaints have risen regarding breaches of customer privacy and losses of customer data. • Respective SBU's have different management systems to address product and service responsibility concerns. Continual capacity building on this topic is conducted either through Group HR or through external parties when necessary. • The Group follows, Quality Management Systems where applicable and currently maintain 10 ISO 9001 certifications. The Group companies maintain 13 ISO 22000/HACCP certifications which include 8 certifications in the Hotels sector. The Plantations sector has secured 5 ISO 22000/ HACCP certifications and is in the process of implementing food safety systems within the rest of their operations. Ace Power Embilipitiya (Pvt.) Ltd. is OHSAS 18001, ISO 9001 and ISO 14001 certified. Aitken Spence Garments have also maintained the Worldwide Responsible Accredited Productions Certification and have continual programmes to ensure ethical production.

Occupational Health & Safety Risk

Risk Rating for 2013/14	**Medium**
Mitigation Strategies Adopted	• Operational audits are conducted on a frequent basis to analyse if Strategic Business Units of the Group abide by laws and regulations and compliances relevant to their scope of operations. • SBU's within the Group have identified Occupational Health and Safety Officers (OHS) and are in the process of providing them the necessary capacity building to handle this responsibility. Certificate training in First Aid and Fire Safety training are examples of such programmes. A new addition to the capacity building efforts of the Group was to launch Peer Forums for OHS Officers providing them the opportunity to interact and share their knowledge with other OHS officers across the Group. • In keeping with the first two principles of the United Nations Global Compact (UNGC) on Human Rights, the Group is currently working towards applying the essential action points of the Human Rights Protection Framework developed by the Business Leaders' Initiative for Human Rights and the UNGC. • A gap analysis of the Group's policies, practices and procedures to implement a Human Rights Protection Framework has been carried out and representatives have been appointed across the Group to act as Human Rights Focal Points. The Focal Points also continually identify gap areas within the Group's operations and bring them to the notice of the Sustainability Team so that necessary corrective and/or preventive action can be taken. A peer forum similar to that developed for OHS officers is being developed for these officers. • An assessment on the adequacy of the Group's current Social and Economic practices was conducted by DEG recently. The action plan recommended, would enable the Group to achieve international best practice standards in the future.

Reputation Risk

Risk Rating for 2013/14	**Medium**
Mitigation Strategies Adopted	All media communications are channelled through the Group's Business Development Unit, to ensure consistency in communications. • All subsidiaries of the Group have a process of obtaining feedback from customers to gauge their satisfaction levels and to generate continuous improvement. • The growth of social media has resulted in a free expression of customer reviews and complaints. The Group's Business Development Unit, manages the corporate social media accounts and monitors it constantly. • An on-going brand monitoring and approval process is in place to mitigate potential brand threats and is monitored across media sources. • The Group has its own code of ethics and regularly conducts workshops on ethical behaviour and company procedures on anti-corruption for its staff. A copy of the Code of Ethics is given to all new recruits. • Strict adherence to statutory requirements and environmental regulations to the extent of even enhancing the environment in some instances.

OUR PEOPLE

It is common practice to refer to the people of a business organization as the 'Human Capital'. This we feel underestimates the true value of a human. At Aitken Spence we go beyond the traditional premise to instil the principle of human-centricity. Thus, our commitment is to add value to our people by unleashing their true potential through human-centric decision making.

Our main focus for this year was to develop our leadership pipeline by means of organising management development centres, developing employee competencies and introducing new channels of employee communication.

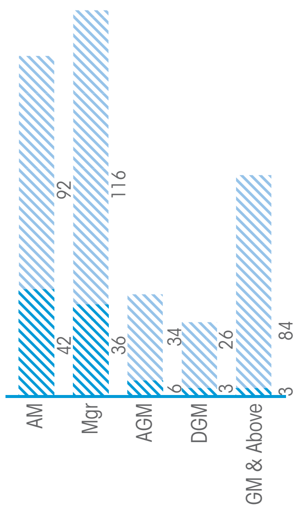
Building a Leadership Pipeline

This year our succession planning process took a new direction with a Management Development Centre set up to focus on nurturing future leaders from within the organisation. While the Group has always considered developing employees as a priority, this is the first time a formal system was established with the specific objective of grooming people to take on future leadership roles. During the year, a pool of 24 high-potential employees was selected from staff, in the Manager to General Manager categories.

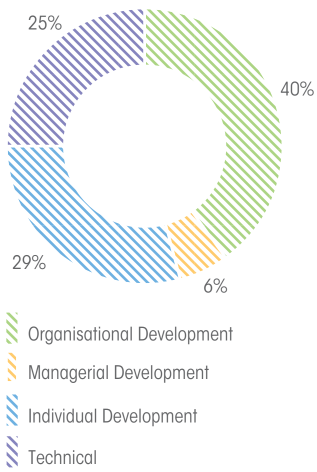
The services of a world renowned competency assessment service provider were obtained for this purpose. The sessions included role-plays, games, case studies and psychometric testing with a focus on key competencies. The programme enabled participants to identify their strengths and development needs. This also allowed the management to understand how best the participants could be developed for higher positions.

AT AITKEN SPENCE WE GO BEYOND THE TRADITIONAL PREMISE TO INSTIL THE PRINCIPLE OF HUMAN-CENTRICITY. THUS, OUR COMMITMENT IS TO ADD VALUE TO OUR PEOPLE BY UNLEASHING THEIR TRUE POTENTIAL THROUGH HUMAN-CENTRIC DECISION MAKING.

Young Managers
as at 31st March 2014



Types of Training
for the year ended 31st March 2014



Developing Key Talent

The training and development activities during the financial year included 483 programmes for the benefit of over 10,000 participants. Among these programmes were the Management Trainee Programme conducted in Sinhala which was well received by the staff, outward bound team building programmes and training conducted in the Maldives. A monthly programme for HR Partners was organised to learn and discuss current HR trends.

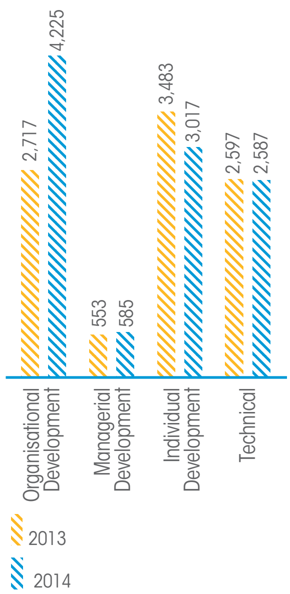
The Aitken Spence School of Management, which was established the previous year to facilitate sector-specific technical skills training for employees, launched its programmes this year. Seven MBAs, fully sponsored by the Company, were offered to staff of the Maritime Cargo Logistics sector. Forty certificate courses from the CINEC Maritime Campus were awarded to employees as well. Aitken Spence also continued their corporate partnership with the Chartered Institute of Management Accountants and the Institute of Chartered Accountants of Sri Lanka.

As the Group works towards ISO Certification for Information Security, Corporate HR facilitated the conduct of awareness programmes for employees on Information Security. The programmes conducted by Group IT covered 730 employees at executive level. In addition to this, a session was included in the Group orientation programme, so that all new recruits in the executive cadre are educated at the very outset about the importance of information security.

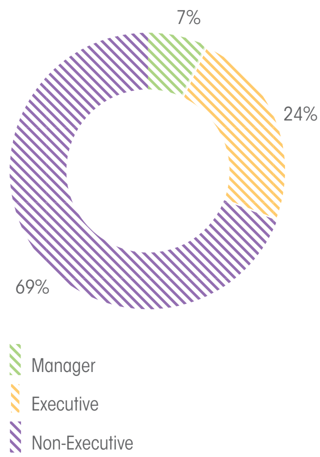
As our businesses grow to encompass more and more operations beyond our shores, the need to equip our people with internationally accepted, proven qualifications was amplified. To fulfil this requirement, we entered into partnerships with international entities such as Thomas International, National University of Singapore (NUS), Stanford University and the Indian Business School.

We continued with our existing scheme to support the higher education of our employees, awarding the most number of such opportunities in 2013-2014.

Number of Employees Trained
for the year ended 31st March



Category-wise Analysis of Employees Trained
for the year ended 31st March 2014



Improved Communication

The size of our organisation necessitates the creation of forums where employees scattered among the various industries have the opportunity of sharing organisational progress and business insights, and networking with each other. A decision was made during the year to organise a staff convention every quarter to enable employees at Middle Management and above level to meet on one platform. Each forum involves presentations and a panel discussion aimed at improved communication. During the next financial year, we plan to promote the concept of town hall meetings among subsidiaries so that Company specific information can be communicated directly to employees.

In the spirit of strengthening internal communications, the corporate communication function further improved its operations to ensure transparency and accountability. Several avenues for improving the internal circulation of Company information, in addition to the Ace Magazine

and Athwela newsletter, were introduced. This included ensuring that any press release issued to the media was circulated among employees beforehand.

Process Engineering

The Company initiated many automation projects during the year with a view to increasing efficiency and effectiveness. This leads to ensuring greater transparency in HR processes and a reduction in the consumption of paper. The areas to be automated include the recruitment process and general services such as stationary and business card requisitions, meeting room and restaurant reservations and issuance of access cards.

Productivity Improvement

Corporate HR takes a leadership role in helping subsidiaries gauge and improve their service levels by conducting mystery customer, mystery caller and customer satisfaction surveys.

The '6S & HR Excellence Competition', an inter-company competition held since 2002 to promote productivity improvements, saw the participation of 47 subsidiaries including all Maldivian resorts. The competition this year included an evaluation of HR practices in the Group and introduced three new awards - '6S and HR Excellence', 'HR Excellence' and 'Best 6S Coordinator'. A total of 55 awards and certificates were presented to winners in various award categories at the ceremony held in December 2013. Heritance Kandalama walked away with the most number of awards including the awards for the overall winner of '6S & HR Excellence' and 'HR Excellence'. Heritance Tea Factory won the award for 'Best 6S'.

IN THIS CONSTANTLY CHANGING BUSINESS ENVIRONMENT WE STRIVE TO MAINTAIN OUR COMPETITIVE EDGE BY BUILDING AND DEVELOPING OUR CORE COMPETENCE WHICH LIES IN OUR PEOPLE.

HR Service Improvement

In its efforts to continuously improve the services provided to employees, Corporate HR conducted a survey on their service standards. Feedback was sought from the Subsidiary HR Partners, the key internal customers of Corporate HR, and subsequent action was taken to improve service standards as required.

Employee Satisfaction Survey

A Group-wide employee satisfaction survey was conducted during the year; the viable suggestions received from employees were included in an action plan. Additionally, several other surveys were conducted to gather employee opinion on different aspects of the work environment.

Occupational Health & Safety

The health and safety of employees is a critical consideration at Aitken Spence. We ensure that regular programmes are conducted to create awareness and to refresh knowledge and skills in handling aspects of health and safety.

Recruitment Procedures

The Group's recruitment procedures were streamlined and tightened during the year to validate the authenticity of information provided by candidates. In a bid to access the country's talent pool better, the Company also participated in several career fairs and conducted mentoring sessions for under graduates.

Striking a Balance

The composition of the employee cadre strikes a balance among different age strata, which corresponds to the business requirements of Aitken Spence. There has been an increase in the percentage of employees below the age of 25 years. Further, the escalation in the number of young managers in the Group over the past years is clear proof of increased empowerment of young employees. Aitken Spence has adapted its people management approach in response to this demographic change in its employee base. The revision of majority of HR policies to address changing employee needs was a result of this approach.

Staff Welfare

The work-life balance of employees has always been a priority. In this regard various programmes are driven by HR and the Sports Club for the benefit of employees. Among the exciting events that continued this year were the Chillax Evening, Sport-o-Rama, Christmas party, beach party, bowling competition, the 'Different Strokes' children's art competition, Vesak lantern competition and Dansela.

The Meddecombra bungalow, owned by the Plantations division was made available as a holiday bungalow to the Aitken Spence Executive cadre. This is in addition to the holiday bungalow in Nuwara Eliya.

During the year, the Group made a decision to offer internships to children and siblings of employees. A number of selected students who had passed their A/L examination in 2013 were given the internships, providing them with the opportunity to explore the corporate world.

The once popular Spence Badminton Tournament was revived this year following a hiatus of several years. The competition included team and individual games, with Aitken Spence Cargo emerging winners and Heritance Ahungalla becoming runners-up. Throughout the year, employees also availed themselves of Company-sponsored gymnasium and swimming pool facilities, and were given the opportunity to participate in cricket, netball and basketball tournaments at mercantile level.

In an effort to promote wellness of the mind, body and soul, 'Hatha Yoga' sessions were introduced to employees in January 2014. The programme has received much interest and is conducted every Monday and Wednesday.

We also organised a seminar for employees' families, titled 'Healthy Lifestyle for You and Your Family' to create awareness about non-communicable diseases and ways to prevent such diseases within their households.

The Toastmasters Club of the Company plays a meaningful role in improving the communication and leadership skills of employees. The club has successfully produced an Area Governor while two of its members have also qualified to take part in divisional competitions.

In this constantly changing business environment we strive to maintain our competitive edge by building and developing our core competence which lies in our people. Strategies have been developed, aligned with the business needs of the Group, which are phased over a period of 5 years.

WHO LEADS US

BOARD OF DIRECTORS

Mr. D.H.S. Jayawardena
Appointed in April 2000

Ms. D.S.T. Jayawardena
Appointed in December 2013

Mr. J.M.S. Brito
Appointed in April 2000

Dr. P. Dissanayake
Appointed in September 2009

Dr. R.M. Fernando
Appointed in April 2005

THE AITKEN SPENCE TEAM HAS PROVEN ONCE AGAIN WHY IT IS CONSIDERED ONE OF THE BEST IN SRI LANKA – FOR ITS ABILITY TO WORK TOWARDS A COMMON VISION, ITS ABILITY TO RESPOND WITH AGILITY TO CHANGING CONDITIONS AND ITS SINGLE MINDED FOCUS ON PERFORMANCE.

Mr. R.N. Asirwatham
Appointed in September 2009

Mr. G.C. Wickremasinghe
Appointed in April 1972

Mr. V.M. Fernando
Appointed in May 2008

Mr. N.J. de Silva Deva Aditya
Appointed in September 2006

Mr. C.H. Gomez
Appointed in May 2002

WHO LEADS US

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 export and import trade, and the Chairman of Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC., Lanka Bell (Pvt) Ltd., Browns Beach Hotel, Balangoda Plantations PLC., and Madulsima Plantations PLC. He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

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

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.

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

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

Mr. Brito was appointed to the Board of Aitken Spence PLC., in April 2000.

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 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 is the Chairman of United Nations Global Compact Network, Ceylon and the former President of the Chartered Institute of Marketing Sri Lanka region . He also serves on the Advisory Committee of the Sri Lanka Business at Biodiversity Platform of the Ceylon Chamber of Commerce.

He was appointed to the Board of Aitken Spence PLC., in April 2005.

Dr. P. Dissanayake

Dr. Parakrama Dissanayake, is the Chairman/ CEO of Aitken Spence Maritime, Logistics & Cargo and Director - Aitken Spence PLC. He was appointed to the Board of Aitken Spence PLC., in September 2009.

Dr. Dissanayake 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 serves on the UN/ UNCTAD Panel as an expert on Ports & Shipping is a Past Chairman of the Institute of Chartered Shipbrokers, Past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch) and a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board. He is a member of the Faculty Industry Consultative Board of the University of Moratuwa and Chairman of Ceylon Chamber of Commerce - Steering Committee on Ports, Shipping, Aviation and Logistics and Jt. Managing Director of CINEC Maritime and Management Campus.

Dr. Dissanayake a University of Oxford Business Alumni is a Graduate of Harvard Business School (EEP) on "Global Economy" and a Fellow of NORAD and JICA.

He is also the Hon. Consul General for the Republic of Fiji Islands in Sri Lanka.

Ms. D.S.T. Jayawardena

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

She joined Aitken Spence PLC., in January 2010, gaining experience in several of its key strategic business units as well as within the parent company. She was appointed to the board of Aitken Spence PLC., in December 2013.

Ms. Jayawardena is a member of the Young Leaders Steering Committee and the Banking, Finance and Capital Markets Steering Committee of the Ceylon Chamber of Commerce. She is the Chairperson of the Board of Splendor Media and a member of EY Next Generation Club.

In 2003 she was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton.

Ms. Jayawardena currently leads a team of young professionals that is endeavouring to develop a strategic development plan for future growth of Aitken Spence PLC. Her main competencies include Strategic Planning, Branding and Marketing.

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 nearly 60 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 April 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 Heritance Tea Factory.

Mr. C.H. Gomez

Mr. Charles Gomez is a former Investment Banker with over 30 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez is a partner of a financial services company based in Gibraltar a nd serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence PLC., in May 2002.

Mr. N.J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, who was appointed to the Board of Aitken Spence PLC., in September 2006, is 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 Parliamentary 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. In 2012 he stood for and came runner up, beating the Liberal candidate into 3rd place to be the President (Speaker) to the European Parliament. He was the first Asian to be elected as a Conservative Member of 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 was nominated as a candidate to succeed Kofi Annan as Secretary General to the UN in 2006. He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "ViswaKirthi 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. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est : 1765).

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 was appointed to the Board of Aitken Spence PLC., in May, 2008.

He is the Chairman of Stallion Holdings (Pvt) Ltd., Dynamic AV Technologies (Pvt) Ltd., Hyundai Lankan Limited and Shipping and Cargo Logistics (Pvt) Ltd. He is also a Director of Sri Lankan Airlines Ltd, Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, Stallion Plantations (Pvt) Ltd., and a Trustee of Joseph Frazer Memorial Hospital.

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., Royal Ceramics PLC., Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC., Rajawella Holdings (Pvt) Limited, Mercantile Merchant Bank, Yaal Hotels (Pvt) Limited, Dankotuwa Porcelain PLC., Ceylon Agro Industries Ltd., Colombo City Holdings PLC., and Peninsular Properties (Pvt) Ltd.

Mr. Asirwatham was appointed to the Board of Aitken Spence PLC., in September 2009.

WHO LEADS US

GROUP MANAGEMENT COMMITTEE

1. Mr. J.M.S. Brito
2. Dr. R.M. Fernando
3. Dr. P. Dissanayake
4. Ms. D.S.T. Jayawardena
5. Mr. R.E.V. Casie Chetty
6. Mr. K.R.T. Peiris
7. Ms. N. Sivapragasam

8

14

9

13

10

12

11

8. Mr. S.M. Hapugoda
9. Ms. N.W. de A. Guneratne
10. Mr. C.M.S. Jayawickrama
11. Mr. R.G. Pandithakorralage
12. Mr. D.S. Mendis
13. Mr. V.M. Gunatilleka
14. Mr. P. Karunathilake

WHO LEADS US

GROUP MANAGEMENT COMMITTEE

15. Mr. L. Wickremarachchi
16. Mr. J.S.A. Fernando
17. Mr. S.K.R.B. Jayaweera
18. Mr. R.G. Salgado
19. Mr. N.A.N. Jayasundera
20. Mr. N.P. Wakwella

Mr. J.M.S. Brito

See Board of Directors profile.

Dr. R.M. Fernando

See Board of Directors profile.

Ms. D.S.T. Jayawardena

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 many reputable 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, Pakistan and Maldives. He was also a Director of American Chamber of Commerce for two consecutive years and presently represents the Company at all American Chamber of Commerce activities and is also a Committee Member of the Singapore –Sri Lanka Business Council. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them on 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 currently a Board member of the Sri Lanka Accounting & Auditing Standards Monitoring Board and is a Council Member of the Sri Lanka Institute of Directors. She is also the Co Chairperson of the Taxation Steering Committee and a member of the Accounting Standards & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce.

Ms. Sivapragasam is the Chairperson of the Financial Reporting Faculty and serves as a member of the Taxation Faculty and the Financial Reporting Standards Implementation & Interpretation Committee of the Institute of Chartered Accountants of Sri Lanka. She was previously on the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division.

She is also on the Board of Women and Media Collective, a non-governmental organization.

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

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 De A. Guneratne who is the Chief Legal Officer of the Group is also the Managing Director of 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. 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 a Past President of the Sri Lanka Insurance Institute.

She currently serves on a subcommittee that has been appointed by the Ministry of Justice in connection with the setting up of an International Arbitration Centre in Sri Lanka

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama a fellow 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 in Sri Lanka and overseas. He serves on the Boards of all the hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel sector for almost two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He is also the Vice President, Resort Hotels of the Tourist Hotels Association of Sri Lanka (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

GROUP MANAGEMENT COMMITTEE

Institute of Labour Studies (NILS), National Labour Advisory Council (NLAC), the Board of Directors of CSR Sri Lanka 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/Fellow 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 currently serves as a Director on the Board of The American Chamber of Commerce in Sri Lanka. 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. He is a fellow member of CIMA -UK, ICA - Sri Lanka, CPA - Australia and holds a MBA from the University of Colombo. He is also a GE Trained Six Sigma.

He started his accounting career at KPMG in Sri Lanka and counts over 20 years of senior leadership experience with some of the leading conglomerates and multinational corporations in Sri Lanka, Singapore and Australia.

Prior to joining Aitken Spence, he worked as the Group CFO of Dialog Axiata PLC. He 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 CFO/Acting CEO of 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 has been a board member of CIMA Sri Lanka from 2010 and held the position of Vice Chairman in 2013 and currently serve as the Deputy Chairman of CIMA. He is a Council Member of SLASSCOM & Board Member Sri Lanka Auditing and Accounting Standards Monitoring Board (SLAASMB).

Mr. P. Karunathilake

Mr. Prasanna Karunathilake joined the then Printing Department of Aitken Spence & Co. Ltd., as a Trainee Production Executive in 1980. Whilst at Aitken Spence he pursued his higher studies in Printing, and obtained his Diploma in Printing Technology and Management at the prestigious Sri Lanka Institute of Printing, and is today a fellow of the Institute. On completion of his Diploma, he was promoted as Senior Executive and in the year 1988 as Production Manager. In 1993 he left the company, but continued to serve the industry in a Senior Managerial capacity for a period of 17 years. During this time he proceeded to the Netherlands where he underwent advanced training in Printing Technology & Didactics at the Netherlands INGRIN Institute.

Thereafter he migrated to the USA, and on his return in 2010, rejoined the Company as the Managing Director of Aitken Spence Printing (Pvt.) Ltd. In September 2012, he was promoted as a Director of the Aitken Spence Group. He is a Director of the INGRIN Institute of Printing & Graphics Sri Lanka, and serves the Institute as a Lecturer as well. He is also a Lecturer of the Sri Lanka Institute of Printing.

He is currently serving the Export Development Board in the capacity of adviser for the Printing and Packaging Industry in Sri Lanka, and is also an advisor on the Wages Board for the Printing Trade.

Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi is the Deputy Chairman/Managing Director of all power sector subsidiaries of Aitken Spence PLC. Mr. Wickremarachchi has held senior positions both in the public and the private sector organizations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a Consultant in Liberia under a USAID funded project in the renewable energy sector for two years.

He was Director General of the Public Enterprises Reform Commission (PERC) from 2004 to 2006. During his tenure at PERC he managed to resolve various post privatization disputes of privatized State Owned Enterprises (SOEs) and restructured a defunct SOE for recommencement of operation as a Public Private Partnership entity. He also did a consultancy assignment for the Asian Development Bank for evaluating the feasibility of establishing a Public Private Infrastructure Financing Facility for the Government of Pakistan.

He possesses an MSc in Engineering and an MBA. He had attended many Executive Development Programs including the programs conducted by the JFK School of Government of Harvard University, USA and the National University of Singapore.

Mr. J.S.A. Fernando

Mr. Jayantha Fernando started his career in the apparel industry in 1977 and joined Aitken Spence Garments at its inception in 1978. He was appointed as a Director of Aitken Spence Garments in 2009 and at present he functions as Director / Chief Executive Officer of this segment.

During his tenure he was instrumental in relocating the garment manufacturing facility from Galle Fort to a more sophisticated plant at the Koggala Free Trade Zone.

Mr. S.K.R.B. Jayaweera

Mr. Keethi Jayaweera joined Aset Airways Ltd, the General Sales Agency for Singapore Airlines in Colombo, in 1978 as a Junior Executive in the Ticket Office. He climbed the ranks at Ticket Office with regular promotions and in 1994 was appointed as a Director. He was appointed as Joint Managing Director of the company in April 2008 and as Managing Director on 1st February 2011.

He has served various industry related bodies i.e. as Treasurer of the Sri Lanka Association of Airline Representatives (SLAAR – an Association of Airlines GSA's) since June 2009, as a member of SKAL International Colombo (an International Association of Travel and Tourism Professionals) and currently the Immediate Past President of SKAL Colombo as well as an Auditor of the SKAL Asian Area, in the Committee of Management of the Travel Trade Sports Club in various capacities including a two-year term as President in 2004 & 2005.

A Fellow of the Chartered Management Institute of UK, he is currently the Immediate Past President of the Sri Lanka branch of the institute.

Mr. R. G. Salgado

Mr. Gihan Salgado is a Mechanical Engineer with a B.Sc. (Hon) Degree, from the University of Birmingham, United Kingdom. In 1999 he obtained a MBA Degree in Management from the Sri Jayewardenepura University.

On his return to Sri Lanka in 1979 he joined Walker Sons & Co. Ltd. as a trainee engineer. He was trained in the mechanical workshops for one year and thereafter he joined the Elevator Department & served as the Maintenance Engineer. In 1989 he moved to Aitken Spence & Company Ltd. Along with the OTIS Agency and was one of the key members of the management team of the company, who was instrumental in driving the Agency forward.

In April 1999 he was promoted as the General Manager of Elevators Pvt Ltd. and in December 2003 he was appointed as a Director of the company. In July 2008 he was appointed the Managing Director of Elevators (Pvt) Ltd. In which capacity he serves up to date.

Gihan Salgado also serves as a Director of Aitken Spence Property Developments (Pvt) Ltd.

Mr. N.A.N. Jayasundera

Mr. Nalin Jayasundera is the Managing Director of Aitken Spence Travels (ASTL) the leading destination management company in Sri Lanka a joint venture between TUI Travel Plc the world's largest integrated tourism company and Aitken Spence PLC.

He is an Executive Committee member of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and was an Executive Committee Member of the PATA Sri Lanka Chapter.

Mr. Jayasundera counts 30 years of experience in tourism and possesses a wide knowledge of the travel industry. He played an important role in the development of the tourism sector by venturing into many new markets.

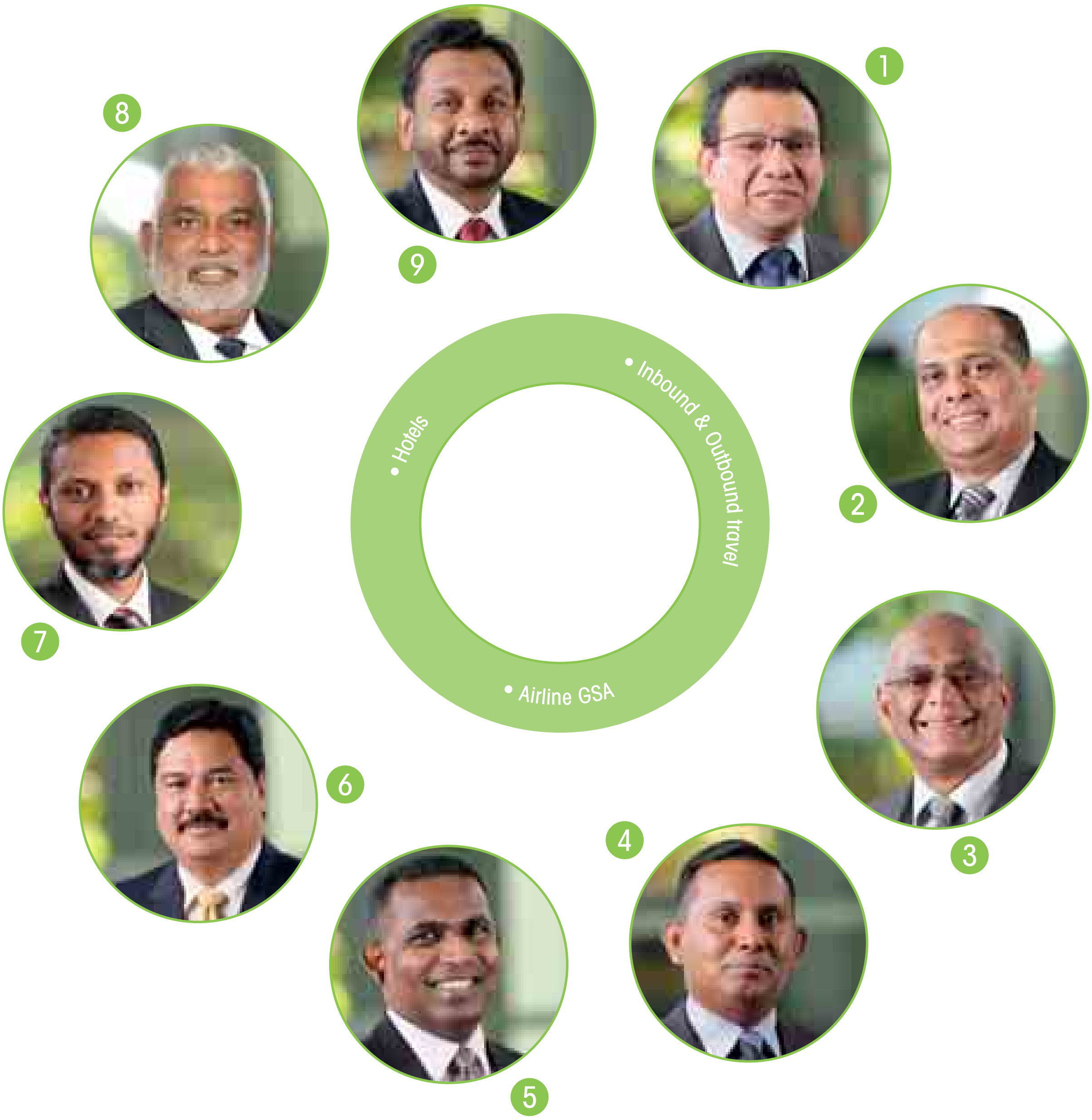
Mr. N.P. Wakwella

Mr. Nilantha Wakwella who holds an Master's Degree in Business Administration from the University of Chittagong accounts for over thirty years of experience in integrated logistics of which 14 years was in Bangladesh. During his tenure in Sri Lanka he was responsible in the set up of four large internal terminal facilities in Colombo. In Bangladesh, he was an instrumental and driving force in the transformation and the development of its inland logistics industry. He was a founder member of the Bangladesh Inland Container Depot Association and was a member of its executive committee for eight years. He also served in the advisory committee for the Chittagong Terminal Planning during the period 2008 – 2009.

He returned to the island in April 2013, to join Aitken Spence as the Managing Director of its integrated logistics segment.

TOURISM SECTOR

SENIOR MANAGEMENT TEAM
(in alphabetical order)



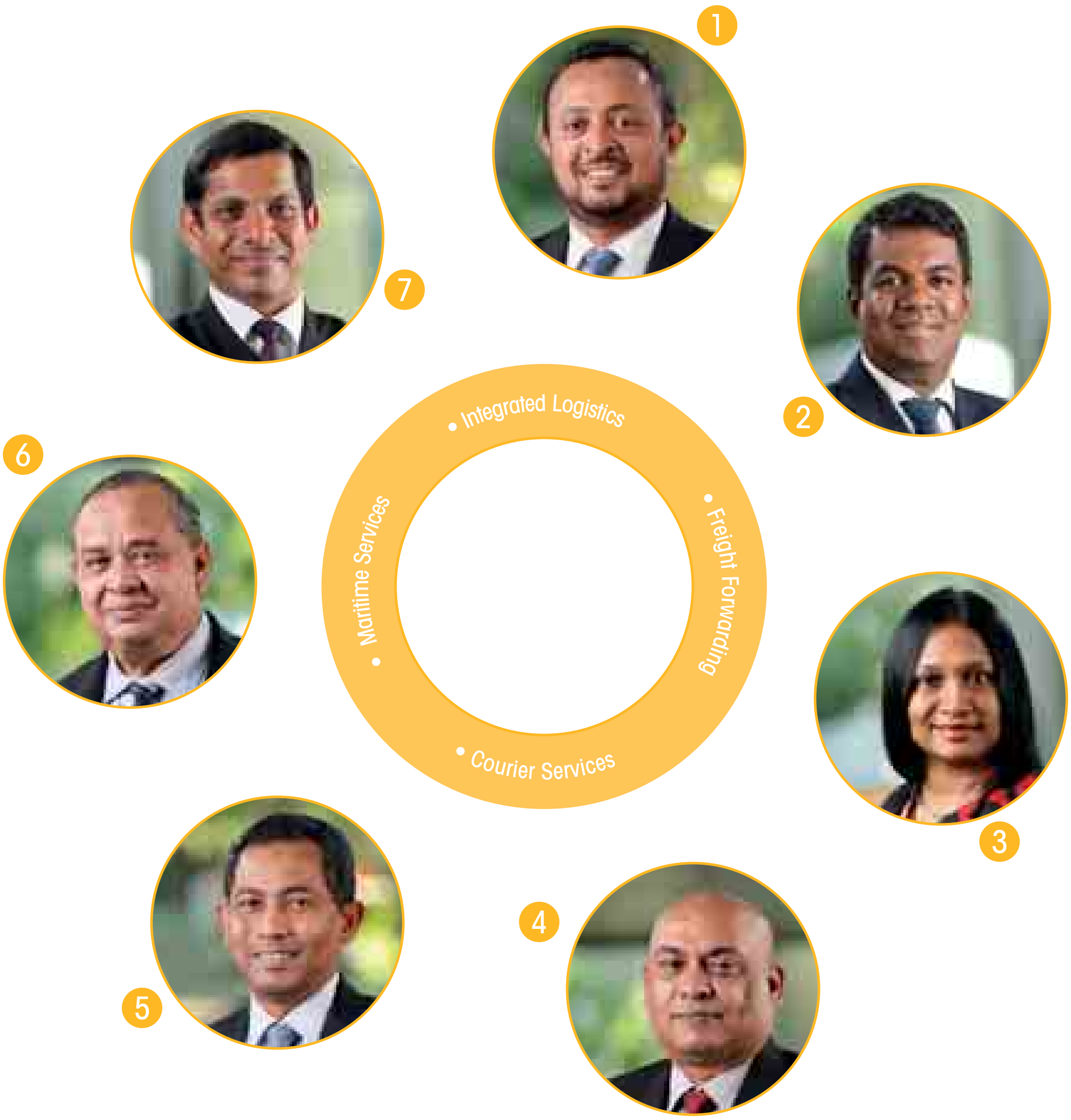
1. Mr. D.J. de Crusz
2. Mr. S.T.B. Ellepola
3. Mr. G.P.J. Goonewardene
4. Mr. J.T.P. Gunawardena
5. Mr. A.S. Hapugoda
6. Mr. M.H. Jayah
7. Mr. A.A.H. Mohamed Ali
8. Mr. T.D.U.D. Peiris
9. Mr. D.D. Perera

10. Mr. K.A.A.C. Perera
11. Mr. P.L. Perera
12. Mr. R.S. Rajaratne
13. Mr. N. Ratwatte
14. Mr. H.P.N. Rodrigo
15. Mr. B.H.R. Sariffodeen
16. Mr. D.L. Warawita
17. Mr. J.C. Weerakone
18. Mr. M.P. Wijesekera

MARITIME CARGO LOGISTICS SECTOR

SENIOR MANAGEMENT TEAM

(in alphabetical order)



1. Mr. A.M.M. Amir
2. Mr. C.A.S. Anthony
3. Ms. T.D.M.N. Anthony
4. Mr. J.E. Brohier
5. Mr. I.S. Cuttilan
6. Mr. A. Jayasekera
7. Mr. D.R. Sumanaweera

STRATEGIC INVESTMENTS SECTOR

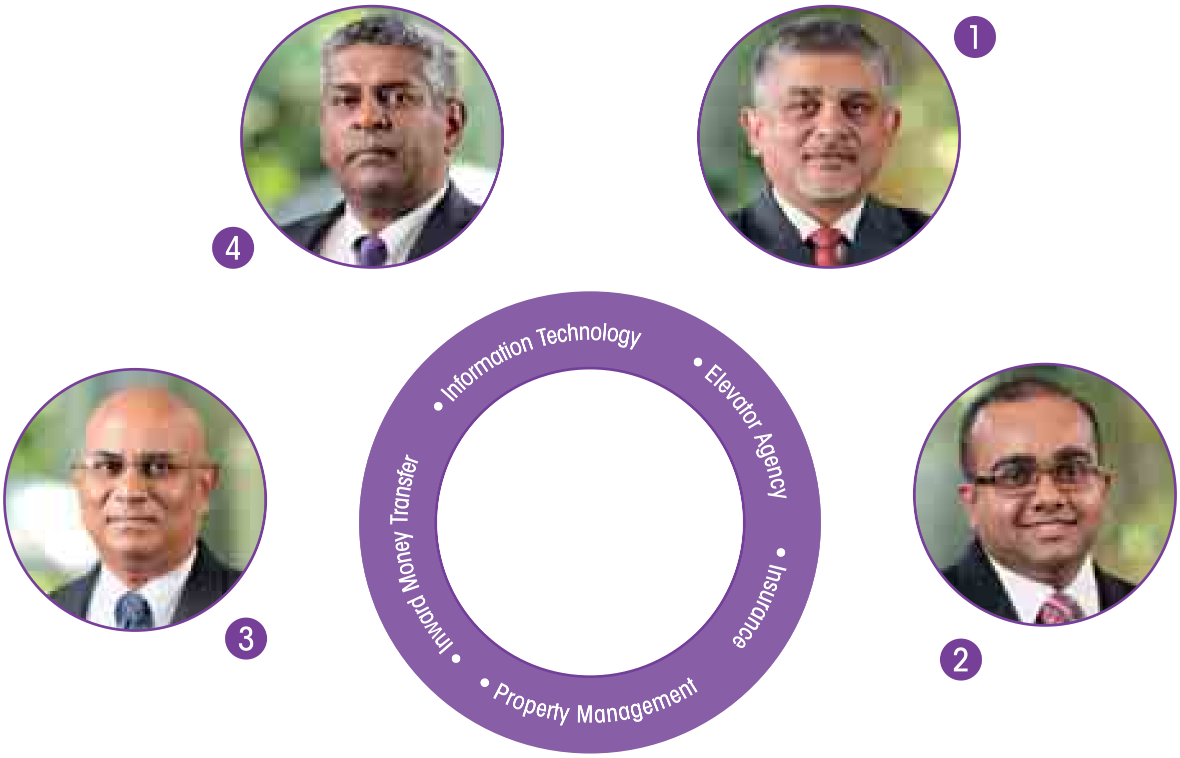
SENIOR MANAGEMENT TEAM
(in alphabetical order)

1. Mr. C.R.F. de Costa
2. Mr. A.L.W. Goonewardena
3. Ms. R.I.D. Katipearachchi
4. Mr. R.T.B. Navaratne
5. Mr. V.S. Premawardhana
6. Ms. W.A.D.L. Silva
7. Mr. K.A.K. Wanniarachchi

SERVICES SECTOR

SENIOR MANAGEMENT TEAM

(in alphabetical order)



1. Mr. J.V.A. Corera
2. Mr. C.C.S. Dissanayake
3. Mr. A.E.A. Perera
4. Mr. A.N. Seneviratne

GROUP PERFORMANCE

The Operating Environment

The Sri Lankan economy grew at a commendable 7.3% through 2013. Industry sector grew by 9.9% whilst services and agriculture sectors registered growth rates of 6.4% and 4.7% respectively. The services sector contributed 58.1% to GDP while the industry sector contributed 31.1% and the agriculture sector contributed 10.8%. Inflation steadily declined and remained at mid-single digit levels throughout the financial year. The low inflation environment enabled the monetary authorities to maintain a growth oriented monetary policy which was aimed at stimulating the economic environment of the country. Sri Lanka's external sector performance improved during 2013, with increased export earnings and lower import expenditure narrowing the trade deficit to USD 7.6 billion.

The post war growth in the tourism sector continued to flourish while the infrastructure development by the state and the private sector contributed immensely towards maintaining business confidence. Tourist arrivals to the country increased by 26.7% to 1.27million during 2013 whilst Maldives showed a growth of 17.4% to record 1.13 million arrivals.

The performance of the Group during 2013/2014 bears testimony to its resilience of being a diversified conglomerate. Though the lapsing of power purchase agreements of two thermal power plants at Matara and Horana adversely impacted on the Group's performance, other sectors led by the Tourism sector have compensated for this setback by delivering exceptional results for the year.

On the backdrop of the record number of tourist arrivals to the country, Sri Lankan hotels enjoyed higher levels of occupancies and profits, whilst the Group's Adaaran branded resorts in Maldives performed exceptionally well to drive the growth. For Aitken Spence Group that is constantly exploring for growth opportunities both in Sri Lanka and overseas, the public-private partnership with Fiji Ports Corporation during the year to acquire a 51% stake in the Ports Terminal Ltd was a landmark event.

This review analyses the Group's performance in terms of the operational results for the year, the strength of the financial position and the capital structure, funding & liquidity position. Results are analysed in terms of shareholder perspective and the value creation for all stakeholders.

Operating Results

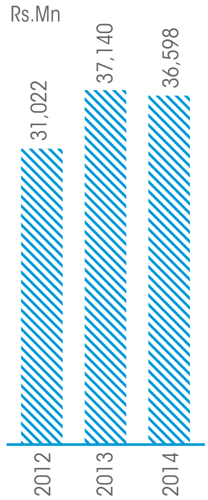
Group Revenue

Group recorded a consolidated revenue of Rs.36.6 billion for the year under review, a marginal decline of 1.5% compared to the previous year. Strategic Investments sector saw a drop in revenue of 16.7% (excluding share of equity accounted investees), primarily due to the two 24 MW power plants being non-operational during the whole of 2013/2014. Revenue across all other sectors showed an increase compared to the previous year. The Tourism sector saw its revenue increase by 8.2% stemming from increased occupancy levels and increased average room rates (ARR) both in Sri Lankan and Maldivian resorts. Consolidation of Ports Terminal Ltd, Fiji, during the year under review for the first time boosted the revenue of the Maritime Cargo Logistics sector by 18.3% compared to the previous year. All business segments within the Services sector showed promising growth levels with the overall sector revenues growing by 11.5%. Both printing & packaging and garments segments showed an increase in revenue during the year despite the overall drop in revenue of the Strategic Investments sector. In terms of composition, Tourism sector contributed 41.6% and Strategic Investments sector contributed 38.2% to the Group revenue.

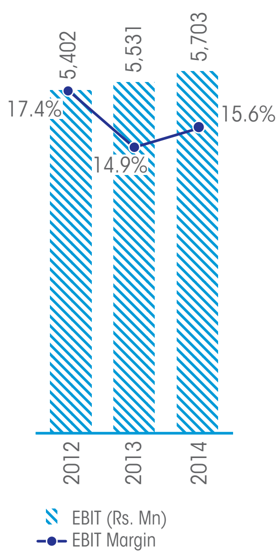
EBIT, EBITDA and Operating Costs

During the year under review, the Group's operating profit (earnings before interest and tax-EBIT) grew by 3.1% from the previous year to Rs. 5.7 billion with the operating profit margin widening from 14.9% to 15.6%. With the exception of the Strategic Investment sector, other sectors showed commendable growth in profit from operations of 23.2%, 23.9% & 9.9% for Tourism, Maritime Cargo Logistics and Services sectors respectively.

Revenue
for the year ended 31st March

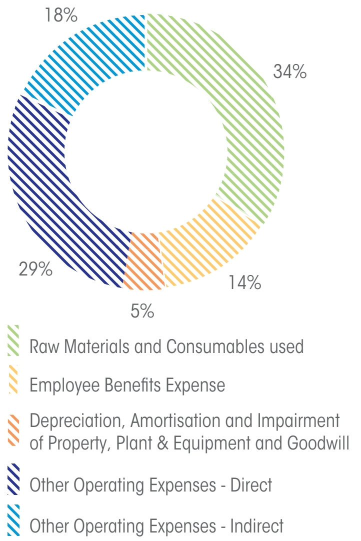


EBIT & EBIT Margin
for the year ended 31st March



GROUP PERFORMANCE

Analysis of Operating Expenses
for the year ended 31st March 2014



Increased occupancy levels and ARR resulted in the operating profit margin in the Tourism sector rising from 24.5% to 27.9% driving the overall operating profit margin for the Group. The performance of the Strategic Investment sector was hampered by the non-operations of the power plants at Matara and Horana and a provision for impairment of approximately Rs. 400 million made in respect of the assets of these two companies.

The Group's other operating income grew by Rs.442.6 million from the previous year mainly due to an insurance claim in respect of a Maldivian resort which incurred some damage by fire during the year.

The Group's total operating costs amounted to Rs. 30.9 billion for the year, a marginal decline of 0.7% compared to the previous year. This was contributed by the decrease in raw materials and consumables used in operations by 19.2% or Rs.2.5 billion compared to the previous year, primarily due to the non-operation of Matara and Horana thermal power plants.

Other indirect operating costs increased by 24.8% during the year to Rs.5.4 billion. This was owing to a general increase in administration, selling and distribution costs coupled with the costs of Ports Terminal Ltd, Fiji, being consolidated during the year for the first time.

Depreciation, amortization and impairment expenses increased by 5.0% to Rs.1.5 billion for the year under review. Group earnings before interest, tax, depreciation and amortization (EBITDA) increased by 3.5% to 7.2 billion and the EBITDA margin improved to 19.7% from 18.7%.

Taxation

The Group's provision for taxation for the financial year 2013/2014 was Rs. 900.5 million which was an increase of 20.1% from the previous year (2012/2013 – Rs. 750.0 million). The income tax charge for the year was Rs. 721.4 million which is a 11.8% increase over the previous financial year. The income tax of the Group increased mainly due to the increase in off - shore profits of the Group. The income tax liability arising from off - shore profits increased by 28.0% during the year predominantly from the taxes payable in the Maldives and Fiji.

Further profits and income derived from services rendered by Sri Lankan companies to off shore companies in Maldives and Fiji suffered a withholding tax deduction of 10% and 15% respectively. The dividend tax for the financial year under review was Rs. 83.5 million which is a 22.4% increase from the previous financial year. The increase in dividend tax was a result of the increase in dividends received from the hotel companies of the Group. The deferred tax charge for the financial year was Rs. 94.8 million, against Rs. 63.7 million in the previous financial year. The deferred tax charged for the year was the effect of undistributed profits of consolidated entities, accelerated depreciation allowances and substantial utilisation of tax losses during the financial year. The Group's effective tax rate for the financial year was 16.6% compared to 14.9% in the previous year.

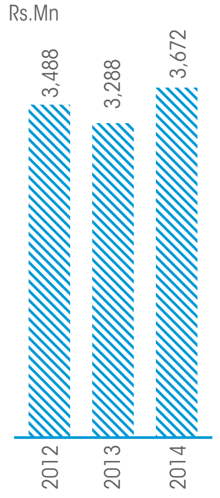
Equity accounted investee profits

Profit from equity accounted investees declined by 12.2% to Rs. 156.1 million for the year under review compared to the previous year. This was due to the decline in interest income from Browns Beach PLC with the funds raised being gradually utilised for construction. However the Group's investment in Elpitiya Plantations PLC., returned a commendable performance for the year under review, led by the diversification strategies pursued by the plantation.

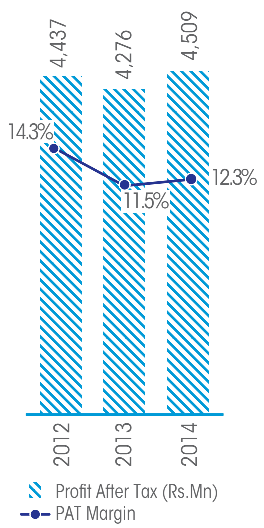
Earnings for the year

The Group's consolidated net profit after tax for the year under review was Rs. 4.5 billion, a growth of 5.5% over the previous year. Net profit margin increased to 12.3% from the previous year's 11.5%. All business sectors contributed positively towards profit after tax

Net Profit Attributable
for the year ended 31st March



Profit After Tax (PAT) & PAT Margin
for the year ended 31st March



with the Tourism sector continuing to be the largest contributor.

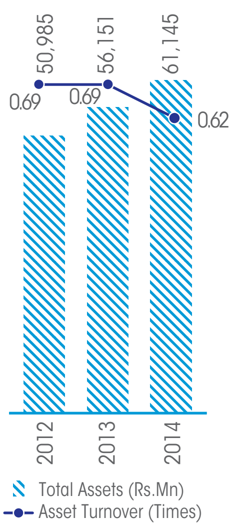
Profit attributable to non-controlling interest for the year under review was Rs.836.8 million, a decrease of 15.3% over the previous year. This decrease was as a result of again the lower contribution of profits from the Strategic Investment sector where the non-controlling holding is relatively higher. This was offset to a certain degree by the increase in share of profits to non-controlling interests in the Tourism sector. Net profit attributable to equity holders for the year under reviewed was Rs.3.7 billion, an impressive growth of 11.7% over the previous year.

Financial Position and Resources

Total Assets

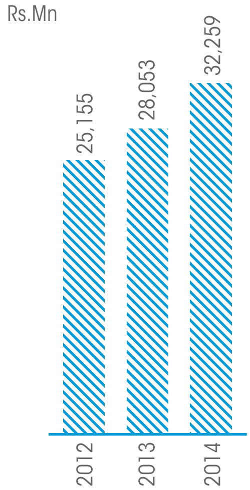
Total assets of the Group as at the reporting date was Rs.61.1 billion, comprising of non-current assets of Rs. 35.3 billion and current assets of Rs. 25.7 billion. This was an increase of 8.9% over the previous year. Property plant and equipment, which represented 71.5% of the non-current assets, increased by Rs. 1.2 billion or 4.9% over the previous year. In terms of total asset composition by sector,

Total Assets & Asset Turonover
ast at 31st March



44.4% was held by the Tourism sector whilst 36.6% was held by the Strategic Investments sector.

Shareholders' Funds
as at 31st March



Total asset turnover, which is an indication of the efficiency in utilisation of the assets dropped from 0.69 times to 0.62 times, primarily due to the non-operation of Matara and Horana power plants.

Capital Expenditure

The Group invested a total of Rs. 1.4 billion in non-current assets during the year. Major investments to non-current assets were made in the Tourism Sector for Rs. 930.1 million whilst the Maritime Cargo Logistics sector incurred Rs. 248.8 million.

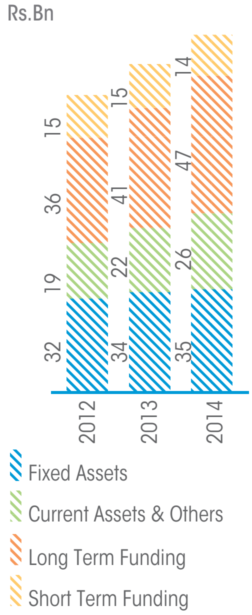
During the year under review, the Group invested in a 51% equity stake in Ports Terminal Limited to take over the managerial and operational responsibilities of Ports of Suva and Lautoka, Fiji.

Financial Management, Cost of Funding and Liquidity

Financial Leverage

As at the reporting date, total assets of the Group of Rs.61.1 billion was financed through equity of Rs. 38.8 billion, non current liabilities of Rs.8.6 billion and current liabilities of Rs. 13.8 billion. Financial leverage for the Group was as at a healthy 1.62 times allowing the option to the raise additional debt for the Group if required to fund future growth opportunities.

Assets & Funding
as at 31st March

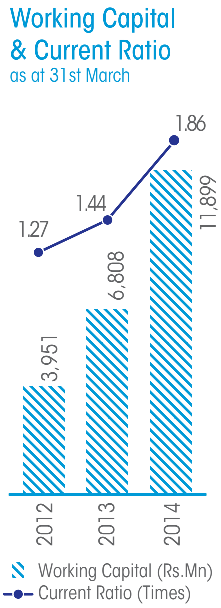


Non- current Interest Bearing Borrowings

As at the reporting date for the year under review, Group held non-current interest bearing borrowings of Rs. 7.3 billion compared to Rs. 6.2 billion the previous year. Tourism sector and Strategic Investments sector which includes the holding company, had the highest share of overall long term debt as at the reporting date. Addition to debt was mainly from the above two sectors with the Maldivian hotel sector borrowing in order to meet the capital expenditure requirements of expanding the water villas in one of the resorts and to settle the preference share capital in another. With the relaxation of certain exchange controls allowing Sri Lankan entities to borrow overseas, the holding company opted to borrow in foreign currency to take advantage of lower interest rates to fund new investments locally and overseas as well as to meet the funding requirements within the Group.

The debt to equity ratio for the Group remained at the same level, at 0.19 times as the previous year. The Group constantly monitors its debt in relation to the capital structure to maintain a healthy balance in order to maximise shareholders' return on equity whilst maintaining financial flexibility and reducing the risk of the debt burden. The debt to EBITDA cover was at a healthy 1.02 times.

GROUP PERFORMANCE



Working Capital

The liquidity position of the Group remained strong with working capital increasing to Rs. 11.9 billion at the reporting date from Rs.6.8 billion last year. Group's cash and deposits in banks and government securities increased significantly by 52.8% and stood at 13.3 billion, whilst the bank overdrafts and short term borrowings reduced by 18.5% to Rs.4.6 billion. As at the end of the financial year, trade and other receivables stood at Rs. 9.3 billion, drop of 6.6% when compared to the previous year, with the trade and other payables declining by 14.7% to Rs. 6.6 billion.

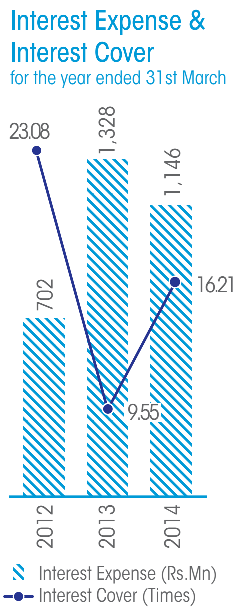
Accordingly the current ratio improved to 1.86 times from 1.44 times in the previous year while the quick asset ratio increased to 1.74 times from 1.32 times in the previous year indicating the Group's ability in meeting its short term obligations.

Finance Income and Finance Expense

For the year under review, finance income increased by 5.2% to Rs. 800.7 million and finance expense decreased by 13.4% to Rs 1.3 billion. Accordingly, net finance expense declined to Rs. 449.9 million from Rs.683.1 million last year.

Relaxation of the monetary policy by the Central Bank of Sri Lanka resulted in lower average interest rates during the year under review compared to the previous year, which impacted both the finance income and finance expenses for the Group. Despite the rate drop, the Group benefitted from funds invested at previous rates for longer maturities and together with availability of greater pool of funds resulted in the positive increase in finance income. The decrease in long term and short term borrowings in the power generation segment and repayment of loans in the Tourism sector contributed to the decrease in finance expense coupled with the lower interest rates. The bulk of the finance expense arose in the Strategic Investments and Tourism sectors in line with the overall debt held.

Consequently, the interest cover for the Group increased to 16.21 times from 9.55 times the previous year indicating its strong liquidity position in meeting the obligations to lender institutions.



Treasury Operations

Interest Rate and Cash Management

Several policy rate changes during 2013 resulted in the market interest rates declining to single digit levels and remaining so for a considerable period of time. During the financial year the one year Treasury bill weighted average yield declined from 11.35% to 7.05%. Three-month and six-month treasury bill rates also declined to 6.65 % and 6.82 % respectively at the end of the financial year.

Due to the continuous efforts of monetary authorities aimed at reducing lending rates in order to stimulate the economy, the Average Weighted Prime Lending Rate (AWPLR) declined to 8.57% at the end of the financial year, from 13.77% in the previous year.

The declining interest rate scenario presented a plethora of challenges to the Group treasury. On one hand the Group's borrowing rates steadily declined and on the other hand maintaining the investment income at a reasonable level became a difficult task. The Group treasury adopted a strategy of investing in long tenures to lock in high interest rates at the beginning of the financial year. This strategy hedged the Group's investment income against the declining rates for most of the financial year. However, re-investments of maturing securities were made at much lower rates and the earning capacity of the Group's cash pool has declined considerably due to the prevailing low interest rate regime. The treasury will also find it challenging to reinvest the fixed deposit portfolio due to rates being unattractive.

The treasury continued to manage the liquidity of the Group in order to ensure the efficient utilisation of funds. The treasury matches the surplus and deficit liquidity positions of different business sectors of the Group for the most optimum utilisation of available funding resources. For this purpose the treasury makes use of electronic cash management platforms supplied by several international banks. Excess liquidity is invested in the highest yielding investment opportunity available and if there is a requirement to borrow the available lowest cost short term option is utilised. The Group has access to facilities provided by a number of commercial banks, both domestic and international. The approved but unused short term borrowing facilities at the end of the financial year was in excess of Rs 4 billion. The Group takes comfort in the fact that these facilities can be utilised at a short notice to fund working capital and investment requirements. In addition to negotiating short term facilities, the treasury continues to assist the different business sectors of the Group in securing favourable terms for their long term borrowing requirements.

During the financial year the Group signed a long term loan agreement with DEG (Germany) to obtain a loan of USD 20 million to fund equity investments of the holding company in various projects, both in Sri Lanka and overseas. Part of the loan proceeds were used to fund an overseas acquisition during the financial year. The Group's long term borrowing costs were favourably impacted due to the utilisation of this facility.

Foreign Exchange Management

The Rupee was stable through most part of the year except for some depreciation during July-September period in 2013. There were several USD bond issuances in the international markets by local banks which received encouraging investor response. The net inflow of foreign currency in government securities for 2013 was USD 493 million. With the introduction of the "tapering" of the quantitative easing by the Federal Reserve many emerging market currencies tumbled overnight. Sri Lanka was fortunate not to see a major exodus of the foreign investors as experienced by some other regional markets. During 2013, US Dollar to Rupee exchange rate reached a high of 133.91 in August while the lowest of 125.52 was recorded during April.

The treasury helps to manage the foreign exchange risk faced by the Group and assists the subsidiaries to obtain favorable rates from banks by advising them on market movements and trends. The Group is a net foreign exchange earner with many subsidiaries in Tourism, and Maritime Cargo Logistics Sectors having considerable US Dollar denominated cash flows. The treasury assists the money transfer business of the Group by negotiating best rates to convert inflows to increase the profit margins of the operation.

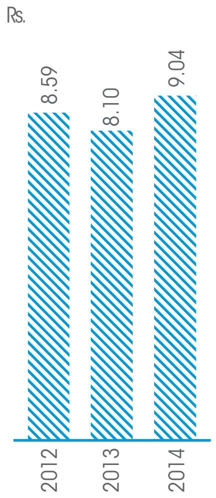
It is expected that the coming financial year would bring forth many challenges to foreign exchange markets. The world economy is evolving and with the growth prospects of key Western economies improving the year 2014 is expected to be the beginning of a transition period for global financial markets. The Aitken Spence Group remains optimistic of these global conditions and believes that the transition is both desired and necessary for sustainable growth.

Shareholder Returns

Earnings Per share

The Group reported an earnings per share of Rs. 9.04 for the year under review, compared to an earnings per share of Rs.8.10 the previous year. Total number of shares in issue remained unchanged from the previous year at 405,996,045 resulting in the EPS showing a growth identical to the growth in profit attributable to equity holders of 11.7%.

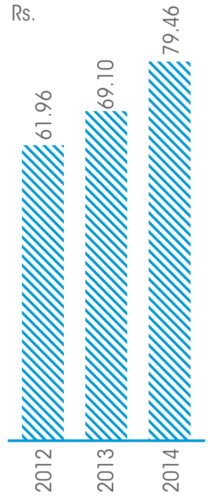
Earnings Per Share
for the year ended 31st March



Net Assets and Return on Equity

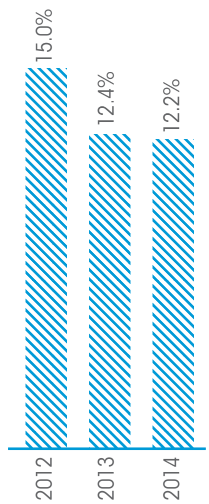
The Group's net assets or the equity attributable to equity holders of the parent increased by 15.0% to Rs. 32.3 billion. Net asset per share stood at Rs. 79.46 as at the reporting date for the year under review compared to Rs. 69.10 as the end of the last financial year.

Net Assets Per Share
as at 31st March



Group recorded a return on equity of 12.2% for the year under review compared to the previous year's 12.4%.

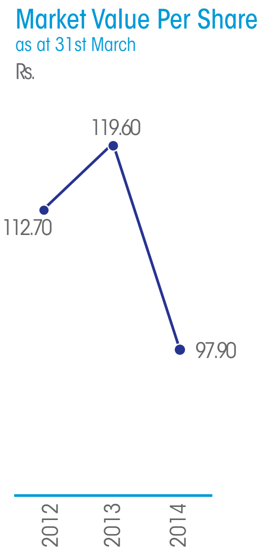
Return on Equity
for the year ended 31st March



GROUP PERFORMANCE

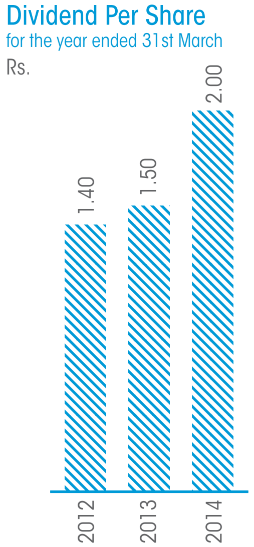
Market Price per Share and Market Capitalisation

The market price of the company's share was Rs. 97.90 at the end of the financial year 2013/2014 compared to Rs. 119.60 at the end of the previous financial year. The lowest share price at which the share traded during the year under review was Rs 95.0 whilst the highest traded price was Rs 140.0. The total value of the shares traded during the year amounted to Rs 3.97 billion. The market capitalisation of Aitken Spence PLC was Rs 39.7 billion at the end of the financial year which was 1.6% of the total capitalisation of the Colombo Stock Exchange.



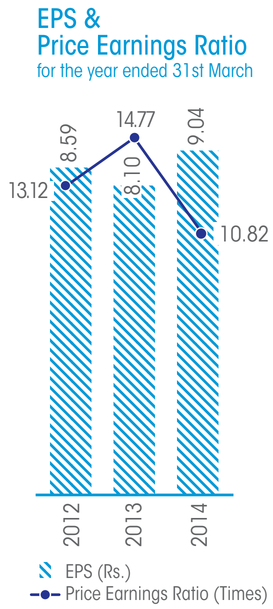
Dividends

The Board is recommending a first and final dividend payment of Rs. 2.00 per share for the financial year 2013/2014, a 33.3% increase over the previous financial year. In absolute terms the dividend pay-out will be Rs. 812.0 million, a pay-out ratio of 22.1%, which is a 19.4% increase over the previous year.



Price to Earnings Ratio and Price to Book Value

Price to earnings (PE) ratio for the Group for the year under review was 10.82 times compared to 14.77 times the previous year. Decrease in the market price per share and increase in the earnings per share both have impacted in a lower PE ratio for the Group. The market PE ratio was 15.93 times at the end of the financial year and the Groups multiple was at a 32.0% discount to the market multiple. Similarly price to book value decreased to 1.23 times from the previous year's 1.73 times as a result of the decrease in the share price and increase in the net assets per share.



Compliance with Sri Lanka Financial Reporting Standards (SLFRS)

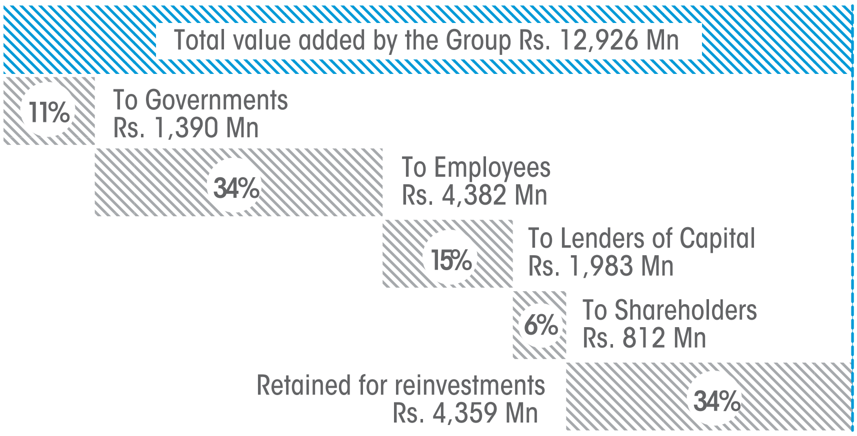
Aitken Spence published its first set of SLFRS/LKAS compliant financial statements for the previous financial year. The Group having successfully complied with the new accounting standards, the financial statements for the year under review has also been prepared as per the same Sri Lanka accounting standards adopted last year, except for the application of the revised SLAS 19 – Employment Benefits. The revision in the standard which was effective for financial periods beginning on or after 1st January 2013 has been complied by the Group this year, with restatement of information for the previous year being made where applicable.

Financial Value Creation

Group's long standing commitment to create a positive impact towards the economy has yielded continuous improvement in economic value generation through its operations. From a quantitative financial perspective, a measure of the benefits associated with Group activities includes the levels of payment to employees and suppliers, and the distribution of value added to our employees, providers of capital and governments as shown in the value added statement below.

The economic value generated by the Group for the year under review was Rs. 12.9 billion, which was a 5.2% increase over the previous year. Out of this, 34% of the total value added was distributed amongst the employees of the Group while the distribution to lenders of capital saw a marked decline from 19% to 15% of the total value addition during the year. The Group allocated 6% of the total value creation for the payment of dividends and 11% of the total value addition was paid out in the form of tax to the government authorities. 34% of the total value addition of the Group was retained for future re-investments and growth of the Group's operations.

Distribution of Wealth Created - 2013/2014



Statement of Value Added

		2013/2014 Rs.'000		2012/2013 Rs.'000		2011/2012 Rs.'000
Total revenue		36,598,095		37,139,927		31,021,623
Purchase of goods and services		(25,083,776)		(25,807,077)		(21,575,034)
		11,514,319		11,332,850		9,446,589
Other operating and interest income		1,255,814		773,395		1,557,442
Share of profits of equity-accounted investees		156,067		177,816		85,983
Total value added by the Group		12,926,200		12,284,061		11,090,014
Distributed as follows						
To governments (income tax and revenue tax)	11%	1,390,201	10%	1,283,611	11%	1,224,609
To employees (salaries and other costs)	34%	4,381,840	33%	3,969,275	32%	3,580,485
To lenders of capital (interest on loan capital and non-controlling interest)	15%	1,982,869	19%	2,315,495	15%	1,651,768
To shareholders (dividends)	6%	811,992	5%	608,994	5%	568,394
Retained for reinvestments and future growth (depreciation and retained profits)	34%	4,359,298	33%	4,106,686	37%	4,064,758
	100%	12,926,200	100%	12,284,061	100%	11,090,014

TOURISM SECTOR

Hotels
Inbound & Outbound travel
Airline GSA

Aitken Spence is an illustrious name in Sri Lanka's tourism sector with a presence spanning over four decades. The Group's operations vary from owning and managing star class hotels, to providing both inbound and outbound travel solutions covering the entire spectrum of requirements of the modern day traveller. The Group's strength in the hospitality industry is showcased by its expansion in to global tourism hot spots with luxury resorts in the Maldives, India and Oman.

THE HIGH STANDARDS THE GROUP HAS MAINTAINED AND ITS RIGOROUS ATTENTION TO THE IMPROVEMENT OF THE QUALITY OF ITS SERVICE OFFERING HAS ENABLED THE GROUP TO BE AMONGST THE BEST IN THE MARKETS IT SERVES.

REVENUE Rs. 15.2 BN

ASSETS Rs.27.2 BN

PBT Rs.4.4 BN

EMPLOYEES 2,827

Global tourism grew during 2013, with arrivals climbing 5% or by a staggering 52 million international tourists, to reach a record 1.087 billion international tourist arrivals. Tourism thus became one of the better performing industries during a year in which socioeconomic challenges continued to linger throughout the world.

Asia led tourism demand with a growth of 6%, with the South East Asian sub-region growing by over 10% and South Asia growing by 5%.Sri Lanka welcomed 1,274,593 tourists during the year to record impressive growth of 26.7%, easily outperforming growth in arrivals of regional giants such as India, Thailand and Malaysia. The unprecedented number is a significant achievement given the country's target of reaching 2.5 million tourists by 2016. The Government of Sri Lanka has set a target of 1.5 million tourists for 2014.

The major source markets to Sri Lanka consist of India, United Kingdom, Germany, France and Australia. The rise of Russia and China as important outbound markets worldwide was further cemented during the year, recording growths of 80.4% and 96.5% respectively in tourist expenditure. In 2014, UNWTO forecasts 4% to 4.5% growth of world tourism. We anticipate Western European markets such as UK, Germany and France to grow as they emerge out of recession. Russia and the CIS nations have been key markets for Sri Lanka, and we will be watching the Crimean crisis closely as it has the potential to destabilise the entire region and thereby affect arrivals.

TOURISM SECTOR

OUR FLAGSHIP PROPERTIES HERITANCE KANDALAMA AND HERITANCE TEA FACTORY CONTINUED TO PERFORM EXCEPTIONALLY WELL BY RECORDING SIGNIFICANT GROWTHS IN PROFIT BEFORE TAX.

It must be noted that the formal tourism sector – destination management companies and hotel chains - has not reflected the high growth of the country's arrivals as a result of more and more people exploring the country on their own and opting for the informal sector, including home stays. The much improved safety and security conditions in the country is a primary reason for the increase in the number of independent travellers choosing to explore Sri Lanka on their own.

The post-war boom in infrastructure development including sea ports and airports, expressways and mixed development projects, continues to spur the tourism sector with 5, 4 and 3 star hotel projects attracting international brands, and room capacities increasing significantly. The entry of global hospitality brands will enhance the destination's image leading to improved standards and offerings in the entire sector. The growth in internal air travel, as well as the growing number of international airlines adding Sri Lanka to their networks augurs well for further growth in tourism.

The need for concerted destination marketing is critical if Sri Lanka is to attract a sustainable mix of tourists that includes a substantial portion of the high value segment. A viable tourism master plan that maps out the strategies by which the Government's vision could be achieved should be implemented, with special attention being paid to marketing the country in the region's competitive context.

The construction cost and the operating costs structures in Sri Lanka pose a dampener to the industry as the competitor markets such as Thailand and Vietnam have the advantage of much lower cost structures, enabling them to price their offering at very competitive prices.

Financial Performance

Aitken Spence has built an iconic product offering in the tourism industry, both in Sri Lanka and overseas. The high standards the Group has maintained and its rigorous attention to the improvement of the quality of its service offering has enabled the Group to be amongst the best in the markets it serves. The sector includes resort hotels in Sri Lanka, Maldives, India and Oman through both ownership and management, destination management services and General Sales Agency operations for Singapore Airlines in Sri Lanka and Sri Lankan Airlines in the Maldives.

The Tourism sector recorded a growth of 8.2% in revenue for the financial year under review, with the highest increases being recorded by the Sri Lankan hotels sector and the destination management segments. The total revenue of the sector was Rs. 15.2 billion which accounted for 41.6% of total Group revenue.

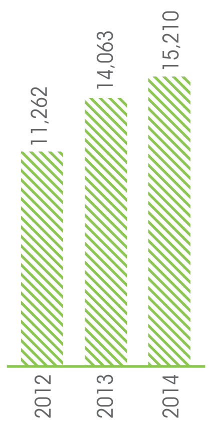
The Maldivian hotels segment recorded a 25.7% increase in performance over the previous year, while the Sri Lankan hotels segment witnessed its profit before tax improving by 39.3% over last year. The profit before tax of the destination management segment increased by 8.8% while the performance of the Airline GSAs remained flat when compared to the previous year.

Hotels

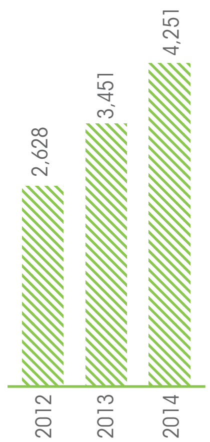
In Sri Lanka, the national room inventory continues to grow, especially on the coastal belt which has resulted in rates being pushed downwards among beach properties. The Group's properties have been able to hold prices above average rates due to the unique offerings within its portfolio. The niche Heritance Ayurveda Maha Gedara has proven to be a success, enjoying heavy demand and high occupancy year-round. This property saw the doubling of its profit before tax over the previous year. Our flagship properties Heritance Kandalama and Heritance Tea Factory continued to perform exceptionally well by recording significant growths in profit before tax.

The Group's inventory is set to expand in the coming year with the 150 - roomed Heritance Negombo expected to begin operations during the next financial year, while the expansion of The Sands, Kalutara is underway to add 90 rooms by Winter 2014. The Group is also pursuing the "Clan House" project – an exclusive 15-roomed heritage hotel within the UNESCO World Heritage Site Galle Fort. The hotel will be built on the property which originally housed the Group's forebears Clark Spence and will abide by the stringent architectural regulations for buildings within the Fort.

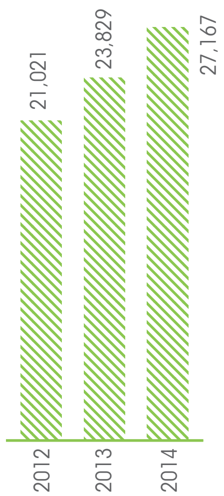
During the year, Aitken Spence announced plans to partner with RIU Hotels, Spain to build a USD 100 million resort on the Group's 11 acre property in Ahungalla, which is adjacent to Heritance Ahungalla. The resort, due for completion by winter 2016, has the unique



REVENUE
Rs. 15,210 MN
for the year ended 31st March



PROFIT FROM OPERATIONS
Rs. 4,251 MN
for the year ended 31st March



TOTAL ASSETS
Rs. 27,167 MN
as at 31st March

advantage of being located at the midpoint between the Katunayake and Mattala international airports. Travel time to the hotel is also halved due to the easy access through the Colombo Katunayake expressway and the Southern Expressway. The 5 storey, 500-room 5 star luxury resort will be managed by RIU Hotels, which is owned by TUI, the global giant in the travel trade.

Uniquely, the project will introduce TUI charter flights to the country, with the hotel catering to high end customers looking for long stay vacations who will arrive on Boeing 787 Dreamliner charters which can carry upto 300 passengers at a time. RIU Hotels, operates an all-inclusive model which has seen international success across 107 properties managed by them in 16 countries. The Ahungalla project is a first for the Spanish chain, being their inaugural project in the Asia Pacific region.

Aitken Spence Hotels recently partnered with the Sri Lankan Airlines FlySmiles loyalty program providing guests with the facility to earn and redeem frequent traveller miles at the Group's Sri Lankan properties. The strategic alliance formed will prove to be mutually beneficial to all stakeholders especially with the FlySmiles program recently joining the One World Alliance. This will no doubt have a positive impact on customer loyalty and increase the brand image and reach of Aitken Spence Hotels.

The Maldivian properties returned a stellar performance during the year as the country's political stability improved. With political stability, it is expected that the state will place more emphasis on the development of its main industry which is tourism.

The European tourist arrivals into the Maldives remained flat; the Chinese, Korean and Japanese markets led the growth in Maldivian arrivals. Our operational strategies were fine tuned to attract these new markets, which has led to considerable gains in revenue. The Asian tourist typically spends a far shorter stay of around 4 days, compared with the traditional European tourist who on average occupies 11 to 14 room nights. Nevertheless the high Asian volumes help offset the dull performance of the traditional markets.

The recent changes to building ratios in the Maldives allow operators to expand the extent of built areas on the island resorts. The Group is exploring ways of taking advantage of the change in regulations to increase its room inventory while being cautious of maintaining the ambience of the resorts. We do acknowledge however that the way forward for the Group in the Maldives is the expansion of volumes; as we now command optimal rates.

Our managed properties in Oman continue to perform satisfactorily, and during the year the Group undertook the management of

INPUT

- Our expertise
- Our brand behaviour & values
- Strategically positioned iconic properties
- Partnerships & networks
- Financial resources

VALUE ADDING ACTIVITIES

- Talent enhancement
- Strategic management
- Nuturing the brand
- Development of infrastructure
- Cultivating partnerships & networks
- Enhancing service quality
- Leading the industry with best practices
- Innovation
- Global reach to customers
- Group synergies

OUTPUT

- Customer satisfaction & loyalty
- Skilled & motivated employees
- Market intrinsic knowledge
- Positive economic value
- Empowering the community
- Enhanced brand image
- Unique product /service offerings
- Conservation of ecosystems

a new property named Al Jabal Al Akhdhar Hotel in Jabal Akhdhar. The new property is expected to add greater monetary value to the existing business while expanding the Group's presence in Oman.

Destination Management Services

The segment's top 5 source markets were UK, India, Germany, Russia and France. Poland entered the top 10 destinations for the first time, mainly due to a charter operation which commenced during the year. The exponential growth we have achieved in our key markets has been the result of focused marketing, enhanced agent relationships and product differentiation.

The inbound travel segment has consolidated its position in traditional European markets through product differentiation and competitive pricing; the market continues to hold strong potential for Sri Lanka due to the high value, longer stay tourism it offers. We continue to focus on identified emerging markets, and have increased focus on segments such as nature, wild life, wellness, and medical tourism.

The cruise segment has also been growing and importantly, more cruise liners are now calling at the Galle and Trincomalee ports in addition to Colombo port as the country now offers a greater choice. With tourism infrastructure set to grow in the south, cruise liners will also have the option of calling at the Hambantota port.

We continue to develop the online market, as the tourism industry moves towards an online platform. The segment will shortly launch a customised booking engine to be marketed among our B2B base. The booking engine marks a paradigm shift in our business, allowing tour operators to work directly online. This, along with a revamped website, will offer potential for further growth within these areas.

Our joint venture partner TUI, the world's largest integrated travel management company and market leader in many key source markets, has identified Sri Lanka as a key destination to focus in the future. During the year, a senior team from TUI Travel PLC., including its global CEO was invited to Sri Lanka; the positive impression and

THE ENTRY OF RIU HOTELS TO SRI LANKA IN PARTNERSHIP WITH THE AITKEN SPENCE GROUP WILL CREATE SYNERGIES FOR OPERATORS WITHIN THE TUI NETWORK TO OPERATE CHARTERS TO SRI LANKA IN THE FUTURE.

experiences of the team will no doubt expand charter opportunities for the country.

The entry of RIU hotels to Sri Lanka in partnership with the Aitken Spence Group will create synergies for operators within the TUI network to operate charters to Sri Lanka in the future. Going forward, the newly established partnership with Emirates Holidays is expected to open up many new opportunities within the Emirates route network.

The Worldcome alliance of 22 destination management companies (DMC), of which we were a member, underwent a change during the year to become "Destination Services" - an alliance of 39 DMCs, working in 50 countries cross-selling each other. The alliance has common performance indicators and standards including ISO 9001 certification for all members, who have TUI as their common thread.

Tour operators are seeking differentiation in order to be competitive; and in order to cater to this demand, Aitken Spence Travels has encouraged a culture of innovation and creativity within the organisation by setting up a research and development division, which will focus on enhancing our travel offering.

Training continues on a fully automated system for all new recruits as well as existing staff, on a regular basis. We have also achieved improved levels of motivation by offering overseas exposure to staff, and conducting merit based appraisal and rewards system. The travel trade has once again begun to attract quality staff, however the life span of employees within the trade remains brief due to work patterns. It must also be noted that many universities now offer tourism related courses, enhancing the skill base of the industry.

The destination management segment's short term goals include implementing strategies to generate more business from traditional markets while also optimising on opportunities provided by emerging markets such as China, Korea, CIS, and the Americas. The RIU hotel project is expected to influence our business significantly in the medium term. In the long term, the segment is working towards a paradigm shift from traditional brick and mortar business towards a more information technology oriented virtual structure, necessitating the management of an increasing number of online bookings.

Airline GSA

The Singapore Airlines GSA representation which spans over forty years maintained its status quo during this financial year despite challenging market conditions due to intense price wars. The newly acquired Sri Lankan Airlines GSA in the Maldives performed remarkably well showing much promise for the future.

Singapore Airlines has successfully defended its market share during the year, despite increased challenges in a highly competitive market. Passenger sales held its own during the year in spite of SIA's fares remaining high in comparison to our competitors and the rising cost of living in Sri Lanka which saw a downturn in leisure travel.

On the Cargo side, our performance was impacted by SIA's cancellation of its two non-stop services to Los Angeles and New York in October, which led to a reduction in capacity to USA. Colombo was one of the main contributors to these two flights with our regular garment shipments.

With a greater emphasis on customer relationship management, we have undertaken extensive measures to deliver an improved standard of service, including training 16 staff at SIA's commercial training department in Singapore.

The GSA has reenergized the corporate sales strategy, and has created opportunities in the MICE (meetings, incentives, conventions and exhibitions) and premium leisure market. In order to promote sales, we are partnering several reputed private banks targeting their affluent travel savvy customer base.

Our strategies on the passenger side are focused on North Asia and South East Asia, where we are promoting medical, pilgrimage, and recreational tours. We have also entered into a collaborative partnership with Singapore Tourism Board, highlighting the new developments in Singapore in a bid to improve performance on our trunk route. We have promoted Singapore as a hub with enhanced value added benefits such as The Changi Dollar Voucher, and a Free Singapore Tour among other attractions.

Environmental Performance

Heritance Ahungalla is an ISO 50001 certified hotel and has implemented several successful energy management initiatives, which have collectively led to a 7% decrease in total annual electricity consumption. The hotel conducts regular energy audits, staff awareness sessions and good preventive maintenance while applying new energy saving products wherever possible. The hotel's efforts were recognised with a Silver Flame award at the Sri Lanka National Energy Efficiency Award in 2013, conducted by Sri Lanka Sustainability Energy Authority and Ministry of Power and Energy. The hotel has also achieved a 13% reduction in total water consumption; with all waste water treated and reused for irrigation. The waste generated by the hotel is sorted into wet and dry waste and recycled.

The energy saving initiatives at the Heritance Tea Factory includes optimising on the use of natural light and the introduction of timers to control usage and lighting load. Eighty percent of the lighting in the hotel is now supplied through energy efficient LED bulbs. The hotel operates heavy machinery only during off peak hours. The use of biomass as an alternative to diesel has increased to ninety percent for the provision of hot water, laundry and heating in public areas. Waste heat from the gasifier is transferred to heat public areas while its byproducts are used as organic fertilizer. The water conservation efforts include rainwater harvesting and the introduction of low flow aerator taps to minimise wastage of water. One hundred percent of the hotel's sewerage is recycled and reused. The hotel's tea plantation and vegetable garden use only organic compost, processed on the premises. The use of weedicide has been halted, resorting instead to manual weeding. As a result of adopting such environmentally friendly measures over the past eight years in conserving the soil and the biodiversity of the Hethersett estate, Heritance Tea Factory was recognised with the first organic certification in Sri Lanka for cultivation and processing of organic tea by the Sri Lanka Standards Institution. Use of the biomass gasifier with Grilicidia wood as the source of energy instead of diesel has enabled Heritance Tea Factory to offset 1,000 tonnes of GHG emissions to date since 2007.

At Hotel Hilltop, energy management initiatives such as the use of LED and CFL bulbs, solar hot water panels to produce hot water and capacitor banks that help reduce the KVA value have helped the hotel make several strides in its sustainability agenda. The hotel's energy management team makes frequent inspections with a view to identifying every possible way of reducing energy usage. Guests are also engaged in the efforts to save energy and water through notices and posters in rooms. The property treats its waste water and effluents at a sewerage treatment plant, which redirects the recycled water for reuse in watering the gardens.

In keeping with best practices, The Sands has installed a sound proof generator and a boiler while extending its exhaust chimneys to over 60ft above the roof to ensure optimal dispersion. The hotel also has a sewerage treatment plant as well as a groundwater treatment plant to optimise its water usage.

The Singapore Airlines GSA practices conservation through measures such as a switch off policy, the assessment and management of monthly consumption, and daylight harvesting at its offices in Colombo.

Aitken Spence Travels has taken extensive measures to minimise fuel wastage, by introducing new vehicle parking yards in Seeduwa and Aluthgama (close to the ultimate destinations) to minimise empty mileage, combining transfers where possible, and encouraging the use of hybrid vehicles. The vehicle fleet is closely monitored to ensure emissions are at permissible levels. Aitken Spence Travels is the first destination management company in Sri Lanka to offset the GHG emissions from their office operation as well as their owned fleet of vehicles. The SBU also became the first company in Sri Lanka to invest in a Sri Lankan company to offset GHG emissions by engaging with the Sri Lanka Carbon Fund to become a carbon neutral destination management operation and owned fleet.

Social Performance

The sector maintains the Occupational Health and Safety (OHS) standards, with timely audits as well as routine training sessions to fulfill identified training needs of staff.

Extensive mechanisms are in place to ensure that our hotels have a strong framework to minimise the risk of fires, as well as to deal with a potential fire. At all properties, fire drills and evacuation drills are conducted once a quarter while ensuring that fire extinguishers

TOURISM SECTOR

are serviced on time and that clear signage/ maps are provided for guest evacuation in case of fire.

Heritance Tea Factory educates its employees on aspects of health and safety, personal hygiene and first aid. Such programmes indirectly benefit the local communities as seventy percent of the hotel's employees are from the vicinity. The Sands conducts similar programmes and also conducts free dental clinics for staff as well as children from the community.

Heritance Ahungalla takes a proactive approach in its engagement with the community and has a close relationship with the village temple. During the year, the hotel conducted a shramadhana at the Children's Ward of the Balapitiya Hospital while also conducting awareness sessions of 5S and 7R practices for the benefit of students of the Rajapakshe Vidyalaya, which is located close-by.

Heritance Kandalama engages with the neighbouring community through meetings with the heads of religious institutions, village heads, Grama Niladaris, school principals and other members of the community. These meetings serve as a useful forum to identify and respond to the needs of the community. For example the hotel was able to assist the community with repairs to school buildings, roof repairs, granting scholarships

Energy Consumption			
Diesel:	5,382,502.61 litres (204,455.17 GJ)	Biomass/ Fuel wood:	795,918 kg (11,663.78 GJ)
Petrol:	847,861 litres (27,591.34 GJ)	LPG:	268,654.98 kg (12,373.44 GJ)
Furnace Oil:	194,969 litres (7,865.39 GJ)	Electricity:	10,358,064 kWh (37,289.03 GJ)

Total energy produced from non-renewable sources (GJ)	242,254 GJ
Total energy produced from renewable sources (GJ)	11,713.45 GJ
Total Energy Saved	11,378.58 GJ
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent	23,400.30 tonnes
Energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent	7,664.97 tonnes
The amount of GHG emissions reduced and/ or offset	2,857.70 tonnes
Total quantified volume of water used (in cubic meters)	850,969.42 m^3
Total volume of water recycled and/ or reused by the organisation.	271,075.29 m^3
Total spending on environmental conservation	Rs. 5.88 million
Total funds channelled for community development	Rs. 15.85 million

for students, provision of spectacles and wheelchairs and other equipment needed for the differently abled.

Many of our hotels recruit significant numbers from their local communities; such recruits are then developed to take on management roles within the organisation. Among the hotels with a high percentage of managers from the local communities are Oman Hotels with 10%, Heritance Ahungalla with 20%, Hotel Hilltop with 75%, Heritance Kandalama with 17%, Heritance Tea Factory with 60% and The Sands with 25%.

The commitment to the local communities also extends to supporting the surrounding economies. Hotels within the Group make every effort to source their requirements from local suppliers. Thirty percent of the Heritance Kandalama procurement expenditure is spent locally while Heritance Ahungalla spends 16%, Heritance Tea Factory 7%, Hotel Hill Top and The Sands 45% each and the Oman Hotels 75% on local suppliers. The destination management segment utilises more than 75% of its procurement budget to source locally.

All the segments and properties that fall within the Tourism sector have individual

Total weight of hazardous and non-hazardous waste, by disposal methods

Waste type	Method of handling the waste	Total weight/ volume
Paper	The various business units of the sector segregate waste and either sells for reuse or recycles all waste material.	12,099kg
Cardboard		29,517 kg
Plastic	Food waste is either used for compost or handed over to pig farms as animal feed.	11,284.08 kg In addition 1,321 cans
Polythene	The sector leads Aitken Spence companies in implementing the 7Rs approach for waste management which is aimed at reaching zero waste dumping status.	3,168 kg
CFL bulbs		360 bulbs, and an additional 773 kg
Lead Acid Batteries		30 units and an additional 706kg
Alkaline Batteries		20 units and an additional 286 kg
Tires		153 tires and an additional 1,116 kg
Scrap Metal		18,225 kg
Glass		25,416 kg
Soiled cotton		580 kg
Food waste		1,108,355
E – waste		2 units and an additional 328.25 kg

1972 The general sales agency of Singapore Airlines was obtained by the Group; which we have retained up to now.

1974 The first resort hotel, 'Neptune Hotel' was constructed in Beruwala designed by the renowned architect Geoffrey Bawa. Neptune is now re-branded as 'Heritance 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.

1978 'Aitken Spence Travels' entered into an agency agreement with TUI which is a one of the world's leading leisure travel companies.

1981 The first five star resort 'Triton' was constructed in Ahungalle designed by the renowned architect Geoffrey Bawa. Triton Hotel is now branded as 'Heritance Ahungalle'

1991/92 Aitken Spence Hotels is listed in the Colombo Stock Exchange with an issued share capital of Rs.150mn

1993 Became the first Sri Lankan hospitality company to broaden its horizons and develop an overseas portfolio by entering into the Maldivian tourism sector with the acquisition of Bathala Island resort in Maldives.

1994 Commenced commercial operations of Heritance Kandalama one of the world's defining ecologically conscious hotels and became 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.

2004 Aitken Spence Travels enters into a JV partnership with TUI of which the results are exceptional.

2005 Launched 'Adaaran Prestige Water Villa'- a twenty exclusive luxury water villas at Meedhupparu Island ; Maldives.

2006 Entering the Indian hospitality industry by securing the management of five hotel properties in India.

2007 Obtains the management of four hotel properties in Oman, becoming the first hospitality company to enter the Middle East.

2008 The Group opens 'Adaaran Prestige Vadoo' the fifth resort with fifty luxury villas in close proximity to the Malè atoll.

Occupational Health and Safety teams. Employees appointed to the committees represent a cross section of departments and functions. The safety teams undergo regular training sessions to refresh their knowledge, and are exposed to internal as well as external training expertise.

The sector supports the Group's sustainability initiative 'Empowering Sri Lanka First'. Heritance Kandalama and Heritance Ahungalla manage two of its three learning centers in the pilot programme, in Dambulla and Ahungalla respectively. Management of the learning centers requires observing the classes at all times, managing resource requirements for the lessons in coordination with Group sustainability division, evaluating the performance of the teachers and handling absenteeism of the students. Aitken Spence Travels contributed to the pilot programme by contributing 17 refurbished computers for the computer literacy segment of the programme. Aitken Spence Travels also distributed books to local libraries.

In addition, Heritance Ahungalla has channeled Rs. 0.6 million towards community development and engagement initiatives including donation of school supplies to local students and donation of equipment to local entrepreneurs and charitable institutions. Heritance Kandalama has channeled Rs. 14.9 million towards community engagement initiatives spanning across scholarships provided to local students, support extended

HERITANCE KANDALAMA HAS CHANNELED RS. 14.9 MILLION TOWARDS COMMUNITY ENGAGEMENT INITIATIVES SPANNING ACROSS SCHOLARSHIPS PROVIDED TO LOCAL STUDENTS, SUPPORT EXTENDED TO LOCAL ENTREPRENEURS, BUILDING SUPPLIES FOR INFRASTRUCTURE DEVELOPMENT AND DONATION OF MEDICAL SUPPLIES TO VILLAGERS.

to local entrepreneurs, building supplies for infrastructure development and donation of medical supplies to villagers. The Sands worked with the Ministry of Health to conduct a dental clinic for the community members of Panadura.

Product Responsibility

Aitken Spence Travels reinforced its carbon neutral status by communicating it visually in its fleet while also designing a new itinerary header and email signature which highlight the ISO 9001, ISO 14001 and carbon neutral logos.

All hotels carryout food sample testing and water testing on a monthly basis in line with the requirements of the ISO 22000 and ISO 14000 standards. HACCP audits are carried out twice a year. At Heritance Tea Factory, the hotel is also audited for its SLSI organic certification.

Aitken Spence Travels customer surveys during the year indicated that 75% of their customers rated their service as excellent.

Aitken Spence Hotels recognises that in order to remain leaders in the industry it is essential to retain existing customers, thus have placed great emphasis on implementing effective procedures to increase customer satisfaction and loyalty. Customer satisfaction feedback platforms such as TripAdvsior and HolidayCheck are monitored by the management on a regular basis in order to scrutinise guest satisfaction levels and rectify concerns addressed by guests. Aitken Spence Hotels rates very highly on the primary guest feedback platform, TripAdvisor with most of its Hotels receiving the Trip Advisor Excellence ranking in 2013.

MARITIME CARGO LOGISTICS SECTOR

Maritime Services
Integrated Logistics
Freight Forwarding
Courier Services

Aitken Spence has emerged from humble beginnings to become a leader in the Sri Lankan maritime and cargo logistics sector. Through a progressive journey the company has integrated its operations in air-sea freight forwarding, warehousing, distriparks and related services, courier and transport to provide a total, seamless solution to the importer and exporter alike. We were the first Company in Sri Lanka to extend port management expertise outside Sri Lanka. Today, our services cover the complete physical cargo flow process from shipper to recipient as well as port management services.

DURING THE YEAR, WE FORMALLY ENTERED INTO A PUBLIC-PRIVATE PARTNERSHIP WITH THE FIJI PORTS CORPORATION BY SECURING A 51% STAKE IN FIJI PORTS TERMINAL, MARKING A SIGNIFICANT MILESTONE FOR BOTH AITKEN SPENCE AND THE NATION.

REVENUE Rs.6.8 BN

ASSETS Rs.7.6 BN

PBT Rs.709.2 MN

EMPLOYEES 1,091

Aitken Spence has played an instrumental role in Sri Lanka's transformation from a single port nation in the Indian Ocean in to a modern transshipment hub. The Group's expertise has been sought over the years by many administrations related to the maritime and cargo logistics industry. Whether in forming coalitions to help improve infrastructure or in advocacy to better manage port operations, Aitken Spence has played a pivotal role in the nation's development efforts.

The sector comprises of Maritime, Cargo and Integrated Logistics activities, with the maritime segment expanding its footprint into overseas port management and maritime education as well.

The consolidated performance of the sector recorded a growth of 18.3% in revenue compared to the previous financial year, reflecting the sustainable growth the sector has achieved over time. This increase in revenues was converted to an increase in profits before tax of 25.9% compared to the previous financial year.

Maritime Services

With the demand for carriage of goods being derived out of the demand for goods, this year was a challenging one for imports and exports. Port volumes out of India, our primary market contracted while export volumes out of Sri Lanka reduced by 3.3%. In spite of this gloomy external environment, the segment performed commendably well to

MARITIME CARGO LOGISTICS SECTOR

register growth of over 50%, driven primarily by the maritime education and overseas port management activities while the freight forwarding and agency businesses dipped, in line with global trends.

The segment has made a strategic decision to expand its investment driven operations, shifting from the mainly service-related proposition now on offer. We have honed our skills in port management, efficiency enhancement and equipment management, going beyond our traditional scope of agency activity.

As an outcome of the new strategic expansions the maritime segment recorded a revenue growth of 57.4% mainly contributing from the new investment in Ports Terminal Limited of Fiji.

The decision to invest in a significant stake in CINEC (Colombo International Nautical and Engineering College) Maritime Campus, the largest maritime academy in South Asia, has borne fruit. Our investment in CINEC allows us to expand our operations to overseas locations where we could operate and manage maritime schools. CINEC now manages the maritime school of the Fiji National University and the Maritime Academy in the Seychelles.

During the year, we formally entered into a public-private partnership with the Fiji Ports Corporation Ltd, by securing a 51% stake in Ports Terminal Limited of Fiji, marking a significant milestone for both Aitken Spence and the nation. The partnership envisages the operation and management of the ports of Suva and Lautoka for a period of 15 years. The initial focus has been on upgrading processes, introducing new systems and training staff, with a view to upgrading productivity and efficiency at the two ports, thereby enabling the faster turnaround of vessels by eliminating berthing delays. During the first 3 months of our operations there, we have already achieved a productivity increase of 35%. Our learning and experiences in operating and managing ports in the African continent have been crucial to the Group's reputation and success overseas. The productivity and efficiency improvements, which we successfully achieved in Africa through training, attitudinal change and

THE CARGO SEGMENT RETURNED A STRONG PERFORMANCE IN CHALLENGING CONDITIONS THIS YEAR, WITH FREIGHT, AIRLINE AND BROKERAGE PRODUCTS PRODUCING EXCELLENT RESULTS.

process enhancements, have positioned us as a results-driven partner for maritime operators overseas.

Africa continues to be a vital market for the segment which carries out port operations management and port equipment maintenance management on the continent. The segment is seeking expansion of activities on the continent through increased investment in port related operations, including opportunities for inland container depots. The segment is also seeking maritime-related opportunities in the South Pacific region where tremendous growth potential exists.

There are demanding times ahead for the liner agency business; overall, shipping lines are faced with continuing losses with the advent of ultra large ships which create excess capacity, thereby driving down freight rates. In fact, by 2016 it is expected that 95% of vessels will be ultra large ones with over 10,000 TEU capacity. It is estimated that as at present vessels with a collective capacity of approximately 700,000 TEUs lie idle due to over capacity, as the supply exceeds demand. Global trends such as the concentration of power among a handful of shipping lines – where the 3 major alliances control 50% of global capacity posing a threat to service providers. There is also a global trend to move from off-shoring to near-shoring as a response to the changing consumption patterns in the US and Europe, and enhanced technological capabilities diminishing the importance of the labour component in manufacturing.

The future of the maritime segment, while offering exciting opportunities, focuses on the need for innovative and agile decision making. In the short term, the segment will focus on consolidating the liner representation, freight forwarding activities and port management activities. In the medium term, the segment is constantly seeking new markets as well as new avenues for diversification, where we may capitalise on our strengths and competencies. We are currently exploring new areas within the maritime segment including the management of maritime schools.

Freight Forwarding & Courier

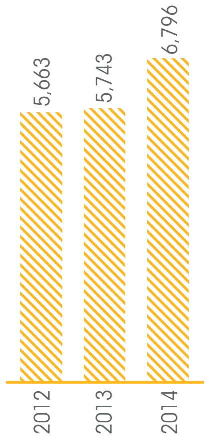
The freight forwarding and courier segment performed encouragingly during the last financial year whilst facing exigent circumstances of the sector, with a revenue growth of 1.7%. However the segment has faced a 11.5% decline in its net profit before tax mainly as a result of price competition and the negative movement of the cross exchange rates between the US dollar and the Euro.

The cargo segment returned a strong performance in challenging conditions this year, with freight, airline and brokerage products producing excellent results. The express segment however was unfortunate to be impacted by cross exchange rate fluctuations which took their toll on profits, despite top line performance remaining strong.

International Air Transport Association figures show a 1.4% expansion in global air freight volumes in 2013 with the second half of the year showing more activity. A 2.6% expansion in capacity and weak load factors of around 45.3% contributed to a dull performance. With European economies struggling and US growth still slow, trade volumes remain under pressure and the logistics industry will look for more intra-regional volumes in future, to capitalise on the growing trend for near-sourcing.

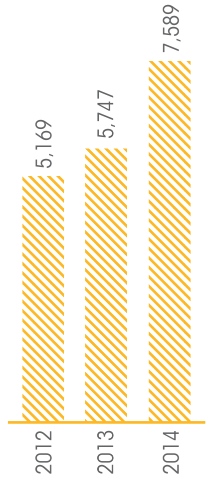
The local air cargo market grew by 11%, due to an increase in transshipment volumes especially from Bangladesh. The conditions in the US and EU countries impacted Sri Lankan exports while imports into Sri Lanka declined with the government restricting credit for non essential imports.

The logistics industry is set to benefit from the government's proposed free port policy envisioning a new area of logistics which



REVENUE
Rs. 6,796 MN
for the year ended 31st March

PROFIT FROM OPERATIONS
Rs. 736 MN
for the year ended 31st March



TOTAL ASSETS
Rs. 7,589 MN
as at 31st March

positions Sri Lanka as a regional hub. If successful, new business in this area should make Sri Lanka attractive to more shipping lines and airlines.

The freight segment experienced greater volumes from regular customers, while the airline segment was driven by strong growth from the Qatar Airways cargo operation. Qatar Airways cargo maintained a high 92% load factor during the year, doubling its own capacity in the fourth quarter amidst capacity increases by competitors.

It must be noted that 2013/2014 was a year during which local fuel prices remained stable thereby enabling us to manage our transportation costs. Fuel surcharges on air and express shipments reduced marginally. We also welcome the steps taken by Sri Lanka Customs, shipping and airline ground handling authorities to automate export and import procedures leading to submission of manifests and customs declarations online.

In Bangladesh, profitability of the freight segment grew appreciably over the previous year despite political turmoil and some negativity in the country's apparel manufacturing sector. The Airline GSA segment reported healthy growth for online carrier Mihin Lanka but our other offline Cargo GSA, United Airlines was severely affected by

INPUT

- Our expertise
- Our brand behaviour & values
- Specialised equipment & fleet
- Partner brands & networks
- Logistics management systems & technology
- Financial resources

VALUE ADDING ACTIVITIES

- Talent enhancement
- Service provision
- Strategic management
- Expansion & improvement of infrastructure
- Cultivating partnerships & networks
- Effective supply chain management
- Quality assurance
- Optimising utilisation of logistics solutions
- Group synergies

OUTPUT

- Customer satisfaction & loyalty
- Skilled & motivated employees
- Market intrinsic knowledge
- Positive economic value
- Innovative integrated logistics solutions

MARITIME CARGO LOGISTICS SECTOR

limited space on first leg carriers and onward space from the network hubs.

In the Maldives, our Sri Lankan Airlines Cargo GSA continued to achieve year on year growth despite capacity increases by competitors. The express segment posted modest growth, with gains in the second half offset by a lull during the first half. The Maldives freight segment continues to consolidate its business through agency agreements.

During the year, we revamped the marketing function of the freight segment from a decentralised outfit to a centralised team to increase its capacities and synergies. The focus of marketing activities has shifted to targeted areas and trade lanes with a vision to achieve leadership in identified areas. We have also consolidated our partnerships with key European customers during the year, leveraging on emerging opportunities to spur volume growth. In the express segment, our territory management system continues to bear results with strong market penetration in a highly competitive sector. We have adopted a more aggressive approach in the regional offices as well, which should pay dividends in the coming years.

In the near future, we envisage new investment to expand our record management business which will enable us to modernise and increase capacity progressively. Aitken Spence Cargo, together with the rest of the Group maritime, cargo, logistics sector, offers customers an unique integrated logistics solution that encompasses every area of the supply chain.

We anticipate that trade volumes will increase marginally next year, especially for imports. Growth in exports will be hinged on the recovery in the US and European markets. The fierce competition in the industry, together with the removal of the terminal handling fee will however impact profitability. The removal of entry barriers for foreign companies

THE SEGMENT HAS BEEN ABLE TO MAINTAIN ITS COMPETITIVE EDGE THROUGH THE LONG TERM RELATIONSHIPS AND LOYALTY BUILT WITH KEY CUSTOMERS OVER THE YEARS, BY OFFERING TAILOR MADE SOLUTIONS AND CAPITALISING ON THE SYNERGIES OF BEING PART OF THE AITKEN SPENCE GROUP.

1873	Commencement of Aitken Spence & Co. in Colombo as the largest shipping agency.	**1985**	Commenced container transportation services and a inland container terminal in Mattakkuliya.	**2009**	Acquires 'Logilink (Pvt) Ltd' a container freight station operation with specialised solutions for warehousing and garments on hangers.
1980	Diversified operations into international freight forwarding in Sri Lanka.	**1987/88**	Established Ace Container Terminals (Pte) Ltd to handle the first free trade zone inland dry port in the country.	**2011**	The Group becomes the largest shareholder of CINEC which is the Sri Lanka's largest private sector maritime & higher education campus.
1981	The Group was appointed as agents for TNT Express, one of the world's leading courier companies.	**2007**	The first Sri Lankan Company to venture into 'Port Efficiency Management' outside Sri Lanka.		

may also see the competitive landscape transforming to include key players.

We have positioned ourselves as an established company with a strong parent, a regional presence, as well as good agency networks and the capacity to invest, which will continue to provide us with a competitive advantage.

The outlook for the segment is positive with our strategies geared to leverage our market position with base volumes to increase our buying power and strategically target new customers. The segment will continue to rationalise costs by maximising synergies through internal collaboration; our vision is to establish common service teams which will lead to greater efficiency and expertise. In the short term we will pursue consolidation in the Maldives and Bangladesh through a greater offering of services. In the medium to long term, we are seeking the expansion of our regional footprint, especially with the right partner in India.

Integrated Logistics

The global logistics industry experienced a slowdown in 2013, with the shipping industry battling excess capacity and airlines under pressure from declining freight rates. Despite this global slowdown, in Sri Lanka, the logistics sector witnessed vigour and enthusiasm as logistics related infrastructure boomed and the government brought in new legislation to promote its free port and hub concepts. Container throughput at the Port of Colombo recorded a 5.2% growth during the year, as did transshipment volumes, which grew by 5.5%. This growth was on the backdrop of the Port of Colombo overall volumes declining by 0.3% during the previous financial year of 2012/2013. The local competitive landscape also underwent changes as a significant number of new players made their entry to the market, notably in warehousing, transportation, container depot and over dimensional cargo handling.

With the pressure of the global logistics industry, market conditions and the change of business mix etc, the revenue of the integrated logistics segment dropped by 0.9%. However with the efficiencies and the competency of the segment a 3.2% growth in the net profit before tax was achieved compared to the last financial year.

Although the segment experienced erratic conditions during the year, the segment benefitting once again from its diversification ended the year on a high note. The curtailment of operations at the Group's power plants in Horana and Matara had a severe impact on our fuel transportation business, which dragged down an otherwise strong performance from segments such as internal container terminals, container freight station, transportation, container rentals and special operations. The warehouse segment operated at full capacity throughout the year but experienced a drop in revenue due to a change in its revenue mix. The European downturn has had a marked effect on the free trade zones, and as a result our zone operations experienced volume drops. The integrated logistics segment was also affected during the year by a salary revision affected by the Wages Board on the transport segment.

The segment has been able to maintain its competitive edge through the long term relationships and loyalty built with key customers over the years, by offering tailor made solutions and capitalising on the synergies of being part of the Aitken Spence Group, and through constant innovation and a sharp focus on efficiency and productivity. Despite strong competition, the segment remains one of the top 3 players in the industry, and in fact continues to hold market leadership in internal container depot, transportation and container freight station businesses. Our investment in an integrated warehouse management and container transport IT system has borne fruit, and has enhanced our marketability and performance management.

Going forward, we have identified warehousing as an area of much growth potential, given the trends for outsourcing. During the year, we invested in a further two acres of land adjacent to our Welisara property which has been earmarked for a state of the art one stop logistics complex offering warehousing and container freight station operations. The segment will soon embark on its construction and it is the intention to begin commercial operation by end of next year.

MARITIME CARGO LOGISTICS SECTOR

In the short term, we plan the completion of our yard development to upgrade our infrastructure to match our service levels. Stringent cost control and product rationalisation will continue to drive our approach to business. We have also increased capacity of our mobile storage segment.

Over the medium and long term, we will explore opportunities for logistics in Welisara, Hambantota and Mattala while also seeking potential projects in the Asia Pacific and African regions.

Environmental Performance

The Aitken Spence cargo segment is the first major freight forwarder in Sri Lanka to achieve ISO 14001:2004 certification for its Environmental Management Systems (EMS), demonstrating awareness, actions, and commitment to environmental sustainability. In line with the requirements of the certification, the segment conducts regular analysis of impacts and internal and external audits. The stringent requirements of the standard include controls on significant environmental aspects including reducing paper use, waste segregation, and reducing energy use. The segment has devised ways of recycling and reusing paper, packing materials and waste wherever possible.

The importance of environmental sustainability was impressed on the employees through regular awareness programmes and communication material. In particular, such initiatives addressed issues such as climate change and its impact on the economy, ISO 14001 EMS emergency preparedness, and the importance of resource conservation.

During the year, steps were taken to encourage the cargo segment's transport service providers to adopt sustainable practices. Ninty seven of our main suppliers/ transporters were educated on sustainability, quality management systems and environment management systems, good safety practices and the UN Global Compact as well as aspects of the industry. The activity was carried out with a view to registering service providers who are able to demonstrate safe and environmentally friendly practices. Similarly, our environmental commitments were communicated to our international agents and principals and our key customers, highlighting our achievement of becoming the first major freight forwarder in Sri Lanka to receive ISO 14001 EMS Certification.

During the year, the cargo segment invested financially as well as with significant management and staff time on training, and audits related to environmental sustainability.

The maritime segment takes several measures to reduce its energy usage, including the use of daylight in the periphery of the office, a 50% reduction of air conditioning during lunch time and switching off monitors and water dispensers after work while also restricting the use of the water boiler.

The logistics segment has changed its lighting to CFL and LED bulbs to reduce its energy usage, while also introducing transparent sheets to new buildings that bring in natural light. The yard currently requires watering in order to minimise dust and the segment has now opted to use low quality water from the nearby canal for this purpose, instead of using fresh water. Although the canal has abundant water perennially, it is not used for human consumption because of the low quality of the water. Daily withdrawal of canal water is roughly about 25.8 cubic meters in volume. The logistics segment disposes waste such as scraps, batteries, and tyres through registered contractors. During the year, an evaluation was carried out to introduce a more structured waste management system. The segment is also currently pursuing the Environmental Protection License issued by the Central Environmental Authority.

Energy Consumption			
Diesel:	1,778,729.92 litres (i.e. 67,565.32 GJ)	Biomass/ Fuel wood:	Not used
Petrol:	22,774.69 litres (i.e. 741.14 GJ)	LPG:	Not used
Furnace Oil:	Not used	Electricity:	1,672,634 kWh (i.e. 6,021.48 GJ)
Total Energy Saved		6.66 GJ	
Direct (Scope 1) GHG emissions in metric tonnes of CO_2 equivalent		4,956.60 tonnes	
Energy indirect (Scope 2) GHG emissions in metric tonnes of CO_2 equivalent		1,237.75 tonnes	
The amount of GHG emissions reductions achieved in metric tonnes of CO_2 equivalent		1.37 tonnes	

Social Responsibility

All three segment of the sector have in place OHS (Occupational Health and Safety) teams that comprise of representatives of the SBUs that make up each segment. The members of OHS teams receive ongoing training on aspects of occupational health and safety, conducted by both internal resource persons and external experts.

Total weight of hazardous and non-hazardous waste, by disposal methods		
Waste type	**Method of handling the waste**	**Total weight/ volume**
Paper	Paper is re-used and used on both sides when printing documents when possible. Stationery/ envelopes etc. are reused wherever possible. Waste paper is recalled and given to recycling vendors as per Aitken Spence Group Policy. Aitken Spence Cargo shreds confidential documents and uses the waste paper as packing materials at Packing Warehouse. Packing material is reused at the Packing warehouse.	219.5 kg
Cardboard	Aitken Spence Cargo reuses packing materials wherever possible.	320 cartons reused
Plastic	Negligible quantities.	
Polythene	Packing materials are reused wherever possible	34.1 kg of bubble wrap was reused
Lead Acid Batteries	Exchanged with the vendors	5 nos.
Tires	Repaired when possible, and if not, disposed as per Aitken Spence Group Policy	20 nos.
Wood	Plywood sheets were reused at the Packing Warehouse	237 plywood sheets reused
E – waste	Disposed of as per the Aitken Spence Group Policy	

With integrated management systems encompassing EMS and sustainability, the cargo segment's management approach to occupational health and safety includes hazard analysis/ inspection, and the completion of periodic accident / incident status reports along with corrective and preventive action if applicable. This also extends to emergency preparedness evacuation plans, installing first aid boxes and having trained first aiders, clear signage, internal inspections and external audits as well as creating awareness through training for appropriate personnel. These initiatives together help create a system of awareness designed to prevent and correct potential OHS risks and improve action and responses in the event of an emergency.

The cargo segment conducted a number of sustainability, EMS & OHS related programmes during the year, including an emergency preparedness /fire drill for the packing staff, outsourced security and cleaning staff at the packing warehouse. The segment also developed a dengue hazard analysis inspection checklist, and carried out inspections at all operating locations, taking corrective/ preventive action where necessary. In addition to five cross-functional staff trained as 'Trained First Aiders' another six cross-functional staff including from branch offices attended a one-day first aid training programme conducted by St John's Ambulance and three personnel attended an external one-day OHS programme. The Company also continued to provide job-related training & development with over 73% of staff attending at least one programme in the year.

The cargo segment undertook many community engagement activities during the year, such as the donation of used computers for the benefit of 400 children studying at the Vidyawardhana Vidyalaya Primary School in Wellampitiya, close to our packing warehouse. The staff of the warehouse were involved in the project to engage with the community positively. We also organised two danselas with the staff that benefited about 100 persons in the vicinity of our offices.

The Company supported the International Vesak Buddhist Film Festival and Exhibition held in Colombo in May 2013 as part of the Vesak Kalapaya, which attracted about 10,000 visitors over 3 days. The event included an exhibition with educational objectives, creating awareness and communicating the value of preserving nature and our heritage, which was attended by several hundred people. Our sponsorship of this event was in line with our objective of creating awareness of environmental conservation and sustainability.

We also continued our support to the Pannala Sri Piyarathne Dhamma School which we have assisted for four years. This year, we provided much needed items to a pre-school attended by 36 children.

The cargo segment has provided internship opportunities for two interns and a trainee, who received exposure to a corporate environment and job-related training and mentoring. The staff of Aitken Spence Shipping donated books to students of Arrawwala Rajamaha Viharaya while we facilitated a donation by Hapag Lloyd cruises together with the passengers of MV Colombus 2 to 'Ladani', an organisation that takes care of 225 under privileged girls and boys at 7 locations.

Product Responsibility

The ISO 9001:2008 quality management system as well as regulatory requirements and Group policy provides the cargo segment with a framework to ensure the quality of the services we provide to customers. The Company ensures a high quality of customer communication prior to and upon placement of the orders and post shipment; such communications and engagement takes many forms such as email, telephone, fax, media, meetings and face to face discussions. The Company has geared itself to ensure customer satisfaction by providing a total logistics solution comprising of air freight and sea freight, custom house agency, brokerage, express, and supply chain. Customer privacy is given utmost importance, with employees expected to sign the Aitken Spence Code of Ethics agreement upon joining the Company.

STRATEGIC INVESTMENTS SECTOR

Power Generation
Printing & Packaging
Garment Manufacture
Plantations
Holding Company

The success story of the Aitken Spence Group has been reinforced by astute investments and strategic partnerships in diverse sectors. The Company's unblemished track record proves that it is a proactive player in a dynamic economy. The Strategic Investments sector comprises of various business ventures having high potential in the current economic environment as well as those which are poised for growth in the future. The Group's extensive and profitable presence in a wide range of businesses has simultaneously diversified the risks and enabled the Group harness growth opportunities.

AS A RESULT OF VENTURING IN TO VARIED INDUSTRIES, TODAY THE SECTOR COMPRISES OF INVESTMENTS IN DIVERSE STRATEGIC BUSINESS SEGMENTS.

REVENUE
Rs. 15.1BN

ASSETS
Rs.22.4BN

PBT
Rs. 159.8 MN

EMPLOYEES
1,862

Aitken Spence has made several strategic investments over the years as part of our sustainable business plan. As a result of venturing in to varied industries, today the sector comprises of the plantations, power generation including renewable energy, printing and packaging, and garment manufacturing segments.

The sector recorded a revenue of Rs 15.1 billion during the year, a drop of 15.9% from the previous financial year. The net profit before tax was Rs 159.8 million, 81.1% lower year on year. This was mainly due to challenges arising from the power segment, which are detailed below. The sector held 36.6% or Rs. 22.4 billion of the Group's total asset base.

POWER GENERATION

The power generation segment experienced a difficult year. Segmental revenue declined by 22.1 % mainly due to two of its power plants at Matara and Horana remaining idle following the expiry of their power purchase agreements (PPA). During the year, the segment disposed the thermal power plant in Horana to an overseas buyer. Further the segment made a provision for impairment of approximately Rs. 400 million for the remaining assets of these two power plants which had a negative impact on the segment and the Group. The wind power plant situated at Ambewela and the hydro power plant at Matale also did not contribute significantly to the profitability of the segment.

STRATEGIC INVESTMENTS SECTOR

THE PRINTING SEGMENT ALSO MADE SEVERAL INROADS INTO NEW AREAS, ADDING VALUE TO THE PRODUCT MIX BY LAUNCHING VARIABLE PRINTING AND A DIGITAL PRINTING FACILITY.

The power purchase agreement of the Embilipitiya power plant comes to an end during the next financial year. However given the country's power generation needs, the capacity offered by the Embilipitiya power plant remains vital to the national grid and it is hoped that the relevant authorities would take steps to ensure that the plant will not lie idle post expiration of the PPA.

The power generation segment is highly regulated with the Ceylon Electricity Board (CEB) being the only off taker; private power companies are severely affected by the difficulties faced by the CEB to make timely payments as per the terms of agreements. Furthermore, the current policy of expanding the CEB's generation capacity without the participation of the private sector has significantly restricted the opportunities available to independent power producers. The restrictions even extend to renewable energy. The private sector is not permitted to establish commercial solar power projects and the CEB currently does not approve the establishment of any new wind power plants pending the conclusion of a study on grid capacity to absorb energy from renewable sources.

In the medium term, the Group will explore options to invest in renewable energy projects of less than 10 MW.

The power generation segment continues to explore greenfield opportunities in Bangladesh where thermal projects are offered to the private sector. We received Letters of Intent (LOI) from the Bangladeshi Power Development Board (BPDB) for two thermal power projects of 150 MW at Kaliakoir and 54.5 MW at Bhairab. The terms of the Letter of Intent for the Kaliakoir project required the government of Bangladesh to release an appropriate land to the developer. However due to their inability to provide such land, BPDB decided to withdraw the project and cancel the LOI. With the cancellation of the Kaliakoir project due to circumstances beyond our control, the viability of the Bhairab project was compromised because expected returns of this project alone failed to meet the investment criterion of the Company. We remain in negotiations with the authorities in Bangladesh with a view to addressing this issue. We will also continue to seek further opportunities for thermal power in the region.

PRINTING & PACKAGING

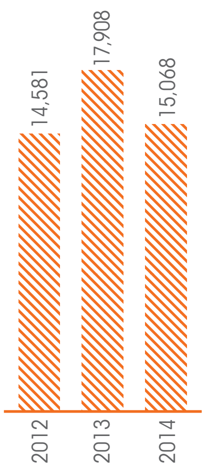
The first full year of operations in the new printing facility at Mawaramandiya translated to an impressive growth in its profitability over the previous year, driven by a 16.8% growth in revenue achieved over the previous year. The relatively stable low interest rate regime during the year had a positive impact on the segment, which has a significant quantum of borrowings. The exchange rate stability also enabled us to plan and better manage our supply chain which has a significant exposure to imported raw materials thereby favourably impacting the overall cost structure. The nature of the business dictates high levels of energy usage; hence the segment thus faced the impact of the high rates of electricity tariff and fuel. However these were balanced by the benefits accruing from the advanced energy saving equipment in the new printing facility.

Being a major supplier of packaging for the milk powder market, we were seriously affected by the turmoil in the industry during the year, as volumes forecasted for key customers failed to materialise. We were able to offset the impact through initiatives to venture into other business areas such as pharmaceuticals and point of sale material.

In the competitive framework, we witnessed an upgrading of technology capabilities across the industry, especially end-to-end packaging plants, while smaller presses have proliferated, increasing the pressure on prices and profit margins. It is estimated that the offset printing industry will grow by 5% - 6% during the coming year.

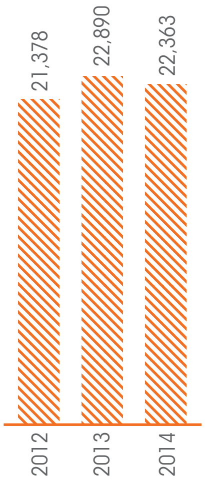
The printing segment also made several inroads into new areas, adding value to the product mix by launching variable printing and a digital printing facility. The variable printing initiative gives the capability to penetrate into new market segments such as labels with variable data. The digital printing facility was a response to the demand for low volumes, high quality, and faster solutions. In order to enhance our manufacturing capability, we also invested in state of the art binding machinery.

Our strategies for the future are designed to capitalise on our competitive attributes such as low lead time, consistent quality, quick response, agility and a strong brand image.



REVENUE
Rs. 15,068 MN
for the year ended 31st March

PROFIT FROM OPERATIONS
Rs. 552 MN
for the year ended 31st March



TOTAL ASSETS
Rs. 22,363 MN
as at 31st March

We are constantly seeking way of improving our quality, lead times and productivity, and have deployed a cellular manufacturing approach to improve overall productivity. Special cross functional teams have been appointed to monitor service levels in a bid to proactively attend to client needs.

Aitken Spence Printing has successfully completed the stage 1 audit towards complying with ISO 9001, ISO 14001 and ISO 18001 standards. The facility has also complied with LEED standards and the Marks & Spencer (one of our key customers) Eco factory standards while being a carbon neutral organisation. We have deployed cross functional teams to monitor our energy, water and waste practices and have established operational controls to manage our energy usage. In order to instil sound awareness among the staff on issues of sustainability, we have trained them on aspects such as resource utilisation.

GARMENT MANUFACTURE

Sri Lanka's competitive position among global apparel vendors grew stronger during the year, with costs increasing in competing nations such as India, China and Vietnam. Sri Lanka is also a preferred vendor for customers focused on compliant production facilities and high levels of innovation and responsiveness. The country's apparel exports were USD 4.5 billion in value and grew by approximately 13% during 2013. This amounted to more than half the industrial exports of the country.

The Group's garment segment had another exceptional year with a year on year revenue growth of 19.5% and profit before tax growth of 30.1%. This was mainly due to the expansion of the facilities and the strategy of optimising internal resources. The revival of the US economy bought in more volumes from American customers. Volumes ordered by European customers, who account for 15-20% of our portfolio, continue to be depressed as economic conditions in Europe are yet to improve. The business benefited from the relatively stable foreign exchange rates during the year, however a devaluation of the rupee would accrue greater business benefits. It must be noted that the cost of production was adversely impacted by the electricity tariff revision in April 2013. It is critical that inflation is tightly controlled in order to maintain the future competitiveness of the industry.

During the year, the garments segment further enhanced its state of the art machinery by investing in semi automatic sewing machines. We would continue to focus on further investment in semi-automated machinery to enhance efficiency and productivity while also developing a more environmentally friendly manufacturing environment. Plans are also in place to invest in a new state of the art facility to expand production capacity, while attracting high-end clientele to the business.

A series of process improvements were also made during the year with the Company successfully obtaining renewal of the WRAP (Worldwide Responsible Accredited Production) certification and beginning the process of obtaining ISO certification.

INPUT

- Our brand behaviour and values
- Our expertise
- Partnerships and networks
- Infrastructure and specialised assets
- Technology
- Information system
- Financial resources

VALUE ADDING ACTIVITIES

- Talent enhancement
- High service standards
- Strategic management
- Effective supply chain management
- Quality assurance
- Health and safety standards
- Setting industry standards
- Innovation

OUTPUT

- Customer satisfaction and loyalty
- Skilled and motivated employees
- Positive economic value
- Community development
- Innovative products and services
- Responsible production

STRATEGIC INVESTMENTS SECTOR

1955 Started 'Aitken Spence Printing division' which provides printing & packaging services to the local markets.

1977 Established 'Aitken Spence Garments' even before the birth of an open economy; with the aim of manufacturing & exporting garments to apparel importers in the USA & EU.

1985 Aitken Spence Printing (Pvt) Ltd was incorporated to provide printing and packaging services which was initially successfully operated as a division of Aitken Spence & Co.

1997 Aitken Spence plantation's purchased a majority stake in 'Elpitiya Plantations (EPP)' which owns 15 tea & rubber estates.

2002 The first 20 MW thermal power plant of the Group commences commercial operations in Matara.

2003 The second 20 MW thermal power plant commences commercial operations in Horana.

2004 Entered into a joint venture to build & operate a 100 MW power plant in Embilipitiya.

2008 Elpitiya Plantations' installed & commissioned a mini hydropower plant at its Sheen estate in Nuwara Eliya.

2012 Aitken Spence Printing re-locates to a state of the art printing facility which is the first LEED certified printing facility in Sri Lanka.

THE JOINT VENTURE WITH A CHINESE PARTNER TO MARKET SPECIALITY BLACK TEA IN CHINA - THE FIRST SUCH INVESTMENT IN THE PLANTATION SECTOR IN SRI LANKA HAS PROVEN SUCCESSFUL.

The shortage of both skilled and un-skilled labour is an industry wide issue for the apparel sector in Sri Lanka. The segment, while facing similar challenges, was able to minimise its impact through innovative and attractive recruitment campaigns and introduction of staff incentive schemes and the enhancement of welfare facilities. The company currently pays the highest basic salary compared to other competitive factories in its geographical vicinity. We have focused on creating a safe and enjoyable working environment and better work life balance; and have enjoyed a cordial relationship with workers and trade unions.

The Company's main customer GAP Inc., a globally renowned retailer with a presence in over 3,500 locations around the world, has increased its trading volumes with the segment. This, together with the exceptional track record of quality and delivery we have enjoyed with GAP over the past, positions us well within the niche segment in which we operate.

PLANTATIONS

Despite many challenges including a 20% increase in wages, the plantations segment recorded a significant performance in the year under review. This was the result of a strategy of diversification and good agricultural practices implemented in the last several years.

The segment effectively returned a strong performance during the year despite being faced with a 20% hike in wages and the resultant increase in gratuity provisions. The strength of Elpitiya Plantations lies in the strategic diversification of its asset base, to build a balanced portfolio of businesses.

This year too we reaped the benefits of our palm oil diversification, which proved to be the main profit earner while mid country tea estates also contributed to the strong performance, during a year in which the high grown areas recorded losses. Weather conditions continued to pose a challenge to the plantation industry, as the continuing effects of global warming take their economic toll.

The tea segment despite many challenges on the cost side recorded excellent results particularly in the mid grown estates. Land productivity reached record levels whilst overall productivity of other resources too showed improvement. Poor prices continued to depress the rubber segment, which is unlikely to see a recovery of prices in the short term.

The joint venture with a Chinese partner to market speciality black tea in China - the first such investment in the plantation sector in Sri Lanka has proven successful. China is a significant market with vast potential and our presence in China augurs well for us to reap opportunities with greater volumes in the high value business.

Another significant contributor to profit was income from commercial forestry, as a result of the initial investment made in 1997/98 to grow commercial forests in high and mid grown estates. We believe this investment will continue to yield considerable results in the ensuing years. Given the boom in tourism, the Company has also taken steps to exploit our plantations' resources for eco tourism opportunities in collaboration with the Group's destination management segment.

Productivity of both employees and land was maintained at impressive levels during the year with investment in replanting all three crops and in training and skills development to enable workers to operate at optimum levels. We will also continue to seek opportunities for further mechanisation and process automation to increase productivity.

During the year, we formed "core groups" and "quality circles" which also had an impact on productivity. A core group is made up of representatives of all categories of employees from workers to the estate manager. They engage in activities designed to improve social welfare and quality of work life, train and develop workers and ultimately improve the productivity of the estate. The core groups fostered improved worker management relationships and forged a participatory style of management. "Quality circles" are tasked with looking into areas such as 5S, lean manufacturing and management, and organisational health and safety.

One of the most noteworthy achievements of the segment has been the significant reduction of its overall borrowings on the back of improved operational results and reduced interest rates. We have also made use of the low interest rate regime to obtain low interest loans for development purposes.

During the year, we were able to complete the second hydropower project of 900KW, and increase our total generation capacity at the estates to 1.5MW. We are now carrying out pre-construction activities on four more hydropower projects at our estates.

In order to develop the Company's ICT infrastructure, the sector unrolled an ERP system named 'PlantERM', developed by Aitken Spence Technologies. The systems, validated by KPMG, will connect all 13 estates to a single centralised database via IPVPN (a web based application). We hope to reap the results of this investment over the next year.

The Government's continuation of the fertiliser subsidy has been a contributing factor for the good operational results. Sustaining the subsidy however appears to be a major challenge, and we have already seen supply shortages from time to time. We encourage the government to take measures to ensure the quality of Ceylon Tea overseas while assisting the private sector to attract foreign markets. It would be vastly beneficial to the plantation sector if the government facilitated long term loan facilities at subsidised rates for replanting of tea and rubber, and also extend the lease period of plantation companies to attract more investments in to the sector.

The outlook for the plantation segment is optimistic and there are ample opportunities to diversify and innovate using the plantation resource base. Tea will always have a great future together with palm oil as seen by its success in South East Asia. China is a significant market with vast potential and our

STRATEGIC INVESTMENTS SECTOR

presence in China augurs well for us to reap opportunities in the high value business.

Tourism is another attractive area to be exploited together with the cultivation of fruits and vegetables. However for all this to materialise and create growth investors must have the confidence to invest in the plantations and receive the support of all stakeholders to make the plantations sector Sri Lanka's pride.

The greatest challenge to the segment arises from the impact of global warming including inconsistent weather patterns, which give rise to long dry spells, heat waves and heavy rains and also to pests and diseases that damage production. In order to combat potential issues, we carried out extensive shading programmes on all estates while rain water harvesting pits were cut in tea estates, along with improved drainage systems. Green bamboo was planted near natural water reservoirs to purify and conserve water while organic manure was incorporated with artificial fertilizer where ever possible. The segment also planted new tea cultivars recommended by TRI considering climate conditions while diversifying crops in the low country elevation.

Energy Consumption			
Diesel:	199,830.04 litres (i.e. 7,590.57 GJ)	Biomass/ Fuel wood:	11,291,385 kg (i.e. 165,469.60 GJ)
Petrol:	12,920.57 litres (i.e. 420.46 GJ)	LPG:	12,372.48 kg (i.e. 569.84 GJ)
Furnace Oil:	100,298,806 litres (i.e. 4,046,228.86 GJ)	Electricity:	7,523,186 kWh (i.e. 27,083.47 GJ)

Total energy produced from non-renewable sources (GJ)	1,564,317.29 GJ
Total energy produced from renewable sources (GJ)	43,627.47 GJ
Total Energy Saved	7,991.43 GJ
Gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent	294,773.67 tonnes
Energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent	5,567.16 tonnes
The amount of GHG emissions reduced and/ or offset	1,910.82 tonnes
Total quantified volume of water used (in cubic meters)	133,527.42 m^3
Total volume of water recycled and/ or reused by the organization.	6,484 m^3
Total spending on environmental conservation	Rs. 103.37 million
Total funds channelled for community development	Rs. 22.04 million

Environmental Performance

The garments segment has in place many environmental initiatives that enable resource efficiency. These include measures such as using sky lights and power capacitor banks to save energy. The sustainability team of garments is proactively looking at the possibility of capturing the excess energy generated in the exhaust fans of the evaporative cooling system and have instituted action accordingly. The segment reuses treated waste water for landscaping and is examining the benefits of introducing a system of solar power rain water harvesting in the coming year.

The printing segment's LEED certified green factory in Mawaramandiya uses extensive methods to reduce energy usage. Daylight harvesting is increased by using tall windows, skylights and glass facades. The factory is equipped with LED, CFL, and energy efficient T5 Bulbs for lighting. We also take effort to increase awareness among staff members on the "switch off" policy. An energy efficient centralised water cool air conditioning system promotes energy savings while the factory has aligned power load shifting with the production plan, limiting the use of the most energy consuming machines during peak time.

In addition, a waste water treatment plant has been established at the factory, while sedimentation is closely managed to prevent erosion. The factory is located in a rural residential area, and has therefore taken ample measures to protect biodiversity, including sound proofing the generator room and cultivating plants endemic to the area. During the year, the sector invested Rs. 3.3 million to manage activities aimed at mitigating potential adverse environmental impacts.

The plantations segment's fortunes are closely linked with the environment and therefore we take proactive measures to ensure that our operations are of benefit to the environment in the vicinity of our estates and factories.

The segment is systematically working towards obtaining ISO 50001 energy management system certification for two model factories, situated in the up country and low country regions respectively. As part

Waste type	Method of handling the waste	Total
Paper (kg)	Sold for recycling/ reuse or disposed of according to standards specified in the Environmental Protection License	1,434,099 kg
Cardboard kg	Sold for recycling/ reuse or disposed of according to standards specified in the Environmental Protection License	2,928 kg
Plastic	Sold for recycling/ reuse or disposed of according to standards specified in the Environmental Protection License	1,254 items
Polythene kg	Sold for recycling/ reuse or disposed of according to standards specified in the Environmental Protection License	3,369.4 kg
CFL bulbs	Handed over for recycling or disposed of according to standards specified in the Environmental Protection License	31 items
Lead Acid Batteries	Due to low volume, batteries collected over a time and disposed of according to standards specified in the Environmental Protection License	5 items
Alkaline Batteries	Due to low volume, batteries collected over a time and disposed of according to standards specified in the Environmental Protection License	
Tires	Reused	
Scrap Metal Kg	Sold for reuse	97,142 kg
Glass	Low volumes collected are handed over for recycling/ reuse	
Soiled cotton Kg	Handed over to certified vendor for recycling or disposed of according to standards specified in the Environmental Protection License	12,930 kg
Food waste	Food waste is either handed over to Urban Council as waste or composted and used as organic fertilizer for agriculture	25,340 kg
E – waste	Sold for reuse or disposed of according to standards specified in the Environmental Protection License	9 items

of the effort, the segment upgraded and standardised the skill levels of technical staff at all tea factories, in association with the University of Vocational Technology.

The segment also identified several energy management mechanisms, and during the year, implemented polydrive power systems in the withering section of the Meddecombra tea factory and replaced inefficient motors with energy efficient models at the Nayapana and New Peacock estates. A solar powered net metering system was installed at the manager's bungalow on Ketandola estate while a solar water heating system was installed at the Dunsinane GM's bungalow.

The plantation segment's water resource management initiatives included rain water harvesting through pits cut in tea fields and planting green bamboo near natural water reservoirs to purify and conserve water. Elpitiya Plantations PLC., is making good progress towards obtaining the Rainforest Alliance Certification, and during the year, conducted training and awareness sessions for workers, non - workers and even children living on the estate on good water management practices and the importance of conserving water.

Biodiversity surveys have been conducted at all estates to identify the flora and fauna available at the estates; the findings have been recorded accordingly. Estates are encouraged to conserve flora and fauna by maintaining mini forests within their estates. Elpitiya Plantation PLC., also manages forestry for commercial purposes and maintains the Forest Stewardship Council (FSC) certification.

Emissions from cooking on open hearths are a risk faced by low income households across Sri Lanka, and the company took measures to provide guidance to estate workers with a view to mitigating the use of open fires for cooking. Respirators were provided to all sprayers and factory workers to uplift their health by controlling the inhalation of chemical substances. Furthermore, we have also taken steps to lift the chimneys of tea factories to at least 20 meters above ground level. Awareness was also created among estate workers and staff on the importance of having a clean atmosphere.

Waste segregation systems are in place at all the divisions, fields, common areas, line rooms, offices, factories and crèches across all estates. The estates have constructed compost bins to produce organic manure, which is used to augment the fertilizer requirement of the fields. The rubber factories at Bentota and Elpitiya have constructed effluent treatment plants to minimise pollution of water as a result of their operations.

As a best practice, we follow a "polythene free fields" policy where workers are now not allowed to bring polythene into the fields. Having identified lunch packets as the primary source of polythene pollutants, we provided workers with a sufficient number of lunch boxes to carry their food. Non-biodegradable waste such as polythene, plastic, glass, CFL bulbs and scrap metals is collected at a central point at each estate, where actions is taken to minimise environmental damage caused by such waste.

STRATEGIC INVESTMENTS SECTOR

The power segment has carried out evaluations of all aspects of their impact to the environment, and maintains an impact register, which is updated regularly. The segment maintains ISO 14001:2004 standards and has regular audits to ensure that its plants are fully compliant with the regulatory requirements.

Aitken Spence Corporate Finance has a dedicated team unrolling an environmental management system covering the operations of all SBUs. Once in place, the system will reduce the energy consumption of the SBU, manage electronic waste more systematically and reduce usage of paper. The SBU also supports other SBUs by providing consultative services and assisted Aitken Spence Property Development to assess and revise the waste management procedure.

Social Performance

The garments segment ensures high levels of occupational health and safety by conducting training and awareness programmes on safety aspects for all factory workers and staff members, while providing the necessary safety equipment to factory employees. The garments segment's OHS (Occupational Health and Safety) team has representation from each division and routine fire safety drills are carried out to ensure emergency preparedness.

The segment also extends its support to the local communities in the vicinity of its operations; educational assistance to children of the community, educational support for English, Tamil, Year 5 Scholarships classes and ongoing support to hospitals.

The printing segment is fully compliant with the OHSAS 18001 standard for occupational health and safety, and has implemented a series of measures in line with the standard.

As part of its community engagement, the printing segment coordinates one of the learning centres of Aitken Spence's Empowering Sri Lanka First programme. The centre benefits 60 students from the local community. The entire coordination of the project is handled by employees who volunteer their time for the project.

THE PLANTATIONS SEGMENT HAS CUSTOMER HEALTH AND SAFETY AS A PRIORITY FROM THE MOMENT THE TEA IS PLUCKED FROM THE FIELDS, THROUGHOUT ITS PROCESSING AT FACTORIES AND THEN ITS TRANSPORT TO COLOMBO FOR AUCTIONING.

The plantations segment has consistently encouraged awareness of occupational health and safety (OHS) by conducting training and education programmes. Risk and hazard assessments are carried out periodically to identify and mitigate potential accidents on estates; workers are given all required personal protective equipment during their work. OHS activities on estates are overseen by the estate medical assistant, welfare officer or midwife as well as superintendent and representative of each estate. The OHS training programmes on estates are organised with the support of the Ministry of Health or non governmental organisations working in the segment.

There is regular dialogue with estate employees on improving health and safety conditions as well as uplifting living conditions on estates. Almost all the estates within the Group thus conduct free medical clinics, eye clinics, and dental clinics for workers. Specific awareness programmes were also carried out on issues such as teen pregnancy, HIV/AIDS, Malaria and Dengue, and cancer prevention.

The plantations segment has a range of community engagement activities spanning from infrastructure development, managing child development centres, healthcare for plantation workers, pre and antenatal care for pregnant workers, alcoholism prevention programmes, elder care programmes and other community engagement programmes. These engagements, at a cost of over Rs. 15 million, benefit the estate communities which include estate workers as well as their families.

Elpitiya Plantations encourage all estates to also address the needs of the younger generation of the community; many of whom focus on education, resulting in the number of estate youth entering university growing over the last few years. The segment channels funds to facilitate scholarships to students who pass the ordinary level and advance level examinations.

The power generation segment is compliant with OHSAS 18001:2007 occupational health and safety systems and maintains ISO 9001:2008 quality standards. The segment has one health, safety and environment officer appointed from the administrative department, as well as an OHS officer from each department. The segment spends 95% of its procurement budget on local suppliers.

The sustainability framework of the Group has been strengthened with the Group corporate finance team providing consultation and coordination assistance to other business units who have gaps in their sustainability programmes. These services include guidance on human resource management, internal audit support for both financial and non financial concerns, consultation to identify and mitigate gaps in sustainability activities, legal advice on environmental concerns, and IT support.

Furthermore, as the service centre for the Group, Aitken Spence Corporate Finance also takes an active role in the management of the Spence Evoluzione Charitable Trust which carried out the Group level sustainability initiative on education, 'Empowering Sri Lanka First'. The project, now in its pilot stage, envisaged setting up education centres in Dambulla, Ahungalla and Mawaramandiya at an initial cost of Rs. 7 million.

In addition, Aitken Spence Corporate Finance sustainability subcommittee maintains Group level activities such as standard human resource practices and occupational health and safety (OHS) hazard spotting exercises. Internal audits activities of the Group are coordinated through the internal audit department which is a part of corporate finance.

Product Responsibility

The garments segment maintains high standards of quality and conforms to the requirements of the Worldwide Responsible Accredited Production (WRAP) certification and rigid compliance requirements of the customers and the industrial pressure groups.

As a packaging supplier to reputed global brands such as Unilever and Glaxo Smith Kline, and the Ceylon Tea industry, the printing & packaging segment pays strict attention to product quality and safety. This includes ensuring zero chemical, physical, microbiological and allergy contamination of the products through the robust standards of hygiene are maintained at the factory. All products are labelled with standard and backward traceable labelling, enabling the identification of individual stock keeping units (SKUs) and recall, if needed. Strict control measures help maintain the security and confidentiality of customers' property.

The segment complies with local and international standards of the industry including ISO 9001 Quality Management Systems, ISO 14001 Environmental Management Systems and OHSAS 18001 Health and Safety Management System. It also maintains the high standards required by its customers. We carry out annual customer satisfaction surveys among all our customers, and the respondents have given us an above average rating.

The plantations segment has customer health and safety as a priority from the moment the tea is plucked from the fields, throughout its processing at factories and then its transport to Colombo for auctioning. Product labelling is critical to the industry as the source of the tea should be clear to customers. The segment uses distinct identification labels at the point of sale in catalogues, as well as on value added teas. The produce of the plantation is marketed via public auctions as well as private sales, with the segment focusing on opportunities for value addition and exports where possible.

The products of the plantation segment carry Tea Board panel certification, the Certificate of Conformity from the Ceylon Chamber of Commerce. Five estates - Dunsinane, New Peacock, Nayapane, Talgaswella, and Deviturai - have also obtained the ISO 22000 HACCP certification for food safety.

The power generation segment which supplies to the Ceylon Electricity Board, maintains the quality of product according to the ISO 9001:2008 standards, which is evaluated regularly.

The Group IT department, which functions under the corporate finance arm, is working towards obtaining ISO 27001 on information security.

SERVICES SECTOR

Inward Money Transfer
Elevator Agency
Insurance
Property Management
Information Technology

We were the pioneers in the services industry with a presence going back 138 years as the agent for the world renowned insurer Lloyds of London since 1876. This was the first step towards diversification into the service areas such as insurance broking, electronic money transfers, elevator services, information technology services and property management services. With our proven track record of being a leader in the service industry we are well poised to break new grounds with the launch of the Heritage Grove, the pioneering luxury retirement village in the country.

OUR PRINCIPAL, WESTERN UNION, IS THE LARGEST MONEY TRANSFER SERVICE GLOBALLY AND ALSO IN SRI LANKA, WITH OVER 500,000 LOCATIONS WORLDWIDE AND 2,500 LOCATIONS LOCALLY.

REVENUE
Rs.598.9 MN

ASSETS
Rs.3.1 BN

PBT
Rs.180.5 MN

EMPLOYEES
525

The Services Sector of Aitken Spence consists of companies that have been in operation for over 100 years. The sector is well diversified and enjoys a prominent presence in the segments in which it operates, comprising of insurance survey and claim settling agency, insurance brokering, elevator agency, inward money transfer business, property development and information technology services.

The consolidated revenue of the sector grew by 11.5% year on year while the sector has achieved a 10.2% growth in profit before tax to reach Rs. 180.5 million.

Inward Money Transfer

The year witnessed a growth in the overall inward remittance market, spurred by the Government's focus on promoting foreign employment for the skilled and semi-skilled work force. The largest foreign exchange earner for the country; inward remittances grew by 7.1% year on year to total USD 6.4 billion in 2013.

Our Principal, Western Union, is the largest money transfer service globally and also in Sri Lanka, with over 500,000 locations worldwide and 2,500 locations locally. Capitalising on these market developments and with the strength of our principal network worldwide MMBL Money Transfer (Pvt) Limited (MMBL) achieved a 6.2% year on year growth in the total volume of remittances handled. The segment showed a revenue growth of 3.1% and a profit before tax growth of 17.0% over the previous year.

SERVICES SECTOR

The segment carried out extensive marketing initiatives with targeted programmes in "Send" countries identified as growth areas in the Asian, European and North American corridors. Locally too, the Company undertook specific marketing initiatives.

Western Union recently concluded a programme titled "WU & You" to recognise their top performers in the market - MMBL performed exceptionally well claiming 61 out of 89 awards including all 19 platinum awards on offer.

The inward remittances business remains a growth market with immense potential; the currently fragmented nature of the market offers many opportunities for willing players. In this context, the government must be commended on its efforts to limit the illegal money transfer channels, which have seen a marked reduction since the end of the war. Going forward, the segment will focus on targeting key corridors to enhance market share in the short term while leveraging on its network and offering technology based solutions to attract new segments in the medium to long term.

Elevator Agency

The country's post-war development thrust has spurred growth in the construction industry, with a series of major projects launched to build hotels, apartment complexes and mixed developments, many of them involving foreign investment. The segment successfully completed the installation of elevators and escalators at the new House of Fashion store which is the largest department store in Sri Lanka. We have also obtained the contract to install 26 elevators and escalators in the Hyatt Regency Hotel Colombo which is one of the most prestigious projects embarked on during the last several years. Furthermore, we were awarded the contracts to install elevators and escalators in a number of low to medium rise buildings all around the island.

Despite the presence of many price wars experienced in the construction industry, the segment was able to maintain its profitability by being the agents for one of the most preferred brands in the market. The segments revenue and profit before tax during the year showed a marginal growth of 2.1% and 1.2% respectively. The outlook for the elevators segment remains robust and positive over the long-term, should this pace of development continue.

AITKEN SPENCE HAS MAINTAINED ITS PRE-EMINENT POSITION IN LARGE HIGH RISE BUILDING PROJECTS BY SUPPLYING OTIS HIGH SPEED LIFTS, WHICH IS A MARKET LEADER GLOBALLY.

However the comparatively high price of the premium OTIS products and the proliferation of low-cost suppliers impact our ability to secure more business in the construction sector. Notwithstanding this, Aitken Spence has maintained its pre-eminent position in large high rise building projects by supplying OTIS High Speed lifts, which is a market leader globally.

In order to serve the growing needs of the market, the segment undertook a restructuring of the organisation and increased the availability of skilled personnel in all its departments to ensure seamless operation. Attracting skilled personnel remains a challenge for the entire segment, necessitating the exploration of utilising external/foreign labour. We are taking appropriate steps and measures to face this challenge. During the year, we also improved our systems, procedures and automation to enable a more seamless experience for both customers and employees.

The segment has an active presence in Maldives which carries out installation and maintenance of elevators. We are hopeful of the potential of this market.

Insurance

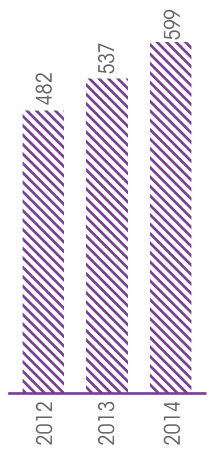
Insurance segment showed a 10.3% growth of revenue in financial year 2013/2014. Maintaining the streamlined processes and cost saving efforts this growth was reflected in its profit before tax which also increased by 11.7%. Revenue from commission income and settling fees increased during the year following the relaxation of vehicle import restrictions in 2012, which led to a large influx of claims. Income on surveys remained consistent, with renewed activity of superintendence work for UN World Food Programme (UNWFP) in their local purchases of rice for export as well as local distribution.

There have been several assignments involving vessel casualties where our services were utilised, as independent surveyors which is a significant step in a new direction. This gives the Lloyd's Agency a wider appeal, extending beyond acting for principles. We also retained the long term agreement in respect of local purchases by UNWFP, for a further year. Our engagement with

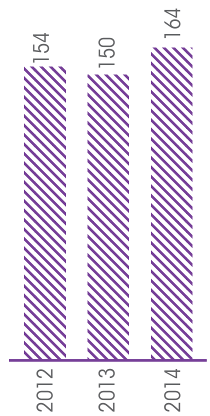
UNWFP has been consolidated, through our participation in a UNWFP regional workshop for logistic services in Thailand.

Our interventions in the Maldives has expanded from marine cargo surveys to investigations as well as discharge surveys, which is a further endorsement of the service levels provided by the Lloyd's agency in all areas of inspections and reporting.

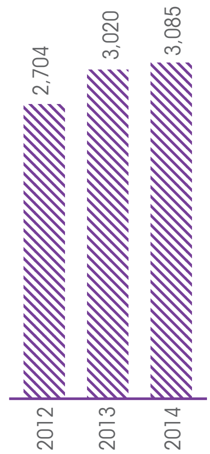
The outlook for the immediate future augurs well with our involvement with many state organisations and NGO's that are involved in infrastructure development. Training of logistic staff of our partners such as UNWFP has strengthened our future prospects by way of ensuring long term relationships with these institutions.



REVENUE
Rs. 599 MN
for the year ended 31st March



PROFIT FROM OPERATIONS
Rs. 164 MN
for the year ended 31st March



TOTAL ASSETS
Rs. 3,085 MN
as at 31st March

Property

The property segment which owns and manages the Aitken Spence Towers at Vauxhall Street, recorded year on year increase of 16.2% in revenue as a result of the rental area expanding with the completion of the lobby in Tower II, leading to an increase in rental income from tenants. The aggregate rentable area of the two towers is 195,784 square feet of which 78% is occupied by the Group. The towers enjoy 100% occupancy as at year end.

Information Technology

The information technology segment ended the year on a positive note, with a significant revenue growth compared to the previous year. This segment of our Group which is in its infancy shows great potential for the future. The segment was awarded several ERP and software development contracts during the year and also made steady gains in the Oracle University space, partnering with several professional bodies and organisations to provide Oracle University accreditation.

It was also noteworthy that 'PlantERM' the comprehensive ERP software for plantations companies developed by the segment was awarded Gold at the National Best Quality Software Awards organised by BCS, the Chartered Institute for IT in Sri Lanka. The segment was thus chosen to represent Sri Lanka at the Asia Pacific ICT Awards.

The Government is pursuing its vision to transform Sri Lanka into an ICT hub, which positions the ICT industry as one with vast growth potential. The company will follow a growth strategy with investment where necessary that will target key strategic markets and develop its services in such a manner as to ensure complementing the strategy of the Government so that we could derive maximum benefit to the country and the company.

Environmental Performance

The Aitken Spence Towers have in place a building management system with many energy saving features, including LED lamps in common areas, T5 fluorescent lamps in office area, lux level sensors on the perimeters to reduce electricity usage when natural light is available, centrally controlled chillers, and a capacitor bank for power factor corrections. The building also employs sensors to conserve water in the lunchroom and urinals,

INPUT

- Customer satisfaction & loyalty
- Skilled & motivated employees
- Positive economic value
- Reliable operational systems
- Innovative products & services

VALUE ADDING ACTIVITIES

- Talent enhancement
- High service standards
- Strategic management
- Cultivating partnerships & networks
- Quality assurance
- Group synergies
- Global reach to customers
- Responsiveness

OUTPUT

- Customer satisfaction & loyalty
- Skilled & motivated employees
- Positive economic value
- Reliable operational systems
- Innovative products & services

SERVICES SECTOR

1876 The Group was appointed as agents for Lloyds of London; position which the company holds to this date by providing survey & claim settling agents for reputed insurance companies.

1973 Incorporated 'Aitken Spence Exports Ltd' To process and export essential oils which now exports dry rations & perishables to Maldives hotels & also markets bottled water.

1989 Aitken Spence acquires a majority stake in `Elevators (Pvt) Ltd, which provides marketing, installing & maintaining services of OTIS lifts, escalators & other equipment.

1995 Construction and operation of "Aitken Spence Tower at Vauxhall Street.

2006 Entering into the financial services market by being the principal agent for Western Union Money Transfer Services in Sri Lanka; MMBL.

2008 Aitken Spence Corporate office is relocated to 'Aitken Spence Tower II, with the completion of the construction of a modern office complex.

while the water flow in cistern tanks is adjusted to reduce waste. It is also equipped with a rain water harvesting system.

During the year, the Group carried out an assessment of the waste management procedures at the towers to ensure regulatory requirements were met and that waste management service providers were adhering to compliance requirements and best standards.

Given the nature of the work involved in maintaining the Aitken Spence Towers, the property segment ensures that all technical staff is provided with the required safety equipment and that their knowledge is updated through training programmes in areas of relevance, including the management of emergencies. Similarly, the occupants of the Aitken Spence Towers are routinely provided awareness of the safety features of the building by the OHS (Occupational Health and Safety) team of the Towers.

The following table shows the energy, emissions and waste disposal performance of the Aitken Spence Towers:

MMBL has in place a documented environmental management system which has been live for nearly one year. The company has achieved its target of reducing paper usage and printing materials by 80% by moving to digital documentation over a two year period.

The elevator segment continues with its environmental commitment by promoting the environmental friendly OTIS elevators with regenerative drives, compact machines and non-lubricated models which reduce energy consumption and operating costs. Internally, they also instituted a `switching off' policy at the work place, optimising the use of natural light and have installed T5 fluorescent lamps in the office area while centrally controlling air conditioning at 24 degrees. The segment also ensures that the significant quantities of cotton waste, used oil and lubricants generated during their work are disposed of in a responsible manner.

MMBL MONEY TRANSFER (PVT) LTD., HAS ENJOYED STRONG CUSTOMER LOYALTY DURING ITS 17 YEAR HISTORY, WITH A CONTINUOUS YEAR ON YEAR GROWTH. THIS ACHIEVEMENT IS INDICATIVE OF THE SAFETY AND RELIABILITY OF OUR SERVICE.

Social Performance

As the oldest WU money transfer agent in the country, MMBL Money Transfer has taken a leadership role in creating awareness on financial literacy among migrant workers. This year, we identified the underprivileged Dayagama, Agarapathana community of the NuwaraEliya district as our focus area. The area has a considerable population of migrant workers, whose level of understanding on sending and receiving money was very poor. We launched an awareness campaign in the area to educate the people on sending money legally, receive safely and conveniently, and on its effective management. The project was launched in late January 2014.

The segment also conducts similar monthly briefings on financial literacy for potential migrant workers through the 22 islandwide training centers of the Sri Lanka Bureau of Foreign Employment. The programme, which has been in place for many years, is designed to help migrant workers and their families to become more aware of the legal money transfer system. The programmes reach over 3,500 individuals annually.

The insurance segment has conducted free training for staff engaged in logistics work at the UN world food programme, on distribution and storage of commodities in order to maintain the quality of the commodities. These commodities are destined for the under privileged, displaced and needy as part of the UN's efforts to create food security. This engagement has created awareness among such staff and helped maintain the necessary quality of the commodities.

Product Responsibility

MMBL has an Occupational Health and Safety (OHS) manual in place, and all main immediate OHS requirements such as a productive first aid box, fire extinguishers, and alarms etc. are in place at the work place. The OHS team also conducts regular briefings on employee safety, road safety and vehicle maintenance. The OHS team, with inter-departmental representation, was selected based on their ability to communicate internally, public relation skills, and their level of engagement in the work place. Team members receive training, both internal and external programmes, in areas of OHS.

MMBL uses its customer/agent hotline to accommodate customer grievances; this number is highlighted in all communication material.

In an effort to promote responsible consumption among employees, the property segment set up a display board in the lunch room, recording the volume of food wasted on a daily basis which averages around 40kg per day. The segment also takes measures to maintain the quality of the premises, by ensuring good air quality, well maintained machines and equipment, and proper signage.

The elevators segment strictly complies with the OTIS World Wide Job Site Safety (WWJSS) procedures, maintaining OTIS equipment compliance to EN81.1:1998 & EN 115 safety rules for the construction and installation of lifts. This includes assessing health and safety impacts of items such as safety belts. The segment's OHS representative conducts regular awareness sessions for staff on safety requirements. OHS audits are carried out at the office as well as work sites, and education is also routinely extended to our customers.

MMBL Money Transfer (Pvt) Ltd., has enjoyed strong customer loyalty during its 17 year history, with a continuous year on year growth. This achievement is indicative of the safety and reliability of our service. We have strived to ensure that our corporate and retailer network is reputed, and financially sound; in order to achieve this, regular sub agent education programmes are conducted to promote aspects such as maintaining privacy and customer service.

Energy Consumption			
Diesel:	1,140 litres (i.e. 43.3 GJ)	Biomass/ Fuel wood:	Not used
Petrol:	38,627 litres (i.e. 1,257.01 GJ)	LPG:	Not used
Furnace Oil:	Not used	Electricity:	3,059,734 kWh (i.e. 11,015.04 GJ)
Total energy produced from non-renewable sources (GJ)		7.68 GJ	
Total Energy Saved		Sector: No savings achieved due to energy consumption increasing with the increase in tenants	
Direct (Scope 1) GHG emissions in metric tonnes of CO_2 equivalent		Sector: 90.25 tonnes	
Energy indirect (Scope 2) GHG emissions in metric tonnes of CO_2 equivalent		Sector: 2,264.2 tonnes	
Amount of GHG emissions reduced		10.43 tonnes (from the recycling of paper)	
Total volume of water used (in cubic meters or litres)		28,899 m^3	

Total weight of hazardous and non-hazardous waste, by disposal methods		
Waste type	Method of handling the waste	Total weight/ volume
Paper	Collected and sold to a certified recycling service provider	10,428 kg
Cardboard		165 kg
Plastic		240 cans
CFL Bulbs	Handed over to a certified recycling service provider	564 bulbs
Lead Acid Batteries	Sold to a certified vendor	375 batteries
Alkaline Batteries		60 batteries
Food Waste	Segregated and handed over to municipal council waste collectors	~ 40 kg per day

RULE OF LAW

GOVERNANCE REPORTS

CORPORATE GOVERNANCE REPORT

GOOD GOVERNANCE IS THE CORNERSTONE OF SUSTAINABILITY AND CREATION OF LONG TERM VALUE – BOTH INHERENTLY UNDERLYING THE STRUCTURES AND WORK PROCESSES OF AITKEN SPENCE PLC IN ITS 150 YEAR HISTORY OF BEING A PIONEER IN THE INDUSTRIES WE OPERATE IN AND IN TURN ONE OF THE BEST PERFORMING COMPANIES IN THE SOUTH ASIAN REGION.

We take pride in doing the right things the right way – and are committed to the highest standards and practices of corporate governance, professionalism as well as business integrity, accountability, transparency and ethics in our quest and commitment at all levels to the continuous enhancement of stakeholder value as evident in this integrated Annual Report for the year 2013/2014.

The solid balance sheet achieved in an economic landscape that continues to expand at a subdued pace is a testament in itself to the management's commitment in achieving the optimal balance between the governance expectations of both internal and external stakeholders of the Group and the goal of consistent competitive financial returns in our pursuit of excellence and growth. Together we deploy the vigorous integration of plans and actions that continuously challenge the status quo and ensure high standards of decision making, implementation, monitoring and reviewing, with appropriate remedial action and revision of decisions being applied where necessary - all whilst manoeuvring the unpredictable micro and macroeconomic environment with dynamic flexibility to identify the global opportunities in key and emerging business areas to position ourselves to sieve them for competitive advantage enhancing our strategic synergies and partnerships.

An ethical and value based business philosophy lends way to a firm belief that our 'license to operate' is interwoven on us being a Benchmark of Responsible Corporate Citizenship – holding ourselves accountable to our national and international stakeholders – our customers, our business partners, our investors, our employees and communities we work with. This is the driving force of each individual across the group and its subsidiaries to go beyond the minimum requirements of compliance with codes, legislation, regulations and listings requirements – with the Group's own clearly defined governance and compliance framework that draws upon the jointly issued guidelines of 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, Chambers of Commerce and Industry Associations.

Board Composition

Board Balance and Independence

Our Board comprises of a Chairman, Managing and Finance Director and eight other Directors, seven of whom served throughout the year, five of whom are Non-Executive Directors as outlined in page 101.

A vacancy was created on the Board with the sudden demise of Mr. C. R. De Silva P.C. on 07/11/2013 and as per mandated by the Articles of Association of the Company, the Board of Directors, at its meeting held on 01/12/2013, appointed Miss D.S.T. Jayawardena as an Executive Director to the Board.

As evident from our Board Member profiles (pages 46 to 47), our Board comprises of two Chartered Accountants and a former investment banker. These Directors represent an optimal mix of professionalism, knowledge and experience with a level of diversity towards fostering an age neutral working environment amidst the intergenerational dynamic in existence today within an employee cadre that span four generations. Their academic and/or entrepreneurial financial skills, business acumen, broad practical wisdom and unique perspectives enable them to impart substantial value, knowledge and independent judgement towards decision making and the execution of matters concerning finance and investment in discharging their responsibilities and providing effective leadership to the Group.

Two of our Board Members Deshamanya D.H.S. Jayawardena and Miss D.S.T. Jayawardena are related to each other, however, act in the best interest of the Group in their spirit, intention, purpose and attitude in their decision making.

Our Independent Non-Executive Directors neither participate in the day-to-day management of the Company nor partake in any business dealings/relationships with the Company (with exceptions in circumstances permitted by the applicable regulations). This enables them to be free from any conflict of interest and act as critical friends to the Board in an unbiased manner in discharging their duties in the best interest of the Company. As such they are responsible for:

- contributing a wide range of skills with rich and versatile experience, including unbiased independent judgement on issues related to strategy, financial and operational performance, key appointments, and standards of business conduct, ethics and all matters pertaining to the Board,
- offering constructive criticism of strategies brought before the Board,
- scrutinising and challenging performance across the Group's business sectors,
- assessing the risk and the integrity of financial information and controls; and,
- determining the Company's policy for executive remuneration, and the remuneration packages.

Each Non-Executive Director submits a signed declaration of his independence/non-independence against specific criteria on a yearly basis.

Board Commitment

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict nor impair their performance of duties at the optimal level as Directors of the Company, with sufficient time being allocated by each member to fulfil the said duties. Each Director is expected to report his/her intention to join the Board of another company outside the Group with relevant changes of their commitments reported to the Board as and when they occur.

Board Meetings

The Board convened five times during this financial year and were presided over by the Chairman. The Board Meetings are pre-scheduled in advance with a tentative annual calendar circulated amongst Board Members enabling the Directors to plan their commitments and facilitate meaningful participation at the meetings. Any instances of non-attendance at the meetings were due to personal commitments or illness, and Directors were provided with briefing

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Mr. G. C. Wickremasinghe : The Board having considered the circumstances and the criterion of independence in relation to Mr. G. C. Wickremasinghe, has 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.

Mr. C. H. Gomez : The Board construed Mr. C. H. Gomez as an Independent Director as he refrains from any involvement in the day-to-day management of the Company or any of its subsidiaries and the fact that he resides overseas.

Mr. N. J. de Silva Deva Aditya : Although a Director of the company and a Director of Institutions that hold over 15% of the shares of the Company, is determined as an Independent Director after taking into consideration all the relevant circumstances, including the fact that he resides overseas. Furthermore, neither the Institution in which he is a Director nor he directly or indirectly get involved in the day-to-day management of either the Company or its subsidiaries and as such independent of management.

Mr. V. M. Fernando : Appointed to the Board as an Independent Director.

Mr. R. N. Asirwatham : Appointed to the Board as an Independent Director.

Name of Director	Board Meetings	Direct/Indirect Interest in Shareholding	Involvement/ Interest in Supply Contract
Chairman Deshamanya D.H.S. Jayawardena	5/5	Indirect	Yes
Managing and Finance Director Mr. J.M.S. Brito	5/5	Direct	Yes
Executive Directors Dr. R.M. Fernando	4/5	-	No
Dr. M.P. Dissanayake	5/5	-	No
Ms. D.S.T. Jayawardena (Appointed w.e.f. 1st December 2013)	1/5	Direct	Yes
Independent/Non-Executive Directors Mr. G. C. Wickremasinghe	3/5	Direct/ Indirect	No
Mr. C. H. Gomez	2/5	-	No
Mr. N. J. de Silva Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)	5/5	-	Yes
Mr. V. M. Fernando	5/5	-	Yes
Mr. R. N. Asirwatham	5/5	Direct	Yes
Mr. C. R. De Silva P.C. (Appointed w.e.f 8th April 2013 – Expired on 7th November 2013)	1/5	-	No
Dates of Meetings	06/02/2014 21/11/2013 06/08/2013 27/06/2013 07/05/2013		

CORPORATE GOVERNANCE REPORT

materials for discussion on a later date with the Chairman or Managing and Finance Director. Attendances at the 2013/2014 Board Meetings are indicated in the Table above.

The notice of the Board Meetings are provided well in advance along with the agenda and Board Papers giving all Directors adequate time to review the Board papers and call for any additional information and clarification. The agenda for the Board Meetings contain detailed transcripts on the items to be discussed at the meeting that enables each Director to formulate independent views that enable active and effective participation and decision making.

Matters pertaining to the Managing and Finance Directors' Report/concerns, up-to-date financial accounts and respective operational updates and where applicable reports from the Nomination Committee, Audit Committee, and Remuneration Committee are discussed. Additionally, further discussions pertaining to both commercial and non-commercial strategy, technology strategy, talent and succession planning, partner relationships, associated markets and so forth are delved into in an in-depth manner when necessary.

Minutes of the Board Meetings are accurately recorded and circulated to the Directors for confirmation of the same at the next meeting. Where applicable, any conflicts/concerns made aware of by the Directors during the financial year that cannot be unanimously resolved are recorded in the Board Minutes. When decisions are taken via circular resolutions, all relevant information is sent with the circular resolution to enable the Directors to clearly understand the purpose for which a resolution is being circulated prior to obtaining their consent.

The Role of the Board

The Board is responsible for the overall governance conduct and implementation of sound business strategies within our Group and has the powers and duties afforded within the milieu of relevant laws/regulations of the country, international laws, regulatory authorities, professional institutes and trade associations. The Board is responsible for:

THE CHAIRMAN - DESHAMANYA D. H. S. JAYAWARDENA

One of the most successful and proficient business leaders in the country, our Chairman is responsible for preserving leadership and order at Board Meetings and the good corporate governance of our Group whilst facilitating the effective discharge of Board functions and business strategies. He is responsible for:

- ensuring that the Board adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company,
- ensuring that its obligations to the various stakeholders and regulatory bodies are met,
- encouraging effective participation by both Executive and Non-Executive Directors on matters taken up for consideration,
- ensuring that all Directors are adequately briefed on issues arising at Board Meetings and that they effectively contribute with their respective capabilities towards the best benefit of the Company, and
- ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders.

- Ensuring that the Managing and Finance Director, Board of Management and the senior management teams demonstrate the right balance of independence, knowledge, skill, background and experience to discuss and implement strategy and initiate fresh perspectives,
- Overseeing those delegated with the authority to conduct the operations of the Company adhere to the policies and procedures of the Group effectively and efficiently,
- Effective implementation of senior management succession strategy.
- Ensuring that the Company's values and principles are aligned with the adoption of and compliance with appropriate and applicable statutes, accounting and financial regulations, environmental and ethical standards, and compliance with regulatory and stakeholder requirements with satisfactory framework for reporting,
- Approving quarterly, annually audited accounts and any audited accounts for special purposes
- Recommending the appointment or removal of the External Auditors subject to the approval of our shareholders at the Annual General Meeting,
- Appointing Directors to the Audit, Remuneration and Nomination committees who possess the experience and expertise to add value to the committees to which they are appointed,
- Self-evaluation of the Board that is conducted on its own performance and that of its committees,
- 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,
- Identification of principal risks and ensure the implementation of suitable systems to manage and mitigate risks,
- Reviewing the appropriateness and reliability of the Company's internal control and risk and management information systems to secure the integrity of all that encompass various aspects of the businesses.

- Evaluation and approval of the Group's Business Plan that consist all new businesses and investment proposals in depth prior to creation and/or where necessary termination of existing business activities of the Group.
- Advising on and approving mergers, acquisitions and divestures (not excluding strategic business partnerships, acquisitions or disposal of investments and equity interests) that results in Corporate re-structuring/re-engineering

In addition, the Board of Directors, both individually and collectively, strive to comply with best practices on environmental, health, safety and ethical standards whilst ensuring that the interest of all stakeholder groups are considered when taking decisions.

Division of Roles and Responsibilities between the Chairman and Managing Director

Aitken Spence PLC recognises the importance of the separation and clear distinction between the functions and responsibilities of our Chairman and our Managing and Finance Director. This division of duties ensures a balance of power and authority within the organisation so that no one person has unfettered powers of decision making and implementation.

Board Support

The Company Secretary acts as Secretary to the Board and is responsible for the collation, review and distribution of all papers submitted to the Board for consideration and the preparation of the respective agendas. He is present at all Board Meetings and sub-Committee meetings. Additionally he:

- Assists the Chairman in ensuring that the Board Members have full and timely access to all relevant information/documentation whilst making sure that appropriate facilities are available for the proper conduct of meetings and effective decision making,
- Coordinates with the Chairman in the organization of initial formal induction and subsequent periodic training programs,
- Is accountable for guaranteeing that the correct Board procedures are followed, and that the applicable rules and regulations are reviewed regularly and complied with,
- Advises the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary, and
- Manages the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their/its duties.

MANAGING AND FINANCE DIRECTOR - MR. J. M.S. BRITO

A fellow member of the Institute of Chartered Accountants of London & Wales, with a Degree in Law and a Master's Degree in Business Administration, our Managing and Finance Director is responsible for:

- Day-to-day management of the Group's business operations, with the support of our Executive Directors, Board of Management, and our senior management team.
- Revision and implementation of the Company's strategies and policies.
- Maintaining a close working relationship with the Chairman, and being a sounding board for the Chairman as and when necessary

Board Effectiveness

Induction and Professional Development

On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties and responsibilities and expected time commitments. Additionally both Executive and Non-Executive Directors are taken through a tailored formal induction programme as soon as practicable and jointly coordinated by the Company Secretary and Managing and Finance Director of the Group.

The Board recognizes the need for continuous training and development in shaping our Board of skilled leaders for the future and as such subsequent periodic training in respect of the areas below is supplemented with one-on-one meetings with the management of each subsidiary, visit sites/factories/hotels and hold meetings with key investors, suppliers,

Company Structure and Strategy: includes 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.

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 our approach to risk.

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.

Sentiment and reputation: includes brand positioning and media profile marketing campaigns, brand values, analyst and investor opinion, review of investor surveys, key stakeholder relationships inclusive of employees, customers, suppliers, service providers, opinion leaders, an overview of our remuneration policy and pensions.

customers, service providers and other key stakeholders where appropriate.

All Directors are further encouraged to attend seminars/training programmes relevant and useful to them in enhancing their business acumen and professionalism in carrying out their duties and have also been invited to participate in forums and/or seminars in their capacity as speakers, moderators or panellists in their respective areas of expertise.

Appraisal of Chief Executives

The Board in consultation with the Managing and Finance 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 respective Managing Director during the year.

The evaluation of performance is conducted by the Board on a regular basis, as well as bi-annually, along with assessment of whether failure to meet such set targets was reasonable under the given circumstances

Board Evaluation

Assessment of the performance of the Board, its Committees and individual Directors forms an integral part and takes place annually on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined on pages 102 to 104 of the Nomination Committee (see page 106). This also provides an avenue to highlight improvement areas and remedial actions on the Board's administration processes with evaluation of the progress of such areas identified whilst ensuring that any gaps pertaining to Investor Relations and Board administration and processes are rectified.

The Remuneration Committee consults the Chairman and the Managing and Finance Director regarding the remuneration proposal including revision of salary packages (as and when necessary) to Executive Directors and the Senior Management, taking into consideration the internal and external socio-economic factors. No Director is involved in determining his/her own remuneration.

A portion of the remuneration is in the form of a `performance bonus', which is based upon the achievement of both individual and corporate goals and targets.

Non-Executive Directors are remunerated as per the Articles of Association of the Company;the fees and reimbursable expenses are payable taking into consideration the basis of contribution/services performed at the Board and Committee Meetings, and the Company's year-end financial performance.

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 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 and Finance Director, who are not subject to retirement by rotation.

The retiring Directors are selected on the basis of those who have been in office the longest since their last election. In the event that 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 Director for re-election.

Appointment of Directors

The appointment of Executive Director Miss D.S.T. Jayawardena was approved by the Board in consultation with the members of the Nominations Committee. Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the 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.

Re-election of Directors

In accordance with the Companies Act No. 07 of 2007 and the Articles of Association of the Company, the relevant Directors submit themselves for re-election at the Annual General Meeting to be held on 30/06/2014. The Nomination Committee has declared to the Board that the contributions made by the Directors offering themselves for re-election at the Annual General Meeting in 2014 are effective and affirms the Company's continuous support of their re-election.

Independent Advice

The Board acknowledges that certain occasions may arise when one or more of the Directors may feel it necessary, whether as a full Board or in their individual capacities, to seek impartial professional guidance at the Company's expense. The agreed upon formal procedure enabling such advice is managed by the Company Secretary and is also extended to all Board Committees to enable the execution of duties in respect of matters being deliberated.

Indemnification of Directors

In accordance with our Company's Articles of Association and the Companies Act No. 07 of 2007, Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. For this purpose the Company maintains a Directors' and Officers' liability insurance policy throughout the financial year. Neither our indemnity nor the insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently (or is liable for any act or omission in his capacity as a Director).

Board Committees

The Board has established Board Committees to assist with developing and discharging its duties and responsibilities effectively and efficiently. In addition to the Main Board, the Individual Directors are members of the various subcommittees of the Board: the Nomination Committee, the Audit Committee and the Remuneration Committee each of which is attended by the respective Director after due preparation prior to such meetings. The Directors 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 factors, legal risk and political changes in the global business environment.

The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the committees, and the recorded minutes of each committee meeting are circulated to all directors on completion.

Name of Director	Nomination Committee	Remuneration Committee	Audit Committee
Chairman Deshamanya D. H. S. Jayawardena	2/2	1/1 Present on Invitation	-
Managing and Finance Director Mr. J. M. S. Brito	2/2	1/1 Present on Invitation	5/5 Present on Invitation
Executive/Non-Independent Directors Dr. R. M. Fernando	-	-	-
Dr. M. P. Dissanayake	-	-	-
Ms. D.S.T. Jayawardena	-	-	1/5 Present on Invitation
Non-Executive/Independent Directors Mr. G. C. Wickremasinghe	Chairman 2/2	Chairman 1/1	3/5
Mr. C. H. Gomez	-	-	1/5
Mr. N. J. de Silva Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director to Mr. N. J. de Silva Deva Aditya)	-	-	4/5
Mr. V. M. Fernando	2/2	1/1	-
Mr. R. N. Asirwatham	2/2	1/1	Chairman 5/5
Dates of Meetings	20/11/2013 28/06/2013	30/06/2013	07/02/2014 23/01/2014 14/10/2013 26/06/2013 08/05/2013

NOMINATION COMMITTEE REPORT

NOMINATION COMMITTEE MEMBERS

Chairman

Mr. G.C. Wickremasinghe[1]

Members

Deshamanya D H S Jayawardena[2]
Mr. J.M.S. Brito[3]
Mr. V.M. Fernando[1]
Mr. R.N. Asirwatham[1]

Secretary to Committee

Mr. R.E.V. Casie Chetty

Composition of the Committee

- The Committee consists of a majority of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director who possesses a wide portfolio of knowledge and experience.
- The presence of the Chairman and the Managing and Finance Director on the Committee contributes substantially to identify the internal perspective when making recommendations.

Number of Committee Meetings

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

Terms of Reference of the Committee

- Broaden, balance and diversify the effectiveness and composition of the Board,
- Identify and recommend suitable candidates as Directors to the Board considering the succession plan and requirements of the Board and the Group,
- Regularly review the structure, size and composition of the Boards of Group Companies,
- Oversee the performance evaluation of the Board, Committees of the Board and Individual Directors,
- Ensure the Board comprises of persons possessing a large reservoir of knowledge, experience and entrepreneurial skills to advance the effectiveness of the Board.

Key functions performed during the year under review

- Considered and promoted Board diversity in making recommendations to the Board,
- Reviewed and recommended changes to the Boards of Group Companies by considering the qualifications, competence, independence and conflicts of interests of Directors in relation to the Company,
- Evaluated and recommended suitable internal and external candidates to higher levels of management,
- Actively contributed to Board discussions and decision making.

Methodology of the Committee

The Committee works closely with the Board of Directors in relation to the matters referred to it by making appropriate and suitable recommendations.

The year ahead

The Committee would continue to make decisions and recommendations which are fair, free from any bias and not influenced by personal and business relationships. This will enable the Committee to make sound and measured judgments in attracting the best talent to the Group while retaining the services of talented employees by giving them fair and equal opportunities.

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
22nd May 2014

[1] Independent Non-Executive Director
[2] Chairman of Aitken Spence PLC
[3] Managing and Finance Director of Aitken Spence PLC

REMUNERATION COMMITTEE REPORT

REMUNERATION COMMITTEE MEMBERS

Chairman

Mr. G.C. Wickremasinghe[1]

Members

Mr. V. M. Fernando[1]
Mr. R.N. Asirwatham[1]

Secretary to Committee

Mr. R.E.V. Casie Chetty

By Invitation

Deshamanya D.H.S. Jayawardena[2]
Mr. J.M.S. Brito[3]

Composition of the Committee

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

Independence of the Committee

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

Number of Committee Meetings

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

Attendance by Invitation

The Chairman and the Managing and Finance Director attended the meetings by invitation and contribute substantially in making recommendations.

Terms of Reference of the Committee

- Recommending a remuneration policy for the Directors and the Management team,
- Reviewing, monitoring and evaluating the performance of the Managing Directors, Executive Directors, and the individual and collective performance of the Directors and the Senior Management of the Strategic Business Units,
- Evaluating and recommending the individual remuneration packages of the Managing Directors, Executive Directors and Senior Management considering the skill, experience, level of responsibility, performance and industry norms,
- Determining a compensation package on termination of office of employees,
- Executing duties within the framework of the principles of good governance.

Key functions performed during the year under review

- Approved promotions after evaluating the performance of the Group, Strategic Business Units and the contribution made by employees to their respective Strategic Business Units.
- Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms.

Methodology of the Committee

The Committee adopts a structured and unbiased methodology to evaluate employee performance to ensure equality among employees to prevent discrimination based on gender, age, ethnicity and religion.

The year ahead

The Committee would continue to propose remuneration policies and practices to attract and retain suitable talent for performance enhancement.

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
22nd May 2014

[1] Independent Non-Executive Director
[2] Chairman of Aitken Spence PLC
[3] Managing and Finance Director of Aitken Spence PLC

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE MEMBERS

Chairman

Mr. R.N. Asirwatham[1],

Members

Mr. G.C. Wickremasinghe[1],
Mr. C.H. Gomez[1],
Mr. N.J. de. S . Deva Aditya[1]/
Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de. S. Deva Aditya),

Secretary to Committee

Mr. R.E.V. Casie Chetty

Composition of the Committee

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

Number of Committee Meetings

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

Attendance by Invitation

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

Summary of key terms of reference

Risk Management

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

Financial Reporting and Financial control

- Reviews the operational and any other management information reports submitted to the Committee
- Reviews the Group quarterly and annual financial statements that are prepared in strict compliance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards currently applicable and the requirements of any other regulatory bodies as applicable
- Evaluate the adequacy and effectiveness of the Groups accounting policies and all proposed changes in accounting policies and practices

External Audit

- Reviews and approves the external audit plan presented by the External Auditors
- Reviews and monitors the progress of the external audit
- Reviews the management letter issued by the External Auditors, and ensures that the management takes appropriate action to satisfactorily resolve issues
- Assesses the independence and effectiveness of the External Auditors on an annual basis
- Reviews the fees proposed by the External Auditors and makes recommendations to the Board on their re-appointment which is subject to approval of the shareholders at the forthcoming Annual General Meeting which will be effective until the conclusion of the succeeding Annual General Meeting

Internal Audit

- Reviews, approves and monitors the internal audit plan
- Reviews the financial and operational audit reports, IT security reports and risk reports of the Internal Auditors' and management's response to same
- Evaluates the independence and effectiveness of the internal audit functions

[1] Independent Non-Executive Director

Summary of key focus areas in the year ended 31st March 2014

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

Re-appointment of Auditors

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

R.N. Asirwatham
Chairman
Audit Committee

Colombo
22nd May 2014

CORPORATE GOVERNANCE REPORT

Relationship with Shareholders and Other Stakeholders

Aitken Spence PLC has a wide array of stakeholders that include our shareholders/ investors, clients and consumers both internal and external, suppliers, industry bodies and role-players, the media, visitors to the main Aitken Spence office premises, relevant industry service providers and all employees of the Company scattered across the globe.

We are committed to maintaining effective two-way communication with all investors. As such, all stakeholders, seeking non-price-sensitive information is welcome to contact us directly throughout the year. To this end, the Board conducts regular discussions with Institutional Investors based on mutual understanding of objectives, particularly those relating to governance and strategy.

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

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

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

Additionally the following external and internal communication platforms enable us to effectively engage in a two-way dialogue with our existing and potential shareholders as well as all stakeholders – sharing applicable comments or observations, seeking clarifications and a means to respond to queries regarding various aspects about the company.

External Communication Platforms

- Above-the-line-advertising
- Collaborative marketing platforms
- Aitken Spence PLC Integrated Annual Report
- Aitken Spence PLC editorials and opinion pieces placed in relevant media
- Aitken Spence PLC Stakeholder/ Institutional Investor discussion sessions
- Aitken Spence PLC Sustainability Disclosures
- Aitken Spence PLC Website
- Digital Signage in Public Spaces
- Media round tables
- Independently run client satisfaction surveys
- Participation in local and international industry events and trade shows
- Press releases and press conferences
- Social media platforms such as Facebook, Twitter, LinkedIn and Foursquare

Internal Communication Platforms

- Group Intranet
- Employee Meetings (various structures)
- Memos
- Departmental Meetings
- Key Performance Indicators (KPI) Goal Setting and Assessment Meetings
- The Group's Newsletters

Internal Controls and Risk Management

The Board is responsible for formulating and implementing sound systems of internal control and risk management for the Group and for periodically reviewing its effectiveness and integrity in safeguarding the Company's assets and prevention of their misuse or unauthorised disposal. The internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task.

Any internal control system has its inherent limitations. We are aware of the inherent limitations in that the systems are designed to manage risk, and hence we have taken appropriate steps to minimise situations of misstatements or loss. We have an internal fully-equipped internal audit division to assist the maintenance of our sound system of internal control for purposes of protecting stakeholder investment and assets.

Review Effectiveness

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

Code of Business Conduct and Ethics

The Company has developed and institutionalised a strong set of corporate values and a 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 the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of our Company's image in any manner. The violation of the code of ethics is an offence that is subject to disciplinary action.

Furthermore as an industry leader in sustainability, Aitken Spence PLC also subscribes to various international voluntary codes of practice including The United Nations Global Compact (UNGC), Global

Reporting Initiatives (GRI) and those outlined on pages 198 to 209 of this report.

Going Concern

The relevant Declaration/Going Concern Statement is set out in the 'Annual Report of the Directors' on pages 118 to 121 of this Annual Report.

Risk Management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 34 to 39.

Annual Report

The Board of Directors is responsible for the preparation of the Annual Report and confirm that the quarterly reports, annual financial statements and the annual review of operations of the Company and its subsidiaries, that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the 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. We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. Messrs' KPMG Chartered Accountants audited the consolidated financial statements and the financial statements of the Company.

CORPORATE GOVERNANCE REPORT

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
1. Company			
A. Directors			
A.1 / 7.10.1(a), 7.10.2(a) and 7.10.3(c-d) The Board (see Pages 44-47)			
Our Board comprises of a Chairman, a Managing and Finance Director, and eight other Directors, five of whom are Non-Executive Directors that act as critical friends to the Board whilst collaborating with the Board providing strategic direction. The Board considers the long term interest of all stakeholders of our Group in their continuous efforts to ensure good governance and the effective functioning of our Company. The names and profiles of each of the Directors are on pages 44 to 47 of this Annual Report. Except for Deshamanya D.H.S. Jayawardena and Miss. D.S.T. Jayawardena who are related to each other but act for the best interest of the Group, none of the other Directors are related to each other, enabling each of the Directors to express their views independently and objectively.			
Company Board meetings	A.1.1	Complied	Please refer Page 101
Responsibilities of the Board	A.1.2	Complied	Please refer Pages 102 - 103
Compliance with laws and access to independent professional advice	A.1.3	Complied	Please refer Page 104
Company Secretary	A.1.4	Complied	Please refer Page 103, 105
Independent judgment of the Directors	A.1.5	Complied	Please refer Page 101
Dedicating adequate time and effort	A.1.6	Complied	Please refer Pages 101 - 102,105
Training for new and existing Directors	A.1.7	Complied	Please refer Pages 103 - 104
A.2. Chairman and Chief Executive Officer			
There is a clear demarcation of the responsibilities between our Chairman and our Managing and Finance Director who is the Chief Executive Officer. The functions performed by our Chairman and our Managing and Finance Director are distinct and separate, ensuring the balance of power and authority within the organisation, so that no person has unfettered powers of decision-making and implementation. (Please refer pages 102 - 103)			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	As mentioned above, our Company has segregated the duties between our Chairman and Managing and Finance Director (pages 102 - 103).
A.3 Chairman's Role			
The Chairman of our Company is one of the most successful business leaders in this country. He is responsible for preserving order within the Board and good corporate governance of our Group whilst facilitating the effective discharge of Board functions business strategies.			
Role of Chairman	A.3.1	Complied	Please refer Page 102
A.4 Financial Acumen			
Financial acumen	A.4	Complied	Our 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 (see pages 44 - 47,100 - 101)
A.5 Board Balance			
Presence of Non-Executive Directors	A.5.1 7.10.1(a), 7.10.2(a) and 7.10.3(a)	Complied	Please refer Page 101

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
Independence of Non-Executive Directors	A.5.2 & 5.3 5.5 7.10.2(a-b) and 7.10.3(a-b)	Complied	Please refer Pages 100 - 101
Annual Declaration of Non-Executive Directors	A.5.4 7.10.2(b)	Complied	Please refer Page 101
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 and Finance Director roles are segregated.
Chairman conducting meetings with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Independent non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.10	Complied	Please refer Page 102
A.6 Supply of Information			
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 when necessary.
Adequate time for circulation of respective Board documents	A.6.2	Complied	Please refer Page 102
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 and 7.2	Complied	The names of the members of the Committee are on page 119 and on the inner back cover of this Annual Report.
Disclosure to Shareholders	A.7.3	Complied	Please refer Page 110
A.8 Re-election			
Re-election of Directors	A.8.1 and 8.2	Complied	Please refer Page 104
A.9 Appraisal of Board performance			
Appraisals of the Board and the subcommittees	A.9.1, A.9.2 and A.9.3	Complied	Please refer Page 104
A.10 Disclosure of information in respect of Directors:			
Directors' disclosures	A.10.1 7.10.3(c-d)	Complied	The names of the Directors of the Board, their leadership expertise, skills, and their profiles are disclosed on pages 44 to 47 of this Annual Report. Directors' interests in contracts are indicated in Note 44 of the financial statements of this Annual Report. The number of board meetings attended by the Directors is given on page 101 of this Annual Report. Names of the Chairmen and the members of the Board Committees are provided on page 119 and in the inner back cover of this Annual Report.
A.11 Appraisal of Chief Executive			
Setting of the annual targets and the appraisal of the CEO	A.11.1 and A.11.2	Complied	Please refer Page 104

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
B DIRECTORS' REMUNERATION			
B.1/ 7.10.5 Remuneration Procedure			
Establishment of a Remuneration Committee and its composition	B.1.1 ,B.1.2 and B.1.3 7.10.5 (a) and 7.10.5 (b)	Complied	Please refer Page 105 (Remuneration Committee Report on Page 107)
Determination of the remuneration of the Non-Executive Directors	B.1.4	Complied	Please refer Page 104
Consultation with the Chairman and the CEO	B.1.5	Complied	Please refer Page 104
B.2 Level and Makeup of Remuneration			
Level and makeup of the remuneration of Directors and comparison of remuneration with other Companies	B.2.1, 2.2 and 2.3	Complied	Please refer Page 104, 107
Performance-based remuneration	B.2.4	Complied	Please refer Page 104
Executive share options	B.2.5	Not applicable	As of date, the Company 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 the remuneration of employees is set out in the Remuneration Committee report that 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.3 / 7.10.5 (C) DISCLOSURE OF REMUNERATION			
Disclosure of remuneration	B.3.1	Complied	The names of the members of our Remuneration Committee are indicated in page 119 and listed on the inner back cover. The report of the Committee is given on page 107 of this Annual Report. Please refer note 9 to the financial statements for the details of remuneration paid to Board of Directors and key management personnel.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of Annual General Meeting			
Use of Proxy	C.1.1	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our 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 Committees 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 necessary.
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 days' notice prior to the date of the Annual General Meeting.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
C.2 COMMUNICATION WITH SHAREHOLDERS			
Effective communication with the Shareholders	C.2.1, C.2.2, C.2.3, C.2.4	Complied	The Board maintains a two-way communication with all investors providing an opportunity to seek non-price sensitive information throughout the year by conducting meetings and discussions and answering queries through our Company Secretarial Division and/or Communications Teams
C.3 MAJOR TRANSACTION			
Disclosures of Major transactions	C.3.1	Complied	There were no major transactions during the financial year that materially altered our Company's net asset base or the consolidated Group net asset base.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
Board responsibility to present the financial statements	D.1.1	Complied	Please refer Pages 111, 117
Annual Report of the Directors	D.1.2	Complied	The Directors have made the required declarations on pages 118 to 121 of this Annual Report.
Statement by the Directors and the Auditors	D.1.3	Complied	The Statement of Directors' Responsibilities is on page 117 of this Annual Report. The Auditor's Report on the financial statements for the year ended 31st March 2013 is presented on page 124 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 19 to 97 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 119 of this Annual Report.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.6	Not applicable	This is not applicable to us however should the situation arise, an Extraordinary General Meeting would be called upon and our shareholders would be notified accordingly.
D.2 Internal Control			
Directors to review Internal Controls	D.2.1	Complied	Please refer Pages 110, 120
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group already has an Internal Audit Division, and as such this is not applicable. Please refer Page 110
D.3 /7.10.6 Audit Committee			
Composition of the Audit Committee and its Duties	D.3.1 and D.3.2/ 7.10.6(a) and 7.10.6(b)	Complied	Please refer Pages108 - 109
Terms of Reference of the Audit Committee	D.3.3	Complied	Please refer Page 108
Disclosures of names of the members of the Audit Committee	D.3.4 7.10.6(c)	Complied	The names of the members of the Audit Committee are indicated on page 119. The Audit Committee reviews the scope and results of the audits, its effectiveness, and the independence and objectivity of our Internal Audit function. Report of the Audit Committee is on pages 108 - 109 of this Annual Report.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
D.4 Code of Business Conduct and Ethics			
We are committed to carrying out all business activities to the highest standards of integrity, ethical values and professionalism, whilst following the laws of the country, international laws and compliance as per our stakeholders' expectations.			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	Please refer Page 110
Affirmation of the code of conduct and ethics	D.4.2	Complied	As per our Chairman's statement on Page 14 of this Annual Report, we affirm our adherence to good business conduct and ethics.
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	We aim to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all our business activities, whilst adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 99 to 121.
2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
Shareholder voting	E.1.1	Complied	Please refer Pages 110, 167
F. OTHER INVESTORS			
F.1 Investing and divesting decision			
Investing and divesting decision	F.1	Complied	Please refer Page 110
F.2 Shareholder Voting			
Individual shareholders' voting	F.2	Complied	Please refer Page 110, 167

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. The responsibilities of the Directors, in relation to the financial statements of Aitken Spence PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2014 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.

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

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

The financial statements presented in this Annual Report for the year ended 31st March 2014, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/ LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2014 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2014 reflect a true and fair view of the Company and the Group.

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

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

By order of the Board,

R.E.V. Casie Chetty
Company Secretary

Colombo
27th May 2014

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 the pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2014 which were approved by the Board of Directors on 27th of May 2014.

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, Maritime Cargo Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 211 to 219 of the Annual Report.

2. Review of Operations

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

3. Accounting policies and changes during the year

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards(SLFRS /LKAS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given in pages 132 to 145.

The accounting policies adopted by the Group are consistent with those adopted in the previous financial year except for the policy on retirement benefits obligations, which is revised with the adoption of LKAS 19-Employee Benefits.

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

4.1.Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs. 612 million. (2013 – Rs. 536 million). The Group revenue was Rs. 36,598 million (2013 – Rs. 37,140 million). An analysis of Group revenue based on business and geographical segments is disclosed in note 6 to the financial statements. The profit after tax of the Group was Rs. 4,509 million (2013 - Rs. 4,276 million) which is a growth of 5.5%. The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 3,672 million (2013 - Rs.3,288 million). The segmental profits are disclosed in note 6 to the financial statements.

4.2. Donations

During the year, donations amounting to Rs. 5.7 million were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 1.2 million.

4.3 Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are given in note 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 23 and 30 to the financial statements.

4.4 Dividends

The Directors recommended a dividend payment of Rs.2.00 per share for the year, the total dividend is paid out of dividends received by the Company where 10% withholding tax on dividends has been deducted. The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the first and final dividend.

For the year ended 31 st March	Group 2014 Rs.'000	Group 2013 Rs.'000
The net profit after providing for all expenses, known liabilities and depreciation on property plant and equipment	5,409,111	5,025,481
Provision for taxation including deferred tax	(900,476)	(749,970)
Net profit after tax	4,508,635	4,275,511
Other comprehensive income	1,286,282	242,273
Total comprehensive income for the year	5,794,917	4,517,784
Total comprehensive income attributable to the minority shareholders	(997,054)	(1,041,635)
Total comprehensive income attributable to equity shareholders	4,797,863	3,476,149
Transactions directly recognised in the equity statement	16,432	(9,020)
Balance brought forward from the previous year	28,053,257	25,154,522
Amount available for appropriations	32,867,552	28,621,651
Final Dividend for 2012/2013 (2011/2012)	(608,994)	(568,394)
Balance Attributable to equity holders of the Company at the end of the period	32,258,558	28,053,257

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

5.1 Stated Capital and Reserves

As at 31st March 2014 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The Company's reserves as at 31st March 2014 were Rs. 10,794 million (2013-Rs. 10,998 million) whereas the total Group's reserves as at 31st March 2014 were Rs. 30,123 million (2013-Rs. 25,918 million). The movement in these reserves is shown in the Statement of Changes in Equity – Company and Group on pages 128-129.

5.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2014 amounted to Rs. 144 million and Rs.25,221 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company and the Group amounted to Rs. 40 million and Rs.1,354 million respectively.

5.3. Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2014 amounted to Rs. 3,440 million and Rs. 1,738 million respectively.

5.4 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the Group is recorded at either fair value or revalued amounts. The land carried at revalued amounts of the Group was revalued by professionally qualified independent valuers during the financial year, with the exception of those owned by Aitken Spence Hotel Holdings PLC, Golden Sun Resorts (Pvt) Ltd and P.R Holiday Homes Private Limited which were revalued during the financial year 2011/2012. Revaluation of these lands is performed with sufficient regularity so that the carrying value of the lands do not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

Details of the revalued land, revaluation surplus, and the original cost are given in note 15.3.1 to the financial statements. Group records all other assets at cost and check for any impairment of these assets when the Group identifies any trigger for impairment.

5.5 Contingent Liabilities

The details of contingent liabilities are disclosed in note 42 to the financial statements.

6. Events occurring after the Reporting Date

No event of material significance that requires adjustments to the financial statements has arisen other than that disclosed in note 47 to the financial statements.

7. Going Concern

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue their operations without any disruption in the foreseeable future. The Company's 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 2014 comprised of:

Deshamanya D.H.S. Jayawardena
- Chairman

Mr. J.M.S. Brito
- Managing and Finance Director

Dr. R.M. Fernando

Dr. M.P. Dissanayake

Ms. D.S.T. Jayawardena

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya

Mr. V.M. Fernando

Mr. R.N. Asirwatham

All the above Directors of the Company held office during the entire year, with the exception of Ms. D.S.T. Jayawardena who was appointed w.e.f. 1st of December 2013 and late Mr. C.R. De Silva P.C. who was appointed on 8th April 2013 and expired on 7th of November 2013.

The profiles of the Directors are given on pages 44 to 47 of the Annual Report.

8.2 Board Sub Committees

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

Audit Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de S. Deva Aditya)

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)

Mr. V.M. Fernando

Mr. R.N. Asirwatham

Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)

Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito

Mr. V.M. Fernando

Mr. R.N. Asirwatham

8.3 Re-election of Directors

Mr. N J de S Deva Aditya who retires in terms of Article 84 of the Articles of Association of the Company as a Director offers himself for re-election at the forthcoming Annual General Meeting.

Deshamanya D.H.S. Jayawardena attained the age of 70 years on 17th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Deshamanya D.H.S. Jayawardena who has attained the age of 71 years and that he be re-elected as a Director at the 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, 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 80 years and that he be re-elected as a Director at the Annual General Meeting.

Mr. R.N. Asirwatham attained the age of 70 years on 26th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. R.N. Asirwatham who has attained the age of 71 years and that he be re-elected as a Director at the Annual General Meeting.

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

8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor section on page 196 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. The share ownership of the Directors is indicated on pages 185 to 188 of the Annual Report.

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2014 are disclosed on page 148 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 44 to the financial statements. These interests have been duly declared by the Directors.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2014 and Directors who ceased to hold office during the accounting period are indicated on pages 211 to 219 of the Annual Report.

9. Human Resources

The Human Resources strategies applied and practiced by the Group have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. The Group's employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The Human Resource Report is set out on pages 40 to 43 of the Annual Report.

10. Governance

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

The Company has no restrictions with regard to shareholders carrying out appropriate 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 99 to 121 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 34 to 39 of this report.

12. Internal Controls

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

The Statement of Directors' Responsibilities on page 117 and the Audit Committee Report set out on pages 108 to 109 of this report provide further information in respect of the above.

13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 117 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 growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this report and at www. aitkenspence.com/ sustainability.

15. Shareholder Information

There were 4,185 shareholders as at 31st March 2014. The distribution schedule of the number of shareholders and their share holdings are detailed in pages 192 to 196 of the Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2014 are given on page 195 of the Annual Report. The percentage of the shares held by the public as at 31st March 2014 was 38.78%.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the market price per share are given on pages 192 to 196 of the Annual Report.

16. Auditors

The independent auditors' report on the financial statements is given on page 124 of the Annual Report. The retiring auditors Messrs KPMG Chartered Accountants have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG Chartered Accountants was Rs. 950,000 /-.

In addition to the above Rs.391,479/- was payable by the Company for permitted audit related and non audit related services. Messrs KPMG Chartered Accountants 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 211 to 217 of the Annual Report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 10,579,441 /- while a further Rs. 1,645,729/- was payable for permitted audit and non audit related services. In addition to the above Rs. 6,990,231/- was payable to other auditors for carrying out audits in the subsidiaries, joint ventures and associates where the audits were conducted by them. The amount payable to such other auditors for permitted audit and non audit related services including tax advisory services was Rs. 2,386,515/-. 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 equity accounted investees that would have an impact on their independence

D.H.S. Jayawardena
Chairman

J.M.S Brito
Managing & Finance Director

R.E.V. Casie Chetty
Company Secretary

Colombo
27th May 2014

YEAR ON YEAR

FINANCIAL STATEMENTS

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

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"), which comprise the statements of financial position as at 31st March, 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 125 to 189 of the 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 31st March, 2014, and the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiary dealt with thereby as at 31st March, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

KPMG

CHARTERED ACCOUNTANTS
Colombo

27th May, 2014

INCOME STATEMENTS

		GROUP		COMPANY	
For the year ended 31st March		2014	2013	2014	2013
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	7	36,598,095	37,139,927	612,246	535,500
Revenue taxes		(489,725)	(533,641)	(11,519)	(9,960)
Net revenue		36,108,370	36,606,286	600,727	525,540
Other operating income	8	455,093	12,508	650,785	557,466
Changes in inventories of finished goods and work-in-progress		57,895	(11,487)	-	-
Raw materials and consumables used		(10,435,289)	(12,913,768)	-	-
Employee benefits expense		(4,381,840)	(3,969,275)	(375,091)	(326,984)
Depreciation, amortisation and impairment of property, plant and equipment and goodwill	9	(1,499,420)	(1,428,073)	(63,540)	(59,881)
Other operating expenses - direct	10	(9,152,620)	(8,398,247)	-	-
Other operating expenses - indirect		(5,449,197)	(4,367,202)	(491,257)	(265,986)
Profit from operations		5,702,992	5,530,742	321,624	430,155
Finance income	11	800,721	760,887	620,066	694,908
Finance expenses	11	(1,250,669)	(1,443,964)	(518,614)	(557,435)
Net finance income / (expense)		(449,948)	(683,077)	101,452	137,473
Share of profit of equity-accounted investees (net of tax)	22	156,067	177,816	-	-
Profit before tax	9	5,409,111	5,025,481	423,076	567,628
Income tax expense	12	(900,476)	(749,970)	(13,653)	(11,482)
Profit for the year		4,508,635	4,275,511	409,423	556,146
Attributable to:					
Equity holders of the company		3,671,870	3,287,607	409,423	556,146
Non-controlling interests		836,765	987,904	-	-
Profit for the year		4,508,635	4,275,511	409,423	556,146
Earnings per share - Basic/Diluted (Rs.)	13	9.04	8.10	1.01	1.37
Dividends per share (Rs.)	14	2.00	1.50	2.00	1.50

The notes on pages 132 through 189 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
For the year ended 31st March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year	4,508,635	4,275,511	409,423	556,146
Other comprehensive income				
Revaluation of property, plant and equipment	1,160,838	280,247	-	-
Actuarial gains / (losses) on defined benefit obligations	(56,676)	(27,904)	(2,200)	(9,758)
Exchange differences on translation of foreign operations	183,091	(51,107)	-	-
Net change in fair value of available-for-sale financial assets	(24,397)	36,961	(2,476)	3,238
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	1,817	(2,403)	-	(1,014)
Share of other comprehensive income of equity-accounted investees (net of tax)	12,885	3,685	-	-
Income tax on other comprehensive income (note 12.5)	8,724	2,794	-	-
Other comprehensive income for the year, net of tax	1,286,282	242,273	(4,676)	(7,534)
Total comprehensive income for the year	5,794,917	4,517,784	404,747	548,612
Attributable to:				
Equity holders of the parent	4,797,863	3,476,149	404,747	548,612
Non-controlling interests	997,054	1,041,635	-	-
Total comprehensive income for the year	5,794,917	4,517,784	404,747	548,612

The notes on pages 132 through 189 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
As at		31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	25,220,920	24,041,780	143,967	141,046
Investment property	16	1,737,575	1,661,596	3,439,945	3,455,995
Intangible assets	17	902,600	654,056	53,059	76,037
Leasehold property	18	1,461,100	1,463,930	-	-
Pre-paid operating leases	19	1,010,249	980,731	-	-
Finance lease receivables	20	2,245,884	2,325,091	-	-
Investments in subsidiaries and joint ventures - unquoted	21	-	-	5,583,951	4,946,407
Investments in subsidiaries - quoted	21	-	-	2,458,287	2,458,287
Investments in equity-accounted investees	22	2,094,496	1,931,205	165,000	165,000
Deferred tax assets	23	220,021	222,147	-	-
Other financial assets	24	387,248	462,117	181,878	232,403
		35,280,093	33,742,653	12,026,087	11,475,175
Current Assets					
Inventories	25	1,639,400	1,824,723	2,167	2,484
Finance lease receivables	20	146,948	168,964	-	-
Trade and other receivables	26	9,312,667	9,972,627	2,768,751	3,315,508
Current tax receivable		241,230	180,918	215,560	168,596
Deposits and prepayments		1,059,688	1,129,843	44,151	53,075
Other financial assets	24	10,587,572	6,764,163	4,274,439	3,227,060
Cash and short-term deposits		2,728,514	2,217,994	62,504	62,885
		25,716,019	22,259,232	7,367,572	6,829,608
Assets classified as held for sale	27	149,125	149,125	57,237	57,237
Total Assets		61,145,237	56,151,010	19,450,896	18,362,020
EQUITY AND LIABILITIES					
Equity					
Stated capital	28	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	28	13,884,656	12,695,793	6,357,104	6,328,970
Retained earnings		16,238,762	13,222,324	4,437,146	4,669,527
Total equity attributable to equity holders of the company		32,258,558	28,053,257	12,929,390	13,133,637
Non-controlling interests		6,519,706	5,449,444	-	-
Total Equity		38,778,264	33,502,701	12,929,390	13,133,637
Non-Current Liabilities					
Interest-bearing liabilities	29	7,334,466	6,245,351	3,426,394	2,542,500
Deferred tax liabilities	30	639,486	504,743	-	-
Employee benefits	31	576,416	447,390	86,426	73,405
		8,550,368	7,197,484	3,512,820	2,615,905
Current Liabilities					
Interest-bearing liabilities	29	1,622,421	1,370,093	371,837	157,500
Provisions	32	462,771	277,103	-	-
Trade and other payables	33	6,576,453	7,713,638	2,324,439	2,355,097
Current tax payable		597,793	501,238	-	-
Bank overdrafts and other short-term borrowings		4,557,167	5,588,753	312,410	99,881
		13,816,605	15,450,825	3,008,686	2,612,478
Total Equity and Liabilities		61,145,237	56,151,010	19,450,896	18,362,020

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 132 to 189.
I certify that the financial statements for the year ended 31st March 2014 are in compliance with the requirements of the 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
Managing and Finance Director

27th May 2014.
Colombo, Sri Lanka

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2014	Attributable to equity holders of the company							Total	Non-controlling interests	Total equity
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Available for sale reserve	Retained earnings			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2012	2,135,140	5,269,337	127,521	6,327,782	743,671	(13,627)	10,564,698	25,154,522	4,708,800	29,863,322
Profit for the period	-	-	-	-	-	-	3,287,607	3,287,607	987,904	4,275,511
Other comprehensive income for the period	-	208,757	-	-	(36,607)	37,161	(20,769)	188,542	53,731	242,273
Total comprehensive income for the period	-	208,757	-	-	(36,607)	37,161	3,266,838	3,476,149	1,041,635	4,517,784
Share of net assets of equity-accounted investees	-	-	-	-	-	-	419	419	187	606
Direct costs on share issues by subsidiary companies	-	-	-	-	-	-	(8,231)	(8,231)	(2,859)	(11,090)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	(1,208)	(1,208)	4,496	3,288
Transfer to general reserve	-	-	-	31,798	-	-	(31,798)	-	-	-
Dividends for 2011/2012 (note 14)	-	-	-	-	-	-	(568,394)	(568,394)	-	(568,394)
Dividends paid to shareholders with non-controlling interest	-	-	-	-	-	-	-	-	(302,815)	(302,815)
Total contributions and distributions, recognised directly in equity	-	-	-	31,798	-	-	(609,212)	(577,414)	(300,991)	(878,405)
Balance as at 31st March 2013	2,135,140	5,478,094	127,521	6,359,580	707,064	23,534	13,222,324	28,053,257	5,449,444	33,502,701
Profit for the period	-	-	-	-	-	-	3,671,870	3,671,870	836,765	4,508,635
Other comprehensive income for the period	-	1,063,175	-	-	111,818	(16,740)	(32,260)	1,125,993	160,289	1,286,282
Total comprehensive income for the period	-	1,063,175	-	-	111,818	(16,740)	3,639,610	4,797,863	997,054	5,794,917
Share of net assets of equity-accounted investees	-	-	-	-	-	-	10,385	10,385	(239)	10,146
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	6,047	6,047	439,525	445,572
Transfer to general reserve	-	-	-	30,610	-	-	(30,610)	-	-	-
Dividends for 2012/2013 (note 14)	-	-	-	-	-	-	(608,994)	(608,994)	-	(608,994)
Dividends paid to shareholders with non-controlling interest	-	-	-	-	-	-	-	-	(366,078)	(366,078)
Total contributions and distributions, recognised directly in equity	-	-	-	30,610	-	-	(623,172)	(592,562)	73,208	(519,354)
Balance as at 31st March 2014	2,135,140	6,541,269	127,521	6,390,190	818,882	6,794	16,238,762	32,258,558	6,519,706	38,778,264

The notes on pages 132 through 189 form an integral part of these financial statements.

Figures in brackets indicate deductions.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2014	Stated capital	General reserves	Available for sale reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2012	2,135,140	6,301,070	(6,122)	4,723,331	13,153,419
Profit for the period	-	-	-	556,146	556,146
Other comprehensive income for the period	-	-	2,224	(9,758)	(7,534)
Total comprehensive income for the period	-	-	2,224	546,388	548,612
Transfer to general reserve	-	31,798	-	(31,798)	-
Dividends for 2011/2012 (note 14)	-	-	-	(568,394)	(568,394)
Total contributions and distributions, recognised directly in equity	-	31,798	-	(600,192)	(568,394)
Balance as at 31st March 2013	2,135,140	6,332,868	(3,898)	4,669,527	13,133,637
Profit for the period	-	-	-	409,423	409,423
Other comprehensive income for the period	-	-	(2,476)	(2,200)	(4,676)
Total comprehensive income for the period	-	-	(2,476)	407,223	404,747
Transfer to general reserve	-	30,610	-	(30,610)	-
Dividends for 2012/2013 (note 14)	-	-	-	(608,994)	(608,994)
Total contributions and distributions, recognised directly in equity	-	30,610	-	(639,604)	(608,994)
Balance as at 31st March 2014	2,135,140	6,363,478	(6,374)	4,437,146	12,929,390

The notes on pages 132 through 189 form an integral part of these financial statements.

Figures in brackets indicate deductions.

CASH FLOW STATEMENTS

	GROUP		COMPANY	
For the year ended 31st March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities				
Profit before tax	5,409,111	5,025,481	423,076	567,628
Adjustments for				
Depreciation and amortisation	1,449,420	1,349,568	63,540	59,881
Impairment of property, plant and equipment and goodwill	50,000	78,505	-	-
Finance expense	1,146,104	1,327,591	509,732	553,206
(Gain) / loss on disposal of property plant and equipment	95,728	(28,737)	(5,688)	(8)
Loss on disposal of investment property	12,543	-	12,543	-
Loss on disposal of group investments	-	6,523	-	-
Gain on disposal of equity securities classified as available-for-sale financial assets	(26,570)	(11,089)	-	(6,212)
Finance income	(800,721)	(760,887)	(620,066)	(694,908)
Share of profit of equity-accounted investees (net of tax)	(156,067)	(177,816)	-	-
Impairment of investments in subsidiaries	-	-	159,198	-
Impairment of inventories	133,177	2,749	-	-
Impairment losses / (reversals) and write offs of trade & other receivables	427,285	47,554	26,881	(6)
Net unrealised foreign exchange (gain) / loss	(77,393)	(31,036)	(17,969)	4,772
Provision for retirement benefit obligations	105,312	88,657	17,222	13,742
	2,358,818	1,891,582	145,393	(69,533)
Operating profit before working capital changes	7,767,929	6,917,063	568,469	498,095
(Increase)/decrease in trade and other receivables	561,028	(1,146,278)	519,876	298,950
(Increase)/decrease in inventories	59,193	(44,155)	317	(833)
(Increase)/ decrease in deposits and prepayments	131,887	(375,408)	8,924	7,101
Increase/(decrease) in trade and other payables	(1,437,801)	1,060,075	(32,091)	25,742
Increase/(decrease) in provisions	185,668	(213,558)	-	-
	(500,025)	(719,324)	497,026	330,960
Cash generated from operations	7,267,904	6,197,739	1,065,495	829,055
Interest paid	(1,138,136)	(1,327,591)	(501,764)	(553,206)
Income tax paid	(777,154)	(492,804)	(60,618)	(39,595)
Retirement benefit obligations paid	(54,937)	(59,256)	(6,401)	(6,489)
	(1,970,227)	(1,879,651)	(568,783)	(599,290)
Net cash generated from/(used in) operating activities	5,297,677	4,318,088	496,712	229,765
Cash flows from investing activities				
Interest received from deposits	788,137	692,338	606,918	682,907
Investment in subsidiaries, joint ventures and equity-accounted investees - (note A)	(169,192)	(4,595)	(796,742)	(107,530)
Purchase of equity and debt securities	-	(88,986)	-	(88,986)
Purchase of property, plant and equipment	(1,353,715)	(2,588,357)	(40,291)	(19,238)
Purchase of intangible assets	(6,834)	(76,156)	(1,531)	(48,461)
Proceeds from disposal of property, plant and equipment	407,046	83,295	7,535	15
Proceeds from disposal of intangible assets	-	73	-	-
Refund of pre-paid lease rentals	-	38,067	-	-
Receipts on finance lease receivables	176,776	92,314	-	-
Proceeds from sale of equity and debt securities	331,096	23,449	47,708	15,930
Proceeds / (purchase) of other financial assets and liabilities (net)	(4,063,090)	(2,101,040)	(1,033,890)	(736,697)
Dividends paid to shareholders with non-controlling interest	(366,078)	(302,815)	-	-
Dividends received from equity-accounted investees	15,807	25,615	-	-
Net cash generated from/(used in) investing activities	(4,240,047)	(4,206,798)	(1,210,293)	(302,060)

(carried forward to next page)

For the year ended 31st March	GROUP 2014 Rs.'000	GROUP 2013 Rs.'000	COMPANY 2014 Rs.'000	COMPANY 2013 Rs.'000
(brought forward from previous page)				
Cash flows from financing activities				
Proceeds from interest-bearing liabilities	2,489,427	3,366,073	1,265,363	600,000
Repayment of interest-bearing liabilities	(1,474,327)	(3,614,550)	(172,500)	(544,000)
Direct cost on share issue by a subsidiary company	-	(11,090)	-	-
Dividends paid to equity holders of the parent	(607,561)	(567,039)	(607,561)	(567,039)
Net cash generated from / (used in) financing activities	407,539	(826,606)	485,302	(511,039)
Net increase in cash and cash equivalents	1,465,169	(715,316)	(228,279)	(583,334)
Cash and cash equivalents at the beginning of the year	(3,293,822)	(2,578,506)	(21,627)	561,707
Cash and cash equivalents at the end of the year (note B)	(1,828,653)	(3,293,822)	(249,906)	(21,627)

Notes to the Cash Flow Statements

A. Acquisition of subsidiary

During the period under review the Group acquired 51% stake in Ports Terminal Limited., a company incorporated in the Republic of Fiji through a public-private partnership and took over the managerial and operational responsibilities of the company. The fair values of assets and liabilities acquired in respect of this investment are included below;

	Rs.'000
Property, plant and equipment	(475,513)
Intangible assets	(514)
Inventories	(7,047)
Trade and other receivables	(328,353)
Deposits and prepayments	(61,732)
Deferred taxation	47,355
Income taxation	(2,333)
Interest-bearing liabilities	220,219
Employee benefits	21,721
Trade and other payables	299,184
Cash and cash equivalents	(580,050)
Total identifiable net assets acquired at fair value	(867,063)
Non-controlling interest measured at fair value	445,590
Goodwill on acquisition	(327,769)
Purchase consideration trasferred	(749,242)
Cash and cash equivalents acquired	580,050
Net cash outflow on acquisition of the company	(169,192)

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

For the year ended 31st March	GROUP 2014 Rs.'000	GROUP 2013 Rs.'000	COMPANY 2014 Rs.'000	COMPANY 2013 Rs.'000
Cash at bank and in hand	2,222,589	1,204,674	62,504	62,885
Short term deposits	505,925	1,013,320	-	-
Short-term bank borrowings	(4,557,167)	(5,588,753)	(312,410)	(99,881)
Cash and cash equivalents as previously reported	(1,828,653)	(3,370,759)	(249,906)	(36,996)
Effect of exchange rate changes	-	76,937	-	15,369
Cash and cash equivalents as restated	(1,828,653)	(3,293,822)	(249,906)	(21,627)

The notes on pages 132 through 189 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 public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are 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 consolidated financial statements of the Company as at, and for the year ended 31st March 2014 comprise the financial statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees and jointly controlled entities.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 211 to 219 of this report.

Aitken Spence PLC does not have an identifiable parent.

2 Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with 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 Responsibility for financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements

2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2014 were authorised for issue by the Board of Directors on the 27th of May 2014.

2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for measurement of the following material items in the Statement of Financial Position.

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

2.5 Functional currency

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

2.6 Use of estimates and judgements

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

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

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

2.6.1 Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an appropriate interest rate to discount them. Management makes certain assumptions based on their judgment in forecasting future operating results.

2.6.2 Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.6.3 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.6.4 Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.6.5 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.6.6 Recognition of deferred tax assets

Management applies significant judgment on the extent to which deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

2.7 Going concern

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

3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company.

The accounting policies adopted by the Group are consistent with those adopted in the previous financial year except for the policy on retirement benefits obligations, which is revised with the adoption of LKAS 19- Employee Benefits.

3.1 Basis of consolidation

3.1.1 Business combinations and Goodwill

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

The Group measures goodwill at the acquisition date, as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

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

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

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

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

3.1.2 Non-controlling interest

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

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

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

3.1.3 Subsidiaries

Subsidiaries are those entities controlled by the Group. Existence of control is evident when the Company controls the composition of the Board of Directors, holds more than half of the issued shares of the entity, controls more than half of the potential voting rights of the entity, or when 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 of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group

3.1.4 Loss of control

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

3.1.5 Equity accounted investees (investments in associates)

Equity accounted investees 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.

The Group's investments in its equity accounted investees are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost. The carrying amount of the investment is adjusted at each reporting date to recognise changes in the Group's share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity-accounted investees are recognised against the equity value of the Group's investment.

The income statement reflects the Group's share of the results of operations of the equity accounted investees. When there has been a change recognised directly in the equity of the entity, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees.

The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement and represents profits or loss after tax and non-controlling interests in the subsidiaries of the equity-accounted investees.

Adjustments are made if necessary, to the financial statements of the equity accounted investees to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in 'share of losses of an equity accounted investee' in the income statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

3.1.6 Interest in joint ventures

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

The Group's interests in such joint ventures are accounted for on a proportionate consolidation basis. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture. Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and the proceeds from disposal is recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as an investment in an equity accounted investee.

3.1.7 Reporting date

All the Group's subsidiaries, jointly controlled entities and equity-accounted investees have the same reporting period as the parent company other than Ports Terminal Limited, a subsidiary company, whose financial year ends on the 31st of December.

3.1.8 Intra-group transactions

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

3.1.9 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 Foreign currencies

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. All monetary assets and liabilities denominated in foreign currency at the reporting date are retranslated to the reporting currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the re-translation of available for sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income

Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an equity accounted investee or joint venture that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount is reclassified to the income statement.

3.3 Financial instruments

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

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

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

3.3.1 Non-derivative financial assets

3.3.1.1 Initial recognition and measurement

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

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

3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

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

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds. The Group has not designated any equity instruments in this category

3.3.1.1.2 Loans and receivables

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

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

3.3.1.1.3 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to –maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

3.3.1.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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

The Group designates listed and unlisted equity investments that are not held for trading purposes as available-for-sale financial instruments. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold or redeemed in response to needs for liquidity or in response to changes in market conditions.

Interest income on available-for-sale debt securities calculated using the effective interest method and dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

3.3.1.2 Impairment of financial assets

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

3.3.1.2.1 Loans & Receivables

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

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

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

3.3.1.2.2 Available for sale.

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

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

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

3.3.1.3 Derecognition of financial assets

The Group derecognises a financial asset when;

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, and either
- The entity has transferred substantially all the risks and rewards of the asset, or
- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

3.3.2 Non-derivative financial liabilities

3.3.2.1 Initial recognition and measurement

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

3.3.2.1.1 Financial liabilities at fair value through profit or loss

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

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

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

3.3.2.1.2 Other financial Liabilities

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

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

3.3.2.2 Derecognition of financial assets and liabilities

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

3.3.3 Offsetting of financial instruments

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

3.3.4 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

3.3.5 Share capital

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

3.4. Property, plant & equipment

3.4.1 Recognition and measurement

Items of 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, and borrowing costs if the recognition criteria are met. 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 recognises land owned by it in the statement of financial position at their re-valued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

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.

3.4.2 Significant components of property plant & equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

3.4.3 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 amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

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

The estimated useful lives are as follows:

Leased Assets	Over the periods of the lease
Buildings	20 - 50 years
Plant and Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years
Motor Vehicles	04 - 10 years
Furniture and Fittings	10 years
Computer Equipment	3-5 years
Crockery, Cutlery and Glassware	3-5 years
Speed Boats	5 years
Soft Furnishing	5-10 years

Power generation plants of some of the Group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

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.

3.5 Investment properties

3.5.1 Recognition and measurement

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

3.5.2 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.

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

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.

3.6 Leases

3.6.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate interest on the remaining balance of the liability.

3.6.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. 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.

3.6.3 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. The carrying amount of leasehold property is tested for impairment annually.

3.6.4 Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, If the Group concludes that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently as payments are made the liability is reduced and imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3.7 Intangible assets

3.7.1 Initial Recognition and measurement

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

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

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

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

3.7.2 Subsequent costs

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

3.7.3 Subsequent measurement

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

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

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

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

3.7.4 Intangible assets recognised by the Group.

3.7.4.1 Computer software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

The Group amortises computer software over period of 3 to 5 years.

3.7.4.2 Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

The Group amortises website costs over a period of 3 to 5 years.

3.7.4.3 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 3.1.1.

3.7.5 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. 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

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

3.9 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be 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.

3.10 Impairment – Non-financial assets

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

3.10.1 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.

3.10.2 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.

3.11 Liabilities and provisions

Liabilities classified as current liabilities in the statement of financial position 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.

3.12 Employee benefits

3.12.1 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 Group 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.

3.12.2 Defined contribution plan

A defined contribution plan is a post employment benefit plan under which an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional 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.

3.12.2.1 Employee provident fund and Employee trust fund

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

3.12.2.2 Employee pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme

3.12.3 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 statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

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

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

The liability is not externally funded.

With the adoption of the revised LKAS 19 – Employee Benefits, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur. This has been adopted by the group with retrospective effect.

3.13 Provisions

A provision is recognised if, as a result of past events, 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.

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

3.13.1 Provision for major overhauls

Provision is made on a monthly basis for major overhaul costs based on the estimated overhauls to be carried out within the estimated interval between two major overhauls. The cost of the actual overhaul carried out is set off against the provision. The adequacy of the provision balance is reviewed at a consistent frequency, and any under / over provision which arises due to a change in estimate and the timing of the major overhauls, is adjusted in the income statement for the period in which such under / over provision is identified.

3.14 Revenue

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

3.14.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

3.14.2 Sale of goods

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

3.14.3 Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period

3.14.3.1 Hotel operation

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

3.14.3.2 Loyalty points programme of Hotel Companies,

'Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group hotels which could be redeemed for future hotel accommodation, subject to a minimum number of points being obtained. Consideration received on hotel rooms occupied is allocated between the current sales and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

3.14.3.3 Lease income

Minimum lease payments receivable under a finance lease are apportioned between the finance income and the reduction of the outstanding receivable. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the financial asset.

3.14.3.4 Installation of elevators

Revenue on installation of elevators is recognised in the income statement by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to cost incurred to date as a percentage of estimated total cost for each installation.

3.14.3.5 Commission income

When the Group acts in the capacity of an agent rather than the principal in a transaction, the revenue recognition is the net amount of commission earned by the Group.

3.14.4 Use by others of entity assets

3.14.4.1 Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

3.14.4.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

3.14.4.3 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the lease.

3.15 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.

3.16 Finance Income / (Expenses)

Finance income comprises of interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss, and gains on the disposal of interest generating investments whether classified under fair value through profit or loss or available-for-sale financial assets.

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 11 to the financial statements.

3.17 Government grants and subsidies.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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 statement of financial position as deferred income, and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and recognised in the income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the applicable market rate, the effect of this favourable interest is regarded as a government grant.

3.18 Income tax expense

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

3.18.1 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.

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.

3.18.1.1 Companies incorporated in Sri Lanka

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

3.18.1.2 Companies incorporated outside Sri Lanka

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to the relevant tax statutes as disclosed in note 12.3 to the financial statements.

3.18.2 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 temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the 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 statement of financial position and are not offset against each other.

3.18.3 Economic service charge

As per the provisions of the Economic Service Charge Act No 13 of 2006, economic service charge is payable on the liable turnover at specified rates. Economic service charge 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.

3.19 Operating Segments

An operating segment is a distinguishable component of the Group that engages in business activities from which it earn revenues and incurs expenses, including revenues and expenses that relate to transactions with Group's other segments.

The operations of the Group are categorised under four segments based on the nature of the products or services provided by each segment and the risks and rewards associated with the economic environment in which these segments operate. The performance of the Group is evaluated based on the performance of these four main segments by the Group's Managing Director (chief operating decision maker). The internal management reports prepared on these segments are reviewed by the Group's Managing Director on a monthly basis. Details of the Group companies operating under each segment and the products and services offered under each segment are provided under Group Companies in pages 211 to 219.

3.20 Movement of reserves

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

3.21 Cash flow

The cash flow statement is reported based on the "indirect method".

3.22 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 38 and 42 to the financial statements.

3.23 Earnings per share

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

3.24 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4 New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing theses financial statements. The Group expects that these standards when applied will have substantial impact on the financial performance, financial position and disclosures. The Group will be adopting these standards when they become effective.

SLFRS 9 *: Financial Instruments* - effective for annual periods beginning on or after 1st of January 2015

SLFRS 10 *: Consolidated Financial Statements* - effective for annual periods beginning on or after 1st of January 2014

SLFRS 11 *: Joint Arrangements* - effective for annual periods beginning on or after 1st of January 2014

SLFRS 12 *: Disclosure of Interest in other entities* - effective for annual periods beginning on or after 1st of January 2014

SLFRS 13 *: Fair value measurement* - effective for annual periods beginning on or after 1st of January 2014

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Property, plant and equipment acquired in business combinations

The fair value of Property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction. The fair value of items of plant, equipment fixtures and fittings is based on market prices for similar items when available and depreciated replacement cost when appropriate.

5.2 Property, plant and equipment owned by the Group

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on the market values. This is the estimated amount for which land could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

5.3 Investment property

Investment property is valued for disclosure purposes by the directors based on the market value, being the estimated amount for which the property could be exchanged on the reporting date between a willing buyer and a willing seller in an arm's length transaction.

5.4 Equity securities

The fair value of the equity securities is determined by reference to their quoted share price at the reporting date if quoted; or if unquoted either using discounted cash flow analysis using expected future cash flows and a market related discounted rate, or based on the net assets of the investee company

5.5 Financial instruments other than equity securities carried at fair value through profit or loss and available-for-sale investments

Fair value of these financial instruments is estimated by discounting the difference between the contractual price of the instrument price and the currentprice of the instrument for the residual maturity of the contract based on quoted price, or obtained from brokers if not quoted, using a credit adjusted risk free interest rate.

5.6 Defined benefit plan – retirement benefit obligations

The define benefit plan is valued by a professionally qualified external actuary using the projected unit credit method using the standard rate of inflation, an appropriate discount rate and anticipation of future salary increases.

5.7 Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated based on the expected payment amount and their associated probabilities discounted to present value when appropriate.

6 Operating segments

6.1 Business segments

6.1.1 Business segment analysis of group revenue and profit

	Tourism sector		Maritime cargo logistics sector		Strategic investments		Services sector		Total	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total revenue generated	16,965,336	15,503,153	7,326,724	6,351,822	15,337,171	18,286,145	819,643	734,952	40,448,874	40,876,072
Inter - segmental revenue	(45,379)	(24,254)	(292,738)	(399,065)	(208,230)	(189,267)	(194,151)	(178,168)	(740,498)	(790,754)
Intra-segmental revenue	(1,710,134)	(1,415,907)	(238,093)	(209,501)	(60,654)	(188,463)	(26,587)	(19,412)	(2,035,468)	(1,833,283)
Total revenue with equity-accounted investees	15,209,823	14,062,992	6,795,893	5,743,256	15,068,287	17,908,415	598,905	537,372	37,672,908	38,252,035
Share of equity-accounted investees' revenue	-	-	-	-	(1,074,813)	(1,112,108)	-	-	(1,074,813)	(1,112,108)
Revenue from external customers	15,209,823	14,062,992	6,795,893	5,743,256	13,993,474	16,796,307	598,905	537,372	36,598,095	37,139,927
Profit from operations	4,250,842	3,451,361	735,552	593,707	552,276	1,336,170	164,322	149,504	5,702,992	5,530,742
Finance income	318,297	278,440	53,994	52,198	407,685	412,051	20,745	18,198	800,721	760,887
Finance expenses	(244,462)	(347,490)	(80,384)	(82,466)	(921,208)	(1,010,095)	(4,615)	(3,913)	(1,250,669)	(1,443,964)
Share of profit of equity-accounted investees (net of tax)	34,987	70,442	-	-	121,080	107,374	-	-	156,067	177,816
Profit before tax	4,359,664	3,452,753	709,162	563,439	159,833	845,500	180,452	163,789	5,409,111	5,025,481
Income tax expense	(635,271)	(517,694)	(145,090)	(143,611)	(78,755)	(57,588)	(41,360)	(31,077)	(900,476)	(749,970)
Profit for the year	3,724,393	2,935,059	564,072	419,828	81,078	787,912	139,092	132,712	4,508,635	4,275,511
Depreciation and amortisation	807,631	775,994	244,744	162,745	322,503	339,592	74,542	71,237	1,449,420	1,349,568
Impairment losses / (reversals) and write offs	(1,193)	33,121	8,024	8,500	601,066	86,875	2,565	312	610,462	128,808
Other non cash expenses	32,249	63,073	29,038	31,250	35,793	40,804	8,232	7,609	105,312	142,736

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 11.7 billion of revenue, which amounts to 32% of the Group's total revenue for the year, is attributable to one customer (state owned enterprise) recorded under the strategics investments sector.

6.1.2 Business segment analysis of group assets and liabilities

	Tourism sector		Maritime cargo logistics sector		Strategic investments		Services sector		Total	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segment assets	25,826,279	22,522,866	7,588,941	5,746,893	21,608,719	22,265,162	3,084,568	3,020,419	58,108,507	53,555,340
Investments in equity-accounted investees	1,340,495	1,306,279	-	-	754,001	624,926	-	-	2,094,496	1,931,205
Goodwill on consolidation	-	-	-	-	-	-	-	-	793,109	515,340
Assets classified as held for sale	-	-	-	-	-	-	-	-	149,125	149,125
Total assets	27,166,774	23,829,145	7,588,941	5,746,893	22,362,720	22,890,088	3,084,568	3,020,419	61,145,237	56,151,010
Segment liabilities	7,681,898	7,440,288	2,118,556	2,063,977	11,961,082	12,605,121	526,265	506,566	22,287,801	22,615,952
Eliminations / adjustments	-	-	-	-	-	-	-	-	79,172	32,357
Total liabilities	7,681,898	7,440,288	2,118,556	2,063,977	11,961,082	12,605,121	526,265	506,566	22,366,973	22,648,309
Additions to non current assets	930,147	1,413,330	248,805	209,928	131,305	771,179	50,292	270,076	1,360,549	2,664,513

6.2 Geographical information

Geographical analysis of the Group's revenue and non current assets is stated based on the country where the sale occurred or the service was rendered.

6.2.1 Geographical information - revenue

	Total revenue generated		Revenue from external customers	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka	28,800,023	30,835,950	25,967,185	27,910,056
Maldives	10,254,397	9,749,291	9,262,460	8,942,208
Other countries	1,394,454	290,831	1,368,450	287,663
	40,448,874	40,876,072	36,598,095	37,139,927

6.2.2 Geographical information - non current assets

	Non current assets	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Sri Lanka	23,924,273	23,193,216
Maldives	7,789,909	7,818,153
Other countries	678,306	284,739
	32,392,488	31,296,108
Investments in equity-accounted investees	2,094,496	1,931,205
Goodwill on consolidation	793,109	515,340
	35,280,093	33,742,653

7 Revenue

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rendering of services	33,810,017	34,821,773	547,152	490,048
Sale of goods	2,303,296	1,814,497	-	-
Lease interest income	484,782	503,657	-	-
Royalty income	-	-	65,094	45,452
	36,598,095	37,139,927	612,246	535,500

8 Other operating income

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividends from subsidiaries and joint ventures	-	-	639,479	548,066
Dividends from available-for-sale financial assets	4,138	6,870	125	100
Loss on disposal of subsidiaries	-	(6,523)	-	-
Gain on disposal of available-for-sale financial assets re-classified from equity	26,570	11,089	-	6,212
Gain / (loss) on disposal of property, plant and equipment	(95,728)	28,737	5,688	8
Loss on disposal of investment property	(12,543)	-	(12,543)	-
Insurance income arising from loss of operation *	391,365	-	-	-
Government grants	496	634	-	-
Net foreign exchange gain / (loss)	129,315	(45,990)	17,966	(4,772)
Sundry income	11,480	17,691	70	7,852
	455,093	12,508	650,785	557,466

* During the year sixteen ocean villas of ADS Resorts (Pvt) Ltd – Maldives (Adhaaran Select Huduranfushi) was destroyed due to a fire. Insurance income reflected above is the compensation agreed by the insurance company for the loss of operations due to business interruption.

9 Profit before tax

Profit before tax is stated after charging the following:

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost of inventories and services	24,517,368	25,831,349	361,072	316,445
Directors' remuneration and fees	331,320	315,467	72,790	67,443
Auditors' remuneration				
- KPMG	10,579	9,870	950	860
- Other auditors	6,990	4,840	-	-
Fees paid to Auditors for non-audit services				
- KPMG	1,646	5,377	391	806
- Other auditors	2,387	1,269	-	-
Depreciation of property, plant and equipment and investment property	1,345,245	1,255,293	39,031	38,920
Amortisation of intangible assets and operating leases	104,175	94,275	24,509	20,961
Impairment losses / (reversals) and write offs				
- Impairment of property, plant and equipment and goodwill	50,000	78,505	-	-
- Impairment losses / (reversals) and write offs of trade & other receivables	427,285	47,554	26,881	(6)
- Impairment of inventories	133,177	2,749	-	-
- Impairment of investments in subsidiaries	-	-	159,198	-
Operating lease payments	328,141	324,389	-	-
Legal Expenses	9,373	11,308	73	433
Defined contribution plan cost - EPF & ETF	288,845	280,271	35,709	33,206
Employee pension scheme - Maldives	18,944	19,514	-	-
Defined benefit plan cost - Retirement benefits	105,312	88,657	17,222	13,742

10 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.

11 Finance income and finance expenses

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance income				
Interest income on financial assets classified as fair value through profit or loss	158,568	153,914	158,568	153,914
Interest income on loans and receivables	642,153	550,425	449,685	529,181
Dividend income on preference shares	-	-	11,813	11,813
Net change in fair value of financial assets classified as fair value through profit or loss	-	56,548	-	-
	800,721	760,887	620,066	694,908
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(1,145,540)	(1,327,591)	(509,732)	(553,206)
Net change in fair value of financial assets classified as fair value through profit or loss	(564)	-	-	-
Other finance charges	(104,565)	(116,373)	(8,882)	(4,229)
	(1,250,669)	(1,443,964)	(518,614)	(557,435)

There were no borrowing costs capitalised by the Group on qualifying assets during the financial year. (2012/2013 - Rs. 10.2 million). (Company-nil)

12. Income Tax Expense

The income tax provision of Aitken Spence PLC., its subsidiaries, joint ventures and equity accounted investees which are resident in Sri Lanka has been calculated on their adjusted profits at 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto (other than in respect of companies set out in notes 12.1, 12.2 and 12.3 below).

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

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

Companies exempt from tax

Company	Statute	Period
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2014/2015
Logilink (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years Ending 2014/2015
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years Ending 2018/2019
Ace Wind Power (Private) Limited	Section 17 of BOI Law No. 4 of 1978	5 Years Ending 2018/2019
Aitken Spence Hotels (International) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence C & T Investments (Pvt) Ltd	Section 17A of the Inland Revenue Act No. 10 of 2006	10 Years from 1st Year of Profit
Aitken Spence Resorts (Pvt) Ltd	Section 17A of the Inland Revenue Act No. 10 of 2006	10 Years from 1st Year of Profit

Companies liable to tax at concessionary rates

Company	Tax Rate & 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
MPS Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Golden Sun Resorts (Pvt) 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
Aitken Spence Apparels (Pvt) Ltd	12% under Section 56 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
Vauxhall Property Developments (Pvt) Ltd	2% of Turnover under Section 17 of BOI Law No. 4 of 1978	15 Years Ending 2018/2019
Aitken Spence Property Developments (Pvt) Ltd	10% under Section 17 of BOI Law No. 4 of 1978 20% under Section 17 of BOI Law No. 4 of 1978	2 Years Ending 2014/2015 Indefinite
Aitken Spence Plantation Managements PLC	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 the 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 transshipment agency fees are liable for tax at 12%.
- 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%.
- Maximum of 25% qualifying payment deduction for expansions under section 34, for investments not less than Rs. 50 million in fixed assets made by any undertaking on investments specified in section 16C or section 17A.

12.2 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Port Management Container Service (Pvt) Ltd	South Africa	Business profits liable to tax at 28% 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	Country	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
P.R.Holiday Homes (Pvt) Ltd	India	Liable at 30.9% as per Indian Tax Law
Ace Bangladesh Ltd	Bangladesh	Liable at 37.5% as per Bangladesh Tax Law
Ports Terminal Ltd	Republic of Fiji	Liable at 20% as per Fiji Tax Law

Profits and income derived from the provision of services to non-resident companies operating in Republic of Maldives and Republic of Fiji are subject to withholding tax at 10% and 15% respectively.

12.4 Tax recognised in the income statement

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax expense				
Tax on current year profits (note 12.6)	721,442	645,335	13,653	12,879
Under / (over) provision in respect of previous years	767	(27,298)	-	(1,397)
Withholding tax on dividends paid by subsidiaries	83,497	68,200	-	-
	805,706	686,237	13,653	11,482
Deferred tax expense				
Deferred tax expense (note 12.7)	94,770	63,733	-	-
	900,476	749,970	13,653	11,482

Income tax expense excludes, the Group's share of tax expense of the Group's equity-accounted investees recognised in profit/(loss) of Rs. 35.1 million (2012/2013 - Rs. 43.9 million) which has been included in 'share of profit of equity-accounted investees (net of tax)'.

12.5 Tax recognised in the statement of other comprehensive income - Group

	2013/2014			2012/2013		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation of property, plant and equipment	1,160,838	-	1,160,838	280,247	-	280,247
Actuarial gains / (losses) on defined benefit obligations	(56,676)	8,724	(47,952)	(27,904)	2,794	(25,110)
Exchange differences on translation of foreign operations	183,091	-	183,091	(51,107)	-	(51,107)
Net change in fair value of available-for-sale financial assets	(24,397)	-	(24,397)	36,961	-	36,961
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	1,817	-	1,817	(2,403)	-	(2,403)
Share of other comprehensive income of equity-accounted investees (net of tax)	12,885	-	12,885	3,685	-	3,685
	1,277,558	8,724	1,286,282	239,479	2,794	242,273

Tax recognised in other comprehensive income excludes, the Group's share of tax expense of the Group's equity-accounted investees of Rs. 1.7 million (2012/2013 - Rs. 0.7 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.6 Reconciliation of the accounting profit and tax on current year

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before tax	5,409,111	5,025,481	423,076	567,628
Consolidation adjustments	50,000	55,292	-	-
Profit after adjustments	5,459,111	5,080,773	423,076	567,628
Income not liable for income tax	(1,527,446)	(1,678,328)	(12,743)	(16,184)
Effect of revenue subject to tax at source	685,298	540,383	36,531	48,789
Adjusted profit / (loss)	4,616,963	3,942,828	446,864	600,233
Non - taxable receipts / gains	(20,501)	(49,922)	(651,417)	(573,926)
Aggregate disallowed expenses	2,333,407	1,738,065	426,399	190,801
Capital allowances	(2,219,472)	(1,314,798)	(52,780)	(57,080)
Aggregate allowable deductions	(2,241,264)	(554,780)	(80,833)	(69,546)
Utilisation of tax losses	(134,525)	(118,929)	(18,096)	(15,576)
Qualifying payment deductions	(83,176)	(84,486)	-	-
Current year tax losses not utilised *	2,454,981	438,594	-	-
Taxable income	4,706,413	3,996,572	70,137	74,906
Income tax charged at;				
Standard rate of 28%	126,750	186,935	10,000	8,000
Concessionary rate of 10%, 12% or 15%	105,395	76,195	-	-
Other rates	750	675	-	-
Varying rates on off - shore profits	488,547	381,530	3,653	4,879
	721,442	645,335	13,653	12,879

* Current year tax losses not utilised include the tax loss on disposal of the thermal power plant owned by Ace Power Horana (Pvt) Ltd.

12.7 Deferred tax expense

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Origination of temporary differences	94,770	64,576	-	-
Change in unrecognised other temporary differences	-	(15)	-	-
Recognition of previously unrecognised tax losses	-	(828)	-	-
	94,770	63,733	-	-

12.8 Tax losses carried forward

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax losses brought forward	2,458,649	2,310,574	151,296	174,356
Adjustments to tax losses brought forward and tax losses arising during the year	2,695,211	273,141	(205)	(7,544)
Utilisation of tax losses	(135,949)	(125,066)	(18,096)	(15,516)
	5,017,911	2,458,649	132,995	151,296

As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted in respect of these losses amounted to Rs. 912 million (2012/2013 - Rs. 79 million). Deferred tax asset not accounted on the carried forward losses of the Company amounted to Rs. 37 million (2012/2013 - Rs. 42 million).

13 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company, 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	
	2013/2014	2012/2013	2013/2014	2012/2013
Net profit attributable to ordinary shareholders of the parent (Rs.)	3,671,870,041	3,287,606,835	409,422,660	556,146,451
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	9.04	8.10	1.01	1.37

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

14 Dividends per share

	2013/2014	2012/2013
	Rs.'000	Rs.'000
Final ordinary dividend recommended - Rs.2.00 per share (2012/2013 - Rs.1.50 per share)	811,992	608,994
	811,992	608,994

The Directors have recommended a final dividend payment of Rs. 2.00 per share for the year ended 31st March 2014 to be approved at the Annual General Meeting to be held on 30th June 2014.

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2014.

15 Property, plant and equipments

15.1 Group

	Freehold Land	Freehold buildings	Plant machinery and equipment	Motor vehicles	Leasehold motor vehicles	Furniture and fittings	Capital work-in-progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or revaluation								
Balance as at 01.04.2013	7,487,369	13,822,106	8,782,316	1,441,552	22,134	1,489,943	808,823	33,854,243
Surplus on revaluation	1,160,838	-	-	-	-	-	-	1,160,838
Companies acquired during the year	-	-	130,051	1,255,652	-	13,391	-	1,399,094
Exchange difference	(13,416)	196,062	46,333	33,337	3,018	9,795	84	275,213
Additions	109,716	56,183	486,154	129,792	30,683	86,245	454,942	1,353,715
Transfers	(89,274)	28,455	2,738	1,696	-	546	(53,688)	(109,527)
Disposals / write-off	-	(354,363)	(1,046,871)	(68,990)	(9,918)	(23,015)	(71,932)	(1,575,089)
Balance as at 31.03.2014	8,655,233	13,748,443	8,400,721	2,793,039	45,917	1,576,905	1,138,229	36,358,487
Accumulated depreciation / impairment								
Balance as at 01.04.2013	-	3,599,663	4,483,320	765,794	13,244	919,482	30,960	9,812,463
Companies acquired during the year	-	-	101,165	812,257	-	10,159	-	923,581
Exchange difference	-	66,198	31,019	22,182	2,464	7,699	-	129,562
Charge for the year	-	394,030	610,536	221,618	15,613	102,696	-	1,344,493
Transfers	-	(15,560)	14,512	200	-	631	-	(217)
Disposals / write-off	-	(196,144)	(764,878)	(47,400)	(9,918)	(23,015)	(30,960)	(1,072,315)
Balance as at 31.03.2014	-	3,848,187	4,475,674	1,774,651	21,403	1,017,652	-	11,137,567
Carrying amount as at 31.03.2014	8,655,233	9,900,256	3,925,047	1,018,388	24,514	559,253	1,138,229	25,220,920
Carrying amount as at 31.03.2013	7,487,369	10,222,443	4,298,996	675,758	8,890	570,461	777,863	24,041,780

The value of property, plant and equipment pledged by the Group as security for facilities obtained from banks amounted to Rs. 5,643 million (2012/2013- Rs. 5,519 million).

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

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations 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 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 other than those already written off.

Property plant and equipment as at 31st March 2014 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 1,398 million that is still in use.

15.2 Company

	Plant machinery and equipment	Motor vehicles	Furniture and fittings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at 01.04.2013	125,394	115,156	91,486	332,036
Additions	7,731	32,510	50	40,291
Disposals	(513)	(13,605)	(11)	(14,129)
Balance as at 31.03.2014	132,612	134,061	91,525	358,198
Accumulated depreciation / impairment				
Balance as at 01.04.2013	101,046	56,305	33,639	190,990
Charge for the year	11,322	16,196	8,006	35,524
Disposals	(425)	(11,851)	(7)	(12,283)
Balance as at 31.03.2014	111,943	60,650	41,638	214,231
Carrying amount as at 31.03.2014	20,669	73,411	49,887	143,967
Carrying amount as at 31.03.2013	24,348	58,851	57,847	141,046

There were no property plant and equipment pledged by the Company as security for facilities obtained from banks.

Property plant and equipment as at 31st March 2014 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 113 million that are still in use.

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2014	Revaluation surplus	Carrying amount at cost
				Rs.'000	Rs.'000	Rs.'000
Aitken Spence PLC. [b]	316, K. Cyril C. Perera Mw., Colombo 13	14.06.2013	1 A 0 R 20.40 P	402,570	397,579	4,991
Aitken Spence PLC. [a]	170, Sri Wickrema Mw., Colombo 15	27.01.2014	3 A 3 R 31.00 P	313,000	270,039	42,961
Aitken Spence PLC. [a]	Moragalla, Beruwala	21.01.2014	10 A 1 R 23.97 P	540,750	539,796	954
Aitken Spence PLC. [a]	290/1, Inner Harbour Road, Trincomalee	15.03.2014	0 A 1 R 4.95 P	14,500	14,500	-
Ace Containers (Pvt) Ltd.[a]	775/5, Negombo Road, Wattala	24.01.2014	22 A 0 R 24.88 P	1,329,300	1,233,909	95,391
Ace Containers (Pvt) Ltd.[a]	385, Colombo Road, Welisara	24.01.2014	8 A 3 R 12.23 P	458,975	372,302	86,673
Ace Distriparks (Pvt) Ltd. [a]	80, Negombo Road, Wattala	24.01.2014	2 A 2 R 17.03 P	417,000	47,438	369,562
Ace Power Generation Matara (Pvt) Ltd. [a]	Hittetiya - Matara	05.03.2014	0 A 0 R 5.68 P	284	84	200
Ahungalla Resorts Ltd. [a]	Meeraladuwa Island, Balapitiya	23.01.2014	29 A 2 R 9.00 P	441,000	350,568	90,432
Ahungalla Resorts Ltd. [d]	"Ahungalla Resorts", Galle Road, Ahungalla	05.04.2013	10 A 2 R 39.25 P	639,039	600,001	39,038
Ahungalla Resorts Ltd. [d]	"Ahungalla Resorts", Galle Road, Ahungalla	05.04.2013	2 A 0 R 35.92 P	125,000	65,998	59,002
Aitken Spence (Garments) Ltd.[a] *	222, Agalawatte Road, Matugama	08.02.2014	2 A 3 R 0 P	12,650	10,070	2,580
Aitken Spence Hotel Holdings PLC.[a]	"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. [a]	"Creamland Farm", Mawaramandiya.	06.02.2014	3 A 0 R 25.08 P	50,500	26,072	24,428
Aitken Spence Resorts Ltd. [a]	Kudawaskaduwa, Kalutara	21.01.2014	1 A 3 R 23.20 P	86,000	34,022	51,978
Aitken Spence Resorts Ltd. [a]	Kudawaskaduwa, Kalutara	21.01.2014	0 A 1 R 34.30 P	16,700	2,725	13,975

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2014	Revaluation surplus	Carrying amount at cost
Branford Hydropower (Pvt) Ltd. [a]	263, 1st lane, Gangabada Road, Kaludewala, Matale	14.03.2014	2 A 0 R 14.00 P	13,350	2,817	10,533
Clark Spence and Co., Ltd. [a]	24-24/1, Church Street, Galle	04.03.2014	0 A 1 R 27.90 P	169,750	169,715	35
Golden Sun Resorts (Pvt) Ltd. [a]	418, Parallel Road, Kudawaskaduwa, Kalutara	20.10.2012	5 A 1R 37.90 P	280,500	260,727	19,773
Golden Sun Resorts (Pvt) Ltd. [a]	49, Sea Beach Road, Kalutara	20.10.2012	0 A 1R 30.32 P	21,000	19,520	1,480
Heritance (Pvt) Ltd. [a]	Moragalla, Beruwala	23.01.2014	5 A 3 R 6.80 P	278,000	266,920	11,080
Kandalama Hotels Ltd. [a]	Kandalama, Dambulla	23.01.2014	169 A 2 R 22.00 P	9,000	1,616	7,384
Logilink (Pvt) Ltd. [a]	309/4 a, Negombo Road, Welisara	24.01.2014	2 A 1 R 9.50 P	129,325	46,834	82,491
M.P.S. Hotels Ltd. [a]	200/21, Peradeniya Road, Kandy	29.01.2014	3 A 3 R 1.52 P	300,500	59,324	241,176
Neptune Ayurvedic Village (Pvt) Ltd. [a]	Ayurvedic village - Moragalla, Beruwala	23.01.2014	0 A 0 R 19.30 P	4,425	362	4,063
PR Holiday Homes (Pvt) Ltd. [c]	Cochin - Kerala	31.03.2012	16 A 3 R 24.00 P	188,931	44,791	144,140
Vauxhall Investments Ltd. [b]	316, K. Cyril C. Perera Mw., Colombo 13	14.06.2013	0 A 1 R 21.08 P	137,430	115,591	21,839
Vauxhall Property Developments Ltd. [a]	305, Vauxhall Street, Colombo 02	31.03.2014	0 A 2 R 24.73 P	549,832	535,101	14,731
				8,401,406	6,941,918	1,459,488

* Denotes the land owned by joint venture companies. The extent of the land is the total owned by the respective company while the carrying value is the Group's share recognised in the consolidated financial statements.

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

[a] Valuation of the land was carried out by Mr. K.C.B. Condegama, A.I.V (Sri Lanka)

[b] Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)

[c] 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 and Associates, India.

[d] Valuation of the land was carried out by Mr. W. Nanda De Silva, A.I.V. (Sri Lanka)

15.3.2 Land carried at cost / fair value

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2014
				Rs.'000
Colombo International Nautical & Engineering College *	Millennium Drive, IT Park, Malabe	27.10.2011	7 A 1 R 26.72 P	157,435
Colombo International Nautical & Engineering College *	Mirishena, Ethnamadala, Kalutara North	27.10.2011	1 A 1 R 6.00 P	4,120
Aitken Spence Hotel Holdings PLC.	"Heritance Ahungalla", Galle Road, Ahungalla	05.06.2013	0 A 0 R 39.26 P	5,207
Ace Containers (Pvt) Ltd.	No.377, Negombo Road, Welisara, Ragama	18.07.2013	1 A 1 R 17.80 P	87,065
				253,827

* Denotes the land owned by joint venture companies. The extent of the land is the total owned by the respective company while the carrying value is the Group's share recognised in the consolidated financial statements.

15.3.3 Total carrying amount of land

	Carrying amount as at 31.03.2014
	Rs.'000
Land carried at revalued amount	8,401,406
Land carried at cost	253,827
	8,655,233

16 Investment property

16.1 Movement during the year

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance at the beginning of the period	1,663,350	1,663,350	3,509,088	3,509,088
Transfer from property, plant and equipment	89,274	-	-	-
Disposals / write-off	(15,049)	-	(15,049)	-
Balance at the end of the period	1,737,575	1,663,350	3,494,039	3,509,088
Accumulated depreciation / impairment				
Balance at the beginning of the period	1,754	1,001	53,093	51,783
Charge for the year	752	753	3,507	1,310
Disposals / write-off	(2,506)	-	(2,506)	
Balance at the end of the period	-	1,754	54,094	53,093
Carrying amount as at 31st March	1,737,575	1,661,596	3,439,945	3,455,995

16.2 Details of land under investment property

Location	Extent	Carrying value of investment property		Number of buildings
		Group	Company	
		Rs.'000	Rs.'000	
315, Vauxhall Street, Colombo 02	1 A 0 R 12.78 P	-	900,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.40 P	-	223,650	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	194,539	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	550,255	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 4.95 P	-	12,700	1
Irakkakandi Village, VC road, Nilaweli	113 A 1 R 1.00 P	1,630,801	1,558,801	-
Uluambalama Kadirana, Negombo	30 A 0 R 00 P	89,274	-	-
3/2, Seewali lane, Kudaedanda, Wattala	0 A 0 R 36.10 P	17,500	-	-
		1,737,575	3,439,945	

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. These properties are treated as investment property in the relevant company's statement of financial position, if such company has rented out the property to other Group companies.

16.3 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of the above properties based on the Directors valuation as at 31st March 2014 for the Group was Rs. 3,973 million (2012/2013 - Rs. 3,021 million), and for the company was Rs. 3,794 million (2012/2013 - Rs. 4,681 million).

16.4 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 15.7 million (2012/2013 - Rs. 15.7 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

There were no restrictions on the realisability of any investment property or on the remittance of income or proceeds of disposal.

17 Intangible assets

17.1 Group

	Goodwill	Software	Other intangibles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or valuation				
Balance as at 01.04.2013	564,109	310,112	1,696	875,917
Companies acquired during the year	327,769	1,311	-	329,080
Exchange difference	-	1,077	-	1,077
Additions	-	6,646	188	6,834
Transfer from property, plant and equipment	-	20,253	-	20,253
Disposals / write-off	-	(4,859)	-	(4,859)
Balance as at 31.03.2014	891,878	334,540	1,884	1,228,302
Accumulated amortisation / impairment				
Balance as at 01.04.2013	48,769	172,802	290	221,861
Companies acquired during the year	-	797	-	797
Exchange difference	-	693	-	693
Charge for the year	-	56,791	202	56,993
Impairment during the year	50,000	-	-	50,000
Transfer from property, plant and equipment	-	217	-	217
Disposals / write-off	-	(4,859)	-	(4,859)
Balance as at 31.03.2014	98,769	226,441	492	325,702
Carrying amount as at 31.03.2014	793,109	108,099	1,392	902,600
Carrying amount as at 31.03.2013	515,340	137,310	1,406	654,056

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

Intangible assets as at 31st March 2014 includes fully amortised assets having a gross carrying amount (cost) of Rs. 80 million that are still in use.

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

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

17.2 Company

	Software	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Cost or valuation		
Balance at the beginning of the period	158,381	109,920
Additions	1,531	48,461
Balance at the end of the period	159,912	158,381
Accumulated amortisation / impairment		
Balance at the beginning of the period	82,344	61,383
Charge for the year	24,509	20,961
Balance at the end of the period	106,853	82,344
Carrying amount as at 31st March	53,059	76,037

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

Intangible assets as at 31st March 2014 includes fully amortised assets having a gross carrying amount (cost) of Rs. 41 million that are still in use.

18 Leasehold property

	Group	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Cost		
Balance at the beginning of the period	1,776,460	1,789,901
Exchange difference	53,760	(13,441)
Balance at the end of the period	1,830,220	1,776,460
Accumulated amortisation		
Balance at the beginning of the period	312,530	268,800
Exchange difference	9,458	(2,998)
Amortisation during the year	47,132	46,728
Balance at the end of the period	369,120	312,530
Carrying amount as at 31st March	1,461,100	1,463,930

The acquisition cost of the leasehold rights of the Island of Vadoo in the Republic of Maldives is recognised under leasehold properties.

19 Pre-paid operating leases

	Group	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Balance at the beginning of the period	980,731	1,028,164
Amortisation for the period	(50)	(1,688)
Adjustments for exchange difference	29,568	(7,678)
Refund of overpayment of pre-paid rentals	-	(38,067)
Balance at the end of the period	1,010,249	980,731

Prepaid lease rentals for the Islands of Meedhupparu, Hudhuranfushi and Rannalhi in the Republic of Maldives and properties at Biyagama and Katunayake are recognised under pre-paid operating leases.

20 Finance lease receivables

The power plant owned by Ace Power Embilipitiya (Pvt) Ltd., which is being operated in accordance with a power purchase agreement entered in to with the Ceylon Electricity Board, is recognised under IFRIC 4, and the arrangement is accounted as a finance lease where Ace Power Embilipitiya (Pvt) Ltd., is treated as the lessor. The non escalable capacity charge in the tariff which is included in income is treated as the capital and interest recovery of the lease.

20.1 Movement during the year

	Group	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Balance at the beginning of the period	2,494,055	2,603,899
Settlements during the period	(176,776)	(92,314)
Adjustments for exchange difference	75,553	(17,530)
Balance at the end of the period	2,392,832	2,494,055
Current portion of finance lease receivables	146,948	168,964
Non current portion of finance lease receivables	2,245,884	2,325,091

20.2 Ageing of gross finance lease receivables and present value of lease receivables

	31.03.2014			31.03.2013		
	Gross investment	Unearned income	Present value	Gross investment	Unearned income	Present value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Not Later than one year	600,118	453,170	146,948	637,027	468,063	168,964
One to five years	2,245,884	-	2,245,884	2,762,406	437,315	2,325,091
Over five years	-	-	-	-	-	-
	2,846,002	453,170	2,392,832	3,399,433	905,378	2,494,055

21 Investments in subsidiaries and joint ventures

21.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding	Group holding	31.03.2014	31.03.2013
		%	%	Rs.'000	Rs.'000
a) Ordinary Shares					
Subsidiary companies					
Ace Cargo (Pvt) Ltd. (c)	990,000	100.00	100.00	245,173	245,173
Ace Container Repair (Pvt) Ltd. (c)	2,250,000	100.00	100.00	22,500	22,500
Ace Container Terminals (Pvt) Ltd. (c)	1,550,002	100.00	100.00	15,500	15,500
Ace Containers (Pvt) Ltd. (c)	4,010,000	100.00	100.00	40,100	40,100
Ace Distriparks (Pvt) Ltd. (c)	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. (c)	5,222,500	100.00	100.00	36,307	36,307
Ace International Express (Pvt) Ltd. (c)	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	13,250,000	100.00	100.00	132,500	132,500
Aitken Spence Apparels (Pvt) Ltd.	1,500,000	100.00	100.00	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd. (c)	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)	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

	Number of shares	Company holding	Group holding	31.03.2014	31.03.2013
		%	%	Rs.'000	Rs.'000
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. (c)	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	100,000
Aitken Spence Shipping Ltd. (c)	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	13,888
Branford Hydropower (Pvt) Ltd.	16,400,100	100.00	100.00	223,000	223,000
Logilink (Pvt) Limited. (c)	30,000,000	100.00	100.00	222,690	222,690
Royal Spence Aviation (Pvt) Ltd.	50,000	100.00	100.00	500	500
Spence International (Pvt) Ltd. (c)	1,500,000	100.00	100.00	15,000	15,000
Spence Logistics (Pvt) Ltd. (c)	25,000	100.00	100.00	650	650
Triton (Pvt) Ltd.	10,000	100.00	100.00	50	50
Vauxhall Cargo Logistics (Pvt) Ltd. (c)	10,000,000	100.00	100.00	50,000	50,000
Vauxhall Investments (Pvt) 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. (c)	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 (Pvt) Ltd.	80	80.00	80.00	200,000	200,000
Aitken Spence Moscow (Pvt) Ltd.	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)	133,500	66.75	66.75	7,302	7,302
Ace Alliance Power Ltd. (a)	6,400	64.00	64.00	96	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
Alliance Spence Power Ltd. (a)	5,100	51.00	51.00	80	80
Ace Aviation Services (Pvt) Ltd. (c)*	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 (Pvt) Ltd. *	10,323,225	49.00	86.99	99,000	99,000
Kandalama Hotels (Pvt) Ltd. *	6,000,000	37.00	82.99	182,050	182,050
Ports Terminal Ltd. (a) (c)	1,572,993	51.00	51.00	749,242	-
Aitken Spence Corporate Finance (Pvt) Ltd.	2	100.00	100.00	-	-
Aitken Spence Aviation (Pvt) Ltd. (a) *	-	-	100.00	-	-
Aitken Spence Resources (Pvt) Ltd. *	-	-	100.00	-	-
Aitken Spence Shipping Services Ltd. (c)*	-	-	100.00	-	-
A E Lanka (Pvt) Ltd. *	-	-	100.00	-	-
Clark Spence & Company (Pvt) Ltd. (c) *	-	-	100.00	-	-
Port Management Container Services (Pvt) Ltd. (c)*	-	-	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 (Pvt) 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 (Pvt) Ltd. *	-	-	74.49	-	-
Neptune Ayurvedic Village (Pvt) Ltd. *	-	-	74.49	-	-
PR Holiday Homes (Pvt) Ltd. *	-	-	73.57	-	-

	Number of shares	Company holding	Group holding	31.03.2014	31.03.2013
		%	%	Rs.'000	Rs.'000
Heritance (Pvt) Ltd. *	-	-	73.00	-	-
Aitken Spence Hotels Ltd. *	-	-	72.99	-	-
Jetan Travel Services Company (Pvt) Ltd. *	-	-	70.77	-	-
Hethersett Hotels Ltd. *	-	-	65.22	-	-
Hapag-Lloyd Lanka (Pvt) Ltd. (a) (c)*	-	-	60.00	-	-
Cowrie Investments (Pvt) Ltd. (a)*	-	-	44.69	-	-
Joint ventures					
Aitken Spence Travels (Pvt) Ltd. (a)	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
Aitken Spence C & T Investments (Pvt) Ltd. (a) (b)	14,170,000	50.00	50.00	141,700	94,200
MMBL Money Transfer (Pvt) Ltd. (a)	750,000	50.00	50.00	35,566	35,566
Spence Maldives (Pvt) Ltd. (c) *	-	-	60.00	-	-
Delta Shipping (Pvt) Ltd. *	-	-	51.00	-	-
Ace Travels & Conventions (Pvt) Ltd. *	-	-	50.00	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. *	-	-	50.00	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (c)*	-	-	50.00	-	-
Ace Bangladesh Ltd. (a) *	-	-	49.00	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (a) (c)*			40.00	-	-
				5,702,656	4,905,914
b) Preference Shares					
Aitken Spence Aviation (Pvt) Ltd.	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
Aitken Spence (Garments) Ltd.	4,000,000	72.70	72.70	40,000	40,000
				210,000	210,000
Provision for impairment of investments				(328,705)	(169,507)
Carrying amount as at 31st March				5,583,951	4,946,407

During the period under review the Company impaired its investments in the power sector and recognised an impairment loss of Rs.159 million which is reflected under other indirect operating expenses in the income statement.

21.2 Investment in subsidiaries - quoted

	Number of shares	Company holding	Group holding	31.03.2014	31.03.2013
		%	%	Rs.'000	Rs.'000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	239,472,667	71.20	74.49	2,458,287	2,458,287
Carrying amount as at 31st March				2,458,287	2,458,287
Market value as at 31st March				16,763,087	17,720,977

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels Ltd., Aitken Spence Travels (Pvt) 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., Ace Alliance Power Ltd., and Alliance Spence Power Ltd., are 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, Ports Terminal Ltd., is incorporated in Fiji Islands, while all other companies are incorporated in Sri Lanka.

The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs.223 million.

a,b,c - refer note 44

22 Investments in equity-accounted investees

22.1 Investment in equity-accounted investees - unquoted

	Group				Company			
	No. of shares	Holding	31.03.2014	31.03.2013	No. of shares	Holding	31.03.2014	31.03.2013
		%	Rs.'000	Rs.'000		%	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (b) (Ordinary shares) (consolidated with Elpitiya Plantations PLC (a) (b))	8,300,000	38.97	165,000	165,000	8,300,000	38.97	165,000	165,000
Carrying amount as at 31st March			165,000	165,000			165,000	165,000
Share of movement in equity value			589,001	459,926			-	-
Equity value of investments			754,001	624,926			165,000	165,000

22.2 Investment in equity-accounted investees - quoted

	Group				Company			
	No. of shares	Holding	31.03.2014	31.03.2013	No. of shares	Holding	31.03.2014	31.03.2013
		%	Rs.'000	Rs.'000		%	Rs.'000	Rs.'000
Browns Beach Hotels PLC. (a) (Ordinary shares) (consolidated with Negombo Beach Hotels (Pvt) Ltd.)	48,627,103	27.96	928,077	928,077	-	-	-	-
Carrying amount as at 31st March			928,077	928,077			-	-
Share of movement in equity value			412,418	378,202			-	-
Equity value of Investments			1,340,495	1,306,279			-	-
Market value of quoted investments as at 31st March			923,915	836,386			-	-
Equity value - unquoted			754,001	624,926	Net book value- unquoted		165,000	165,000
Equity value - quoted			1,340,495	1,306,279	Net book value - quoted		-	-
Equity value as at 31st March			2,094,496	1,931,205	Net book value as at 31st March		165,000	165,000

22.3 Summarised financial information of equity-accounted investees

	31.03.2014						
	Total assets	Total liabilities	Net assets	Revenue	Share of Profit recognised (net of tax) In profit or loss	Share of Profit recognised (net of tax) In other comprehensive income	Dividends
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'001	Rs.'000
Aitken Spence Plantation Managements PLC (consolidated with Elpitiya Plantations PLC.)	2,001,705	1,247,704	754,001	1,074,813	121,080	12,719	15,807
Browns Beach Hotels PLC. (consolidated with Negombo Beach Hotels (Pvt) Ltd.)	1,345,223	4,728	1,340,495	-	34,987	166	-
	3,346,928	1,252,432	2,094,496	1,074,813	156,067	12,885	15,807

a,b - refer note 44

22.3 Summarised financial information of equity-accounted investees - Contd.

	31.03.2013						
	Total assets	Total liabilities	Net assets	Revenue	Share of Profit recognised (net of tax)		Dividends
					In profit or loss	In other comprehensive income	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (consolidated with Elpitiya Plantations PLC.)	1,682,439	1,057,513	624,926	1,112,108	107,374	3,685	25,615
Browns Beach Hotels PLC. (consolidated with Negombo Beach Hotels (Pvt) Ltd.)	1,316,430	10,151	1,306,279	-	70,442	-	-
	2,998,869	1,067,664	1,931,205	1,112,108	177,816	3,685	25,615

23 Deferred tax assets

23.1 Movement in deferred tax assets

	Group	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Balance at the beginning of the year	222,147	209,769
Exchange gain / (loss)	541	(3,061)
Reversal of temporary differences transferred from/ (to) income statement		
Recognised in profit / (loss)	(7,819)	13,283
Recognised in other comprehensive income	5,152	2,156
Balance at the end of the year	220,021	222,147

23.2 Composition of deferred tax assets

	Group	
	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Deferred tax assets attributable to;		
Defined benefit obligations	60,580	48,284
Tax losses carried forward	240,411	273,612
Other items	23,080	23,935
Property, plant and equipment	(104,050)	(123,684)
Net deferred tax assets	220,021	222,147

23.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2014	Recognised in profit/ (loss)	Recognised in other comprehensive income	Exchange gain / (loss)	As at 31st March 2013	Recognised in profit/ (loss)	Recognised in other comprehensive income	Exchange gain / (loss)	As at 1st April 2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax assets									
Defined benefit obligations	60,580	7,144	5,152	-	48,284	9,053	2,156	-	37,075
Tax losses carried forward	240,411	(33,201)	-	-	273,612	15,852	-	-	257,760
Other items	23,080	1,081	-	(1,936)	23,935	6,433	-	(3,061)	20,563
	324,071	(24,976)	5,152	(1,936)	345,831	31,338	2,156	(3,061)	315,398
Deferred tax liability									
Property, plant and equipment	(104,050)	17,157	-	2,477	(123,684)	(18,055)	-	-	(105,629)
	(104,050)	17,157	-	2,477	(123,684)	(18,055)	-	-	(105,629)
Net deferred tax assets	220,021	(7,819)	5,152	541	222,147	13,283	2,156	(3,061)	209,769

24 Other financial assets

		Group		Company	
		31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other non-current financial assets					
Unquoted debt securities and equity securities	24.1	387,248	462,117	181,878	232,403
		387,248	462,117	181,878	232,403
Other current financial assets					
Bank deposits	24.3	9,022,868	5,369,255	2,743,481	2,119,069
Government securities	24.4	1,519,339	1,096,713	1,519,339	1,096,713
Quoted equity securities	24.2	29,632	281,898	3,641	3,300
Unquoted debt securities and equity securities	24.1	15,450	15,450	7,978	7,978
Forward foreign exchange contracts	25.5	283	847	-	-
		10,587,572	6,764,163	4,274,439	3,227,060

24.1 Unquoted debt securities and equity securities

	Group			Company		
	No. of shares	31.03.2014	31.03.2013	No. of shares	31.03.2014	31.03.2013
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd. (Redeemable Debentures)	-	159,027	206,735	-	159,027	206,735
Rainforest Ecolodge (Pvt) Ltd. (Ordinary shares)	3,000,000	30,000	30,000	3,000,000	30,000	30,000
Palm Village Hotels Ltd. (Ordinary shares)	907,837	4,410	4,410	934,707	1,766	1,766
Business Process Outsourcing LLC. (Ordinary shares)	7,500	8,640	8,640	7,500	8,640	8,640
Poovar Island Resorts (Ordinary shares)	988,764	126,650	126,650	-	-	-
Barefoot Resorts and 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)	-	-	99	-	-	-
		415,774	463,581		199,433	247,141
Adjustment for fair value of investments		(13,076)	13,986		(9,577)	(6,760)
Carrying amount as at 31st March		402,698	477,567		189,856	240,381
Current unquoted debt and equity securities		(15,450)	(15,450)		(7,978)	(7,978)
Non current unquoted debt and equity securities		387,248	462,117		181,878	232,403

24.2 Quoted equity securities

	Group			Company		
	No. of shares	31.03.2014	31.03.2013	No. of shares	31.03.2014	31.03.2013
		Rs.'000	Rs.'000		Rs.'000	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)	-	-	256,817	-	-	-
		4,619	261,436		436	436
Adjustment for fair value of investments		25,013	20,462		3,205	2,864
Carrying amount as at 31st March		29,632	281,898		3,641	3,300

24.3 Bank deposits

Bank deposits include fixed deposits, call deposits and bank reverse repos which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

24.4 Government securities

Government Securities represents the financial assets (treasury bills and treasury bonds) measured at fair value through profit or loss which are held for trading purposes.

24.5 Forward foreign exchange contracts

Group's financial assets at fair value through profit or loss include forward contracts to convert US Dollars, reflect the financial assets recognised for both financial years against capital exposure as follows ;

	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Capital exposure to banks	2,134	1,875
Derivative financial assets recognised	283	847

25 Inventories

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	1,359,341	1,278,903	-	-
Work-in-progress and finished goods	112,915	77,314	-	-
Consumables	309,459	477,644	2,167	2,484
	1,781,715	1,833,861	2,167	2,484
Impairment of inventories	(142,315)	(9,138)	-	-
	1,639,400	1,824,723	2,167	2,484

During the year Group impaired inventories valued at Rs. 133.2 million (2012/2013 - Rs. 2.7 million) to the net realisable value which included an impairment loss of Rs. 131 million recognized on the expiration of the power purchase agreements signed between the Ceylon Electricity Board and Ace Power Horana (Pvt) Ltd., and Ace Power Matara (Pvt) Ltd. These impairment losses are recognised in the other direct operating expenses in the income statement.

Value of inventories pledged as security for facilities obtained by the Group from banks, amounted to Rs. 73 million as at 31st March 2014 (2012/2013-Rs. 72 million) (Company-nil).

26 Trade and other receivables

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	7,536,100	7,829,687	26,924	-
Other receivables	2,103,914	2,182,759	438,788	526,283
Amounts due from subsidiaries and joint ventures	-	-	2,296,849	2,754,980
Amounts due from equity-accounted investees	9,202	12,288	7,270	10,591
Loans to employees	33,592	31,529	25,801	23,654
	9,682,808	10,056,263	2,795,632	3,315,508
Impairment of trade and other receivables	(370,141)	(83,636)	(26,881)	-
	9,312,667	9,972,627	2,768,751	3,315,508

The Group has recognised an impairment loss of Rs. 315.8 million, an impairment reversal of Rs. 4.8 million and write offs of Rs. 116.3 million for the current financial year, where as the impairment loss for the Company amounts to Rs. 26.9 million. The above impairment loss in the Group included an impairment of Rs 277 million recognised on the expiration of the Power Purchase Agreements signed between the Ceylon Electricity Board and Ace Power Horana (Pvt) Ltd., and Ace Power Matara (Pvt) Ltd. Impairment losses, reversals and write offs in the Group and Company are recognised in other indirect operating expenses of the income statement.

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

	Company	
	2013/2014	2012/2013
	Rs.'000	Rs.'000
Balance as at the beginning of the year	23,654	17,228
Loans granted during the year	14,275	11,850
	37,929	29,078
Recoveries during the year	(12,128)	(5,424)
Balance at the end of the year	25,801	23,654

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

27 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	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Share of net assets of equity-accounted investees 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	7,679	-	-
	149,125	149,125	57,237	57,237

There were no discontinued operations recognised in the income statement during the period.

28 Stated capital and reserves

28.1 Stated capital

	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Stated capital as at 31st March	2,135,140	2,135,140

	31.03.2014	31.03.2013
	No. of Shares	No. of Shares
No. of shares as at 31st March	405,996,045	405,996,045

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

28.2 Reserves

Revaluation reserve
Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

General reserve
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 instruments in relation to cash flow hedges.

Other capital reserves
This represents the portion of share premium of subsidiaries attributable to the Group.

Available-for-sale reserve
This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

29 Interest-bearing liabilities

29.1 Movement of interest-bearing liabilities

29.1.1 Group

Lending institution	Balance as at 31.03.2014	Transaction cost amortised	Impact of exchange rate fluctuation	Companies acquired during the year	New loans obtained during the year	Capital repayment	Balance as at 01.04.2013	Total interest paid 2013/2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
HSBC	3,204,746	-	77,795	-	1,157,741	(600,129)	2,569,339	87,533
DFCC Bank	1,761,203	-	6,196	-	24,158	(261,293)	1,992,142	206,426
Hatton National Bank PLC.	1,716,658	-	10,881	-	20,000	(558,785)	2,244,562	212,507
DEG	1,307,300	-	(2,600)	-	1,309,900	-	-	16,136
Commercial Bank of Ceylon PLC.	788,995	-	-	-	19,310	(12,861)	782,546	100,935
Fiji Ports Corporation Ltd.	209,448	-	5,192	220,219	-	(15,963)	-	5,826
Sampath Bank PLC.	4,438	-	-	-	2,855	(1,635)	3,218	405
Premier Leasing & Finance Ltd., of Bangladesh	668	-	9	-	-	(391)	1,050	-
Nations Trust Bank PLC.	-	-	683	-	-	(23,270)	22,587	302
Transaction cost to be amortised	(36,569)	7,968	-	-	(44,537)	-	-	-
	8,956,887	7,968	98,156	220,219	2,489,427	(1,474,327)	7,615,444	630,070
Current portion of interest - bearing liabilities	(1,622,421)						(1,370,093)	
Non Current interest -bearing liabilities	7,334,466						6,245,351	

29.1.2 Company

Lending institution	Balance as at 31.03.2014	Transaction cost amortised	Impact of exchange rate fluctuation	New loans obtained during the year	Capital repayment	Balance as at 01.04.2013	Total interest paid 2013/2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DEG	1,307,300	-	(2,600)	1,309,900	-	-	16,136
DFCC Bank.	1,187,500	-	-	-	(112,500)	1,300,000	140,853
Commercial Bank of Ceylon PLC.	692,500	-	-	-	(7,500)	700,000	89,054
Hatton National Bank PLC.	647,500	-	-	-	(52,500)	700,000	75,146
Transaction cost to be amortised	(36,569)	7,968	-	(44,537)	-	-	
	3,798,231	7,968	(2,600)	1,265,363	(172,500)	2,700,000	321,189
Current portion of interest -bearing liabilities	(371,837)					(157,500)	
Non Current interest -bearing liabilities	3,426,394					2,542,500	

29.2 Analysed by capital repayment

29.2.1 Group as at 31 March 2014

Lending institution	Payable in less than 3 months	Payable within 3 to 12 months	Payable within 1 - 2 years	Payable within 2 - 5 years	Payable after 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
HSBC	152,460	565,814	727,539	1,358,028	400,905	3,204,746
DFCC Bank	69,583	261,249	460,831	858,133	111,407	1,761,203
Hatton National Bank PLC	122,972	419,772	443,341	605,938	124,635	1,716,658
DEG	-	-	261,460	784,380	261,460	1,307,300
Commercial Bank of Ceylon PLC	7,861	31,082	93,943	596,109	60,000	788,995
Fiji Ports Corporation Ltd.	116	346	461	1,384	207,141	209,448
Sampath Bank PLC	352	1,056	1,407	1,623	-	4,438
Premier Leasing & Finance Ltd. of Bangladesh	105	316	247	-	-	668
Transaction cost to be amortised	(2,662)	(8,001)	(9,446)	(15,562)	(898)	(36,569)
	350,787	1,271,634	1,979,783	4,190,033	1,164,650	8,956,887

29.2.2 Company as at 31 March 2014

Lending institution	Payable in less than 3 months	Payable within 3 to 12 months	Payable within 1 - 2 years	Payable within 2 - 5 years	Payable after 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DFCC Bank.	47,500	195,000	372,500	572,500	-	1,187,500
DEG	-	-	261,460	784,380	261,460	1,307,300
Commercial Bank of Ceylon PLC.	2,500	15,000	72,500	542,500	60,000	692,500
Hatton National Bank PLC.	17,500	105,000	192,500	332,500	-	647,500
Transaction cost to be amortised	(2,662)	(8,001)	(9,446)	(15,562)	(898)	(36,569)
	64,838	306,999	889,514	2,216,318	320,562	3,798,231

29.3 Analysed by Interest Rate

	Group				Company			
As at	31.03.2014		31.03.2013		31.03.2014		31.03.2013	
	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Term loans linked to AWPLR								
DFCC Bank	1,578,650	391,151	1,700,325	556,055	1,187,500	-	1,300,000	-
Hatton National Bank PLC.	1,085,712	438,212	1,182,476	659,150	647,500	-	700,000	-
Commercial Bank of Ceylon PLC.	788,995	96,495	782,546	289,981	692,500	-	700,000	-
	3,453,357	925,858	3,665,347	1,505,186	2,527,500	-	2,700,000	-
Term loans linked to LIBOR								
HSBC	3,204,673	2,580,308	2,569,227	2,511,780	-	-	-	-
DEG	1,307,300	-	-	-	1,307,300	-	-	-
Hatton National Bank PLC.	183,107	183,107	359,559	214,004	-	-	-	-
DFCC Bank	182,553	182,553	208,009	187,000	-	-	-	-
Nations Trust Bank PLC.	-	-	22,586	60,161	-	-	-	-
	4,877,633	2,945,968	3,159,381	2,972,945	1,307,300	-	-	-
Term loans linked to AWDR								
Hatton National Bank PLC.	441,908	-	694,848	831,000	-	-	-	-
DFCC Bank.	-	-	70,000	120,000	-	-	-	-
	441,908	-	764,848	951,000	-	-	-	-
Fixed rate debentures and term loans								
Fiji Ports Corporation Ltd.	209,448	-	-	-	-	-	-	-
HSBC	73	-	111	-	-	-	-	-
Hatton National Bank PLC.	5,931	-	7,681	-	-	-	-	-
Sampath Bank PLC.	4,438	-	3,218	-	-	-	-	-
Premier Leasing & Finance Ltd.	668	-	1,049	-	-	-	-	-
DFCC Bank.	-	-	13,809	116,600	-	-	-	-
	220,558	-	25,868	116,600	-	-	-	-
Transaction cost to be amortised	(36,569)	-	-	-	(36,569)	-	-	-
Total interest bearing loans and borrowings	8,956,887	3,871,826	7,615,444	5,545,731	3,798,231	-	2,700,000	-

Secured bank loans are secured over the carrying amount of property, plant & equipment of Rs. 2,906 million, inventory of Rs. 5 million, financial assets of Rs. 149 million and corporate guarantees of Rs. 812 million.

29.4 Analysed by currency equivalent in rupees

	Group			Company		
As at		31.03.2014	31.03.2013		31.03.2014	31.03.2013
		Rs. Equivalent	Rs. Equivalent		Rs. Equivalent	Rs. Equivalent
	%	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
United States Dollars	54	4,877,634	3,159,382	33	1,307,300	-
Sri Lankan Rupees	44	3,906,374	4,456,062	67	2,527,500	2,700,000
Other currencies	2	209,448	-		-	-
Transaction cost to be amortised		(36,569)	-		(36,569)	-
	100	8,956,887	7,615,444	100	3,798,231	2,700,000

30 Deferred tax liabilities

30.1 Movement in deferred tax liabilities

	Group	
	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Balance at the beginning of the year	504,743	429,238
Companies acquired during the year	47,355	-
Exchange gain / (loss)	4,009	(873)
Origination of temporary differences transferred to / (from) income statement		
Recognised in profit / (loss)	86,951	77,016
Recognised in other comprehensive income	(3,572)	(638)
Balance at the end of the year	639,486	504,743

30.2 Composition of deferred tax liabilities

	Group	
	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Deferred tax liabilities attributable to ;		
Property, plant and equipment	629,605	517,652
Undistributed profits of consolidated entities	79,173	32,356
Deferred interest expense	-	300
Defined benefit obligations	(35,286)	(21,593)
Tax losses carried forward	(33,150)	(23,972)
Other items	(856)	-
Net deferred tax liabilities	639,486	504,743

30.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2014	Recognised in profit / (loss)	Recognised in other compre-hensive income	Exchange gain / (loss)	Companies acquired	As at 31st March 2013	Recognised in profit / (loss)	Recognised in other comprehen-sive income	Exchange gain / (loss)	As at 1st April 2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax liabilities										
Property, plant and equipment	629,605	53,044	-	4,164	54,745	517,652	63,620	-	(873)	454,905
Undistributed profits of consolidated entities	79,173	46,817	-	-	-	32,356	23,768	-	-	8,588
Deferred interest expense	-	(300)	-	-	-	300	(577)	-	-	877
	708,778	99,561	-	4,164	54,745	550,308	86,811	-	(873)	464,370
Deferred tax assets										
Defined benefit obligations	(35,286)	(3,334)	(3,572)	(137)	(6,650)	(21,593)	2,906	(638)	-	(23,861)
Tax losses carried forward	(33,150)	(9,178)	-	-	-	(23,972)	(12,701)	-	-	(11,271)
Other items	(856)	(98)	-	(18)	(740)	-	-	-	-	-
	(69,292)	(12,610)	(3,572)	(155)	(7,390)	(45,565)	(9,795)	(638)	-	(35,132)
Net deferred tax liabilities	639,486	86,951	(3,572)	4,009	47,355	504,743	77,016	(638)	(873)	429,238

31 Employee benefits

31.1 Retirement benefits obligations

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded obligations	576,416	447,390	86,426	73,405
Total present value of the obligation	576,416	447,390	86,426	73,405

31.2 Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined benefit obligations at the beginning of the period	447,390	391,409	73,405	56,394
Expenses recognised in profit or loss				
Current service cost	52,941	42,337	8,414	6,975
Interest cost	52,371	46,320	8,808	6,767
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from ;				
- financial assumptions	52,270	-	5,470	-
- demographic assumptions	-	-	-	-
- experience adjustment	4,406	27,904	(3,270)	9,758
Exchange difference	254	129	-	-
Others				
Benefits paid by the plan	(54,937)	(59,256)	(6,401)	(6,489)
Defined benefit obligations of companies acquired during the year	21,721	-	-	-
Defined benefit obligations of companies disposed during the year	-	(1,453)	-	-
Defined benefit obligations at the end of the period	576,416	447,390	86,426	73,405

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 2014. The actuarial present value of the promised retirement benefits as at 31st March 2014 amounted to Rs. 576,416,055/- (Company - Rs. 86,426,308/-). The liability is not externally funded.

31.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

	2013/2014	2012/2013
31.3.1 Financial assumptions		
- Discount rate	10.5% p.a.	12.0% p.a.
- Salary increments		
* Executive staff	11.0% p.a.	11.0% p.a.
* Non executive & other staff	7.5% p.a.	7.0% p.a.

It is also assumed that the company will continue in business as a going concern.

31.3.2 Demographic assumptions

- Mortality & Disability	Based on published statistics and mortality tables.	
- Retirement age	55 years	55 years
- Staff turnover rates at each age category		
* 20 years	0.07	0.07
* 25 years	0.05	0.05
* 30 years	0.05	0.05
* 35 years	0.04	0.04
* 40 years	0.03	0.03
* above 40 years	0.00	0.00

31.3 Sensitivity analysis

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the comprehensive income and the financial position to the effect of the assumed changes in discount rate and salary increment rate is given below:

	Discount rate		Salary increments	
	1% increase	1% decrease	1% increase	1% decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impact on comprehensive income	35,926	(44,458)	(45,702)	37,631
Impact on financial position	(35,926)	44,458	45,702	(37,631)

32 Provisions

	Group	
	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Balance at the beginning of the period	277,103	490,661
Additional provision for the year	377,114	1,158,767
Amounts used during the year	(191,446)	(1,372,325)
Balance at the end of the period	462,771	277,103

Provision is made on a monthly basis for major overhaul costs of the power plant in Embilipitiya based on the estimated overhauls to be carried out within the interval between two major overhauls. The cost of the actual overhaul carried out is set off against this provision. Estimated time between two major overhauls is 18 months.

33 Trade and other payables

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	2,384,781	3,017,937	-	-
Other payables	4,181,042	4,686,132	267,584	257,813
Amounts due to subsidiaries and joint ventures	-	-	2,049,285	2,091,253
Amounts due to equity-accounted investees	260	136	130	24
Unclaimed dividends	7,440	6,007	7,440	6,007
Deferred grants	2,930	3,426	-	-
	6,576,453	7,713,638	2,324,439	2,355,097

33.1 Deferred grants

	Group	
	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Balance as at the beginning of the year	3,426	4,802
Grants received for the year	-	1,099
Amortised during the year	(496)	(2,475)
Balance as at the end of the year	2,930	3,426

Government grants have been received for the purchase of certain items of property, plant and equipment. The basis of amortisation is 12.5% p.a. There are no unfulfilled conditions or contingencies attached to these grants.

34 Financial instruments

34.1 Carrying amounts and fair values of financial instruments

34.1.1 Carrying amounts and fair values of financial instruments - Group

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2014								
Financial assets								
Trade and other receivables	26	-	9,274,738	-	-	37,929	9,312,667	9,312,667
Deposits and prepayments		-	104,493	-	-	955,195	1,059,688	1,059,688
Other financial assets	24							
- Unquoted debt securities and equity securities		-	159,027	243,671	-	-	402,698	402,698
- Quoted equity shares		-	-	29,632	-	-	29,632	29,632
- Other bank deposits		-	9,022,868	-	-	-	9,022,868	9,022,868
- Government securities		1,519,339	-	-	-	-	1,519,339	1,519,339
- Forward foreign exchange contracts		283	-	-	-	-	283	283
Cash and short-term deposits		-	2,728,514	-	-	-	2,728,514	2,728,514
		1,519,622	21,289,640	273,303	-	993,124	24,075,689	24,075,689
Financial liabilities								
Interest-bearing liabilities	29	-	-	-	8,956,887	-	8,956,887	8,956,887
Trade and other payables	33	-	-	-	4,932,412	1,644,041	6,576,453	6,576,453
Bank overdrafts and other short-term borrowings		-	-	-	4,557,167	-	4,557,167	4,557,167
		-	-	-	18,446,466	1,644,041	20,090,507	20,090,507

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2013								
Financial assets								
Trade and other receivables	26	-	9,357,076	-	-	615,551	9,972,627	9,972,627
Deposits and prepayments		-	84,128	-	-	1,045,715	1,129,843	1,129,843
Other financial assets	24						-	
- Unquoted debt securities and equity securities		-	206,735	270,832	-	-	477,567	477,567
- Quoted equity shares		-	-	281,898	-	-	281,898	281,898
- Other bank deposits		-	5,369,255	-	-	-	5,369,255	5,369,255
- Government securities		1,096,713	-	-	-	-	1,096,713	1,096,713
- Forward foreign exchange contracts		847	-	-	-	-	847	847
Cash and short-term deposits		-	2,217,994	-	-	-	2,217,994	2,217,994
		1,097,560	17,235,189	552,729	-	1,661,266	20,546,744	20,546,744
Financial liabilities								
Interest-bearing liabilities	29	-	-	-	7,615,444	-	7,615,444	7,615,444
Trade and other payables	33	-	-	-	5,921,637	1,792,001	7,713,638	7,713,638
Bank overdrafts and other short-term borrowings		-	-	-	5,588,753	-	5,588,753	5,588,753
		-	-	-	19,125,834	1,792,001	20,917,835	20,917,835

34.1.2 Carrying amounts and fair values of financial instruments - Company

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2014								
Financial assets								
Trade and other receivables	26	-	2,756,413	-	-	12,338	2,768,751	2,768,751
Deposits and prepayments		-	704	-	-	43,447	44,151	44,151
Other financial assets	24							
- Unquoted debt securities and equity securities		-	159,027	30,829	-	-	189,856	189,856
- Quoted equity shares		-	-	3,641	-	-	3,641	3,641
- Other bank deposits		-	2,743,481	-	-	-	2,743,481	2,743,481
- Government securities		1,519,339	-	-	-	-	1,519,339	1,519,339
Cash and short-term deposits		-	62,504	-	-	-	62,504	62,504
		1,519,339	5,722,129	34,470	-	55,785	7,331,723	7,331,723
Financial liabilities								
Interest-bearing liabilities	29	-	-	-	3,798,231	-	3,798,231	3,798,231
Trade and other payables	33	-	-	-	2,131,924	192,515	2,324,439	2,324,439
Bank overdrafts and other short-term borrowings		-	-	-	312,410	-	312,410	312,410
		-	-	-	6,242,565	192,515	6,435,080	6,435,080

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2013								
Financial assets								
Trade and other receivables	26	-	3,272,756	-	-	42,752	3,315,508	3,315,508
Deposits and prepayments		-	704	-	-	52,371	53,075	53,075
Other financial assets	24						-	
- Unquoted debt securities and equity securities		-	206,735	33,646	-	-	240,381	240,381
- Quoted equity shares		-		3,300	-	-	3,300	3,300
- Other bank deposits		-	2,119,069	-	-	-	2,119,069	2,119,069
- Government securities		1,096,713		-	-	-	1,096,713	1,096,713
Cash and short-term deposits		-	62,885	-	-	-	62,885	62,885
		1,096,713	5,662,149	36,946	-	95,123	6,890,931	6,890,931
Financial liabilities								
Interest-bearing liabilities	29	-	-	-	2,700,000	-	2,700,000	2,700,000
Trade and other payables	33	-	-	-	2,159,294	195,803	2,355,097	2,355,097
Bank overdrafts and other short-term borrowings		-	-	-	99,881	-	99,881	99,881
		-	-	-	4,959,175	195,803	5,154,978	5,154,978

34.1.3 The Group and the Company does not have any financial instruments designated as fair value through profit or loss on initial recognition as at 31st March 2014.

Total value of financial assets pledged by the Group and the Company as securities for facilities obtained from banks amounted to Rs. 447 million (2012/2013 - Rs.38 million) and Rs. 297 million (2012/2013 - nil) respectively.

34.2 Fair value hierarchy

The Group and the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

34.2.1 Fair value hierarchy - Group

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2014				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	243,671	243,671
- Quoted equity shares	29,632	-	-	29,632
- Government securities	1,519,339	-	-	1,519,339
- Forward foreign exchange contracts	-	283	-	283
	1,548,971	283	243,671	1,792,925

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2013				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	270,831	270,831
- Quoted equity shares	281,898	-	-	281,898
- Government securities	1,096,713	-	-	1,096,713
- Forward foreign exchange contracts	-	847	-	847
	1,378,611	847	270,831	1,650,289

34.2.2 Fair value hierarchy - Company

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2014				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	30,829	30,829
- Quoted equity shares	3,641	-	-	3,641
- Government securities	1,519,339	-	-	1,519,339
	1,522,980	-	30,829	1,553,809

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2013				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	33,645	33,645
- Quoted equity shares	3,300	-	-	3,300
- Government securities	1,096,713	-	-	1,096,713
	1,100,013	-	33,645	1,133,658

There were no transfers between Level 1, Level 2 and Level 3 during 2013/2014 and 2012/2013.

34.2.3 Reconciliation of fair value measurement of "Level 3" financial instruments

The Group and the Company carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy.

	Group		Company	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the period	270,832	262,037	33,646	28,648
Purchases	-	5,000	-	5,000
Sales	(99)	(5,660)	-	(1,767)
Total gains and losses recognised in other comprehensive income	(27,062)	9,455	(2,817)	1,765
Balance at the end of the period	243,671	270,832	30,829	33,646

35 Financial risk management objectives and policies

The Group's risk management structure process and procedures are explained in the risk report on page 34 to 39 of the annual report.

The objective of the financial risk management strategy of the Group to minimize the impact of risks that arise due to the use of financial instruments. The risks that are unmanaged can potentially result in the Group being unable to achieve its budgeted profits in a given financial year. Hence, a top priority is given by the Group to manage financial risks.

To achieve this objective the Group has established a number of policies and guidelines that are followed across all business sectors. Such policies and guidelines are subject to periodic review in order to maintain their relevance in the evolving financial markets in which the Group operates.

In this part of the report we would be covering the financial impact that would arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subjected to.

Market risk management

The Group is subjected to market risk when the actual future cashflow derived from a financial instrument differs from the expected cashflow due to the impact of external factors such as the changes in market interest rates and exchange rates. Since the market risks could have a potential adverse impact on revenues and expenses of the Group and the profits attributable to the shareholders, the management has implemented a number of market risk management policies and procedures. The objective of this exercise is to identify, manage and minimise the potential adverse impact of market risks on the Group.

35.1 Currency risk

Currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of a company. Business operations of the Group are spread across many geographies and industry sectors in which the transactions take place in a multitude of currencies. This exposes the Group to currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to the contract being denominated in a foreign currency. Translation exposure arises to the extent to which financial reporting is affected by exchange rate movements when the reporting currency is different to those currencies in which revenues, expenses, assets and liabilities are denominated.

The Group transacts in many foreign currencies other than the functional reporting currency. Therefore the Group is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Republic of Maldives and the Republic of Fiji whose net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in these countries are exposed to foreign currency transaction risk.

The Groups total USD denominated borrowings amounted to Rs 4.8 billion. During the financial year 2013/2014, the Company entered into an agreement to borrow USD 20 million from a foreign lending institution to finance its equity investments in several projects. Of the amount that has been drawn down approximately 60% has been invested in an overseas project which generates cashflows mainly in USD. The balance 40% has been utilised to acquire USD denominated assets. These investments have eliminated the translation exposure resulting from the USD borrowing to a great extent.

A major portion of the Group's foreign currency borrowings have been made by Strategic Business Units (SBU) with matching incomes which acts as a natural hedge against translation exposure. Transaction exposures are minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy. The Group treasury monitors foreign exchange markets on a continuous basis and advises SBUs with appropriate risk minimising strategies.

Significant movement of Exchange rates for the year ended 31st March 2014.

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	133.91	29-08-2013	125.52	12/16-04-2013	8.39	130.73
EUR/USD	1.3934	18-03-2014	1.2781	09-07-2013	0.1153	1.3792

35.1.1 Foreign currency sensitivity

The main foreign currencies in which the Group transacts are US Dollar, Sterling and Euro, whilst the exposure to other foreign currencies is not considered here as it is insignificant. As an estimation of the approximate impact of the currency risk with respect to financial instruments, was used 5% as volatility in USD/LKR exchange rates. During the last year the actual maximum movement in the exchange rate was 6.27%. In calculation of this risk it is assumed that all other variables are held constant. This relates only to the assets and liabilities reflected in the financial statement as at balance sheet date.

Group

	2013/2014				2012/2013			
	Effect on profit before tax		Effect on equity		Effect on profit before tax		Effect on equity	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
LKR depreciates against the USD by 5%	(12,440)	(0.28)	230,754	0.60	(63,922)	(1.50)	202,849	0.61
LKR appreciates against the USD by 5%	12,440	0.28	(230,754)	(0.60)	63,922	1.50	(202,849)	(0.61)

The effect on the equity arises from the investments made by the Group in the Republic of Maldives and Republic of Fiji. We have not accounted for the sensitivity arising in any of the other investments as the Group's exposure to such is not significant.

Company

	2013/2014		2012/2013	
	Effect on profit before tax		Effect on profit before tax	
	Rs.'000	%	Rs.'000	%
LKR depreciates against the USD by 5%	(19,332)	(3.54)	21,665	3.97
LKR appreciates against the USD by 5%	19,332	3.54	(21,665)	(3.97)

35.2 Interest rate risk

Interest rate risk arises from fluctuations in the present value of future cashflows of financial instruments as a result of changes in market interest rates. Variations in interest rates can result in the market values of financial instruments increasing or declining during marking to market of investment portfolios. Such changes would have an impact on the reported financial results.

The Group has acquired financial instruments with both fixed and variable interest rates. Both types of financial instruments could be subject to interest rate risk. Liabilities with variable interest rates would expose the Group to cashflow risks as the quantum of interest payable will change with the fluctuations of market rates. Investments with fixed interest rates would expose the Group to variations in fair values when the marking to market of investment portfolios.

In order to manage the interest rate risk the Group prefers to obtain borrowings with fixed interest rates when feasible. Entering into interest rate swaps are used when there is a need to hedge the risks on debt instruments with variable rates. Appropriate risk management strategies are used by the group treasury to manage the interest rate risk in portfolio investments. For example, when a down turn in market interest rates are expected the majority of portfolio investments would be made on long tenures to lock in high interest rates.

The group treasury continuously monitors the interest rate environment to advise SBUs on the most suitable strategy with regard to borrowings. The Group's long term borrowings are usually negotiated at fixed rate, when the market interest rates are depressed.

Interest rates significant movements for the year ended 31st March 2014

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Period	Rate	Period		
LKR Interest rate	11.35%	Apr - 2013	7.05%	March - 2014	4.30%	7.05%
USD Interest rate	0.28%	July - 2013	0.23%	March - 2014	0.05%	0.23%

35.2.1 Interest rate sensitivity

At the reporting date the interest rate sensitivity profile of the Group's interest bearing financial instruments and its impact on the profit before tax was as follows.

Group

	2013/2014			2012/2013		
	Financial assets	Rupee financial liabilities	USD financial liabilities	Financial assets	Rupee financial liabilities	USD financial liabilities
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Carrying amount as at 31st March	1,519,339	3,895,265	4,877,634	1,096,713	4,430,193	3,159,382
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	6,484	38,953	-	5,473	44,302	-
Increase of 100 basis points in rupee interest rates	(6,415)	(38,953)	-	(5,411)	(44,302)	-
Decrease of 10 basis points in US dollar interest rates	-	-	4,878	-	-	3,159
Increase of 10 basis points in US dollar interest rates	-	-	(4,878)	-	-	(3,159)

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows

Company

	2013/2014			2012/2013		
	Financial assets	Rupee financial liabilities	USD financial liabilities	Financial assets	Rupee financial liabilities	USD financial liabilities
	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Carrying amount as at 31st March	1,519,339	2,527,500	1,307,300	1,096,713	2,700,000	-
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	6,484	25,275	-	-	27,000	-
Increase of 100 basis points in rupee interest rates	(6,415)	(25,275)	-	-	(27,000)	-
Decrease of 10 basis points in US dollar interest rates	-	-	1,307	-	-	-
Increase of 10 basis points in US dollar interest rates	-	-	(1,307)	-	-	-

35.3 Equity Price risk

The Group has adopted that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore scoped out from LKAS 32 and 39 - Financial Instruments.

The Investments made by the Group which do not belong to the above category are classified as financial assets and categorized as available for sale (AFS). At the reporting date the value of investments classified as AFS is as follows

Listed equity instruments - 30 million
Unlisted equity instruments - 244 million

We have not carried out the sensitivity analysis of the above as the Groups exposure to the such is not material.

35.4 Liquidity Risk Management

Liquidity refers to the ability of a business to meet the demand for funds. Funds are required for operational needs, investments, and to service borrowings. Liquidity risk arises from the possibility that a business may not possess sufficient financial resources that are immediately available to meet demands for funds.

The Aitken Spence Group maintains sufficient financial resources to meet all its funding requirements. Head of finance of SBU's as well as the corporate finance division of the Group place a special emphasis on managing liquidity, as insufficient liquidity could have an adverse impact on business operations. Additionally, a liquidity shortage could have a negative impact on stakeholder confidence in the Group.

The Group has adequate bank facilities in reserve. Approved and undrawn bank facilities at the end of the financial year amounted to over Rs 10.9 billion and these could be utilised at short notice. The Group maintains a healthy relationship with most commercial banks and maintains a constant dialogue in order to obtain more facilities at competitive rates.

Working capital management takes a high priority within the Group. Shortening the working capital cycle by managing receivables receives a special attention from all heads of finance of SBUs. The Group has implemented procurement and vendor evaluation policies to prevent the payment of excessive prices for supplies and to obtain maximum supplier credit in order to ensure a strong working capital position. The Group pays special attention to cash inflows and outflows both at a consolidated and SBU levels. The maturity profile of the Group's investments has been constructed so as to meet expected future cash outflows in the short, medium and long terms.

Funding requirements at SBU'S and consolidated levels are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital. At opportune moments funds are mobilised by accessing capital markets and the Group ensures that future interest expenses are minimised on borrowings by negotiating attractive interest rates with the respective lenders.

The Table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group

Year ended 31st March 2014	On demand	less than 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing liabilities	-	350,786	1,271,634	1,979,784	4,190,033	1,164,650	8,956,887
Bank overdrafts and other short term borrowings	4,557,167	-	-	-	-	-	4,557,167
Trade payables	1,758,099	353,679	273,003	-	-	-	2,384,781
Other Payables	592,118	1,332,265	623,248	-	-	-	2,547,631
	6,907,384	2,036,730	2,167,885	1,979,784	4,190,033	1,164,650	18,446,466

Year ended 31st March 2013	On demand	less than 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing liabilities	-	316,624	1,053,469	1,482,369	3,813,230	949,752	7,615,444
Bank overdrafts and other short term borrowings	5,588,753	-	-	-	-	-	5,588,753
Trade payables	1,798,281	710,453	509,338	-	-	-	3,018,072
Other Payables	612,203	1,403,623	887,739	-	-	-	2,903,565
	7,999,237	2,430,700	2,450,546	1,482,369	3,813,230	949,752	19,125,834

The Table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Company

Year ended 31 st March 2014	On demand	less than 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing liabilities	-	64,838	306,999	889,514	2,216,318	320,562	3,798,231
Bank overdraft and other short term borrowings	312,410	-	-	-	-	-	312,410
Other payables	2,062,742	19,182	50,000	-	-	-	2,131,924
	2,375,152	84,020	356,999	889,514	2,216,318	320,562	6,242,565

Year ended 31 st March 2013	On demand	less than 3 Months	3 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Interest bearing liabilities	-	-	157,500	367,500	1,890,000	285,000	2,700,000
Bank overdraft and other short term borrowings	99,881	-	-	-	-	-	99,881
Other payables	2,091,277	18,017	50,000	-	-	-	2,159,294
	2,191,158	18,017	207,500	367,500	1,890,000	285,000	4,959,175

Liquidity Position

	Group		Company	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand and at bank	2,728,514	2,217,994	62,504	62,885
Trade & other receivable within 30 days	3,375,531	2,987,548	465,712	526,283
Short Term deposit	10,542,207	6,465,968	4,262,820	3,215,782
Total Liquid assets	16,646,252	11,671,510	4,791,036	3,804,950
Less-				
Bank overdraft and other short term borrowing	4,557,167	5,588,753	312,410	99,881
Interest bearing liabilities payable at on demand	-	-	-	-
Trade payable on demand	1,758,099	1,798,281	-	-
Other payable on demand	592,118	612,203	2,062,742	2,091,277
Total on demand liabilities	6,907,384	7,999,237	2,375,152	2,191,158
Excess / short Liquidity through operating cycle	9,738,868	3,672,273	2,415,884	1,613,792
Undrawn approved bank facilities	10,930,867	6,258,489	6,022,990	2,962,503
Market value of discounted securities	1,519,339	1,519,339	1,096,713	1,096,713
Liquidity available on demand	12,450,206	1,519,339	7,119,703	1,096,713

35.5 Credit Risk

Credit risk refers to the risk carried by the Group owing to a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at reporting date.

	Group				Company			
	31.03.2014		31.03.2013		31.03.2014		31.03.2013	
	Amount Rs.'000	Exposure %	Amount Rs.'000	Exposure %	Amount Rs.'000	Exposure %	Amount Rs.'000	Exposure %
Trade receivables and other receivables	9,274,738	40.18	9,357,076	49.55	2,756,413	37.88	3,272,756	48.16
Deposits and prepayments	104,493	0.45	84,128	0.45	704	0.01	704	0.01
Other financial assets	10,974,820	47.55	7,226,280	38.26	4,456,317	61.25	3,459,462	50.91
Cash and Short term deposits	2,728,514	11.82	2,217,995	11.74	62,504	0.86	62,885	0.93
Total	23,082,565	100.00	18,885,479	100.00	7,275,938	100.00	6,795,807	100

The credit risk arising from the deposits made in financial institutions are managed by the group treasury in accordance to the policy directions provided by the Board. The group treasury advises the SBU's regarding the investment opportunities available and guidance is provided in order to minimize the risk of default. The Group transacts only with a limited number of institutions all of which have stable credit ratings. The Group's exposure and credit ratings of counterparties are continuously monitored and a diversified investment portfolio is maintained to minimize any unsystematic risk.

35.5.1 Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas.

The majority of the Group's trade receivables are due for settlement within 90 days comprising of 95% of trade receivables as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility for this rests with the head of finance and the senior management teams.

The credit policies of SBUs are prepared subsequent to analysing the credit profile of a customer. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. Reference from bankers or credit information databases are obtained when it is considered necessary. Each SBU has identified credit limits for each of its customers and if the customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained.

Apart from the state owned enterprise who is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state owned enterprise is 60.8 % of total trade receivables of the Group as at 31st March 2014.

Trade receivable settlement frequency

	31.03.2014	31.03.2013
	Amount Rs.'000	Amount Rs.'000
Less than 30 days	3,375,531	2,987,548
More than 30 days but less than 60 days	2,172,575	1,795,903
More than 60 days but less than 90 days	1,646,304	1,589,424
More than 90 days but less than 180 days	102,516	1,139,594
More than 180 days but less than 365 days	26,152	268,770
More than 365 days	213,022	48,448
Total gross trade receivables	7,536,100	7,829,687
Impairment provision for trade receivables	(51,326)	(45,377)
Total net trade receivables	7,484,774	7,784,310

35.5.2 Collateral acquired for mitigating credit risk

The Group as a policy does not offer credit to individuals unless collateral in the form of bank guarantees or advances are provided to cover the receivable. The total collateral obtained on trade receivables of Rs. 216 million as at the balance sheet date, consists of bank guarantees and corporate guarantees which have no restrictions on enforcement if such debts fall irrecoverable. The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

36 Capital management

The capital management strategy of the Aitken Spence Group is fundamentally aimed at ensuring that there is adequate capital for long term investments and growth, while maintaining sufficient liquidity for the continuation of business operations in an uninterrupted manner. The Group's management is also acutely conscious of the need to maintain the financial health of the organisation to enable it to withstand economic cycles while maintaining stakeholder confidence in the Group and has integrated this requirement to the capital management strategy.

36.1 Types of Capital

Financial capital of the Group consists of equity and debt. The components of equity capital are the stated capital, retained earnings, and reserves while the debt capital consists of long and short term debt obtained from lending institutions and capital markets.

The Group periodically evaluates its projected capital requirements for the future considering investment needs and other capital utilisation requirements. Such evaluations may point out gaps in the required capital which would be filled through either the issue of new equity or debt. The debt to equity ratio (defined as the ratio between non-current interest bearing borrowings to the total equity and minority interest) is carefully monitored to ensure the efficient use of shareholder's equity. Managing the debt to equity ratio is a vital element of capital management as it has a direct bearing on the Group's ability to raise low cost capital.

Sourcing of debt capital is carried out subsequent to detailed evaluation of lender proposals. Many factors are taken into account in this evaluation including interest rates, repayment period and amounts, and financial and other covenants. Minimising the Weighted Average Cost of Capital is also one of the key objectives.

Whilst raising of capital is carried out both at Group and Strategic Business Unit (SBU) levels the Group treasury plays an active role in ensuring that the cost of capital is maintained at the optimum level and the financial and other covenants linked to the sourcing arrangements are acceptable.

36.2 Capital Allocation and Investment

The Group has a long term strategy for growth. Implementation of this strategy requires continuous capital investments in the multitude of sectors in which the Group carries out business. The allocation of limited capital available is done pursuant to careful evaluation of investment opportunities to determine expected returns. The Group's capital investment decisions are supported by complex financial modeling, thorough sensitivity analysis and legal, financial and technical due diligence. IRR hurdle rates are consistently used to both identify and rank suitable investment opportunities.

Once a decision is taken to make a capital investment the Group takes relevant steps to ensure that the investment decision is carried out in the optimum manner. When the investment involves external shareholders, the Group take steps to ensure its rights by entering into carefully drafted legal agreements. Post investment evaluations are carried out at frequent intervals to ensure that the returns envisaged at the evaluation stage are actually delivered. Exposure limits are used to control the default risk especially in portfolio investments.

At the evaluation stage for capital investments financial modeling, sensitivity analysis, and the calculation of IRR are carried out either by the Group's Corporate Finance division, or the respective SBU through which the investment will take place with the assistance of the former.

36.3 Adequate Financial Reserves

The Group constantly endeavours to maintain adequate reserves of capital so as to ensure the long term financial health of the organization. Possible risks that could result in financial losses are identified and steps are taken to mitigate the probabilities. Sound cashflow planning practices have been implemented Group-wide ensuring efficient collection of receivables and shortening the cash cycle. A special emphasis is placed on minimizing operating costs through critical evaluation and justification of all cost elements.

The Group policies regarding managing receivables have been communicated to respective head of finance of all SBUs. The corporate finance division of the Group monitors the Group-wide status of receivables and submits exception reports to the management for advise on required action.

36.4 Capital Management Policy

The Group's capital management policy fundamentally stems from various decisions the Board of Directors has taken regarding capital investments and the optimum utilization of cash resources. This policy is a reflection of the current thinking of the Board on present and future industry, market and economic risks and conditions. Potential investments and divestments are discussed at length by Group directors and various aspects of risk and return parameters are considered prior to making capital investment decisions. Exception reports on receivables are discussed either by the Board or the Audit Committee and appropriate decisions are taken.

The group treasury and the corporate finance division play a vital role in implementing the capital management policy. The corporate finance division provides management information necessary to base policy decisions such as Key Performance Indicators of SBUs highlighting financial performances. Some of the important parameters which guide the capital management policy include the tolerance for gearing, interest risk appetite and the view on the exchange rate movement. The underlying variables such as the market borrowing and lending rates, exchange rates, inflation and other macro- economic indicators are constantly monitored by the group treasury and recommendations regarding the appropriate policy changes are made to the management.

37 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 21.1 and pages 211 to 219 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.

	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Income	4,530,334	4,158,054
Expenses	4,188,356	3,713,864
Current assets	1,318,143	1,478,389
Non-current assets	666,042	661,036
Current liabilities	1,231,402	1,511,049
Non-current liabilities	143,671	130,134

38 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.

	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Approximate amount approved but not contracted for	20,593,356	1,773,260
Approximate amount contracted for but not incurred	1,083,263	823,310
	21,676,619	2,596,570

The above includes contractual commitments for the acquisition of property, plant and equipment of Rs. 21,556 million and for the acquisition of intangible assets of Rs. 121 million.

39 Lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	31.03.2014	31.03.2013
	Rs.'000	Rs.'000
Lease rentals payable within one year	331,427	321,707
Lease rentals payable between one and five years	1,657,848	1,609,245
Lease rentals payable after five years	6,037,655	6,189,725
	8,026,930	8,120,677

39.1 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels Ltd.	Dambulla, Sri Lanka	28 years
Hethersett Hotels Ltd.	Nuwara Eliya, Sri Lanka	80 years
Jetan Travel Services Company (Pvt) Ltd.	Republic of Maldives	27 years
Cowrie Investments (Pvt) Ltd.	Republic of Maldives	34 years
ADS Resorts (Pvt) Ltd.	Republic of Maldives	12 years
Unique Resorts (Pvt) Ltd.	Republic of Maldives	31 years
Ace Container Terminals (Pvt) Ltd.	Biyagama, Sri Lanka	73 years
Ace Container Terminals (Pvt) Ltd.	Katunayake, Sri Lanka	73 years

40 Cessation of Power Purchase Agreements of Ace Power Generation Matara (Pvt) Ltd and Ace Power Generation Horana (Pvt) Ltd.

Upon the expiration of the Power Purchased Agreements signed between the Ceylon Electricity Board and Ace Power Matara (Pvt) Ltd and Ace Power Horana (Pvt) Ltd on 26th March 2012 and 19th December 2012 respectively, Ace Power Horana (Pvt) Ltd disposed the 20 Megawatt thermal power plant owned by the company to an overseas buyer. Hence the financial statements of Ace Power Horana (Pvt) Ltd are prepared on a non- going concern basis. However Ace Power Matara (Pvt) Ltd is presently in the process of negotiating an extension for the said the Power Purchase Agreement for a further period. In the circumstances the financial statements of the company are prepared on going concern basis.

41 Generation licence - Ace Power Embilipitiya (Pvt) Ltd.

Ace Power Embilipitiya (Pvt) Ltd. a subsidiary company, is currently supplying power to the Ceylon Electricity Board based on a generation licence validly obtained on 14th January 2004 for which payments have been received regularly. However the Sri Lanka Electricity (Amendment) Act, No. 31 of 2013 which amended the requirements of the Sri Lanka Electricity Act Number 20 of 2009, with respect to the eligibility of companies to apply for generation licences, included companies operating a plant to generate electricity over and above the generation capacity of 25 MW, having a valid power purchase agreement executed with the Ceylon Electricity Board and which was in operation before 8th April 2009, the date on which the Act came into force. Accordingly Ace Power Embilipitiya has applied for a new generation licence under this Act.

42 Contingent liabilities

The contingent liabilities as at 31.03.2014 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,688 million. Of this sum Rs. 1,454 million and Rs. 234 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to equity-accounted investees. Liabilities as at 31.03.2014 on guarantees given by subsidiaries to third parties amounted to Rs. 9,697 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.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee now under liquidation, and the share of net assets of which is reflected under assets classified as held for sale in the consolidated financial statements of the Group was issued an income tax assessment under the Inland Revenue Act in relation to the year of assessment 2007/2008. The Tax Appeals Commission hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Tax Appeals Commission the company has appealed against the determination to the Court of Appeal. The contingent liability to the Group is estimated to be Rs. 70 million inclusive of any penalties. Based on expert advice the Directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

43 Directors' fees

The Directors of the Company have received fees amounting to Rs. 122,400 /- from subsidiaries for the year ended 31st March 2014.

44 Related party transactions

The Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC, and Aitken Spence Hotel Management Asia (Pvt) Ltd., which are Subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC., and Negombo Beach Resorts (Pvt) Ltd., associate companies and the Chairman, Managing Director or a Director of companies indicated by "*" in the list of companies disclosed under note 44.4.

Mr. J.M.S. Brito, Managing and Finance Director of the company is also the Chairman or a Director of the subsidiaries, joint ventures and equity-accounted investees that are indicated by "a" in notes 21 and 22 to the financial statements. Mr. J.M.S Brito was also the Chairman of DFCC Bank during the year (Resigned w.e.f. 21.03.2014) and is the Chairman of DFCC Vardhana Bank PLC.

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 21 and 22 to the financial statements.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "c" in note 21 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 Hyundai Lanka (Pvt) Ltd., Sri Lankan Airlines Ltd. 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. He is also a Director of CIC Holdings PLC, Ceylon Agro Industries Ltd., Colombo City Holdings PLC., Dialtex Industries Ltd., Rajawella (Holdings) Pvt Ltd., Renuka Hotels (Pvt) Ltd., Royal Ceramics Lanka PLC and Dankotuwa Porcelain PLC.

Miss. D.S.T. Jayawardena a Director of the company is also the Chairperson / Director of Splendor Media (Pvt) Ltd.

Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 44.1 - 44.7.

Details of significant related party disclosures are given below.

44.1 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income from services rendered	504,331	464,264	N/A	N/A
Rent income received	15,735	15,735	N/A	N/A
Allocation of common personnel and administration expenses	49,980	57,729	N/A	N/A
Purchase of goods and services	47,051	70,289	N/A	N/A
Interest income received	71,774	162,161	N/A	N/A
Interest paid	50,160	145,295	N/A	N/A

Transactions with A D S Resorts (Pvt) Ltd., A E Lanka (Pvt) Ltd., Ace Alliance Power Ltd., Ace Aviation Services (Pvt) Ltd., Ace Cargo (Pvt) Ltd., Ace Container Repair (Pvt) Ltd., Ace Container Terminals (Pvt) Ltd., Ace Containers (Pvt) Ltd., Ace Distriparks (Pvt) Ltd., Ace Exports (Pvt) Ltd., Ace Freight Management (Pvt) Ltd., Ace International Express (Pvt) Ltd., Ace Power Embilipitiya (Pvt) Ltd., Ace Power Generation Horana (Pvt) Ltd., Ace Power Generation Matara (Pvt) Ltd., Ace Printing & Packaging (Pvt) Ltd., Ace Wind Power (Pvt) Ltd., Ahungalla Resorts Ltd., Aitken Spence Apparels (Pvt) Ltd., Aitken Spence Aviation (Pvt) Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Developments (Pvt) Ltd., Aitken Spence Exports (Pvt) Ltd., Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements (Pvt) Ltd., Aitken Spence Hotel Managements Asia (Pvt) Ltd., Aitken Spence Hotels International (Pvt) Ltd., Aitken Spence Hotels Ltd., Aitken Spence Insurance (Pvt) Ltd., Aitken Spence Insurance Brokers (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Moscow (Pvt) Ltd., Aitken Spence Printing & Packaging (Pvt) Ltd., Aitken Spence Property Developments (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Aitken Spence Resources (Pvt) Ltd., Aitken Spence Shipping Ltd., Aitken Spence Shipping Services Ltd., Aitken Spence Technologies (Pvt) Ltd., Alliance Spence Power Ltd., Branford Hydropower (Pvt) Ltd., Clark Spence & Company (Pvt) Ltd., Cowrie Investment (Pvt) Ltd., Crest Star (BVI) Ltd., Crest Star Ltd., Elevators (Pvt) Ltd., Golden Sun Resorts (Pvt) Ltd., Hapag-Lloyd Lanka (Pvt) Ltd., Heritance (Pvt) Ltd., Hethersett Hotels Ltd., Jetan Travel Services Company (Pvt) Ltd., Kandalama Hotels (Pvt) Ltd., Logilink (Pvt) Ltd., M.P.S. Hotels (Pvt) Ltd., Neptune Ayurvedic Village (Pvt) Ltd., Port Management Container Services (Pvt) Ltd., Royal Spence Aviation (Pvt) Ltd., Spence International (Pvt) Ltd., Spence Logistics (Pvt) Ltd., Unique Resorts (Pvt) Ltd., Vauxhall Cargo Logistics (Pvt) Ltd., Vauxhall Investments (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd., Western Power Company (Pvt) Ltd., are reflected under transactions with subsidiary companies above.

44.2 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	86,057	50,339	N/A	N/A
Purchase of goods and services	863	789	N/A	N/A
Interest paid	69,517	66,348	N/A	N/A

Transactions with Ace Travels & Conventions (Pvt) Ltd., Aitken Spence (Garments) Ltd., Aitken Spence C & T Investments (Pvt) Ltd., Aitken Spence Overseas Travel Services (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., Delta Shipping (Pvt) Ltd., MMBL Money Transfer (Pvt) Ltd., Shipping & Cargo Logistics (Pvt) Ltd., Spence Maldives (Pvt) Ltd., are reflected under transactions with joint venture companies above.

44.3 Transactions with equity-accounted investees

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	6,123	4,066	21,822	14,172
Purchase of goods and services	1,153	1,126	4,997	4,574
Sales of assets	5,300	-	5,300	-

Transactions with Aitken Spence Plantation Managements PLC Group and Browns Beach Hotels PLC Group are reflected under transactions with equity-accounted investees above.

44.4 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	-	-	316,741	223,349
Purchase of goods and services	264,979	168,110	457,647	450,178
Interest income received	-	-	20,600	9,654
Interest paid	140,853	168,244	206,426	225,324
Loans obtained	-	-	24,158	144,524
Repayment of loans and debentures	112,500	-	261,293	145,852
Short/ long term facilities as at 31st March	N/A	1,300,000	N/A	2,198,599

Transactions with Ambewela Livestock Company Ltd.*, Ambewela Products (Pvt) Ltd.*, Bell Solutions (Pvt) Ltd.*, Ceylon Gardner Coir (Pvt) Ltd.*, Distilleries Company of Sri Lanka PLC.*, Lanka Bell (Pvt) Ltd.8, Lanka Dairies (Pvt) Ltd.8, Lanka Milk Foods (CWE) PLC.*, Melsta Corp (Pvt) Ltd.*, Milford Exports (Ceylon) (Pvt) Ltd.*, Pattipola livestock company Ltd.*, Periceyl (Pvt) Ltd.*, Stassen Exports (Pvt) Ltd.*, Stassen Foods (Pvt) Ltd.*, Stassen International (Pvt) Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Telecom Frontier (Pvt) Ltd.*, Texpro Industries Ltd.*, Ceylon Agro Industries Ltd., CIC Holdings PLC, Continental Insurance Lanka Ltd., Dankotuwa porcelain PLC, DFCC Bank., DFCC Vardhana Bank PLC., Dialtex Industries Ltd., Dynamic AV Technologies (Pvt) Ltd., Hyundai Lanka (Pvt) Ltd., Rajawella (Holdings) (Pvt) Ltd., Royal Ceramics PLC, Splendor Media (Pvt) Ltd., Sri Lankan Airlines Ltd., Colombo City Holdings PLC, Renuka Hotels (Pvt) Ltd., are reflected under transactions with other related companies, above.

44.5 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2013/2014	2012/2013	2013/2014	2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Contributions to the provident fund	164,950	154,167	29,210	27,155

Contributions to the Aitken Spence & Associated Companies Executive Staff Provident Fund., and the Aitken Spence & Associated Companies Clerical Staff Provident Fund., are reflected under transactions with post-employment benefit plans, above.

44.6 Amounts due from related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fully owned subsidiaries	1,582,167	1,645,313	N/A	N/A
Partly owned subsidiaries	669,022	1,070,194	N/A	N/A
Joint ventures	45,660	39,473	N/A	N/A
Amount due from subsidiaries & joint ventures	2,296,849	2,754,980	N/A	N/A
Equity-accounted investees	7,270	10,591	9,202	12,288
Other related companies	-	-	47,334	10,747

44.7 Amounts due to related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fully owned subsidiaries	720,021	718,241	N/A	N/A
Partly owned subsidiaries	104,739	88,535	N/A	N/A
Joint ventures	1,224,525	1,284,477	N/A	N/A
Amount due to subsidiaries & joint ventures	2,049,285	2,091,253	N/A	N/A
Equity-accounted investees	130	24	260	136
Other related companies	-	1,300,000	702	1,996,327

44.8 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. There were no loans given to Directors of the company during the financial year.

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

	Company	Group
	Rs.'000	Rs.'000
Short term employee benefits	72,790	450,002
Post employment benefits	-	10,737

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.

45 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2014	31.03.2013
United States Dollar	130.73	126.89
British Pound	217.41	192.04
Euro	179.67	162.14
Oman Rial	339.49	329.49
Fiji Dollar	70.84	71.12
South African Rand	12.33	13.69
Indian Rupee	2.18	2.33
Maldivian Rufiyaa	8.39	8.24
Bangladesh Taka	1.68	1.62

46 Number of employees

The number of employees of the Group at the end of the year was 6,305 (2013 - 6,207) The number of employees of the Company at the end of the year was 205 (2013 - 201).

47 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs. 2.00 per share for the year 2013/2014 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 reporting date that require adjustments to or disclosure in the financial statements.

48 Comparative information

The accounting policies adopted by the Group are consistent with those adopted in the previous financial year except for the policy on retirement benefits obligations which is revised with the adoption of LKAS 19- Employee Benefits.The presentation and classification of the financial statements of the previous period have been adjusted on adoption of the above accounting policy as follows;

48.1 Effect on income statement of 2012/2013

	Group	Company
	Rs.'000	Rs.'000
Employee benefits expense	27,904	9,758
Profit from operations	27,904	9,758
Share of profit of equity-accounted investees (net of tax)	(3,685)	-
Profit before tax	24,219	9,758
Income tax expense	(2,794)	-
Profit for the year	21,425	9,758
Attributable to:		
Equity holders of the company	20,769	9,758
Non-controlling interests	656	-
Profit for the year	21,425	9,758
Earnings per share - Basic (Rs.)	0.05	0.02

48.2 Effect on other comprehensive income statement of 2012/2013

	Group	Company
	Rs.'000	Rs.'000
Acturial gains / (losses) on defined benefit obligations	(27,904)	(9,758)
Share of other comprehensive income of equity-accounted investees (net of tax)	3,685	-
Income tax on other comprehensive income	2,794	-
Other comprehensive income for the year, net of tax	(21,425)	(9,758)

CONSOLIDATED FINANCIAL STATEMENTS IN USD

CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March			2014 USD'000	2013 USD'000
Revenue			279,952	292,694
Revenue taxes			(3,746)	(4,206)
Net revenue			276,206	288,488
Other operating income			3,481	99
Changes in inventories of finished goods and work-in-progress			443	(91)
Raw materials and consumables used			(79,823)	(101,771)
Employee benefits expense			(33,518)	(31,281)
Depreciation, amortisation and impairment of property, plant and equipment and goodwill			(11,470)	(11,254)
Other operating expenses - direct			(70,012)	(66,185)
Other operating expenses - indirect			(41,683)	(34,417)
Profit from operations			43,624	43,588
Finance income			6,125	5,996
Finance expenses			(9,567)	(11,380)
Net finance expense			(3,442)	(5,384)
Share of profit of equity-accounted investees (net of tax)			1,194	1,401
Profit before tax			41,376	39,605
Income tax expense			(6,888)	(5,910)
Profit for the year			34,488	33,695
Attributable to:				
Equity holders of the company			28,087	25,909
Non-controlling interests			6,401	7,786
Profit for the year			34,488	33,695
Earnings per share - Basic/Diluted (Rs.)	USD cents	=	6.92	6.38
Exchange rate	USD	=	130.73	126.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN USD

For the year ended 31st March			2014 USD'000	2013 USD'000
Profit for the year			34,488	33,695
Other comprehensive income				
Revaluation of property, plant and equipment			8,880	2,209
Actuarial gains / (losses) on defined benefit obligations			(434)	(220)
Exchange differences on translation of foreign operations			1,401	(403)
Net change in fair value of available-for-sale financial assets			(187)	291
Net change in fair value of available-for-sale financial assets reclassified to profit or loss			14	(19)
Share of other comprehensive income of equity-accounted investees (net of tax)			99	29
Income tax on other comprehensive income			67	22
Other comprehensive income for the year, net of tax			9,840	1,909
Total comprehensive income for the year			44,328	35,604
Attributable to:				
Equity holders of the parent			36,701	27,395
Non-controlling interests			7,627	8,209
Total comprehensive income for the year			44,328	35,604
Exchange rate	USD	=	130.73	126.89

Figures in brackets indicate deductions.

CONSOLIDATED FINANCIAL STATEMENTS IN USD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN USD

As at			31.03.2014	31.03.2013
			USD'000	USD'000
ASSETS				
Non-Current Assets				
Property, plant and equipment			192,924	189,469
Investment property			13,291	13,095
Intangible assets			6,904	5,155
Leasehold property			11,176	11,537
Pre-paid operating leases			7,728	7,729
Finance lease receivables			17,180	18,324
Investments in equity-accounted investees			16,022	15,220
Deferred tax assets			1,683	1,751
Other financial assets			2,962	3,642
			269,870	265,922
Current Assets				
Inventories			12,540	14,380
Finance lease receivables			1,124	1,332
Trade and other receivables			71,236	78,593
Current tax receivable			1,845	1,426
Deposits and prepayments			8,106	8,904
Other financial assets			80,988	53,307
Cash and short-term deposits			20,871	17,480
			196,710	175,422
Assets classified as held for sale			1,141	1,175
Total Assets			467,721	442,519
EQUITY AND LIABILITIES				
Equity				
Stated capital			16,332	16,827
Reserves			106,209	100,053
Retained earnings			124,216	104,203
Total equity attributable to equity holders of the company			246,757	221,083
Non-controlling interests			49,872	42,946
Total Equity			296,629	264,029
Non-Current Liabilities				
Interest-bearing liabilities			56,104	49,219
Deferred tax liabilities			4,892	3,978
Employee benefits			4,409	3,526
			65,405	56,723
Current Liabilities				
Interest-bearing liabilities			12,410	10,797
Provisions			3,540	2,184
Trade and other payables			50,305	60,792
Current tax payable			4,573	3,950
Bank overdrafts and other short-term borrowings			34,859	44,044
			105,687	121,767
Total Equity and Liabilities			467,721	442,519
Exchange rate	USD	=	130.73	126.89

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".

Market Sector : Diversified Holdings

Ordinary Shares

Share Trading Information

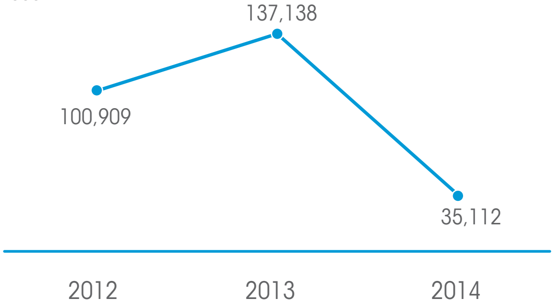
	2013/2014	2012/2013	2011/2012
Number of transactions	3,755	3,256	6,772
No. of shares traded during the year	35,111,754	137,137,807	100,909,029
Value of shares traded during the year (Rs. Million)	3,965	15,429	12,144
Percentage of total value transacted (%)	2.03	8.13	2.77

Market Value

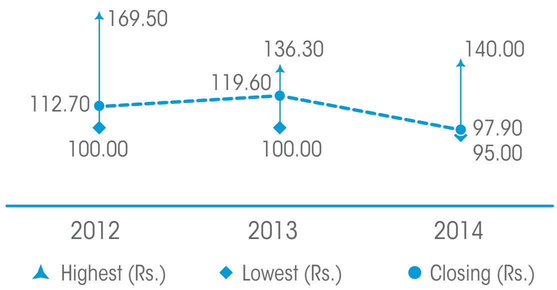
	2013/2014	2012/2013	2011/2012
Highest (Rs.)	140.00	136.30	169.50
Lowest (Rs.)	95.00	100.00	100.00
Closing (Rs.)	97.90	119.60	112.70

The market value of the ordinary share as at 26th May 2014 was Rs. 101.00.

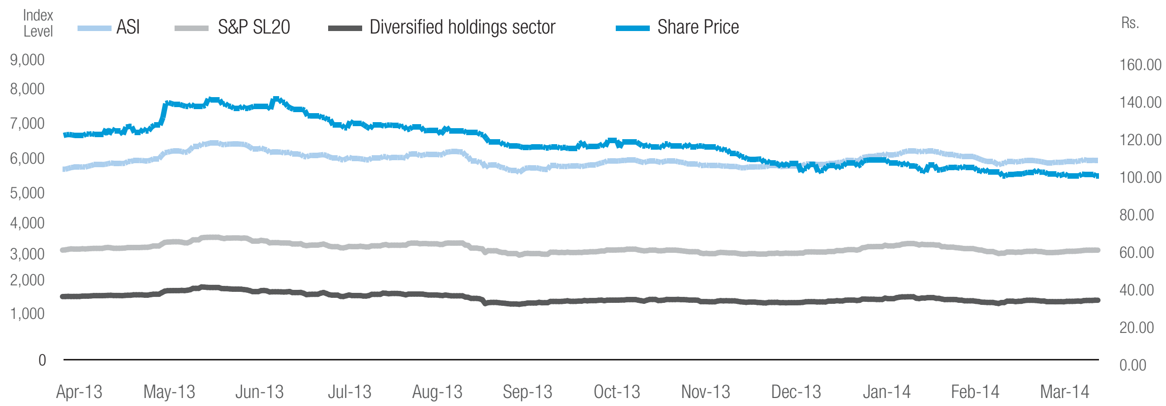
NO. OF SHARES TRADED
for the year ended 31st March
'ooo



MARKET VALUE PER SHARE
for the year ended 31st March



SHARE PRICES VS INDICES - 2013/2014
12 Month Trend



Market Capitalisation

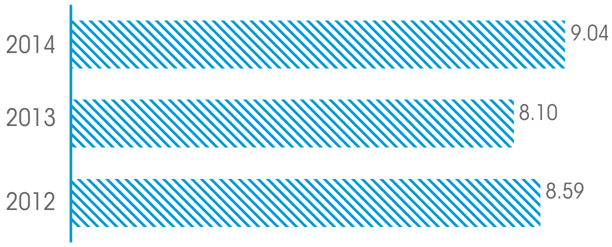
	31st March 2014	31st March 2013	31st March 2012
Market capitalisation (Rs. Million)	39,747	48,557	45,756
Percentage of total market capitalisation (%)	1.59	2.20	2.27

MARKET CAPITALISATION
As at 31st March
Rs. Mn

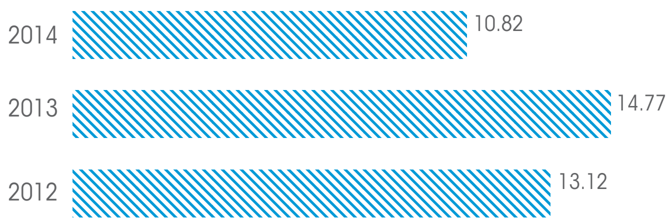
Earnings

	2013/2014	2012/2013	2011/2012
Earnings per share - Basic/Diluted (Rs.)	9.04	8.10	8.59
Price earnings ratio (P/E) (Times)	10.82	14.77	13.12

EARNINGS PER SHARE
for the year ended 31st March
Rs.



PRICE EARNINGS RATIO
as at 31st March
Times



Net Assets per share

	31st March 2014	31st March 2013	31st March 2012
The Group (Rs.)	79.46	69.10	61.96
The Company (Rs.)	31.85	32.35	32.40

INVESTOR INFORMATION

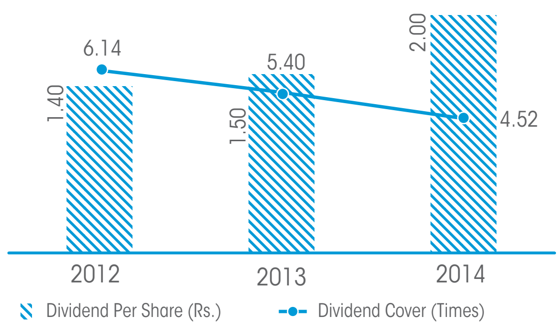
Dividends

An ordinary dividend of Rs. 2.00 per share (2012/2013 - Rs. 1.50 per share) has been recommended to the shareholders for approval at the forthcoming Annual General Meeting.

History of dividend per share and dividend cover for the past 10 years

Year	Dividend per share (Rs.)	Dividend cover (Times)
2004/2005*	0.40	6.88
2005/2006*	0.43	6.90
2006/2007*	0.43	8.30
2007/2008*	0.47	9.72
2008/2009*	0.63	7.93
2009/2010*	0.67	7.61
2010/2011	1.00	6.25
2011/2012	1.40	6.14
2012/2013	1.50	5.40
2013/2014	2.00	4.52

DIVIDEND PER SHARE & DIVIDEND COVER
for the year ended 31st March



** The Above figures are restated taking into consideration the subdivision of shares.*

Analysis of shareholder base

Distribution of shares

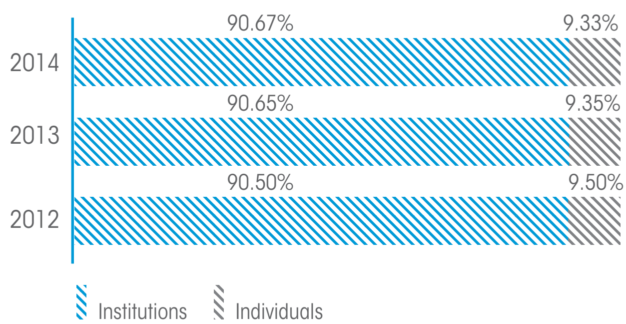
Range of shareholding	31st March 2014			31st March 2013		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	2,519	788,838	0.19	2,573	849,788	0.21
1,001 - 10,000	1,218	4,130,911	1.02	1,244	4,237,855	1.04
10,001 - 100,000	342	10,659,558	2.63	346	10,451,988	2.57
100,001 - 1,000,000	76	21,252,946	5.23	69	20,304,372	5.00
1,000,001 and above	30	369,163,792	90.93	29	370,152,042	91.17
Total	4,185	405,996,045	100.00	4,261	405,996,045	100.00

There were 4,185 voting registered shareholders as at 31st March 2014 (31st March 2013 - 4,261).

Individuals / Institutions

	31st March 2014		31st March 2013	
	No. of Shares	%	No. of Shares	%
Institutions	368,115,685	90.67	368,041,727	90.65
Individuals	37,880,360	9.33	37,954,318	9.35
	405,996,045	100.00	405,996,045	100.00

INDIVIDUALS / INSTITUTIONS
as at 31st March

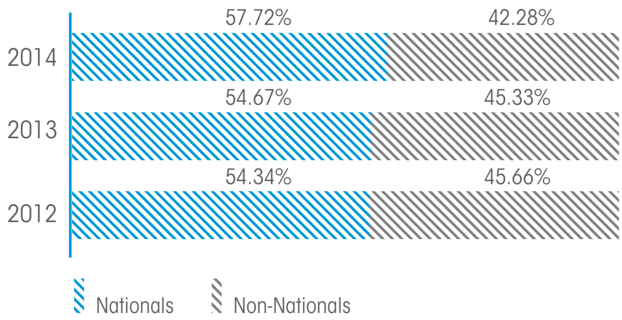


Nationals / Non-Nationals

	31st March 2014		31st March 2013	
	No. of Shares	%	No. of Shares	%
Nationals	234,350,357	57.72	221,941,146	54.67
Non-Nationals	171,645,688	42.28	184,054,899	45.33
	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 2014 was 38.78%.

NATIONALS / NON-NATIONALS
as at 31st March



Twenty largest shareholders as at 31st March 2014

	Name	No. of Shares	%
1	Melstacorp Limited	166,826,598	41.09
2	Rubicond Enterprises Limited	65,990,145	16.25
3	HSBC International Nominees Limited - BPSS Lux - Aberdeen Global -Asian Smaller Companies Fund	33,563,942	8.27
4	HSBC Intl Nom Ltd - BP2S London - Aberdeen Asia Pacific Equity Fund	17,192,300	4.24
5	Mr. G.C. Wickremasinghe	7,308,240	1.80
6	Employees Provident Fund	6,922,452	1.71
7	HSBC Intl Nom Ltd - BP2S Luxembourg - Aberdeen Global Frontier Markets Equity Fund	6,780,000	1.67
8	HSBC International Nominees Ltd - SSBT - Aberdeen Institutional Commingled Funds, LLC	5,795,500	1.43
9	Placidrange Holdings Limited	5,521,500	1.36
10	HSBC Intl Nom Ltd - SSBT - National Westminster Bank PLC AS Depositary of First State Asia Pacific Fund - A Sub Fund of First State Investments LCVC	4,662,254	1.15
11	HSBC Intl Nominees Ltd - BP2S London - Aberdeen New Dawn Investment Trust XCC6	4,503,555	1.11
12	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
13	Mellon Bank N.A. - Florida Retirement System	3,849,615	0.95
14	HSBC Intl Nominees Ltd-BP2S London - Aberdeen Asia Smaller Companies Investment Trust	3,400,000	0.84
15	Stassen Exports Limited	3,244,500	0.80
16	Ms. A.T. Wickremasinghe	3,211,975	0.79
17	Ms. K. Fernando	3,135,070	0.77
18	Mr. G. Wickremasinghe	3,019,090	0.74
19	Banque Pictet & Cie SA	2,789,753	0.69
20	Employees Trust Fund Board	2,621,870	0.65
	Total	354,659,859	87.37

INVESTOR INFORMATION

Shareholding of Directors

Shareholding of Directors together with their spouses in Aitken Spence PLC

	31st March 2014	31st March 2013
Mr. J.M.S. Brito	304,495	294,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	1,000
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.12.2013)	27,839	N/A
	7,641,574	7,603,735

Indirect holding by Directors

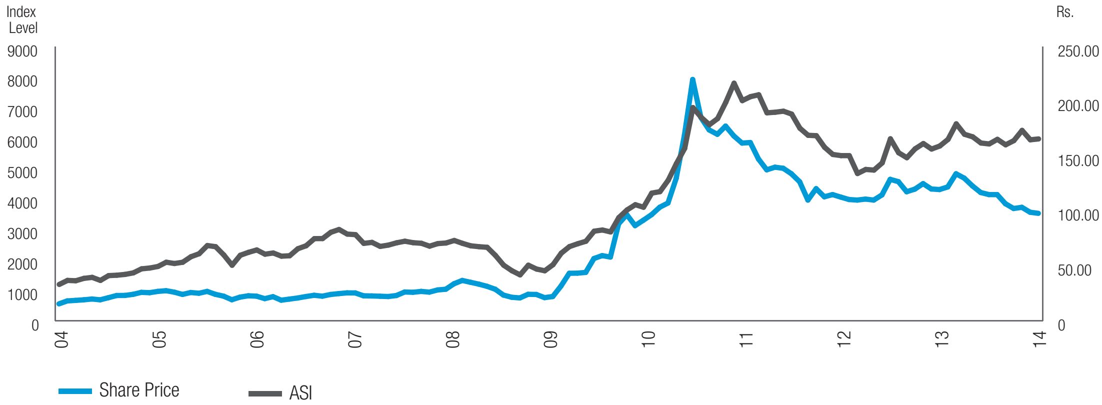
		31st March 2014	31st March 2013
Mr. G.C. Wickremasinghe	- Manohari Enterprises Ltd	298,830	298,830
Deshamanya D.H.S. Jayawardena	- Stassen Exports Ltd	3,244,500	3,244,500
	- Milford Exports (Ceylon) Ltd	4,321,500	4,321,500
	- Distilleries Company of Sri Lanka PLC	186,500	186,500
	- Periceyl (Pvt) Limited	21,200	21,200
		8,072,530	8,072,530

Shareholding in Group Companies

		31st March 2014	31st March 2013
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	106,596	106,596
	Mr. G.C. Wickremasinghe	2,082,241	2,852,241
	Mr. R.N. Asirwatham	1,000	1,000
	Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.12.2013)	16,000	N/A
Hethersett Hotels Limited	Mr. G.C. Wickremasinghe	1,041,500	1,041,500

SHARE PRICES VS INDICES

10 Year Trend (1st April 2004 to 31st March 2014)



TEN YEAR SUMMARY

Year ended 31st March	2014	** 2013	2012	2011	2010	2009	2008	2007	2006	2005
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Revenue	36,598,095	37,139,927	31,021,623	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989
Profit before taxation	5,409,111	5,025,481	5,183,354	3,815,555	3,353,169	3,396,916	3,064,792	2,582,088	1,910,115	1,721,123
Taxation	900,476	749,970	746,090	387,335	366,193	328,385	235,110	298,018	197,623	162,599
Profit after taxation	4,508,635	4,275,511	4,437,264	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524
Profit attributable to Aitken Spence PLC	3,671,870	3,287,607	3,487,669	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,134,326
Reserves	13,884,656	12,695,793	12,454,684	11,071,652	9,317,199	7,227,545	3,505,284	2,673,510	2,370,383	2,306,075
Retained earnings	16,238,762	13,222,324	10,564,698	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517
Non-controlling interest	6,519,706	5,449,444	4,708,800	5,129,687	4,566,388	4,553,439	3,881,704	3,193,710	2,679,745	1,774,362
Non-current liabilities	8,550,368	7,197,484	6,563,195	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808
Current liabilities	13,816,605	15,450,825	14,558,490	8,752,588	8,352,184	8,072,337	8,495,631	6,393,881	6,182,957	3,288,637
	61,145,237	56,151,010	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725
Assets										
Property, plant and equipment	25,220,920	24,041,780	22,585,836	23,925,653	23,328,896	22,635,636	16,982,305	16,770,495	15,450,267	11,005,913
Investment property	1,737,575	1,661,596	1,662,349	102,799	28,936	28,936	28,936	28,936	28,936	28,936
Intangible assets	902,600	654,056	643,600	134,026	154,185	109,164	122,520	159,407	191,811	170,058
Leasehold property	1,461,100	1,463,930	1,521,101	1,354,028	1,462,903	1,499,514	1,351,259	-	-	-
Pre paid operating leases	1,010,249	980,731	1,028,164	5,455	5,546	5,637	5,728	-	-	-
Finance lease receivables	2,245,884	2,325,091	2,512,923	-	-	-	-	-	-	-
Investments in equity-accounted investees	2,094,496	1,931,205	1,770,117	1,335,002	767,498	752,636	764,489	697,111	690,374	672,513
Deferred tax assets	220,021	222,147	209,769	138,314	56,823	74,008	39,342	-	-	-
Other financial assets	387,248	462,117	392,737	473,945	483,580	404,946	263,576	170,098	213,234	529,963
Current assets	25,716,019	22,259,232	18,509,286	12,494,114	11,093,448	10,721,243	11,465,087	8,524,778	6,632,072	4,699,342
Assets classified as held for sale	149,125	149,125	149,125	181,489	161,663	149,124	161,951	-	-	-
	61,145,237	56,151,010	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725
Share Information										
Earnings per share (Rs.)	9.04	8.10	8.59	6.25	* 5.07	* 5.02	* 4.53	* 3.60	* 2.99	* 2.75
Market value per share (Rs.) - post share sub division	97.90	119.60	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
Market capitalisation on 31st March (Rs.Mn)	39,747	48,557	45,756	65,893	37,182	8,526	11,639	10,285	9,176	10,282
Price earnings ratio	10.82	14.77	13.12	25.97	18.05	4.18	6.32	7.05	7.56	9.20
Net assets per share (Rs.)	79.46	69.10	61.96	53.00	* 46.54	* 42.06	* 29.32	* 24.46	* 21.01	* 18.64
Employees Information										
No. of employees	6,305	6,207	5,791	5,328	5,042	5,045	5,090	4,199	4,209	4,209
Value added per employee (Rs.'000)	2,050	1,979	1,915	1,884	1,770	1,635	1,503	1,467	1,038	857
Ratios & Statistics										
Ordinary dividend (Rs.'000)	811,992	608,994	568,394	405,996	270,664	257,131	189,465	175,931	175,931	162,341
Dividend per share (Rs.)	2.00	1.50	1.40	1.00	* 0.67	* 0.63	* 0.47	* 0.43	* 0.43	* 0.40
Dividend cover (times covered)	4.52	5.40	6.14	6.25	7.61	7.93	9.72	8.30	6.90	6.88
Dividend - payout ratio	0.22	0.19	0.16	0.16	0.13	0.13	0.10	0.12	0.14	0.15
Current ratio (times covered)	1.86	1.44	1.27	1.43	1.33	1.33	1.35	1.33	1.07	1.43
Debt-equity ratio	0.19	0.19	0.19	0.16	0.22	0.29	0.41	0.49	0.48	0.45
ROE (%)	12.18	12.36	15.01	12.55	11.45	14.08	16.86	15.82	15.08	15.79
Interest cover ratio	16.21	9.55	23.08	23.48	6.44	6.54	5.78	4.93	6.38	9.66

Note: * The above figures are restated taking into consideration the sub division of shares in October 2010.

** The presentation and classification of information for 2012/2013 have been revised with the adoption of LKAS 19 - Employee Benefits, which is effective from annual periods commencing on or after 01st January 2013.

UNITED NATIONS GLOBAL COMPACT

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 10 universally accepted principles in the areas of human rights, labour standards, environment and anti-corruption. Aitken Spence PLC is a signatory of the Global Compact since 28th May 2002 and a member of the Global Compact Network Sri Lanka's Board and the steering committee, since inception.

The Local Network's role is to root 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.

Action taken by Aitken Spence PLC and our Group companies are summarised in this section of the report. A more detailed overview is presented in the Management Discussion & Analysis. More content, including the integrated sustainability policy of Aitken Spence PLC in Sinhala, Tamil and English, is also available on the Sustainability Page of the Group's corporate website at *www.aitkenspence.com/sustainability.*

Aitken Spence PLC was one of the first organisations in the World to become signatory to the Women's Empowerment Principles (WEP) in 2010. Over the years, we have conducted gap assessments and incorporated action points into the existing systems and procedures to conform to the requirements of the 7 WEPs. A progress chart of the WEP action is presented at the end of this section.

General Action:

During the year, a fresh study was conducted to review the requirements of the IFC Performance Standards to complement the development of the Aitken Spence Social and Environmental Governance Policy and Procedure. This is meant to be another supporting resource to guide the SBU on key areas of concern for management decision making.

The GRI G4 Index will present the indicators relevant to the UNGC principles.

Progress Made on Internalising the UNGC 10 Principles

Human Rights

- Assessment, of Sustainability Team members and staff members chosen randomly at different locations, on awareness about the Human Rights Protection Framework during inspections conducted for the Sustainability Awards 2013
- Perusal of the IFC Performance Standards and development of the Aitken Spence Social and Environmental Governance Policy and Procedure

Environment

- Adopting a systems approach to mitigate adverse impacts on the environment from business activities.
- Maintaining 43 Environmental Management Systems, 12 of which are certified
- Screening of waste resource management suppliers on legal requirements and environmental standards
- Conducting a Mobile Video Competition to mark World Environment Day (WED) 2013 to create awareness on sustainability. Categories for video submissions included many key aspects of sustainability such was Resource Efficiency, Innovation, Promotion of Sustainability Values and the WED theme of 2013 Think.Eat.Save. Shortlisted videos have been uploaded into a YouTube channel created especially for the contest. (YouTube Channel: ASMobile VideoCompetition)
- Incorporating a viva section to the assessment of SBU performance in the Sustainability Awards 2013.
- Launching the Peer Education Forum for the Environmental Management Representatives to ensure the persons responsible to maintain the system requirement have the right awareness, knowledge and contacts to fulfil the responsibility.

Labour Standards

- 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. The Group offers 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 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 (WEP) and action points which can be implemented have been identified. Further discussions are still in place to implement the principles within the Group strategies. An improvement from 2011/12 was the appointment of the Group's first female Main Board Director. We have also seen an increase in the number of female representatives in the Management Teams of the Company. Our progress in implementing the WEP is illustrated at the end of this section.

Anti - Corruption

- Company Code of Ethics has stringent instructions on anti-corruption. 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 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.
- Group's Corporate Governance procedures, Risk Management and Audit practices also contribute towards prevention of corruption within the company operations.

THE GLOBAL COMPACT

WE SUPPORT

Progress Made on implementing the women's empowerment principles.

The Women's Empowerment Principles;

1 Leadership Promotes Gender Equality

2 Equal Opportunity, Inclusion and Nondiscriminiation

3 Health, Safety and Freedom from Violence

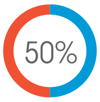
4 Education and Training

5 Enterprise Development, Supply Chain and Marketing Practices

6 Community Leadership and Engagement

7 Transparency, Measuring and Reporting

1 Leadership Promotes Gender Equality



Establish high-level corporate leadership for gender equality

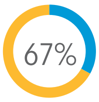
a. Affirm high-level support and direct top-level policies for gender equality and human rights.

b. Establish company-wide goals and targets for gender equality and include progress as a factor in managers' performance reviews.

c. Engage internal and external stakeholders in the development of company policies, programmes and implementation plans that advance equality.

d. Ensure that all policies are gender-sensitive – identifying factors that impact women and men differently – and that corporate culture advances equality and inclusion.

2 Equal Opportunity, Inclusion and Nondiscriminiation



Treat all women and men fairly at work – respect and support human rights and nondiscrimination

a. Pay equal remuneration, including benefits, for work of equal value and strive to pay a living wage to all women and men.

b. Ensure that workplace policies and practices are free from gender-based discrimination.

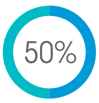
c. Implement gender-sensitive recruitment and retention practices and proactively recruit and appoint women to managerial and executive positions and to the corporate board of directors.

c. Assure sufficient participation of women – 30% or greater – in decision-making and governance at all levels and across all business areas.

d. Offer flexible work options, leave and re-entry opportunities to positions of equal pay and status.

e. Support access to child and dependent care by providing services, resources and information to both women and men.

3 Health, Safety and Freedom from Violence



Ensure the health, safety and well-being of all women and men workers

a. Taking into account differential impacts on women and men, provide safe working conditions and protection from exposure to hazardous materials and disclose potential risks, including to reproductive health.

b. Establish a zero-tolerance policy towards all forms of violence at work, including verbal and/or physical abuse, and prevent sexual harassment.

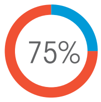
c. Strive to offer health insurance or other needed services – including for survivors of domestic violence – and ensure equal access for all employees.

d. Respect women and men workers' rights to time off for medical care and counselling for themselves and their dependents.

e. In consultation with employees, identify and address security issues, including the safety of women travelling to and from work and on company-related business.

f. Train security staff and managers to recognize signs of violence against women and understand laws and company policies on human trafficking, labour and sexual exploitation.

4 Education and Training



Promote education, training and professional development for women

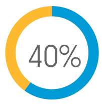
a. Invest in workplace policies and programmes that open avenues for advancement of women at all levels and across all business areas, and encourage women to enter nontraditional job fields.

b. Ensure equal access to all company-supported education and training programmes, including literacy classes, vocational and information technology training.

c. Provide equal opportunities for formal and informal networking and mentoring.

d. Offer opportunities to promote the business case for women's empowerment and the positive impact of inclusion for men as well as women.

5 Enterprise Development, Supply Chain and Marketing Practices



Implement enterprise development, supply chain and marketing practices that empower women

a. Expand business relationships with women-owned enterprises, including small businesses, and women entrepreneurs.

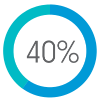
b. Support gender-sensitive solutions to credit and lending barriers.

c. Ask business partners and peers to respect the company's commitment to advancing equality and inclusion.

d. Respect the dignity of women in all marketing and other company materials.

e. Ensure that company products, services and facilities are not used for human trafficking and/or labour or sexual exploitation.

6 Community Leadership and Engagement



Community Leadership and Engagement: Promote equality through community initiatives and advocacy

a. Lead by example – showcase company commitment to gender equality and women's empowerment.

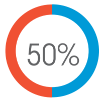
b. Leverage influence, alone or in partnership, to advocate for gender equality and collaborate with business partners, suppliers and community leaders to promote inclusion.

c. Work with community stakeholders, officials and others to eliminate discrimination and exploitation and open opportunities for women and girls.

d. Promote and recognize women's leadership in and contributions to, their communities and ensure sufficient representation of women in any community consultation.

e. Use philanthropy and grants programmes to support company commitment to inclusion, equality and human rights.

7 Transparency, Measuring and Reporting



Measure and publicly report on progress to achieve gender equality.

a. Make public the company policies and implementation plan for promoting gender equality.

b. Establish benchmarks that quantify inclusion of women at all levels.

c. Measure and report on progress, both internally and externally, using data disaggregated by gender.

d. Incorporate gender markers into ongoing reporting obligations.

www.unglobalcompact.org
www.weprinciples.org

GRI INDEX

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Disclosure Title	Page Number (or Link)	ISO 26000 clauses
G4-1	Statement from the most senior decision maker of the organisation	11 to 18	• Respect for international norms of behaviour – 4.7 • Organisational governance – 6.2 • Setting the direction of an organisation for social responsibility – 7.4.2
G4-2	Description of key impacts, risks and opportunities	21 to 25 34 to 39	
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Inner Back Cover	• Fundamental principles and rights at work – 6.3.10 • Labour practices – 6.4.1 – 6.4.2 • Employment and employment relationships – 6.4.3 • Conditions of work and social protection – 6.4.4 • Social dialogue – 6.4.5 • Employment creation and skills development – 6.8.5 • Voluntary initiatives for social development – 7.8
G4-4	Primary brands, products and services	21, 19 to 97 211 to 219	
G4-5	Location of the organisation's headquarters	Inner Back Cover	
G4-6	Locations of the organisation's operations	4 to 5 211 to 219	
G4-7	Nature of ownership and legal form	Inner Back Cover	
G4-8	Markets served	21, 19 to 97 211 to 219	
G4-9	Scale of the organisation	3 to 9, 21	
G4-10	Workforce breakdown		
G4-11	Percentage of employees covered by collective bargaining agreements		
G4-12	Organisation's supply chain	19 to 97	
G4-13	Significant changes during the reporting period	11 to 18	
G4-14	Addressing the precautionary approach	19 to 97	
G4-15	Voluntary endorsement of policies/ charters	198 to 201	
G4-16	Membership associations and affiliations		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities excluded from the organization's reporting boundary	3	• Recognizing social responsibility – 5.2 • Determining relevance and significance of core subjects and issues to an organization – 7.3.2 • An organization's sphere of influence – 7.3.3 • Establishing priorities for addressing issues – 7.3.4
G4-18	Process for defining the report content and the Aspect Boundaries	30 to 33	
G4-19	Material Aspects	3 to 33	
G4-20	Aspect Boundary within the organization		
G4-21	Aspect Boundary outside the organization		
G4-22	Effect of any restatements of information	123 to 197	
G4-23	Significant changes from previous reporting periods	11 to 18, 21	
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged	28	• Stakeholder identification and engagement – 5.3
G4-25	Basis for identification and selection of stakeholders with whom to engage	26 to 28 19 to 97	
G4-26	Organization's approach		
G4-27	Key topics and concerns raised through stakeholder engagement	26 to 28	

www.aitkenspence.com/sustainability

General Standard Disclosures	Disclosure Title	Page Number (or Link)	ISO 26000 clauses
REPORT PROFILE			
G4-28	Reporting period	1 April 2013 to 31 March 2014	• Types of communication on social responsibility – 7.5.3 • Enhancing the credibility of reports and claims about social responsibility – 7.6.2
G4-29	Date of most recent previous report	31 March 2013	
G4-30	Reporting cycle	Annual	
G4-31	Contact point for questions about the report	Inner Back Cover 227 to 228	
G4-32	The 'in accordance' option chosen	Core	
G4-33	Organization's policy and current practice on seeking external assurance for the report	Not Assured	

GOVERNANCE			WEP
G4-34	Governance structure of the organization	44 to 58	• Organisational governance – 6.2 • Building social responsibility into an organisation's governance systems and procedures – 7.4.3 • Improving performance – 7.7.5
G4-35	Delegation of authority for economic, environmental and social topics	99 to 116	
G4-36	Executive-level position and positions with responsibility for economic, environmental and social topics	46 to 58 99 to 116	
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics.	28	
G4-38	Composition of the highest governance body and its committees	101	
G4-39	Role of the Chair of the highest governance body	99 to 116	
G4-40	Nomination and selection processes for the highest governance body and its committees	99 to 116	
G4-41	Processes for the highest governance body to avoid/ manage conflicts of interest	99 to 116	
G4-42	Role of the highest governance body and senior executives in the development, approval, and updating of the organization's guiding principles and business models	99 to 116	
G4-43	Capacity building for the highest governance body's collective knowledge on economic, environmental and social topics.	99 to 116 40 to 43	
G4-44	Evaluation of the highest governance body's performance on the governance of economic, environmental and social topics.	99 to 116	
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	99 to 116	
G4-46	Role of the highest governance body in reviewing the effectiveness of the organization's risk management processes	99 to 116 34 to 39	
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	99 to 116	
G4-48	The highest position for formal review and approval of the organization's sustainability disclosures	Managing & Finance Director	
G4-49	The process for communicating critical concerns to the highest governance body.	99 to 116	
G4-50	Addressing and resolving them critical concerns communicated to the highest governance body	99 to 116	
G4-51	Remuneration policies for the highest governance body and senior executives	99 to 116	
G4-52	Process for determining remuneration.	99 to 116	

General Standard Disclosures	Disclosure Title	Page Number (or Link)	ISO 26000 clauses
ETHICS AND INTEGRITY			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	99 to 116	• Ethical behaviour – 4.4 • Anticorruption – 6.6.3
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity, such as helplines or advice lines.		
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.		

Tourism sector: Maritime Cargo Logistics Strategic Investments sector: Services sector:

SPECIFIC STANDARD DISCLOSURES

DISCLOSURES ON MANAGEMENT APPROACH

G4-DMA	Economic Disclosures • Economic Performance • Market Presence • Indirect Economic Impacts • Procurement Practices	66 to 73 74 to 81 82 to 91 92 to 97	• Guidance on social responsibility core subjects – 6 • Due diligence – 7.3.1 • Building social responsibility into an organisation's governance systems and procedures – 7.4.3 • Reviewing an organisation's progress and performance on social responsibility – 7.7.3 • Improving performance – 7.7.5
	Environmental Disclosures • Energy • Water • Biodiversity • Emissions • Effluents and Waste • Compliance • Overall	66 to 73 74 to 81 82 to 91 92 to 97	
	Social Disclosures • Employment • Labour/ Management Relations • Occupational Health & Safety • Training & Education • Equal Remuneration for Women and Men • Labour Practices Grievance Mechanisms	66 to 73 74 to 81 82 to 91 92 to 97	
	Human Rights Disclosures • Investment • Security Practices	66 to 73 74 to 81 82 to 91 92 to 97 198 to 199	
	Society Disclosures • Local Communities • Anticorruption • Compliance	66 to 73 74 to 81 82 to 91 92 to 97	
	Product Responsibility Disclosures • Customer Health and Safety • Product and Service Labelling • Marketing Communications • Customer Privacy • Compliance	66 to 73 74 to 81 82 to 91 92 to 97	

GRI INDEX

Standard Disclosure	Disclosure Requirements	Page Number (or Link)	ISO 26000 clauses
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-EC1	The direct economic value generated and distributed (Socio Economic Value Generated and Distributed)	66 to 73 74 to 81 82 to 91 92 to 97 123 to 189	• Community involvement and development – 6.8.1 to 6.8.2 • Wealth and income creation – 6.8.7 • Social investment – 6.8.9
G4-EC3	Liabilities that are met by the organization’s general resources, the percentage of salary contributed by employee or employer	123 to 197	• Wealth and income creation – 6.8.7
ASPECT: MARKET PRESENCE			
G4-EC6	The percentage of senior management at significant locations of operation that are hired from the local community.	66 to 73	• Employment and employment relationships – 6.4.3 • Community involvement and development – 6.8.1 & 6.8.2 • Employment creation and skills development – 6.8.5 • Wealth and income creation – 6.8.7
ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-EC7	Significant infrastructure investments and services supported.	66 to 73 82 to 91	• Economic, social and cultural rights – 6.4.3 • Community involvement and development
ASPECT: PROCUREMENT PRACTICES			
G4-EC9	Percentage of the procurement budget used on suppliers local to that operation	66 to 73 82 to 91	• Employment and employment relationships – 6.4.3 • Promoting social responsibility in the value chain – 6.6.6 • Community involvement development – 6.8.1 & 6.8.2 • Wealth and income creation – 6.8.7
CATEGORY: ENVIRONMENTAL			**UNGC**
ASPECT: ENERGY			
G4-EN3	Total fuel consumption from non-renewable sources	66 to 73 74 to 81 82 to 91 92 to 97	• Sustainable resource use – 6.5.4
G4-EN6	Amount of reductions in energy consumption		• Sustainable resource use – 6.5.4 • Climate change mitigation and adaptation – 6.5.5
ASPECT: WATER			
G4-EN8	Total volume of water withdrawn	66 to 73 74 to 81 82 to 91 92 to 97	• Sustainable resource use – 6.5.4
G4-EN9	Total number of water sources significantly affected by withdrawal	None	• Sustainable resource use – 6.5.4
G4-EN10	Total volume of water recycled and reused by the organization.	66 to 73 82 to 91	• Sustainable resource use – 6.5.4
ASPECT: BIODIVERSITY			
G4-EN11	Operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.		• Protection of the environment, biodiversity and restoration of natural habitats – 6.5.6
G4-EN12	Nature of significant direct and indirect impacts on biodiversity		• Protection of the environment, biodiversity and restoration of natural habitats – 6.5.6

Standard Disclosure	Disclosure Requirements	Page Number (or Link)	ISO 26000 clauses
G4-EN13	Size and location of all habitat protected areas or restored areas		• Protection of the environment, biodiversity and restoration of natural habitats – 6.5.6
ASPECT: EMISSIONS			
G4-EN15	Direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	66 to 73 74 to 81 82 to 91 92 to 97	• Climate change mitigation and adaptation – 6.5.5
G4-EN16	Energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent		• Climate change mitigation and adaptation – 6.5.5
G4-EN19	The amount of GHG emissions reductions achieved		• Climate change mitigation and adaptation – 6.5.5
ASPECT: EFFLUENTS AND WASTE			
G4-EN23	Total weight of hazardous and non-hazardous waste, by disposal methods	66 to 73 74 to 81 82 to 91 92 to 97	• Prevention of pollution – 6.5.3 • Sustainable resource use – 6.5.4
G4-EN24	Total number and total volume of recorded significant spills.	66 to 73 74 to 81 82 to 91 92 to 97	• Prevention of pollution – 6.5.3
G4-EN26	Water bodies and related habitats that are prevented from being affected by water discharges of the organisation		• Prevention of pollution – 6.5.3 • Sustainable resource use – 6.5.4 • Protection of the environment, biodiversity and restoration of natural habitats – 6.5.6
ASPECT: COMPLIANCE			
G4-EN29	Significant fines and non-monetary sanctions for non-compliance with laws or regulations	None	• Respect for the rule of law – 4.6
ASPECT: OVERALL			
G4-EN31	Total environmental protection expenditures	Rs. 109.4 Mn	• The environment – 6.5.1 & 6.5.2
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			**UNGC**
ASPECT: EMPLOYMENT			
G4-LA1	Turnover during the reporting period	197	• Employment and employment relationships – 6.4.3
G4-LA2	Benefits which are standard for full-time employees of the organization • Bonus/ Salary increments on performance basis • Festival advance • Medical benefits • Retirement benefits obligations		• Conditions of work and social protection – 6.4.4
ASPECT: LABOR/MANAGEMENT RELATIONS UNGC			
G4-LA4	Minimum notice period	1 month	• Employment and employment relationships – 6.4.3 • Social dialogue – 6.4.5
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-LA5	Level at which each subsidiary's OHS representative/committee operates within the organization	19 to 97	• Health and safety at work – 6.4.6

GRI INDEX

Standard Disclosure	Disclosure Requirements	Page Number (or Link)	ISO 26000 clauses
ASPECT: TRAINING AND EDUCATION			
G4-LA9	Average hours of training provided to employees during the reporting period	7	• Human development and training in the workplace – 6.4.7
G4-LA10	Type and scope of programs implemented and assistance provided to upgrade employee skills.	40 to 43	• Human development and training in the workplace – 6.4.7 • Employment creation and skills development – 6.8.5
G4-LA11	Percentage of total employees by gender and by employee category who received a regular performance and career development review	100% executive staff	• Human development and training in the workplace – 6.4.7
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN			**WEP**
G4-LA13B	Ratio of the basic salary and remuneration of women to men	1:1	• Discrimination and vulnerable group – 6.3.7 • Fundamental principles and rights at work – 6.3.10 • Employment and employment relationships – 6.4.3 • Conditions of work and social protection – 6.4.4
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS			
G4-LA16	Total number of grievances about labour practices filed through formal grievance mechanisms during the reporting period.	02	• Resolving grievances – 6.3.6
SUB-CATEGORY: HUMAN RIGHTS			**UNGC**
ASPECT: INVESTMENT			
G4-HR2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations and the percentage of employees trained	198 to 199	• Avoidance of complicity – 6.3.5
ASPECT: NON - DISCRIMINATION			**UNGC/WEP**
G4-HR3	Total number of incidents of discrimination and corrective action taken	None	• Resolving grievances – 6.3.6 • Discrimination and vulnerable groups – 6.3.7 • Fundamental principles and rights at work – 6.3.10 • Employment and employment relations – 6.4.3
ASPECT: SECURITY PRACTICES			
G4-HR7	Percentage of security personnel who have received formal training in the organization's human rights policies	198 to 199	• Human rights risk situations – 6.3.4 • Avoidance of complicity – 6.3.5 • Promoting social responsibility in the value chain – 6.6.6
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES			**UNGC**
G4-SO1	Local community engagement, impact assessments, and development programs	66 to 73 74 to 81 82 to 91 92 to 97	• Economic, social and cultural rights – 6.3.9 • The environment – 6.5.1 & 6.5.2 • Prevention of pollution – 6.5.3 • Community involvement and development – 6.8
ASPECT: ANTI-CORRUPTION			**UNGC**
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	100%	• Fair operating practices – 6.6.1 & 6.6.2 • Anticorruption – 6.6.3

Standard Disclosure	Disclosure Requirements	Page Number (or Link)	ISO 26000 clauses
G4-SO4	Total number and percentage of governance body members, employees, business partners that the organization's anti-corruption policies and procedures have been communicated to	34 to 39 198 to 199	• Fair operating practices – 6.6.1 & 6.6.2 • Anticorruption – 6.6.3 • Promoting social responsibility in the value chain
G4-SO5	Total number and nature of confirmed incidents of corruption	None	• Fair operating practices – 6.6.1 & 6.6.2 • Anticorruption – 6.6.3
ASPECT: COMPLIANCE			
G4-SO8	Significant fines and non-monetary sanctions for non -compliance with laws or regulations	None	• Respect for the rule of law – 4.6
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	66 to 73 74 to 81 82 to 91 92 to 97	• Consumer issues – 6.7.1 & 6.7.2 • Protecting consumers' health and safety – 6.7.4 • Sustainable consumption – 6.7.5 • Health – 6.8.8
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of product	None	• Respect for the rule of law – 4.6. • Consumer issues – 6.7.1 & 6.7.2 • Protecting consumers' health and safety – 6.7.4 • Sustainable consumption – 6.7.5 • Health – 6.8.8
ASPECT: PRODUCT AND SERVICE LABELLING			
G4-PR5	Results or key conclusions of customer satisfaction surveys	66 to 73 74 to 81 82 to 91 92 to 97	• Consumer issues – 6.7.1 & 6.7.2 • Consumer service, support and complaint dispute resolution – 6.7.6
ASPECT: MARKETING COMMUNICATIONS			
G4-PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None	• Respect for the rule of law – 4.6. • Consumer issues – 6.7.1 & 6.7.2 • Fair marketing, factual and unbiased information and fair contractual practices – 6.7.3
ASPECT: CUSTOMER PRIVACY			
G4-PR8	Total number of substantiated complaints received concerning breaches of customer privacy	None	• Consumer issues – 6.7.1 & 6.7.2 • Consumer data protection and privacy – 6.7.7
ASPECT: COMPLIANCE			
G4-PR9	The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	• Respect for the rule of law – 4.6. • Consumer issues – 6.7.1 & 6.7.2 • Consumer service, support and complaint dispute resolution – 6.7.6

AWARDS & RECOGNITION 2013 - 2014

Aitken Spence PLC

- Second Runner Up at the Best Corporate Citizen Sustainability Award 2013
- Winner of the Category Award for Environmental Management at the Best Corporate Citizen Sustainability Award 2013
- Platinum Ranked and rated amongst the top 3 companies in the STING Corporate Accountability Index of 2014.
- Silver award winner in the diversified holdings (above 5 companies) sector at the Annual Report Awards 2013 of the Institute of Chartered Accountants of Sri Lanka

Tourism Sector

Aitken Spence Hotel Holdings PLC

- Leisure & Services sector winner at the ACCA Sustainability Reporting Awards 2013
- Hospitality Sector winner at the National Business Excellence Awards 2013
- Excellence in Environmental Sustainability category winner at the National Business Excellence Awards 2013
- Gold award winner of the Hospitality Sector at the Annual Report Awards 2013 of the Institute of Chartered Accountants
- Honoured with a Merit Award in the Outstanding Energy Manager Category at the National Energy Efficiency Awards 2013

Heritance Ayurveda Maha Gedara

- Honoured with a Merit Award in the large scale hotel category at the Energy Efficiency Awards 2013 presented by Sri Lanka Sustainable Energy Authority and Ministry of Power and Energy
- Best Ayurveda Resort at the 4th FIT Health & Wellness Awards awarded by FIT-Reisen Germany
- Best CSR Project Category winner at the Best Corporate Citizen Sustainability Award 2013 for the Arts & Crafts Centre

Heritance Ahungalla

- Responsible Hotels of the World member certification by Responsible Travel.Com
- Silver Flame Award winner at the Energy Efficiency Awards 2013
- Most Outstanding Culinary Team, Best Regional Team and Most Outstanding Hotel in Sri Lanka at the 15th Culinary Art Competition, 2013, organised by the Chefs Guild of Sri Lanka

Heritance Kandalama

- Responsible Hotels of the World member certification by Responsible Travel.Com
- Champions at the Bocuse D'Or Culinary Competition 2013
- First runner up in the overall competition at the 15th Culinary Art Competition organised by the Chefs Guild of Sri Lanka
- Diversey Special Recognition Award winner for 2013 at the Skål International Sustainable Development in Tourism Awards
- Winner of the Large Resorts Doing It All category at the Conde Nast World Saver Award 2013
- Finalist in the Resource Efficiency category at the Wild Asia Responsible Tourism Award 2013, awarded by Responsible Tourism Asia Pacific

Heritance Tea Factory

- Responsible Hotels of the World member certification by Responsible Travel.Com
- First organic certification in Sri Lanka by the Sri Lanka Standards Institute for the cultivation and processing of tea

Aitken Spence Managed Hotels

- Desert Nights Camp was voted one of the best hotels in their global portfolio by the clients of Studiosus. Desert Nights Camp won the Studiosus quality award for the year 2012.
- Responsible Hotels of the World member certification awarded to Earl's Regency hotel by Responsible Travel.Com

Strategic Investments Sector

Aitken Spence Printing

- Winner of 4 Gold awards, 3 Silver awards and 1 Bronze award at the Lanka Star Awards 2013 in the Consumer, Transport and Student category organised by the Sri Lanka Institute of Packaging

Services Sector

Aitken Spence Technologies

- plantERM, a comprehensive solution developed for the plantations industry by Aitken Spence Technologies won the Gold Award competing in the category of General Applications, at the National Best Quality ICT Awards 2013

GROUP COMPANIES & DIRECTORATE

TOURISM	MARITIME CARGO LOGISTICS	STRATEGIC INVESTMENTS	SERVICES
• Hotels	• Maritime Services	• Power Generation	• Inward Money Transfer
• Inbound & Outbound Travel	• Integrated Logistics	• Printing & Packaging	• Information Technology
• Airline GSA	• Freight Forwarding	• Garment Manufacture	• Elevator Agency
	• Courier Services	• Plantation	• Insurance
		• Holding Company	• Property Management

TOURISM SECTOR

INBOUND TRAVEL

Aitken Spence Travels (Private) Limited **

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),
N.A.N. Jayasundera (Managing Director),
D.C. Schelp,
P.A. Mitchell,
S.T.B. Ellepola (Alternate Director to Mr. J.M.S. Brito) (Appointed w.e.f. 01.06.2013),
J.C. Munar (Alternate Director to Mr. D.C. Schelp) (Appointed w.e.f. 08.06.2013).

OUTBOUND TRAVEL

Aitken Spence Aviation (Private) Limited

General Sales Agents for Singapore Airlines and Singapore Airlines Cargo.

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

Ace Aviation Services Maldives Private Limited **

General Sales Agent for Sri Lankan Airlines in the Maldives.

Directors:
S.T.B. Ellepola (Chairman),
M. Firaq,
N.A.N. Jayasundera,
K.R.T. Peiris (Appointed w.e.f. 29.11.2013),
D.L. Warawita.

Aitken Spence Moscow (Private) Limited **

General Sales Agent for Transaero Airlines.

Directors:
Dr. J.W.A. Perera (Managing Director),
S.T.B. Ellepola.

Aitken Spence Overseas Travel Services (Private) Limited **

Was an IATA-accredited travel agent and General Sales Agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages, the company did not carry out operations during the year.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
H.P.N. Rodrigo.

Royal Spence Aviation (Private) Limited

Former General Sales Agents for Kingfisher Airlines.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola.

CONVENTION SERVICES

Ace Travels & Conventions (Private) Limited **

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

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
P.L. Perera.

HOTELS

A.D.S. Resorts Private Limited **

Owns and operates Adaaran Select Hudhuranfushi - Maldives.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
M. Mahdy.

Ahungalla Resorts Limited **

Owns a land for a proposed hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

** The Companies' financial statements are audited by KPMG.

TOURISM SECTOR

Aitken Spence Hotel Holdings PLC **

The holding company of the group's hotel interests. Owns and operates the Heritance Ahungalla Hotel.

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 Hotel Managements (Private) Limited **

Manages resorts in Sri Lanka.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Aitken Spence Hotel Managements (South India) Private Limited

Manages resorts in India.

Directors:
J.M.S. Brito (Appointed w.e.f. 28.08.2013),
S.M. Hapugoda, (Managing Director)
C.M.S. Jayawickrama,
C.L.B. Ekanayake (Resigned w.e.f. 31.10.2013),
K.A.A.C. Perera (Appointed w.e.f. 17.10.2013).

Aitken Spence Hotel Managements Asia (Private) Limited **

Manages resorts in India, Oman and in the Maldives.

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

Aitken Spence Hotel Services Private Limited

Local marketing company of Indian hotels in India.

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

Aitken Spence Hotels International (Private) Limited **

Owns resorts in the Maldives and provides international marketing services to overseas resorts.

Directors:
R.E.V. Casie Chetty,
S.M. Hapugoda,
C.M.S. Jayawickrama,
V.M. Gunatilleka (Appointed w.e.f. 01.04.2014).

Aitken Spence Hotels Limited **

Owns and operates Heritance Ayurveda Maha Gedara. Holding Company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited.

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

Aitken Spence Resorts (Private) Limited **

To operate a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Aitken Spence Resources (Private) Limited **

Human resource management foreign employment & recruitment company.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
G.P.J. Goonewardena.

Cowrie Investment Private Limited **

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.

Crest Star (B.V.I.) Limited

The holding company and managing agents of Jetan Travel Services Company Private Limited.

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

Crest Star Limited

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Golden Sun Resorts (Private) Limited **

Owns and operates the resort 'The Sands'.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Heritance (Private) Limited **

Owns a land for a proposed hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Hethersett Hotels Limited **

Owns and operates Heritance Tea Factory.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Jetan Travel Services Company Private Limited **

** The Companies' financial statements are audited by KPMG.

TOURISM SECTOR

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
H. Mohamed,
M. Mahdy.

Kandalama Hotels (Private) Limited **

Owns and operates Heritance Kandalama.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

M.P.S. Hotels (Private) Limited **

Owns and operates Hotel Hilltop - Kandy.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Neptune Ayurvedic Village (Private) Limited **

Leases company owned land and buildings to Aitken Spence Hotels Limited.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Nilaveli Holidays (Private) Limited **

To operate a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Nilaveli Resorts (Private) Limited **

To operate a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

PR Holiday Homes Private Limited

Owns an island resorts in Cochin - India which is currently under construction.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
C.L.B. Ekanayake (Resigned w.e.f. 31.10.2013),
K. Khadar,
M. Narayanan,
K.A.A.C. Perera (Appointed w.e.f. 15.11.2013).

The Galle Heritage (Private) Limited

Proposed for constructing and operating a heritage hotel within the Fort of Galle.

Directors:
S.M. Hapugoda (Appointed w.e.f. 01.04.2013),
C.M.S. Jayawickrama (Appointed w.e.f. 01.04.2013),
R.E.V. Casie Chetty (Appointed w.e.f. 01.04.2013).

Triton (Private) Limited

The holding company of Aitken Spence Aviation (Private) Limited.

Directors:
S.M. Hapugoda,
R.E.V. Casie Chetty,
C.M.S. Jayawickrama.

Unique Resorts Private Limited **

Owns and operates Adaaran Prestige Vaadhoo Resort - Maldives.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
M.S. Hassan,
T.D.U.D. Peiris.

** The Companies' financial statements are audited by KPMG.

MARITIME CARGO LOGISTICS SECTOR

FREIGHT FORWARDING & COURIER

Ace Aviation Services (Private) Limited

Operates as General Sales Agents for airline cargo.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris,
J.E. Brohier.

Ace Bangladesh Limited

Provides international freight forwarding services in Bangladesh.

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

Ace Cargo (Private) Limited

Provides international freight forwarding services.

Directors:
Dr. P. Dissanayake (Chairman),
K.R.T. Peiris,
J.E. Brohier.

Ace International Express (Private) Limited

Provides international air express, domestic delivery and international mailing.

Directors:
K.R.T. Peiris (Managing Director),
Dr. P. Dissanayake,
J.E. Brohier.

Aitken Spence Cargo (Private) Limited

International freight forwarding & general sales agents for airline cargo.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris (Managing Director),
J.E. Brohier.

Spence International (Private) Limited

Regional operating headquarters to manage operation overseas.

Directors:
K.R.T. Peiris,
Dr. P. Dissanayake,
J.E. Brohier.

Spence Maldives Private Limited

Provides air express & freight forwarding services in the Maldives.

Directors:
K.R.T. Peiris (Managing Director),
Dr. P. Dissanayake,
M. Firaq,
J.E. Brohier,
A. Ghiyas.

INTEGRATED LOGISTICS

Ace Containers (Private) Limited **

Operates an inland container depot and a freight station.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

Ace Container Repair (Private) Limited **

Undertakes container repairs and garments on hanger conversion.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

Ace Container Terminals (Private) Limited **

Provides container storage, customs, brokerage and warehousing services.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

Ace Distriparks (Private) Limited **

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

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

Ace Freight Management (Private) Limited

Undertakes clearing, forwarding and operates an inland container depot.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

Logilink (Private) Limited **

Acts as a container freight station and deal in the deconsolidation of imports and storing, distribution and consolidation of exports.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris,
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Appointed w.e.f. 29.04.2014).

MARITIME SERVICES

Aitken Spence Maritime Limited **

Holding company of Hapag-Lloyd Lanka (Private) Limited and Port Management Container Services (Private) Limited.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan,
D.R.C. Hindurangala (Resigned w.e.f. 31.12.2013).

** The Companies' financial statements are audited by KPMG.

MARITIME CARGO LOGISTICS SECTOR

Aitken Spence Shipping Limited **

Liner cruise and tramp agency representation NVOCC and an international freight forwarder.

Directors:
Dr. P. Dissanayake (Chairman),
A. Jayasekera,
I.S. Cuttilan,
Ms. T.D.M.N. Anthony,
K.R. Aluwihare (Resigned w.e.f. 09.09.2013).

Aitken Spence Shipping Services Limited **

Shipping agent.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan,
A. Jayasekera.

Clark Spence & Company (Private) Limited **

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

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
R.E.V. Casie Chetty.

Colombo International Nautical & Engineering College (Pvt) Ltd

Sri Lanka's largest private maritime and higher education campus.

Directors:
H.K. Jayanetti,
Capt. P.A.P. Peiris,
Dr. P. Dissanayake,
J.M.S. Brito,
C.L. Wikramanayake,
E.P. Komrowski,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
Capt. H.N.C. Peiris (Resigned w.e.f. 30.09.2013),
S.A.R.S. Karunanayake ,
Capt. I.I. Dobrev (Resigned w.e.f. 20.11.2013),
D. Malais (Appointed w.e.f. 20.11.2013),
B. Sprotte (Alternate Director to D. Malais) (Appointed w.e.f. 20.11.2013),
H.D.J.B. Ranchigoda (Appointed w.e.f. 25.11.2013).

Delta Shipping (Private) Limited **

Provides international freight forwarding services.

Directors:
M. Shabir (Managing Director),
K.R.T. Peiris,
J.E. Brohier.

Hapag-Lloyd Lanka (Private) Limited **

Liner agency representation.

Directors:
J.M.S. Brito (Chairman),
Dr. P. Dissanayake,
M.E.G. Elizalde (Resigned w.e.f. 04.10.2013),
A.M. Thakkar,
K.R. Aluwihare (Resigned w.e.f. 09.09.2013),
N.H.Fraemke (Appointed w.e.f. 01.10.2013).

Port Management Container Services (Private) Limited **

Operating & productivity enhancement management in ports.

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
D.R.C. Hindurangala (Resigned w.e.f. 31.12.2013),
W.L.P. Wijewardena (Appointed w.e.f. 15.08.2013).

Ports Terminal Limited

A joint venture with Fiji Ports Corporation Limited, to operate, manage, maintain and develop the two major ports of Suva and Lautoka in Fiji.

Directors:
H. Patel (Chairman) (Appointed w.e.f. 30.09.2013),
N. Cook (Appointed w.e.f. 30.09.2013),
V. Chand (Appointed w.e.f. 30.09.2013),
J.M.S. Brito (Appointed w.e.f. 29.07.2013),
Dr. P. Dissanayake (Appointed w.e.f. 29.07.2013),
Ms. N. Sivapragasam (Appointed w.e.f. 29.07.2013),
I.S. Cuttilan (Appointed w.e.f. 29.07.2013).

Shipping & Cargo Logistics (Private) Limited **

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 (Private) Limited **

NVOCC freight forwarding operator.

Directors:
Dr. P. Dissanayake,
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera.

SpenceMac Bangladesh (Private) Limited

Handles shipping operations in Bangladesh.

Directors:
Dr. P. Dissanayake,
M. Rashid,
C.M.L. Kamal.

Tandem Global Logistics Colombo (Private) Limited

Directors:
Dr. P. Dissanayake,
Ms. T.D.M.N. Anthony,
I.S. Cuttilan.

Vauxhall Cargo Logistics (Private) Limited **

Holding company of certain maritime transport sector companies.

Directors:
Dr. P. Dissanayake,
Ms. N. Sivapragasam,
R.E.V. Casie Chetty.

** The Companies' financial statements are audited by KPMG.

STRATEGIC INVESTMENTS SECTOR

MANUFACTURING SECTOR PRINTING & PACKAGING

Ace Exports (Private) Limited **

Provides printing & packaging services to the export market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam,
D.V.H. de Mel (Resigned w.e.f. 01.05.2013).

Ace Printing & Packaging (Private) Limited **

Provides printing & packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam,
D.V.H. de Mel (Resigned w.e.f. 01.05.2013).

Aitken Spence Printing & Packaging (Private) Limited **

Provides printing & packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

GARMENT MANUFACTURING

Ace Apparels (Private) Limited

To carry out the business to manufacture apparels for export.

Directors:
R.E.V. Casie Chetty (Appointed w.e.f. 21.02.2014),
J.S.A. Fernando (Appointed w.e.f. 21.02.2014).

Aitken Spence (Garments) Limited

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

Directors:
R.E.V. Casie Chetty,
R.G. Pandithakorralage,
J.S.A. Fernando.

Aitken Spence Apparels (Private) Limited

Manufacturer and exporter of high quality men's, 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 (Resigned w.e.f. 01.05.2013),
J.S.A. Fernando.

Clark Spence Garments Limited

The company is under liquidation.

Directors:
R.E.V. Casie Chetty,
J.S.A. Fernando,
R.G. Pandithakorralage.

POWER GENERATION

Ace Power Embilipitiya (Private) Limited

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

Directors:
J.M.S. Brito (Chairman),
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),
L. Wickremarachchi,
Ms. N. Sivapragasam,
Ms. M. Spoelgen,
Ms. A.M. Fernando.

Ace Power Generation Horana (Private) Limited

Previously owned and operated a 24MW power plant in Horana, in terms of a Power Purchase Agreement with the Ceylon Electricity Board. The company is currently not operational and the plant has been disposed of subsequently.

Directors:
L. Wickremarachchi,
Deshamanya D.H.S. Jayawardena (Resigned w.e.f. 08.08.2013),
J.M.S. Brito (Ceased to be the Alternate Director to Deshamanya D.H.S. Jayawardena w.e.f. 08.08.2013) (Appointed as the Alternate Director to Ms. N.W. de A. Guneratne w.e.f. 07.10.2013),
Ms. N. Sivapragasam,
R. Gupta,
B.K. Sharma (Alternate Director to R. Gupta),
A. Malla,
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),
Dr. R.M. Fernando (Appointed w.e.f. 09.09.2013),
M. Vuksanovic (Resigned w.e.f. 10.10.2013),
D. Sinnadurai,
Ms. N.W. de A. Guneratne (Appointed w.e.f. 09.09.2013),
V.S. Premawardhana (Appointed w.e.f. 09.09.2013),
V. Gopalakrishnan (Appointed w.e.f. 25.11.2013),
A.S. Sulaiman (Alternate Director to Mr. V. Gopalakrishnan) (Appointed w.e.f. 17.02.2014).

Ace Power Generation Matara (Private) Limited

Owns a 24MW power plant in Matara which has not been in operation consequent to the expiry of the Power Purchase Agreement with the Ceylon Electricity Board. Discussions are underway with the Ceylon Electricity Board for potential extension of the Power Purchase Agreement.

Directors:
L. Wickremarachchi,
Deshamanya D.H.S. Jayawardena (Resigned w.e.f. 08.08.2013),
J.M.S. Brito (Ceased to be the Alternate Director to Deshamanya D.H.S. Jayawardena w.e.f. 08.08.2013) (Appointed as the Alternate Director to Ms. N.W. de A. Guneratne w.e.f. 07.10.2013),
Ms. N. Sivapragasam,
R. Gupta,
B.K. Sharma (Alternate Director to R. Gupta),
A. Malla,
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),
Dr. R.M. Fernando (Appointed w.e.f. 09.09.2013),
M. Vuksanovic (Resigned w.e.f. 10.10.2013),
D. Sinnadurai,
Ms. N.W. de A. Guneratne (Appointed w.e.f. 09.09.2013),
V.S. Premawardhana (Appointed w.e.f. 09.09.2013),
V. Gopalakrishnan (Appointed w.e.f. 25.11.2013),

** The Companies' financial statements are audited by KPMG.

STRATEGIC INVESTMENTS SECTOR

A.S. Sulaiman (Alternate Director to Mr. V. Gopalakrishnan) (Appointed w.e.f. 17.02.2014).

Ace Wind Power (Private) Limited

Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),
Ms. N. Sivapragasam,
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013).

Ace Alliance Power Limited

Set up to construct, commission and operate a thermal power plant in Bangladesh.

Directors:
J.M.S. Brito,
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
Ms. N. Sivapragasam,
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013),
M.T. Rahman,
S.A.J. Rizvi,
S.Y.H. Rizvi,
S.N.H. Rizvi
L. Wickremarachchi (Appointed w.e.f. 31.03.2013).

Alliance Spence Power Limited

Set up to construct, commission and operate a thermal power plant in Bangladesh.

Directors:
J.M.S. Brito,
D.V.H. De Mel (Resigned w.e.f. 01.05.2013),
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013),
M.T. Rahman,
S.A.J. Rizvi,
S.Y.H. Rizvi,
S.N.H. Rizvi,
Q. Khuda,
L. Wickremarachchi (Appointed w.e.f. 31.03.2013),
Ms. N. Sivapragasam (Appointed w.e.f. 31.03.2013).

Branford Hydropower (Private) Limited

Owns a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),
S.A.W. Manawadu (Resigned w.e.f. 18.06.2013),
Ms. N. Sivapragasam,
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013).

Western Power Company (Private) Limited

Set up to construct, commission and operate a 10MW Waste to Energy Power Project, to supply electricity to the national grid.

Directors:
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),
Ms. N. Sivapragasam,
P. Benihin,
S.R.S.L. Karunanayake,
Ms. N.W. de A. Guneratne (Appointed w.e.f. 16.07.2013).

CORPORATE ADVISORY

Aitken Spence Corporate Finance (Private) Limited **

Provides corporate services including that of corporate finance, treasury, legal, secretarial, human resource development, information technology, financial shared service and security services to the group companies.

Directors:
Ms. N. Sivapragasam (Managing Director),
R.E.V. Casie Chetty,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
V.M. Gunatilleka.

Aitken Spence Group Limited **

Overall management of the Aitken Spence Group of companies.

Directors:
Dr. R.M. Fernando,
R.E.V. Casie Chetty,
K.R.T. Peiris,
Ms. N. Sivapragasam,
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
Dr. P. Dissanayake,
S.M. Hapugoda,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
D.S. Mendis,
V.M. Gunatilleka,
P. Karunatilake.

** The Companies' financial statements are audited by KPMG.

SERVICES SECTOR

PROPERTY DEVELOPMENT

Aitken Spence C & T Investments (Private) Limited **

Proposed to construct and operate a luxury retirement home complex in Negombo.

Directors:
A.Y. Atapattu (Chairman),
J.M.S. Brito,
S, Chandramohan,
Dr. R.M. Fernando,
D.S. Mendis,
S.G. Atapattu.

Aitken Spence Developments (Private) Limited **

Property development company.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

Aitken Spence Property Developments (Private) Limited **

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:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
R.G. Salgado.

Vauxhall Investments (Private) Limited

Owns buildings and land in Bloemendhal street.

Directors:
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Vauxhall Property Developments (Private) Limited **

Owns and operates the multi-storied office complex; "Aitken Spence Tower I".

Directors:
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

INSURANCE SURVEY & CLAIM SETTLING AGENCY

Aitken Spence Insurance (Private) Limited **

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

Directors:
Ms. N.W. de A. Guneratne (Managing Director),
A.N. Seneviratne,
R.G. Pandithakorralage.

INSURANCE BROKERING

Aitken Spence Insurance Brokers (Private) Limited **

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

Directors:
Ms. N.W. de A. Guneratne,
A.N. Seneviratne,
R.G. Pandithakorralage.

ELEVATOR AGENCY

Elevators (Private) Limited **

Exclusive agents and distributors in Sri Lanka and in the Maldives for marketing, installing, commissioning and maintaining OTIS elevators, escalators and other equipment's 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,
Ms. T.L. Cordes-Frei.

Interlifts International Private Limited **

Provides technical support, servicing, installation, repairing & maintaining of elevators, escalators, travolators, dumbwaiters & chairlifts.

Directors:
R.E.V. Casie Chetty (Appointed w.e.f. 19.05.2013),
R.G. Salgado (Managing Director) (Appointed w.e.f. 19.05.2013),
M.P. Wijesekera (Appointed w.e.f. 19.05.2013),
M.M. Ahamed (Appointed w.e.f. 19.05.2013).

INFORMATION TECHNOLOGY SERVICES

Aitken Spence Technologies (Pvt) Ltd **

Provision of IT enabled services.

Directors:
Dr. R.M. Fernando,
D.S. Mendis,
Ms. N. Sivapragasam,
R.G. Pandithakorralage,
V.M. Gunatilleka.

FINANCIAL SERVICES

MMBL Money Transfer (Private) Limited **

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,
Ms. Y.N. Perera,
K. Balasundaram,
Ms. N. Sivapragasam,
J.V.A. Corera.

** The Companies' financial statements are audited by KPMG.

SERVICES SECTOR

Aitken Spence Exports (Private) Limited **

Bottles and markets "Hethersett bottle water".

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
C.D.D Perera.

Aitken Spence Tawoos Agriculture (Private) Limited

To carry out vegetable farming and to manage agricultural farms.

Directors:
J.M.S. Brito,
Dr. R.M. Fernando.

EQUITY ACCOUNTED INVESTEES

PLANTATIONS

Aitken Spence Plantation Managements PLC **

Managing agents for Elpitiya Plantations PLC.

Elpitiya Plantations PLC

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8851 hectares.

HOTELS

Browns Beach Hotels PLC **

Owns the property of Negombo Beach Resorts (Private) Limited.

Negombo Beach Resorts (Private) Limited **

Proposed for 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.

Asset Turnover
Total revenue divided by average total assets.

Available-for-Sale
Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AWDR
The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

AWPLR
The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

Capital Expenditure
The total of additions to property, plant & equipment, intangible assets, investment property and the purchase of outside investments.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Carrying Amount
The amount at which as asset is recognised in the statement of financial position.

Collateral
Monetary or non monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

Collective Impairment provision
Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

Contract
An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

Credit Risk
Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

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.

Derivatives
Financial contracts whose values are derived from the values of underlying assets.

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 earning that is paid out to shareholders in cash.

Dividend Yield
Dividend per share divided by the market value of a share.

Dividends 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.

EBITDA
Earnings before interest, tax, depreciation and amortization.

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.

Equity Instruments
A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Fair Value
The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair Value Through Profit or Loss (FVPL)
Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Financial Asset
Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial Instruments
Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

Financial Leverage
Total average assets divided by total average equity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

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.

Guarantees
A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations under that said contract.

Held-to-Maturity
A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

Impairment
Occurs when recoverable amount of an asset is less than its carrying amount.

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
The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans and receivables
A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

Market Capitalisation
The number of ordinary shares in issue multiplied by the market price per share.

Market Risk
Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Net Assets per Share
Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

Net Profit Margin
Net profit for the period divided by the revenue.

Non-controlling Interest
Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

Operating Profit Margin (EBIT Margin)
Earnings before interest and tax divided by revenue.

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 attributable to equity holders of the company divided by average equity less non-controlling 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 non-controlling 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
Share 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.

Young Managers
Executives in managerial positions (Assistant Manager and above), and under 35 years of age.

Working Capital
Current assets less current liabilities.

NOTES

NOTICE OF MEETING

Notice is hereby given that the Sixty Second Annual General Meeting of Aitken Spence PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 07, at 10.00 a.m. on Monday, June 30, 2014, 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 2014.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. N.J. de S Deva Aditya 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 80 years and that he be re-elected a Director of the Company"
- To re-elect Deshamanya D.H.S. Jayawardena 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 Deshamanya D H S Jayawardena who has attained the age of 71 years and that he be re-elected a Director of the Company"
- To re-elect Mr. R.N. Asirwatham 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. R N Asirwatham who has attained the age of 71 years and that he be re-elected a Director of the Company"
- To elect Ms. D.S.T Jayawardena who retires in terms of Article 90 of the Articles of Association, as a Director.
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs. KPMG Chartered Accountants and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

BY ORDER OF THE BOARD

R.E.V. Casie Chetty
F.C.A, F.C.M.A, M.C.M.I. J Dip. M.A.

Company Secretary

Colombo

27th May, 2014

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 of the Company at 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 9th July 2014 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 1st July 2014.

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)
Mahinda Parakrama Dissanayake of Colombo	(whom failing)
Don Stasshani Therese Jayawardena 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 30th day of June 2014, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Fourteen.

....

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 28, 2014, being 48 hours before commencement of the meeting.

AITKEN SPENCE PLC | SHAREHOLDER FEEDBACK FORM

Name (Optional) : ....

Address (Optional) : ....

Telephone No. (Optional) : ....

Number of shares held (Optional) : ....

1. Please rate the following areas on a scale of 1 (lowest) to 5 (highest);

		1	2	3	4	5
a)	Interaction with the Company personnel	○	○	○	○	○
b)	Overall ambience of the Company	○	○	○	○	○
c)	Speed of response to comments/ queries/ clarifications	○	○	○	○	○
d)	Efficiency of remedial action and follow up measures	○	○	○	○	○
e)	Overall efficiency of services of the Company personnel	○	○	○	○	○
f)	Hospitality of Company personnel	○	○	○	○	○
g)	Usefulness of the information in the Interim Financial Statements	○	○	○	○	○
h)	Quality and presentation of the Annual Report	○	○	○	○	○
i)	Contents of the Annual Report	○	○	○	○	○
j)	Usefulness of the information in the Annual Report	○	○	○	○	○
k)	Usefulness of the environmental information in the Annual Report	○	○	○	○	○
l)	Usefulness of the social information in the Annual Report	○	○	○	○	○
m)	Quality and content of the Corporate website	○	○	○	○	○
n)	User – friendliness of the Corporate website	○	○	○	○	○
o)	Usefulness of the information in the Company's social media sites	○	○	○	○	○
p)	Quality of the health and safety measures adopted by the Company	○	○	○	○	○
q)	Adequacy of risk management strategies	○	○	○	○	○
r)	Compliance with corporate, statutory and regulatory standards	○	○	○	○	○
s)	Comprehensiveness of the shareholder feedback form	○	○	○	○	○

Please tick more than one where applicable:

2. How do you generally obtain information / news about the Company:

○ News articles	○ Social media	○ Advertisements
○ Internet/Company website	○ Annual Report	○ Others

AITKEN SPENCE PLC | SHAREHOLDER FEEDBACK FORM

Please tick more than one where applicable:

3. The majority of the stocks you own are (Optional):

○ Less than 6 months ○ Between 6 months to 1 year ○ More than 1 year

4. Will the information from the Company regarding its economic, social and environmental management approach and performance help your investment making decision?

○ Yes ○ No ○ Not relevant

5. What type of communication would you like from the Company?

....

....

....

....

6. Suggestions / recommendations

....

....

....

....

....

....

....

....

....

The completed Feedback Form could be handed over to a Company representative at the end of the Annual General Meeting or mailed or hand delivered to the Company Secretary at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

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
No.315 Vauxhall Street
Colombo 2
Sri Lanka

Directors
D.H.S. Jayawardena - Chairman
J.M.S. Brito *LLB, FCA, MBA* - Managing & Finance Director
R.M Fernando *Ph.D., MBA, FCIM (UK)*
M.P. Dissanayake *MBA, Ph.D., Postgraduate. Dip Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School*
D.S.T. Jayawardena *(appointed w.e.f 01.12.2013)*
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*
C.R. De Silva, P.C. (deceased on 07.11.2013)

Alternate Director
A.L. Gooneratne FCA
(Alternate Director to N.J.de S. Deva Aditya)

Audit Committee
R.N. Asirwatham - Chairman
G.C. Wickremasinghe
C.H. Gomez
N.J. de S. Deva Aditya/ A L Gooneratne
(Alternate Director to 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
No.315 Vauxhall Street
Colombo 2, Sri Lanka

T: +94 (11) 230 8308
F: +94 (11) 244 5406
www.aitkenspence.com

Designed & produced by emagewise
Photography by Dimitri Crusz
Digital plates & printing by Aitken Spence Printing & Packaging (Pvt) Ltd

AITKEN SPENCE PLC
315 Vauxhall Street
Colombo 2 Sri Lanka
T : +(94) 11 230 8308
F : +(94) 11 244 5406
www.aitkenspence.com