Investing in the future

Aitken Spence

Annual Report 2015 - 2016

Investing in the future

For nearly 150 years, that is what we have been doing. At Aitken Spence, our past in many ways defines our future and we are aware of how much our present day operations are influenced by the experiences and values of our long heritage. Through it all, we have maintained our focus on the long term, looking beyond immediate profit to the steady progression of a truly valuable business enterprise.

From a strategic point of view, the year under review was an exceptional one; remarkable for several large investments into key growth sectors, that we are confident will bring the Company excellent returns in the years ahead.

A long term perspective and corporate endurance are characteristics of any successful business enterprise. The returns on what we commit to invest now will be evident in the growth of the value we deliver to our stakeholders over time, as we continue building on our legacy, expanding our presence, multiplying our value and investing in the future.

Contents

An introduction to the contents of this report

We are pleased to present to stakeholders our integrated annual report for the year ended 31st March 2016. 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 South Asia, the Middle East, Africa and the South Pacific. The report provides information on our Group level operations and financial performance of subsidiaries, joint ventures and equity accounted investees. The names and details of the companies are set out in the Group Companies and Directorate section of this report.

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The sustainability strategy of Aitken Spence PLC is discussed in the Management Discussion and Analysis and Our Strategy sections of the report.

Methods used, assumptions made and exclusions from the reporting boundary to measure and evaluate our performance are also explained in the sector reviews.

A comprehensive shareholder feedback form is available at the end of the report to obtain feedback about this report so that the disclosures in future reports can be improved to suit the reader's needs

We have continued to report our performance "In Accordance" – Core with the Global Reporting Initiative's G4 Reporting Framework to disclose performance information on our sustainability priorities. We also follow the guidelines of the International Integrated Reporting Council (IIRC) to illustrate the cohesion between our priorities, resource streams, operations, processes and the performance. With the guidelines from these two reporting standards, the reporting practices across the Group were improved to capture more comprehensive performance disclosures across Aitken Spence PLC.

The sustainability strategy of Aitken Spence PLC is discussed in the Management Discussion and Analysis and Our Strategy sections of the report. Aitken Spence is engaged in a stakeholder engagement study with a third party research company and an overview of the key findings is shared in this report. The material aspects and priorities of each sector and the action taken is reviewed in the respective sector Reviews.

The methods used, assumptions made and exclusions from the reporting boundary to measure and evaluate our performance are also explained in the sector Reviews. 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 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. 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 focus on educating the stakeholders about the operations of Aitken Spence. A comprehensive shareholder feedback form is available at the end of the report to obtain feedback about this 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 communicate with us for feedback and comments.

How to navigate this Report

Further reading within this report.

Web link provides reference

WEP Performance data relevant to the Women's Empowerment Principles

UNGC Performance data relevant to the UNGC Communication on Progress

This annual report is available in the following formats;

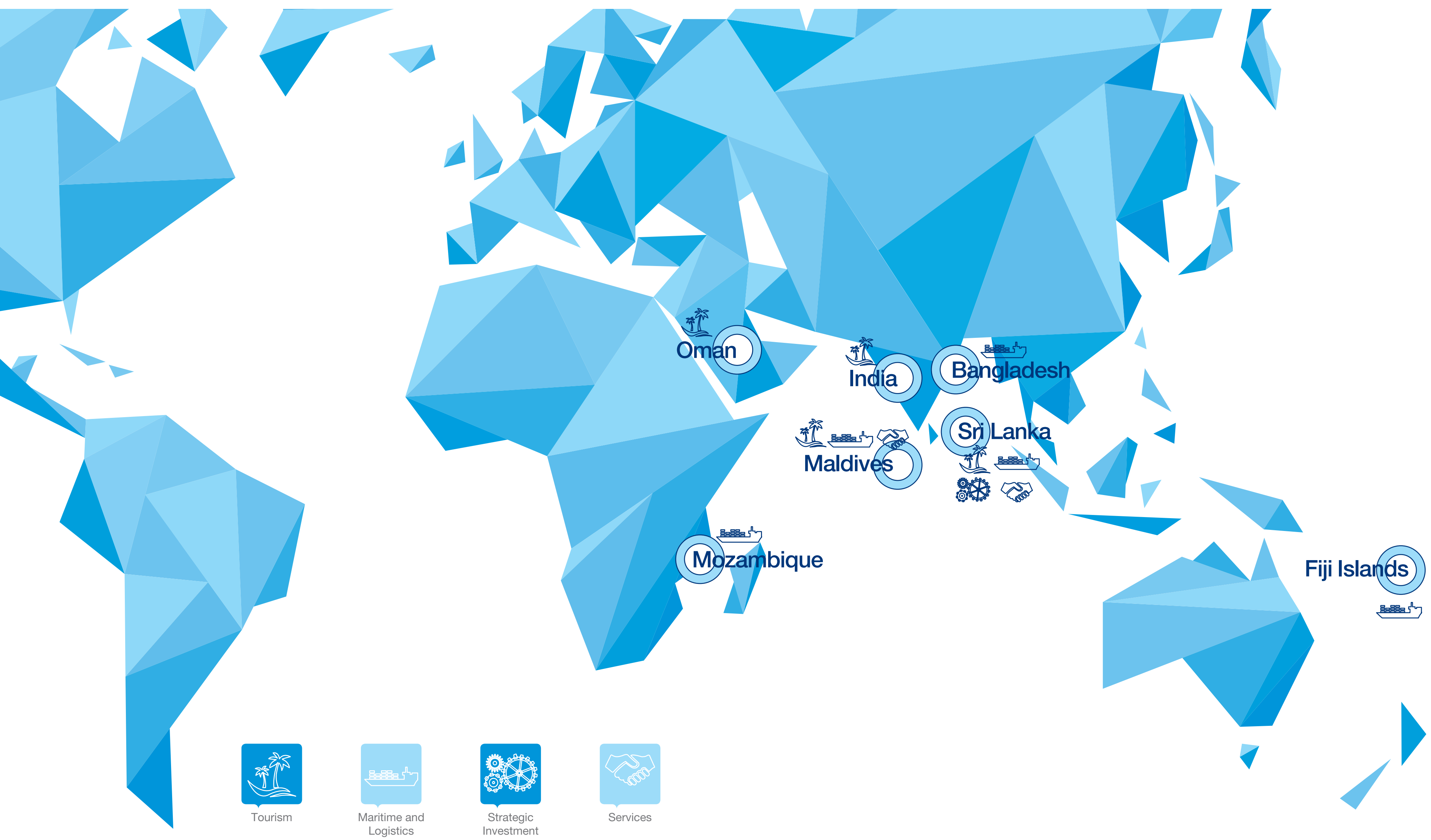
Print

Online;
http://aitkenspence.com/corporate-governance/integrated-reporting/

In business since 1868...

Today, the operations of Aitken Spence are categorised under four sectors, namely; Tourism, Maritime & Logistics, Strategic Investments and Services.

The Group's operations have a global reach spanning South Asia, the Middle East, Africa and the South Pacific.



Sri Lanka

Heritance Negombo

Launch of Heritance Negombo, a 139-room LEED certified luxury five star resort on the Negombo beach.

Turyaa Kalutara

"The Sands" was rebranded and launched as "Turyaa Kalutara" with the addition of 90 rooms at a project value of Rs. 1.6 billion.

DB Schenker

Secured the exclusive agency of world-renowned freight forwarding and cargo handling company; DB Schenker, for Sri Lanka and the Maldives. DB Schenker leads the industry with extensive market share in the European region.

Corporate Citizenship Award

Only company in Sri Lanka to be awarded as a best corporate citizen by the Ceylon Chamber of Commerce for the tenth consecutive year.

Maldives

Initiated development on one of the newly acquired islands in the Maldives, with resort envisioned to commence operations in winter 2017.

Oman

Al Falaj Hotel Oman

Acquired the 150-room four star property, Al Falaj in Oman for a purchase consideration of approximately US$ 36 million. The hotel is spread out across five acres of freehold land in Oman.

Fiji

Fiji Ports Corporation Limited

Invested approximately US$ 16 million to acquire a 20% equity stake in Fiji Ports Corporation Limited, the regulator of the ports sector in Fiji and the owner of the infrastructure of all major ports in Fiji. The company also provides dry-docking and ship repair services.

India

Turyaa Chennai

Launched the 150-room "Turyaa Chennai," located at the heart of the IT hub as the first property under the latest brand - "Turyaa."

Performance highlights

Financial

	2015/2016 Rs. Mn	2014/2015 Rs.Mn	Change %
Results for the year			
Group revenue with equity-accounted investees	31,061	39,824	(22.0)
Group revenue	25,978	35,319	(26.4)
Profit from operations	3,896	5,657	(31.1)
Profit before tax	3,805	5,710	(33.4)
Profit attributable to equity holders of the Company	2,027	3,579	(43.4)
As at 31st March			
Total assets	73,354	65,391	12.2
Total liabilities	29,154	23,154	25.9
Current ratio (times)	1.37	2.04	(32.8)
Debt to equity (times)	0.28	0.22	27.3
Return on equity (%)	5.7	10.6	(46.2)
Per Share (Rs.)			
Earnings per share	4.99	8.82	(43.4)
Dividends per share	1.50	2.00	(25.0)
Net asset value per share as at 31st March	90.26	86.27	4.6
Market price per share as at 31st March	73.50	99.50	(26.1)

Rs.26.0Bn
Revenue for the year

Rs.2.9Bn
Profit for the year

Rs.4.99
Earnings per share

Rs.1.50
Dividend per share

Rs.36.6Bn
Shareholder funds

5.7%
Return on equity

Social

63.1%
of total employees are below 35 years

35%
of employees are females

Rs.71.7Mn
Total funds channelled for community development

16,573
employees trained during the year

11%
of total managers are young managers

Top 3
Ranked amongst the Top 03 companies in the STING Corporate Accountability Index for 2015

Environment

1,136 tonnes
Paper and cardboard recycled / sold for reuse

44%
of the total water withdrawn was treated and reused or recycled for safe discharge

Rs.111.7Mn
Investment on sustainability processes and action plans

76%
of the total energy generated in 2015/2016 from renewable sources

22,548 tonnes
CO_{2e} of GHG emissions reduced and /or offset

152.5TJ
Energy produced from renewable sources

Aitken Spence at a glance

Tourism Sector

For more information:
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- Hotels
- Inbound & Outbound Travel
- Airline GSA

With an unparalleled knowledge and experience in the industry we have set up over twenty one hotels and resorts in Sri Lanka, the Maldives, Oman and India. Inspired by the success of our resorts built in strategic locations in Sri Lanka, under the brands 'Heritance' and 'Turyaa' as well as 'Adaaran'; our luxury brand in the Maldives, we have spread our expertise to Oman and India. Aitken Spence is the leader in destination management in Sri Lanka. Partnered with the world's largest name in travel, TUI, and with over three decades of experience, Aitken Spence provides the best travel experience in Sri Lanka. With a technology driven marketing and management support strategy in place, the Group has consolidated tourism interests and continues to identify viable opportunities both locally and overseas.

Maritime & Logistics Sector

- Maritime and Port Services
- Freight Forwarding & Courier
- Integrated Logistics
- Airline GSA (Cargo)
- Maritime Education

Aitken Spence has been in the forefront of Maritime and Logistics from the time the company originated business one and a half centuries ago. During this period the operations in maritime, freight forwarding, container services, warehousing, distribution, transport and express, port management and maritime education expanded locally and globally whilst successfully partnering with leading international brands and service providers. With its involvement in the African continent, Aitken Spence became the first Sri Lankan company to perform port efficiency management services overseas. Aitken Spence also became the first Sri Lankan company to enter into a public private partnership overseas through its investment in Fiji Ports Terminals Limited and entering into a concession agreement with Fiji Ports Corporation Ltd for the operations and management of ports of Suva and Lautoka. Armed with a wealth of knowledge and experience accumulated over the years Aitken Spence looks forward to continuously expand its horizons in the global market.

For more information:
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Strategic Investments Sector

For more information:
Page 80

- Power Generation
- Printing & Packaging
- Apparel Manufacture
- Plantations

The Strategic Investments portfolio includes printing & packaging, plantations, power generation and apparel manufacture. With over five decades of experience Aitken Spence Printing remains a market leader in high quality offset printing and is the first choice of many top-end international brands. Aitken Spence Apparels is one of the first apparel companies to be established in Sri Lanka and is also a Worldwide Responsible Accredited Production (WRAP) certified company exporting to major high street brands in the United States and Europe. Aitken Spence owns and manages tea, rubber and palm oil estates, situated in the Upper, Middle and Low country regions of Sri Lanka. While the sector is focused on growth, strong emphasis is also placed on sustainability. Our renewable energy projects as well as green printing solutions are a few of many such ventures that exhibit this philosophy.

Services Sector

- Inward Money Transfer
- Elevator Agency
- Insurance
- Property
- Technology

Partnering with some of the world's largest companies, the Services sector continues to expand its portfolio with diverse business interests spanning across financial services, elevators, insurance, enterprise content management solutions and many others. Given Sri Lanka's strategic position in Asia and its potential to become a service hub, the Group aims at expanding regionally and globally, leveraging on its leading position in the country's service sector. We have been the sole distributor for OTIS products in Sri Lanka and the Maldives since 1989 as well as the oldest insurance service provider in the country. Our relationship with Lloyds of London began in 1876. Heritage Grove is our first venture into luxury lifestyle communities. A partnership with experienced U.S. investors and lifestyle managers, the property is situated in Negombo. This concept is a novel step for Aitken Spence and we believe this will be the foundation to a number of similar projects in the future.

For more information:
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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)*

P. Dissanayake
MBA, Ph.D., Postgraduate.Dip Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School

D.S.T. Jayawardena

G.C. Wickremasinghe

C.H. Gomez

N.J. de Silva Deva Aditya *DL, FRSA, MEP*

V.M. Fernando *(retired w.e.f. 30.06.2015)*

R.N. Asirwatham *FCA*

Alternate Director
A.L. Gooneratne *FCA*
(Alternate Director to N.J. de Silva Deva Aditya)

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

Remuneration Committee
G.C. Wickremasinghe - *Chairman*
V.M. Fernando *(retired w.e.f. 30.06.2015)*
R.N. Asirwatham

Nomination Committee
G.C. Wickremasinghe - *Chairman*
D.H.S. Jayawardena
J.M.S. Brito
V.M. Fernando *(retired w.e.f. 30.06.2015)*
R.N. Asirwatham

Related Party Transactions Review Committee
R.N. Asirwatham - *Chairman*
G.C. Wickremasinghe
C.H. Gomez
N.J. de Silva Deva Aditya/A.L. Gooneratne
(Alternate Director to N.J. de Silva Deva Aditya)

Company Secretary
R.E.V. Casie Chetty
FCA, FCMA, MCMI, J.Dip. MA

Auditors
KPMG
Chartered Accountants

Contact Details
No. 315 Vauxhall Street,
Colombo 2,
Sri Lanka.

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www.aitkenspence.com

Investing in the future

Building on our legacy

Executive Reviews
Reviews of the year's activities and business environment by Chairman Mr. D.H.S. Jayawardena and Managing and Finance Director, Mr. J.M.S. Brito

Chairman's statement

The results contained herein tell the story of one of the most difficult years for your Group in recent times but I am happy to note that we have made many investments during the year to position ourselves for exponential growth in the medium to long term.

I welcome you to the sixty fourth Annual General Meeting of Aitken Spence PLC., and present to you the Annual Report and the financial statements for the year. The results contained herein tell the story of one of the most difficult years for your Group in recent times but I am happy to note that we have made many investments during the year to position ourselves for exponential growth in the medium to long term.

The Global Economy

Global economic growth was a modest 3.1% in 2015, as growth levels dipped in emerging markets and developing economies. The IMF projects a modest global growth of 3.2% in 2016, with stronger growth expected in 2017.

Amidst an uncertain global economic climate, Sri Lanka is fortunate to have emerged from three decades of war to become one of the safest destinations to travel for any nationality.

The Sri Lankan Economy

Sri Lanka's GDP growth was 4.8% in 2015 compared with 4.9% in 2014, with the ADB estimating the economy to grow by 5.3% and 5.8% over the next two years respectively. In an election year amidst the ensuing policy changes, investments and production both slowed down as did the pace of infrastructure development; domestic consumption picked up on the back of public sector wage increases and higher disposable income.

The fiscal deficit grew to 7.4% of GDP while the debt of the central government widened to 76% of GDP as at 31 December 2015. The new government has proposed a series of economic reforms and fiscal consolidation efforts over the short to medium term, which should inspire investor confidence and set the country on a path to sustainable growth.

Shareholder Returns and Performance

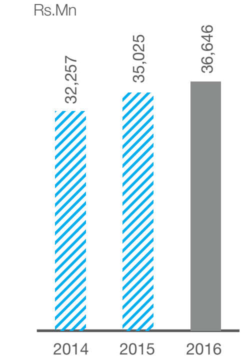
In the challenging operating environment which prevailed during the financial year under consideration your Company reported a decline in revenue of 26.4% to record Rs. 26.0 billion for the year. The Company reported a profit before tax of Rs. 3.8 billion, a 33.4% decline. The net profit attributable to equity holders was Rs.2.0 billion. The earnings per share stood at Rs. 4.99.

Although this was a difficult year in terms of performance, we are optimistic about the future growth of the Company and therefore with a view to give our shareholders an attractive dividend we recommend a final dividend of Rs. 1.50 per share. I am confident of the Group's resilience of overcoming the challenges it faced during this year and the tremendous potential of garnering exponential growth through its many investments, in the coming years.

3.9 Bn
Profits from Operations

Rs. 1.50
Dividend per Share

Shareholder's Funds
as at 31st March
Rs.Mn



Chairman's statement

Investing in the Future - page 41

During the year we made several significant strategic investments with a view on long term results.

Stewardship - page 107

At Aitken Spence, the Board and senior management take responsibility to cascade a commitment to sustainable business and stewardship across the Group.

The share price of the Company has been depressed but we are optimistic that the anticipated stable economic climate created by the positive strategic direction of the country would influence the share price of your Company towards its true value.

In a year rife with challenges, the maritime and port services segment and the printing segment performed exceptionally well; despite these showings, however, the Group's overall performance was not up to expectations due to the non-operation of the thermal power plant in Embilipitiya during the year and the disappointing performance by the resorts in the Maldives, Oman and India.

The Maritime and Logistics sector recorded a profit after tax growth of 69.7%, and I must commend the maritime and port services segment's performance in its overseas markets. The expertise we have built in port management overseas allows us to venture into new growth territories with tremendous opportunities. We will continue to capitalise on the synergies of our businesses to offer fully integrated cargo logistics services, which is the future direction of the industry.

The Printing business continued to perform well and invested further in improving its technology and efficiency. The Garments segment had a disappointing year but we are optimistic that next year would bring in new buyers to the industry. Despite the many challenges, the Plantations segment has performed well compared to many of their counterparts mainly due to its strategy of diversification.

With the conclusion of the ten year power purchase agreement of the Embilipitiya plant, the power segment contributed negatively to the bottom line of the Group. While I am happy to report that our Embilipitiya power plant has once again been contracted to generate power for the CEB, it is apparent that the private sector does not seem to have a future in the country's thermal power industry. As a Group, we will continue to invest in renewable energy while seeking opportunities overseas.

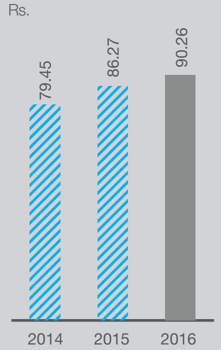
Enabling Environment

I have for many years, in this Annual Report and in my comments elsewhere, called for a level playing field for the private sector of Sri Lanka – keeping in mind the role private companies played to keep the economy growing even during the darkest days of terrorism. I am extremely happy to note that there has been a remarkable improvement that offers us a more level playing field amid greater liberalisation. There must now be greater focus on improving essential infrastructure throughout the country, especially in the light of the growing number of tourists and businesses expanding into the regions. We call for greater opportunities for public-private partnership, which is a sustainable model that can be taken forward for the benefit of the country.

We laud the government's efforts to improve relations with the international community, and the West in particular, which have already resulted in the much needed lifting of the ban on fishing exports to the European Union. We are hopeful that similar efforts to regain GSP+ benefits will bear fruit in the near future. The restoration of positive sentiment abroad should also see a shift in foreign direct investment over the next few years. With our long and substantial engagement with the leisure industry of Sri Lanka, it is my duty to call on all the stakeholders in the tourism industry to embark on a comprehensive destination marketing strategy. As the large international operators enter the market over the next few years, it is important that we capitalise on the window of opportunity by promoting the destination through a clear strategy devised to attract the right mix of tourists. This is relevant more than ever today – as local operators face manifold challenges including competition from neighbouring destinations, the inability to attract the high value tourism segment, the mushrooming of an unregulated informal sector, uncontrolled access hindering precious cultural and wildlife sites, and weak infrastructure.

I am very happy to note the consistent growth in tourist arrivals year on year but wish to emphasise that the country must develop the infrastructure to support such numbers. I wish to also call for the better monitoring of the informal sector, especially in terms of financial regulation and taxation in order to ensure a level playing

Net Assets Per Share
as at 31st March
Rs.



Similarly, throughout our businesses, we are constantly evaluating growth opportunities in diverse sectors and geographies. Aitken Spence is fortunate to own a land bank of valuable properties across the country which are available for utilisation by the Group's various businesses.

field. It is also important that there is a formal process whereby hotels may be categorised and classified as the absence of a regulated classification has allowed any small property to deem itself even 5 Star or 6 Star, leading to online operators deciding rate levels.

The lack of suitably trained and qualified staff to fill the rising capacity of the leisure sector must be noted with concern. Service levels have dipped across the industry and it is important that the country lures back its expatriate tourism workers, particularly from the Middle East. In response to the need to attract the right people into the industry, Aitken Spence is exploring setting up an internationally accredited and certified hospitality school.

Across the global business environment, disruptive technologies are challenging traditional business models and forcing big businesses to embrace innovation, to simplify operating structures and fundamentally to take nothing for granted. It is an exciting but ruthless future that awaits business – one that constantly pushes boundaries and requires the dichotomy of discipline and dexterity – the former for a long term value-driven strategy and the latter, to make rapid changes in direction where the environment warrants it.

Investing in the Future

As a Group, our expansion has historically been led by organic growth strategies while we have ventured into joint ventures and acquisitions where viable opportunities present themselves. As mentioned earlier, during the year we made several significant strategic investments with a view on long term results.

I am delighted with the progress made with our new investments in the Tourism sector– Heritance Negombo now in operation and RIU Ahungalla, which will be launched in July 2016. During the year the Group also acquired a four star 150 roomed property Al Falaj Hotel in Oman, a property for which we have been the managing agents since 2008. In the Maldives, we are making steady headway in the two island resorts we leased during last year. We have already commenced construction on a 150 room five star property on Aarah, which is due for launch in winter 2017.

During the year under review the maritime segment invested in a 20% equity stake of Fiji Ports Corporation Ltd., (FPCL) in a strategic move that entails Board representation and a role in decision making in a company that owns the ports infrastructure in Fiji and performs the role of the regulator in the maritime sector while providing numerous port services. The purchase is also significant as FPCL is the other shareholder in Fiji Ports Terminal Ltd (FPTL) in which Aitken Spence PLC has a majority shareholding.

Similarly, throughout our businesses, we are constantly evaluating growth opportunities in diverse sectors and geographies. Aitken Spence is fortunate to own a land bank of valuable properties across the country which are available for utilisation by the Group's various businesses. As opportunities arise, these properties - including a swathe of beachfront land in Trincomalee, our original offices within the Galle Fort, vast plantations, and property in the logistics hub of Welisara – will be employed once evaluated for the best possible returns.

Stewardship

At Aitken Spence, the Board and senior management take responsibility to cascade a commitment to sustainable business and stewardship across the Group. We observe the highest standards of corporate governance and a robust risk management process in order to protect shareholder value. Transparency and accountability are deeply entrenched among our team, who share in the collective vision to create an efficient and lean business where sustainability and values matter. An ethos of sustainability is deeply entrenched in our vision and strategy for the Group, and our operations and decision making will always reflect the delicate balancing of the triple bottom line.

Appreciations

Let me take this opportunity to thank the Board of Directors who have willingly contributed their time, advice and support during the year. I also wish to thank Mr. V.M Fernando who retired during the year having served on the Board since 2008. My appreciations also go to the Managing Director and his management team for their leadership and to all "Spensonians" whose contribution and commitment to all Group initiatives are truly valued and I wish them continued success in the years to come.

I thank you, our shareholders for the confidence you have shown and assure you that your Company will be driven to greater heights in the coming years.

D.H.S. Jayawardena
Chairman

Colombo
26th May 2016

Managing Director's review

Inspired by our heritage and entrepreneurial journey, our priority is to be a sustainable and responsible business enterprise that delivers long term value to all stakeholders. Our experience in chosen markets gives us the expertise and confidence to navigate through temporary setbacks, hence during the year we made several investments targeting long term growth.

Aitken Spence traces its formal beginning to 1868 – we are thus approaching a momentous milestone of being in business for 150 years. We are extremely proud that through the advancing years, the Group has always stayed relevant and has shown agility and foresight in transforming ourselves and the challenges of the macro environment into opportunities that work in our favour. Our evolution has seen its fair share of disappointments and failures too, but these have always been learning experiences and we have been prudent but swift in exiting those businesses that no longer generate positive value. Inspired by our heritage and entrepreneurial journey, our priority is to be a sustainable and responsible business enterprise that delivers long term value to all stakeholders.

Performance

The Group experienced a challenging year in 2015/2016, mainly attributable to the impact of the end of the power purchase agreement at the Embilipitiya power plant, operational and exchange losses in the hotel investment in India and the less than optimal performance of the Maldivian resorts due to certain negative political publicity received by the destination, resulting in a dip in growth. Our experience in chosen markets gives us the expertise and confidence to navigate through such temporary setbacks, hence during the year, we made several investments targeting long term growth while also adopting a leaner management style and other measures to retain short term profitability. Across the Group, driving efficiency and the prudent management of cost remain overarching themes.

Macro conditions such as the devaluation of the rupee against the dollar had a mixed impact on Group performance, with exports benefiting but the cost of dollar borrowings becoming a significant burden. The drop in global oil prices has positively influenced overall spending power which has been positive for the business climate, as spending patterns have changed for the better.

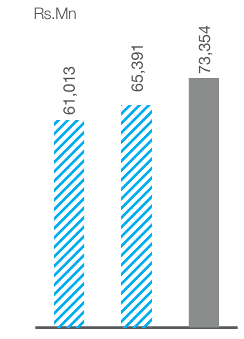
Group revenue was Rs. 26.0 billion, a dip of 26.4% over the previous year while operational profit was 31.1% lower at Rs. 3.9 billion. Profit before taxation amounted to Rs. 3.8 billion.

Net profit attributable to equity holders was Rs. 2.0 billion, resulting in earnings per share of Rs. 4.99, compared with Rs. 8.82 last year. Return on equity for the financial year stood at 5.7% while net assets per share was 4.6% higher at Rs. 90.26. Aitken Spence PLC share price reflects a price earnings ratio of 14.7 times as at 31st March 2016, and I remain of the view that the share price of Rs. 73.50 does not reflect the true value of the Company. The Board has proposed a dividend of Rs. 1.50 per share.

Rs. 36.6 Bn
Shareholder Funds

Rs. 2.9 Bn
Profits for the Year

Total Assets
ast at 31st March
Rs.Mn



Human Resources - page 44

Aitken Spence remains an employer of choice – a reputation built on the credentials of creating successful career men and women who thrive in our learning environment with above-par benefits and good work life balance.

Responsible Business - page 217

Endorsing our commitment to social and environmental responsibility, Aitken Spence was one of the first corporates in Sri Lanka to sign the United Nations Global Compact.

"The Group's iconic Sri Lankan resorts – Heritance Kandalama and Heritance Tea Factory – helped sustain the resort segment's performance while beach properties remain under pressure from intense competition, especially from informal operators. This year's highlight was the completion and launch of Heritance Negombo."

Sector Performance

While a comprehensive analysis of strategy and performance is found in the management discussion section of this report, let me outline a few key performance highlights and strategies employed by each sector.

Tourism Sector

The overall strategy of the hotels segment during the year was to consolidate its present holdings while investing heavily to position the Group's exposure strategically towards the more lucrative top end and second tier categories. Aitken Spence has always pioneered the ethos of sustainable tourism – and this will continue to be a pillar on which our tourism offering is built. We welcome the advance of disruptive technologies such as 'Airbnb' as it provides a healthy competitive stimulus; however the government should ensure compliance and monitoring of such technologies so that all regulations are followed.

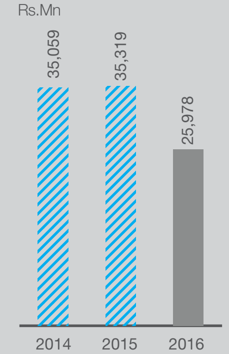
The sector achieved a 1.9% growth in revenue to record to Rs. 17.2 billion for a the year, however profit before tax was Rs. 2.8 billion down by 34.2% over last year. Its decline was mainly attributable to the poor performance of the Indian property, the negative impact on the conversion of the dollar borrowings held by the sector and the less than stellar performance in the Maldives. Healthy increases in profitability were seen in the round trip Sri Lankan hotels and the destination management segment.

The Group's iconic Sri Lankan resorts – Heritance Kandalama and Heritance Tea Factory – helped sustain the resort segment's performance while beach properties remain under pressure from intense competition, especially from informal operators. This year's highlight was the completion and launch of Heritance Negombo, which transforms the tourism offering of the vibrant coastal town. We eagerly await the markets response to the hotel. Turyaa Kalutara saw 90 rooms added to its inventory while its 110 existing rooms were refurbished to be on par.

The construction of the RIU Hotel in Ahungalla, our joint venture with RIU Hotels and Resorts of Spain is nearing completion and the 500-roomed property is on track for launch in July 2016. The RIU and TUI partnership in their unique all-inclusive model and will once again introduce European charter traffic to Sri Lanka. RIU Ahungalla will be a landmark in the country's tourism industry which has to date, not been exposed to individual properties which offer such a large number of rooms.

The Maldives experienced numerous challenges arising from pressures in key markets such as China, Russia and Eastern Europe as well as negative publicity and political rivalry that spread to the international stage. Average spend and earnings of the larger operators were also impacted by the growing informal sector on inhabited islands. Our experience in the Maldives has shown that negative conditions are short lived on the islands, which always lure travellers back with their promise of warm beaches and pristine waters. Therefore we remain optimistic about the destination and have invested in two new islands Aarah and Raafushi which will house resorts due to open in winter 2017 and 2018

Revenue
for the year ended 31st March
Rs.Mn



The business environment for the Maritime and Logistics sector has been unfriendly with oversupply leading to rock bottom freight rates and a squeeze on margins. In this context, we are indeed happy with the overall performance of our businesses which have performed well above industry averages – in fact, the sector surpassed the milestone of Rs one billion post-tax profit this year.

respectively. During the year, we strategically invested to upgrade the infrastructure and to develop the soft skills of employees at our Adaaran properties in order to enhance our product offering. Such upgrades will continue, sans closure, in the coming year.

For the first time, we ventured into an equity investment in Oman's tourism industry, purchasing the Al Falaj Hotel in Muscat, which has been in our portfolio of managed properties for the past eight years. The hotel is a 150 room, 4 star property on 5 acres of freehold land. Oman is centrally positioned in the Middle East for both leisure and business travel and our solid management expertise in the country stands us in good stead.

India has been a disappointing experience as our recent investment in a hotel in Chennai – has faced numerous delays in getting final approvals and licenses in order to commence full operations. As a result of the delays the property has been unable to achieve the targeted revenues, and this combined with the debt servicing costs and the steep devaluation of the Sri Lankan rupee, which impacted the segments US dollar borrowings, resulted in a dismal performance from India. We expect to receive all pending approvals shortly and are hopeful of a better performance in the 2016/2017 financial year.

Our inbound travels segment, the largest destination management company in Sri Lanka, has been consistently a good performer and this year too achieved a commendable growth in profitability. Despite pressure on margins, the company's strategic market and product diversification have enabled the impressive performance. The way the travel industry works is changing with the popularity of digital platforms that offer better choice, convenience and flexibility and Aitken Spence has been proactive in establishing its digital presence; this has been a key revenue stream during the year and will be developed forthwith.

The Singapore Airlines GSA experienced satisfactory volumes of cargo and passenger movements. We welcome a decision by SIA to enhance its operations to Colombo with 3 additional flights beginning April 2016, at favourable daytime schedules. The capacity injection will allow us to sell better connections to destinations such as Europe, Australia, Japan, China and Bangladesh.

Maritime & Logistics

The business environment for the Maritime and Logistics sector has been unfriendly with oversupply leading to rock bottom freight rates and a squeeze on margins. In this context, we are indeed happy with the overall performance of our businesses which have performed well above industry averages – in fact, the sector surpassed the milestone of Rs. one billion post tax profit this year. The sector's profit before tax was Rs. 1.3 billion, with a profit after tax of Rs. 1.0 billion an increase of 69.7%.

More customers now demand end to end supply chain solutions from customer-friendly, reliable and accountable operators. Aitken Spence is well positioned to offer such one stop shop solutions, using the synergies of the sector.

In the highlights of the sector this year, the maritime and port services segment acquired a 20% equity stake in Fiji Ports Corporation Ltd, a strategic investment that makes us a key stakeholder in the operations of all commercial ports in Fiji. The segment's port management operations continued their exceptional performance amid a strong focus on improving productivity and profitability through prudent management processes.

The freight segment, which faces intense market competition, has undertaken a business re-engineering effort and has been on a strong sales drive. We have also invested in capacity expansion at the operations facility in order to position the segment for future growth. The segment's operations in Bangladesh and the Maldives were satisfactory and we will continue to look for inroads into other regional markets as a growth strategy.

The cargo GSA of Qatar Airways which increased its capacity during the year with the commencement of its second freighter, had an excellent performance, securing healthy load factors throughout the year. This capacity growth coupled with the expansion of the network with the airline constantly increasing its destinations, augur well for the future.

The integrated logistics segment consolidated its operations and infrastructure during the year, investing with a view to delivering its future strategies. The segment's yard development work is almost completed while fleet and warehouse capacities are being optimised. I am happy to note that the distribution segment, which faced the sudden loss of its furnace oil transportation business, has been quick to adapt to the new business of beverage distribution by upgrading and modifying its fleet.

Strategic Investments Sector

The power generation segment had an abysmal 2015/2016 following the end of the operations of our only thermal power plant. However this 100MW thermal power plant in Embilipitiya, was once again contracted by the Ceylon Electricity Board in April 2016 to generate power. This was in response to a power crisis that arose following a severe drought in catchment areas and the breakdowns at the coal power plant and aging distribution networks. The Embilipitiya plant provides much needed stability to the southern supply especially during peak times, unlike the renewable sources which cannot be stored. Meanwhile, the power sector continues to look at viable renewable energy projects such as wind and solar while also promoting waste to energy.

In a difficult year for the plantation industry of the country, the Group's plantations segment was able to return a positive performance due to its strategic diversification, both into non-traditional crops and into other businesses. We have made further investments into our palm oil plantations while taking steps to further mechanise the rubber and tea plantations in order to achieve efficiencies. The segment views fruit and vegetable cultivation and horticulture as areas of potential and has plans for expansion in these areas.

The apparel manufacturing segment performance during the year saw an increase in revenue and volumes. The segment commissioned a new manufacturing facility at Koggala in 2015, expanding production capacity by 20% with additional employment opportunities of over 1,100. Although the additional capacity was not fully utilised during 2015/2016, a strong sales effort is underway to attract new, profitable customers with its proven reputation for on-time delivery and order fulfilment as well as quality and compliance.

We are pleased with the performance of Aitken Spence Printing which continues to post strong growth year on year. Further investments were made during the year to ensure the segment maintains its leadership in terms of state of the art technology, greater value addition, shorter lead-times and elevated service levels. We are truly proud of the company's green credentials – Aitken Spence Printing is a carbon neutral operator and is on track to obtain FSC (Forest Stewardship Council) certification.

Mainly as a result of the expenditure continuing throughout the year despite the non-operation of the Embilipitiya power plant, the Strategic Investments sector witnessed a notable dip in performance recording a net loss of Rs. 510.1 million for the year.

Services Sector

Due to the diversity of the business segments in the Services sector, even though a few of the segments performed below par, the overall sector recorded a revenue growth of 5.5% to achieve a revenue of Rs. 1.1 billion for the year, with profit after tax reaching Rs. 124.1 million, an increase of 50.4% over last year.

MMBL Money Transfer experienced a difficult year for the money remittance business where remittance volumes shrank and the market expanded with a number of new players entering the industry. While MMBL Money Transfer is the leading cash to cash remittance player in the country, it is important that we position ourselves for a digital future where direct to bank and mobile money transfers will dominate.

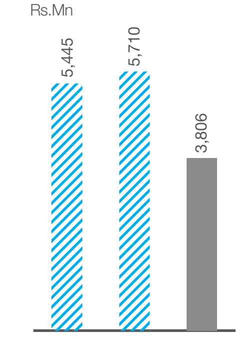
The prospects for construction in Sri Lanka positions our elevator segment for strong growth and in readiness we have bolstered the segment with leadership talent from OTIS India. In the Maldives too, the segment has successfully secured a contract for the largest infrastructure project in Male to date – an endorsement of the company's capabilities.

The insurance segment had a satisfactory performance this year too, with greater emphasis being placed on extending its investigation services beyond its core activities of surveys and claim settlement. The company has also enhanced its capacity in recoveries, a business segment with high potential for formal professional involvement in Sri Lanka.

Heritage Grove, our luxury country home project in Negombo has now moved into the construction phase; marketing activities are ongoing to complete bookings for the project. At Heritage Grove, the discerning clientele will not only have a luxury home located in a beautiful open space, they will also be privileged to the hospitality and service of Aitken Spence. Once completed, Heritage Grove Villas will be a diverse community, where high net worth non-Sri Lankans and Sri Lankans can own more than just a home, indulging in a unique, and premium living experience in the island's one of the most sought after vistas.

Aitken Spence Technologies which is in its infancy has carried out several ERP implementations, acquiring expertise in certain industries such as vehicle dealerships. The segment offers Oracle based implementations at present and will seek to offer education in other ERP products and specialised application software in future. We are confident of the prospects for the company both in Sri Lanka and overseas.

Profit before Taxation
for the year ended 31st March
Rs.Mn



We are now experiencing the fourth industrial revolution; a revolution of networks, platforms, people, and digital technology that is "blurring the lines between physical, digital and biological spheres." Across Aitken Spence's chosen sectors, we have promoted this shift from the physical to the digital and we are keen to infuse the practices of the collaborative economy into our business model.

Human Resources

Aitken Spence remains an employer of choice – a reputation built on the credentials of creating successful career men and women who thrive in our learning environment with above-par benefits and good work life balance. The diversity of our workforce has meant we face numerous challenges in managing our talent; key among these is how we engage the incoming young workforce of millennials. We have been open minded and pragmatic in our HR management approach and this continues to serve us well.

The dearth of HR talent continues to be felt across many of our sectors as we note with alarm the growing lack of suitably qualified and trained personnel to fill vacancies. The tourism sector is especially challenged in HR as the explosive growth of the industry has not been supported by similar efforts to create a cadre that can cater to the rising needs. In this environment, groups such as ours with a well-trained and highly skilled workforce are also faced with rising industry demand for our employees. While our talent management strategies have been continuously improved to ensure high levels of satisfaction and retention, we do feel that there must be a concerted national level effort by all stakeholders to uplift the quality and employment-readiness of the country's talent pool.

Embracing Technology

Technology is the new frontier of business; as noted by the head of the World Economic Forum, we are now experiencing the fourth industrial revolution; a revolution of networks, platforms, people, and digital technology that is "blurring the lines between physical, digital and biological spheres." Across Aitken Spence's chosen sectors, we have promoted this shift from the physical to the digital and we are keen to infuse the practices of the collaborative economy into our business model.

We have commenced the use of latest technologies such as cloud solutions, IOT (Internet-of-Things), security mechanisms, and business intelligence tools which will increase productivity and bring competitive advantages. In parallel, we have invested heavily in safeguarding the security and integrity of stakeholders. In this respect, we are also engaging the organisation in a digital drive with ISO 27001:2013 standard in implementing a digitally secured organisation culture, promoting innovations.

The financial shared services centre, which manages centralised accounting processing and analytics for the Group, uses Oracle EBS as its ERP platform. During the year the division established its firm footprint in Financial Accounting Outsourcing (FAO) providing services to Thai and Australian clients and focusing on expanding to Europe. The division also embarked on developing customised BI (Business Intelligence) reports based on a BI software tool to provide marketing and operational intelligence to Group companies.

Responsible business

Endorsing our commitment to social and environmental responsibility, Aitken Spence was one of the first corporates in Sri Lanka to sign the United Nations Global Compact. Its ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption have become the ethos by which we live and thereby, continuously strive towards the upliftment of sustainable business practices in the country. Aitken Spence was also amongst the first businesses in the world to become signatories to the United Nation's Women's Empowerment Principles.

Appreciations

Let me end this message by expressing my appreciation to the Chairman and my fellow Board Directors for their guidance, wise counsel and support to the management team.

My deep appreciation also goes to the Group Management Committee and Sector Management Committees who have driven their respective businesses through a tough year.

I also take this opportunity to extend a warm thank you to our many stakeholders, who have inspired us with their confidence in our abilities.

And finally to the men and women of Aitken Spence: I am humbled by each and every one's commitment and loyalty, and the dedication to achieving success for the Group.

JMS Brito.

J.M.S. Brito
Managing and Finance Director

Colombo
26th May 2016

Investing in the future

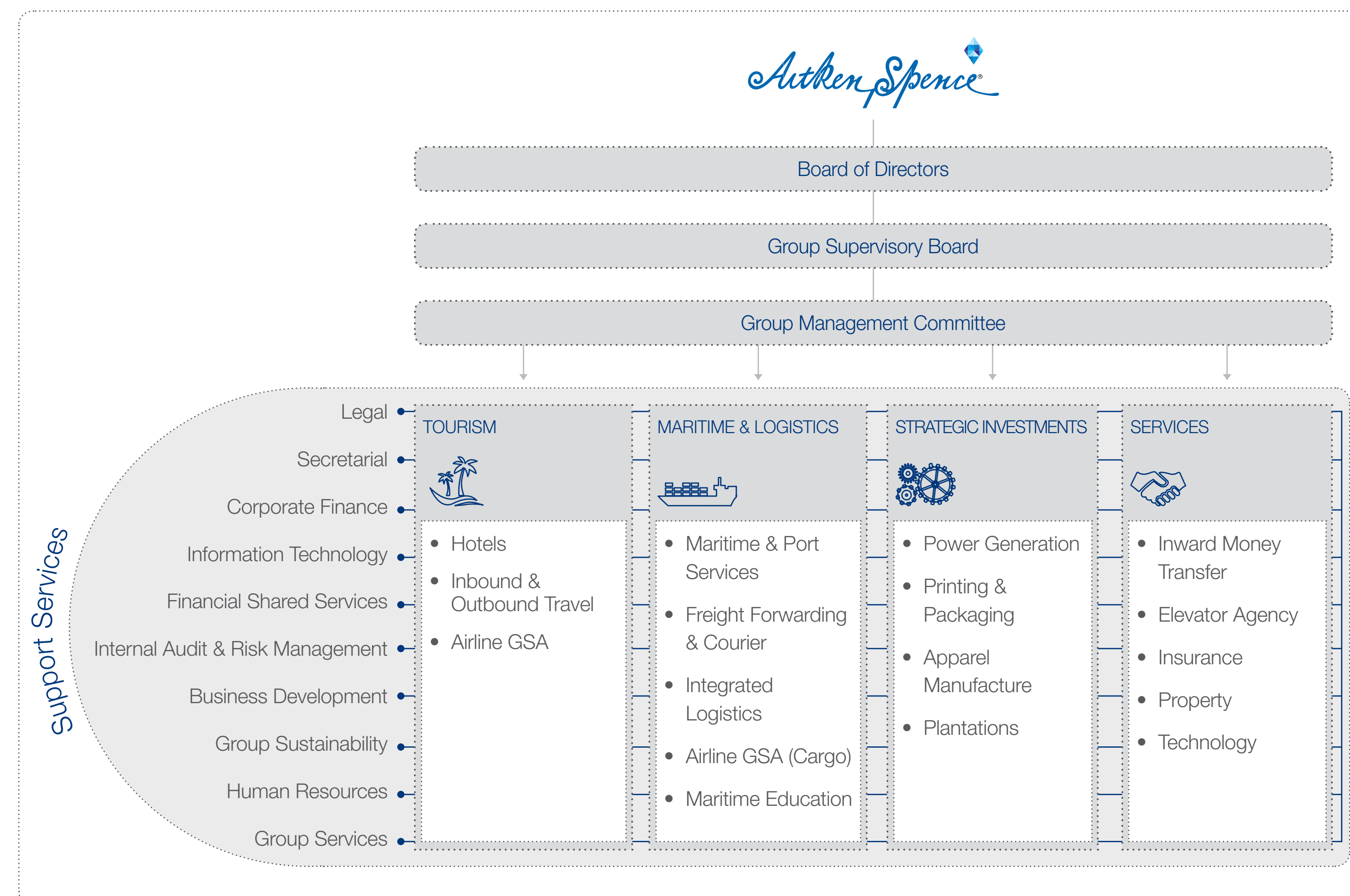
Expanding our presence

Management Discussion & Analysis

A detailed analysis of the Group triple bottomline performance, in our operations in Sri Lanka and overseas

About Aitken Spence

The key strength of Aitken Spence lies in its diversification; over the years, our entrepreneurial and pioneering spirit has enabled us to explore new ground and establish our presence in vital sectors of the economy, both in Sri Lanka and overseas.



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.

Board of Directors

The diversity of our business sectors has been the cornerstone of the Groups' success throughout the years. Investments that were strategically thought out and passionately executed have not only propelled the Group to greater heights but also enabled it to withstand the fluctuating fortunes of the global economy.

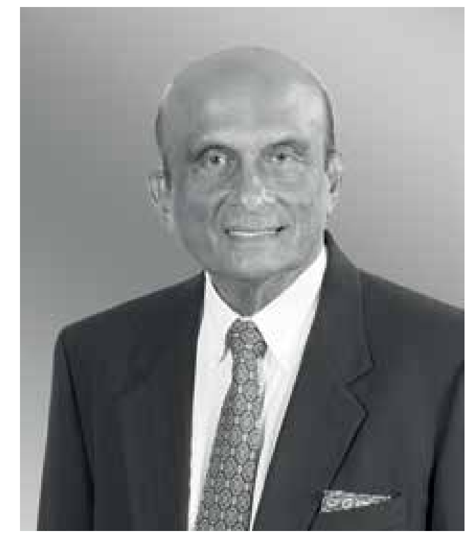
Mr. D.H.S. Jayawardena
Appointed in April 2000

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

Dr. R.M. Fernando
Appointed in April 2005

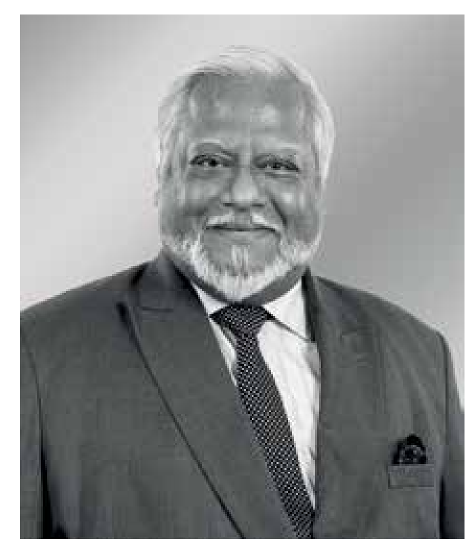
Dr. P. Dissanayake
Appointed in September 2009

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



Mr. G.C. Wickremasinghe
Appointed in April 1972

Mr. C.H. Gomez
Appointed in May 2002



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

Mr. R.N. Asirwatham
Appointed in September 2009

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

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

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

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

Mr. J.M.S. Brito

Mr. Rajan Brito has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of both Institutes of Chartered Accountants of Sri Lanka and England and Wales. Together with this multi-disciplined knowledge, he also brings with him a wealth of 35 years of international experience working with a number of international organisations. Presently Mr. Brito is the Managing & Finance Director of Aitken Spence PLC. 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 plantation 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 was recently appointed as a Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT).

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

Dr. P. Dissanayake

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

Dr. Dissanayake who commenced his career at the national carrier Ceylon Shipping Corporation is a former Chairman/CEO of Sri Lanka Ports Authority and also a former Chairman of state owned Jaya Container Terminals and Sri Lanka Port Management Consultancy Services.

Dr. Dissanayake who serves on the UN/UNCTAD Panel as an expert on Ports and Shipping is a Past Chairman of the Institute of Chartered Shipbrokers, Past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch), a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board and a Past Chairman of Ceylon Chamber of Commerce - Steering Committee on Ports, Shipping, Aviation and Logistics, Jt. Managing Director of CINEC Maritime Campus, Director of Fiji Ports Terminals Ltd and Director Fiji Ports Corporation Ltd.

Dr. Dissanayake a University of Oxford (UK) Business Alumni is a Fellow of Harvard Business School USA (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 and International Vice President of the Institute of Chartered Shipbrokers UK and Member of the Maritime Advisory Council appointed by the Minister of Ports and Shipping.

Ms. D.S.T. Jayawardena

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

She joined Aitken Spence PLC., in January 2010, gaining experience in several of its key strategic business units and across the parent and group companies. She was appointed to the Board of Aitken Spence PLC., in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC., in July 2014. In January 2016 she was appointed as Chairperson and on 1st April 2016 as Joint Managing Director of Aitken Spence Hotel Managements (Private) Limited.

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

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

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

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

Mr. G.C. Wickremasinghe

Mr. G.C. Wickremasinghe started his career in 1954 on an Aitken Spence managed plantation. He has therefore, had an unbroken association of over 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 liberalised 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 44 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 and 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, Chairman of the European Parliament's Delegation for Relations with the Korean Peninsula 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 Constantine Military Order of St. George for his global work on poverty eradication. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est. 1765).

Mr. R.N. Asirwatham

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

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

He also serves on the Boards of Vallibel One Limited, Ceylon Tea Services PLC., Royal Ceramics PLC., Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC., 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.

Group Management Committee

Aitken Spence remains wholly committed to deliver profitable and sustainable growth and returns to all its stakeholders.


Mr. J.M.S. Brito


Dr. R.M. Fernando


Dr. P. Dissanayake


Ms. D.S.T. Jayawardena


Mr. R.E.V. Casie Chetty


Mr. K.R.T. Peiris


Ms. N. Sivapragasam


Ms. N.W. De A. Guneratne


Mr. C.M.S. Jayawickrama


Mr. R.G. Pandithakorralage


Mr. D.S. Mendis


Mr. P. Karunathilake


Mr. L. Wickremarachchi


Mr. S.K.R.B. Jayaweera


Mr. N.A.N. Jayasundera


Mr. P.C.J. Fernando

Group Management Committee

Mr. J.M.S. Brito

See Board of Directors profile.

Dr. R.M. Fernando

See Board of Directors profile.

Dr. P. Dissanayake

See Board of Directors profile.

Ms. D.S.T. Jayawardena

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 continues to be actively involved in committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. K.R.T. Peiris

Mr. Peiris joined the Group in 1979, promoted as Director in April 1991 and was appointed to the Management Board in April 1993. On 1st April 1997 was appointed as Managing Director of Ace Cargo (Pvt) Ltd. Mr. Peiris currently heads the freight forwarding, express and airline division. He is also responsible for freight and airline operations of Bangladesh, Pakistan and Maldives. He brings into the industry a depth of knowledge and valuable expertise and has been serving the industry for over three decades. He held the position of Chairman - Sri Lanka Freight Forwarders Association (SLFFA) for 3 years and currently functions as a Consultant on an advisory capacity to SLFFA and is a Director of SLFFA Cargo Services Ltd. He is a Member of the Chartered Institute of Logistics & Transport – International and held the position as a Director American Chamber of Commerce in the years 2009/2010. He is also affiliated with most of the industry bodies. Presently he represents the company at the American Chamber of Commerce, Sri Lanka Singapore Business Council and Sri Lanka Germany Business Council.

Ms. N. Sivapragasam

Ms. Nilanthi Sivapragasam who is the Chief Financial Officer of the Group is also a Director of several subsidiaries and joint venture companies in the Group.

She 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 committee member of the Taxation Faculty and the Financial Reporting Standards Implementation & Interpretation Committee of the Institute of Chartered Accountants of Sri Lanka, and previously served on the Statutory Accounting Standards Committee and the Statutory Auditing Standards Committee.

She was also on the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division during the years 2010 to 2012.

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

She completed her Articles at Ernst & Young Colombo and has 30 years of post qualifying experience in industry.

Ms. N.W. De A. Gunaratne

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.

She is also a Director of the CINEC Maritime Campus.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama a Fellow member of the Chartered Institute of Management Accountants UK, is the Joint Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., the company managing all the Group Hotels in Sri Lanka and overseas. He serves on the Boards of all the hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel sector for more than two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He was also the Ex 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 National Labour Advisory Council (NLAC), the Board of Directors of CSR Lanka (Guarantee) Ltd and a member of the Council of the Employers Federation of Ceylon (EFC) and a member of The Board Governors of National Institute of Labour Studies (NILS).

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 Centre (NICC) in Japan.

Mr. Pandithakorralage was a member of the subcommittee on Training Professional Development & Capacity Building at Sri Lanka Administrative Service (SLAS) reforms and 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 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 recognised under the global HR excellence category, for the contribution made to HR for the economic development of the country.

Mr. D.S. Mendis

Mr. Dinesh Mendis heads the Financial Solutions segment. He is also involved in new business initiatives of the Group, Aitken Spence Technologies and Aitken Spence C&T Investments. 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 served as a Director on the Board of The American Chamber of Commerce in Sri Lanka from 2013 -2015. He also has international experience working in the retail industry in USA.

Mr. P. Karunathilake

Mr. Prasanna Karunathilake joined the 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 Adviser 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 and Director of Aitken Spence Group Ltd. Mr. Wickremarachchi has held senior positions both in the public and the private sector organisations. 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 from 2011 to 2012.

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 privatisation disputes of privatised 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 worked at USAID (Sri Lanka) as Senior Project Management Specialist (Finance and Infrastructure).

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

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 within the company 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 is a Past President of SKAL Colombo as well as the current Treasurer and Board member for 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.

He is a Fellow of the Chartered Management Institute of UK and was a member of the Executive Committee of the Local Branch and held the post of President from 2010 to 2012.

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 the Hon. Secretary 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 31 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. P. C.J. Fernando

Mr. Claude Jayantha Fernando is the Managing Director of Aitken Spence Garment Limited. He started his carrier in the apparel Industry way back in the 1981 as a management trainee attached to a reputed garment manufacturing Company in Sir Lanka.

During his 35 years of successful carrier in the in industry, he has held many key positions. Prior to joining Aitken Spence Garment Limited, he held the position of executive vice president for over 16 years and has been responsible for the entire operation of seven manufacturing plants of most reputed US owned group of company based in Sir Lanka.

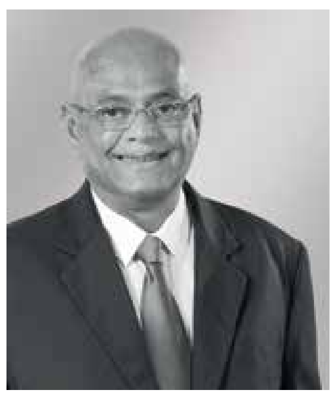
Tourism sector
Senior Management Committee

In alphabetical order.


Mr. D.J. De Crusz


Mr. S.N. De Silva


Mr. S.T.B. Ellepola


Mr. G.P.J. Goonewardene


Mr. M.D.B.J. Gunatilake


Mr. J.T.P. Gunawardena


Mr. A.S. Hapugoda


Mr. M.H. Jayah


Mr. A.A.H. Mohamed Ali


Mr. D.D. Perera


Mr. P.L. Perera


Mr. R.S. Rajaratne


Mr. H.P.N. Rodrigo


Mr. B.H.R. Sariffodeen


Mr. D.L. Warawita


Mr. J.C. Weerakone


Ms. I. Wijegunawardane


Mr. M.P. Wijesekera

Maritime & Logistics sector
Senior Management Committee

In alphabetical order.


Mr. A.M.M. Amir


Mr. C.A.S. Anthony


Ms. T.D.M.N. Anthony


Mr. J.E. Brohier


Mr. I.S. Cuttilan


Mr. H. Dela Bandara


Mr. M.A.M. Isfahan


Mr. A. Jayasekera


Mr. L.I. Witanachchi

Strategic Investments sector
Senior Management Committee

In alphabetical order.


Mr. B. Bulumulla


Mr. A.L.W. Goonewardena


Ms. R.I.D. Katipearachchi


Mr. R.T.B. Navaratne


Ms. R.D. Nicholas


Mr. V.S. Premawardhana


Mr. H.K.A. Rathnaweera


Ms. W.A.D.L. Silva


Mr. K.A.K. Wanniarachchi

Services sector

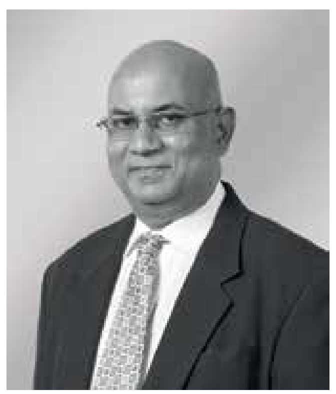
Senior Management Committee

In alphabetical order.

Mr. J.V.A. Corera

Mr. T.D.S. Dasa

Mr. S.D. De Silva



Mr. A.E.A. Perera

Mr. A.N. Seneviratne

Management discussion & analysis

Drawing from a rich history spanning 150 years, Aitken Spence PLC is a leading presence in the Sri Lankan commercial landscape; with significant interests in hotels, travels, maritime services, logistics, power generation, plantations, printing, apparel manufacture, kpo/bpo services, insurance, property development and information technology.

Listed on the Colombo Stock Exchange since 1983, the conglomerate operates in seven countries with a presence in South Asia, the Middle East, Africa and the South Pacific. Aitken Spence believes in leading strategic growth businesses and possesses a credible record of working with global leaders across diverse sectors.

The Company acts as agents for Lloyd's of London in Sri Lanka since 1876 and represents Singapore Airlines, TNT, and OTIS for several decades. Aitken Spence is also a principal agent in Sri Lanka for Western Union Money Transfer. The Company acts as the general sales agent for Sri Lankan Airlines in the Maldives and represents Qatar Airways Cargo in Sri Lanka. The Company was appointed as agents for DB Schenker in Sri Lanka and Maldives during the financial year.

Another testament of the confidence placed in Aitken Spence by internationally renowned corporates are the many partnerships the Group has entered into over the years. Aitken Spence in partnership with TUI Group AG, the world's largest integrated tourism company, operate the largest destination management company in Sri Lanka, Aitken Spence Travels which represents over 200 leading tour operators. The Group is also in partnership with Hapag Lloyd one of the world's largest shipping lines. RIU Hotels of Spain together with Aitken Spence are at present constructing a 500-room luxury hotel property in Ahungalla which is targeted to commence operations in July 2016. This is the first investment in the Asian region by RIU Hotels. The 100 MW thermal power plant at Embilipitiya was constructed in partnership with Caterpillar of USA, in which a shareholding was subsequently obtained by DEG of Germany. The Group's investments in the two 20 MW thermal power plants were carried out in conjunction with Wartsila of Finland. Aitken Spence also has the proud accreditation of being the first Sri Lankan company to enter into a public-private partnership in a foreign country with its investment in Fiji.

The Aitken Spence chain of hotels spans 21 hotels and resorts in four countries. It is the leading resort chain in Sri Lanka and the largest international resort operator in the Maldives. Its range of award-winning hotels and management expertise has set industry benchmarks for service quality, culinary standards and sustainable tourism.

Aitken Spence is Sri Lanka's largest provider of logistics solutions, with an unrivalled gamut of services that include maritime and port services, cargo, express, container-related services, warehousing, supply chain management and specialised transport. Strengthening its maritime portfolio, the Company acquired a controlling stake in Fiji Ports Terminal Ltd to operate and manage Suva and Lautoka ports, the largest in Fiji; marking it the first- ever public-private partnership by a Sri Lankan company overseas. The presence in Fiji was further strengthened by the acquisition of a 20% shareholding in Fiji Ports Corporation Ltd, the maritime regulator in Fiji, during the financial year under consideration.

Aitken Spence is Sri Lanka's leading print and packaging service provider for over five decades. Its modern facility outside Colombo is the region's only LEED Gold certified and carbon neutral printing plant.

Aitken Spence is the only company in Sri Lanka to be recognised for ten consecutive years as one of the best corporate citizens in Sri Lanka by the country's leading business chamber. The Company is also one of the first signatories of the United Nations' Global Compact in Sri Lanka and plays a leading role in the local network.

The Aitken Spence Brand is built on the core essence of RELIABILITY. In striving towards achieving excellence in all our activities, establishing high growth businesses, and aiming towards becoming a globally competitive market leader in the region, we aspire to maintain our core strengths and deliver our brand promise.

Our Brand Values:

- Reliable
- Honest
- Warm
- Genuine
- Inspiring Confidence

Our strategy

supported by our;

- Wealth of experience
- Professional management
- Financial stability
- Reputation
- Diverse business portfolio
- Best talent in service

The foundation of our strategy is strengthened by the following building blocks;

Stakeholders
- Engagement with key stakeholders as a component of impact assessment and identification of material aspects

Governance
- Compliant with laws and regulations
- Best practices maintained above compliance requirements

Risk Management
- Risk management framework established across the Group
- Supported by management systems benchmarked with international standards

Our people
- Effective leadership
- Investment in talent development
- Talent management
- Channelling support for our communities

Management Systems & Operations
- Strong cash flow generation
- Investor profile
- Management systems and processes benchmarked to international best practices
- Economically, socially and environmentally sound operations
- Pioneering game-changing movements in key sectors

The diversity of our business sectors has been the cornerstone of the Groups' success throughout the years. Investments that were strategically analysed and passionately executed have not only propelled the Group to greater heights but also enabled it to withstand the fluctuating fortunes of the global economy.

With the liberalisation of the Sri Lankan economy in the late seventies Aitken Spence became a pioneer and a game changer by venturing into the key growth sectors of the country. These sectors of Tourism, Maritime and Logistics, Strategic Investments and Services remain to date as identified priority sectors of the country. The Group continues to play a leading role by contributing to the overall growth and development of these sectors thereby significantly influencing the economic growth of the country. The foresight of the Group combined with business experience spanning close to one and a half centuries enables it to identify and pursue opportunities with long term growth potential.

Encouraged by the success achieved in the Sri Lanka, the Group initiated its expansion overseas by becoming the first Sri Lankan company to invest in a resort in the Maldives. Today Aitken Spence is one of the largest resort operators in the Maldives and is globally renowned for its product offering and exceptional service standards. The Group also became the first Sri Lankan company to offer port efficiency enhancement services overseas by venturing to the African continent. In the same spirit Aitken Spence entered into the first public private partnership by a Sri Lankan company overseas when it acquired a 51% stake in Fiji Ports Terminal Limited, thereby heralding its entry to the South Pacific region. The pioneering spirit of entrepreneurship which moulded the Group to become what it is today drives us to continuously expand our business activities in these core sectors in order to take advantage of the opportunities offered by the developing global market

Aitken Spence remains wholly committed to deliver profitable and sustainable growth and returns to all its stakeholders through,

- Positive economic value creation through geographical business and product diversification.
- Creation of employment and retention of excellent employees.
- Contribution to society through strategic corporate social responsibility initiatives.
- Sustaining the business environment in which the Group operates.

The Group has identified inorganic growth as a further step to its expansion strategy due to the rapidly evolving environment which continuously requires a dynamic and flexible business model. A more effective approach of adapting to this business model would be through the acquisitions of existing businesses. Concentration was placed this financial year on the identification and acquisition of non-green field projects and the Group will continue to focus on this strategy in the years to come.

In addition with Sri Lanka embarking on a National Programme on Food Production with a view to attain self sufficiency in the country and to promote food security, the Group diversified outside the traditional base products and commenced a pilot project for fruit cultivation. The Group would focus on expanding this segment and is looking forward to invest in large scale fruit farming for the domestic and the export markets with the support of the Government.

Aitken Spence has always focused on building collaboration and partnerships with world renowned corporates and brands. Throughout the years the Group has had partnerships with some of the leading multinational companies and further emphasis will be placed this year in forging similar ventures with global brands.

During the year the Group

- Acquired Al Falaj Hotel, Oman for a purchase consideration of approximately US$ 36 million. This Hotel is a 150 room four star property situated on five acres of freehold land in the capital city of Oman and was managed by Aitken Spence during the past eight years.
- Acquired in a 20% equity stake in Fiji Ports Corporation Limited for a purchase consideration of approximately US$ 16 million. This investment enables the Group to be a key stake holder in the maritime economy of the south Pacific and provides impetus for further expansion in this region.
- Launched Heritance Negombo an exclusive 139 room, five star property on the Negombo beach consolidating the Group's standing as the premier up market resort operator in the country.
- Launched "Turyaa Kalutara" a 200 room resort, the first property in the "Turyaa" portfolio in Sri Lanka.
- Successfully secured the exclusive agency of DB Schenker for Sri Lanka and Maldives .DB Schenker is one of the leading companies in the freight forwarding and cargo handling industry with extensive market share in Europe which would enable the Group to further enhance its leading position within this sector.
- Commenced a pilot project for fruit cultivation for export on 35 acres of prime land in Dambulla.
- Construction commenced on one of the newly acquired Islands in Maldives with the resort expected to commence operations in winter 2017.

The investments are made with the vision of long term sustainable growth where we strive to provide the best quality service or product to the client. The investments made today have a long gestation periods as with any pioneering project. In the long term the Company is confident that the investments would bring in the anticipated returns over the future years. The projects need to be self sustained as the projects are mainly debt financed as we are not reliant on shareholder funding for our investments.

Aitken Spence adopts an impact based approach to ensure financial, social and environmental sustainability: The first step in the Group sustainability strategy is to evaluate potential impact from the operation, task or policy decision. Resulting action is prioritised by considering the immediate social, environmental and financial impact to the company, our communities and other key stakeholders. Frequency of occurrence, key stakeholder perspective on the issues, legal/ compliance based requirements for the organisation are the remaining key criteria to decide sustainability priorities for Aitken Spence companies. The integrated sustainability policy and implementation strategy of Aitken Spence PLC as well as the SBU specific sustainability strategies and action plans are developed on this basic principle. This model was explained in detail in our 2014/2015 Annual Report which can be perused online.

Read more about our operations in the sector reviews.

Creating sustainable growth for key stakeholders

	Inputs	Activities	Outputs	Outcomes
Financial Capital	• Equity funding • Debt funding • Internally generated funds	• Tourism • Maritime and Logistics • Strategic Investments • Services	• Internally generated cash • Dividends • Debt servicing.	• Strong balance sheet • Shareholder returns • Financial stability • Business sustainability
Manufactured capital	• State of the art manufacturing plants and machinery • Sustainable architecture and locations • Large base of logistic infrastructure and network of related services • Management system standards and benchmarks controlling the manufacturing process	• Production and service deliverables in Tourism, Maritime and Logistics, Services and Strategic Investments • Product responsibility • Benchmarked to international best practices and standards • Enhancement, upgrades and routine maintenance	• Internationally benchmarked products and services in Tourism, Maritime & Logistics, Services and Strategic Investments sectors	• Value addition to Sri Lanka's business environment • Pioneering groundbreaking niche segments • Customer satisfaction
Human Capital	• People • Skills • Experience • Knowledge • Education, training and development	• Recruitment • Training and development • Talent management • Performance management • Occupational health and safety • Labour standards	• Dependable and effective workforce • Skilled employees • Stable relationship with workforce	• Workforce aligned with the Company's strategic objectives • Intellectual capital • Increased productivity • Safe workplace • Sustainable wealth creation
Social & relationship capital	• Employees • Communities • Aitken Spence benchmarks on social and environmental governance and ethical conduct • Requirements of voluntary endorsements such as the Ten Principles of the UN Global Compact, and the Women's Empowerment Principles	• Sustainability strategy of Aitken Spence • Engaging with key stakeholders • Social and environmental governance evaluations	• Development of local economy and quality of life	• Strengthened relationship with the community • Contribution to national and global development goals • Sustainable value creation
Natural capital	• Natural resources Land, water, air Forest cover Biodiversity • Inherent ecosystems and environment • Aitken Spence benchmarks on environmental governance	• Alignment of operating practices to environmental management systems, other industry standards, benchmarks and best practices across the Group • Implementation of control processes • Routine evaluation of management systems • Routine impact assessments	• Performance against strategic sustainability priorities of SBUs • Reduction in resource consumption • Eliminating waste • Protection of natural ecosystems	• Pioneering the movement for environmental sustainability across the region
Intellectual capital	• Wealth of experience • Reputation • Brand value • Governance structures • Benchmarks of voluntary standards / systems	• Developing and maintaining operations, management systems and best practices, • Training and development • Ongoing assessment and revision of management systems and structures	• Effective management of key economic social and environmental impacts in order to achieve strategic objectives. • Delivery on brand promise • Competitive advantage	• Brand reputation • Evolution of niche market segments

Management systems, industry standards and best practices adhered to by the Group develops the framework to identify the expected financial, social and environmental performance of the Group. For example, we adopt the Global Reporting Initiative's G4 sustainability reporting framework to disclose information about our performance against key sustainability performance indicators. With this report, we continue to report "In Accordance – Core". The performance indicators corresponding to the material aspects for Aitken Spence act as a gap assessment tool and devise the measurements our companies need to monitor. The stipulated performance indicators also provide guidelines on what else the organisation can do. Aligning our reporting practices to the guidelines of the International Integrated Reporting Council also influences the integrated thinking in the Company.

One of the key strengths of Aitken Spence is our diversity: the disadvantage is that we cannot use one-size-fits-all models when we implement this model. Building on the foundation set by these guidelines and frameworks, the SBUs have developed sustainability strategies that best fit the nature and scale of their operations. More details will be disclosed in the sector Reviews for each of our key sectors.

Peruse the GRI Index to locate more information disclosed within this report.

Overview

Achievements

- Aitken Spence PLC was adjudged as a Best Corporate Citizen of Sri Lanka for the 10th consecutive year in the Best Corporate Citizen Sustainability Awards scheme conducted by the Ceylon Chamber of Commerce. Aitken Spence is the only Company to have been selected as a Top Ten Best Corporate Citizen for 10 years consecutively.
- Aitken Spence was also ranked amongst the Top 3 Companies in the STING Corporate Accountability Index 2015 which is the most comprehensive index in the country on sustainability criteria.
- Aitken Spence PLC won the Silver award at the ICASL Sustainability Reporting Awards 2015 for the Group's integrated report of 2014/2015.
- Rs. 90.26 net assets per share.
- Rs. 36.6 billion shareholder's funds.

Improvements

- Rs. 8.0 billion invested in acquiring property, plant and equipment including assets acquired from business combinations during the year.
- 44% of the total water withdrawn was treated and reused or recycled for safe discharge.
- 25% of the direct energy consumption of the Group in 2015/2016 was from renewable sources.
- 76% total amount of energy generated from renewable resources.
- Rs. 111.7 million total investment on sustainability processes and action plans.
- Sustainability performance data management system moved online to increase efficiency and to facilitate better analysis of data.

Challenges/ Key influences

- Impacts on environment, ecosystems and biodiversity.
- Retention and attraction of talent.
- Information systems security.
- Competition from new entrants in traditional businesses.
- Increasing energy cost and lack of incentives for renewable energy.
- Unpredictable weather patterns due to climate change.
- Regulatory barriers and adverse macroeconomic trends locally and globally.

Disappointments

- Inconsistent economic policy framework in relation to tax regime.
- Adverse Balance of Payment position of the country.
- Embracing the sustainability performance management system took longer than expected as users required more time to adapt.
- Stakeholder engagement study is ongoing and will be completed in the first quarter of 2016/2017 due to unforeseen challenges.
- 43.4% decline in earnings per share.

Our people

The Group focuses on attracting, developing and retaining individuals who embody the core values of the company and are capable of displaying these values in their journey as a Spensonian.

Employees have always been the cornerstone of Aitken Spence and as such, it is a strategic priority of the Group to invest in the human capital in order to create future value. The current business environment necessitates strong, long term strategies designed to manage human resources so that the right talent is available for the right job at the right time. Aitken Spence believes in delighting its customers with reliable, quality service and in ensuring this, the Group focuses on attracting, developing and retaining individuals who embody the core values of the Company and are capable of displaying these values in their journey as a Spensonian.

Our approach to managing human resources is built on the belief that it must not be limited to "employee administration" but be geared towards creating a transformational experience of growing personal and professional value for each employee.

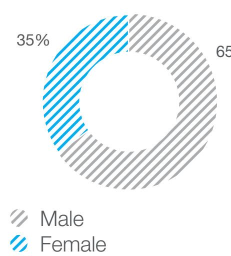
A key focus point of Group HR for the year 2015/2016 was to attract and retain the best talent through the further enhancement of the Groups' employee development strategies while improving employee engagement.

Talent Attraction

At Aitken Spence, we place utmost importance to ensuring that the right talent is recruited into the Company. With this in mind, a manifold initiative was successfully executed to attract and select the most suitable candidates.

The Group's presence in extremely competitive and diverse industries means our talent requirements are extremely varied, which means we must have quick access to lucrative job banks and the ability to screen suitable candidates. In order to fulfil our needs, Aitken Spence partnered with an international online

Workforce Gender Breakdown

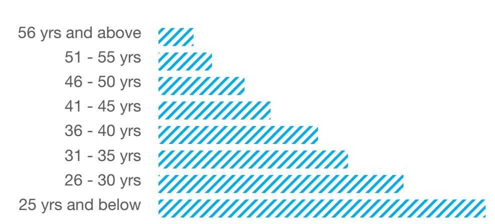


recruitment portal which gives the Group access to a broad pool of candidates with an even broader skill set.

In a competitive market place, it is important that we use our vacancy advertisements effectively to both attract and impress a job seeker, and to introduce them to the culture of an organisation. With this in mind, the existing vacancy advertisement formats, which have been used for a number of years, were dramatically changed in an effort to rebrand the online recruitment process.

The Company also enhanced its presence at job fairs in an effort to attract more talent from a diverse array of backgrounds and fields. In addition to job fairs organised within Colombo,

Age analysis of the total workforce



Aitken Spence also participated in a number of outstation job fairs.

Talent Development

Employee development being one of the core strategic objectives, the Group has executed many initiatives to maximise learning and development during the year under review. 875 programmes were conducted for over 16,000 participants during the year, a 38% increase from the previous year.

The Group learning and development strategy is focused primarily on bridging the identified competency gaps and to address business specific training needs. At a secondary level, and on a broader perspective, it also strives to sustain a highly competent talent pool for leadership roles by ensuring that they are well equipped to face emerging challenges of regional and global business.

All new recruits are part of a structured orientation programme which in addition to familiarising them with the Group, also seeks to instill the right focus and a positive mindset. The Group orientation titled 'Roots to Excellence' was restructured during the year to better serve this purpose. Additionally, an initiative got underway to assign each new recruit with a mentor/buddy from the senior team of Aitken Spence HR. This takes place in addition to the buddy systems practiced at the subsidiary level in some sectors. The initiative has been immensely successful in enabling the new recruits to adjust and adapt to the culture of the Group.

The Management Training Programme (MTP) at Aitken Spence has been instrumental over the years in honing the necessary competencies and confidence to fast track employees to leadership positions. The successful completion of this programme is considered as a "License to Manage" at Aitken Spence. With the firm conviction that improvement is a continuous process, the MTP course was further improved by including an assignment to be submitted by the learning partners for the successful completion of the programme. The assignment is based on applying MTP learnings to find solutions and overcome a prevailing business challenge of the employees' respective subsidiary. During the year under review, 192 training hours have been dedicated to the MTP, covering 60 employees. MTP was also conducted in Maldives covering a multinational team of managers.

Corporate HR also organised learning interventions which were customised to address industry specific business challenges facing each subsidiary. Service excellence, motivation and productivity improvement programmes and management video sessions are among the many programmes delivered throughout the year on business specific requirements. Addressing the training requests received from the Maldives

Aitken Spence continues to be a corporate partner of prestigious institutes such as the Chartered Institute of Management Accountants (CIMA), the Institute of Chartered Accountants Sri Lanka (ICASL) and Sri Lanka Institute of Directors (SLID); these have given us the opportunity to enrol our employees for numerous valuable training programmes during the year.

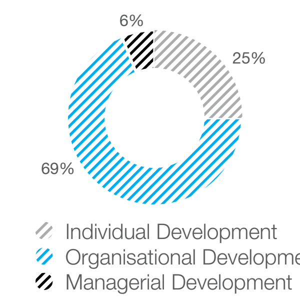
hotel sector, training programmes on leadership skills development, team building, continuous improvement & 7S productivity standards, business & telephone etiquette were conducted covering over 269 executives representing all the Group's Maldivian resorts.

Corporate HR also initiated numerous new training programmes for the Group during the year. A group of sales professionals were taken through one-on-one sales coaching sessions which were focused on developing identified individual areas of improvements. "Chat & Learn" an English training programme was conducted for two subsidiaries focusing on improving the verbal communication skills of employees. "Write Right" was another training programme aimed to improve written English communication skills. In addition to this a four day training programme covering the essential areas of finance, HR, marketing and IT was conducted for a group of managers. Another highlight was the "Train the Trainer" programme that was conducted in collaboration with the British Council over a period of two days in August 2015.

Aitken Spence continues to be a corporate partner of prestigious institutes such as the Chartered Institute of Management Accountants (CIMA), the Institute of Chartered Accountants Sri Lanka (ICASL) and Sri Lanka Institute of Directors (SLID); these have given us the opportunity to enrol our employees for numerous valuable training programmes during the year.

Going beyond the realm of training fellow

Types of Training Programmes Conducted



Spensonians, the learning and development team explored and made use of its expertise to conduct a leadership development programme for a group of top foreign executives from an external corporate company. The success that was achieved with this project has paved the way for more such programmes to be conducted for external institutes in the future.

Service Improvement

In addition to the established operations of an HR department, the Aitken Spence HR team also plays a pivotal role in assisting the subsidiaries to gauge and improve the effectiveness of their operational service delivery. In line with this objective a corporate client survey was conducted, at the request of an Aitken Spence subsidiary, to measure the perceived quality of the service among the identified segment of clients. The survey was a key contributor in identifying the areas that require process and delivery improvements.

Aitken Spence as an employer strives to improve the quality of its HR processes and ensure that all employees are provided with a Job Description when they join. To further strengthen this process, it was made mandatory to issue a job description along with the letter of appointment. A special awareness session was conducted to make the HR partners and line managers more aware of this process and also to enhance their skills in developing Job descriptions in accordance with the standards set by Corporate HR.

Productivity Improvements

Among the much-looked-forward-to events of the Group are the 7S and HR Excellence Awards; the 11th instalment of the competition for 2015/2016 was announced in July 2015 and 46 applications were received. A key feature of this year's competition is the introduction of the "Shape" award. "Shape" is a concept introduced at Aitken Spence to foster a culture of creativity in the organisation. Over 20 applications were received from subsidiaries for the Shape award - ample evidence of how successfully the concept has reached the subsidiaries across the Group in such a short time. Further, over twenty applications were also received for the "Shed" award which is a concept focussing on the elimination of waste. The contribution of this competition to the Group over the years has been immense in terms of improving the productivity through the implementation of the 7S concepts.

Internal Communication

Cultivating an environment of shared communication has always been an integral part of the Aitken Spence Group. With over 7000 Spensonians spread across the globe, the ability to share ideas and perspectives has always been a critical factor. With this in mind, Group HR has continued many initiatives where all employees receive the most accurate and current information about the Group, its operations and achievements regardless of their geographical location.

One of the highlights of the Aitken Spence calendar is the staff convention which is held tri-annually. The event is organised to provide the senior management with an opportunity to meet the business leaders of the Group as well as distinguished professionals in the business arena.

Two staff conventions were held during the financial year, each one unique in terms of theme and purpose; these also saw a much larger participation with the managers of the Group attending the event. The conventions were met with positive reviews, as industry leaders and eminent guests graced the events and shared their views on a wide array of topics.

Sharing knowledge and discussing opposing views have always been a priority at the event. This also serves as an ideal forum for employees to voice their suggestions to the top management, further cultivating an environment of inclusiveness and improved communication.

The staff convention held in July 2015 launched the Aitken Spence employee brand name 'Spensonian' which was suggested by a fellow Spensonian after a Group-wide competition encouraging employees to send in their submissions. The competition saw an impressive number of suggestions from a wide array of subsidiaries. The winning submission, ergo the official Aitken Spence employee brand name, was decided by the top management.

The Ace Magazine and Athwela newsletter are two popular forums to communicate the happenings, achievements and announcements of the Group. The Ace Magazine, a tri-annual publication, has been published and distributed among employees and stakeholders since its inception, however with emerging technologies and the globalisation of technology the move from print to digital was an important highlight this financial year. With a simple click, employees are now able to access the magazine from any mobile device in any part of the world. With the launch of the digital magazine new features have also been introduced to increase the level of interaction with the employee.

We firmly believe that fostering an environment that promotes creativity and innovation is key to ensuring that employees remain engaged within the organisation. Aitken Spence has always prided itself of being an employee driven organisation where people are the key to an organisations' success.

The Athwela newsletter is a monthly Sinhala publication which also offers a comprehensive look at the Groups' events. The featured articles highlight individual achievements as well as Group achievements both within and outside of Aitken Spence.

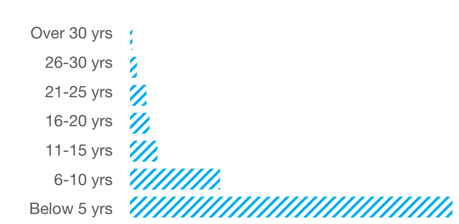
Special Programmes

The annual blood donation campaign has been a staple in the annual HR calendar for well over a decade. On the 4th of March 2016 the campaign was held within Aitken Spence premises and saw the participation of over 120 Spensonians which was a significant increase from the previous year's event.

Two mentoring programmes were conducted for the Faculty of Civil Engineering and Faculty of Transport and Logistics of University of Moratuwa. The programme involved twenty undergraduates who took part in specialised sessions that focused on presentation skills, social etiquette, business etiquette and other topics. These sessions were focused on exposing them to the corporate work culture and also to develop soft skills that are essential to succeed in the modern business environment.

Staff Welfare

Aitken Spence Sports Club organises many events throughout the year that are aimed at providing employees with the necessary balance between their personal and professional lives. Sport-O-Rama, Spence Avurudu Asiriya, Badminton tournament, Table Tennis tournament and the Spence Beach Bash were some events. The key event in the sports calendar was the Spence Talent Show which attracted immense attention from Spensonians. The talent show, which included a panel of esteemed judges from the Sri Lankan entertainment industry, saw the participation of many employees from various subsidiaries. The talent on display proved that Spensonians are not just exceptional in terms of work but are true all-rounders.



Chillax evening is an initiative of Group HR that was successfully carried out during the last year as well. Hosted once a month by a different subsidiary, the event enables employees to meet fellow Spensonians from other subsidiaries in an informal setting.

Aitken Spence Toastmasters also completed a very successful year with its members participating in area level and division level competitions representing the club. The speech competitions were held under four categories, namely, "Humorous Speech", "International Speech", "Evaluation Speech" and "Impromptu Speech."

A special internship programme was offered to children of employees who completed the Advanced Level examinations in 2015 to join an Aitken Spence subsidiary and gain valuable industry exposure. The programme which offers a 3 month internship has been very successful as employees value the opportunity given to their children.

We firmly believe that fostering an environment that promotes creativity and innovation is key to ensuring that employees remain engaged within the organisation. Aitken Spence ensures that employees feel their ideas are being accepted, adopted and praised. Thus, the talent at Aitken Spence is more engaged and continuously developing. With the activities and new initiatives put forth this past financial year we hope to further enhance the quality of our employees as well as the lives of prospective Spensonians. Aitken Spence has always prided itself of being an employee driven organisation's where people are the key to an organisations' success. With this belief firmly in place we will continue to nurture, grow and elevate our employees to new heights.

Financial review

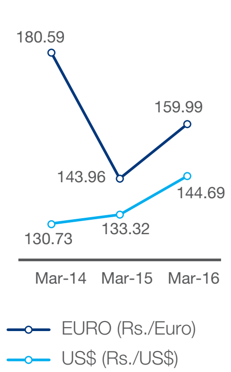
Economic Environment

Sri Lanka's economy grew by 4.8% during the calendar year 2015, marginally slower than the 4.9% growth registered the year before. The agriculture sector which makes up 7.9% of the economy recorded 5.5% growth while the industry sector with a 26.2% contribution grew by 3.0% and the services sector representing 56.6% of GDP (Gross Domestic Product) grew by 5.3%. The estimated per capita GDP in US dollar terms increased by 1.8% to US$ 3,924 during this period while the total economy was valued at US$ 82.3 billion.

Economic growth was mainly driven by consumption expenditure at both government and private sector levels with disposable incomes rising on the back of a public sector salary increase, low policy rates and falling commodity prices which made goods and services more affordable. Inflation remained low and ended the year at 2.8% up from 2.1% as at end of the previous year.

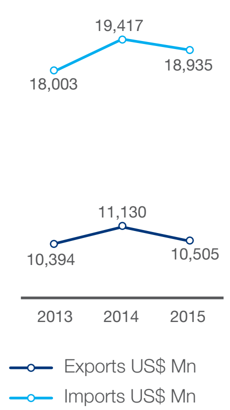
Exchange Rates Movement

LKR Value



The country's export earnings fell by 5.6% in 2015 due mainly to low commodity prices in the world market despite volumes growing by 4.6%. Earnings from traditional exports, tea and rubber, fell significantly by 17.7% and 14.5% respectively while the lucrative textile and garments export segment which makes up 45.9% of exports of Sri Lanka also fell by 2.2%.On the imports side, the drop in global fuel prices meant that the country experienced a 2.5% dip in import expenditure despite non-fuel imports growing by nearly 9.6%. Earnings of the tourism industry increased by 22.6% to US$ 2.98 billion with tourist arrivals increasing 17.8% to 1.8 million during the calendar year, while in the financial year 2015/2016 arrivals increased by 20.2%. Worker remittances declined by 0.5% to US$ 7.0 billion in 2015, mainly as a result of the economic downturn in the Middle East caused by low oil prices where majority of Sri Lankan labour is employed. However, there was a pickup in remittances in the first quarter of 2016, which was the last quarter of the financial year.

Export and Import Trade

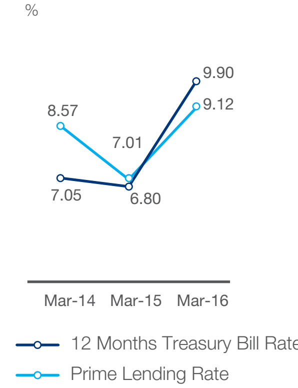


The country recorded a balance of payments deficit of US$ 1.5 billion in 2015 compared to a surplus in the previous year with the gross official reserves declining to US$ 7.3 billion. The resulting pressure on the Sri Lankan rupee saw the currency depreciating by 9.0% during the calendar year 2015 and by 8.5% during the period from April 2015 to March 2016. The Central Bank tightened the monetary policy to ease the pressure on the currency and to remedy the negative balance of payment position by increasing the Statutory Reserve Ratio of banks followed by an upward revision of policy rates.

The government's economic reforms agenda includes overhauling the current tax regime by simplifying and broad-basing the tax system, eliminating exemptions, and improving compliance and collection in order to shore up revenues. In addition, strategies to restructure loss making state owned enterprises, structural reforms to reduce protectionism and promote trade and capacity building exercises that support economic growth are also being pursued. In support of the government's economic reforms agenda, the International Monetary Fund (IMF) in April 2016 entered into a staff level agreement to provide a three year, extended fund facility of US$ 1.5 billion which is expected to ease the pressure on the balance of payment position of the country. The Asian Development Bank (ADB) and IMF have forecast GDP to grow by 5.3% and 5.0% respectively during 2016 while inflation is expected to rise to 4.5%. An increased level of GDP resulting in higher disposable income would have a beneficial impact on the Group's operations.

Interest Rates Movement

%



While a more detailed discussion on the respective businesses of the Aitken Spence Group can be found in the pages that follow, it must be noted that the performance of the Group is closely linked to key growth areas of the economy such as the tourism sector, import/export trade and infrastructure projects which drives the maritime and logistics industries. The movement in exchange rates too has a close link with revenue streams of the Group whilst the overall cost structure of the operation would be determined by interest rates and inflationary factors.

Group Performance

The financial year 2015/2016, was a mixed year where the Group faced many challenges but was also fortunate in successfully securing several key investments in its core areas of operations. These investments are expected to further strengthen its portfolio and enhance the Group's future growth potential.

The review that follows provides the stakeholders an insight on the financial impact of the Group's operations during the year, the challenges confronted and an overview of the investments made during the year.

Operating Results

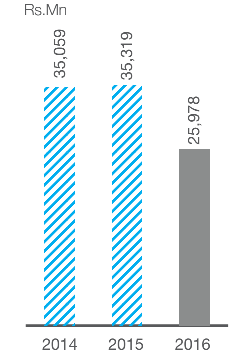
Group Revenue

The Group achieved a consolidated revenue of Rs. 26.0 billion for the financial year under review, which is a 26.4% year on year decline. The negative impact on the revenue was mainly due to the significant decline in the top line of the Strategic Investments sector which was affected by the cessation of the power purchase agreement of the 100MW thermal power plant at Embilipitiya.

Revenue

for the year ended 31st March

Rs.Mn

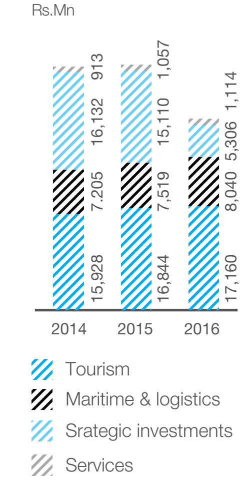


During the financial year the revenue of the Strategic Investments sector declined by 64.9%. The other three sectors recorded increases in revenue for the period under consideration with the Tourism sector achieving a growth of 1.9%, and the Maritime and Logistics, and Services sectors reporting growths of 6.9% and 5.5% respectively. The revenue growth in the Tourism sector was mainly driven by the improved performance of the destination management segment which recorded a 20% increase in arrivals handled, and Sri Lankan hotels with the two iconic properties Heritance Kandalama and Heritance Tea Factory recording increased average occupancies throughout the year. However the revenue from the Maldivian resorts recorded a marginal decline owing to pressure on certain key markets due to negative political publicity seen by the destination during the year. Maldives as a nation has always been conscious of the importance of tourism for its economy; hence any negativity impacting the industry is thus short lived. The Maritime and Logistics sector benefitted by an improvement in the revenues from port management activities and in the ship agency business, while enhanced business secured by the elevator agency which continued to reap dividends from the infrastructure development in the country made a positive impact on the revenue of the Services sector.

Sector wise Revenue

for the year ended 31st March

Rs.Mn

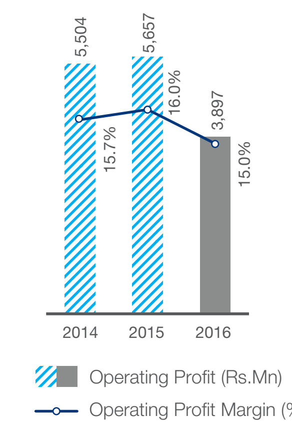


Operating Profit

During the financial year under review the operating profit of the Group declined by 31.1% to Rs. 3.9 billion and the operating profit margin recorded a decline from 16.0% to 15.0%. The Strategic Investments sector reported an operating loss of Rs. 489.2 million mainly due to the non-operation of the 100 MW thermal power plant during the year, although the printing and packaging segment recorded an encouraging improvement in profitability.

Operating Profit & Operating Profit Margin

for the year ended 31st March



The Tourism sector recorded a decline of 25.9% in operating profits for the year to Rs. 2.9 billion. Although most of the Sri Lankan hotels achieved a higher average occupancy throughout the year, the Maldivian operations recorded a lower profitability as a result of the lower occupancies during the peak winter season stemming from adverse international publicity regarding the political uncertainty in the country. The performance of the newly acquired property in India, Turyaa Chennai, was also affected during the financial year due to delays in obtaining regulatory approvals. The translational loss resulting from the devaluation of the Sri Lankan rupee on the US dollar debt obtained for the acquisition of this property also adversely affected the profitability of the sector. The destination management segment reported an improvement in operating profit, whilst the airline General Sales Agency (GSA) segment recorded a reasonable performance.

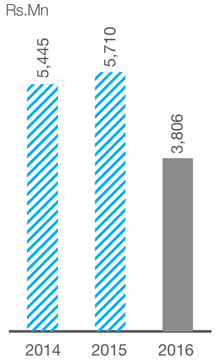
The Maritime and Logistics sector recorded a growth of 74.2% in operating profits to Rs. 1.2 billion due to the noteworthy performance from its port management operations and ship agencies, despite a reduced contribution from the freight forwarding, courier and integrated logistics segment. Further, the airline cargo GSA business achieved a marked growth in profitability during the year, due to the excellent performance of the Qatar and Sri Lankan airline agencies.

The Services sector recorded an operating profit of Rs. 207.9 million which is a growth of 38.4%. The turnaround in the performance of Aitken Spence Technologies and the improved performances from the property management and elevator agency segments contributed to the higher profitability of the sector, whilst the insurance segment maintained its steady contribution.

Other income of the Group reflected a decrease of 65.6% due to the exceptional income of Rs. 351 million recorded in the previous year as insurance compensation received in the Maldivian hotel sector. The Group had a significant negative impact on the translation of foreign currency long term borrowings, due to the devaluation of the Sri Lankan rupee. However this was mitigated to some extent due to the Group's US dollar denominated financial assets, and the sizable foreign currency revenue streams, with the overall net impact on foreign exchange being a gain of Rs. 117.3 million.

Depreciation, amortisation and impairment expenses decreased by 12.9%, with the impairment provisions in Ace Power Embilipitiya being less by Rs. 664.0 million than in the previous year.

Profit before Taxation
for the year ended 31st March
Rs.Mn



Taxation

The year under review presented many challenges to Sri Lankan companies as a result of the many tax policy changes that were implemented on an ad-hoc basis by the revenue authorities. Inconsistencies in tax policies and introductions and withdrawals of tax legislations within a short span of time through press releases created confusion and resulted in additional costs to the corporate sector in terms of changes to processes and related IT software. We hope that the tax authorities would implement a coherent and consistent fiscal policy in the future in order to create the stability required by the business community to focus on their core operations without having to be unduly concerned about unexpected and constant changes to the statutory and regulatory environment.

The tax outflow of the Group during the year increased substantially with the introduction and implementation of super gain tax. All companies in the Group incorporated in Sri Lanka paid a tax of 25% based on the taxable income of 2013/2014 in each of the entities. The impact of the above tax on cash flow and reserves of the Group was Rs. 319.3 million. According to the Finance Act, No. 10 of 2015, the super gain tax was deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. In accordance with the requirements of the Act and as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka the said amount was adjusted to the equity statement of the Group.

The Group's provision for taxation for the year under review was Rs. 861.2 million which is an increase of Rs. 34.9 million with the effective tax rate on consolidated profits increasing to 22.6% from 14.5% the previous year. This was the result of negative contributions made by certain subsidiaries towards the Group profits. The income tax charge in the financial statements comprises Rs. 793.6 million as income tax, Rs. 93.0 million as deferred tax reversal and Rs. 126.0 million as witholding tax on dividends paid by subsidiaries.

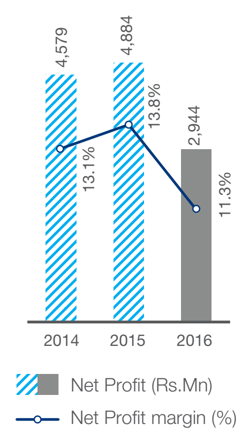
The deferred taxation of the Sri Lankan companies was prepared based on the enacted law in accordance with guidelines issued by the Institute of Chartered Accountants of Sri Lanka since the Budget Proposals for 2016 have not yet been legislated.

Equity Accounted Investee Profits

The share of profits from equity accounted investees declined by 29.8% to Rs. 232.2 million for the financial year. This decline was mainly due to the poor performance of the plantation segment as a result of the many unfavourable factors that affected its more traditional crops. Further, in the hotel segment, pre-operating costs that were incurred during the construction phase of Heritance Negombo that could not be capitalised and the translation losses on the Euro borrowings obtained to fund RIU Ahungalla also impacted the performance of the Group's equity accounted investees during the year.

The Group acquired a 20% equity stake in Fiji Ports Corporation Ltd., during the financial year under review. The full benefit of this investment will be seen in the coming financial year as the results of only a few months operation has been consolidated in the financial year.

Net Profit & Net Profit Margin
for the year ended 31st March

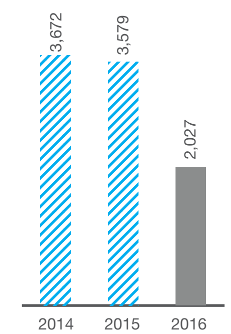


Earnings for the Year

The consolidated profit after tax of the Group for the year was Rs. 2.9 billion, and is a decline of 39.7% over the previous year. This was primarily due to losses recorded in the Strategic Investments sector as a result of the cessation of operations of the 100MW thermal power plant. The net profit margin declined to 11.3% from 13.8% in the previous year. The Tourism sector contributed Rs. 2.3 billion to the net profit, a decline of 37.8% from the previous year. The Maritime and Logistics, and the Services sectors contributed Rs. 1.0 billion and Rs. 124.1 million respectively increasing by 69.7% and 50.4% over last year, while the Strategic investments sector recorded a loss of Rs. 510.1 million. The Group provided Rs. 861.2 million as the income tax expenses for the financial year under consideration.

Profit attributable to non- controlling interest for the financial year was Rs. 917.2 million a decline of 29.7% over the previous financial year. This decline was mainly owing to the non-controlling interest portion held in the power generation segment.

Net Profit Attributable
for the year ended 31st March
Rs.Mn



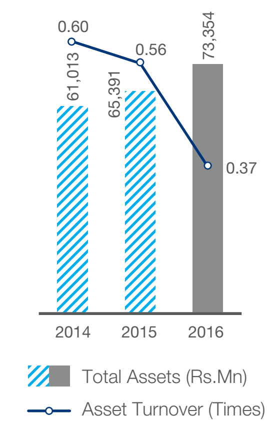
Financial Position and Resources

Total Assets

Total assets of the Group at the end of the reporting period was Rs. 73.4 billion comprising of non-current assets of Rs. 52.0 billion and current assets of Rs. 21.4 billion. Non-current assets expanded by Rs. 12.2 billion primarily due to the growth in property, plant and equipment which represented 67.8% of non-current assets. The property, plant and equipment of the Group increased mainly owing to the acquisition of Al Falaj hotel, Oman. The Group's investments in equity accounted investees also increased during the year as a result of the 20% equity investment in Fiji Ports Corporation Ltd., and the investments made to RIU Ahungalla.

At the end of the financial year, the Tourism sector continued to hold the largest asset base by having 53.5% of total assets amounting to Rs. 39.2 billion. The Strategic Investments sector held 28.7% of total assets amounting to Rs. 21.0 billion. The Maritime & Logistics and Services sectors held 12.6% and 3.9% of total assets amounting to Rs. 9.2 billion and Rs. 2.9 billion respectively.

Total Assets & Asset Turnover
ast at 31st March



The Group had an asset turnover ratio of 0.37 times for the financial year under consideration compared with 0.56 times in the previous comparative period. The decline in the asset turnover ratio can be attributed to the lower revenue recorded by the Group for the year as a result of the power plant in Embilipitiya not being operational this financial year as opposed to the plant recording a full year of operations in the previous year.

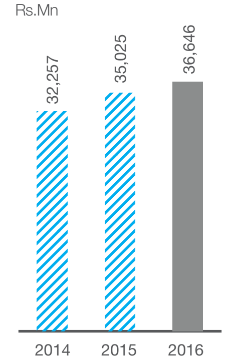
Capital Expenditure

The Group invested a total of Rs. 8.0 billion in property, plant and equipment including assets acquired from business combinations during the financial year. The major share was taken up by the Tourism sector.

During the year the Group acquired Al Falaj Hotel in Oman for approximately US$ 36 million, being the first investment in a hotel in Oman, as opposed to the hotel management model followed in the past. Al Falaj hotel has been under the management of Aitken Spence for the past eight years and is a 150 room 4 star property located on 5 acres of free hold land in the heart of Muscat, the capital city of Oman. The expansion and refurbishment of the Kalutara property which was branded Turyaa Kalutara was completed and the hotel commenced operations during the third quarter of the financial year. Substantial capital expenditure was also incurred on the enhancement of the product offering of the Maldivian resorts during the year and all such improvements were carried out in the resorts without any closures or disruptions to guests.

Other substantial capital expenditure was incurred by the integrated logistics segment which continued to improve on the yard hard surfacing at its Mabole premises and from the printing and packaging segment which procured a new state of the art six-colour Heidelberg printing machine to expand capacity and cater to high quality printing requirements.

Shareholder's Funds
as at 31st March
Rs.Mn



Investments in Equity Accounted Investees

During the year, most of the construction of RIU Ahungalla, a 500 roomed luxury property built in partnership with RIU Hotels of Spain was completed. This property which is adjacent to Heritance Ahungalla, is expected to commence operations in July 2016, and is projected to be a game changer in the tourism industry of the country. Investment in the construction of Heritance Negombo was also completed during the year with the hotel being launched at the end of the financial year. The hotel with its ideal location and infrastructure is well poised to be a desired destination of a city hotel on the beach.

The Group successfully acquired a 20% equity stake in Fiji Ports Corporation Ltd., for a purchase consideration of approximately US$ 16 million in December 2015. Fiji Ports Corporation Ltd., is the owner of ports in Fiji and provides port services whilst also functioning as the maritime regulator of the country. It has a fully owned subsidiary engaged in ship repair and heavy industrial engineering works and also holds a 49% equity stake in Fiji Ports Terminals

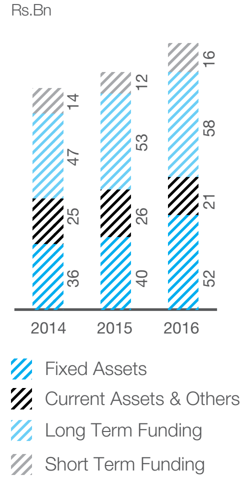
Ltd., whose major shareholder is Aitken Spence PLC. This investment augurs well for Aitken Spence in consolidating its position in the sphere of port management in international markets.

Financial Management, Cost of Funding and Liquidity

Financial Leverage

The total assets of the Group as at end of the financial year were Rs. 73.4 billion. The equity portion of Rs. 44.2 billion was an increase of 4.6% over the previous financial year. The liabilities consisted of Rs. 13.6 billion in non-current liabilities and Rs. 15.5 billion in current liabilities. The financial leverage was 1.61 times, compared to 1.56 times in the previous year and reflects increased debt funding of the Group's operations.

Assets & Funding
as at 31st March
Rs.Bn



Non-current interest bearing borrowings

The Group had non-current interest bearing borrowings amounting to Rs.12.2 billion which was an increase of 29.7% during the year. The increase was mainly the result of the borrowings by the Tourism sector for expansion purposes and the long term loans taken by the holding company to finance overseas acquisitions in the Maritime and Logistics sector.

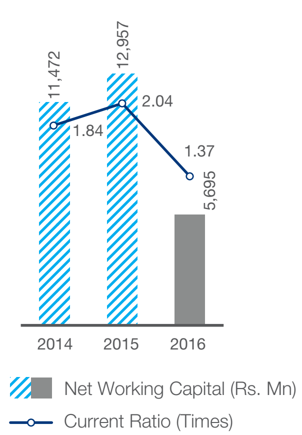
The debt to equity ratio of the Group was 0.28 times at the end of the financial year compared to 0.22 times in the previous year. The debt to equity is constantly monitored and the Group aims to achieve a sustainable ratio in order to maximise shareholder returns whilst ensuring a manageable debt profile.

Working Capital

The working capital of the Group stood at Rs. 5.7 billion compared to Rs. 13.0 billion at the end of the previous year, mainly due to the significant reduction in trade receivables. The Group's cash and deposits in banks together with the investments in government securities decreased by 11.2% compared to last year, to Rs. 12.2 billion. Overdraft and short term borrowings have reduced by 31.1% to Rs. 1.4 billion at the end of the financial year. Trade and other receivables were at Rs. 4.8 billion, which is a decrease of 37.5%, arising mainly from the power segment, while trade and other payables stood at Rs. 9.8 billion recording an increase of 38.3% at the end of the financial year under consideration.

The Group's current ratio was 1.37 times compared to 2.04 times in the previous financial year while the quick asset ratio was 1.29 times in comparison with 1.92 times in the previous period.

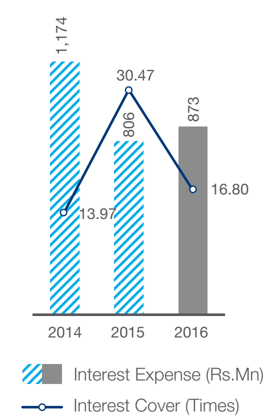
Net Working Capital & Current Ratio
as at 31st March



Finance Income and Finance Expenses

The finance income of the Group recorded an increase of 3.8% to Rs. 647.7 million. The finance expenses increased by 7.7% Rs. 970.9 million for the year, attributable to the increase in long term borrowing obtained by the Group during the year. The Group obtained Rs. 6.8 billion of interest bearing liabilities during the year, whilst repaying Rs. 3.6 billion. The additional debt funding was obtained to finance the investments made by the Group during the year.

Interest Expense & Interest Cover
for the year ended 31st March



The interest cover of the Group decreased to 16.80 times from 30.47 times in the previous year mainly due to the decline in the Group's operating profit before interest for the year. However the interest cover of the Group remains at a healthy level and indicate the ability of the Group to comfortably service its debt.

Treasury Operations

Interest Rate and Cash Management

Accommodative monetary policy adopted during the 2014/2015 financial year showed signs of coming to an end by the latter part of 2015/2016 financial year. The Group treasury was able to capitalise on its government securities trading activity during the first quarter of the financial year as the market was active with a considerable number of players taking part at a given time. As the year progressed overall investor activity started weakening and a number of foreign investors exited the market with the impending interest rate hike in the United States. The disposal of holdings by foreign investors drove the interest rates up while becoming a burden on the balance of payments of the country. Although the treasury bond market witnessed some volatility with the yields swaying to either side, the treasury bill yield curve incline was somewhat graceful up to the end of the year. The one year treasury bill yield reached 9.90% at the end of the financial year compared to 6.80% a year ago, an increase of over 300bps. Three month and six month treasury bill yields too have gone up significantly to record 8.30% and 9.29% respectively. The last quarter of the stretch was fuelled by a revision of the Statutory Reserve Ratio in December as well as a policy rate hike in February. The Group treasury only took part in limited trading of Government securities as the secondary market showed no direction and proved to be biased towards impulse trading which increased the risk profile of an active investor. The investment strategy adopted by the Group treasury was to invest in shorter tenor instruments in order to benefit from rising interest rates until the market reached a level of stability.

Although rising interest rates improved interest income of the Group, it also had a significant impact on interest cost which increased considerably. The AWPLR, which loosely reflects the aggregate of commercial lending rates offered by Banks to their preferred corporate clients, moved by more than 200 bps during the financial year 2015/2016. The immediate impact of this development was felt in overdraft and other short term borrowing costs adding pressure on the part of cash flow management of the Group. The Group treasury maintains a very close and attentive relationship with all subsidiaries in order to avoid any preventable excesses or shortfalls. Several electronic banking platforms offered by international banks are used by the treasury as a tool for this purpose.

The entire long term loan facility granted to the parent company by DEG of Germany amounting to US$ 20 million has been drawn down at the end of the financial year. These funds were primarily used by the Company to acquire overseas investments. During the year the Company also obtained a long term facility of US$ 10 million under the External Commercial Borrowing scheme for the purpose of making overseas investments.

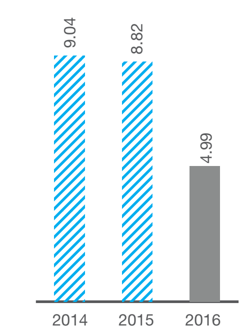
The US Federal reserve's dovish stance on increasing policy rates in the coming year has provided additional breathing space for the LIBOR movement, however the Group treasury will continue to monitor trends and developments in the global markets closely and evaluate alternative options available to further mitigate any interest rate risks.

Foreign Exchange Management

The Sri Lankan rupee remained under pressure throughout the year as there were repatriations by foreign investors from both equity and fixed income markets and due to the repayments of government debt. Foreign direct investments also did not materialise as expected during the year and added to the pressure on the currency. With the Central Bank tightening the monetary policy through a gradual increase of interest rates, consumer driven credit growth slowed down resulting in a decline in imports. The Government's decision to reach out to the IMF to obtain assistance in the form of an Extended Fund Facility (EFF) is part of its plan to overcome some of the external challenges and drive the economy smoothly on a sustainable growth mode. The rupee started the year at 133.33 and reached its peak of 148.53 on the 30th of March 2016, but closed the year at 144.68. The Group enjoys a natural currency hedge owing to its foreign exchange denominated cash flows from its major sectors of operations and has the ability to circumnavigate fluctuations in the foreign exchange market. The Group treasury assists all subsidiaries with their foreign currency related requirements and also provides guidance based on market trends.

The year ahead is likely to be challenging with many concerns in both the local and geo-political theatres. One of the key concerns of the market is the direction which the Federal Reserve of USA is likely to take with regard to interest rates and the outcome will have far reaching impacts on world economies. Additionally, global security concerns, movement in oil prices, continuing economic down turn in the EU and China, and the worsening impacts of climate change are most likely to present challenges to corporates with a global reach in their operations. The domestic economy is likely to be impacted mostly by policy decisions on taxation, foreign investments, monetary policy and bilateral trade agreements which could impact the demand and supply equation in the country. The Group treasury will continue to monitor the volatile operating environment and implement strategies that would maximise the benefits to the Group.

Earnings Per Share
for the year ended 31st March
Rs.

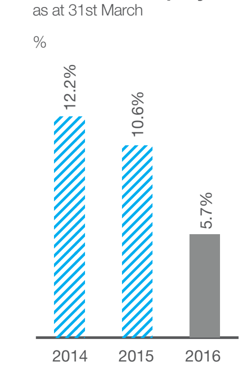


Shareholder Returns

Earnings Per Share (EPS)

EPS declined by 43.4% to Rs. 4.99, in comparison to Rs. 8.82 recorded last year. The total number of shares issued remained unchanged from the previous year at 405,996,045 resulting in the EPS decline being identical to the decline in the profit attributable to equity holders.

Return on Equity
as at 31st March
%

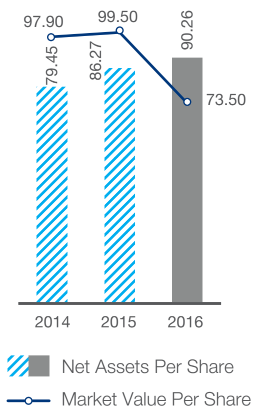


Net Assets and Return on Equity

The equity attributable to the shareholders of the parent company increased by 4.6% to Rs. 36.6 billion and net assets per share increased to Rs. 90.26 compared to Rs. 86.27 at the end of the previous financial year. The Group achieved a return on equity of 5.7% in comparison with 10.6% achieved during the previous financial year.

Net Assets Per Share & Market Value Per Share
as at 31st March

Rs.



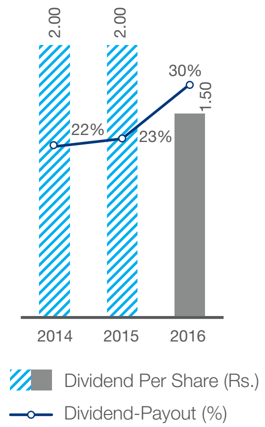
Market Price Per Share and Market Capitalisation

The market price of the Company's share was Rs. 73.50 at the end of the financial year 2015/2016 indicating a decrease of 26.1% compared to previous period's closing of Rs. 99.50. The overall negative market sentiments that prevailed during the year which resulted in the ASPI and the S&P SL20 index dropping by 12.2% and 17.9% respectively contributed towards the dismal performance of the Company's share price. The total value of shares traded during the year amounted to Rs 2.7 billion with the share price reaching a high of Rs. 104.50 and a low of Rs. 67.10. Market capitalisation decreased compared to the previous year, to Rs. 29.8 billion which was 1.15% of the total market capitalisation of the Colombo Stock Exchange.

Dividends

The Board of Directors has recommended a first and final dividend of Rs. 1.50 per share for the financial year 2015/2016 which is a 25% decline compared to the dividend declared in the previous financial year, being mindful of the decline in attributable profits.The payout portion in absolute terms amounted to Rs.609.0 million while the payout ratio increased to 30.0% from 22.7%, owing to the 43.4% decline in earnings.

Dividend Per Share & Dividend-Payout
for the year ended 31st March

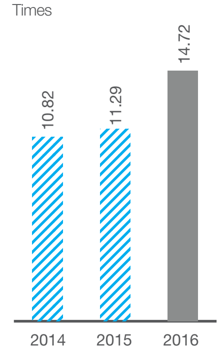


Price to Earnings Ratio and Price to Book Value

The price to earnings (PE) multiple increased to 14.72 times compared to 11.29 times in the previous year. Market PE ratio was 15.29 times making the Group's PE stand at a discount of 3.7%. Price to book value decreased to 0.81 times compared to 1.15 times the previous year. This was due to the substantial drop witnessed in the share price of the company whilst net assets per share improved by 4.6% in comparison to the last financial year.

Price Earnings Ratio
as at 31st March

Times



Compliance with Sri Lanka Accounting Standards

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.

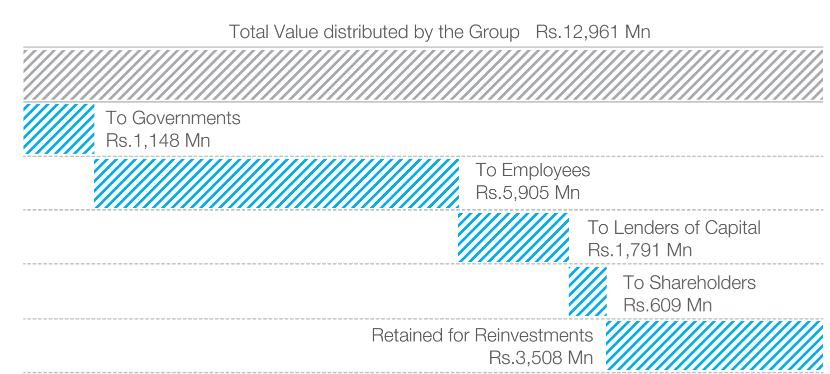
Financial Value Creation

The value added statement reflects the manner in which the Group has generated and distributed wealth among its various stakeholders during a financial year. The value addition of the Group for the year under review was Rs. 13.0 billion down 10.5% from the previous year's Rs. 14.5 billion. The value distributed among the employees of the Group amounted to Rs. 5.9 billion or 45.6% of the total value creation. This was in comparison to 35.8% of the total value creation distributed to employees in the previous year. This increase was due to the lower value creation this year by the Group, owing to the decline in its revenue generated during the year. The contribution to lenders decreased marginally from 14.6% to 13.8% (Rs. 1.8 billion) due to the lower profit attributable to non controlling interest. The total value distribution to Government authorities increased from 8.4% to 8.9% while the Group allocated 4.7% (Rs. 609 million) of the total value creation for the payment of dividends and 27.0% of the total value addition was retained for the growth and development of the Group's operations.

Statement of Value Added

		2015/2016 Rs. '000		2014/2015 Rs. '000
Revenue		25,977,795		35,318,891
Purchase of goods and services		(14,071,685)		(22,294,865)
		11,906,110		13,024,026
Other operating and interest income		822,360		1,131,429
Share of profits of equity-accounted investees		232,170		330,887
Total value added by the Group		12,960,640		14,486,342
Distributed as follows				
To governments (income tax and revenue tax)	8.9%	1,148,037	8.4%	1,214,721
To employees (salaries and other costs)	45.6%	5,905,093	35.8%	5,183,101
To lenders of capital (interest on loan capital and non-controlling interest)	13.8%	1,791,013	14.6%	2,110,957
To shareholders (dividends)	4.7%	608,994	5.6%	811,992
Retained for reinvestments and future growth (depreciation & retained profits)	27.0%	3,507,503	35.6%	5,165,571
		12,960,640		14,486,342

2015/2016 - Distribution of Wealth Created



Tourism sector

Aitken Spence has been closely linked to the Sri Lankan tourism industry and its growth and development over the past four decades, with a growing footprint and reputation for quality, management expertise and sustainability.

- Hotels
- Inbound & Outbound Travel
- Airline GSA

Rs.17.2Bn
Revenue for the year

Rs.2.3Bn
Profit for the year

Rs.39.2Bn
Total assets

Rs.2.2Bn
Total contribution to the Governments
(by direct and indirect taxes)

100%
of total waste water at the hotels in Sri Lanka and Maldives is treated/reused

970gCO_{2e}
Per guest night reduction in emissions in the owned hotels in Sri Lanka and Maldives

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Natural capital
- Unique locations
- Water
- Bio diversity and natural eco systems

Manufactured capital
- Iconic properties
- Luxury fleet of vehicles

Intellectual capital
- Globally renowned brands and franchises
- Licenses
- Proven systems and structures

Human capital
- Specialised knowledge and skills on hospitality and destination management
- Training and development
- Experienced and globally recognised staff

Social and relationship capital
- Strategic partnerships
- Community engagement
- Shared values
- Corporate culture
- Social and environmental governance structures

Business Process

Corporate Vision
Brand Values
Strategy
Core Strengths

Business Model

Key Stakeholders
- Tour operators
- Joint venture partners
- Principal airlines
- Local community
- Hotel owners / partners
- Employees
- Shareholders

Key Activities
- Providing accommodation
- Food & beverage
- Spa and Wellness holidays
- Excursions
- Diving and water sports experience
- Organising of customer specialised itineraries with all ancillary services
- Tour itineraries for international sports events

Customer Segments
- Tour operators
- MICE segment
- Frequent independent travellers - local and foreign
- Regular holiday makers from overseas
- Ayurveda clients
- Destination weddings

Revenue Streams
- Income from Hotel rooms and functions
- Income from tour packages
- Commissions received on Airline GSAs
- Food and Beverage
- Spa income
- Event Management

Cost Structure
- Accommodation, food & beverage cost
- Cost of construction and maintenance of Hotels
- Cost of transport
- Staff cost
- Cost of technology
- Finance cost
- Operational and marketing cost

Channels
- Web
- Travel fairs and exhibitions
- Tour operators
- Direct personalised marketing
- Promotional campaigns

Key Resources
- Brand values – Aitken Spence / Heritance / Adaaran / Turyaa
- Strategically positioned iconic properties
- Exceptional service relationship with suppliers
- Expertise of staff
- Technology

Value Propositions
- Unique experience
- Value for money
- Premium segment
- Niche/wellness segment
- Iconic architecture
- Premium all inclusive offering
- Selection of destinations from Sri Lanka, Oman Maldives and India

Customer Relationship
- Loyalty programmes "Diamond Club"
- Interactive websites
- Continuous ongoing relationships with the tour operators
- Service excellence which results in repeat customers
- On brand service experience delivery
- Customer loyalty

Stakeholder Engagement
Risk Management
Governance

Output

Financial capital
- Internally generated cash flows
- Debt servicing
- Revenue generation

Natural capital
- Bio diversity and natural eco systems conservation
- Sustainable resource consumption
- Environmental education and advocacy
- Internationally benchmarked practices

Manufactured capital
- Star class accommodation
- Convenient and comfortable travel

Intellectual capital
- Meeting quality specifications
- Efficiency improvement

Human capital
- Engaged workforce
- Brand ambassadors
- Employee well being
- Developing skills required for the industry with initiatives such as cross cultural training

Social and relationship capital
- Enriching and improving local livelihoods and assisting the development of the local economy
- Setting the benchmark for sustainable social relationship frameworks
- Positioning Sri Lanka as a sustainable tourist destination

Outcome

Financial capital
- Financial stability
- Share holder returns

Natural capital
- Environmental sustainability
- Pioneering eco tourism/ sustainable tourism

Manufactured capital
- Unique and memorable experience to customers

Intellectual capital
- Delivery of brand promise
- Setting trends in the industry

Human capital
- Personal and professional growth
- International exposure
- Developing the skill pool of the industry in the regions that we operate

Social and relationship capital
- Influencing and advocating sustainable tourism in a local and global scale

Operating Environment




- 1972 The general sales agency of Singapore Airlines was obtained by the Group; which we have continuously retained to date.
- 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 Group obtains IATA membership and enters into inbound and outbound travel, with this 'Aitken Spence Travels Ltd' was incorporated.
- 1978 'Aitken Spence Travels' enters 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 Ahungalla designed by the renowned architect Geoffrey Bawa. Triton Hotel is now branded as 'Heritance Ahungalla'.
- 1992 Aitken Spence Hotels was listed in the Colombo Stock Exchange with an issued share capital of Rs. 150 million.
- 1993 The first Sri Lankan hospitality company to broaden its horizons and develop an overseas portfolio by entering into the Maldives 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 to become the first Asian hotel to receive the prestigious 'Green Globe 21' certification.
- 1996 'The Tea Factory' the first theme hotel in Sri Lanka 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' with 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 Sri Lanka's 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 Male atoll.
- 2010 The Group is appointed as the general sales agents for Sri Lankan Airlines in Maldives.
- 2013 The Group enters into a joint venture with RIU Hotels, Spain to build a 500 room five star Luxury resort hotel in Ahungalla.
- 2014 Acquired a 143 roomed hotel property in Chennai, making it the first hotel property owned by the Group in India
- 2015 Unveiling of the Turyaa brand with the newly acquired property in India being launched as Turyaa Chennai and the previously known 'The Sands' refurbished and expanded, being launched as Turyaa Kalutara.
- 2016 Acquired Al Falaj, Oman a 150 room four star property in Muscat, the first hotel property owned by the Group in Oman
- 2016 Launch of Heritance Negombo, a 139 roomed luxury five star property on Negombo beach.

The overall strategy of the hotels segment has been to consolidate its present competitive position while making required investments to propel growth for the future. The segment which represents 53.5% of the Aitken Spence Group's total assets, has invested in a number of strategic new projects during the year under review which are expected to bring in contributions in the short to medium term.

Tourism sector

Aitken Spence has been closely linked to the Sri Lankan tourism industry and its growth and development over the past four decades, with a growing footprint and reputation for quality, management expertise and sustainability. Tourism is the largest sector of the Aitken Spence Group. The sector owns / manages a portfolio of resorts in Sri Lanka, Maldives, Oman and India while also owning Aitken Spence Travels, the largest destination management company in Sri Lanka that served 129,000 visitors to the country during the financial year. Aitken Spence has also been representing Singapore Airlines as the General Sales Agent (Passenger and Cargo) in Sri Lanka for over forty years.

The year in review was a challenging period for the sector with external factors affecting the operating environment in the overseas markets. However, the commitment to superior service standards and by providing the guest a differentiated experience, the sector was able to maintain its brand leadership. Although the hotels segment saw a decline in profit before tax of 34.2% for the year under consideration, the returns from recent investments in new properties and refurbishments are expected to improve the profitability in coming years.

The destination management segment had a better year in terms of profitability and was able to improve the profit before tax by 7.0% and consolidate the market leadership position in the destination management industry.

The Sri Lankan resorts sector owns and operates five iconic properties under the "Heritance" brand –Heritance Kandalama, Heritance Tea Factory, Heritance Ahungalla, Heritance Ayurveda Maha Gedara and the latest addition, Heritance Negombo. Subsequent to the construction of the additional 90 rooms and the refurbishment of the existing 110 rooms, The Sands resort was re-launched as Turyaa Kalutara. It became the second hotel of the Group to come under the Turyaa brand, the first being Turyaa Chennai in India, which was launched during the year. The Group also owns and/or operates four other properties in Bandarawela, Kandy and Passikudah. In the Maldives, a global tourism hotspot, Aitken Spence Group has stamped its presence with five resorts under the brand "Adaaran". In the year under review the Group also invested US$ 36 million to acquire Al Falaj Hotel in Muscat, one of the five resorts managed by the Group in Oman since 2008.

Global tourism grew by 4.5% in 2015/2016 as Germany, USA, UK, China and France posted healthy growth. 1,184 million people travelled to international destinations during the year, 50 million more than the previous year. Among destination markets, Asia and the Pacific grew 5% with sub-sector Oceania growing by over 7% and South-East Asia growing by 5% while South Asia grew by 4%. Outbound growth was led once again by China while improving economies in the US and UK led to growth in those markets. Russia and Brazil, which have posted strong performances in the past, dropped significantly amid severe economic constraints. The UNWTO Confidence Index shows prospects for global tourism remain largely positive for 2016, with arrivals targeted to grow by 3.5% to 4.5% worldwide.

Demand for tourist destination, while strong overall, was mixed across individual destinations due to the impact of exchange rates, drop in oil prices, security concerns and changing disposable incomes. Security concerns in the Middle East and the rising prospect of terrorism in Europe have posed multiple problems for global tourism. In this context, Sri Lanka stands to gain as one of the safest destinations in the world at present; the country's improving relations with the West should also generate greater confidence leading to Western tour operators choosing the destination. The depreciation of the rupee against major currencies has made the destination more affordable while the steep decline in oil prices should make global air travel cheaper.

Sri Lanka reached its highest ever annual arrivals figure of 1,798,380 in 2015, growing 17.8% from the previous year. Arrivals from China and India grew by 67.6% and 30.3% respectively while the traditionally strong Western European markets such as UK and Germany grew by 12%. With Eastern European socioeconomic concerns showing no signs of abating, Russia and Ukraine arrivals dipped by 11.3 % and 20.2% respectively. But it is important to note that the considerable increase was in the number of "off the beaten track" travellers rather than conventional tourists.

Hotels

The overall strategy of the hotels segment has been to consolidate its present competitive position while making required investments to propel growth for the future. The segment which represents 53.5% of the Aitken Spence Group's total assets, has invested in a number of strategic new projects during the year under review which are expected to bring in contributions in the short to medium term. The existing product portfolio is also being enhanced through improvements to the sector's iconic properties in order to offer unique value added services, which will enable differentiation and premium pricing.

Sri Lanka

In Sri Lanka, Heritance Kandalama and Heritance Tea Factory were the main contributors to sector profits, with their combination of service from the heart and uniqueness of concept and design, attracting strong numbers to the resorts. Annual average occupancy at both resorts was over 80%. While both resorts have seen competition building up in their regional vicinities, they have been able to extend their leadership positions through best practices in customer service and care. The Group will continue to invest in the hardware and software of these flagship properties in order to keep upgrading the value proposition offered to customers, which have large numbers of repeat guests who must be given enhanced experiences. Both properties recorded an impressive growth in profit before tax for the period under consideration.

Heritance Negombo,which was constructed in the premises of former Browns Beach Hotel, opened for business at the end of the financial year and is well positioned to capture multiple segments of the tourism market of the area. Negombo is in close proximity to the main airport and under an hour away from Colombo city on the airport expressway; the coastal town itself is a vibrant and buzzing tourist locale. Its location thus allows positioning Heritance Negombo as a city hotel on the beach. In order to capitalise further on the opportunities of the tourist strip, the hotel will also operate a food and beverage cum entertainment complex under the name 'Banyan' across the street from the property. The 139 roomed Heritance Negombo is LEED Gold certified, and is built on a platform of sustainable tourism.

At Heritance Ayurveda Maha Gedera, efforts have continued to improve the product and service levels in order to grow market share. Renovation of the resort as well as improving the service skills of the employees have been undertaken during the year in order to improve the offering. The wellness offer of the property has strong demand among German and Japanese clientele; new growing markets include Britain and Sweden. The growth in revenue as well as the profitability is a statement of the future potential of Heritance Ayurveda Maha Gedera

Heritance Ahungalla achieved an average occupancy of over 75% during the year, but continued to face the challenges of increased competition from the informal sector on the beach; all formal star class operators along the South-Western Coast have been under margin pressure in the price competitive market. The demand from the lower end tourist segment has resulted in a disproportionate supply of low priced rooms on the beach front offering a product which compromises on the quality thereby eroding the margins of the formal sector. Offering of sub-standard quality products by the informal sector not only dilutes Sri Lanka's image in the world tourism market but also makes it increasingly difficult to promote the country as a higher end destination for discerning travellers. Despite the challenging operating environment Heritance Ahungalla achieved an encouraging growth in profit before tax over the previous year.

Turyaa Kalutara saw room inventory increase by 90 while the existing 110 rooms were upgraded and refurbished in order to command a strong position in the 4 Star plus segment. Aitken Spence is optimistic that the economies of scale and synergies thus gained will drive future profit growth. This belief was further strengthened by the property successfully securing a guaranteed production commitment from a European operator. Hotel Hilltop in Kandy which offers a value-for-money proposition saw the refurbishment of 50 out of 75 rooms being completed during the year, with no closure of operations. The property achieved an average occupancy exceeding 75% for the year, driven by attractive offers which helped to compete with increased inventory in the region.

The tourism industry of the country is set to undergo a revolutionary transformation with the July 2016 launch of RIU Ahungalla, a 500-roomed luxury property built by Aitken Spence in partnership with RIU Hotels of Spain. The 5 star property built on prime beach land owned by Aitken Spence will operate on a new model of charter tourism – its success will augur well for the long term prospects of both the Group and the tourism industry. RIU will manage and market the property which is set to become a destination by itself, catering primarily to charters from Europe. TUI of Germany, who is the partner of RIU will be providing the marketing support for the new property by promoting the destination to its wide clientele.

Tourism in Sri Lanka must evolve with a clear destination promotion strategy in order to reap higher value; the lack of centrally-led comprehensive destination marketing is taking a toll on the market which faces tough competition from growing regional tourism markets such as Vietnam, Thailand and Malaysia. With no state-led strategy in place, individual operators have been compelled to offer tactical promotions and other incentives, compromising on yields to attract volumes particularly for beach properties. In order to sustain high yield European markets, Aitken Spence has even contributed towards marketing campaigns undertaken by the tour operators and been successful in attracting a sizable number of high end clients.

Maldives

The negative publicity on the political instability and the sudden imposition of a state of emergency in Maldives had a negative impact on the entire destination in winter 2015/2016 with reduced arrivals from lucrative markets such as China, Russia and the Western Europe. Presently the situation has subsided with arrivals once again on the rise and Maldives being back on the centre stage of the world tourism market.

The market dynamics in the Maldives have undergone a change with the Maldivian government allowing the operation of guest houses on habited islands at much lower rates than resorts. The growing informal sector is thus taking a larger share of arrivals – which grew marginally by 2.4% in 2015 to hit 1.23 million arrivals. Competition at the high end of the Maldives is also set to grow with 60 islands plus lagoons handed over to major developers and international operators during the past year. However, despite these challenges the reputation of Maldives as an upmarket destination is continuing to attract high spending tourists to the archipelago.

Aitken Spence properties in Maldives had a challenging year, amid the general industry downturn, the drop in Chinese arrivals, and stiff competition in the segment. For the first time in many years the segment reported a decline in revenue and profit before tax of 3.6% and 18.2% respectively during the financial year. However the decline of the profit before tax would be

Tourism in Sri Lanka must evolve with a clear destination promotion strategy in order to reap higher value; the lack of centrally-led comprehensive destination marketing is taking a toll on the market which faces tough competition. In order to sustain high yield European markets, Aitken Spence has even contributed towards marketing campaigns undertaken by the tour operators and been successful in attracting a sizable number of high end clients.

8.2% after adjusting for the one-off insurance claim received last year.

In response to market pressures, the segment undertook several sales strategies during the summer which resulted in a year-end rally in occupancies. As a result the average occupancies in the resorts were above 70% for the year.

The Group plans to undertake strategic upgrades at all five of its properties without any closure; the upgrades were planned after careful consideration of consumer feedback and research and involved both hardware and service improvements. The sector will continue to target the European markets and pay greater focus to other regional markets, taking care to avoid over dependence on any single market segment.

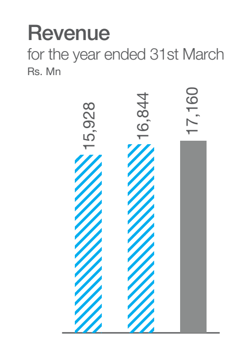
In spite of setbacks, the tourism proposition of the Maldives remains strong with its pristine tropical beaches and reef-surrounded islands offering relaxation, excellent marine life and water based activities in high quality resorts. The Group thus remains bullish about the Maldives, where it is one of the largest resort operators. During the previous financial year and the beginning of this financial year the Group invested on two new islands - Aarah and Raafushi. Construction has begun on a 150-roomed five star property on Aarah, which is due for launch in winter 2017 while plans are being finalised for a resort on Raafushi.

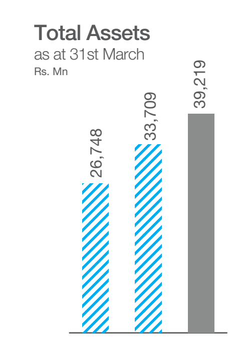
Oman

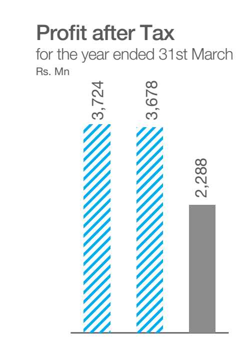
The Group has had a presence in Oman since 2008, managing five properties in partnership with the Oman Hotels & Tourism Company. The market knowledge thus acquired steered Aitken Spence to acquire the 150 roomed, four star Al Falaj hotel with an investment of approximately US$ 36 million. The property is spread on 5 acres of free hold land in the heart of Muscat, the capital city of Oman. It has been managed by Aitken Spence for the past 8 years and was thus a natural choice for investment. The investment allows the company to gain a strong foothold in the strategically positioned Oman market and the Middle East, which is slated for strong future growth despite present reluctance among European travellers given the security concerns in the Middle East.

India

India's close proximity and its growing affluence offer potential for the other three destinations the sector operates in and therefore, a presence in India is important in the long term. Turyaa Chennai, the property owned and managed by the Group reported results below expectations during its initial year of operations. The delay in of obtaining necessary approvals and licenses







impacted the performance of the property. The hotel is expected to record improved performance in the years ahead.

Hotel Management

The Hotel Management segment manages the resorts coming under the Group's portfolio in the four countries it operates, namely, Sri Lanka, Maldives, Oman and India. Presently the segment manages 21 hotels of which 8 are not owned by the Group, which is a testimony to the expertise and the management capability of our experienced staff. The Group has future plans of increasing the size of its managed hotels portfolio by offering its services to property owners needing the services of an experienced management company.

Future

The future for the hotels sector lies in strengthening its key competitive offering of unique concept and design, and exceptional customer service, combined with sustainable tourism. In this context, it is critical that the human resource is well trained, talent developed and key personnel retained in order to offer a consistent level of service. Furthermore, the segment will also employ technology across platforms and applications in order to drive efficiency, service delivery, intelligence, sustainability and economies of scale.

The Group undertakes extensive measures to enhance internal efficiencies and to manage costs, which include comprehensive central purchasing in order to achieve volume-based prices, collective bargains, a centralised marketing strategy as well as energy saving initiatives. Increased investment was also undertaken in technological solutions that offer better operational enhancements and management information.

The segments conducts comprehensive market intelligence and analysis to gauge risks, trends and the pulse of the business environment in order to take timely precautionary measures. Benchmarking also allows the segment to stay ahead of the competition by differentiating its product offering to deliver unique experiences to guests. Focused customer satisfaction surveys are also carried out at each property through the review management software, with customised survey questionnaires sent to each guest through an automated system following check-out. Comprehensive response management is also undertaken for all reviews posted on leading hotel review platforms.

The segment's operating results are expected to be favourably impacted by the depreciation of the rupee as a significant number of contracts with tour operators are denominated in US dollar and other major foreign currencies. Even though there is a negative impact on foreign currency borrowings due to the depreciation of the rupee, the natural hedge provided by the fact that most of the segment's revenue is in foreign currency minimises any adverse impact.

Destination Management

Aitken Spence Travels recorded a 20% growth year on year in terms of arrivals mainly as a result of the diversity of its portfolio. While the numbers have grown, margins remained under pressure due to the competitive environment. The company continued to reap high revenues from the British and Australian markets, and the online segments showed impressive growth in both revenue and volume. The cruise segment also had notable growth. As a result of these positive developments the segment reported an improvement of 7.0% in profit before tax over the previous year.

During the year, Aitken Spence established several new partnerships with tour operators which included Cox & Kings, a leader in outbound travel operations in United Kingdom and 'Hi Tours' of India for up-market incentive tours. The company secured preferred partner status on "Via.com", the largest online distributor in South India and the partnership with Italian charter operator AlpiTours whose charters could bring in up to 500 visitors per month during the winter season.

On the technology front, the traditional tour operator business model is transforming rapidly with the advent of online platforms, which offer enhanced products, real time availability and more flexible booking terms. Aitken Spence is reaping the rewards of embracing the online space, by developing extensive links with online operators to cater to the growing sector; in addition, the company's own online booking engine 'Spencebeds' has been growing steadily.

The company was successful in obtaining the Official Travel Agent status in Sri Lanka for the ICC World Twenty20 in India, which offered opportunities to promote and sell official match tickets and packages. The company also saw rapid sales to the Maldives during a joint promotion with Mihin Lanka and the Group's own resort, Adaaran Select Huduranfushi. The company also undertook a joint promotion with Sri Lankan Airlines and Turyaa Chennai to attract the Sri Lankan travellers to Chennai.

In a strong endorsement of TUI's faith in Sri Lanka, the leading integrated tourism group in the world has committed to developing the Sri Lankan market in the long term. Sri Lanka has been featured in TUI's main source markets. The future strategy encapsulates consolidating Sri Lanka as a key destination within the TUI group while securing enhanced charter movement from the Nordic region, UK and Eastern Europe.

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The company's outlook is positive given the growing interest in Sri Lanka and the competitive attractiveness of the destination, especially in terms of socio-political stability and security.

Aitken Spence has benefited from its foresight to enter non-traditional markets in the Middle East, Eastern Europe, Far East and the Americas thereby securing first mover advantage. The country will continue to benefit from its close proximity to India, where the growing urban middle class is set to generate increasing travel. The company plans to invest in advertising campaigns, representatives, sales calls, familiarisation trips and special offers to drive growth from the Chinese and Indian markets.

Singapore Airlines has confirmed the services of 3 additional morning flights to Colombo beginning April 2016, thereby increasing to 10 weekly operations – the first increase in 15 years. The new flights will offer enhanced connectivity to routes such as China, Japan, Australia, Bangladesh and European points while an increase in corporate travel to Singapore is also anticipated due to the favourable timings.

With the entry of global hotel chains and the development of the right infrastructure and boutique properties, Sri Lanka is expected to see a significant increase in demand from the luxury traveller. The segment sees opportunity in the luxury segment into Sri Lanka and will therefore fine tune its product offering within this segment.

Airline GSA

The air travel industry in Sri Lanka experienced a decline in official government travel during the financial year while corporate travel was also sporadic during the first two quarters. The steep decline in global fuel prices failed to have an immediate impact on air travel, as airlines opted to recoup past losses instead of lowering prices and surcharges.

The General Sales Agency for Singapore Airlines in Sri Lanka recorded a satisfactory performance during the year, with passenger and cargo volumes delivering upto expectations. Australia remains the key contributor to overall revenue followed by New Zealand, Philippines, Vietnam and Indonesia while the majority of cargo volumes are destined for the US. The company has engaged in a joint promotion with Aitken Spence Travels to offer Sri Lanka travel packages in Taiwan, Japan and Korea.

Singapore Airlines has confirmed the services of 3 additional morning flights to Colombo beginning April 2016, thereby increasing to 10 weekly operations – the first increase in 15 years. The new flights will offer enhanced connectivity to routes such as China, Japan, Australia, Bangladesh and European points while an increase in corporate travel to Singapore is also anticipated due to the favourable timings. Ahead of the capacity injection, a comprehensive marketing communications campaign was launched on electronic media while an online campaign will also be pursued to create awareness and increase sales via the digital medium.

The strategic focus for 2016/2017 will be to increase the turnover in a bid to improve overall profits; extra onus will be placed on achieving the internet penetration targets which would help garner incremental revenue every month.

The Turkish Airline GSA agreement was terminated in March 2016 following a review of the long term profitability of the operation.

Management Approach to Sustainability

The sustainability strategy of each sector is dependent on the impacts of the sector on economic growth, social progression and environmental protection. The most effective method to manage impacts of an operation is to have a systematic approach: the sector's approach begins by identifying impacts, studying the nature and frequency of impacts and the potential risks posed from the future action the company can take. Compliance requirements, public perception, and system standards, key stakeholder inputs, industry norms and trends, local and global benchmarks and best practices. management system requirements guide the sector on the required action to be taken for each impact to ensure the operation is taking proactive action to ensure the viability, profitability and integrity of the company in the long term.

Partner organisations, employees and regulators are key stakeholders for Aitken Spence Aviation. Aitken Spence Hotels consider their employees, immediate community hotels operate in, guests, regulators, partners, service providers and suppliers as their key stakeholders. Employees, local and foreign partners, tour guides, chauffeur guides and other service providers, and suppliers are key stakeholders for Aitken Spence Travels. Ongoing engagement with these key stakeholders keeps channels of communication open for the companies.

For an overview of the stakeholder engagement process of Aitken Spence PLC, refer to pages 26 to 29 in the 2014/2015 Annual Report.
http://aitkenspence.com/corporate-governance/integrated-reporting-reports/

Tourism sector

Due to the nature of the tourism sector, environmental protection (i.e. energy, water, biodiversity, emissions, effluents and solid waste), health and safety, quality of service and social progression are important aspects to study when prioritising efforts to mitigate impacts.

Environmental Management Systems (EMS) aligned to ISO 14001: 2004 system standard have been implemented across the sector. Heritance Ahungalla, Heritance Tea Factory, Heritance Kandalama, Turyaa Kalutara and Aitken Spence Travels have maintained the certification for their respective EMSs. All companies within the sector practice the "Switch Off" policy to use energy only when required and to eliminate the waste of energy. "Closing Tap" policy encourages good habits and housekeeping procedures to eliminate the waste of water. Some of the hotel properties have extended this one step further to show the flow rates to the guests using information plaques displayed next to the faucets and showerheads: the objective is to create awareness of the volume of water used for each minute water is allowed to flow thus, encouraging guests to save water.

The 7R concept is championed within this sector (Reject hazardous and non-biodegradable items, Reduce the use of items that cannot be rejected, Reuse to reduce consumption even further, Reclaim what cannot be reused, Repair broken/damaged items, Replace hazardous or non-biodegradable items with environmentally friendly alternatives or substitutes and Recycle

Aitken Spence hotels have also implemented Energy Management Systems (EnMS) in line with the ISO 50001:2011 standard to increase efficiency in energy use and in doing so to reduce GHG emissions. Heritance Ahungalla was the first resort hotel in Sri Lanka and possibly the world to secure this certification. The Heritance chain of hotels claims the honour of being the first hotel chain in Sri Lanka and among the first hotel chains in the world to achieve the certification for all hotel properties.

all waste items to close the loop and convert it into a resource for a different purpose). All waste streams are segregated and separately managed with the ultimate goal of reaching 'Zero Waste to Landfill'. Aitken Spence Travels and Aitken Spence Aviation have opted to use electronic processes for several tasks to reduce the paper consumption in the operation. Aitken Spence Travels is among the first Destination Management Companies (DMCs) in Sri Lanka to offset GHG emissions. The company continues to champion the cause of reducing emissions with this practice. All hotels reclaim the effluents and treat the waste water for reuse in the hotel gardens: this reduces the amount of freshwater withdrawn as the purpose is fulfilled by treated waste water. The sludge collected from the process is also treated and sold at a nominal rate to community farmers as fertilizer. Heritance Ayurveda Maha Gedara, Heritance Tea Factory use wet waste from the hotel to generate energy (biogas). Heritance Ahungalla hotel composts the wet waste: effort taken to reduce the generation of waste had resulted in bringing down the average wet waste quantities from 250 kg to around 40-50kg. Heritance Ayurveda Maha Gedara is evaluating the possibility of replacing plastic bottles of water kept in rooms to be replaced with glass containers to reduce the generation of waste.

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A testament to the effectiveness of the management systems maintained within the sector is Travelife – Gold certification obtained last financial year by the Heritance chain of hotels. Travelife programme provides companies an industry bench marked certification standard to evaluate, prove and communicate sustainability achievements by evaluating the appropriate management procedures.

Tea Factory and Heritance Kandalama hotels. Heritance Ayurveda Maha Gedara was the first hotel in Sri Lanka to opt for net metering and is a source of energy for the national grid through the solar power Photo-Voltaic system installed at the hotel.

The team at Heritance Ahungalla has set up a 'Green Club' to generate ideas to implement action for the aspects identified as priorities. Each department is represented by a member to give ideas to make the operation more environmentally friendly. To include their guests in their programmes for environmental protection, Heritance Ahungalla provides tree saplings for couples tying the knot at the hotel as a part of their celebrations. Aitken Spence Aviation has also established a programme to encourage staff to give ideas to implement action towards their identified sustainability priorities. This 'Staff Ideas in Action' programme lets staff members contribute ideas and successful ideas are rewarded to encourage more employees to come up with creative ideas to meet sustainability goals of the company.

All hotels have established procedures to ensure safety and hygiene in the food and beverage processes. During the 2015-16 financial year Heritance Ahungalla, Heritance Kandalama, Heritance Tea Factory, Turyaa Kalutara, Adaaran Club Rannalhi, Adaaran Prestige Vadoo, Adaaran Select Hudhuranfushi, and Adaaran Select Meedhupparu maintained their HACCP/ ISO 22000:2005 food safety management system certification.

Biodiversity is another significant aspect (material aspect) for the sector due to the potential impacts the industry could have on biodiversity. None of the sector's operations are located in close proximity to national reserves or protected areas. The sector takes necessary precautions to ensure that areas of high biodiversity value are protected and preserved. More detailed overviews have been shared in previous annual reports which can be perused on the Group website.

For more details on how the sector protects biodiversity, refer to;

Pages 74 to 76 in the 2014/2015 Annual Report,

http://aitkenspence.com/corporate-governance/integrated-reporting-reports/

or, refer to the report from 2011;

http://aitkenspence.com/wp-content/uploads/2014/12/Case-Study-1.pdf

Sustainability performance overview

A testament to the effectiveness of the management systems maintained within the sector is Travelife – Gold certification obtained last financial year by the Heritance chain of hotels with the exception of Heritance Negombo which was not operational at the time. Travelife programme provides companies an industry benchmarked certification standard to evaluate, prove and communicate sustainability achievements by evaluating the appropriate management procedures. Heritance Negombo and the properties in the Maldives are currently at stage 2 in the certification process (Stage 1: Travelife engaged, Stage 2: Travelife Partner, Stage 3: Travelife Certified) and hope to obtain 'Travelife Certified' status in the coming financial year.

In August 2015, the Adaaran chain of hotels in the Maldives was among the first resort operators to sign the 'Male 3R Declaration' of the government of Maldives, to manage waste, promote sustainable tourism and protect marine and coastal ecosystems.

In addition to ongoing activities to preserve the environment in its natural condition as much as possible, Aitken Spence Hotels worked with Group sustainability division to develop an animal welfare policy in line with the fundamental standards proposed by the Global Welfare Guidance for Animals in Tourism developed by the Association of British Travel Agents and endorsed by leading animal welfare organisations. Aitken Spence Hotels are committed to uphold recommended standards

Tourism sector

The Eco Park at Heritance Kandalama became a healing centre for injured animals when the naturalists of the hotel started caring for sick and injured animals brought to the Eco Park by villagers. The Eco Park also serves as an education centre on the biodiversity of the area and close to 3 million visitors have joined educational tours since the inception.

of welfare for animals to ensure that all animals encountered and possibly impacted through the activities of Aitken Spence Hotels are treated humanely and with respect, and to protect animals from exploitation, neglect and cruelty. Aitken Spence Hotels and Aitken Spence Travels are currently collaborating strengths to develop a different experience for guests to interact with wild animals and learn about animal welfare to encourage them to move away from seeking excursions that are harmful to the animals. Aitken Spence Travels also hopes to offer more excursions focusing on nature based experiences.

The Eco Park at Heritance Kandalama became a healing centre for injured animals when the naturalists of the hotel started caring for sick and injured animals brought to the Eco Park by villagers. The Eco Park also serves as an education centre on the biodiversity of the area and close to 3 million visitors have joined educational tours since the inception. During the last financial year 8,945 visitors have been educated at the Eco Park, not including the guests of the hotel. Aitken Spence Travels has also contributed towards education on biodiversity by facilitating programmes conducted on diverse platforms.

As a first step to reduce chemical usage in the housekeeping operation, Turyaa Kalutara hotel utilised a nanotechnology based specialised surface protection system and application for different materials to coat the surfaces of 10 rooms.

Heritance Ahungalla, Heritance Ayurveda Maha Gedara and Heritance Kandalama are taking steps to seek OHSAS 18001 certification for their occupational health and safety systems. The team at Heritance Ayurveda Maha Gedara feels the skills and experience of the staff is strength of the hotel which will assist in their forward plans to expand Ayurveda into more diverse market segments that show an interest in Ayurveda medicine.

Each company has its own strategic initiatives for local economic development and to enable employee volunteerism which have been maintained during the last financial year as well.

During recruitment, Group hotels give priority to local applicants with 'local' defined as the vicinity within a 40km radius of each hotel. Aitken Spence Hotels have a policy for local purchasing and accordingly, produce, services and other supplies available in the local community are sourced from the local community. A significant proportion of the procurement budget at the hotels is spent on local suppliers. Aitken Spence Travels also opts for local suppliers at most destinations to source products and services required for their operations. More than 75% of the procurement budget of the company is spent on local suppliers of each destination.

Community engagement activities allow the local community in the vicinity of hotels to voice their concerns; many activities undertaken by hotels in 2015/2016 were based on needs identified during these engagement activities. These included the donation of equipment and required items for community groups and differently abled persons, educational scholarships, and assistance extended for infrastructure development. Heritance Ahungalla, Heritance Ayurveda Maha Gedara and Turyaa Kalutara conducts a beach cleaning activity every month with hotel staff, guests, and other stakeholders.

Doctors at the Heritance Ayurveda Maha Gedara organise a health camp every Wednesday for Associates to consult for medical assistance. The hotel is also working with the National Child Protection Authority to create awareness on protecting children from exploitation for local stakeholders.

Empowering Sri Lanka First (ESLF - flagship initiative of Aitken Spence PLC to facilitate community development and sustainable value creation by providing access to English language and computer skills education to economically challenged students in our communities.) has education centres in Dambulla and Ahungalla which are overseen by the Associates of Heritance Kandalama and Heritance Ahungalla hotels respectively.

The sector's total spending on community development in 2015/2016 was Rs. 13.2 million/-

To increase their activities towards product responsibility, Heritance Ahungalla has started adding meal types (i.e. vegetarian/ non-vegetarian / gluten free) to the menu labels to allow the guests to make more informed decisions about what they consume. This is also being considered by all other properties as a best practice.

Aitken Spence Aviation has continued to focus on developing the skills of their employees to provide the best service to the passengers.

A socially responsible company;

Compliant

- *Zero significant fines/ non-monetary sanctions for non-compliance with laws and regulations*
- *Zero incidents of non-compliance with regulations/ voluntary codes on marketing communications*
- *Zero substantiated complaints on breaches of customer privacy*

Committed to sustainable operations

- *Committed to create positive impact in social progression, economic growth and environmental protection*
- *Exemplary in maintaining management systems to mitigate adverse impacts*
- *LEED certified hotel properties*
- *PATA award winning Destination Management Company*
- *Longest serving General Service Agent of Singapore Airlines*
- *1,350 tonnes CO2e GHG emissions reduced and/ or offset*
- *Reduction of 29MJ per guest night achieved in the energy consumption in the owned hotels in Sri Lanka and Maldives*
- *Reduction of 5.4 litres per guest night achieved in the water consumption in the owned hotels in Sri Lanka and Maldives*

	2014/2015	2015/2016
Energy consumption and GHG emissions monitored		
Direct Energy Consumption	260,978 GJ Diesel – 78.2% Petrol – 11.5% Furnace oil – 3.2% LPG – 3.8% Biomass/ fuel wood – 3.4%	247,120 GJ Diesel – 83 % Petrol – 6% Furnace oil – 3% LPG – 4% Biomass/ fuelwood – 4%
Indirect Energy Consumption	38,616 GJ	43,918 GJ
Amount of energy saved	11,072 GJ	10,506 GJ
Total energy produced from non-renewable sources (GJ)	245,166 GJ	198,487 GJ
Total energy produced from renewable sources (GJ)	8,869 GJ	8,930 GJ
Total water withdrawal	577,750 m^3	1,020,686 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water recycled and reused by the organisation	310,766 m^3	525,192 m^3
Quantified gross direct (Scope 1) GHG emissions	16,737 tonnesCO_{2e}	15,806 tonnesCO_{2e}
Energy indirect (Scope 2) GHG emissions	7,938 tonnesCO_{2e}	20,779 tonnesCO_{2e}
Amount of GHG emissions reduced and/ or offset	6,390 tonnesCO_{2e}	1,350 tonnesCO_{2e}
Waste Resource Management		
Paper recycled or sold for recycling	14,336 kg	12,927 kg
Cardboard sold for recycling	24,829 kg	17,990 kg
Plastic sold for recycling and/ or disposed according to requirements of the EPL	13,826 kg	12,069 kg
Polythene sold/ handed over for recycling and/ or disposed according to requirements of the EPL	4,955 kg	4,800 kg
CFL bulbs handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	1,345 bulbs	873 bulbs
Lead acid batteries handed over for recycling and/ or kept in storage for later recycling	572 kg 23 kg	572 kg
Alkaline batteries handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	485 units 360 kg	-
Tyres reused and/ or sold for reuse	876 tyres	-
Scrap metal sold for reuse	15,207 kg	22,291 kg
Glass handed over for recycling	30,453 kg	10,551 units 31,041 kg
Soiled cotton handed over for recycling to a Central Environmental Authority (CEA) approved vendor and/ or disposed according to requirements of the EPL	620 kg	620 kg
Food waste handed over for recycling, composted and/ or used in biogas generator	2,118,127 kg	2,306,754 kg
E – waste sold for recycling and/ or disposed according to requirements of the EPL	269 units 25 kg	4 units 268 kg
Total investment on sustainability processes and action plans	Rs. 5.4 mn	Rs. 34.3 mn

Note:

Reporting boundary for the KPIs material to the operation from the GRI G4 framework only include the owned operations in Sri Lanka and Maldives

Read more about the activities carried out by the Tourism sector in our previous reports
http://aitkenspence.com/about-us/

Maritime & Logistics sector

Rs.8.0Bn
Revenue for the year

Rs.1.0Bn
Profit for the year

Rs.9.2Bn
Total assets

Rs.495Mn
Total contribution to the Governments
(by direct and indirect taxes)

1,833 tonnes
CO_2e of GHG emissions reduced and /or offset

155GJ
Energy produced from renewable sources

Aitken Spence's foray into the sector was as a shipping agent in the heyday of British colonialism. Today, that maritime legacy remains as the Group's Maritime and Logistics sector provides end to end integrated logistical support services from the manufacturer to the recipient.

- Maritime and Port Services
- Freight Forwarding & Courier
- Integrated Logistics
- Airline GSA (Cargo)
- Maritime Education

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Natural capital
- Natural resources

Manufactured capital
- Port terminals and infrastructure
- Enabling technology
- Specialised equipment, vehicles and machinery

Intellectual capital
- Globally renowned brands
- Proprietary knowledge
- Licenses
- Proven systems and structures

Human capital
- Specialised knowledge and skills
- Training and development
- Experienced staff

Social and relationship capital
- Strategic partnerships
- Community engagement
- Shared values
- Corporate culture

Business Process

Corporate Vision
Brand Values
Strategy
Core Strengths

Business Model

Key Stakeholders
- Principals
- Overseas agents
- Service providers
- Carriers
- Component manufacturers
- Affiliated universities linked with CINEC
- Regulatory authorities
- Labour unions
- Employees
- Shareholders
- Students

Key Activities
- Transportation
- Terminal and depot operations
- Freight station operations
- Warehouse/storage operations
- Port management services
- Contract and regulatory logistics
- Third party logistics
- Domestics and international courier
- Cargo GSA operations
- Project cargo solutions
- Maritime education
- Shipping agency services
- Freight forwarding
- Customs House agency
- Record management

Customer Segments
- Importers / exporters
- Forwarders
- Corporate clients
- Financial Institutions
- Shipping lines and airlines
- Knowledge seekers

Revenue Streams
- Agency fees
- Freight income
- Terminal service income
- Management / Technical service income
- Student fee income

Cost Structure
- Infrastructure cost
- Staff cost
- Freight expenses
- Network expenses
- Energy cost
- Finance cost

Channels
- Direct sales
- Overseas agents
- Promotions / Advertisements
- Web
- Historical presence

Key Resources
- People
- Infrastructure
- Fleet of vehicles
- Financial strength
- Relationships
- Expertise
- Technology
- Strategic location

Value Propositions
- Service excellence
- Value for money
- Efficiency enhancement
- Value creation
- Integrated / "One Stop" solutions

Customer Relationship
- Brand reliability
- Providing customer specific total logistics solutions
- Continuous ongoing relationships with customers
- Customer loyalty

Stakeholder Engagement
Risk Management
Governance

Output

Financial capital
- Internally generated cash flows
- Debt servicing
- Revenue generation

Natural capital
- Bio diversity and natural eco systems conservation
- Sustainable resource consumption
- Environmental education and advocacy
- Internationally benchmarked practices

Manufactured capital
- Access to state of the art services
- Efficient resource usage, Integrated logistical solutions

Intellectual capital
- Meeting quality specifications
- Effective systems and processes
- Efficiency improvement

Human capital
- Engaged workforce
- Enriched knowledge base
- Brand ambassadors
- Safe work place
- Improved productivity and efficiency

Social and relationship capital
- Effective stakeholder engagement that deliver mutual benefits
- Improvement of local economy
- Conducive corporate culture that ensures smooth integration and drives performance

Outcome

Financial capital
- Financial stability
- Share holder returns

Natural capital
- Environmental sustainability

Manufactured capital
- Innovative offerings to clients
- 'One stop' logistics solutions

Intellectual capital
- Delivery of brand promise
- Exceeding customer expectations
- Leveraging Sri Lanka as a preferred service provider for port management

Human capital
- Personal and professional growth
- Expanding horizons for Maritime and Logistics sector talent pool through local and International exposure

Social and relationship capital
- Sustainable wealth creation
- Establishing Maritime and Logistics industry as a preferred career path

Operating Environment

- 1873 Commencement of Aitken Spence & Co. in Colombo as the largest shipping agency.
- 1980 Diversified the operations into international freight forwarding in Sri Lanka.
- 1981 The Group was appointed as agents for TNT express, one of the world's leading courier companies.
- 1985 Commenced container transportation services and a inland container terminal in Mattakkuliya.
- 1987/88 Established Ace Container Terminals (Pte) Ltd to handle the first free trade zone inland dry port in the country.
- 2007 The first Sri Lankan Company to venture into 'Port Efficiency Management' outside Sri Lanka.
- 2009 Acquires 'Loglink (Pvt) Ltd' a container freight station operation with specialised solutions for warehousing and garments on hangers.
- 2009/10 Only Sri Lankan company to bid and receive the concession agreement from the Government of Sri Lanka to develop the Colombo South Container Terminal.
- 2011 The Group becomes the largest shareholder of CINEC which is the Sri Lanka's largest private sector maritime and higher education campus.
- 2012 The Group is appointed as the general sales agents (Cargo) for Qatar Airways.
- 2013 The Group acquires a majority stake in Fiji Ports Terminal Limited., through a Public Private Partnership to operate, manage, maintain and develop the two major ports of Suva and Lautoka in Fiji. This is the first pubic-private partnership by a Sri Lankan company overseas.
- 2015 The Group acquired a 20% equity stake in Fiji Ports Corporation Ltd (FPCL) for approximately US$ 16 million. FPCL is the commercial regulator of the ports sector in Fiji and owns the infrastructure of all major ports in the country and provides dry-docking and ship repair services.
- 2015 Aitken Spence was appointed the exclusive partner of German logistics company DB Schenker in Sri Lanka and the Maldives for air and sea freight as well as project cargo.

Aitken Spence's foray into the sector was as a shipping agent in the heyday of British colonialism. Today, that maritime legacy remains as the Group's Maritime and Logistics sector provides end to end integrated logistical support services from the manufacturer to the recipient. The sector operates in the three clusters: maritime, integrated logistics and freight forwarding & courier, which work independently and also together, reaping the synergies of the various business lines to provide seamless integrated solutions.

The performance of the logistics industry is a barometer of a country's trade and the downward trend noted in Sri Lankan exports in 2015/2016 was reflected in the challenges faced by the sector. Major shipping lines have introduced bigger vessels with greater capacity creating a huge surplus of space (supply). Similarly, airlines too have introduced added capacity. As a result of the supply exceeding demand, overall sea and air freight rates have dropped resulting in lower yields. Despite the pressures faced by existing operators, the industry still attracted new entrants expanding the already surplus capacity further and driving prices downwards. As a result, from the three segments within the sector, the integrated logistics segment was affected the most during the year under consideration. In addition the freight forwarding and logistics businesses were both impacted by the increasing trend for nominated service providers, both locally and internationally. On a positive note, customer demand for end-to-end supply chain solutions is growing, which augurs well for Aitken Spence as it offers multiple services within the sector, which includes integrated warehousing facilities, transportation and distribution.

Investments made by the Group in the management of port operations positively contributed toward the sector offsetting the lower returns from the local freight forwarding and integrated logistics segments. The overseas cargo businesses delivered better profits on the back of improved cargo volumes and the improved performance of their airline divisions. The sector recorded an 69.7% increase in profit after tax over the previous year whilst the contribution from this sector to the Group profits was the highest ever recorded.

Maritime and Port Services

The Maritime segment offers shipping agency services, port management services in the South Pacific and the African Continent, and maritime education. The profits of the segment grew year on year, with positive contributions from port management services, shipping agency activities and maritime education.

Port operation management services are offered in Mozambique and in Fiji. The port segment continued its strong performance, with volumes growing amidst a strong focus on improving productivity. The Group has implemented effective procedures and processes which has led to the better controls thereby capturing all revenues with no leakages.

During the year, Aitken Spence embarked on a landmark strategic investment by acquiring a 20% equity stake in Fiji Ports Corporation Ltd (FPCL) for approximately US$ 16 million. FPCL is the commercial regulator of the ports sector in Fiji and owns the infrastructure of all major ports in the country and provides dry-docking and ship repair services.

During the year, Aitken Spence embarked on a landmark strategic investment by acquiring a 20% equity stake in Fiji Ports Corporation Ltd (FPCL) for approximately US$ 16 million. The company has a 49% shareholding in Fiji Ports Terminal Ltd (FPTL) in which Aitken Spence is the major shareholder and has a technical services agreement for 15 years. FPCL is the commercial regulator of the ports sector in Fiji and owns the infrastructure of all major ports in the country and provides dry-docking and ship repair services. Aitken Spence's involvement in the operations of FPCL will also allow the maritime segment to extend its services to marine and navigational services such as vessel traffic management and anchorage administration, pilotage services, towage, mooring and unmooring, maintenance of navigations channels, berths, piers, infrastructure and also ship building and ship repairs.

The shipping industry is facing a major crisis due to the drop in cargo movement, over capacity arising from a large number of ships being built far outweighing demand, and a drop in freight rates on all sectors severely hampering the profitability of lines. All major shipping lines have thus been under pressure and consequently, mergers and acquisitions are rife in the market with stronger players buying over weaker lines and other shipping lines opting to merge to remain competitive. In Sri Lanka, lines and agents were also affected by new regulations introduced by the government abolishing the Terminal Handling Charge (THC) and limiting the collection of document fees, as well as anti competitive regulations. The bleak environment has resultantly put pressure on the businesses of the maritime services sector with shipping lines pushing agencies to reduce costs and commissions; pressurising ports and other service providers to reduce their tariff and charges, sometimes even avoiding calling ports where port charges are high, and reducing staff cadre thereby restricting the opportunities for cadets to join ships.

The overriding depression in the shipping industry meant that the maritime and port services segment had to employ multiple strategies to achieve growth and enhanced profits; these included increasing export, import and transhipment volumes, targeting new businesses such as casual callers and car carriers, and streamlining processes in the port management segment to ensure higher revenue, zero leakages and better service. The external factors such as overcapacity, lower freight rates and stiffer competition did affect certain segments; notably, revenue per container was lower than the previous year which affected agency income but this was mitigated by increasing volumes.

Maritime & Logistics sector

The shipping agency business has focused on performance improvements and despite intense competition and deteriorating market conditions, was able to increase export liftings and maintain profitability. The car carrier business brought in good revenue with a record number of vessel calls while the segment also handled a considerable number of casual callers including cruise vessels and petroleum tankers. With the deployment of emergent strategies and strict discipline the shipping segment also contributed to the Group positively.

The segment's maritime education division is the major shareholder of the CINEC Campus, one of the largest private higher education institutions in Sri Lanka. CINEC specialises in maritime education but also offers undergraduate, post graduate, and doctoral degrees as well as vocational related courses in numerous other fields, with an annual intake of approximately 20,000 students. CINEC also manages the maritime academies in Fiji and Seychelles. In the education sector, profits have been under pressure but the division has been able to maintain market share and profitability. Students are faced with limited opportunities for cadets' onboard vessels and as a result, several courses which were expected to commence this financial year were deferred. However despite these challenges the Maritime education segment also contributed positively towards the growth of the sector.

The short term outlook for world trade seems bleak, with pessimism about the recovery of cargo volumes and revenue. In this scenario, the segment's short term focus will be on expanding activities in port management and efficiency enhancement in the ports where it already operates; it will look to secure contracts to manage other ports in those countries as well as ports in the South Pacific and African regions. The segment also plans to develop other related business activities such as container depots and warehousing in overseas markets. In the medium term, the Group is exploring opportunities to invest in public private partnerships in the Sri Lankan ports sector while expanding its presence in Asia and Africa to promote logistics related services. The Group's knowledge and technical expertise have been key factors in securing business and in the long term too, these will be factors driving the overall expansion of this segment.

Freight Forwarding and Courier

This was the first full year of operations following the merger of the shipping division freight segment with the cargo division during the previous financial year. The merger has transformed the depth and breadth of the integrated solutions on offer and has enhanced market focus and cost management, while widening the base of customers and partners.

Aitken Spence Group was officially appointed the exclusive partner of German logistics company DB Schenker in Sri Lanka and the Maldives for air and sea freight as well as project cargo. The alliance, which is still in its first year, has shown great promise and potential with the division superseding the overall budget for the period under review. Both air and sea freight in the export and import domains along with brokerage were the key revenue contributors.

The segment embarked on a business reengineering initiative to keep pace with trends and developments of the global supply chain with an overall emphasis on strong sales focus.

In order to strengthen the segment for the future, the Group has invested in upgrading the operational facility to increase capacity. During the forthcoming financial year, the segment will consolidate its activities into a single space with a view to delivering greater customer centricity. The courier operation will also be strategically relocated to a spacious location which allows for expanded activities and a greater focus on regional expansion.

The fiercely competitive local freight industry has over 150 local and international players scrambling to claim their share of the business by compromising on margins. Within the industry, a distinct advantage lies with forwarders who possess major nominated accounts with a large volume base, which allows greater bargaining power with carriers. Industry players who offer integrated services such as their own transport fleet and bonded warehouses are also at an advantage. The continuing trend for shipping lines to merge with freight forwarders poses a challenge for sea freight operations while in an increasing trend, shipping lines have also begun to quote directly to exporters, at rates the freight industry cannot match. The performance of the air and sea freight segment were below expectations with courier division experiencing a drawback in performance due to the decline in sender pays imports and mail revenue. The brokerage division experienced lower volumes and margins across the business, leading to a drop in yields.

Overall, the global courier industry has seen yields drop with increased competition, low fuel prices and vulnerabilities in some markets. Locally, the courier division introduced a document archiving service and a customer portal for domestic customers during the year while delivery was expanded to Polonnaruwa, Wennapuwa and Panadura through authorised delivery agents. Its global mail operation, representing Quantium Solutions, a subsidiary of Singapore Post, was also expanded to Bangladesh. The rapid increase in e-commerce is a positive sign for both the international and domestic courier industry, creating new opportunities. The domestic service, operated under the segment's own brand, Ace Express has been contracted as exclusive delivery partner for several major online retailers and will continue to pursue opportunities in this activity.

The industry has been closely monitoring the proposed acquisition of TNT by FedEx which will create a larger entity in the market. The acquisition, now awaiting final regulatory approval, is expected to be completed by June 2016 and integration of the two operators will then take the course of several years. The TNT operation is expected to continue unchanged during the coming financial year.

Qatar Airways Cargo performed exceptionally well, mainly due to the increase in capacity and ability to maintain a load factor of approximately 85%. Qatar Airways Cargo commenced operating a second freighter during the year, enabling an 8% increase in market share year on year despite heavy competition from competing airlines. The added freighter capacity allowed the division to tactically move into heavy cargo operations on scheduled basis.

In Bangladesh where the segment has operated for over two decades, sea freight operations enjoyed a strong year recording the highest ever import containers on FOB (free on board) sales and achieving the highest monthly volume of 120 tons during the year. Air freight operations were impacted by an import restriction of items to Australia by air freight as well as a cargo embargo to United Kingdom on direct carriers due to security concerns. Excess air capacity thus resulted in low rates. The division also introduced a global mailing service in collaboration with the Sri Lanka courier mail division.

In the Maldives where the sector offers airline, freight and courier services, the freight division was able to increase its FCL (full container load) movement with the assistance of its partner networks. The Sri Lankan Airlines GSA successfully maintained its 30% market share despite increased competition with new airlines calling and existing airlines upgrading capacity. The division was able to maintain an average space utility factor of 75% or more per month through the year.

Key customers require higher levels of service, therefore to gear itself to cater to such customers, the segment has invested in technology and IT systems which, upon migration, will provide a strong foundation to deliver greater productivity and capability. The company is also focusing on talent retention strategies, with operations hampered by high staff turnover as cadres trained at Aitken Spence attract heavy market demand.

Expansion overseas will primarily take the form of linkages with established, strong players in new markets such as airlines, shipping lines, cargo handlers and road feeders; the company is also focusing on entering Indo-China via regional offices or joint venture partnerships. Africa is being looked at as the new frontier of business and the freight forwarding segment is seeking opportunities to enter the market by exploiting the existing links of the sector in the African continent. In Bangladesh and the Maldives, the segment will continue to improve its competitive advantage and build on its reputation by looking for new airline representation agreements.

The segment is also seeking investment opportunities to diversify into hitherto untapped areas of the global supply chain, while consolidating its interests in present activities. The company's new alliances with key partners open opportunities for Aitken Spence to position itself at a new level of play, feeding off the partners' best practices and penetrating new overseas markets.

The government has been accelerating the 'single window' concept which allows Sri Lanka to better compete with regional countries, and which, once implemented should boost the country's global logistic index. The concept requires all vital departments with responsibility for supply chain operations, including customs, to operate on a unified platform, and currently, it is estimated that 50% of the system integration is complete. Aitken Spence is also upgrading its systems to be compatible with the new single window system.

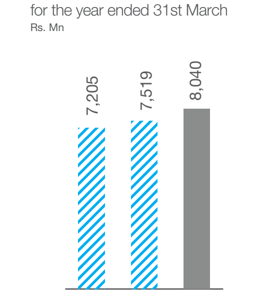
Integrated Logistics

The integrated logistics segment has built a reputation as the leading integrated logistics service provider in Sri Lanka offering specialised services in inland container terminal services, container repair, rigging and container conversions, container freight stations, warehousing, 3PL /4PL logistics management, mobile storage solutions, distribution services and the handling of all types and sizes of cargo ranging from containerised to heavy and over dimensional. Aitken Spence Logistics owns / manages strategically located cargo storage complexes in excess of 500,000 sqft in Colombo, Wattala, Mabole and Katunayake Zone and boasts the most modern fleet of handling equipment comprising of forklifts, cranes, laden and empty container handlers, reach stackers, prime movers, tankers and specially designed trailers. The company has the capacity and capability to deliver professional and comprehensive logistics solutions tailor made to customer requirements. The diversified operations of the segment allow it to offer customers one- stop- shop solutions to their logistic needs.

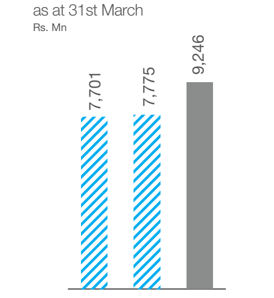
The 2015/2016 financial year has been one of consolidation combined with investing for the future. During the year, the segment enhanced fleet capacity by re-fleeting. The ongoing development work at the yard is nearing completion. The container freight station also faced capacity restrictions due to ongoing infrastructure development to rehabilitate the facility while the warehousing division increased capacity during the year and extended its value addition capabilities.

The distribution services segment which handled the bulk of furnace oil transportation to the Group's power plants has seen a substantial decrease in operations following the closure

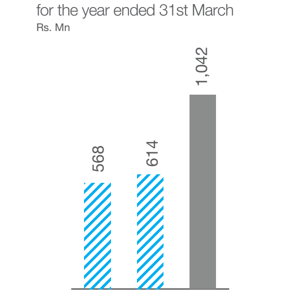
Revenue
for the year ended 31st March
Rs. Mn



Total Assets
as at 31st March
Rs. Mn



Profit after Tax
for the year ended 31st March
Rs. Mn



of the power plants. This loss was somewhat offset by re-deploying the fleet for the island wide distribution business for a large player in the beverage industry.

The segment invested a further Rs 120 million in equipment and this investment drive will continue in the coming year, the returns of which would accrue to the Group in the medium term.

Going forward, the segment will seek opportunities to enter contract logistics with reputed organisations while looking to expand its inland container terminal/dry port operations in overseas markets. The segment will also offer value added warehousing and 3PL/4PL solutions while handling import FCL containers, offering delivery to clients. Overall, the segment's performance has been challenged by the price advantage offered by smaller players. In the short term, the segment will add capacity through expansion and industry specific investments while in the medium to long term, it is well positioned to commit to major investments with local and foreign collaborations. Overseas expansions are expected to be pursued in the medium to long term, especially into logistics operations on the African continent. The company will continue to focus on greater efficiency and productivity by managing costs.

Management Approach to Sustainability

The Maritime & Logistics sector also maintains the impact based approach to identify and prioritise action for sustainable growth: the companies utilise management systems to implement programmes to mitigate adverse impacts.

Environmental management systems (EMS) aligned to ISO 14001: 2004 system standard have been implemented to manage environmental priorities. Aitken Spence Cargo is among the first in the freight forwarding industry in Sri Lanka to have obtained the ISO 14001:2004 certification for their EMS. Aitken Spence Logistics has implemented EMSs at each of the sites and aspires to certify the EMS of the container yard and office operation in Mabole. Several internal audits, educational sessions and process improvements have been carried out towards that goal.

Aitken Spence Cargo as well as Aitken Spence Shipping maintains certified Quality Management Systems in line with ISO 9001:2008 standard to ensure the service is comparable with international best practices.

The nature of the operation makes occupational health and safety (OHS) a priority for the sector; procedures that correspond to the nature and scale of each company have been established in line with the HIRAC (Hazard Identification Risk Assessment and Control) approach. Company representatives have been trained on general OHS guidelines, first-aid and fire safety. Aitken Spence Logistics has a documented policy and OHS management system which guide the sector's sustainability team on required action.

The companies have trained internal auditors to monitor their sustainability performance. The sector has also trained one team member to be a Lead Auditor for ISO 14001:2004 and ISO 9001: 2008 systems who has also shared expertise in assisting SBUs in other sectors in their internal sustainability audits.

The Human Rights Support Givers of the sector have received training on expected action of the Human Rights Matrix developed by the Business Leaders Initiative on Human Rights (BLIHR) for human rights at the workplace, and the existing policies and procedures in place at Aitken Spence operations. The role of these Support Givers is to identify situations, possible incidents and events that can be considered unacceptable in line with this matrix and bring such situations, incidents and events to the attention of Human Resource Partners or senior management of their companies. Accordingly, OHS related concerns highlighted by employees were reviewed and corrective action was implemented over the last financial year.

The key stakeholders of Aitken Spence Maritime include the partners and agents, customers and service providers: feedback from these stakeholders as well as benchmarks established by the partners and agents guide the sustainability action of the segment. Accordingly, a short to medium term goal of the segment is to match their sustainability performance with the benchmarks of their principles as a part of their strategy.

Increasing efficiency in energy consumption, improving waste resource management, strengthening occupational health and safety and quality of service have been identified as sustainability priorities for Aitken Spence Logistics. The strength of the segment is the experience of the staff as one of the biggest inland container yards in the country. The segment is equipped with the required skills to manage its sustainability priorities.

Key stakeholders of Aitken Spence Cargo, namely customers, service providers, agents and principles and regulators, play a significant role in the sustainability priorities the segment will focus efforts on. Accordingly, continually improving the customer experience by focusing on the quality of service, increasing efficiency of resource usage and energy consumption, reducing waste generation from packing material and 100% awareness on sustainability are priorities for the segment.

For an overview of the stakeholder engagement process of Aitken Spence PLC, refer to pages 26 to 29 in the 2014/2015 Annual Report.
http://aitkenspence.com/corporate-governance/integrated-reporting-reports/

Sustainability performance overview

One of the key performance indicators for sustainability within the sector is the maintenance of management systems implemented for sustainability priorities.

A testament to the effectiveness of the Quality Management Systems (QMS) of Aitken Spence Maritime is their partners acknowledging the company for exemplary performance in their manifestations year on year. The segment team has experienced a change in the boundary of their sustainability activities as certain segments of the operation have been reallocated within the sector. As such, the team is restructuring to accommodate this change. The SBU contains multiple operational boundaries within the operation which makes the process of certifying their EMS complex. The SBU is working through this complexity in the hopes of seeking ISO 14001:2015 certification as a short to medium term goal.

Aitken Spence Logistics has automated several processes during the year and implemented monitoring systems to measure progress towards achieving the goals and targets set for their sustainability priorities. The segment installed solar cells of 30kWp capacity at the site in Mabole which has eliminated the need for 43,060 kWh (155GJ) of energy that would otherwise have been sourced from non-renewable sources, and is expected to offset approximately 40 tonsCO2e of GHG emissions. The investment of Rs. 5 mn on this effort has reduced the energy cost of the administrative office by close to Rs. 1mn in the first year. The energy generated from the solar panels fulfils the energy requirement during day time for the administrative office at the Mabole site. The segment has expanded the investment to their operations in Katunayake and Wattala at 25kWp and 30kWp respectively. In addition the segment is also considering the possibility of installing more skylights within their container freight station, Logilink (Pvt) Ltd., to increase the use of natural light and reduce energy consumption.

The team is also considering the economic and environmental feasibility of shifting the fuel pump from its existing location to a different location to increase productivity of the operation and efficiency in fuel use. The company is currently working on reducing noise levels at the periphery of the container operation as a priority identified within the company's EMS. The segment is also working to secure the ISO 14001:2004 certification for each site of operations. Another short to medium term goal is to carry out a work study to identify more opportunities to increase resource efficiency. To increase productivity of the operation, Aitken Spence Logistics is exploring the possibility of investing in upgraded warehouse management systems and technology. The economic and environmental feasibility of innovatively reusing refurbished old fuel bowsers as oil tanks in the refuelling station is also being considered. Currently the company refurbishes old containers to reuse them as office spaces and cabins.

The sustainability team of Aitken Spence Cargo has set a medium term goal to gauge the polythene grades of packaging material and hopes to source environmentally friendly material from suitable suppliers. The segment has observed positive trends in emerging markets such as Bangladesh, Vietnam, and Pakistan and hopes to expand their services to these markets. Quality and dependability of the service promised by the company are attributes in the company's favour in attracting business from these segments which are reliant on the competency of the employees to deliver. This requires ongoing training and education as well as monitoring to evaluate consistency with the system requirements. The segment maintain activities in line with the ISO 14001 and ISO 9001 system requirements and have conducted routine inspections, audits as well as educational sessions for employees on their roles in maintaining and continually improving these systems year on year.

The sector continues to educate the next generation of maritime and logistics professionals and provides internship and educational opportunities within the sector for graduates in maritime education.

A socially responsible company;

Compliant

- *Zero significant fines/ non-monetary sanctions for non-compliance with laws and regulations*
- *Zero incidents of non-compliance with regulations/ voluntary codes on marketing communications*
- *Zero substantiated complaints on breaches of customer privacy*

Committed to sustainable operations

- *Committed to maintain systems to identify and control aspects causing adverse environmental impacts*
- *Investment in solar energy is contributing to 43,060 kWh of energy per annum sourced from clean energy sources reducing 40 tonsCO2e of GHG emissions*
- *ISO 14001:2004 certified cargo freight forwarding operation*
- *ISO 9001:2008 certified cargo freight forwarding operation and maritime & shipping operation*
- *Educating the future generation of maritime industry experts*

	2014/2015	2015/2016
Energy consumption and GHG emissions monitored		
Direct Energy Consumption	71,722 GJ Diesel – 99% Petrol – 1% Furnace oil – Not used LPG – Not used Biomass/ fuel wood – Not used	48,994 GJ Diesel – 99% Petrol – 1% Furnace oil – Not used LPG – Not used Biomass/ fuel wood – Not used
Indirect Energy Consumption	6,683 GJ	5,957 GJ
Reductions achieved in energy consumption	No reductions achieved	23.454 GJ
Total energy produced from renewable sources (GJ)	Not quantified	155 GJ
Total water withdrawal	18,893 m^3	63,559 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water treated/ recycled by the organisation	None	Not quantified
Gross direct (Scope 1) GHG emissions	5,207 tonnesCO_{2e}	3,555 tonnesCO_{2e}
Energy indirect (Scope 2)GHG emissions	1,374 tonnesCO_{2e}	1,224 tonnesCO_{2e}
Amount of GHG emissions reduced and/ or offset	11 tonnesCO_{2e}	1,833 tonnesCO_{2e}
Waste Resource Management		
Shredded waste paper, wood wool, polythene reused as packing material	100 kg	11.5 kg
Cardboard packing material/ corrugated boxes reused	217 cartons	89 cartons
Tires reused and/ or sold for reuse	20 nos.	490 nos
Lead acid batteries handed over for reuse exchanged with vendors for new units	14 nos.	65 nos.
Total investment on sustainability processes and action plans	Rs.9.5 million	Rs. 50,000

Read more about the activities carried out by the Maritime & Logistics sector in our previous reports
http://aitkenspence.com/about-us/

Strategic Investments sector

Aitken Spence has always been agile to embrace opportunities presented in growth sectors of the economy. The Group ensures that such businesses are aligned with its core values and are positioned to create long term value.

- Power Generation
- Printing & Packaging
- Apparel Manufacture
- Plantations

Rs.5.3Bn
Revenue for the year

Rs.(510)Mn
Loss for the year

Rs.21.0Bn
Total assets

Rs.189Mn
Total contribution to the Governments
(by direct and indirect taxes)

Rs.58.4Mn
Total funds channelled for community development

19,100tonnes
CO2e of GHG emissions reduced and /or offset

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Natural capital
- Natural resources
- Bio diversity and natural eco systems

Manufactured capital
- Manufacturing facilities
- Enabling technology
- Specialised equipment and machinery
- Developed land

Intellectual capital
- Brands
- Proprietary knowledge
- Licenses
- Internationally benchmarked systems and procedures

Human capital
- Specialised knowledge and skills
- Training and development
- Innovative management procedures
- Experienced staff

Social and relationship capital
- Strategic partnerships
- Community engagement
- Shared values
- Corporate culture

Business Process

Corporate Vision

Brand Values

Strategy

Core Strengths

Power Generation

Key Stakeholders
- Ceylon Petroleum Corporation
- Logistics service providers
- Government of Sri Lanka
- Central Environment Authority
- Public Utilities Commission of Sri Lanka
- Machinery spare part suppliers
- Employees
- Shareholders

Cost Structure
- Engine overhauls
- Fuel
- Lubricant oil
- Spare parts
- Staff costs
- Finance cost
- Royalty payments

Revenue Streams
- Minimum guarantee payments as per terms of Power Purchase Agreement
- Revenue as per energy generation

Key Activities
- Generation of power – Thermal, Wind and Hydro

Key Resources
- Fuel
- Wind
- Water

Value Propositions
- Efficient and effective management of the power plants in order to generate reliable and consistent power, as required by the Ceylon Electricity Board

Customer Segments
- Ceylon Electricity Board

Channels
- Power Purchase Agreements

Customer Relationship
- Contractual agreements

Plantations

Key Stakeholders
- Commodity brokers
- Suppliers
- Regulatory bodies
- Chamber of Commerce
- Employees
- Shareholders
- Community
- Partners

Key Activities
- Managing plantations of Tea, Rubber, Oil Palm, Coconut and Cinnamon
- Manufacturing of Tea, Rubber, Palm Oil and Specialty Tea
- Sustainable forestry management
- Hydropower generation
- Eco Tourism

Revenue Streams
- Tea
- Rubber
- Palm Oil
- Commercial Forestry
- Hydro Power
- Other crops (Cinnamon/Coconut)

Cost Structure
- Labour (Wages and Salaries)
- Material cost
- Energy cost
- Finance cost
- Cost of services
- General overhead cost

Key Resources
- Employees
- Fertile land

Value Propositions
- Mass marketing
- Niche marketing
- Diversified businesses

Customer Segments
- Exporters
- Retail market
- Overseas market

Channels
- Direct exports
- Auctions
- Web marketing
- Personal marketing
- Partnerships

Customer Relationship
- Periodical visits to customers
- Direct communication
- Customer reviews/ feedback

Stakeholder Engagement

Risk Management

Governance

Output

Financial capital
- Internally generated cash flows
- Debt servicing
- Revenue generation

Natural capital
- Bio diversity and natural eco systems conservation
- Sustainable resource consumption
- Environmental education and advocacy
- Internationally benchmarked practices

Manufactured capital
- Access to state of the art quality products
- Efficient resource usage
- Product responsibility
- Rainforest Alliance certified tea estates

Intellectual capital
- Meeting quality specifications beyond basic compliance requirements
- Effective systems and processes.

Human capital
- Engaged workforce
- Enriched knowledge base
- Brand ambassadors
- Safe work place
- Improved productivity and efficiency

Social and relationship capital
- Enriching and improving local livelihoods and assisting the development of the local economy
- Conducive corporate culture that ensures smooth integration and drives performance

Outcome

Financial capital
- Financial stability
- Share holder returns

Natural capital
- Environmental sustainability

Manufactured capital
- Innovative and diverse offerings to clients
- Product differentiation

Intellectual capital
- Delivering brand promise

Human capital
- Personal and professional growth
- Ethically manufactured products
- Indirect support to employee dependants

Social and relationship capital
- Sustainable wealth creation

Operating Environment

- 1955 Started 'Aitken Spence Printing division' which provides printing and packaging services to the local market.
- 1977 Established 'Aitken Spence Garments' even before the birth of an open economy; with the aim of manufacturing and exporting garments to apparel importers in the USA and 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' which owns 15 tea and 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 and operate a 100 MW power plant in Embilipitiya.
- 2008 Elpitiya Plantations' installed and commissioned a mini hydropower plant at its Sheen estate in Nuwara Eliya.
- 2012 Aitken Spence Printing relocates to a state-of-the-art printing facility which is the first LEED certified printing facility in Sri Lanka.
- 2013 The Group commissions the first wind power project at Ambewela and the Hydro power project in Matale.
- 2014 Commenced operations of a state-of-the-art manufacturing facility at Koggala at an investment of approximately US$ 3 million.

Aitken Spence has always been agile to embrace opportunities presented in specific growth sectors of the economy, an astute strategy that has served well. The Group's current strategic interests lie in plantations, power generation, apparel manufacture and printing and packaging. The Group ensures that such businesses are aligned with the Aitken Spence core values and are well positioned to create long term value for stakeholders. This has encouraged the Group to constantly seek new strategic investments with future potential and also to prudently evaluate the viability of current investments with a view to divest when necessary.

New opportunities were hard to come by as the economy was faced with severe challenges and the existing businesses had to perform with many constraints and burdens. The power generation segment was adversely affected as the power purchase agreement (PPA) for the Embilipitiya power plant which ended in April 2015 was not renewed by the Ceylon Electricity Board and the plant remained non-operational during the reporting period. Albeit both wind power and hydro power investments were profitable, the power generation segment recorded a negative performance for the year due to the costs relating to the Embilipitiya power plant. The Group's investments in the manufacturing segment are in printing and packaging and apparel manufacture. The former showed a significant growth in profit before tax but the latter was affected by the global economic slowdown which transformed in to a decline in profits. Aitken Spence has ventured in to owning and managing plantations in order to have a sustainable diversified business portfolio. The plantations segment comprising of both traditional and non-traditional economic crops went through its fair share of hardship during the year. Overall the 2015/2016 financial year proved to be a difficult one with the Strategic Investments sector recording a loss of Rs. 510.1 million.

Power Generation

The power generation segment, one of the largest independent power producers in the country which significantly contributed to the profitability of the Group in the past, had a dismal year following the expiration of the power purchase agreement for its 100MW thermal power plant in Embilipitiya in April 2015. This was the last of the segment's three thermal power purchase agreements to expire.

The Ceylon Electricity Board (CEB) has been expanding its own thermal power generation capacity and therefore has not encouraged private sector participation in this area in the recent past. In a post-script to the year under review however, the beginning of the 2016/2017 financial year saw the temporary renewal of the PPA of the Embilipitiya power plant following inconsistent weather patterns, breakdowns of the CEB's own coal power plant and its ageing transmission stations, which led to a power crisis in March and April 2016. The Embilipitiya plant has been designed to offer stability to the electricity supply in the southern area of the national power grid and as such, is of utmost importance to maintain an uninterrupted power supply to the country.

The segment is also keen to promote waste-to-energy conversion which is of immense value to protect the environment whilst providing a solution to the waste disposal problem affecting the Western Province. The conversion of waste to energy must take place in an environmentally and socially safe manner, which requires a high level of investment and technical know-how as well as an adequate extent of land.

The power generation segment also operates hydro and wind power plants which contribute to the national grid. The 2.5 MW hydro power plant and the 3 MW wind power plant which are currently in operation do not contribute substantially to the performance of the segment due to their smaller scale. On a positive note, with restructuring of the borrowings of the two companies both plants recorded a higher profit before tax with the hydro plant improving on efficiencies exceptionally well. In the short term, the segment will continue to improve the operational efficiencies of the existing renewable power projects, while over the medium term, the segment is pursuing plans to add further to its renewable energy capacity.

The segment is also keen to promote waste-to-energy conversion which is of immense value to protect the environment whilst providing a solution to the waste disposal problem affecting the Western Province. The conversion of waste to energy must take place in an environmentally and socially safe manner, which requires a high level of investment and technical know-how as well as an adequate extent of land. While the power generation segment has been pursuing business opportunities in this field for several years, none have come to fruition mainly due to a lack of awareness among key stakeholders including the governmental authorities about the dynamics of such business models.

The state is focusing on expanding its own assets in both thermal and renewable power generation and on the cards are two 500 MW coal power plants, one in Sampur as a joint venture with an Indian party, and the other in Trincomalee with Japanese funds. A 100 MW wind plant has also been mooted in Mannar while the CEB's long term strategy includes developing a wind park in the Mannar region where the estimated wind potential is around 375 MW. Construction of the proposed coal power plants has been delayed and an electricity crisis has been forecast for 2018 due to the demand growth far exceeding the growth in generation capacity. It is imperative that the relevant authorities take appropriate action to avoid such a situation which would have negative consequences on the economy of the country.

In this scenario, the overall outlook for private sector participation in thermal power generation is very bleak as no private party is permitted to apply for a license to generate above 25 MW. Although under the Sri Lanka Electricity Act the private sector may participate in renewable power projects of less than 10 MW, the CEB does not process new applications for solar and wind power plants due to its grid capacity limitations. It must also be noted with concern that the practice of issuing licenses to "first come first served" applicants creates a secondary market for licenses for actual investors with no economic benefits to the CEB. The segment has consistently maintained that it would be in the CEB's best interest to adopt a transparent competitive tender process when awarding licenses to potential investors for renewable energy projects. The segment is pleased to note that CEB has offered two 10 MW wind projects in Jaffna on a competitive tender basis. It is expected that CEB would continue to offer such projects on transparent competitive tenders to potential developers.

Aitken Spence has proven its credentials as an efficient operator of renewable and non-renewable energy projects with the know-how and expertise to implement and manage viable power businesses. Given the inherent strengths within, and in the absence of opportunities locally, the segment is pursuing overseas opportunities for thermal power generation, and is examining the feasibility of several proposals.

Apparel Manufacture

Apparel manufacture segment manufactures apparel for export, and has specialised in a niche segment of children's apparels. The segment while exporting primarily to the US market ships apparel to China, UK and Hong Kong. Its main clients include major clothing companies such as GAP Inc., Next PLC., Fruit of the Loom Inc., and Dimensions Corporate Wear PLC.

The new environmentally friendly production facility in Koggala, completed in 2015 at an investment of US$ 3 million, has enabled the expansion of production capacity by 20% and permits the segment to attract new high end customers. However this year, the segment was unable to fully utilise the additional capacity due to the continuing downturn in the European and the US markets. Fulfilling production capacity by attracting new, profitable customers is a priority for the coming year. The segment's competitive advantage lies in its proven product quality assurance and compliance, and its reputation for on-time delivery, prompt response and order fulfillment. Revenue of the segment grew by 12.9% during the financial year, with production volumes rising by 7.9% year on year. This was a creditable performance in the context of the export value of the Sri Lankan textile and apparel industry declining by 2.2% in 2015 compared to the previous year, mainly due to European economic woes. Although the segment showed a revenue growth, profits declined due to lower margins as a result of the substantial increase in the cost of production and development costs of new products.

The increase in the cost of production has fortunately been negated to some extent by the devaluation of the Sri Lankan rupee against the US dollar. The segment will focus on making process improvements to enhance productivity and efficiency to manage the cost of production of the business. Further investments in machinery are also earmarked with a view to increasing production efficiency and improvement. Rising interest rates, and the significant state-encouraged wage and utility increases may negatively affect the growth of the segment in the ensuing year.

Aitken Spence Apparels continues to be recognised by customers as a stable supplier reputed for on-time delivery, quality and compliance. The segment serves a niche market and is therefore fairly insulated from local competition and major competitors which include vendors from Bangladesh, India, Cambodia and Vietnam. The company has successfully obtained Vendor Compliance Certifications, Worldwide Responsible Accredited Production Certification, ISO and Compliance+ certification.

Economic strains in the US and Europe as well as rising competition from other Asian markets have led to price pressure from customers – a major challenge that must be managed effectively. While continuing to focus on its woven product range, the segment seeks high end

brands that would be attracted to its track record of on-time delivery and order-fulfillment.

Demand for apparel made in Sri Lanka is expected to remain strong with the industry turnover billed to reach of US$ 20 Billion by 2020. The strong emphasis on compliance and ethical manufacturing will continue to attract clients who are increasingly seeking social and ethically conscious platforms. It is also hoped the reintroduction of GSP+ duty free benefits in the near future, will materialise and would enable the industry to attract new clientele.

Printing and Packaging

Aitken Spence Printing and Packaging is one of the country's leading printers, with a portfolio of products that includes packaging, books and magazine publications, tags and labels, and seasonal products, using both offset and digital printing technologies. The segment maintained its stalwart performance highlighting the sustainable development over the past few years. Segmental revenue grew by 5.9% with a healthy increase in profit before tax as well.

The local printing industry, estimated to be over Rs 50 billion per annum in value, has seen capacity explode over the past few years, leading to heavy price competition especially at the lower end of the market. As one of the country's leading offset printers, Aitken Spence has been able to maintain its leadership by offering state of the art technology, greater value addition, shorter lead-times and elevated service levels, leading to over 70% of business being based on the recurring revenue model. The segment has also acquired a high degree of agility on its product mix which allows it to offer a large variety at low volumes.

The printing and packaging segment acquired new state of the art machinery during the year and established new product lines, including a dedicated one for apparel tags. Operational efficiency remained steady while achieving a high average capacity utilisation during the year and notably reaching full capacity during the third quarter. The segment successfully maintained its order to dispatch cycle of 7 days, through effective manufacturing design, planning and control practices as well as strong shop floor control. The revenue per impression increased marginally despite the number of impressions not increasing significantly year on year. However, the average run length in each machine was

A clear competitive advantage for Aitken Spence lies in its green printing credentials. With growing awareness of sustainable practices, the market has begun demanding rigid compliance and minimal environmental impact from printers. This trend holds Aitken Spence in good stead as it has taken the lead in becoming a sustainable, environmentally friendly printer with globally accepted processes and best practices, and recognised certifications.

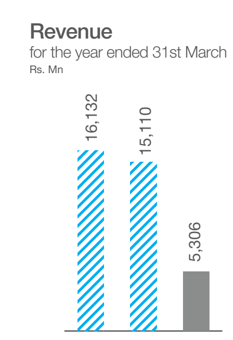
decreased due to order patterns, thereby leading to a greater number of setups which impacted effective utilisation of machines.

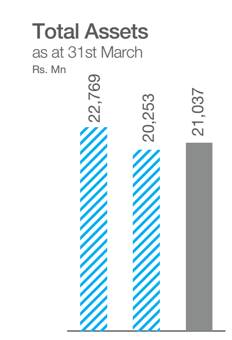
The packaging volumes, mainly for tea, were affected by the downturn in key markets such as Russia and the Middle East in the beginning of the year. However, towards the latter part of the year positive growth and opportunities were witnessed in several markets in Africa and Europe as well as in Japan. While the depreciation of the Sri Lankan rupee increased costs due to rising prices of imported material including paper and inks, the negative impact was mitigated somewhat due to higher export proceeds.

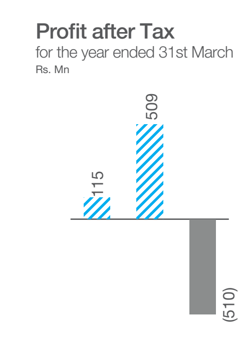
The growing trend in low-volume contracts continued, expanding by 30% during the year. The company's focus on output quality and positive customer engagement also resulted in high levels of customer satisfaction with a notable decrease in complaints. In a highlight for the year, Aitken Spence was the proud winner of National Business Excellence Gold Awards in the printing and related service sector, while the company received two Excellence, two Distinction and three Merit awards at the "Collate 2016" organised by the Sri Lanka Association of Printers. In addition the company was awarded 3 gold, 2 silver and 3 bronze awards at Lanka Star Awards ceremony organised by the Sri Lanka Institute of Packaging; highlighting its dominant position in the industry.

A clear competitive advantage for Aitken Spence lies in its green printing credentials. With growing awareness of sustainable practices, the market has begun demanding rigid compliance and minimal environmental impact from printers. This trend holds Aitken Spence in good stead as it has taken the lead in becoming a sustainable, environmentally friendly printer with globally accepted processes and best practices, and recognised certifications. Aitken Spence will continue to invest further in its green offering cascading environmentally friendly practices across the integrated supply chain in order to deliver true carbon neutral, zero-impact products. Aitken Spence now enjoys fully accredited 'Carbon Neutral Green Printer' status by becoming a carbon neutral operator and is ISO 14001, 9001 and 18001 certified. During the year, the company introduced a new CO_2 free six-colour machine (Heidelberg XL 75) which will help further expand its green printing operations. The segment is also currently pursuing FSC (Forest Stewardship Council) Certification as well as BRC-IOP certification in line with the existing IMS framework.

As always, innovation will be a thrust of the Aitken Spence offering - the partnership approach taken to innovation, by working







Strategic Investments sector

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Natural capital
- Natural resources

Manufactured capital
- Manufacturing facilities
- Enabling technology
- specialised equipment and machinery

Intellectual capital
- Brands
- Proprietary knowledge
- Licenses
- Internationally benchmarked systems and procedures

Human capital
- Specialised knowledge and skills
- Training and development
- Innovative management procedures
- Experienced staff

Social and relationship capital
- Strategic partnerships
- Community engagement
- Shared values
- Corporate culture

Business Process

Corporate Vision

Brand Values

Strategy

Core Strengths

Printing & Packaging

Key Stakeholders
- Suppliers of material
- Service providers
- Advertising agencies
- Waste buyers (Geo cycle)
- Employees
- Shareholders
- Regulatory authorities

Value Propositions
- High quality & reliability
- Short lead time
- Innovative and value added printing solutions
- Creative value added high end product
- Carbon neutral supplier
- Personalised products
- Sustainable initiatives

Revenue Streams
- Basic packaging
- Value added packaging
- Periodic publications
- Financial reports
- Coffee table books
- Labels and apparel packaging

Cost Structure
- Material cost
- Staff cost
- Plant and machinery cost
- Energy cost
- Finance Cost
- Service related cost

Key Resources
- Employees
- State-of-the-art machinery
- Brand
- Customer specific materials
- LEED Gold certified printing facility

Key Activities
- Offset printing
- Digital printing

Customer Segments
- Tea exporters
- FMCG market
- Creative agencies
- Beverage packaging markets
- Apparel packaging markets
- Overseas print buyers

Channels
- Direct Marketing
- Social networks
- Web marketing
- Creative agencies
- Collaborations

Customer Relationship
- Personalised services
- Confidentiality
- JIT delivery
- Brand reliability

Apparel Manufacture

Key Stakeholders
- Suppliers & service providers
- Government of Sri Lanka and government institutions
- Logistics service providers
- Employees
- Shareholders

Cost Structure
- Raw material cost
- Embellishment cost
- Staff cost
- Transportation cost
- Finance cost
- Utility cost

Key Resources
- Employees
- State of the art machinery
- Raw material
- Embellishment and other service providers

Value Propositions
- ISO WRAP certified garment manufacturing operations
- On time reject free delivery of high quality garments

Key Activities
- Manufacturing garments
- Ensuring legal and infrastructure compliance

Revenue Streams
- Manufacturing and export of garments

Customer Segments
- Middle and high end customers through different brands
- Different products for different demographic segments

Channels
- Direct relationship with buyers
- Buying offices
- Teleconferencing

Customer Relationship
- Frequent communication with key clients through periodic meetings, visits and teleconferences.

Stakeholder Engagement

Risk Management

Governance

Output

Financial capital
- Internally generated cash flows
- Debt servicing
- Revenue generation

Natural capital
- Bio diversity and natural eco systems conservation
- Sustainable resource consumption
- Environmental education and advocacy
- Internationally benchmarked practices

Manufactured capital
- Access to state of the art quality products
- Efficient resource usage
- Product responsibility
- LEED certified printing facility

Intellectual capital
- Meeting quality specifications beyond basic compliance requirements
- Projects delivered on time
- Effective systems and processes.

Human capital
- Engaged workforce
- Enriched knowledge base
- Brand ambassadors
- Safe work place
- Improved productivity and efficiency

Social and relationship capital
- Enriching and improving local livelihoods and assisting the development of the local economy
- Conducive corporate culture that ensures smooth integration and drives performance

Outcome

Financial capital
- Financial stability
- Share holder returns

Natural capital
- Environmental sustainability

Manufactured capital
- Innovative and diverse offerings to clients
- Product differentiation

Intellectual capital
- Delivering brand promise

Human capital
- Personal and professional growth
- Ethically manufactured products
- Indirect support to employee dependants

Social and relationship capital
- Sustainable wealth creation

Operating Environment

closely with both suppliers and customers to add value by developing new products. An approach which has enabled Aitken Spence to become recognised for its creativity and craft. In December 2015, the segment established a new product development centre which will be upgraded and expanded to a training hub in the ensuing year.

Going forward, the overall strategy of the segment will focus on both market development and product development thereby expanding its presence on two frontiers. By offering 'product diversity in the same technology' Aitken Spence will further enhance its leadership in high end periodicals, coffee table books, magazines and apparel tags segments. As per the current five year plan, manufacturing strategy will be focused on improving operational efficiency, effective utilisation, and cost optimisation throughout the production process from estimation to delivery. The segment will continue to focus on the adoption of Lean-Six Sigma tools to drive productivity improvements.

Further investment is earmarked to increase the publication and bindery capacities while the company may undertake space expansion to improve material flow. Special equipment will also be commissioned to improve throughput rates and reduce queuing time. While embracing newer technologies available in the offset and digital printing businesses, Aitken Spence will also look for the right opportunities to offer other printing methods.

The present forays into the overseas market show the vast potential available and Aitken Spence will seek global engagement and partnerships in order to expand its export revenues while managing its exposure in the local market.

Plantations

Tea and rubber industries in the island experienced a challenging year in 2015/2016, being affected by low prices on one hand and inconsistent weather patterns on the other. Although the effects on global warming continue to hinder production volumes, this has not had a consequent effect on prices, which have remained in the doldrums. Spiralling costs of production and the resultant cash flow pressures have compounded the difficult conditions under which plantation companies operate. On the macro-economic front, major markets for tea such as the Middle East, Russia and Europe and for rubber such as China and India have also been suffering economic complexities. This combination of unfavourable factors has resulted in one of the worst years yet for the traditional crops.

Aitken Spence has been fortunate to have had the foresight to envision the risk of the commodities trap, by diversifying its portfolio of businesses in order to mitigate the risks. That strategy has stood the company in good stead this year, when key contributions from palm oil, hydropower and commercial forestry have ensured that the business remains profitable, albeit at lower levels. Overall as a segment, plantations witnessed a decline of approximately 40% in profit before tax. However given the challenges posed the segment has fared better than most counterparts in the industry.

High grown teas recorded greater losses in 2015/2016 while the mid-grown varieties remained profitable, although at lower levels, due to high productivity. During the year, the drying facility at New Peacock estate was upgraded while at Nayapana Estate, the sorting of teas was upgraded by installing a new colour separator, both with a view to improving the quality of the end product. All factories were also provided with standby power generators to ensure a continuous power supply. On rubber properties, improvements were made to machinery to increase quality and productivity.

The oil palm base is being continuously expanded and the company is at present in the process of introducing a new long stalk variety of Malaysian origin, which makes harvesting easier thereby increasing productivity. Mechanisation has been embraced across the oil palm plantations to mitigate labour constraints and further investments in machinery are planned to increase labour productivity. Cultivation of oil palm will be extended in the low country region, while factory development is being earmarked in stages to enhance processing capacity.

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The current inventory of mini hydro power plants is being expanded with two new projects adding 1.5 MW leading to a total generation capacity of 3.5 MW. Meanwhile the joint venture to produce specialty teas for the Chinese market continued to post strong results.

The company is pursuing the further diversification of its base of agriculture, and has already begun large scale passion fruit and king coconut cultivation for export. Sri Lanka has embarked on a national food production drive under presidential aegis, and in line with this the segment commenced a pilot project for fruit cultivation on 35 acres of prime land in Dambulla. This will be a key thrust for the future and the company is seeking state support to invest in large scale fruit farming for local consumption and export. Medicinal herbs are also being cultivated to supply to a leading local manufacturer of herbal products while the pepper, cinnamon and coffee acreage will also be gradually expanded.

During the year, the company embarked on further diversification with plans to build boutique chalets in panoramic locations at the Group's breathtaking tea estates in order to tap into the high value tourism market.

The future strategy for the segment will be focused towards seeking more sustainable and productive businesses which are not subject to the vagaries of the commodities market. This will encompass consolidating the tea and rubber segments, and focusing on value addition and new markets as means of improving profitability. Oil palm will be expanded with productivity driven improvements in both planting and processing.

The segment has a rich land base which is available for utilisation as we pursue our strategy of diversification into non-traditional crops as well as new businesses. Focus will be on expanding commercial forestry, fruit and vegetable agriculture, and the constant innovation of

The plantations segment aspires to be the role model for an economically, socially and environmentally sustainable plantation company. The segment had set an ambitious vision to be the plantation company with the highest profit per hectare and performed exceptionally well in achieving this goal in the last two consecutive financial years.

the product mix in order to drive the segment performance.

Management Approach to Sustainability

Aitken Spence companies adopt an impact based approach to identify sustainability priorities: each company has a specified method to study their activities and identify the economic, social and environmental impact of the operation. The impacts are then ranked according to importance based on the nature and scale of the impact, the frequency of occurrence, risks involved, legal/ regulatory requirements, requirements of voluntary standards and systems endorsed and implemented by each company, best practices maintained and public perception in relevance to activities of the operation. Once the impacts have been identified and ranked according to importance, the corresponding activities that cause the impacts are evaluated to plan programmes that can manage the activities to reduce if not eliminate the adverse impacts.

The most effective method of managing activities to control impacts is to implement management systems. As mandated across the Group, companies in the strategic investments sector have established general practices and procedures to meet the requirements of environmental management systems (EMS) in line with the ISO 14001:2004 system standard. All companies have occupational health and safety procedures in place in line with the Hazard Identification, Risk Assessment and Control (HIRAC) framework.

The plantations segment aspires to be the role model for an economically, socially and environmentally sustainable plantation company. The segment had set an ambitious vision to be the plantation company with the highest profit per hectare and performed exceptionally well in achieving this goal in the last two consecutive financial years. Continuing this performance has been identified as a priority and the team is revising their strategies and benchmarks towards this goal. Diversification, as discussed above, is one of the main activities in the action plan. A challenge for the sector is the declining skilled manpower; and traditional procedures and systems that are still observed have been analysed with the aim of increasing productivity in the most practicable way possible. Key stakeholders of the plantations segment include their employees (who also form their immediate community), buyers, suppliers, regulators and shareholders. The loyal client base is a key strength of the segment and the quality standards expected by buyers guide the segment on the benchmarks to achieve. The nature of the industry make environmental sustainability a priority for this segment: strategies and benchmarks of the segment thus include extensive measures to mitigate if not eliminate adverse environmental impacts. Similarly, the segment has taken efforts to adapt to the possible effects of climate change as changes in critical environmental conditions and weather patterns have a direct effect on crop planning and production in plantations. Issues stemming from water shortage also have adverse impacts on productivity as well as on the welfare of the estate community. Proactive efforts to mitigate and adapt to these changes are priorities in the environmental action plan of the segment.

Employees, suppliers and customers are key stakeholders of the printing & packaging segment and many of the activities initiated by the segment are results of feedback voiced by these stakeholders. Such feedback from clients and other key stakeholders is studied and integrated into the operational strategy. Aitken Spence Printing aspires to be the best green printing facility in Sri Lanka and it is the first carbon neutral, LEED Gold certified printing facility in South Asia. The team hopes to improve their production practices and benchmark performance against global best practices to maintain best in class in green printing. As part of the action plan to achieve that ambitious goal, the segment focused all action on 'putting the house in order' during the last several years.

Accordingly, the operation has established an ISO certified integrated management system for environmental protection (in line with the ISO 14001:2004 system standard), occupational health and safety (in line with the OHSAS 18001:2007 system standard) and quality (in line with the ISO 9001:2008 system standard). The segment's priority, is to ensure the sustainability of their supply chain and ensure an integrated supply chain for the operation. The team aspires to use internationally recognised frameworks to source sustainable material, work with certified suppliers screened on social and environmental governance guidelines and ensure the sustainability of the products to the end consumer. It is a matter of pride for the segment to have already achieved some of the targets in this action plan.

Aitken Spence Apparels maintains management systems above regulatory requirements, exceeding the expectations of their key stakeholders namely the customer, suppliers, regulators and certifying organisations. The apparel segment continues to face a scarcity of skilled manpower and is focusing on improving efficiency and adopting technology where possible to manage the challenge. The segment, which employs a majority of its workforce from within a 20km radius locality of the production facility, also hopes to continue its efforts to develop the skills of employees and enhance the dignity of labour in the industry. Another aspiration of the company is to develop a marketing strategy that will highlight their priorities. The team's focus remains on improving energy efficiency and reducing energy consumption. The apparel factories use skylights and solar panels to reduce dependence on grid electricity and fuel. Sustainability of the operation is a priority for their key stakeholders and efforts of the team will primarily focus on ensuring the systems meet international benchmarks. The EMS of the segment is aligned to the ISO 14001:2004 system standard and the SBU's quality management system was recently ISO 9001:2008 certified. The team hopes to secure the ISO 14001:2015 system certification as a medium term goal and also aspires to certify their occupational health and safety practices and procedures against the OHSAS 18001:2007 system standard.

Aitken Spence Power Generation has always maintained management systems to ensure productivity of the operation. Management systems in line with ISO 14001:2004 (EMS), ISO 9001:2008 (QMS) and OHSAS 18001:2007 (OHS) have been implemented at the Branford mini hydropower plant as well as the wind power plant in Ambewela.

The holding company is a service provider to all companies and as such the internal customer is a key stakeholder. Regulators, investors, employees, service providers and community members are also key stakeholders of the holding company. Feedback, requirements and ideas shared by key stakeholders shape the activities of the company.

Sustainability performance overview

Shortage of skilled labour in the plantation segment is a challenge for the industry in general as employable youth are moving away from agriculture and an ageing population is maintaining the industry. Gradual mechanisation of processes is a practicable option being adopted within the segment to overcome this situation. Another challenge posed by mechanisation is that, the quality of the plucked tea could be compromised by mechanisation. Effects of climate change are likely to affect the plantations segment more prominently than other sectors due to the nature of the operation. Diversifying the operation to new areas is one method being explored by the company to adapt to climate change. To mitigate climate change, the segment focuses on reforestation, forestry management, conservation of biodiversity, converting plots of cultivation to organic fertilizer, composting biodegradable waste, and renewable energy generation. The Rainforest Alliance (RA) certification secured by the segment for the upcountry cluster of estates has established specific procedures to manage the cultivation process such that the adverse social and environmental impacts are minimised and positive impacts are enhanced. The RA certification specifies recommended action on 10 key areas: including economic standards and impacts, social standards and impacts and environmental standards and impacts: and over 100 action points under those key areas. All employees working with chemicals have been educated on the correct method of handling chemicals and the correct quantities to use. Spraying equipment, chemicals, protective gear supplied to the employees have proper storage locations allocated and demarcated to prevent contamination and separate washing bays have been set at each estate to let the employees clean the chemical residue after use. All water from washing bays is separately collected and treated. One of the main difficulties faced by the plantations team in establishing good practices in line with the RA certification is the language barrier: the estate workers speak a different language and education on the RA requirements had to be disseminated to all estate workers including children so that the estate environment will be protected by all stakeholders alike. Having achieved that target almost 100% is a testament to the commitment of the team to ensure sustainability of the operation. The certification is evidence to the company's efforts to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumable behaviour. Similar to the upcountry cluster of estates that has established procedures and practices to meet benchmarks set by the RA certification, in the low country cluster of estates, the Forestry Stewardship Council (FSC) certification process plays a key role in setting sustainability priorities and required action. Where there may be conflicting requirements between two standards, the team has advised employees to comply with the higher requirement. The team engages with the CEO/ Director and/ or Managing Director of the company routinely to discuss management practices and strategies and many key decisions on sustainability are discussed at this level.

Retention of talent is a key challenge faced by the apparel segment as well. Available human resource is limited. The team's efforts have focused on disseminating education and skills to employees. Productivity improvement methodologies such as the 7S principle (Sort, Set, Shine, Standardise, Sustain, Shed, and Shape) practiced at the workplace have been cascaded to the households of employees with education on how to achieve those frameworks at home. Employees who have excelled at embracing these practices at home have been rewarded by the company. Aitken Spence Apparels has been commended by Aitken Spence PLC at the Group's 7S Competition for this effort. The team also focuses on building awareness to empower the employees, especially the female employees who face many social challenges in their community. Counselling support has been facilitated for employees to discuss problems they may face and many efforts have been implemented by the company to assist employees to continue work, and hence maintain their financial independence, while managing personal restrictions. The apparels team is hoping to work with Group sustainability division and plan programmes to collaborate with community leaders and educate employees on social progression. Another challenge for the segment is the water shortage faced by the factory at certain times. Many efforts have been taken to reduce water consumption and to educate employees on efficient use of water which have resulted in reduced need for water during such times. The team hopes to establish rainwater harvesting and water treatment mechanisms so that freshwater can be used for necessities and treated/ grey water can be used for other requirements to further assist water conservation efforts at the production facility. Energy conservation efforts at the factory are maintained by the employees and senior management of the company plays a key role in decisions made to ensure sustainability of the operation. For example, skylights that are installed at the factory resulted from discussion with senior management to increase the sustainability of the operation. The team secured the ISO 9001:2008 certification and the platinum certificate of compliance from the Worldwide Responsible Accredited Production (WRAP) as a result of management support to mainstream sustainability as an operational priority. The team also obtained the Compliance+ certification from the Employers Federation of Ceylon for meeting and surpassing established standards through management practices maintained at the Mathugama and Koggala production facilities.

The team's efforts have focused on disseminating education and skills to employees. Productivity improvement methodologies such as the 7S principle (Sort, Set, Shine, Standardise, Sustain, Shed, and Shape) practiced at the workplace have been cascaded to the households of employees with education on how to achieve those frameworks at home. Employees who have excelled at embracing these practices at home have been rewarded by the company.

A challenge for Aitken Spence Printing & Packaging is the lack of feasible options to source renewable energy due to the significant investment involved. The team is studying options to install solar panels at the factory. The team has achieved significant energy saving from specifically designed skylights that let in natural light without compromising the print quality by blocking UV rays. Rainwater is harvested at the printing facility in Mawaramandiya and waste water is collected and treated. The printing facility handed over 4.33tonnes of sludge from the effluent treatment plant to a certified service provider. Energy management efforts of the team included inspection of the air conditioning system resulting from monitoring consumption patterns: this effort identified a fault in the system that was immediately corrected saving an excess consumption of 2kg per month of refrigerants and will eliminate 42 tonnes CO_{2e} of scope 1 fugitive emissions in the facility due to the competency of the monitoring practices of the team. A short term goal of the company is to source more material that is FSC/ PEFC certified, especially as the demand for sustainable printing and packaging material is growing with increasing awareness. The challenge is in sourcing cost effective material from reliable suppliers to match requirements of clients. The printing industry has one of the longest product cycles to manage and hence a medium to long term goal of the company is to cascade sustainability leadership in more areas within this product lifecycle. The main objective of the team is to maintain their leadership as sustainability champions in the industry and the ongoing efforts to maintain their management systems certainly contribute towards that objective. Aitken Spence Printing and Packaging has maintained GHG emissions per impression at 17.5gCO_{2e}. The company recently purchased a carbon neutral print machine to reduce carbon emissions in the printing process even further. These efforts are results of routine discussions with the senior management of the company to mainstream sustainability priorities with their operational strategies.

All maintenance activities at the Aitken Spence power plants are carried out by the plant engineers and systems maintained are

Empowering Sri Lanka First (ESLF): the Group's collective effort to facilitate social progression and empowerment by providing access to soft skills development, English language and computer skills education to children from low income families. The programme has educated 160 students and also facilitated training and education on new teaching techniques to 11 English teachers through the British Council and 6 computer skills teachers through the Foundation of Goodness.

complemented by the initiatives taken by employees to improve the systems. The team hopes to secure certification for the management systems maintained in the operations as well. The systems in place to manage sustainability priorities and monitor consumption patterns are evident in the efficiency improvements achieved year on year at the power plants. Ongoing monitoring and system improvements have helped achieve 22.5% increase in power generation at the Brandford hydropower plant due to efficiency improvement contributing to national development strategies. Suppliers, regulators and employees are key stakeholders of the company. Employees have been educated on the sustainability strategy of the company and have been allocated specific roles to maintain compliance to required regulations and best practices embraced by the segment.

The holding company provides central services to the Group's sustainability initiatives. For example, a requirement in the Company's procedures on human rights at the workplace is to educate the security personnel who are most often the first point of contact for many stakeholders. During the last financial year, all externally sourced security personnel employed at the corporate head office participated in a refresher educational session on human rights and how it applies to their role in the operation. The Group sustainability division is currently working with the Group security division to develop the next stage of this educational programme to develop guidelines on the expected behaviour in potential situations and to also expand the training to the Group's operations outside Colombo. Electronic waste and used paper are handed over to CEA approved recycling service providers and the holding company plays a central role in screening acceptable suppliers and coordinating the efforts. Empowering Sri Lanka First (ESLF): the Group's collective effort to facilitate social progression and empowerment by providing access to soft skills development: is managed by Aitken Spence Corporate Finance. The programme's pilot project was launched in 2013 to provide English language and computer skills education to children from low income families in 3 of our locations. The computer skills syllabus is for one year and proving the capacity to learn new skills if the opportunity is present, most of the students learnt computer skills in less than a year. The English language syllabus spanned 3 years to allow students to practice what they learn for a longer period of time and gradually inculcate skills to continue learning by themselves. Most of these students had never been exposed to English language before. The pilot project is nearing completion now and many of the students are able to comprehend English and carry on a small conversation with others as well. Aitken Spence Printing & Packaging, Heritance Ahungalla hotel and Heritance Kandalama hotel partnered Aitken Spence PLC in this effort. The programme has educated 160 students and also facilitated training and education on new teaching techniques to 11 English teachers through the British Council and 6 computer skills teachers through the Foundation of Goodness. Inspection and evaluating the programmes of Aitken Spence companies based on the social and environmental governance benchmarks set by the Company is another service provided by the holding company. During the last financial year onsite inspections were carried out across all companies covering approximately 90% of the operation's reporting boundary. One on one discussions were conducted with the companies sustainability teams throughout the year to understand the sustainability priorities of the companies and to provide support where necessary. Companies were also brought together in sector clusters to discuss new ideas and collaborate on sustainability efforts. The Group sustainability division is currently focusing on revising the Group's sustainability strategy to allow companies to take leadership roles in their sectors and align with changing sustainability priorities of the world. The stakeholder engagement study currently being completed by a third party consultant and the online based state of the art sustainability performance management system is contributing towards this effort by streamlining the priorities and efforts of the Group.

A socially responsible company;

Compliant

- *Zero significant fines/ non-monetary sanctions for non-compliance with laws and regulations*
- *Zero incidents of non-compliance with regulations/ voluntary codes on marketing communications*
- *Zero substantiated complaints on breaches of customer privacy*

Committed to sustainable operations

- *Committed to create positive impact in social progression, economic growth and environmental protection*
- *Exemplary in maintaining management systems to mitigate adverse impacts*
- *19,100 tonnes CO2e GHG emissions reduced and/ or offset*
- *Biodiversity surveys conducted across 8,862.71ha*
- *58.4mn funds channelled towards efforts aimed at community development and social progression*
- *22.5% increase in power generation at the Brandford hydropower plant due to efficiency improvement contributing to national development strategies*
- *77.4mn funds utilised towards sustainability processes and action plans*
- *Over 80% of the total workforce in the sector from the local community*

	2014/2015	2015/2016
Energy consumption and GHG emissions monitored		
Direct Energy Consumption	3,724TJ Diesel – 0.2% Petrol – 0.02 Furnace oil – 95% LPG – 0.01% Biomass/ fuel wood – 5.03%	101,878 GJ* Diesel – 3.9% Petrol – 0.8% Furnace oil – 0% LPG – 0.5% Biomass/ fuelwood – 94.7%
Indirect Energy Consumption	87,053 GJ	18,392 GJ
Amount of energy saved	5,456 GJ	95,990 GJ**
Total energy produced from non-renewable sources (GJ)	1,379 TJ	2,972 GJ*
Total energy produced from renewable sources (GJ)	52,806 GJ	143,454 GJ
Total water withdrawal	83,891 m^3	97,621 m^3
Total volume of water recycled and reused by the organisation	1,188 m^3	1,680 m^3
Water sources significantly affected by the withdrawal of water	None	None
Gross direct (Scope 1) GHG emissions	257,145 $tonnesCO_{2e}$	385 $tonnesCO_{2e}$*
Energy indirect (Scope 2) GHG emissions	17,894 $tonnesCO_2$	3,781 $tonnesCO_2$
Amount of GHG emissions reduced and/ or offset	2,372 $tonnesCO_{2e}$	19,100 $tonnesCO_{2e}$

Note:

** Reduction in energy production is due to Embilipitiya power plant not being in operation during the last financial year.*

***Reduction in energy consumption is calculated for the operations excluding power generation segment for the 2014/2015 and 2015/2016 financial years.*

	2014/2015	2015/2016
Waste Resource Management		
Paper and cardboard sold for recycling or handed over to be discarded	2,232 tonnes	1,093 tonnes
Plastic containers/ scrap sold for recycling and/ or disposed according to requirements of the EPL	1,250 items and160 kg	8 items and 6.3 tonnes
Polythene sold/ handed over for recycling and/ or disposed according to requirements of the EPL	2,265tonnes	-
Bulbs handed over for recycling and/ or disposed according to requirements of the EPL	CFL bulbs - 21 units Fluorescent bulbs – 903 units	-
Batteries handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	-	8 units
Foiling reels handed over to be discarded in line with CEA requirements	About 16.5 tonnes	16.7 tonnes
Scrap metal sold for reuse	375 items 215 kg	378 kg
Renewable packaging material used in the factory process	Not quantified	Corrugated boxes reused – 5,681 kg Paper sacks – 95,550 units
Soiled cotton handed over for recycling to a CEA approved vendor and/ or disposed according to requirements of the EPL	42,780 kg	18.02 tonnes
Food waste/ wet waste handed over for recycling, composted and/ or handed over to be disposed according to municipal standards	42,408 kg	12,116 kg
HFO sludge disposed in line with CEA requirements	597,300 litres	Plant not operational during the year
Effluent treatment plant (ETP) sludge disposed in line with CEA requirements	Not quantified in the last year	4.33 tonnes
Used lubricant oil disposed in line with CEA requirements	9,900 litres	714 litres
Total investment on sustainability processes and action plans	Rs. 100 mn	Rs. 77.3 mn

Read more about the activities carried out by the Services sector in our previous reports
http://aitkenspence.com/about-us/

Services sector

The services sector of Aitken Spence represents the Group's interests in financial services, insurance, elevators, information technology, nano-coating products, property management and development businesses.

- Inward Money Transfer
- Elevator Agency
- Insurance
- Property
- Technology

Rs. 1.1 Bn
Revenue for the year

Rs. 124 Mn
Profit for the year

Rs. 2.9 Bn
Total assets

Rs. 161 Mn
Total contribution to the Governments
(by direct and indirect taxes)

265 tonnes
CO_{2e} of GHG emissions reduced and/or offset

11.7 tonnes
of paper recycled or sold for reuse/recycling

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Natural capital
- Land
- Water resources
- Biodiversity

Manufactured capital
- Office complex
- Enabling technology
- Specialised equipment and machinery

Intellectual capital
- Globally renowned Brands
- Proprietary knowledge
- Licenses

Human capital
- Specialised knowledge and skills
- Training and development
- Experienced staff

Social and relationship capital
- Strategic partnerships
- Community engagement
- Shared values
- Corporate culture

Business Process

Corporate Vision

Brand Values

Strategy

Core Strengths

Business Model

Key Stakeholders
- Principals
- Joint Venture Partners
- Agents
- Employees
- Shareholders

Key Activities
- Provision and facilitation of services on behalf of the principals
- Ownership and management of real estate

Customer Segments
- Manufacturers
- Exporters
- Importers
- Construction industry
- Institutions
- Individuals / retail customers

Revenue Streams
- Agency income
- Commission
- Rent income
- Fees
- Installation service income

Cost Structure
- Finance cost
- Technology cost
- Staff cost
- Cost of tools & equipment
- Cost of infrastructure

Channels
- Financial institutions
- Direct marketing
- Business to business
- Business to customer
- Promotional campaigns

Key Resources
- In-house expertise
- Technology
- Local coverage
- Infrastructure
- Globally renowned brands

Value Propositions
- Reliability
- Convenience
- Efficiency enhancement
- Unique experience
- On-time delivery

Customer Relationship
- Personalised service
- Service excellence
- Direct communication

Stakeholder Engagement

Risk Management

Governance

Output

Financial capital
- Internally generated cash flows
- Debt servicing
- Revenue generation

Natural capital
- Sustainable resource consumption
- Conservation of natural eco systems

Manufactured capital
- Inward remittances
- Access to state of the art products and services
- Effective and efficient services
- Efficient resource usage

Intellectual capital
- Meeting quality specifications
- Projects delivered on time
- Effective systems and processes

Human capital
- Engaged workforce
- Enriched knowledge base
- Brand ambassadors
- Safe workplace

Social and relationship capital
- Effective stakeholder engagement that deliver mutual benefits
- Improvement of local economy and life style
- Conducive corporate culture that ensures smooth integration and drives performance

Outcome

Financial capital
- Financial stability
- Shareholder returns

Natural capital
- Environmental sustainability

Manufactured capital
- Innovative offerings to clients

Intellectual capital
- Delivery of brand promise

Human capital
- Personal and professional growth

Social and relationship capital
- Sustainable wealth creation

Operating Environment

- 1876 The Group was appointed as agents for Lloyds of London: position which the company holds to this date by providing survey and claim settling agents for reputed insurance companies.
- 1989 Aitken Spence acquires a majority stake in Elevators (Pvt) Ltd, which provides marketing, installing and maintaining services of OTIS lifts, escalators and other equipment.
- 1995 Construction and operation of "Aitken Spence Tower" at Vauxhall Street.
- 2006 Entering into the financial services market by becoming a principal agent for Western Union Money Transfer Services in Sri Lanka.
- 2008 Aitken Spence Corporate office is relocated to 'Aitken Spence Tower II', with the completion of the construction of a modern office complex.
- 2013 The Group enter into a joint venture with US partners to build and operate luxury villas in a gated community in Negombo branded as " Heritage Grove".
- 2014 Invested as a joint venture partner in Ecocorp Asia (Pvt) Ltd., a provider of nanotechnology based surface-protection coating manufactured under license in Germany.

MMBL will continue to enhance its competitive value proposition of being the largest Western Union network in Sri Lanka with a team dedicated to Western Union services, operating in strict compliance with local and global regulatory frameworks. During the year, MMBL obtained approval from the Central Bank of Sri Lanka for its Direct to Bank product, which is due to be launched in 2016/2017.

The services sector of Aitken Spence represents the Group's interests in financial services, insurance, elevators, information technology, nano-coating products, property management and development businesses. The sector enjoys enduring partnerships with world renowned brands including Lloyds of London, OTIS Elevators, Western Union and Oracle.

The financial year 2015/2016 was a testing period for the services sector as a result of the challenges faced by the economy of Sri Lanka. The slow pace of growth achieved by the domestic economy had an impact on the performance of the sector. The insurance, property and elevator segments reported less than optimal performances mainly as a result of the slowing down of the economy whilst the inward money transfer segment was negatively impacted by the decline in the remittances into the country.

Despite these challenges the overall sector performance was commendable. Profits before tax grew by 41.4% year on year as property management and elevator segments recorded growth in terms of profit before tax over the previous year while the information technology segment was able to achieve a turn-around in its business. Both property development and nano coating segments are still in the infancy stage of operations and has the promise of developing into profitable businesses in the years to come.

Inward Money Transfer

The segment has been a principal agent in Sri Lanka for Western Union Money transfer services since 2006 and operates a network of over 2800 locations throughout the country.

The Sri Lankan inward remittance market was valued at approximately US$ 7 billion during the year, with cash to cash money transfers accounting for 10% of that market. Western Union accounts for 6% of the total remittances, of which around 60% is channelled through MMBL Money Transfer (Pvt) Ltd (MMBL).

During the year, the remittance market saw the entry of a number of new players including banks and financial institutions in an environment where the total market size reduced due to the slow global economic growth and low crude oil prices. The geographic distribution of remittances remained similar to the previous year, with the Middle East generating the majority of remittances - 54.8% in 2015, compared with 55.6% in 2014. Any volatility in the Middle Eastern job market, especially the current continued slump in oil prices, can thus impact the inflows to Sri Lanka. Contribution from the European region also reduced to 21.9% from previous years' 22.9%.

Although the overall remittances into Sri Lanka remained stagnant at US$ 7 billion in 2015 compared with 2014, there was a drop of 3% in the latter half of 2015, which was reflected in segment's declining volumes. Adding to the list of challenges the gains on foreign exchange conversions thinned following Western Union's decision to change the methodology used to determine the daily foreign exchange conversion rate. Revenue per transaction was also on a downward trend, on the back of lower volumes from the European corridor as well as a downward revision in fees in a number of key markets to counter competition. As a cumulative result the segment witnessed a drop of 21.3% in profit before tax for the financial year 2015/2016. The company thus undertook several cost reduction measures to manage profitability, including seeking more cost efficient options for sourcing incremental business. Overcoming adverse developments in the operating environment the segment successfully obtained Green Flag status from Western Union International, which is the highest level for compliance and monitoring of anti money laundering initiatives showcasing MMBL's commitment to corporate sustainability and ethical operations.

Western Union is the leading cash to cash player in the country; however, the cash to cash product has reached maturity and the future of the remittance industry is skewed towards direct to bank and mobile money transfers, which are tipped to grow exponentially over the next decade. During the year, MMBL obtained approval from the Central Bank of Sri Lanka for its Direct to Bank product, which is due to be launched in 2016/2017. The company has also entered into a memorandum of understanding with a leading mobile operator, to develop a mobile wallet product.

MMBL will continue to enhance its competitive value proposition of being the largest Western Union network in Sri Lanka with a team dedicated to Western Union services, operating in strict compliance with local and global regulatory frameworks while offering cutting edge, innovative products. Investments in key send corridors such as Canada, Western Europe, the Middle East and others, will also continue to generate volumes while countering intense competition.

Insurance

The insurance segment has the distinction of serving as an associate of Lloyds of London since 1876, representing the insurance giant as survey and claims settlement agents in Sri Lanka and the Maldives. The segment's association with Lloyds together with its reputation for reporting quality, reliability and efficiency has enabled Aitken Spence to become the gold standard in its field in the two markets. Over the years, Aitken Spence has also been appointed agent by several other global insurance leaders. The segment's key clients include shipping lines as well as importers and exporters of air and sea cargo in both Sri Lanka and the Maldives for whom it offers services ranging from marine cargo surveys, claims settlement and adjustment, as well as ancillary services to the insurance industry, broking and risk management.

The insurance segment revenue remained flat during the year with its profit before tax witnessing a marginal drop of 1.3%. The segment has laid greater emphasis on extending its engagement in investigations beyond the core offering of surveys and claims settlement, exploring wider opportunities on the non-marine side of the business.

It must be noted as a positive that the insurance environments of both countries are now becoming more regularised – with the Insurance Board of Sri Lanka guidelines in Sri Lanka and the establishment of the Maldives Monetary Authority, which oversees activities of foreign service providers. Regulation that promotes a level-playing field is important given the mushrooming of small, often informal, operators who function with minimal overheads.

The segment continued its longstanding association with the World Food Programme (WFP) as superintendents for all aid and assistance cargo channelled through the United Nations to the north and east of Sri Lanka. Over the years of its involvement in the WFP air programme, the segment has successfully built a network of outsourced personnel in the northern and eastern regions; this outreach provides a clear value addition to the end product.

Going forward, the segment has invested in strengthening its capacity in recoveries, which is a nascent business that offers vast potential for professional involvement in Sri Lanka. While the segment has engaged in intermittent recoveries work in the past, it now notes the importance of establishing a formal recoveries mechanism in the country in order to standardise risk assessments and help stabilise premiums.

The segment is also hopeful that with the country's improved the relations with the international community, insurance activity will pick up on the back of increased projects, development activities, and aid/investment inflows to the country.

Elevators

The elevators segment represents OTIS, the world's leading manufacturer of people-moving products in Sri Lanka and the Maldives. This partnership built over 25 years, has enabled the segment to retain its position of strength amid intense competition by leveraging on the skills and experience of its workforce and the technical know-how, high quality products and parts and management expertise imparted by OTIS.

The construction industry in Sri Lanka witnessed rapid development in the recent past, including the launch of several new high rise office/hotel buildings, residential apartments, and infrastructure development projects. Many of the top end projects require high speed elevators, machine room less type elevators and escalators. In parallel with the growing opportunities, the market has witnessed a plethora of elevator companies entering the fray with new products, new strategies, and new technology. The market remains price conscious and therefore the segment's strategy has been to focus on the high quality and branded segment, where its core offering of quality, reliability, safety, energy efficiency and green philosophy offer a competitive advantage.

The segment has reported a growing market trend over the past five years with potential in both Sri Lanka and Maldives where several high value contracts have been obtained. This year too, the segment posted a growth in sales while winning bids for several premier projects. During the year, the segment returned a strong performance in the Maldives, where it secured the largest housing project in Malé to date. The segment secured a year on year growth in revenue and was able to convert this positive performance to a growth of 6.3% in profit before tax over the previous financial year.

The segment invested in the improvement of its on-field presence in order to achieve wider market coverage while investing in specialised tools and staff training to handle high-rise elevator installations. The intense competition also necessitated competitive pricing strategies and the offer of attractive features in order to complement the segment's high levels of response time, follow up and interaction with stakeholders.

The future of the elevator industry lies in greater user friendliness delivered through high tech intelligence and advanced technology, resulting in improvements in safety, energy efficiency, riding comfort, low maintenance and efficient service support. OTIS as the global leader, is at the forefront of developing these technologies which will no doubt drive volumes for the OTIS business in Sri Lanka and the Maldives.

Property Development

Heritage Grove by Aiken Spence Residencies, the Group's foray into property development, envisions a gated community of luxury high end villas, with all amenities and conveniences. The venture is positioning itself as a luxury country home project to target a discerning up market clientele and is well on its way towards the mobilisation of its first phase.

Heritage Grove targets high net worth individuals from overseas who wish to make Sri Lanka their second home and Sri Lankans who could afford a holiday residence and/or investment; the villas are an ideal alternative for those who want to avoid the boxed - in living style offered by apartments. Heritage Grove Villas offer home owners all the benefits of a premium gated community, with close proximity to the Negombo beach and its many leisure attractions, while maintaining easy access to the airport and Colombo via the Katunayake expressway. Construction of the first phase of the project which constitutes 48 villas along with the common areas is due to get underway during the second quarter of financial year 2016/2017.

Property Management

The property management segment manages the Aitken Spence Towers at Vauxhall Street, Colombo which houses the Group's headquarters and in addition, has several corporate tenants. The rentable space under the segment's management is 195,784 square feet of which nearly 100% is presently occupied. The Towers have been built with the perfect blend of modern architecture and advanced environmental management systems thus placing them among the preferred office spaces available in the heart of Colombo.

Technologies

Aitken Spence Technologies is an Oracle Gold Level partner and a member of the IBM world Level Program, offering IT services to implement Enterprise Content Management and Enterprise Resource Management systems.

The young company has successfully undertaken and delivered several system implementations and has gained expertise in several industries including the car dealership segment. The segment will continue to establish itself and earn a good reputation for its services in order to enhance its performance levels.

During the year, the segment focused on building its human resources to bolster its capabilities in the Oracle-related service space. The segment, while continuing to focus on the Oracle E-business installation market, will seek to diversify its product range into other ERP solutions and specialised applications software to offer education and implementation to a wider range of clients. The segment is also pursuing opportunities to work with agents overseas, which hold vast potential for growth.

Management Approach to Sustainability

The Services sector maintains the impact based approach to prioritise action for sustainable growth and has set specific priorities for their respective operations.

The companies in the Services sector maintain environmental management systems aligned to ISO 14001: 2004 to manage their environmental priorities. Occupational health and safety (OHS) procedures have been established across the sector according to the nature and scale of each company following the HIRAC (Hazard Identification Risk Assessment and Control) and officers from each company have been trained on general OHS guidelines, first-aid and fire safety.

The companies have trained internal auditors for environmental and quality systems, to assist in their sustainability priorities and cross functional teams from across Aitken Spence collaborate to share expertise in managing sustainability driven programmes.

The sector also has a group of human rights support givers who have received training on the expected action in line with the human rights matrix developed by the Business Leaders Initiative on Human Rights to maintain human rights at the workplace and the action in place at Aitken Spence operations. The role of these support givers is to identify situations, possible incidents and events that can be considered unacceptable in line with this matrix and bring such situations, incidents and events to the human resource partners of their SBUs.

Aitken Spence Property Development (ASPDL) considers energy consumption, water consumption, generation of waste and resource efficiency as priorities for the sustainability of their operation. A state-of-the-art building management system (BMS) is used to monitor and measure performance of Aitken Spence Tower II and to maintain records for these key aspects material to the operation. Activities of the company are influenced by the performance patterns observed as well as the needs and requirements of the company's key stakeholders, namely; regulators, tenants, suppliers and contractors.

The sustainability priorities for Aitken Spence Elevators segment include product and service quality, environmental impact management and occupational health & safety. Key stakeholders of the company are employees, customers, users and suppliers and the action plan identified for the year ahead is significantly shaped by the needs of the customers and industry standards that drive competition in the sector. Benchmarks maintained by the partner also guide the company on required action. The safety engineer of Aitken Spence Elevators segment conducts routine safety education programmes and inspections to assess compliance.

For an overview of the stakeholder engagement process of Aitken Spence PLC, refer to pages 26 to 29 in the 2014/2015 Annual Report.

http://aitkenspence.com/corporate-governance/integrated-reporting-reports/

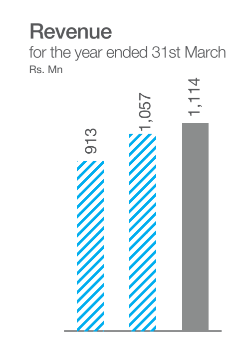
Aitken Spence Insurance also maintains activities in line with the company's environmental management system and occupational health and safety procedures: main areas of focus include reduction in paper consumption, management of electronic waste, and reduction of energy consumption. The company's key stakeholders are customers, regulators and suppliers and the work is influenced by the standards expected by these key stakeholders.

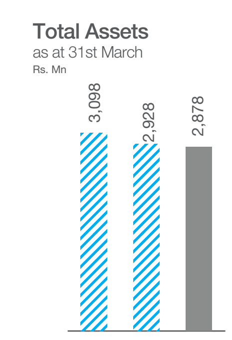
The business model of MMBL Money Transfer Ltd. (MMBL) makes it possible for the company to provide, and facilitate access to remittance services at any location across Sri Lanka. The company has set sustainability priorities to manage resource consumption, quality and occupational health and safety for their operation. The company also plays a key role in empowering the migrant workers who seek remittance services by equipping them with the correct knowledge to management their finances more effectively.

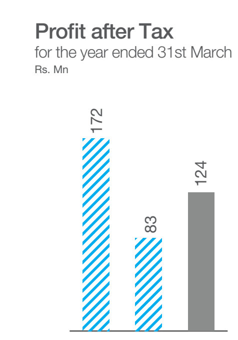
Sustainability Performance Overview

The strengths of the sector stem from the experience of the staff members and the relationships maintained with stakeholders. The brands associated with the companies in the Services sector provide international benchmarks and guidelines for operational sustainability.

Another complexity faced by the Property Management segment in implementing activities towards these priorities is in maintaining consistency with the stand-alone activities of their tenants with the available facilities of the existing systems for the same sustainability







priorities. As such, the company has set a short term goal to collaborate with tenants to implement measures to increase efficiency in energy, water and resource consumption and reduce generation of waste. The company also hopes to work with suppliers to increase the effectiveness of the building management system and to source more sustainable material for the maintenance of Aitken Spence Towers.

While the people moving equipment promoted by Aitken Spence Elevators segment are ISO 14001: 2004 and ISO 9001: 2008 certified, the management systems of the operation (office activities, installation, maintenance) of the company is yet to be certified. The company aspires to certify the operation for exemplary quality management and environmental management. The elevators segment is working to restructure and streamline processes accordingly.

An ongoing goal of MMBL Money Transfer is to maintain activities to reduce resource consumption and generation of waste. Given the nature of the operation, MMBL Money Transfer will also focus on increasing effort to curb electricity and fuel consumption. Sales managers of MMBL Money Transfer are working with the business development officers to plan routes and increase efficiency in their transport patterns to increase efficiency in energy use. The team at MMBL Money Transfer is also working on installing signboards with reflective surfaces instead of signs that require separate lighting to curb energy consumption. Strengthening the relationship with clients is another priority for MMBL Money Transfer and the work-plan for the year ahead will include increased communication with clients as well as education and training for the business development officers on the company's sustainability priorities to provide their best services. The company also hopes to make their service more ubiquitous to increase accessibility as a convenience to their clients. One of the main stakeholders of MMBL Money Transfer is the migrant worker community. MMBL Money Transfer conducts educational sessions at the Sri Lanka Foreign Employment Bureau for migrant workers to educate them on financial management and the importance of using proper channels for remittance in the hopes of empowering them to make their own financial decisions.

A socially responsible company;

Compliant

- *Zero significant fines/ non-monetary sanctions for non-compliance with laws and regulations*
- *Zero incidents of non-compliance with regulations/ voluntary codes on marketing communications*
- *Zero substantiated complaints on breaches of customer privacy*

Committed to sustainable operations

- *Committed to maintain systems to identify and control aspects causing adverse environmental impacts: Efforts to reduce energy consumption saved 1,184GJ of energy and reduced and/ or offset 265 tonnesCO_{2e} GHG emissions*
- *Committed to reduce if not eliminate generation of waste: waste management activities have resulted in 11.7 tonnes paper recycled*

	2014/2015	2015/2016
Energy consumption and GHG emissions monitored		
Direct Energy Consumption	1,312 GJ Diesel – 4% Petrol – 96% Furnace oil – Not used Biomass/ fuel wood – Not used LPG – Not used	1,651 GJ Diesel 24 % Petrol 76 % Furnace oil – Not used Biomass/ fuel wood – Not used LPG – Not used
Indirect Energy Consumption	10,831 GJ	9,477 GJ
Total energy produced from non-renewable energy sources	3,051 GJ	394 GJ
Reductions achieved in energy consumption	173 GJ	1,184 GJ
Total water withdrawal	28,504 m^3	29,054 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water recycled and reused by the organisation	None	None
Quantified Gross direct (Scope 1) GHG emissions	91 tonnesCO_{2e}	116 tonnesCO_{2e}
Energy indirect (Scope 2) GHG emissions	2,226 tonnesCO_2	1,948 tonnesCO_2
Amount of emissions reduced and/ or offset	49 tonnesCO_{2e}	265 tonnesCO_{2e}
Waste Resource Management		
Paper sold for recycling to a certified vendor	11,746 kg	11,701 kg
Cardboard sold for reuse	-	-
Plastic sold for reuse/ recycling	334 cans	310 cans
Bulbs handed over for recycling to a certified vendor	36 CFL bulbs, 105 TFL bulbs	231 CFL bulbs, 123 units of 4ft fluorescent bulbs 155 units of 2ft fluorescent bulbs
Lead acid batteries sold to a certified vendor	394 batteries	-
Food waste handed over to municipal waste collectors	~30kg per day (8,101 kg)	~25 – 30kg per day (7,285 kg)

Read more about the activities carried out by the Services sector in our previous reports
http://aitkenspence.com/about-us/

Investing in the future

Defining our principles

Governance & Risk Management

Find out more about our stringent and comprehensive Governance framework

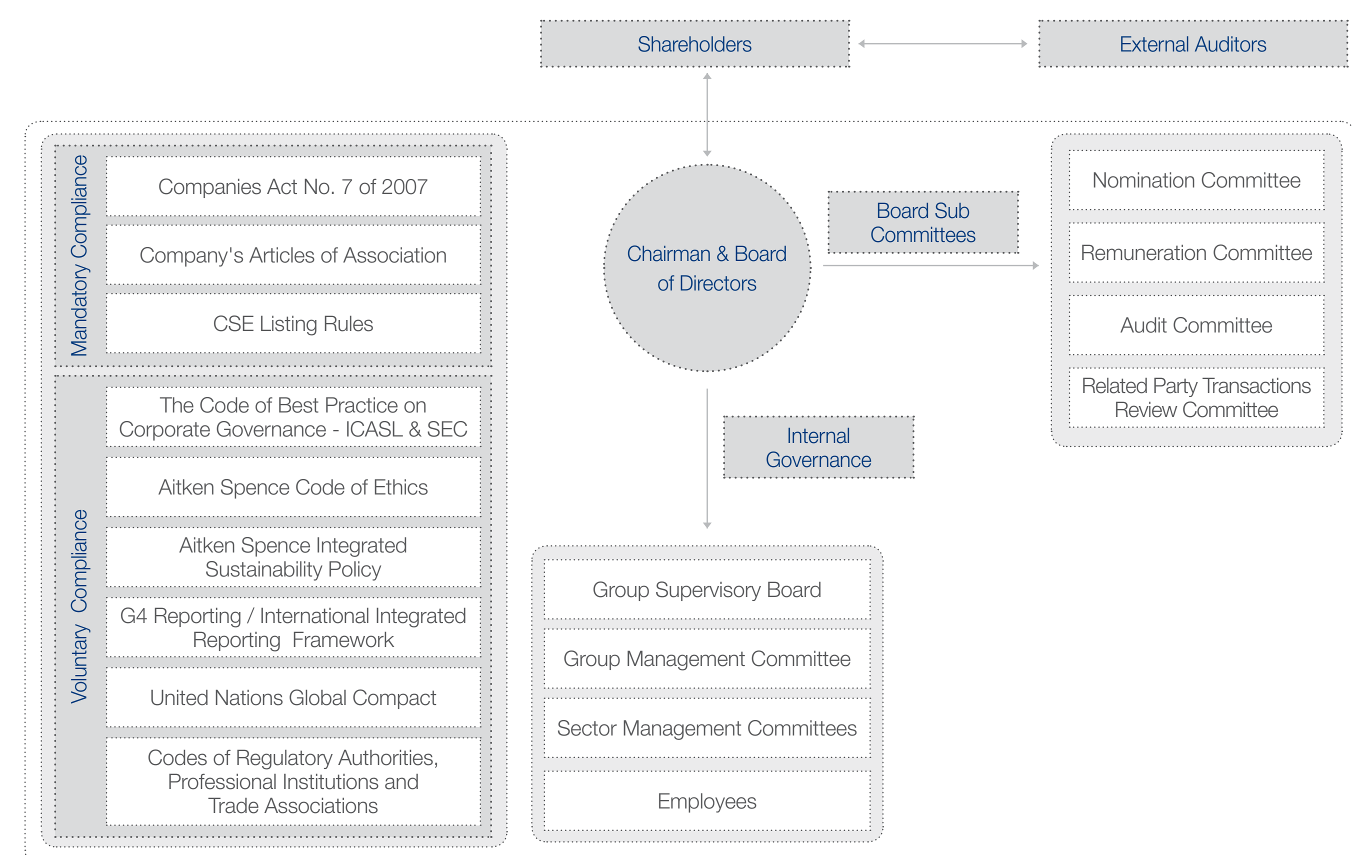
Corporate governance report

Corporate Governance at Aitken Spence

Corporate governance is the framework of rules and practices by which a Board of Directors ensures accountability, fairness, and transparency in a company's relationship with all its stakeholders. This provides the structure through which the objectives both financial and non-financial are set, accomplished and measured. A commitment to corporate governance is the foundation of responsible corporate citizenship and sustainable business practices of Aitken Spence PLC. The Board provides strategic guidance and sets the tone to ensure that the development of the Company is based on sound values. The Board considers corporate governance to be precedent and endeavours to go beyond minimum compliance where applicable. Therefore, the Board will consider all non-statutory corporate governance concepts carefully and will implement them, if they are deemed to be in the Company's best interests. Further, the Board continues to review and benchmark the Group's governance structures and processes to ensure they support effective and ethical leadership, good corporate citizenship and sustainability. These structures, frameworks and processes are reviewed regularly and adapted to accommodate internal developments and mirror national and international best practices.

Our formal governance structure provides and facilitates empowerment and a comprehensive policy framework. This policy framework goes beyond legal requirements encompassing voluntary frameworks, international best practices and stakeholder engagement, ensuring high standards of ethics and professionalism. Aitken Spence Code of Ethics is acknowledged by all employees which enables optimum standards of integrity and ethics. We also give attention to strengthening the risk management framework; our internal audit division closely monitors all factors in this regard along with the Audit Committee (see pages 119 to 125 for the comprehensive risk management strategy of the Group). While the group sustainability division works directly with the different sectors and Group Companies ensuring strict adherence to all voluntary compliance. The sector review on pages 56 to 104 reflect the sustainability initiatives of the Group.

Being a leading conglomerate in Sri Lanka, we at Aitken Spence are committed to ensure best practices in the area of corporate governance. Our governance structure, depicted below is formed based on the mechanism that ensures



significant values to our stakeholders scattered around the globe.

This report on Corporate Governance indicates strict adherence to mandatory compliance of the Listing Rules of the Colombo Stock Exchange [Listing Rule 7.10(a)] and the voluntary compliance of The Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.

SECTION 1: COMPANY

PRINCIPLE A: DIRECTORS

Principle A.1/Listing Rule 7.10.3(c): The Board

Complied

The Board currently consists of a Chairman, a Managing and Finance Director and seven other Directors, four of whom are Non-Executive Independent Directors.

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 26 to 29 of this Annual Report.

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.

Principle A.1.1: Board Meetings

Complied

The Board convened six times during the financial year and the meetings were presided by the Chairman.

An annual calendar of board meetings is prepared at the beginning of each financial year and it is circulated among the Directors enabling them to prepare their work schedules and facilitate effective participation. In an instance of a Director's unavailability at the meetings due to personal commitments or illness he/she is provided with briefing material for discussion with the Chairman or the Managing and Finance Director on a suitable date.

The notices of board meetings are provided with the agenda sufficiently ahead of the scheduled meeting. The board papers are circulated among the Directors in advance of the meeting providing adequate time to review and request for any additional information and clarification to assist them to formulate independent views.

Name of Director	Board Meetings					
	02.04.2015	22.05.2015	30.06.2015	27.08.2015	19.11.2015	11.02.2016
Chairman						
Deshamanya D.H.S Jayawardena	✓	✓	✓	✓	✓	✓
Managing and Finance Director						
Mr. J.M.S. Brito	✓	✓	✓	✓	✓	✓
Executive Directors						
Dr. R.M. Fernando	✓	✓	✓	✓	✓	✓
Dr. P. Dissanayake	✓	✓	✓	✓	✓	✓
Ms. D.S.T. Jayawardena	✓	✓	✓	✓	✓	✓
Non-Executive Directors						
Mr. G.C. Wickremasinghe	✓	✓	✓	*	✓	✓
Mr. C.H. Gomez	*	*	✓	*	✓	✓
Mr. N.J. de Silva Deva Aditya	✓	✓	✓	✓	✓	✓
Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	✓
Mr. V.M. Fernando *(retired w.e.f 30.06.2015)*	✓	✓	✓	-	-	-
Company Secretary						
Mr. R.E.V. Casie Chetty	✓	✓	✓	✓	✓	✓

*✓ Present   * Excused*

Minutes of the board meetings are accurately recorded and circulated among the Directors for confirmation at the next meeting. Where applicable, any conflicts and/or concerns that cannot be unanimously resolved are recorded appropriately in the board minutes. In instances where decisions are made by way of circular resolutions, all relevant information pertaining to the resolution is sent with such resolution to enable the Directors to clearly understand the purpose for which a resolution is being circulated.

Principle A.1.2: Role and Responsibility of the Board

Complied

The Board is responsible for the formulation and implementation of sound business strategies within the Group and is responsible to ensure that Group adheres to relevant laws/regulations of the country, international laws, regulatory authorities, professional institutes and trade associations. The Board is responsible for;

- ensuring that the Managing and Finance Director, the Group Supervisory Board and the Group Management Committee demonstrate the right balance of independence, knowledge, skill, background and experience to discuss, initiate and implement new business strategies,
- overseeing that those delegated with the responsibility to conduct the operations of the Company are adhering to the policies and procedures of the Group effectively and efficiently,
- effective implementation of senior management succession strategy,
- reviewing the reports of the Board Sub Committees and where applicable implementing their recommendations,
- ensuring that the Company's values and principles are aligned with the adoption and compliance of 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 unaudited and audited annual financial statements and financial statements for special purposes,
- recommending the appointment or removal of the external auditors subject to the approval of the shareholders at the Annual General Meeting,
- appointing Directors to the Audit, Remuneration, Nomination and Related Party Transactions Review Committees who possess the experience and expertise to add value to the said Committees to which they are appointed,
- conducting self performance evaluation of the Board and 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 principle financial and operational risks and ensuring the implementation of suitable systems to manage and mitigate risks,
- reviewing the appropriateness and reliability of the Company's internal control, risk and management information systems to secure the integrity of all that encompass various aspects of the businesses,
- evaluating and approving mergers, acquisitions and divestures that results in corporate re-structuring or re-engineering.

Principle A.1.3: Compliance with laws and access to independent advice

Complied

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

Principle A.1.4: Access to advice from the Company Secretary

Complied

All Directors have access to advice and the services of Mr. R.E.V. Casie Chetty, who is the Company Secretary. He is responsible in ensuring the Board procedures are followed and that applicable rules and regulations are complied with strictly. His responsibilities include;

- assisting the Chairman in ensuring that the Board members have full and timely access to all relevant information and documentation whilst making sure that appropriate facilities are available for the proper conduct of meetings and effective decision making,
- coordinating with the Chairman in the organisation of initial formal induction and subsequent periodic training programmes for the Directors,
- ensuring that Board procedures are complied and providing advice of corporate governance and regulatory compliances,
- ensuring the compliance of the Companies Act, Listing Rules of the Colombo Stock Exchange and other relevant regulations.

Principle A.1.5: Independent Judgment

Complied

Each Director exercises independent judgement in all matters considered by the Board and acts free from undue influence and bias from other parties. Matters considered include participating in decisions on issues relating to strategies, implementation of such strategies, performance review, resource allocation and standards of conduct and business ethics.

Principle A.1.6: Board Commitment

Complied

The Directors allocate adequate time for the fulfilment of their responsibilities as Directors, ensuring that their duties and responsibilities are satisfactorily discharged. They dedicate sufficient time before such meetings to review respective documentation relating to the meeting and seeking additional information for any further clarifications. Further the Directors pay due attention to the documentation and the information so provided and make appropriate decisions. They also ensure that adequate measures are taken for the implementation and execution of the decisions so made.

In addition to ensuring that their duties and responsibilities are satisfactorily discharged, individual Directors are members of various Sub Committees of the Board. Further, the Board is aware of commitments of its Directors in other companies/organisations and is satisfied that these neither conflict nor impair performance of their duties at the optimal level as Directors of the Company. Each Director is expected to report all intentions in joining the boards of any other companies/organisations outside the Group as and when they occur.

Principle A.1.7: Training of Directors

Complied

The Board identifies with the need for continuous training and development of Directors. Recognising such, appropriate meetings with the management of each subsidiary, visiting sites/ factories/hotels and participating in meetings with key investors, suppliers, customers, service providers and other key stakeholders are few methods of periodic training used where applicable.

All Directors are encouraged to attend appropriate seminars and training programmes in enhancing their business insight and professionalism in carrying out their duties. Directors are further encouraged to participate in forums, workshops and/or seminars in their capacity as speakers, moderators or panellists in their respective areas of proficiency.

Principle A.2-A.3: Chairman and Chief Executive Officer

Complied

Deshamanya D.H.S. Jayawardena is the Chairman and Mr. J.M.S. Brito is the Managing and Finance Director and is the Chief Executive Officer. The clear demarcation of the responsibilities between the Chairman and the Managing and Finance Director is apparent as the functions performed by them 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.

The Chairman, Deshamanya D.H.S. Jayawardena is responsible for:

- ensuring a balance of power between the Executive and Non-Executive Directors is maintained,
- encouraging effective participation of Executive and Non-Executive Directors at Board and Sub Committee meetings,
- ensuring that the Board adheres to procedures, relevant statutes and complying to various stakeholder and regulatory requirements of bodies whilst being in complete control of the affairs of the Company,
- ensuring that all Directors are adequately briefed on issues arising at board meetings and they effectively contribute with their respective capabilities towards the best interest of the Company,
- ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders.

Managing and Finance Director, Mr. J.M.S. Brito is responsible for:

- day-to-day management of the Group's business operations, with the support of the Executive Directors, Group Supervisory Board, Group Management Committee and the Sector Management Committees,
- effective 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,
- guaranteeing that the correct Board procedures are followed, and that the applicable rules and regulations are regularly reviewed and complied,
- advising the Board on corporate governance matters and acting as the interface between the management and regulatory authorities as and when necessary,
- ensuring that the Company and the Group achieves the approved budgets and targets,
- providing the Board explanations for variances in budgets and targets and recommending any corrective action that needs to be adopted.

Principle A.4: Financial Acumen
Complied

As apparent from the profiles of the Board of Directors, the Board of Directors with their academic and/or entrepreneurial financial skills, business acumen and wide practical wisdom contribute substantial value, knowledge and independent judgement to decision making on matters concerning operational and financial investment.

Principle A.5: Board Balance

Principle A.5.1/Listing Rule 7.10.1(a), 7.10.2(a), 7.10.3(a)/: Board Composition
Complied

The Aitken Spence Board currently consists of a Chairman, a Managing and Finance Director and seven other Directors, four of whom are Non-Executive Independent Directors. The composition of the Board thus eliminates the preference of an individual or a small group dominating the process of decision making.

Although the Chairman, Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other, they act independently in the best interest of the Company in spirit, intention, purpose, attitude and their discharge of duties.

The responsibilities and duties of the Independent Directors include:

- contribution with their experience and skill, the provision of unbiased independent judgment on issues related to strategy, financial and operational performance, key appointments, standards of business conduct, ethics and all matters pertaining to the Board,
- offering constructive criticism of strategies discussed by the Board,
- scrutinising and challenging performance across the Group's business sectors,
- assessing the risk and the integrity of financial and operational controls,
- determining the Company's policy for executive remuneration and the remuneration packages.

Principle A.5.2: Number of Independent Non-Executive Directors
Complied

The Board currently consists of four Independent Non-Executive Directors. (see table titled Independence of Non-Executive Directors)

Principle A.5.3/A.5.5/Listing Rule 7.10.2(a): Independence of Non-Executive Directors
Complied

The Independent Directors remain independent from day-to-day management decision, activities and are free from any business and/or other relationship which may hinder their exercise of unbiased judgment. This enables them to act critically and independently in the best interest of the Company. They refrain in partaking in decision making in any instance where they have any material business interest.

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. Wickremasinghe to be independent due to his regular overseas travels and the fact that 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 resides overseas and refrains from any involvement in the day-to-day management of the Company or any of its subsidiaries.

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

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

Principle A.5.4/Listing Rule 7.10.2(b): Annual Declaration of Non-Executive Directors
Complied

Annually each Non-Executive Director declares his independence/non-independence in compliance with the relevant statutory regulations.

Principle A.5.7/A.5.8: Appointment of Senior Independent Director
Not Applicable

This principle is not applicable to Aitken Spence PLC as the roles of the Chairman and the Managing and Finance Director are distinct.

Principle A.5.9: Chairman meeting with the Non-Executive Directors
Complied

Chairman, Deshamanya D. H. S. Jayawardena meets with the Non-Executive Directors as and when necessary.

Principle A.5.10: Recording of unresolved matters
Complied

The Company Secretary ensures that all concerns are accurately recorded at board meetings and Sub Committee meetings.

Principle A.6: Supply of Information

Principle A.6.1: Appropriate and timely information
Complied

The Group has a comprehensive management information system to process and monitor the performance of the Group. Appropriate and timely information is made available to the Board, who make further inquiries when necessary.

Principle A.6.2: Adequate time in circulating relevant documents
Complied

The Company Secretary ensures that the Board receives all relevant board documents substantially in advance of the meeting in order to facilitate effective conduct of the meeting.

Principle A.7: Appointments to the Board

Principle A.7.1/A.7.2: Presence of the Nomination Committee/Assessment of the composition of the Board
Complied

A formal and transparent procedure is followed when appointing any new Directors to the Board.

The Nomination Committee Report is on page 115 which includes the names of the members of the committee.

Principle A.7.3/Listing Rule 7.10.3(d): Disclosure of Appointment of a New Director
Complied

On an appointment of a Director a suitable disclosure is made to the Colombo Stock Exchange which contains a brief resume of the Director. The disclosure is published in the Colombo Stock Exchange website and is accessible to the shareholders.

Principle A.8: Re-election
Complied

In accordance with the Companies Act and the Articles of Association of the Company, the relevant retiring Directors submit themselves for re-election at each Annual General Meeting. The Nomination Committee declares to the Board that the contributions made by the Directors offering themselves for re-election at the Annual General Meeting are effective and affirms the Company's support of their re-election.

Principle A.9: Appraisal of Board Performance
Complied

Assessment of the performance of the Board, its Committees and individual Directors forms an integral part and carried out annually on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined in the Nomination Committee Report of this Annual Report. This 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 deficiencies pertaining to investor relations and Board administration and processes are rectified.

Principle A.10/Listing Rule 7.10.3: Disclosure of Information in respect of Directors
Complied

The profiles of the Directors are set out on pages 28 and 29.

Directors' interest in contracts are indicated in note 46 of the Financial Statements of this Annual Report.

The number of board meetings attended by each Director is given on page 108 of this Annual Report.

Names of the Chairmen and the members of the Board Committees are provided in the respective reports and in the Corporate Information on page 10 of this Annual Report.

Principle A.11: Appraisal of Chief Executive Officer
Complied

The appraisal of the Managing and Finance Director who is our Chief Executive Officer is done annually on a self-appraisal basis. It is done in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year.

PRINCIPLE B: DIRECTORS' REMUNERATION

Principle B.1: Remuneration Procedure

Principle B.1.1-B.1.3/Listing Rule 7.10.5(a), 7.10.5(b): Remuneration Committee and its Composition
Complied

Aitken Spence PLC has a formal and transparent procedure for developing policy on executive remuneration and for deciding the remuneration packages for individual Directors.

The Remuneration Committee is headed by a Non-Executive Independent Director of the Company. The respective Report including the members of the said Committee can be found on page 118 of this Annual Report.

Principle B.1.4/B.1.5/B.2.9: Remuneration of Non-Executive Directors and Consultation with Chairman and Chief Executive Officer
Complied

Non-Executive Directors are remunerated in accordance with the Articles of Association of the Company. Their fees and reimbursable expenses are paid in consideration of the basis of contribution and services performed at the Board and Committee meetings.

The Remuneration Committee consults the Chairman and the Managing and Finance Director regarding the remuneration proposals and 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 in the Board of Aitken Spence PLC is involved in determining his/her own remuneration.

Principle B.2: The Level and Make Up of Remuneration

Principle B.2.1-B.2.4: Standards for Determining Remuneration of Executive Directors
Complied

The Remuneration Committee targets to provide attractive packages to Executive Directors in order to motivate and retain them. The remuneration of other companies in similar industries and trades remuneration is used as a benchmark.

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

Principle B.2.5: Executive Share Option
Complied

As at date, the Company has no share options available to its Directors or employees.

Principle B.2.6: Designing Schemes of Remuneration
Complied

The Remuneration Committee Report of this Annual Report sets out the procedure followed in designing the remuneration schemes.

Principle B.2.7/B.2.8: Early Termination in Directorate
Complied

The Remuneration Committee determines the remuneration of Directors in the event of early termination.

Principle B.3: Disclosure of Remuneration
Complied

The report of the Remuneration Committee is given on page 118 along with the names of the members of the Committee which could also be found in the Corporate Information of this Annual Report. Refer note 9 to the Financial Statements for the details of remuneration paid to the Board of Directors.

PRINCIPLE C: RELATIONS WITH SHAREHOLDERS

Principle C.1: Constructive use of Annual General Meeting and conduct of General Meetings

See Principle E.1

Principle C.1.1: Use of Proxy
Complied

All proxy votes are counted and the quantum of proxies lodged on each resolution is tabulated and given to the Chairman and Managing and Finance Director prior to the Annual General Meeting.

Principle C.1.2: Separate Resolution on each issue
Complied

A separate resolution on each issue is proposed at the Annual General Meeting of the Company.

Principle C.1.3: Chairmen of the Board Committees
Complied

The Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees are present at the Annual General Meeting to answer any questions of the shareholders directed to them by the Chairman.

Principle C.1.4: Notice and Procedure of Meetings
Complied

The notice and the agenda of the Annual General Meeting together with the Annual Report containing relevant documents are sent to the shareholders 15 working days prior to the date of the Annual General Meeting of the Company.

Principle C.1.5: Procedures Governing Voting
Complied

In the event the appropriate numbers of shareholders give their intimation in writing and request for a poll the procedures involved in voting would be circulated. In the absence of such intimation all issues at the general meeting will be passed by show of hands.

Principle C.2: Communication with Shareholders

Principle C.2.1-C.2.7: Shareholder Engagement
Complied

Aitken Spence strives to engage with its shareholders in a continuous, transparent and effective manner. The Annual General Meeting is the main forum for engagement and is well attended.

Communication with shareholders is facilitated through the Company's website, press releases, social media platforms and announcements to the Colombo Stock Exchange.

The Annual Report provides comprehensive information which enables the shareholders to be suitably informed of the activities of the Company. The shareholders are encouraged to carry out adequate analysis and obtain independent advice regarding their investment in the Company.

Meanwhile, the company secretarial division and/or communication teams act as the point of contact for clarifications, suggestions or complaints raised by shareholders.

Principle C.3: Major and Material Transactions
Complied

The shareholders are advised of any instance where the contemplated value of a transaction would be in excess of half of the net assets of the Company. There were no major transactions during the financial year under review.

PRINCIPLE D: ACCOUNTABILITY AND AUDIT

Principle D.1: Financial Reporting

Principle D.1.1/D1.2: Board Responsibility in Financial Reporting and their Declarations
Complied

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act. The Financial Statements included in this Annual Report are prepared and presented in accordance with the Companies Act and the Sri Lanka Accounting Standards. Aitken Spence also continues to report its performance "In Accordance" – Core with the Global Reporting Initiative's (see pages 219) G4 Reporting framework while following the guidelines of the International Integrated Reporting Council's Framework.

The Annual Report of the Directors is on pages 126 to 129 of this Annual Report.

Principle D.1.3: Statement by the Directors and Auditors
Complied

The Statements of the Directors and Auditors are on pages 133 and 134 respectively of this Annual Report.

Principle D.1.4: Management Discussion and Analysis
Complied

The management discussion and analysis of the Company and its subsidiaries are on pages 39 to 43 in this Annual Report.

Principle D.1.5: Going Concern
Complied

The Board of Aitken Spence PLC is satisfied that the Company and the Group have adequate resources to continue the operations without any disruption in the foreseeable future. Further the Company's Financial Statements are prepared on a going concern basis. This declaration is made on the Annual Report of the Board of Directors of this Annual Report.

Principle D.1.6: Serious Loss of Capital
Complied

In the unlikely event that the net assets of the Company fall below half of shareholders' funds, the shareholders of the Company would be notified and an Extraordinary General Meeting would be called to propose the way forward.

Principle D.1.7: Disclosure of Related Party Transactions
Complied

A Related Party Transactions Review Committee was set up during this financial year in compliance with the Listing Rules of the Colombo Stock Exchange. A formalised process is in place for related party transactions including identification of related parties, types of transactions and avoidance of conflict of interests. Directors individually declare their transactions with the Company on an as and when basis and make disclosures of their interest in compliance with the requirements of the Companies Act and other relevant statutory requirements. The Company maintains an interest register as stipulated in the Companies Act. All related party transactions as defined by the applicable accounting standards are disclosed on note 48 of the Financial Statements on pages 135 to 231 of this Annual Report.

Principle D.2: Internal Control
Complied

The Board of Directors of Aitken Spence PLC has overall responsibility for the Company's system of internal control and for reviewing its efficiency and effectiveness. It is established that achieving a sound internal control environment is a key priority and has made appropriate allocation of resources to maintain the right standards.

Aitken Spence has created an environment through application of the acceptable business principles and good corporate governance. We have a fully equipped Internal Audit Division to assist the maintenance of our sound system of internal control for purposes of protecting stakeholder investment and assets.

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

An overview of the Group's framework for identifying and managing risk at an operational and strategic level is set out on pages 119 to 125 of this Annual Report.

Principle D.3/Listing Rule 7.10.6(a-c): Audit Committee
Complied

The Audit Committee supports the Board in ensuring the integrity of the Company's Financial Statements as well as internal controls and compliance keeping under review the scope and results of the audits and its effectiveness, and the independence and objectivity of the Auditors.

The Audit Committee of Aitken Spence PLC is chaired by an Independent Non-Executive Director and has three other Independent Non-Executive Directors as members of the committee who carry out their duties and responsibilities as set out in the Listing Rules of the Colombo Stock Exchange.

The Audit Committee Report set out on pages 116 and 117 in this Annual Report includes the names of the members and the duties carried out by the said Committee.

Principle D.4: Code of Business Conduct and Ethics
Complied

Aitken Spence believes that the strong set of core values which underlie the Code, is the main source of its competitive advantage which is rewarded by the trust placed in it by its stakeholders. It is further ensured that Directors and key personnel strictly comply with the Code of Ethics of the Company in their duties so as not to adversely affect the brand of Aitken Spence in any manner. Violation of this is an offence that is subject to disciplinary action.

The Chairman of the Board affirms that there has not been any material violation of any of the provisions of the code of conduct.

Principle D.5: Corporate Governance Disclosures
Complied

The Board of Directors has taken all reasonable steps to ensure that the Company and its subsidiaries are fully compliant with all the mandatory and voluntary rules and regulations.

The Board gives due consideration in compliance of the regulations set out in the Listing Rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 7 of 2007 and other Codes issued by Chambers of Commerce, Professional Institutions and Industry Associations.

SECTION 2: SHAREHOLDERS

PRINCIPLE E: INSTITUTIONAL INVESTORS

Principle E.1: Shareholder Voting
Complied

The shareholders are encouraged to be present, participate and vote at the Annual General Meeting of the Company. The holders of ordinary shares are entitled to one vote per individual present at meetings of shareholders or one vote per share in case of a poll. Such meetings of shareholders provide an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors. Further shareholders are free to informally meet with the Directors at the conclusion of such meetings.

Principle E.2: Evaluation of Governance Disclosure
Complied

The Annual Report gives the shareholders sufficient information on the Company's board structure and composition which allow them to evaluate company's governance arrangements.

PRINCIPLE F: OTHER INVESTORS

Principle F.1: Investing and Divesting Decision
Principal F.2: Shareholder Voting
Complied

The present and potential shareholders of the Company, investing directly in shares are encouraged to carry out adequate analysis or seek independent advice in their decisions of investing and divesting. As mentioned under Principal E above, the shareholders of the Company are encouraged to be present and exercise their right to vote at meetings.

PRINCIPLE G: SUSTAINABILITY REPORTING

Principles G.1: Principles of Sustainability Reporting
Complied

Sustainability is a business approach that creates long term stakeholder value. It also enables a company to embrace opportunities and manage risks derived from economic, environmental and social developments while assessing their potential implications and impacts on the business activities of the company. Therefore sustainability reporting at Aitken Spence is undertaken as a practice of being accountable to internal and external stakeholders in terms of the Company's performance.

Aitken Spence reports its performance "In Accordance – Core" with the Global Reporting Initiative's (GRI) G4 Reporting Framework. The Company also follows the guidelines of the International Integrated Reporting Council. The GRI Index indicates where specific information regarding policies and procedures of the Company on economic performance, environmental sustainability, labour standards, product responsibility and stakeholder engagement in developing a sustainable business environment.

Aitken Spence is a signatory of the United Nations Global Compact and a member of the Global Compact Network Sri Lanka Board and the steering committee. Aitken Spence is also among the first Companies in the world to become signatory to the UN Women's Empowerment Principles.

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] (retired w.e.f. 30.06.2015)
	Mr. R.N. Asirwatham[1]
Secretary	Mr. R.E.V. Casie Chetty

Composition of the Committee

The Committee is composed of Mr. G.C. Wickremasinghe, Chairman of the committee along with two executive Directors, namely the Chairman and the Managing and Finance Director of Aitken Spence PLC and an Independent Non-Executive Director. They served as members throughout the year under review. Mr. V.M. Fernando served as a member of the committee until his retirement from the Board of Directors on 30th June 2015.

The Chairman of the Committee is an Independent Non-Executive Director. The members of the Committee possess wide experience, financial and business acumen.

The Committee formally met once during the year under review where all members were present. The attendance of the Nomination Committee meeting held during the year under review was as follows;

Name of Member	Meeting 29.06.2015
Mr. G.C. Wickremasinghe	✓
Deshamanya D.H.S. Jayawardena	✓
Mr. J.M.S. Brito	✓
Mr. V.M. Fernando	✓
Mr. R.N. Asirwatham	✓

Terms of Reference of the Committee

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

Key functions performed during the year under review

During the year under review the Committee ensured the consideration and promotion of diversity and effectiveness in the boards of the Group Companies. The Nomination Committee reviewed and recommended changes to the Boards of the Group Companies where necessary. Further, the committee evaluated and recommended suitable internal and external candidates to higher levels of management.

Methodology of the Committee

The Committee worked closely with the Boards of Group Companies and made recommendations on matters that are referred to it for consideration.

The year ahead

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

Annual General Meeting 2016

In terms of Section 210(2) of the Companies Act No.7 of 2007 Deshamanya D.H.S. Jayawardena, Mr. G.C. Wickremasinghe and Mr. R.N. Asirwatham retire from the Board at the conclusion of the forthcoming AGM. Further, Mr. C.H. Gomez retires by rotation in terms of Article 84 of the Articles of Association.

The Committee is of the opinion that the said Directors are eligible for re-election and continue their commitment as Directors of the Company.

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
25th April 2016

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

Audit committee report

Aitken Spence PLC, through its subsidiaries and associate companies operates in diverse sectors and has a broad geographic spread, which signifies the necessity of achieving best practices in financial reporting, internal control and risk management in the Group.

In its exertion, the Audit Committee has sought to balance independent oversight of the Group's businesses with the support and guidance to the Board of Directors to fulfil their obligations and responsibilities in relation to financial reporting processes, adequacy and effectiveness of internal control systems, external audit, and the Group's process for monitoring compliance with laws and regulations. The Committee believes that there are many reasons for the Audit Committee to be confident that it has carried out its duties successfully and to a high standard during the year, thereby helping to enrich the value of the Group.

Composition of the Committee and Meetings

The Audit Committee is composed of four Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. Their profiles are given on pages 28 and 29 of this report.

Audit Committee Members	
Chairman	Mr. R.N. Asirwatham
Members	Mr. G.C. Wickremasinghe Mr. C.H. Gomez Mr. N.J. de Silva Deva Aditya/ Mr. A.L. Gooneratne *(Alternate Director for Mr. N.J. de Silva Deva Aditya)*
Secretary	Mr. R.E.V. Casie Chetty

The Audit Committee functioned throughout the financial year and held six formal meetings. The attendance of the audit committee meetings held during the year under review was as follows.

Name of the Member	Meetings					
	11.05.2015	29.06.2015	11.08.2015	20.11.2015	12.02.2016	30.03.2016
Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	✓
Mr. G.C. Wickremasinghe	✓	✓	*	✓	✓	✓
Mr. C.H. Gomez	*	✓	*	✓	✓	*
Mr. N.J. de Silva Deva Aditya/ Mr. A.L. Gooneratne *(Alternate Director for Mr. N.J. de Silva Deva Aditya)*	✓	✓	✓	✓	*	✓

✓ *Present*   * *Excused*

Attendance by Invitation

The Managing and Finance Director, Chief Financial Officer, Chief Corporate Officer, Chief Internal Auditor, other Senior Officers of the Group and the Partner of KPMG responsible for the Groups' audit attended the meetings by invitation as and when required.

A comprehensive description of the Audit Committee's activities during the year under review is set out in the table below:

Responsibility	Activity
Risk Management and Internal Control	• Scrutinised the adequacy and effectiveness of the Group's internal controls and risk management activities and suggested recommendations to the Board. • Ensured that the Group adheres and complies with all relevant laws, rules and regulations of the country, international laws, codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations.
Financial Reporting and Financial Control	• Reviewed the Group's quarterly and annual Financial Statements, adequacy of disclosures, uniformity and appropriateness of the accounting policies adopted, major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007, applicable Sri Lanka Accounting Standards and requirements of other regulatory bodies as applicable for the Group,and suggested recommendations in line with those requirements. • Reviewed the operational and other management information reports submitted by the Group's management to the Audit Committee and made recommendations for improvements.
External Audit	• Assessed the performance and effectiveness of the external auditors, their independence and professional capabilities and made recommendations to the Board. • Reviewed the audit plan presented by the external auditors, provided advice and support regarding the execution of the plan. • Discussed the audited financial statements with external auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements. • Reviewed and discussed the management letter of the external auditors for the Group and instructed the management to take appropriate and follow up action on matters highlighted therein. • Reviewed the fees & out of pocket expenses proposed by external auditors and suggested recommendations to the Board.
Internal Audit	• Reviewed and evaluated the independence and effectiveness of the Group's Internal Audit Department, their resource requirements and made recommendations for any required changes. • Reviewed and approved the Annual Internal Audit Plan together with the Information Technology (IT) Security Plan and Strategic Risk Plan and made appropriate recommendations for improvements. • Reviewed and discussed the periodic reports submitted by the internal audit department with management responses, on financial and operational audits, IT Security and risk assessments carried out in line with approved annual internal audit plan. • The Audit Committee continued to ensure the co-ordination between Group internal audit and external auditors.

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 Messes KPMG, Chartered Accountants as the auditors of the Company for the current year, subject to approval of the shareholders at the forthcoming Annual General Meeting.

R.N. Asirwatham
Chairman
Audit Committee

Colombo
18th April 2016

Remuneration committee report

Remuneration Committee Members	
Chairman	Mr. G.C. Wickremasinghe[1]
Members	Mr. V.M. Fernando[1] *(retired w.e.f. 30.06.2015)*
	Mr. R.N. Asirwatham[1]
Secretary	Mr. R.E.V. Casie Chetty
By Invitation	Deshamanya D.H.S. Jayawardena[2]
	Mr. J.M.S. Brito[3]
	Ms. D.S.T. Jayawardena[4]

Composition of the Committee

The Committee is currently composed of two Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. Mr. V.M. Fernando who was a Independent Non-Executive Director served as a member of the Remuneration Committee until his retirement from the Board of Directors on 30th June 2015. The members of the Committee have wide experience and knowledge of finance, business and industry.

The Committee formally met once during the year under review where all members were present. The attendance of the Remuneration Committee meeting held during the year under review was as follows;

Name of Member	Meeting 27.06.2015
Mr. G.C. Wickremasinghe	✓
Mr. V.M. Fernando	✓
Mr. R.N. Asirwatham	✓
By Invitation	
Deshamanya D.H.S. Jayawardena	✓
Mr. J.M.S. Brito	✓
Ms. D.S.T. Jayawardena	✓

Independence of the Committee

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

Key Objective

Reviewing the current policy on Remuneration Packages of the individual Directors and Senior Management and suggesting recommendations to the Board.

Responsibilities

The committee is responsible to the Board for;

- Determining the policy of the remuneration package of the Directors and the management team.
- Evaluating performance of the Managing Directors, Executive Directors, and the individual and collective performance of Directors and Senior Management of the Strategic Business Units.
- Deciding on overall individual packages, including compensation on termination of employment.
- Ensuring that duties are executed within the recognised principles of good governance.

Key Functions of the Committee

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

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

No Director was involved in deciding his/ her remuneration package.

The Remuneration Committee's decisions were made adhering to the above policies and practices, which ensured that sound and measured judgements, were adopted at all times.

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
25th April 2016

1 Independent Non-Executive Director
2 Chairman of Aitken Spence PLC
3 Managing and Finance Director of Aitken Spence PLC
4 Director of Aitken Spence PLC
✓ *Present*

Risk management

Risk management at Aitken Spence

The Group believes that managing risk is crucial for growth and success. Therefore it has embedded risk management into its organisational culture, making the employees the core of the risk management process. This makes the Group more adaptable enabling it to successfully mitigate any risks arising from the current dynamic environment.

Risks cannot be eliminated, but can only be minimised through proper mitigation. The Group recognises the importance of adopting a proactive and systematic approach when dealing with risks. The Group has made risk management a key element of its corporate governance. It strives to maintain a balance between entrepreneurial attitude and the level of risk associated with business opportunities.

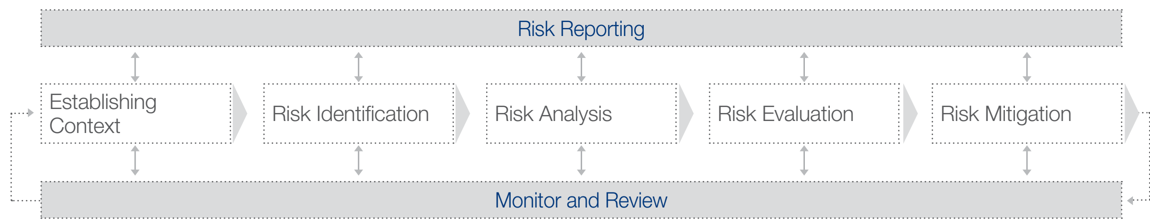
The Group operates in multiple industries, spanning many regions locally and internationally. Whilst this diversification provides a hedge against the positive correlation of business risks, it also exposes the Group to a wider spectrum of risks. These risks have been broadly categorised as follows.

Strategic risk	Financial risk	Operational risk
• Competitor risk • Reputation risk • Environmental risk • Regulatory risk • Principal risk	• Interest rate risk • Exchange rate risk • Credit risk	• Employee risk • Legal risk • Operations risk • Technology risk • Occupational health and safety risk

Risk management model

The Group has a comprehensive system in place to manage risks. Both a "top – down" approach and a "bottom – up" approach are adopted to facilitate the identification of all risks across a broad spectrum. The risks thus identified are analysed, evaluated and prioritised. Thereafter, appropriate risk mitigation strategies (such as acceptance, avoidance, reduction, transfer or a combination) are formulated and applied to all levels of the organisation, in both strategic and operational context. Finally, the management reviews the effectiveness and the adequacy of the treatment of risk and ascertains the residual risk (if any).

Risk management



Risks are documented at the sector level and periodically updated to ensure all internal and external risks are identified together with their mitigations strategies, and the effectiveness of the mitigation strategies are continuously monitored and recorded.

Risk management structure

Board of Directors
Approves the risk governance structure and high level risk parameters for individual SBUs and the Group. Reviews reports from the Audit Committee on risk related matters.

Group Supervisory Board
Focuses on policy and strategic matters in an operational and administrative context.

Group Management Committee
Designing, operating and monitoring risk management and control processes at SBU and Group level. Ensuring that strategies adopted by SBUs are in line with the risk parameters of the Group and addresses stake holder concerns including the negation of possible adverse actions of stakeholders.

Risk Owners and Managers
Evaluating the status of risk and effectiveness of risk mitigation. Day to day oversight of risks and risk mitigation actions. Improving risk mitigation strategies where possible.

Group Treasury
Monitoring movements in foreign exchange and interest rates with the objective of timely hedging activities such as forwards and swaps that could eliminate or minimise financial losses.

Integrated Sustainability Team
The sustainability team is a group of cross functional and diverse executive level representatives from all strategic business units of the Group. This team spearheads the implementation of the Aitken Spence integrated sustainability policy framework within their operations. Each SBU has a sustainability sub-committee led by those representatives who handle the different responsibilities of the implementation process.

Audit Committee
Reviews adequacy of the risk management framework. Receives and reviews risk management reports submitted by the risk management unit. Receives and reviews reports from internal and external auditors.

Internal Audit Department
The internal audit department maintains strict independence in all the work it performs from the management of individual SBUs. The department has three specialised sub units covering key areas of the risk management process.

Finance and Operational Audit
Performs audits to verify compliance with the internal control framework and reviews its adequacy.

Strategic Risk
Responsible for sector-wise financial, strategic and operational risk assessments on a micro as well as macro level.

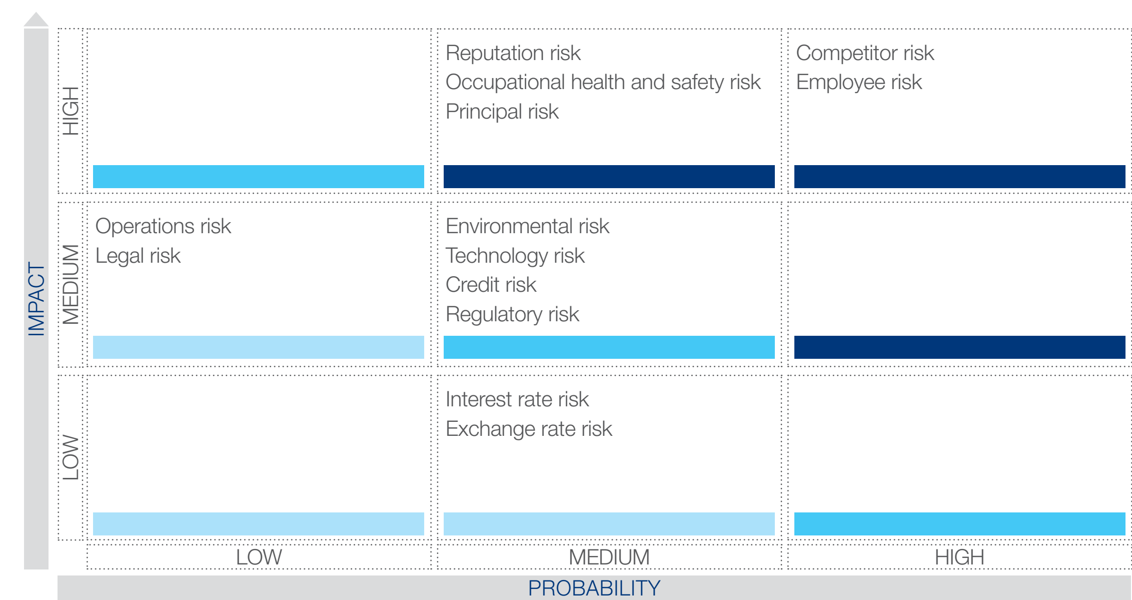
Information Security
Responsible for reviewing the adequacy of controls of both existing and new IT infrastructure, information assets and software applications.

The key responsibility of managing risk lies with the Board of Directors, who are actively supported by the Audit Committee, the Group Supervisory Board, the Group Management Committee, and Managers with key functional responsibilities. In addition, the Strategic Risk Division (SRD) of the Group performs routine risk assessments on critical aspects of the Group's businesses, which would highlight potential threats and opportunities arising from the market. The SRD, also plays a pivotal role in assisting the SBUs by providing technical guidance on risk management architecture, so as to ensure accurate identification of risks and adequate mitigation of same.

How the Group manages its key risks.

The following section outlines a broad synopsis of the key risks and their mitigation strategies pertinent to the Group for the year 2015/2016.

Group's Risk Heat Map



Interest rate risk

Risk rating for 2015/2016	LOW
Mitigation strategies adopted	The Group's treasury management function is centralised to corroborate uniformity. The Group treasury department performs the following activities: • Constantly monitoring and forecasting market interest rates, in order to ensure that appropriate and timely measures are taken to maximise the return on financial investments and to minimise the cost of borrowings. • Negotiating with banks and financial institutions frequently to obtain the best possible interest rates for the Group's borrowings and investments. • Mitigating the adverse impact of movements in interest rates on long term borrowings by interest rate swaps and other hedging mechanisms depending on their availability in the market. • Regularly carrying out interest rate sensitivity analysis to measure the potential impacts of rate variations.

Exchange rate risk

Risk rating for 2015/2016	LOW
Mitigation strategies adopted	• Carrying out exchange rate forecasts to ensure that timely and appropriate hedging mechanisms could be adopted to mitigate foreign exchange (FOREX) risks. • Guiding the SBUs on strategies to minimise costs and maximise revenue in SLR, when dealing with foreign currency. • Matching foreign currency liabilities against foreign currency denominated assets to minimise the adverse effect of exposure to such liabilities due to sudden currency devaluation. • Mitigating the adverse movements in exchange rates on import and export transactions by forward booking of currencies and by matching of foreign currency inflows and out flows wherever possible. • Mitigating the risks associated with future repayments of foreign currency liabilities by ensuring such outflows are matched by foreign currency inflows wherever possible.

Employee risk

Risk rating for 2015/2016	HIGH
Mitigation strategies adopted	The Group recognises the importance of attracting and retaining high calibre employees. The Group Human Resource Division uses the following strategies to mitigate Employee Risk. • Recommending attractive financial and non-financial remuneration. • Attending job fairs and working with universities and professional institutes to build a pool of potential candidates for hire when vacancies arise. • Collaborating with international educational bodies through Aitken Spence School of Management to provide employees with more focused and meaningful training to perform their jobs and anticipated roles. • Succession planning for all departments and business units is in place. The staff are well groomed via a vibrant Management Training Programme (MTP), which is recognised as a license to manage at Aitken Spence. • Facilitating an open door policy where any employee can speak to the Chief Human Resource Officer of the Group and senior management regarding any concern. • Providing job rotations and overseas assignments in order to develop managerial capacity of employees. • Maintaining an internal transfer policy to facilitate internal mobility. This provides employees an opportunity to gain experience in any industry of their choice within the Group. • Composing and revising policies to accommodate the changing market environment and employee needs. • Organising employee engagement activities throughout the year, together with the sports club. • Introducing new and innovative communication channels to improve transparency of organisational events and decisions. • Sponsoring occupation related studies which employees pursue on a personal basis. • Employing the services of a professional counsellor for the benefit of the staff where necessary.

Competitor risk

Risk rating for 2015/2016	HIGH
Mitigation strategies adopted	• A systematic competitor analysis is performed by each sector frequently, and adequate measures are taken to ensure the Group's competitiveness is sustained. In addition the strategic risk division ensures that all sectors comply with the integrated sustainability policy and its integral implementation framework in order to maintain the long term competitiveness of the Group. • The Group continuously seeks strategic diversification and adding value to its existing portfolio by methods such as, investing in research and development, process improvements and obtaining ISO certifications. This helps the Group to obtain a competitive advantage and stay ahead of its competitors. • Branding is utilised as a tool to create sustainable competitive advantage. To maintain the Group's brand image, the Group business development division monitors and helps subsidiaries to maintain graphic and visual standards, of the brand.

Legal risk

Risk rating for 2015/2016	LOW
Mitigation strategies adopted	The Group has a dedicated centralised in-house legal division that assists and advices SBUs on legal matters. • Periodic reviews are performed by the internal audit division in collaboration with the legal division to ensure that all business units conform to legal, regulatory and statutory requirements. • As a public quoted company, the Group recognises and accepts its responsibilities towards all stakeholders. Therefore, all statutory and legal requirements are met in all transactions. • The Group obtains the assistance of external professional counsel as and when required.

Credit risk

Risk rating for 2015/2016	MEDIUM
Mitigation strategies adopted	• The Group's trade receivables are constantly monitored to identify the composition of the debtors, aging and concentrations of debtors by each sector and SBU. • The Group legal division takes swift action to recover overdue debts. • The subsidiaries have in place, strong credit policies, to ensure prompt collection of trade receivables, with credit being extended only after a proper credit assessment is made of the customer. • The Group's internal audit division reviews the credit approval processes followed by SBUs when performing operational audits, and highlights any deviations and recommends changes, if warranted.

Operations risk

Risk rating for 2015/2016	LOW
Mitigation strategies adopted	• A well structured and uniform set of internal controls have been implemented and is being adhered to throughout the Group, on which frequent compliance audits are carried out by the Group internal audit department to ensure conformity towards internal controls. In addition, Oracle EBS application software is used to enforce adherence with the required internal controls through automation. • The Group has established formal policies and procedures for various aspects of business conduct. • 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 formulated based on the potential loss and probabilities of occurrences. • The Group's integrated sustainability policy is supported by an implementation framework, categorised into tiers for implementation. Those tiers look at action points considered essential, expected and exemplary for the successful and sustainable operation of the Group. Tier one action points are classified as essential and aim at bringing all subsidiaries into one platform in all focus areas such as occupational health and safety, talent management and supply chain management etc.

Regulatory risk

Risk rating for 2015/2016	MEDIUM
Mitigation strategies adopted	• The strategic risk unit of the Group closely monitors the domestic and global economic environments, for adverse changes in the regulatory framework, which are promptly intimated to the management. • The unit also carries out industry studies that include recent trends and developments.

Reputation risk

Risk rating for 2015/2016	HIGH
Mitigation strategies adopted	• All media communications are channelled through the corporate communication unit, to ensure consistency in communications. • The Group maintains a high standard of ethics while conducting all forms of business activities. The Group has its own code of ethics and regularly conducts workshops on ethical behaviour and procedures on anti-corruption for its staff. A copy of the code of ethics is given to all new recruits. • The growth of social media has resulted in a free expression of customer reviews and complaints. The corporate communication unit, manages the corporate social media accounts and monitors them constantly. • An on-going brand monitoring and approval process is in place to mitigate potential brand threats and is monitored across media sources. • All SBUs performs continuous assessment on customer satisfaction. In addition, prompt follow up actions are carried out on complaints and suggestions made by customers. • The Group seeks strict adherence to statutory requirements and environmental regulations to the extent of enhancing the environment in some instances, if desirable. • Corporate reporting is in line with GRI standards and integrated reporting guidelines. • The Group facilitates priority focus on positive interactions with key stakeholders to improve stakeholders experiences. Independent stakeholder engagement studies are being carried out across the Group. • Strong corporate values are embedded, supported by appropriate performance incentives. • The Group maintains positive culture towards compliance with laws and regulations.

Environmental risk

Risk rating for 2015/2016	MEDIUM
Mitigation strategies adopted	• The Group has an integrated approach to sustainability and a key element of that strategy is the commitment to protect the environment, especially the ecosystems the Group operates in. • All SBUs are expected to identify activities that have adverse impacts on the environment and establish necessary control measures to mitigate if not eliminate the impact to the environment. • The company maintains over forty Environmental Management Systems (EMS's), aligned to ISO 1440:2004 standards, ten of which are certified EMS. In the plantation segment Forestry Stewardship Council (FSC) certification standards are maintained by fourteen estates, while the upcountry cluster estates are rainforest alliance certified. The printing segment and the inbound travel segment offset their carbon emissions year on year. • Sustainability committees of the SBUs ensure adequate number of responsible personnel are trained as internal EMS auditors to monitor and maintain the above systems. • The Heritance chain of hotels obtained the ISO 50001 certification for energy management systems and also monitors carbon emissions. It has the honour of being the first organisation to obtain this certification in Sri Lanka. The Group is working towards implementing systems to monitor greenhouse gas emission data and improve the disclosure of such data across the Group in the near future. • The Group continues to ensure that its products, services or activities have minimum impact on areas of high biodiverse value outside protected areas. • The Group maintains compliance with applicable laws, regulations and industry best practice standards on environmental concerns where applicable.

Principal risk

Risk rating for 2015/2016	HIGH
Mitigation strategies adopted	• The Group always seeks to maintain sound relationships with principals and business partners. • Frequent assessments on service levels are conducted to ensure that the required service standards of principal are met.

Technology risk

Risk rating for 2015/2016	MEDIUM
Mitigation strategies adopted	• The Group's centralised Information Technology (IT) division was awarded the Information Security Management Systems (ISMS) ISO 27001:2005 in 2014. This was upgraded to ISO 27001:2013 in 2015 which the division continues to maintain. This would be the governing practice for the entire Group for IT services. • As a part of the IT governance, the Group continues to carry out risk assessments based on environmental changes while mitigating associated risks and implementing corrective action plans against risks which are identified as high risk. • The Group has a comprehensive IT policy in place, on par with the above standards to ensure that adequate system controls are being adhered to. • The Group IT division; - continuously scans for PESTEL (Political Economic Social Technological Legal Environmental) changes and trends, and advises the SBUs on necessary updates, while maintaining a 5 year rolling forward roadmap. - continues to ensure up-to-date prevention of risks against the growing trends of threats against the information assets of the organisation. - continues to train and guide the employees towards best practices in addressing vulnerabilities and risk mitigations towards Information Security Management Systems (ISMS). - governs the business continuity practices and disaster recovery process for the organisation.

Occupational health and safety risk

Risk rating for 2015/2016	HIGH
Mitigation strategies adopted	• Occupational Health and Safety (OHS) officers are appointed throughout the Group and are provided with the necessary training and education (such as first aid and fire safety training) to handle this responsibility. • All appointed OHS officers in the Group are expected to carry out hazard identification inspection measures, allocate risk levels and implement required control measures to ensure the workplace is safe and healthy for all stakeholders. • As a new initiative to the capacity building efforts, peer forums for OHS officers were launched enabling them to interact and share their knowledge with other OHS officers across the Group. • OHS practices of the plantations segment is certified under the rainforest alliance certification. The apparel manufacture segment also maintains the above compliance standards that are platinum certified for compliance with the Worldwide Responsible Accredited Production (WRAP) system and the compliance+ certification of the Employers' Federation of Ceylon (EFC). The printing segment certified their OHS practices in the SBUs integrated management system (for EMS, QMS and OHS). The hotels and plantations segments also maintain food safety practices in line with the HACCP/ ISO 22000 certification and collectively maintain thirteen certified food safety management systems.

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, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Board of Directors of Aitken Spence PLC., has pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2016 which were approved on 28th May 2016.

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 & Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 232 to 240 of this 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 Group Performance Review of this 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 (SLFRSs/LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year. A detailed note of the accounting policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 142 to 157.

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. 624.9 million (2015 – Rs.593.2 million). The Group revenue was Rs. 26.0 billion (2015 – Rs. 35.3 billion). 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. 2.9 billion (2015 - Rs. 4.9 billion).The Group's profit attributable to the equity shareholders of the parent company for the year was Rs.2.0 billion (2015 - Rs.3.6 billion). The segmental profits are disclosed in note 6 to the Financial Statements.

4.2. Donations

During the year donations amounting to Rs.750,000/- were made by the Company, while the donations made by the other Group entities during the year amounted to Rs.1,373,169/-.

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.

As per the provisions of part III of the Finance Act No. 10 of 2015, the Company and Group paid super gain tax of Rs. 33.8 million and Rs. 319.3 million respectively. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards. Hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gain tax issued by the Institute of the Chartered Accountants of Sri Lanka dated 24th November 2015. As recommended by the SoAT, this expenditure has been recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1st April 2015.

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 24 and 33 to the Financial Statements. As per the notice published in the website of the Department of Inland Revenue on the 8th April 2016, regarding "Implementation of Proposals on Economic Service Charge and Income Tax on the Instruction of the Ministry of Finance", it has been proposed to introduced a standard corporate tax rate of 17.5% other than for specified business segments which would be taxed at a higher rate and tax exempt companies. The law is to be made effective from 1st April 2016. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka "On Application of Tax Rates in Measurement of Deferred Tax", as of the reporting date the deferred tax assets and liabilities are not measured at the proposed rate as it has not been substantially enacted/ legislated

4.4 Dividends

The Directors recommended a first and final dividend payment of Rs. 1.50 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 dividend.

For the year ended 31st March	Group 2016 Rs. '000	Group 2015 Rs. '000
Net profit before tax	3,805,508	5,709,923
Provision for taxation including deferred tax	(861,229)	(826,323)
Net profit after tax	2,944,279	4,883,600
Other comprehensive income	916,978	11,799
Total comprehensive income for the year	3,861,257	4,895,399
Total comprehensive income attributable to non-controlling interests	(1,188,549)	(1,317,358)
Total comprehensive income attributable to equity shareholders	2,672,708	3,578,041
Transactions directly recognised in the equity statement	(240,234)	1,729
Balance brought forward from the previous year	32,889,997	30,122,219
Amount available for appropriations	35,322,471	33,701,989
Final Dividend for 2014/2015 (2013/2014)	(811,992)	(811,992)
Total reserves and earnings	34,510,479	32,889,997
Stated Capital	2,135,140	2,135,140
Balance Attributable to Equity holders of the Company at the end of the period	36,645,619	35,025,137

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

5.1 Stated Capital and Reserves

As at 31st March 2016 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2.1 billion. The Company's reserves as at 31st March 2016 were Rs.11.2 billion (2015- Rs.10.6 billion) whereas the total Group's reserves as at 31st March 2016 were Rs. 34.5 billion (2015-Rs. 32.9 billion). The movement in these reserves is shown in the Statement of Changes in Equity – Company and Group on pages 139 and 138.

5.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2016 amounted to Rs.119 million and Rs.35.3 billion respectively. The total expenditure incurred on acquisition of property, plant and equipment including assets acquired from business combinations during the year by the Company and the Group amounted to Rs.13.7 million and Rs.8.0 billion respectively.

5.3. Investment Property

The carrying value of land and buildings classified as investment property of the Company and the Group as at 31st March 2016 amounted to Rs. 3.4 billion and Rs.1.6 billion 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 2013/2014, with the exception of those owned by Aitken Spence Hotel Holdings PLC, Golden Sun Resorts (Private) Limited and PR Holiday Homes Private Limited which were revalued during the financial year 2012/2013. Revaluation of these lands is performed with sufficient regularity so that the carrying values 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. In the event 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 checks 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 44 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 49 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 comprised of :

Deshamanya D.H.S. Jayawardena (Chairman)

Mr. J.M.S. Brito (Managing and Finance Director)

Dr. R.M. Fernando

Dr. P. Dissanayake

Ms. D.S.T. Jayawardena

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de Silva Deva Aditya

Mr. V.M. Fernando (retired w.e.f. 30.06.2015)

Mr. R.N. Asirwatham

All the above Directors of the Company with the exception of Mr. V.M. Fernando held office during the entire year. The profiles of the Directors are given on pages 28 to 29 of this Annual Report.

8.2 Board Sub Committees

The following Directors served as members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Related Party Transactions Review Committee.

Audit Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)

Mr. V.M. Fernando (retired w.e.f 30.06.2015)

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 (retired w.e.f 30.06.2015)

Mr. R.N. Asirwatham

Related Party Transactions Review Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

8.3 Re-election of Directors

Mr. C.H. Gomez 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 Deshamanya D.H.S. Jayawardena who has attained the age of 73 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 82 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 73 years and that he be re-elected as a Director at the Annual General Meeting.

8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor section on pages 227 to 228 of this 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 227 to 228 of this 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 2016 are disclosed on page 160 of the Financial Statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 46 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 2016 and Directors who ceased to hold office during the accounting period are indicated on pages 232 to 240 of this Annual Report.

9. Human Resources

The Human Resources strategies applied and practised 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 44 to 47 of this Annual Report.

10. Governance

The Group has not engaged in any activity which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules, 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 107 to 114 of this Annual Report.

11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the 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 119 to 125 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 133 and the Audit Committee Report set out on pages 116 and 117 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 in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 133 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 the Group's commitment as it continues to benchmark its 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 4,415 shareholders as at 31st March 2016. The distribution schedule of the number of shareholders and their share holdings are detailed on page 226 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2016 are given on page 227 of this Annual Report. The percentage of the shares held by the public as at 31st March 2016 was 36.48%.

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 229 to 231 of this Annual Report.

16. Auditors

The independent auditors' report on the Financial Statements is given on page 134 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 audit fees payable for the year to the Company auditors Messrs KPMG Chartered Accountants was Rs. 1.13 million.

In addition to the above Rs. 920,000/- 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 232 to 240 of this Annual Report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 12.35 million while a further Rs. 2.16 million was payable for permitted audit and non audit related services. In addition to the above Rs 6.35 million was payable to other auditors for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit and non audit related services was Rs. 6.63 million. 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
28th May 2016

Investing in the future

Taking the long term perspective

Financial Information

An account of the Group's results
for the year under review

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 2016 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.

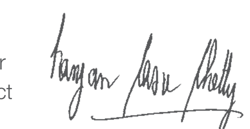
The Financial Statements presented in this Annual Report for the year ended 31st March 2016, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted 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 2016 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2016 reflect a true and fair view of the Company and the Group.

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

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its and the Companies within the Group 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
28th May 2016

KPMG
(Chartered Accountants)
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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 ("Group"), which comprise the statement of financial position as at March 31, 2016, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 135 to 213 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS

Colombo
May 28, 2016

Income statements

For the year ended 31st March	Notes	GROUP 2016 Rs.'000	GROUP 2015 Rs.'000	COMPANY 2016 Rs.'000	COMPANY 2015 Rs.'000
Revenue	7	25,977,795	35,318,891	624,946	593,174
Revenue taxes		(286,807)	(388,398)	(11,120)	(10,990)
Net revenue		25,690,988	34,930,493	613,826	582,184
Other operating income	8	174,645	507,572	1,553,228	847,437
Changes in inventories of finished goods and work-in-progress		(20,850)	58,757	-	-
Raw materials and consumables used		(1,825,981)	(9,023,459)	-	-
Employee benefits expense		(5,905,093)	(5,183,101)	(454,769)	(412,093)
Depreciation, amortisation and impairment of non-financial assets	9	(2,089,386)	(2,398,707)	(102,961)	(78,946)
Other operating expenses - direct	10	(7,483,985)	(7,712,699)	-	-
Other operating expenses - indirect		(4,643,836)	(5,522,147)	(265,755)	(319,036)
Profit from operations	9	3,896,502	5,656,709	1,343,569	619,546
Finance income	11	647,715	623,857	538,546	449,815
Finance expenses	11	(970,879)	(901,530)	(524,028)	(394,123)
Net finance income / (expense)		(323,164)	(277,673)	14,518	55,692
Share of profit of equity-accounted investees (net of tax)	23	232,170	330,887	-	-
Profit before tax		3,805,508	5,709,923	1,358,087	675,238
Income tax expense	12	(861,229)	(826,323)	42,097	(52,050)
Profit for the year		2,944,279	4,883,600	1,400,184	623,188
Attributable to:					
Equity holders of the company		2,027,112	3,579,008	1,400,184	623,188
Non-controlling interests		917,167	1,304,592	-	-
Profit for the year		2,944,279	4,883,600	1,400,184	623,188
Earnings per share - basic/diluted (Rs.)	13	4.99	8.82	3.45	1.53

The notes on pages 142 through 213 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of profit or loss and other comprehensive income

For the year ended 31st March	Notes	GROUP 2016 Rs.'000	GROUP 2015 Rs.'000	COMPANY 2016 Rs.'000	COMPANY 2015 Rs.'000
Profit for the year		2,944,279	4,883,600	1,400,184	623,188
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		-	90,961	-	-
Actuarial gains / (losses) on defined benefit obligations	34	17,821	(48,207)	4,210	(6,915)
Share of other comprehensive income of equity-accounted investees (net of tax)	23	19,452	(15,912)	-	-
Income tax on other comprehensive income	12	(3,941)	7,478	(1,179)	-
		33,332	34,320	3,031	(6,915)
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		826,893	(103,062)	-	-
Net change in fair value of available-for-sale financial assets		22,477	71,109	(1,868)	2,404
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(56)	9,432	(56)	(6,212)
Share of other comprehensive income of equity-accounted investees (net of tax)	23	34,332	-	-	-
		883,646	(22,521)	(1,924)	(3,808)
Other comprehensive income for the year, (net of tax)		916,978	11,799	1,107	(10,723)
Total comprehensive income for the year		3,861,257	4,895,399	1,401,291	612,465
Attributable to:					
Equity holders of the parent		2,672,708	3,578,041	1,401,291	612,465
Non-controlling interests		1,188,549	1,317,358	-	-
Total comprehensive income for the year		3,861,257	4,895,399	1,401,291	612,465

The notes on pages 142 through 213 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of financial position

As at	Notes	GROUP 31.03.2016 Rs.'000	GROUP 31.03.2015 Rs.'000 (Restated)	GROUP 01.04.2014 Rs.'000 (Restated)	COMPANY 31.03.2016 Rs.'000	COMPANY 31.03.2015 Rs.'000
ASSETS						
Non-current assets						
Property, plant and equipment	15	35,278,046	28,696,631	24,799,321	118,702	143,187
Investment properties	16	1,630,801	1,648,301	1,648,301	3,434,441	3,437,195
Intangible assets	17	867,223	558,040	651,796	21,876	30,862
Biological assets	18	25,838	-	-	-	-
Leasehold properties	19	2,006,728	1,906,527	1,461,100	-	-
Pre-paid operating leases	20	1,828,797	1,072,370	1,010,199	-	-
Finance lease receivable	21	-	-	2,245,884	-	-
Investments in subsidiaries	22	-	-	-	7,287,194	7,740,483
Investments in equity-accounted investees	23	9,771,984	5,403,518	3,367,589	2,850,235	498,980
Deferred tax assets	24	328,140	215,907	224,495	78,385	-
Other financial assets	25	257,799	279,346	339,540	43,779	89,733
		51,995,356	39,780,640	35,748,225	13,834,612	11,940,440
Current assets						
Inventories	26	1,195,831	1,484,504	1,723,718	2,322	1,999
Pre-paid operating leases	20	32,795	930	50	-	-
Finance lease receivable	21	-	1,333,200	146,948	-	-
Trade and other receivables	27	4,800,506	7,677,448	8,947,612	3,189,439	2,849,860
Current tax receivable		224,257	229,366	243,779	206,746	204,687
Deposits and prepayments		1,165,943	799,353	867,318	38,349	34,350
Other current assets	28	9,136,630	10,947,256	10,514,376	5,130,226	4,863,453
Cash and short-term deposits	29	4,653,788	2,911,135	2,672,100	1,397,670	185,561
		21,209,750	25,383,192	25,115,901	9,964,752	8,139,910
Assets classified as held for sale	30	149,125	226,923	149,125	57,237	135,035
Total assets		73,354,231	65,390,755	61,013,251	23,856,601	20,215,385
EQUITY AND LIABILITIES						
Equity						
Stated capital	31	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	31	15,248,423	13,867,687	13,883,457	7,259,908	6,507,996
Retained earnings		19,262,056	19,022,310	16,238,762	3,890,346	4,086,727
Total equity attributable to equity holders of the company		36,645,619	35,025,137	32,257,359	13,285,394	12,729,863
Non-controlling interests		7,554,724	7,211,980	6,617,863	-	-
Total Equity		44,200,343	42,237,117	38,875,222	13,285,394	12,729,863
Non-current liabilities						
Interest-bearing liabilities	32	12,242,494	9,436,495	7,312,336	3,684,817	2,690,920
Deferred tax liabilities	33	678,010	655,224	635,979	-	-
Employee benefits	34	718,654	635,684	545,527	100,414	98,240
		13,639,158	10,727,403	8,493,842	3,785,231	2,789,160
Current liabilities						
Interest-bearing liabilities	32	3,736,594	2,723,741	1,626,693	1,770,729	1,161,334
Provisions	35	-	-	457,751	-	-
Trade and other payables	36	9,783,515	7,074,023	6,402,722	4,831,831	3,279,879
Current tax payable		554,937	538,103	594,741	-	-
Other current liabilities	37	-	639	-	-	530
Bank overdrafts and other short-term borrowings	29	1,439,684	2,089,729	4,562,280	183,416	254,619
		15,514,730	12,426,235	13,644,187	6,785,976	4,696,362
Total equity and liabilities		73,354,231	65,390,755	61,013,251	23,856,601	20,215,385

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 142 to 213.
I certify that the financial statements for the year ended 31st March 2016 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

28th May 2016
Colombo, Sri Lanka

Consolidated statement of changes in equity

For the year ended 31st March 2016	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Available for sale reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the company									
	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 2014 (re-stated)	2,135,140	6,541,269	127,521	6,390,190	817,683	6,794	16,238,762	32,257,359	6,617,863	38,875,222
Profit for the year	-	-	-	-	-	-	3,579,008	3,579,008	1,304,592	4,883,600
Other comprehensive income for the year (note 31.3.1)	-	67,757	-	-	(85,207)	68,106	(51,623)	(967)	12,766	11,799
Total comprehensive income for the year	-	67,757	-	-	(85,207)	68,106	3,527,385	3,578,041	1,317,358	4,895,399
Share of net assets of equity-accounted investees	-	-	-	-	-	-	(1,827)	(1,827)	(625)	(2,452)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	3,556	3,556	(133,675)	(130,119)
Transfer of revaluation reserve on disposal	-	(221,126)	-	-	-	-	221,126	-	-	-
Transfer to general reserve	-	-	-	154,700	-	-	(154,700)	-	-	-
Dividends for 2013/2014	-	-	-	-	-	-	(811,992)	(811,992)	-	(811,992)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(588,941)	(588,941)
Total contributions and distributions recognised directly in equity	-	(221,126)	-	154,700	-	-	(743,837)	(810,263)	(723,241)	(1,533,504)
Balance as at 31st March 2015	2,135,140	6,387,900	127,521	6,544,890	732,476	74,900	19,022,310	35,025,137	7,211,980	42,237,117
Super gain tax (note 12.4)							(274,277)	(274,277)	(45,009)	(319,286)
Adjusted balance as at 01st April 2015	2,135,140	6,387,900	127,521	6,544,890	732,476	74,900	18,748,033	34,750,860	7,166,971	41,917,831
Profit for the year	-	-	-	-	-	-	2,027,112	2,027,112	917,167	2,944,279
Other comprehensive income for the year (note 31.3.1)	-	-	-	-	593,835	19,532	32,229	645,596	271,382	916,978
Total comprehensive income for the year	-	-	-	-	593,835	19,532	2,059,341	2,672,708	1,188,549	3,861,257
Share of net assets of equity-accounted investees	-	-	-	-	-	-	(30)	(30)	(10)	(40)
Acquisition of non-controlling interest	-	-	20,919	-	(7,386)	-	37,829	51,362	(51,362)	-
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	17,096	17,096
Effect of capital reduction by subsidiary	-	-	-	-	-	-	-	-	(246,223)	(246,223)
Transfer to general reserve	-	-	-	753,836	-	-	(753,836)	-	-	-
Transaction costs on subsidiary share issue	-	-	-	-	-	-	(17,289)	(17,289)	(2,585)	(19,874)
Dividends for 2014/2015 (note 14)	-	-	-	-	-	-	(811,992)	(811,992)	-	(811,992)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(517,712)	(517,712)
Total contributions and distributions recognised directly in equity	-	-	20,919	753,836	(7,386)	-	(1,545,318)	(777,949)	(800,796)	(1,578,745)
Balance as at 31st March 2016	2,135,140	6,387,900	148,440	7,298,726	1,318,925	94,432	19,262,056	36,645,619	7,554,724	44,200,343

The notes on pages 142 through 213 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 2016	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 2014	2,135,140	6,363,478	(6,374)	4,437,146	12,929,390
Profit for the year	-	-	-	623,188	623,188
Other comprehensive income for the year (note 31.3.2)	-	-	(3,808)	(6,915)	(10,723)
Total comprehensive income for the period	-	-	(3,808)	616,273	612,465
Transfer to general reserve	-	154,700	-	(154,700)	-
Dividends for 2013/2014	-	-	-	(811,992)	(811,992)
Total contributions and distributions recognised directly in equity	-	154,700	-	(966,692)	(811,992)
Balance as at 31st March 2015	2,135,140	6,518,178	(10,182)	4,086,727	12,729,863
Super gain tax (note 12.4)				(33,768)	(33,768)
Adjusted balance as at 01st April 2015	2,135,140	6,518,178	(10,182)	4,052,959	12,696,095
Profit for the year	-	-	-	1,400,184	1,400,184
Other comprehensive income for the year (note 31.3.2)	-	-	(1,924)	3,031	1,107
Total comprehensive income for the period	-	-	(1,924)	1,403,215	1,401,291
Transfer to general reserve	-	753,836	-	(753,836)	-
Dividends for 2014/2015 (note 14)	-	-	-	(811,992)	(811,992)
Total contributions and distributions recognised directly in equity	-	753,836	-	(1,565,828)	(811,992)
Balance as at 31st March 2016	2,135,140	7,272,014	(12,106)	3,890,346	13,285,394

The notes on pages 142 through 213 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash flow statements

For the year ended 31st March	GROUP 2016 Rs.'000	GROUP 2015 Rs.'000	COMPANY 2016 Rs.'000	COMPANY 2015 Rs.'000
Cash flows from operating activities				
Profit before tax	3,805,508	5,709,923	1,358,087	675,238
Adjustments for				
Depreciation and amortisation	1,746,018	1,391,376	52,988	64,627
Impairment of intangible assets and finance lease receivables	50,000	1,007,179	-	-
Interest expense	873,846	806,365	515,532	384,516
(Gain)/loss on disposal of property, plant and equipment	(22,697)	(16,100)	(805)	(8,011)
(Gain)/loss on disposal of group investments	-	(6,724)	-	128,974
(Gain)/loss on disposal of equity securities classified as available-for-sale financial assets	(53)	9,315	(53)	(6,212)
Interest income	(647,715)	(623,857)	(538,546)	(449,815)
Share of profit of equity-accounted investees (net of tax)	(232,170)	(330,887)	-	-
Impairment of investments in subsidiaries	-	-	50,000	14,292
Impairment losses/(reversals) of inventories	293,368	152	(27)	27
Impairment losses/(reversals) and write offs of trade and other receivables and deposits	34,204	(20,051)	(926)	3,635
Recognition of assets held for sale	-	(77,798)	-	-
Net foreign exchange (gain) / loss	876,496	(147,614)	259,235	31,141
Provision for retirement benefit obligations	122,437	127,216	18,655	18,669
	3,093,734	2,118,572	356,053	181,843
Operating profit before working capital changes	6,899,242	7,828,495	1,714,140	857,081
(Increase)/decrease in trade and other receivables	2,855,488	988,728	(338,653)	(84,744)
(Increase)/decrease in inventories	11,489	116,210	(296)	141
(Increase)/decrease in deposits and prepayments	(379,340)	65,417	(3,999)	9,801
Increase/(decrease) in trade and other payables	2,683,335	927,200	1,681,610	819,245
Increase/(decrease) in provisions	-	(457,751)	-	-
	5,170,972	1,639,804	1,338,662	744,443
Cash generated from operations	12,070,214	9,468,299	3,052,802	1,601,524
Interest paid	(863,778)	(795,702)	(506,085)	(373,853)
Income tax paid	(1,300,080)	(841,593)	(73,294)	(41,177)
Retirement benefit obligations paid	(91,737)	(81,785)	(12,271)	(13,770)
	(2,255,595)	(1,719,080)	(591,650)	(428,800)
Net cash generated from/(used in) operating activities	9,814,619	7,749,219	2,461,152	1,172,724
Cash flows from investing activities				
Interest received from deposits	640,025	635,116	540,301	462,106
Assets/ liabilities acquired on business combination	(5,476,675)			
Investment in subsidiaries and equity accounted investees	(4,404,787)	(1,013,638)	(2,648,755)	(270,540)
Investment in equity and debt securities	(466)	(5,000)	-	(5,000)
Proceeds from disposal of subsidiary	-	289,587		17,252
Capital reduction by subsidiary	(246,223)	-	700,789	-
Acquisition of property, plant and equipment	(2,837,892)	(6,477,417)	(13,706)	(42,601)
Acquisition of intangible assets	(11,914)	(7,541)	(6,991)	(332)
Acquisition of biological assets	(25,838)	-	-	-
Acquisition of leasehold rights	-	(464,842)	-	-
Operating leases pre-paid	(734,516)	(44,003)	-	-
Proceeds from disposal of property, plant and equipment	191,921	191,565	4,738	12,044
Proceeds from disposal of investment property	17,500	-	-	-
Receipts on finance lease receivables	-	147,725	-	-
Proceeds from sale of equity and debt securities	45,801	144,684	45,857	60,346
Proceeds/(purchase) of other financial assets and liabilities (net)	3,289,970	(450,742)	(270,777)	(561,572)
Proceeds on retirement of assets held for sale	77,798	-	77,798	-
Dividends paid to non-controlling interests	(517,712)	(588,941)	-	-
Dividends received from equity accounted investees	322,234	186,259	-	-
Net cash generated from/(used in) investing activities	(9,670,774)	(7,457,188)	(1,570,746)	(328,297)

(carried forward to next page)

The notes on pages 142 through 213 form an integral part of these financial statements.

Figures in brackets indicate deductions.

For the year ended 31st March	GROUP 2016 Rs.'000	GROUP 2015 Rs.'000	COMPANY 2016 Rs.'000	COMPANY 2015 Rs.'000
(brought forward from previous page)				
Cash flows from financing activities				
Proceeds from interest-bearing liabilities	6,843,802	5,825,248	2,340,250	394,560
Repayment of interest-bearing liabilities	(3,647,621)	(2,729,268)	(1,000,680)	(382,500)
Issue of shares by subsidiaries	17,094	2,382	-	-
Transaction costs on subsidiary share issue	(19,874)	-	-	-
Dividends paid to equity holders of the parent	(941,651)	(675,796)	(941,651)	(675,796)
Net cash generated from / (used in) financing activities	2,251,750	2,422,566	397,919	(663,736)
Net increase in cash and cash equivalents	2,395,595	2,714,597	1,288,325	180,691
Cash and cash equivalents at the beginning of the year	821,406	(1,890,180)	(69,058)	(249,906)
Effect of movements in exchange rates	(2,897)	(3,011)	(5,013)	157
Cash and cash equivalents at the end of the year (note 29)	3,214,104	821,406	1,214,254	(69,058)

Notes to the cash flow statements

A. Business combination

During the period under review the Group invested in a 70% stake in a newly incorporated company in Oman, Aitken Spence Resorts (Middle East) LLC., which acquired the business of Al Falaj Hotel in Muscat, Oman. The fair value of assets and liabilities acquired in respect of this business combination are included below ;

	Rs.'000
Property, plant and equipment	(5,154,662)
Inventories	(16,184)
Employee benefits	70,361
Total identifiable net assets acquired at fair value	(5,100,485)
Goodwill on acquisition	(376,190)
Net cash outflow on acquisition of companies	(5,476,675)

The notes on pages 142 through 213 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 2016 comprise the financial statements of Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in equity-accounted investees.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 126, 232 to 240 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 acknowledges their responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "certification on the Statement of Financial Position".

2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2016 were authorised for issue by the Board of Directors on the 28th of May 2016.

2.4 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except that land, financial assets classified as available-for-sale and financial assets classified as fair value through profit or loss are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.5 Functional and presentation 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 unless otherwise indicated.

2.6 Use of materiality and offsetting

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

2.7 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:

2.7.1 Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.7.2 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.

2.7.3 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.

2.7.4 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.

2.7.5 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.

2.7.6 Recognition of deferred tax assets

Management applies significant judgment to the extent the 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 future tax jurisdictions.

2.8 Going concern

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

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.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages; and 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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. 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 Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

3.1.3 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 interests "in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

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

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments by 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.

3.1.4 Loss of control

On the loss of control, the Group immediately derecognises the assets including goodwill 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 or 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.

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

3.1.5 Equity accounted investees (investments in associates and joint ventures)

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

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

Associates and joint ventures are treated as equity accounted investees and are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost, which includes transaction costs. 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 is 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 net of tax.

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 on 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 associate or the joint control over the joint venture , 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 Reporting date

All the Group's subsidiaries, and equity accounted investees have the same reporting period as the parent company other than the companies mentioned below.

Fiji Ports Terminal Limited, a subsidiary company, whose financial year ends on 31st of December.

Fiji Ports Corporation Limited, an associate company, whose financial year ends on 31st of December.

Interlifts International (Private) Limited, a subsidiary company, whose financial year ends on 30th of April.

3.1.7 Intra-group transactions

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

3.1.8 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 initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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 retranslation 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 the rate of exchange 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 except to the extent the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of in a manner 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. If the Group disposes of only part of its interest in the subsidiary but retains control, the relevant portion of the translation reserve is transferred to non-controlling interest. When the Group disposes of only part of its interest in an equity accounted investee that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount of the translation reserve 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, if the transaction costs are significant.

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 and 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 also 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 them together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries, the amount of loss incurred and 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 occurred, and it does not exceed what the amortised cost would have been had the impairment not been recognised.

3.3.1.2.2 *Available-for-sale finacial assets*

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 or 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 and financial guarantee contracts.

3.3.2.2 Derecognition of financial 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.

Changes therein are recognised in the Income Statement.

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 and 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 the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 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 and 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 of. 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 depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as investment properties.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is measured at its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS 40) -“Investment Property”. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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	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 of 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.

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset 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.

3.6.3 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 impractical 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 costs incurred and licensed for use by the Group, which do not form an integral part of related hardware, and can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

In accordance with 3.7.3 above, the Group companies assess the useful life of each computer software that has a finite useful life. Based on this assessment the Group companies amortise computer software over approximately 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.

In accordance with 3.7.3 above, the Group companies assess the useful life of website costs that has a finite useful life. Based on this assessment the Group companies amortise website costs over approximately 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.

Goodwill is subsequently 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 Plantations

The plantation companies in the Group adopt certain accounting policies,which differ from that of the rest of the Group, since their nature of operations is significantly different from that of the rest of the Group. The accounting policies adopted are in accordance with LKAS 41 Agriculture and the guideline issued by the Institute of Chartered Accountants of Sri Lanka on bearer biological assets.

3.8.1 Biological assets

The Group manages the biological transformation of certain fruit plants for harvesting of agricultural produce from such plants and includes those and the respective nursery plants under biological assets. In addition, Elpitiya Plantations Plc., an equity accounted investee recognises tea, rubber, oil palm, coconut and cinnamon plantations managed by them as biological assets in their financial statements

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber, fruit and other trees, that are not intended to be sold or harvested, but grown for harvesting of agricultural produce from such biological assets. Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.1.1 Immature plantations

The Group measures immature plantations at cost. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting ie: when the planted area attains maturity, are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on such plantations are transferred to mature plantations when it attains maturity.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting ie: when the planted area attains maturity, are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets which comes into bearing during the year, is transferred to mature plantations.

3.8.1.2 Nursery plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.8.1.3 Depreciation and amortisation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful economic lives of each component of biological assets.

Mature plantations (Group)	
Passion fruit	5 years
Pineapple	5 years
Papaya	4 years
Sour sop	50 years

Mature plantations – (Elpitiya Plantations PLC)	
Tea	33 1/3 Years
Rubber	20 Years
Oil Palm	20 Years
Coconut	50 Years
Cinnamon	20 Years

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period of the farm land, whichever is lower.

3.9 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.

3.10 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.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity- accounted investee is not longer accounted.

3.11 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.

3.11.1 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.

3.11.2 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.

3.12 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.

3.13 Employee benefits

3.13.1 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 in cash as ex-gratia in the short term, 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.

3.13.2 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.

3.13.2.1 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.

3.13.2.2 Employees 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

3.13.2.3 Employee provident fund – South India

Group companies in South India contribute a sum of 12% of the basic salaries of for local employees and 12% of gross salary for foreign employees as provident fund benefits to the Employee Provident Organisation of India.

3.13.2.4 Employee provident fund – Fiji

Group companies in Fiji contribute a sum of 10% of the basic salaries of all employees as provident fund benefits to Fiji National Provident Fund.

3.13.2.5 Defined Contribution Fund – Oman

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

3.13.3 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

3.13.3.1 Retiring Gratuity - Sri Lanka

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.

Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur.

3.13.3.2 Retiring Gratuity – Oman

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

3.14 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.

3.14.1 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.

3.15 Revenue

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

3.15.1 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.

3.15.2 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.

3.15.3 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.

3.15.3.1 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.

3.15.3.2 Loyalty points programme of hotel companies

'Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group's hotels in Sri Lanka 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.

3.15.3.3 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.

3.15.3.4 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.

3.15.3.5 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.

3.15.4 Use by others of entity assets

3.15.4.1 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.

3.15.4.2 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.

3.15.4.3 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.

3.16 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.

3.17 Finance income /(expenses)

Finance income comprises 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.

3.18 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.

3.19 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.

3.19.1 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.

3.19.1.1 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.

3.19.1.2 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.

3.19.2 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.

3.19.3 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 is carried forward and set off against the income tax payable as per the relevant provisions in the Act.

3.20 Operating segments

An operating segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses that relate to transactions with the 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 232 to 240.

3.21 Movement of reserves

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

3.22 Cash flow

The statement of cash flows is reported based on the "indirect method".

3.23 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 42 and 44 to the financial statements.

3.24 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.

3.25 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4 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 value is disclosed in the notes specific to that asset or liability

4.1 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.

4.2 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 market values,this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.3 Investment property

Investment property is valued for disclosure purposes by the Directors based on market value, this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4.4 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.

4.5 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 and the current price 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.

4.6 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.

4.7 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.

5 New and amended standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing theses financial statements. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date. The Group will be adopting these standards as and when they become effective.

SLFRS 9 – Financial Instruments – effective for annual periods beginning on or after 1st of January 2018

SLFRS 14 – Regulatory Deferral Accounts– effective for annual periods beginning on or after 1st of January 2016

SLFRS 15 – Revenue from Contracts with Customers– effective for annual periods beginning on or after 1st of January 2018

Disclosure Initiative (Amendments to LKAS 1) - effective for annual periods beginning on or after 1st January 2016

Amendments to SLFRS 10, SLFRS 12 and LKAS 28 – Investment Entities: Applying the Consolidation Exception - effective for annual periods beginning on or after 1st of January 2016

Amendments to LKAS 27 – Equity Method in Separate Financial Statements - effective for annual periods beginning on or after 1st of January 2016

Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - effective for annual periods beginning on or after 1st of January 2016

Amendments to SLFRS 11 – Accounting for Acquisitions of Interests in Joint Operations - effective for annual periods beginning on or after 1st of January 2016

6 Operating segments

6.1 Business segments

6.1.1 Business segment analysis of group revenue and profit

	Tourism sector		Maritime & logistics sector		Strategic investments		Services sector		Total	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Total revenue generated	18,249,643	17,829,450	8,278,653	7,738,781	5,941,562	15,165,970	1,181,395	1,086,303	33,651,253	41,820,504
Intra-segmental revenue	(1,089,915)	(985,772)	(239,067)	(219,414)	(635,952)	(56,365)	(67,083)	(29,619)	(2,032,017)	(1,291,170)
Total revenue with inter - segmental revenue	17,159,728	16,843,678	8,039,586	7,519,367	5,305,610	15,109,605	1,114,312	1,056,684	31,619,236	40,529,334
Inter - segmental revenue	(14,652)	(23,496)	(93,315)	(290,652)	(246,843)	(213,041)	(203,003)	(178,086)	(557,813)	(705,275)
Total revenue with equity-accounted investees	17,145,076	16,820,182	7,946,271	7,228,715	5,058,767	14,896,564	911,309	878,598	31,061,423	39,824,059
Share of equity-accounted investees' revenue	(3,424,568)	(3,006,134)	(681,850)	(482,162)	(969,216)	(1,015,408)	(7,994)	(1,464)	(5,083,628)	(4,505,168)
Revenue from external customers	13,720,508	13,814,048	7,264,421	6,746,553	4,089,551	13,881,156	903,315	877,134	25,977,795	35,318,891
Profit from operations	2,946,956	3,974,501	1,230,874	706,411	(489,206)	825,635	207,878	150,162	3,896,502	5,656,709
Finance income	166,525	265,989	47,726	44,839	415,838	297,811	17,626	15,218	647,715	623,857
Finance expenses	(417,200)	(237,587)	(66,116)	(60,596)	(478,298)	(595,628)	(9,265)	(7,719)	(970,879)	(901,530)
Share of profit of equity-accounted investees (net of tax)	86,771	227,326	118,519	44,830	57,012	84,772	(30,132)	(26,041)	232,170	330,887
Profit before tax	2,783,052	4,230,229	1,331,003	735,484	(494,654)	612,590	186,107	131,620	3,805,508	5,709,923
Income tax expense	(494,607)	(551,968)	(289,162)	(121,611)	(15,494)	(103,644)	(61,966)	(49,100)	(861,229)	(826,323)
Profit for the year	2,288,445	3,678,261	1,041,841	613,873	(510,148)	508,946	124,141	82,520	2,944,279	4,883,600
Depreciation and amortisation	1,076,823	837,755	249,505	235,882	334,320	238,543	85,370	79,196	1,746,018	1,391,376
Impairment losses / (reversals) and write offs	7,959	(6,283)	6,684	6,662	356,124	974,974	6,805	11,927	377,572	987,280
Other non-cash expenses	34,307	30,850	36,186	42,482	41,296	43,129	10,648	10,755	122,437	127,216

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

6.1.2 Business segment analysis of group assets and liabilities

	Tourism sector		Maritime & logistics sector		Strategic investments		Services sector		Total	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Segment assets	33,606,894	29,979,653	6,133,432	7,141,924	20,173,527	19,426,671	2,694,389	2,713,376	62,608,242	59,261,624
Investments in equity-accounted investees	5,612,048	3,729,241	3,112,779	633,300	863,137	826,780	184,020	214,197	9,771,984	5,403,518
Goodwill on consolidation	-	-	-	-	-	-	-	-	824,880	498,690
Assets classified as held for sale	-	-	-	-	-	-	-	-	149,125	226,923
Total assets	39,218,942	33,708,894	9,246,211	7,775,224	21,036,664	20,253,451	2,878,409	2,927,573	73,354,231	65,390,755
Segment liabilities	14,723,017	11,044,120	2,780,973	2,072,735	10,943,258	9,339,114	636,175	627,204	29,083,423	23,083,173
Eliminations / adjustments	-	-	-	-	-	-	-	-	70,465	70,465
Total liabilities	14,723,017	11,044,120	2,780,973	2,072,735	10,943,258	9,339,114	636,175	627,204	29,153,888	23,153,638
Additions to non-current assets	2,802,037	5,870,907	373,788	576,077	360,260	486,620	48,237	60,199	3,584,322	6,993,803

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	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sri Lanka	20,283,613	28,617,345	13,153,314	22,611,478
Maldives	10,720,663	11,210,295	10,177,504	10,749,979
Other countries	2,646,977	1,992,864	2,646,977	1,957,434
	33,651,253	41,820,504	25,977,795	35,318,891

6.2.2 Geographical information - non-current assets

	Non current assets	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Sri Lanka	23,522,586	20,264,515
Maldives	10,200,354	8,971,134
Other countries	7,675,552	4,642,783
	41,398,492	33,878,432
Investments in equity-accounted investees	9,771,984	5,403,518
Goodwill on consolidation	824,880	498,690
	51,995,356	39,780,640

7 Revenue

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Rendering of services	22,309,589	31,011,252	566,147	528,080
Sale of goods	3,668,206	3,852,346	-	-
Lease interest income	-	455,293	-	-
Royalty income	-	-	58,799	65,094
	25,977,795	35,318,891	624,946	593,174

8 Other operating income

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	1,578,368	966,551
Dividends from available-for-sale financial assets	3,017	2,742	213	142
Gain / (loss) on disposal of subsidiaries	-	6,724	-	(128,974)
Gain / (loss) on disposal of equity securities classified as available-for-sale financial assets	53	(9,315)	53	6,212
Gain / (loss) on disposal of property, plant and equipment	22,697	16,100	805	8,011
Insurance income	7,256	350,967	-	-
Net foreign exchange gain / (loss)	117,281	125,268	(26,263)	(5,913)
Sundry income	24,341	15,086	52	1,408
	174,645	507,572	1,553,228	847,437

9 Profit from operations

Profit from operations is stated after charging the following:

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Cost of inventories and services	15,522,716	22,248,900	452,362	397,077
Directors' remuneration and fees	472,689	353,389	108,548	84,493
Auditors' remuneration				
- KPMG	12,349	11,517	1,130	1,050
- Other auditors	6,348	5,028	-	-
Fees paid to auditors for non-audit services				
- KPMG	2,163	2,986	920	2,047
- Other auditors	6,628	6,248	-	-
Depreciation, amortisation and impairment of non-financial assets				
- Depreciation of property, plant and equipment and investment property	1,648,283	1,286,496	37,011	42,098
- Amortisation of intangible assets and operating leases	97,735	104,880	15,977	22,529
- Impairment of intangible assets	50,000	50,000	-	-
- Impairment of finance lease receivables	-	957,179	-	-
- Impairment losses / (reversals) of inventories	293,368	152	(27)	27
- Impairment of investments in subsidiaries	-	-	50,000	14,292
Total of depreciation, amortisation and impairment of non-financial assets	2,089,386	2,398,707	102,961	78,946
Impairment losses / (reversals) and write offs of trade & other receivables and deposits	34,204	(20,051)	(926)	3,635
Operating lease payments	523,993	505,838	-	-
Legal Expenses	9,570	8,720	3,180	1,181
Defined contribution plan cost - EPF & ETF	388,969	333,808	46,693	40,388
Defined contribution plan cost - Overseas (Maldives, South India, Fiji and Oman)	72,044	57,858	-	-
Defined benefit plan cost - Retirement benefits	122,437	127,216	18,655	18,669

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	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Finance income				
Interest income on financial assets classified as fair value through profit or loss	102,087	123,575	102,087	123,575
Interest income on loans and receivables	535,652	499,250	424,116	314,427
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	9,976	1,032	530	-
	647,715	623,857	538,546	449,815
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(873,223)	(804,836)	(515,532)	(384,516)
Net change in fair value of financial assets classified as fair value through profit or loss	(623)	(1,529)	-	(530)
Other finance charges	(97,033)	(95,165)	(8,496)	(9,077)
	(970,879)	(901,530)	(524,028)	(394,123)

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 81.5 million.(2014/2015 - 119.5 million). (Company-nil). The average rate of borrowing costs eligible for capitalisation for the Indian rupee denominated borrowing is 11%, the US dollar denominated borrowing is 2.92% and the Sri Lankan rupee denominated borrowing is 4.38%

12 Income tax expense

The income tax provision of Aitken Spence PLC., its subsidiaries and equity accounted investees which are resident in Sri Lanka have 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
Aitken Spence Hotels (International) (Pvt) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite
Ahungalla Resorts Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 Years*
Negombo Beach Resorts (Pvt) Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 Years*
Aitken Spence C & T Investments (Pvt) Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 Years*
Turyaa Resorts (Pvt) Ltd (formally Aitken Spence Resorts (Pvt) Ltd)	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 Years*
Ace Apparels (Pvt) Ltd	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 Years*
Ace Wind Power (Pvt) Limited	Section 17 of BOI Law No. 4 of 1978	5 years ending 2018/2019
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 years ending 2018/2019

* Income tax exemption would commence either from the first year the company makes profits or not later than two years from the commencement of commercial operations.

Companies liable to tax at concessionary rates

Company	Tax Rate and Statute
Ace Container Repair (Pvt) Ltd	12% under section 52 of the Inland Revenue Act No. 10 of 2006
Ace Exports (Pvt) Ltd	12% under section 52 & 56 of the Inland Revenue Act No. 10 of 2006
Aitken Spence (Garments) Ltd	12% under section 52 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Apparels (Pvt) Ltd	12% under section 56 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Hotel Holdings PLC	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Hotel Managements (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Plantation Managements PLC	12% under section 46 of Inland Revenue Act No. 10 of 2006
Elpitiya Plantations PLC	Agricultural profits liable for tax at 10% under section 48A of Inland Revenue Act No. 10 of 2006
Golden Sun Resorts (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Hethersett Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Kandalama Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
MPS Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Paradise Resorts Pasikudah (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006
Aitken Spence Property Developments (Pvt) Ltd	20% under section 17 of BOI Law No. 4 of 1978
Logilink (Pvt) Ltd	10% for 2 years ending 2016/2017 and 20% thereafter under section 17 of BOI Law No. 4 of 1978
Vauxhall Property Developments (Pvt) Ltd	2% of turnover under section 17 of BOI Law No. 4 of 1978 for 15 years ending 2018/2019

In addition to the above, the following income tax exemptions / 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 for which payments received in foreign currency are exempt from income tax in terms of section 13 (ddd).
- Profits and income from transhipment agency fees are liable for tax at the rate of 12% in terms of section 59.
- Profits and income earned in foreign currency from the supply of any services by an agent of a ship operator to such agent's foreign principal are liable for tax at the rate of 12% in terms of section 58.
- 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 the rate of 10%.
- Maximum of 25% qualifying payment deduction under section 34 (2)(s), for expansion purposes with investments in fixed assets of not less than Rs. 50 million made by any undertaking on or after 1st April 2011 but prior to 1st April 2014 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
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits are liable to tax at 12% in Oman and income derived from Maldives is subject to withholding tax*. Such profits and income are exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006
Aitken Spence Ports International Ltd	Mozambique, Fiji	Profits and income derived from Mozambique and Fiji are subject to withholding tax* and exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006.

* Profits and income derived from the provision of services to non-resident companies operating in Maldives, Fiji and Mozambique are subject to withholding tax at 10%, 15% and 20% respectively.

12.3 Companies incorporated and operating outside Sri Lanka

Company	Country	Tax Status
Crest Star (BVI) Ltd	British Virgin Islands	Not liable
Crest Star Ltd	Hong Kong	Not liable
Aitken Spence Resorts (Middle East) LLC	Oman	Liable at 12% as per Oman tax law
Ace Aviation Services Maldives (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
ADS Resorts (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Cowrie Investments (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Interlifts International (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Jetan Travel Services Company (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Spence Maldives (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Unique Resorts (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Ace Resorts (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Fiji Ports Terminal Ltd (Ports Terminal Ltd)	Fiji	Liable at 20% as per Fiji tax law
Fiji Ports Corporation Ltd.	Fiji	Liable at 20% as per Fiji tax law
Aitken Spence Hotel Services (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
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Liable at 34.61% as per Indian tax law
Ace Bangladesh Ltd	Bangladesh	Liable at 37.5% as per Bangladesh tax law

12.4 Super gain tax

As per the provisions of part III of the Finance Act No. 10 of 2015, the Group and the Company paid super gain tax of Rs. 319.3 million and Rs. 33.8 million respectively. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gain tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015. As recommended by the SoAT, this expenditure has been recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1st April 2015.

12.5 Measurement of deferred tax assets and liabilities

As per the notice published in the website of the Department of Inland Revenue on 8th April 2016, regarding “Implementation of Proposals on Economic Service Charge and Income Tax on the Instruction of the Ministry of Finance”, it has been proposed to reduce the corporate income tax rate from 28% to 17.5% from 01st April 2016.

However as of the reporting date, deferred tax assets and liabilities are not measured at the proposed rate, since the proposals have not been substantially enacted/legislated as per the “Guideline on Application of Tax Rates in Measurement of Deferred Tax” issued by the Institute of Chartered Accountants of Sri Lanka.

12.6 Tax recognised in income statements

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Current tax expense				
Tax on current year profits (note 12.8)	793,576	705,440	6,160	4,008
Under / (over) provision in respect of previous years	34,585	(1,624)	31,307	48,042
Withholding tax on dividends paid by subsidiaries	126,031	83,711	-	-
	954,192	787,527	37,467	52,050
Deferred tax expense / (income)				
Deferred tax expense / (income) (note 12.9)	(92,963)	38,796	(79,564)	-
	861,229	826,323	(42,097)	52,050

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 86.5 million (2014/2015 - Rs. 59.1 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.7 Tax recognised in other comprehensive income

12.7.1 Group

	2015/2016			2014/2015		
	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000
Revaluation of property, plant and equipment	-	-	-	90,961	-	90,961
Actuarial gains / (losses) on defined benefit obligations	17,821	(3,941)	13,880	(48,207)	7,478	(40,729)
Exchange differences on translation of foreign operations	826,893	-	826,893	(103,062)	-	(103,062)
Net change in fair value of available-for-sale financial assets	22,477	-	22,477	71,109	-	71,109
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(56)	-	(56)	9,432	-	9,432
Share of other comprehensive income of equity-accounted investees (net of tax)	53,784	-	53,784	(15,912)	-	(15,912)
	920,919	(3,941)	916,978	4,321	7,478	11,799

Tax recognised in other comprehensive income excludes, the Group's share of tax expense of the equity-accounted investees recognised in the other comprehensive income of Rs. 3.6 million - tax expense (2014/2015 - Rs. 3.0 million - tax income) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.7.2 Company

	2015/2016 Before tax Rs.'000	2015/2016 Tax (expense) / income Rs.'000	2015/2016 Net of tax Rs.'000	2014/2015 Before tax Rs.'000	2014/2015 Tax (expense) / income Rs.'000	2014/2015 Net of tax Rs.'000
Actuarial gains / (losses) on defined benefit obligations	4,210	(1,179)	3,031	(6,915)	-	(6,915)
Net change in fair value of available-for-sale financial assets	(1,868)	-	(1,868)	2,404	-	2,404
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(56)	-	(56)	(6,212)	-	(6,212)
	2,286	(1,179)	1,107	(10,723)	-	(10,723)

12.8 Reconciliation of the accounting profits and current year tax

	GROUP 2015/2016 Rs.'000	GROUP 2014/2015 Rs.'000	COMPANY 2015/2016 Rs.'000	COMPANY 2014/2015 Rs.'000
Profit before tax	3,805,508	5,709,923	1,358,087	675,238
Consolidation adjustments	(231,244)	(434,639)	-	-
Profit after adjustments	3,574,264	5,275,284	1,358,087	675,238
Income not liable for income tax	(826,872)	(1,110,301)	(83,396)	(24,766)
Effect of revenue subject to tax at source	757,723	784,173	61,604	40,076
Adjusted profit	3,505,115	4,949,156	1,336,295	690,548
Non - taxable receipts / gains	(86,157)	(49,230)	(1,578,368)	(966,551)
Aggregate disallowed expenses	3,485,478	2,208,904	466,803	397,665
Capital allowances	(2,453,380)	(1,772,103)	(29,358)	(37,974)
Aggregate allowable deductions	(899,718)	(984,117)	(312,972)	(87,119)
Utilisation of tax losses	(132,019)	(97,575)	-	-
Qualifying payment deductions	(83,176)	(83,176)	-	-
Current year tax losses not utilised	1,726,941	427,711	179,204	43,507
Taxable income	5,063,084	4,599,570	61,604	40,076
Income tax charged at;				
Standard rate of 28%	101,403	92,647	-	-
Concessionary rate of 10% or 12%	119,035	97,640	-	-
Other rates	917	837	-	-
Varying rates on off - shore profits	572,221	514,316	6,160	4,008
	793,576	705,440	6,160	4,008

12.9 Deferred tax expense/ (income)

	GROUP 2015/2016 Rs.'000	GROUP 2014/2015 Rs.'000	COMPANY 2015/2016 Rs.'000	COMPANY 2014/2015 Rs.'000
Deferred tax expense / (income) arising from ;				
Property, plant and equipment	111,849	77,860	20,818	-
Defined benefit obligations	(36,749)	(4,339)	(29,295)	-
Tax losses carried forward	(166,898)	(25,191)	(71,087)	-
Undistributed profits of consolidated entities	-	(8,707)	-	-
Other items	(1,165)	(827)	-	-
	(92,963)	38,796	(79,564)	-

12.10 Tax losses carried forward

	GROUP 2015/2016 Rs.'000	GROUP 2014/2015 Rs.'000	COMPANY 2015/2016 Rs.'000	COMPANY 2014/2015 Rs.'000
Tax losses brought forward	4,113,770	5,014,324	83,242	132,995
Adjustments to tax loss brought forward and tax losses arising during the year	(164,808)	(802,980)	170,639	(49,753)
Utilisation of tax losses	(132,019)	(97,575)	-	-
	3,816,943	4,113,770	253,882	83,242

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. 136.3 million (2014/2015 - Rs. 587.0 million). For the Company, there were no deferred tax assets unaccounted on losses as at 31.03.2016 (2014/2015 - 23.3 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 2015/2016	GROUP 2014/2015	COMPANY 2015/2016	COMPANY 2014/2015
Net profit attributable to ordinary shareholders of the parent (Rs.)	2,027,112,354	3,579,007,541	1,400,183,997	623,187,932
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	4.99	8.82	3.45	1.53

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

	2015/2016 Rs.'000	2014/2015 Rs.'000
Final ordinary dividend recommended Rs.1.50 per share (2014/2015 - Rs.2.00 per share)	608,994	811,992
	608,994	811,992

The Directors have recommended a final dividend payment of Rs. 1.50 per share for the year ended 31st March 2016 to be approved at the Annual General Meeting on 30th June 2016.

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 2016.

15 Property, plant and equipment

15.1 Group

	Freehold Land Rs.'000	Freehold buildings Rs.'000	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Leasehold motor vehicles Rs.'000	Furniture and fittings Rs.'000	Capital work-in-progress Rs.'000	Total Rs.'000
Cost or revaluation								
Balance as at 01st April 2015	8,246,241	14,253,621	8,488,077	2,707,219	29,834	1,643,392	4,898,638	40,267,022
Assets acquired from business combination	2,528,039	2,496,700	117,170	2,333	-	10,421	-	5,154,663
Exchange difference	(13,973)	615,920	176,047	128,331	11,023	36,818	38,311	992,477
Additions	-	456,661	1,228,090	310,323	9,817	130,264	702,737	2,837,892
Capitalisation of lease amortised (note 19 & 20)	-	-	-	-	-	-	24,299	24,299
Transfer to other current assets (note 28)	-	(304,769)	(1,481,939)	(37,108)	-	(4,647)	-	(1,828,463)
Other transfers	42,385	3,780,401	2,208,282	4,840	99,727	110,749	(4,916,843)	1,329,541
Disposals / write-offs	-	-	(891,991)	(108,259)	(5,747)	(21,265)	(1,732)	(1,028,994)
Balance as at 31st March 2016	10,802,692	21,298,534	9,843,736	3,007,679	144,654	1,905,732	745,410	47,748,437
Accumulated depreciation / impairment								
Balance as at 01st April 2015	-	4,177,573	4,471,125	1,791,285	15,816	1,114,592	-	11,570,391
Exchange difference	-	230,155	119,031	85,230	8,179	26,776	-	469,371
Charge for the year	-	548,728	746,566	214,260	13,451	125,278	-	1,648,283
Transfer to other current assets	-	(133,848)	(188,508)	(28,596)	-	(3,282)	-	(354,234)
Transfers	-	794	(76,132)	(1,925)	79,720	(6,107)	-	(3,650)
Disposals / write-offs	-	-	(745,765)	(88,436)	(5,747)	(19,822)	-	(859,770)
Balance as at 31st March 2016	-	4,823,402	4,326,317	1,971,818	111,419	1,237,435	-	12,470,391
Carrying amount as at 31st March 2016	10,802,692	16,475,132	5,517,419	1,035,861	33,235	668,297	745,410	35,278,046
Carrying amount as at 31st March 2015	8,246,241	10,076,048	4,016,952	915,934	14,018	528,800	4,898,638	28,696,631

The value of property, plant and equipment pledged by the Group as security for facilities obtained from banks amounted to Rs. 5,774.2 million (2014/2015- Rs. 651.7 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, land owned by Group companies are revalued by independent professional valuers at least once in every five years unless there is an indication of a significant change in the market rates. 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 and equipment which requires provision in the financial statements.

Property plant and equipment as at 31st March 2016 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 2,195.6 million that are still in use (2014/2015 - Rs. 1,735.1 million).

15.2 Company

	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Total Rs.'000
Cost or revaluation				
Balance as at 01st April 2015	145,130	136,346	92,422	373,898
Additions	9,592	-	4,114	13,706
Disposals / write-offs	(14,073)	(13,600)	(13,982)	(41,655)
Balance as at 31st March 2016	140,649	122,746	82,554	345,949
Accumulated depreciation / impairment				
Balance as at 01st April 2015	121,878	59,249	49,584	230,711
Charge for the year	9,829	16,328	8,100	34,257
Disposals / write-offs	(13,869)	(9,870)	(13,982)	(37,721)
Balance as at 31st March 2016	117,838	65,707	43,702	227,247
Carrying amount as at 31st March 2016	22,811	57,039	38,852	118,702
Carrying amount as at 31st March 2015	23,252	77,097	42,838	143,187

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 2016 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 99.6 million that are still in use (2014/2015 - Rs.110.7 million).

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2016 Rs.'000	Revaluation surplus and exchange difference Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence PLC. [a]	315, Vauxhall Street, Colombo 02	31.03.2014	1 A 0 R 12.78 P	907,095	905,938	1,157
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
Meeraladuwa (Pvt) Ltd. [a]	Meeraladuwa Island, Ahungalla	23.01.2014	29 A 2 R 9.00 P	450,830	350,568	100,262
Aitken Spence (Garments) Ltd.[a]	222, Agalawatte Road, Matugama	08.02.2014	2 A 3 R 0 P	25,300	20,140	5,160
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]	90, St.Rita's Estate, Mawaramandiya	06.02.2014	3 A 0 R 25.08 P	50,500	26,072	24,428
Turyaa Resorts (Pvt) Ltd. [a]	Kudawaskaduwa, Kalutara	21.01.2014	1 A 3 R 23.20 P	86,000	34,022	51,978
Turyaa Resorts (Pvt) Ltd. [a]	Kudawaskaduwa, Kalutara	21.01.2014	0 A 1 R 34.30 P	16,700	2,725	13,975
Branford Hydropower (Pvt) Ltd. [a]	No 225, Gangabada Road, Kaludawela, 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 (Pvt) 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	14 A 0 R 7.52 P	188,930	44,790	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
				7,659,562	6,285,904	1,373,658

The above lands have 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 Messers N. Raj Kumar and Associates, India.

15.3.2 Land carried at cost (fair value)

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2016 Rs.'000
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
Perumbalam Resorts (Pvt) Ltd.	Cochin - Kerala, India	30.04.2012	4 A 0 R 9.00 P	9,060
Aitken Spence Hotel Managements (South India) Ltd.	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	09.06 2014	0 A 3 R 15.14 P	513,759
Aitken Spence Resorts (Middle East) LLC.	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	2,528,039
				3,143,130

Above land which were acquired within the last five years have not been revalued since the acquisition cost represent the fair value.

15.3.3 Total carrying amount of land

	Carrying amount as at 31.03.2016 Rs.'000
Land carried at revalued amount	7,659,562
Land carried at cost / fair value	3,143,130
	10,802,692

16 Investment properties

16.1 Movement during the year

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Cost or revaluation				
Balance at the beginning of the period	1,648,301	1,648,301	3,494,039	3,494,039
Disposals / write-offs	(17,500)	-	-	-
Balance at the end of the period	1,630,801	1,648,301	3,494,039	3,494,039
Accumulated depreciation / impairment				
Balance at the beginning of the period	-	-	56,844	54,094
Charge for the year	-	-	2,754	2,750
Balance at the end of the period	-	-	59,598	56,844
Carrying amount as at 31st March	1,630,801	1,648,301	3,434,441	3,437,195

16.2 Details of investment properties

Location	Extent	Carrying value of investment property Group Rs.'000	Carrying value of investment property Company Rs.'000	Number of buildings
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	-	192,650	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	546,620	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	-
		1,630,801	3,434,441	

Properties which are occupied by 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 at revalued amounts. These properties are treated as investment property in the relevant company's statement of financial position at cost, 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 2016 for the Group was Rs. 1,631 million (2014/2015 - Rs.1,648 million)., and for the company as at 31st March 2016 was Rs. 3,789 million (2014/2015 - Rs. 3,792 million).

16.4 Income earned from investment properties

Total rent income earned by the company from the investment properties during the year was Rs. 17.6 million (2014/2015 - Rs. 18.1 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 Rs.'000	Software Rs.'000	Other intangibles Rs.'000	Total Rs.'000
Cost or valuation				
Balance as at 01.04.2015-restated	647,459	329,326	2,262	979,047
Assets acquired from business combination	376,190	-	-	376,190
Exchange difference	-	2,544	814	3,358
Additions	-	11,757	157	11,914
Transfers	-	(261)	261	-
Balance as at 31.03.2016	1,023,649	343,366	3,494	1,370,509
Accumulated amortisation / impairment				
Balance as at 01.04.2015	148,769	271,015	1,223	421,007
Exchange difference	-	2,482	796	3,278
Amortisation for the year	-	28,458	552	29,010
Impairment during the year	50,000	-	-	50,000
Transfers from property, plant and equipment	-	(243)	234	(9)
Balance as at 31.03.2016	198,769	301,712	2,805	503,286
Carrying amount as at 31.03.2016	824,880	41,654	689	867,223
Carrying amount as at 31.03.2015	498,690	58,311	1,039	558,040

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2014/2015- nil).

Intangible assets as at 31st March 2016 includes fully amortised assets having a gross carrying amount (cost) of Rs. 179.9 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 2015/2016 Rs.'000	Software 2014/2015 Rs.'000
Cost or valuation		
Balance at the beginning of the period	160,244	159,912
Additions	6,991	332
Balance at the end of the period	167,235	160,244
Accumulated amortisation / impairment		
Balance at the beginning of the period	129,382	106,853
Charge for the year	15,977	22,529
Balance at the end of the period	145,359	129,382
Carrying amount as at 31st March	21,876	30,862

There were no intangible assets pledged by the Company as security for facilities obtained from the banks (2014/2015 - nil).

Intangible assets as at 31st March 2016 includes fully amortised assets having a gross carrying amount (cost) of Rs. 100.3 million that are still in use (2014/2015 - Rs. 113.2 million).

18 Biological assets

18.1 Immature biological assets

	GROUP 2015/2016 Rs.'000	GROUP 2014/2015 Rs.'000
Balance at the beginning of the period	-	-
Additions during the period	25,838	-
Balance at the end of the period	25,838	-

19 Leasehold properties

	GROUP 2015/2016 Rs.'000	GROUP 2014/2015 Rs.'000
Cost		
Balance at the beginning of the period	2,336,433	1,830,220
Exchange difference	199,259	41,371
Additions	-	464,842
Balance at the end of the period	2,535,692	2,336,433
Accumulated amortisation		
Balance at the beginning of the period	429,906	369,120
Exchange difference	39,097	8,128
Amortisation for the period	50,132	52,658
Capitalisation of lease amortised	9,829	-
Balance at the end of the period	528,964	429,906
Carrying amount as at 31st March	2,006,728	1,906,527

Leasehold properties represent the acquisition cost of leasehold rights of some of the hotel properties in the Maldives.

20 Operating leases

20.1 Pre-paid operating leases

	GROUP 2015/2016 Rs.'000	2014/2015 Rs.'000
Balance at the beginning of the period	1,073,300	1,010,249
Additions during the period	734,516	44,003
Less: amortisation for the period	(18,593)	(895)
Less: capitalisation of lease amortised	(14,470)	-
Exchange difference	86,839	19,943
Balance at the end of the period	1,861,592	1,073,300
Current portion of pre-paid operating leases	32,795	930
Non-current portion of pre-paid operating leases	1,828,797	1,072,370

Prepaid lease rentals for the properties marked "*" in note 20.3 are recognised under pre-paid operating leases.

Amortisation for properties marked "**" in note 20.3 will commence on or after financial year 2016/2017.

20.2 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	GROUP 2015/2016 Rs.'000	2014/2015 Rs.'000
Lease rentals payable within one year	549,520	504,152
Lease rentals payable between one and five years	2,618,749	2,354,880
Lease rentals payable after five years	7,269,357	7,312,789
	10,437,626	10,171,821

20.3 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels (Pvt) Ltd.	Dambulla	26 years
Hethersett Hotels Ltd.	Nuwara Eliya	78 years
Jetan Travel Services Company (Pvt) Ltd. * **	Maldives	25 years
Cowrie Investments (Pvt) Ltd. * **	Maldives	32 years
Cowrie Investments (Pvt) Ltd. * **	Maldives	49 years
ADS Resorts (Pvt) Ltd. * **	Maldives	10 years
Unique Resorts (Pvt) Ltd. * **	Maldives	29 years
Ace Resorts (Pvt) Ltd. *	Maldives	49 years
Ace Container Terminals (Pvt) Ltd. *	Biyagama	71 years
Ace Container Terminals (Pvt) Ltd. *	Katunayake	71 years
Ace Power Embilipitiya (Pvt) Ltd.	Embilipitiya	17 years
Branford Hydropower (Pvt) Ltd.	Matale	11 years
Ace Windpower (Pvt) Ltd	Ambewela	17 years
Ace Apparels (Pvt) Ltd. *	Koggala	48 years
Fiji Ports Terminal Ltd.	Fiji	11 years
Aitken Spence Agriculture (Pvt) Ltd *	Dambulla	28 years
Ace Distriparks (Pvt) Ltd *	Mihinthale	27 years

21 Finance lease receivables

21.1 Movement during the year

	GROUP 2015/2016 Rs.'000	2014/2015 Rs.'000
Balance at the beginning of the period	1,333,200	2,392,832
Less: settlements during the period	-	(147,725)
Less: impairment for the year	-	(957,179)
Transfer to Property, plant and equipment*	(1,333,200)	-
Exchange difference	-	45,272
Balance at the end of the period	-	1,333,200
Current portion of finance lease receivables	-	1,333,200
Non-current portion of finance lease receivables	-	-

* The power plant owned by Ace Power Embilipitiya (Pvt) Ltd., which was operated in accordance with a Power Purchase Agreement (PPA) dated 9th May 2003 entered into with the Ceylon Electricity Board, and recognised under IFRIC 4, was transferred to property plant and equipment upon the expiry of the above PPA during the year.

21.2 Ageing of gross finance lease receivables and present value of lease receivables

	31.03.2016 Gross investment Rs.'000	Unearned income Rs.'000	Present value Rs.'000	31.03.2015 Gross investment Rs.'000	Unearned income Rs.'000	Present value Rs.'000
Not Later than one year	-	-	-	1,333,200	-	1,333,200
One to five years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-
	-	-	-	1,333,200	-	1,333,200

22 Investments in subsidiaries

22.1 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
a) Ordinary Shares							
Ace Apparels (Pvt) Ltd.	Sri Lanka	13,100,000	100.00	100.00	-	131,000	131,000
Ace Cargo (Pvt) Ltd. (c)	Sri Lanka	990,000	100.00	100.00	-	245,173	245,173
Ace Container Repairs (Pvt) Ltd. (c)	Sri Lanka	2,250,000	100.00	100.00	-	22,500	22,500
Ace Container Terminals (Pvt) Ltd. (c)	Sri Lanka	1,550,002	100.00	100.00	-	15,500	15,500
Ace Containers (Pvt) Ltd. (c)	Sri Lanka	4,010,000	100.00	100.00	-	40,100	40,100
Ace Distriparks (Pvt) Ltd. (c)	Sri Lanka	8,900,000	100.00	100.00	-	89,000	89,000
Ace Exports (Pvt) Ltd.	Sri Lanka	1,400,000	100.00	100.00	-	14,000	14,000
Ace Freight Management (Pvt) Ltd. (c)	Sri Lanka	5,222,500	100.00	100.00	-	36,307	36,307
Ace International Express (Pvt) Ltd. (c)	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Printing and Packaging (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Windpower (Pvt) Ltd.	Sri Lanka	37,050,000	100.00	100.00	-	430,000	132,500
Aitken Spence Apparels (Pvt) Ltd.	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Aitken Spence Cargo (Pvt) Ltd. (c)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd. (d)	Sri Lanka	52,500	100.00	100.00	-	514	514
Aitken Spence Group Ltd. (b) (c)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Hotel Managements (Pvt) Ltd. (d)	Sri Lanka	4,020,000	100.00	100.00	-	40,200	40,200
Aitken Spence Insurance (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd.	Sri Lanka	152,740	100.00	100.00	-	1,500	1,500
Aitken Spence Maritime Ltd. (c)	Sri Lanka	140,000	100.00	100.00	-	1,400	1,400
Aitken Spence Printing and Packaging (Pvt) Ltd.	Sri Lanka	10,000,000	100.00	100.00	-	100,000	100,000
Aitken Spence Shipping Ltd. (c)	Sri Lanka	2,038,072	100.00	100.00	-	132,717	132,717
Aitken Spence Technologies (Pvt) Ltd. (b)	Sri Lanka	1,577,506	100.00	100.00	-	13,888	13,888
Branford Hydropower (Pvt) Ltd.	Sri Lanka	16,400,100	100.00	100.00	-	223,000	223,000
Logilink (Pvt) Ltd. (c)	Sri Lanka	30,000,000	100.00	100.00	-	222,690	222,690
Royal Spence Aviation (Pvt) Ltd. (a)	Sri Lanka	50,000	100.00	100.00	-	500	500
Spence International (Pvt) Ltd. (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Spence Logistics (Pvt) Ltd. (c)	Sri Lanka	25,000	100.00	100.00	-	650	650
Triton (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	50	50
Vauxhall Cargo Logistics (Pvt) Ltd. (c)	Sri Lanka	10,000,000	100.00	100.00	-	50,000	50,000
Vauxhall Investments (Pvt) Ltd.	Sri Lanka	1,320,000	100.00	100.00	-	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd.	Sri Lanka	11,270,000	100.00	100.00	-	153,401	153,401
Aitken Spence Developments (Pvt) Ltd. (c)	Sri Lanka	46,000	92.00	92.00	8.00	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd. (b)	Sri Lanka	74,865,000	90.09	99.96	0.04	748,650	748,650
Western Power Company (Pvt) Ltd. (a)	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd. (a)	Sri Lanka	154,686	77.35	77.35	22.65	11,542	11,542
Aitken Spence Moscow (Pvt) Ltd.	Sri Lanka	37,500	75.00	75.00	25.00	375	375
Ace Power Embilipitiya (Pvt) Ltd. (a)	Sri Lanka	124,033,413	74.00	74.00	26.00	703,626	1,404,415
Ace Aviation Services (Pvt) Ltd. (c)*	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd.	Sri Lanka	998,750	50.00	50.00	50.00	26,257	26,257
MMBL Money Transfer (Pvt) Ltd. (a) (b)	Sri Lanka	3,000,000	50.00	50.00	50.00	35,566	35,566
Aitken Spence Hotel Managements Asia (Pvt) Ltd. (b) (d)*	Sri Lanka	4,924,500	49.00	86.99	13.01	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd. (a) (d)*	Sri Lanka	10,323,225	49.00	86.99	13.01	99,000	99,000
Kandalama Hotels (Pvt) Ltd. (d)*	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050
Ace Aviation Services Maldives (Pvt) Ltd.	Maldives	490	49.00	49.00	51.00	639	639
Interlifts International (Pvt) Ltd.	Maldives	38,550	65.00	65.00	35.00	3,258	3,258
Ace Alliance Power Ltd. (a)	Bangladesh	6,400	64.00	64.00	36.00	96	96
Bhairob Power Ltd. (a)	Bangladesh	5,100	51.00	51.00	49.00	80	80
Fiji Ports Terminal Ltd. (a) (c)	Fiji Islands	1,572,993	51.00	60.80	39.20	749,242	749,242
Aitken Spence Agriculture (Pvt) Ltd. (a) (b)	Sri Lanka	2	100.00	100.00	-	-	-
Aitken Spence Corporate Finance (Pvt) Ltd.	Sri Lanka	-		100.00	-	-	-
A E Lanka (Pvt) Ltd.*	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Aviation (Pvt) Ltd. (a)*	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Resources (Pvt) Ltd. (d)*	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Shipping Services Ltd. (c)*	Sri Lanka	-	-	100.00	-	-	-
Clark Spence and Company (Pvt) Ltd. (c)*	Sri Lanka	-	-	100.00	-	-	-
DBS Logistics (Pvt) Ltd. (a) (c)*	Sri Lanka	-	-	100.00	-		
Aitken Spence Ports International Ltd. (c)*	Sri Lanka	-	-	100.00	-	-	-
Turyaa Resorts (Pvt) Ltd. (d)*	Sri Lanka	-	-	74.49	25.51	-	-
Golden Sun Resorts (Pvt) Ltd. (d)*	Sri Lanka	-	-	74.49	25.51	-	-
M.P.S. Hotels (Pvt) Ltd. (d)*	Sri Lanka	-	-	74.49	25.51	-	-
Meeraladuwa (Pvt) Ltd. (d)*	Sri Lanka	-	-	74.49	25.51	-	-
Neptune Ayurvedic Village (Pvt) Ltd. (d)*	Sri Lanka	-	-	74.49	25.51	-	-

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Heritance (Pvt) Ltd. (d)*	Sri Lanka	-	-	73.01	26.99	-	-
Aitken Spence Hotels Ltd. (d)*	Sri Lanka	-	-	73.01	26.99	-	-
Hethersett Hotels Ltd. (d)*	Sri Lanka	-	-	65.29	34.71	-	-
Hapag-Lloyd Lanka (Pvt) Ltd. (a) (c)*	Sri Lanka	-	-	60.00	40.00	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (c)*	Sri Lanka	-	-	50.00	50.00	-	-
Aitken Spence Resorts (Middle East) LLC. (b)*	Oman	-	-	60.89	39.11	-	-
Aitken Spence Hotel Managements (South India) Ltd. (a)*	India	-	-	86.99	13.01	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	India	-	-	86.99	13.01	-	-
PR Holiday Homes (Pvt) Ltd. (a)*	India	-	-	73.57	26.43	-	-
Perumbalam Resorts (Pvt) Ltd. (a)*	India	-	-	73.57	26.43	-	-
Ace Resorts (Pvt) Ltd. (a) (d)*	Maldives	-	-	86.99	13.01		
ADS Resorts (Pvt) Ltd. (d)*	Maldives	-	-	86.99	13.01	-	-
Unique Resorts (Pvt) Ltd. (d)*	Maldives	-	-	86.99	13.01	-	-
Jetan Travel Services Company (Pvt) Ltd. (d)*	Maldives	-	-	70.77	29.23	-	-
Spence Maldives (Pvt) Ltd. (c)*	Maldives	-	-	60.00	40.00	-	-
Cowrie Investments (Pvt) Ltd. (a) (d)*	Maldives	-	-	44.69	55.31	-	-
Crest Star Ltd. (a)*	Hong Kong	-	-	74.49	25.51	-	-
Crest Star (BVI) Ltd. (a)*	British Virgin Islands	-	-	74.49	25.51	-	-
						4,820,224	5,223,513
b) Preference Shares							
Aitken Spence Aviation (Pvt) Ltd. (a)	Sri Lanka	500,000	100.00	100.00		5,000	5,000
Aitken Spence Hotel Holdings PLC. (a) (d)	Sri Lanka	16,500,000	100.00	100.00		165,000	165,000
Aitken Spence (Garments) Ltd.	Sri Lanka	4,000,000	72.70	72.70		40,000	40,000
						210,000	210,000
Provision for impairment of investments						(201,317)	(151,317)
						4,828,907	5,282,196

a,b,c,d - refer note 46

22.2 Investments in subsidiaries - quoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Aitken Spence Hotel Holdings PLC. (a) (d) (Ordinary Shares)	Sri Lanka	239,472,667	71.20	74.49	25.51	2,458,287	2,458,287
						2,458,287	2,458,287
Market value of quoted investments as at 31st March						12,692,051	16,044,669

22.3 Total carrying amount

	31.03.2016	31.03.2015
Investment in subsidiaries - unquoted	4,828,907	5,282,196
Investment in subsidiaries - quoted	2,458,287	2,458,287
	7,287,194	7,740,483

During the period under review the Company impaired one of its investments in the renewable power sector and recognised an impairment loss of Rs.50 million in the income statement under depreciation, amortisation and impairment of non-financial assets.

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels 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., Aitken Spence Hotel Management (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd.,Aitken Spence Ports International Ltd., or PR Holiday Homes (Pvt) Ltd.

Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., ADS Resorts (Pvt) Ltd., Unique Resorts (Pvt) Ltd., Ace Aviation Services Maldives (Pvt) Ltd., Ace Resorts (Pvt) Ltd., Interlifts International (Pvt) Ltd. and Spence Maldives (Pvt) Ltd. are incorporated in Maldives, Crest Star (BVI) Ltd. is incorporated in the British Virgin Islands, Crest Star Ltd. is incorporated in Hong Kong, Ace Alliance Power Ltd. and Bhairob Power Ltd. are incorporated in Bangladesh, PR Holiday Homes (Pvt) Ltd., Perumbalam Resorts (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Managements (South India) (Pvt) Ltd. are incorporated in India, Fiji Ports Terminal Ltd. is incorporated in Fiji Islands, Aitken Spence Resorts (Middle East) LLC. is incorporated in Oman, 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.112.5 million (2014/2015 - Rs.112.5 million)

Principal activities of the Group's interest in subsidiaries are described on pages 232 to 238.

a,b,c,d - refer note 46

22.4 Non-controlling interests

The following table summarises the financial information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	31.03.2016				31.03.2015			
	Aitken Spence Hotel Holding PLC & Group	Other individually immaterial subsidiaries	Intra-group eliminations	Total	Aitken Spence Hotel Holding PLC & Group	Other individually immaterial subsidiaries	Intra-group eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets	32,631,901				22,776,605			
Current assets	5,816,313				10,011,662			
Non-current liabilities	(8,598,275)				(5,707,821)			
Current liabilities	(6,015,036)				(5,211,214)			
Net assets	23,834,903				21,869,232			
Carrying amount of non-controlling interests	6,428,141	1,126,583	-	7,554,724	5,709,105	1,502,875	-	7,211,980
Revenue	13,378,071				13,270,918			
Profit for the year	2,087,762				3,435,622			
Other comprehensive income for the year, net of tax	756,009				138,795			
Total comprehensive income for the year	2,843,771				3,574,417			
Profit for the year allocated to non-controlling interests	660,445	256,722	-	917,167	924,825	379,767	-	1,304,592
Other comprehensive income for the year, net of tax allocated to non-controlling interests	230,553	40,829	-	271,382	55,450	(42,684)	-	12,766
Total comprehensive income for the year allocated to non-controlling interests	890,998	297,551	-	1,188,549	980,275	337,083	-	1,317,358
Cash flows from operating activities	3,467,472				3,986,229			
Cash flows from investing activities	(6,495,310)				(6,137,472)			
Cash flows from financing activities	1,409,694				2,412,925			
Net increase in cash and cash equivalents	(1,618,144)				261,682			
Dividends paid to non-controlling interests	152,949	364,763		517,712	347,533	241,408		588,941

23 Investments in equity-accounted investees

		GROUP		COMPANY	
	Note	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	23.1.1	5,061,651	3,061,899	333,980	333,980
Interest in associates	23.2.1	4,710,333	2,341,619	2,516,255	165,000
Carrying amount as at 31st March		9,771,984	5,403,518	2,850,235	498,980
Recognised in the income statement					
Interest in joint ventures	23.1.2	227,402	261,053	-	-
Interest in associates	23.2.2	4,768	69,834	-	-
Share of profit of equity-accounted investees (net of tax)		232,170	330,887	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	23.1.2	1,137	(4,205)	-	-
Interest in associates	23.2.2	52,647	(11,707)	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		53,784	(15,912)	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as

	GROUP	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Items that will not be reclassified to profit or loss	19,452	(15,912)
Items that are or may be reclassified to profit or loss	34,332	-
	53,784	(15,912)

23.1.1 Interest in joint ventures

	GROUP				COMPANY			
	No. of shares	Holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000	No. of shares	Holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Aitken Spence Travels (Pvt) Ltd. (a) (consolidated with Ace Travels & Conventions (Pvt) Ltd.* and Aitken Spence Overseas Travel Services (Pvt) Ltd.*) (Ordinary shares - Unquoted)	1,704,000	50.00	60,876	60,876	1,704,000	50.00	60,876	60,876
Aitken Spence C & T Investments (Pvt) Ltd. (a) (b) (Ordinary shares - Unquoted)	14,170,000	50.00	141,700	141,700	14,170,000	50.00	141,700	141,700
EcoCorp Asia (Pvt) Ltd. (b) (d) (Ordinary shares - Unquoted)	125,100	50.00	131,404	131,404	125,100	50.00	131,404	131,404
Ahungalla Resorts Ltd.*(d) (Ordinary shares - Unquoted)	78,369,024	44.69	3,636,773	1,586,852			-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (a) (c)* (consolidated with Cinec Skills (Pvt) Ltd) (Ordinary shares - Unquoted)	253,334	40.00	502,950	502,950			-	-
Ace Bangladesh Ltd. (a)* (Ordinary shares - Unquoted)	39,200	49.00	8,400	4,790			-	-
Carrying amount as at 31st March			4,482,103	2,428,572			333,980	333,980
Share of movement in equity value			579,548	633,327				
Equity value of investments			5,061,651	3,061,899			333,980	333,980

23.1.2 Summarised financial information of joint ventures - Group

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Carrying amount of interest in joint ventures	5,061,651	3,061,899
Group's share of :		
- Profit for the year (net of tax)	227,402	261,053
- Other comprehensive income for the year (net of tax)	1,137	(4,205)
Total comprehensive income for the year	228,539	256,848

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Ace Cargo (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., or Aitken Spence Ports International Ltd.

Ace Bangladesh Ltd., is incorporated in Bangladesh while all other joint venture companies are incorporated in Sri Lanka.

Principal activities of the Group's interest in joint ventures are described on pages 239 to 240.

a,b,c,d - refer note 46

23.2.1 Investment in associates

	GROUP				COMPANY			
	No. of shares	Holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000	No. of shares	Holding %	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Aitken Spence Plantation Managements PLC., (a) (b) (consolidated with Elpitiya Plantations PLC .,(a) (b)) (Ordinary shares - Quoted)	8,295,860	38.95	165,000	165,000	8,295,860	38.95	165,000	165,000
Fiji Ports Corporation Ltd., (a) (c) (Ordinary Shares - Unquoted)	14,630,970	20.00	2,351,255	-	14,630,970	20.00	2,351,255	-
Browns Beach Hotels PLC., (a) (d)* (consolidated with Negombo Beach Resorts (Pvt) Ltd.) (d) (Ordinary shares - Quoted)	48,627,103	27.96	928,077	928,077	-	-	-	-
Amethyst Leisure Ltd. (d) * (consol with Paradise Resorts Passikudah (Pvt) Ltd. (d)) (Ordinary shares - Unquoted)	86,532,335	17.46	191,409	191,409	-	-	-	-
Carrying amount as at 31st March			3,635,741	1,284,486			2,516,255	165,000
Share of movement in equity value			1,074,592	1,057,133			-	-
Equity value of investments			4,710,333	2,341,619			2,516,255	165,000
Market value of quoted investments as at 31st March			1,957,842	1,593,328			377,462	377,462

23.2.2 Summarised financial information of associates - Group

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Carrying amount of interest in associates	4,710,333	2,341,619
Group's share of :		
- Profit for the year (net of tax)	4,768	69,834
- Other comprehensive income for the year (net of tax)	52,647	(11,707)
Total comprehensive income for the year	57,415	58,127

* Investments are held by Aitken Spence Hotel Holdings PLC.

Fiji Ports Corporation Ltd. is incorporated in Fiji Islands while all other associate companies are incorporated in Sri Lanka.

Principal activities of the Group's interest in associates are described on pages 239 to 240.

a,b,c,d - refer note 46

24 Deferred tax assets

24.1 Movement in deferred tax assets

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Balance at the beginning of the period	215,907	224,495	-	-
Exchange difference	10,741	1,097	-	-
Reversal of temporary differences transferred from/ (to) income statement				
Recognised in profit / (loss)	104,479	(14,479)	79,564	-
Recognised in other comprehensive income	(2,987)	4,794	(1,179)	-
Balance at the end of the period	328,140	215,907	78,385	-

24.2 Composition of deferred tax assets

	GROUP		COMPANY	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Deferred tax assets attributable to;				
Defined benefit obligations	96,745	65,796	28,116	-
Tax losses carried forward	300,379	192,270	71,087	-
Other items	29,093	22,673		-
Property, plant and equipment	(98,077)	(64,832)	(20,818)	-
Net deferred tax assets	328,140	215,907	78,385	-

24.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2016 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 31.03.2015 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 01.04.2014 Rs.'000
Deferred tax assets									
Defined benefit obligations	96,745	33,936	(2,987)	-	65,796	(2,659)	4,794	-	63,661
Tax losses carried forward	300,379	108,109	-	-	192,270	(48,311)	-	-	240,581
Other items	29,093	2,639	-	3,781	22,673	(406)	-	-	23,079
	426,217	144,684	(2,987)	3,781	280,739	(51,376)	4,794	-	327,321
Deferred tax liability									
Property, plant and equipment	(98,077)	(40,205)	-	6,960	(64,832)	36,897	-	1,097	(102,826)
	(98,077)	(40,205)	-	6,960	(64,832)	36,897	-	1,097	(102,826)
Net deferred tax assets	328,140	104,479	(2,987)	10,741	215,907	(14,479)	4,794	1,097	224,495

24.4 Movement in tax effect of temporary differences - Company

	31.03.2016 Rs.'000	Recognised in profit/(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	31.03.2015 Rs.'000	Recognised in profit/(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	01.04.2014 Rs.'000
Deferred tax assets							
Defined benefit obligations	28,116	29,295	(1,179)	-	-	-	-
Tax losses carried forward	71,087	71,087	-	-	-	-	-
	99,203	100,382	(1,179)	-	-	-	-
Deferred tax liability							
Property, plant and equipment	(20,818)	(20,818)	-	-	-	-	-
	(20,818)	(20,818)	-	-	-	-	-
Net deferred tax assets	78,385	79,564	(1,179)	-	-	-	-

25 Other financial assets - non - current

25.1 Unquoted debt securities and equity securities

	GROUP			COMPANY		
	No. of shares	31.03.2016 Rs.'000	31.03.2015 Rs.'000	No. of shares	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd. (Redeemable Debentures)	-	60,948	106,659	-	60,948	106,659
Rainforest Ecolodge (Pvt) Ltd. (Ordinary shares)	3,500,000	35,000	35,000	3,500,000	35,000	35,000
Business Process Outsourcing LLC. (Ordinary shares)	30,000	8,640	8,640	30,000	8,640	8,640
Floatels India (Pvt) Ltd. (Ordinary shares)	988,764	126,650	126,650	-	-	-
Cargo Village Ltd. (Ordinary shares)	40,900	823	357	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd. (Ordinary shares)	10,000	100	100	-	-	-
		232,161	277,406		104,588	150,299
Change in fair value of investments		71,349	47,651		(15,098)	(14,855)
Carrying amount as at 31st March		303,510	325,057		89,490	135,444
Current unquoted debt and equity securities		(45,711)	(45,711)		(45,711)	(45,711)
Non-current unquoted debt and equity securities		257,799	279,346		43,779	89,733

26 Inventories

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Raw materials	1,110,704	860,305	-	-
Work-in-progress and finished goods	187,552	79,401	-	-
Consumables	207,273	561,129	2,322	2,026
	1,505,529	1,500,835	2,322	2,026
Impairment of inventories	(309,698)	(16,331)	-	(27)
	1,195,831	1,484,504	2,322	1,999

Based on the new power purchase agreement signed between Ace Power Embilipitiya (Pvt) Ltd and the Ceylon Electricity Board (CEB) on 6th April 2016 (refer note 43) and the limitation on the tenure of the agreement, inventories of the company was recorded at net realisable value.

Value of inventories pledged as security for facilities obtained by the Group from banks, amounted to Rs. 432.3 million as at 31st March 2016. (2014/2015- Rs. 148.3 million) (Company-nil)

27 Trade and other receivables

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Trade receivables	3,372,711	5,619,715	27,957	31,073
Other receivables	1,037,734	1,439,114	78,364	408,722
Amounts due from subsidiaries	-	-	2,967,121	2,340,808
Amounts due from equity-accounted investees	454,230	680,684	126,187	77,393
Loans to employees	28,842	28,694	16,691	22,380
	4,893,517	7,768,207	3,216,320	2,880,376
Impairment of trade and other receivables	(93,011)	(90,759)	(26,881)	(30,516)
	4,800,506	7,677,448	3,189,439	2,849,860

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

	COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Balance as at the beginning of the period	22,380	25,801
Loans granted during the period	3,433	7,700
	25,813	33,501
Recoveries during the period	(9,122)	(11,121)
Balance at the end of the period	16,691	22,380

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

28 Other current assets

	Notes	GROUP		COMPANY	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Other financial assets - current	28.1	7,662,401	10,947,256	5,130,226	4,863,453
Transferred from property, plant and equipment	28.2	1,474,229	-	-	-
		9,136,630	10,947,256	5,130,226	4,863,453

28.1 Other financial assets - current

	Notes	GROUP		COMPANY	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Available-for-sale financial assets					
- Quoted equity securities	28.1.1	38,523	39,837	3,393	5,111
Loans and receivables					
- Unquoted debt securities and equity securities	25	45,711	45,711	45,711	45,711
- Bank deposits	28.1.2	7,007,013	9,447,159	4,512,773	3,398,789
Financial assets at fair value through profit or loss					
- Government securities	28.1.3	568,349	1,413,842	568,349	1,413,842
- Forward foreign exchange contracts	28.1.4	2,805	707	-	-
		7,662,401	10,947,256	5,130,226	4,863,453

28.1.1 Quoted equity securities

				COMPANY		
	No. of shares	31.03.2016 Rs.'000	31.03.2015 Rs.'000	No. of shares	31.03.2016 Rs.'000	31.03.2015 Rs.'000
DFCC Bank PLC (Ordinary shares)	24,770	399	399	24,770	399	399
Overseas Realty (Ceylon) PLC (Ordinary shares)	-	-	37	-	-	37
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
Hatton National Bank PLC (Ordinary shares)	196,874	4,060	4,060	-	-	-
		4,582	4,619		399	436
Change in fair value of investments		33,941	35,218		2,994	4,675
Carrying amount as at 31st March		38,523	39,837		3,393	5,111

28.1.2 Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

28.1.3 Government securities

Government securities are treasury bills and treasury bonds held for trading purposes and are measured at fair value through profit or loss.

28.1.4 Forward foreign exchange contracts

Net capital exposure of forward foreign exchange contracts

The Group's financial assets at fair value through profit or loss include forward foreign exchange contracts denominated in US dollars.

	GROUP		COMPANY	
	31.03.2016 US$'000	31.03.2015 US$'000	31.03.2016 US$'000	31.03.2015 US$'000
Net capital exposure	950	7,693	-	1,000

Derivative financial asset

Derivative financial asset recognised in respect of forward foreign exchange contracts arises due to the positive movement in fair value of forward contracts.

	GROUP	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Derivative financial asset recognised	2,805	707
	2,805	707

28.2 Transferred from property, plant and equipment

Based on the new power purchase agreement signed between Ace Power Embilipitiya (Pvt) Ltd., and the Ceylon Electricity Board (CEB) on the 6th April 2016 (refer note 43) and the limitation on the tenure of the agreement, the property plant and equipment of Ace Power Embilipitiya (Pvt) Ltd., was transferred to current assets.

29 Cash and cash equivalents

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Cash at bank and in hand	3,192,434	1,913,062	640,310	185,561
Short-term deposits	1,461,354	998,073	757,360	-
Cash and short-term deposits in the statement of financial position	4,653,788	2,911,135	1,397,670	185,561
Bank overdrafts and other short-term borrowings	(1,439,684)	(2,089,729)	(183,416)	(254,619)
Cash and cash equivalents in the statement of cash flows	3,214,104	821,406	1,214,254	(69,058)

30 Assets classified as held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/2008 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	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 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	85,477		77,798
	149,125	226,923	57,237	135,035

There were no discontinued operations recognised in the income statement during the period.

31 Stated capital and reserves

31.1 Stated capital

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Stated capital	2,135,140	2,135,140

	31.03.2016	31.03.2015
No. of shares	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.

31.2 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 the stated capital 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.

31.3 Other comprehensive income accumulated in reserves

31.3.1 Group

	Attributable to equity holders of the company					Non-controlling interests	Total equity
	Revaluation reserve	Exchange fluctuation reserve	Available-for-sale reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2016							
Revaluation of property, plant and equipment	-	-	-	-	-	-	-
Actuarial gains / (losses) on defined benefit obligations	-	-	-	16,442	16,442	1,379	17,821
Exchange differences on translation of foreign operations	-	559,503	-	-	559,503	267,390	826,893
Net change in fair value of available-for-sale financial assets	-	-	19,588	-	19,588	2,889	22,477
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(56)	-	(56)	-	(56)
Share of other comprehensive income of equity-accounted investees (net of tax)	-	34,332	-	19,468	53,800	(16)	53,784
Income tax on other comprehensive income	-	-	-	(3,681)	(3,681)	(260)	(3,941)
Total	-	593,835	19,532	32,229	645,596	271,382	916,978
For the year ended 31st March 2015							
Revaluation of property, plant and equipment	67,757	-	-	-	67,757	23,204	90,961
Actuarial gains / (losses) on defined benefit obligations	-	-	-	(42,113)	(42,113)	(6,094)	(48,207)
Exchange differences on translation of foreign operations	-	(85,207)	-	-	(85,207)	(17,855)	(103,062)
Net change in fair value of available-for-sale financial assets	-	-	63,512	-	63,512	7,597	71,109
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	4,594	-	4,594	4,838	9,432
Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	(15,987)	(15,987)	75	(15,912)
Income tax on other comprehensive income	-	-	-	6,477	6,477	1,001	7,478
Total	67,757	(85,207)	68,106	(51,623)	(967)	12,766	11,799

31.3.2 Company

	Available-for-sale reserve	Retained earnings	Total equity
	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2016			
Actuarial gains / (losses) on defined benefit obligations	-	4,210	4,210
Net change in fair value of available-for-sale financial assets	(1,868)	-	(1,868)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(56)	-	(56)
Income tax on other comprehensive income		(1,179)	(1,179)
Total	(1,924)	3,031	1,107
For the year ended 31st March 2015			
Actuarial gains / (losses) on defined benefit obligations	-	(6,915)	(6,915)
Net change in fair value of available-for-sale financial assets	2,404	-	2,404
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(6,212)	-	(6,212)
Total	(3,808)	(6,915)	(10,723)

32 Interest-bearing liabilities

32.1 Movement in interest-bearing liabilities

32.1.1 Group as at 31st March 2016

Bank / financial institution	Balance as at 31.03.2016	Transaction cost amortised	Impact of exchange rate fluctuation	New loans obtained during the year	Transferred out of interest bearing liabilities	Capital repayment	Balance as at 01.04.2015	Total interest paid 2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
HSBC	10,487,273	-	602,803	5,764,652	-	(2,114,668)	6,234,487	291,245
DEG	2,517,606	-	143,476	1,004,150	-	(363,180)	1,733,160	85,983
DFCC Bank	1,835,814	-	11,829	75,000	-	(455,863)	2,204,849	105,363
Commercial Bank of Ceylon	665,432	-	-	-	-	(86,485)	751,916	55,111
Hatton National Bank	489,423	-	-	-	-	(603,702)	1,093,125	49,219
Fiji Ports Corporation Ltd.	-	-	10,931	-	(155,815)	(23,722)	168,606	6,369
Transaction cost to be amortised	(16,460)	9,446	-	-	-	-	(25,906)	-
	15,979,088	9,446	769,039	6,843,802	(155,815)	(3,647,621)	12,160,236	593,290
Current portion of interest-bearing liabilities	(3,736,594)	-	-	-	-	-	(2,723,741)	-
Non-current portion interest-bearing liabilities	12,242,494	-	-	-	-	-	9,436,495	-

32.1.2 Company as at 31st March 2016

Bank / financial institution	Balance as at 31.03.2016 Rs.'000	Transaction cost amortised Rs.'000	Impact of exchange rate fluctuation Rs.'000	New loans obtained during the year Rs.'000	Capital repayment Rs.'000	Balance as at 01.04.2015 Rs.'000	Total interest paid 2015/2016 Rs.'000
DEG	2,517,606	-	143,476	1,004,150	(363,180)	1,733,160	85,983
HSBC	1,446,900	-	110,800	1,336,100	-	-	32,492
Commercial Bank of Ceylon	602,500	-	-	-	(72,500)	675,000	48,608
DFCC Bank	572,500	-	-	-	(372,500)	945,000	57,452
Hatton National Bank	332,500	-	-	-	(192,500)	525,000	32,870
Transaction cost to be amortised	(16,460)	9,446	-	-	-	(25,906)	-
	5,455,546	9,446	254,276	2,340,250	(1,000,680)	3,852,254	257,406
Current portion of interest-bearing liabilities	(1,770,729)	-	-	-	-	(1,161,334)	-
Non-current portion interest-bearing liabilities	3,684,817	-	-	-	-	2,690,920	-

32.2 Analysed by capital repayment

32.2.1 Group as at 31st March 2016

Bank / financial institution	Payable in less than 3 months Rs.'000	Payable within 3 - 12 months Rs.'000	Payable within 1 - 2 years Rs.'000	Payable within 2 - 5 years Rs.'000	Payable after 5 years Rs.'000	Total Rs.'000
HSBC	422,807	1,543,841	2,342,169	5,143,194	1,035,262	10,487,273
DEG	157,350	472,051	629,402	1,258,803	-	2,517,606
DFCC Bank	146,788	501,163	300,571	641,147	246,145	1,835,814
Commercial Bank of Ceylon	39,121	117,364	188,985	319,962	-	665,432
Hatton National Bank	85,858	257,573	115,931	30,061	-	489,423
Transaction cost to be amortised	(2,053)	(5,270)	(5,190)	(3,947)	-	(16,460)
	849,872	2,886,723	3,571,867	7,389,220	1,281,407	15,979,088

32.2.2 Company as at 31st March 2016

Bank / financial institution	Payable in less than 3 months Rs.'000	Payable within 3 - 12 months Rs.'000	Payable within 1 - 2 years Rs.'000	Payable within 2 - 5 years Rs.'000	Payable after 5 years Rs.'000	Total Rs.'000
DEG	157,350	472,051	629,402	1,258,803	-	2,517,606
HSBC	60,288	180,863	361,725	844,025	-	1,446,900
Commercial Bank of Ceylon	35,625	106,875	175,000	285,000	-	602,500
DFCC Bank	125,625	376,875	70,000	-	-	572,500
Hatton National Bank	65,625	196,875	70,000	-	-	332,500
Transaction cost to be amortised	(2,053)	(5,270)	(5,190)	(3,947)	-	(16,460)
	442,460	1,328,269	1,300,936	2,383,881	-	5,455,546

32.3 Analysed by interest rate

	GROUP				COMPANY			
	31.03.2016		31.03.2015		31.03.2016		31.03.2015	
	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000
Term loans linked to AWPLR								
DFCC Bank	1,704,048	1,131,548	2,051,056	1,106,058	572,500	-	945,000	-
Commercial Bank of Ceylon	665,432	62,932	751,916	76,916	602,500	-	675,000	-
Hatton National Bank	384,423	51,923	901,369	376,369	332,500	-	525,000	-
	2,753,903	1,246,403	3,704,341	1,559,343	1,507,500	-	2,145,000	-
Term loans linked to AWDR								
Hatton National Bank	105,000	45,000	191,756	-	-	-	-	-
	105,000	45,000	191,756	-	-	-	-	-
Term loans linked to LIBOR								
HSBC	9,419,717	7,972,817	5,383,038	5,383,038	1,446,900	-	-	-
DEG	2,517,606	-	1,733,160	-	2,517,606	-	1,733,160	-
DFCC Bank	131,767	131,767	153,791	153,791	-	-	-	-
	12,069,090	8,104,584	7,269,989	5,536,829	3,964,506	-	1,733,160	-
Term loans linked to EURIBOR								
HSBC	156,734	156,734	-	-	-	-	-	-
	156,734	156,734	-	-	-	-	-	-
Fixed rate term loans								
HSBC	910,821	910,821	851,449	851,384	-	-	-	-
Fiji Ports Corporation Ltd	-	-	168,607	-	-	-	-	-
	910,821	910,821	1,020,056	851,384	-	-	-	-
Transaction cost to be amortised	(16,460)	-	(25,906)	-	(16,460)	-	(25,906)	-
Total interest-bearing liabilities	15,979,088	10,463,542	12,160,236	7,947,556	5,455,546	-	3,852,254	-

Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 5,759.2 million, inventory of Rs. 432.3 million, investment in shares of Rs. 112.5 million, corporate guarantees of Rs. 7,499.1 million and leasehold rights of Maldives hotel properties of Rs. 4,120.2 million.

32.4 Analysed by currency equivalent in rupees

	GROUP			COMPANY		
	31.03.2016		31.03.2015	31.03.2016		31.03.2015
	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000
United States dollars	75%	12,069,090	7,269,989	72%	3,964,506	1,733,160
Sri Lankan rupees	18%	2,858,903	3,896,163	28%	1,507,500	2,145,000
Other currencies	7%	1,067,555	1,019,990		-	-
Transaction cost to be amortised		(16,460)	(25,906)		(16,460)	(25,906)
	100%	15,979,088	12,160,236	100%	5,455,546	3,852,254

33 Deferred tax liabilities

33.1 Movement in deferred tax liabilities

	GROUP	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Balance at the beginning of the period	655,224	635,979
Exchange difference	10,316	(2,388)
Origination of temporary differences transferred to / (from) income statement		
Recognised in profit / (loss)	11,516	24,317
Recognised in other comprehensive income	954	(2,684)
Balance at the end of the period	678,010	655,224

33.2 Composition of deferred tax liabilities

	GROUP	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Deferred tax liabilities attributable to ;		
Property, plant and equipment	815,877	733,261
Undistributed profits of consolidated entities	70,466	70,466
Defined benefit obligations	(42,203)	(39,837)
Tax losses carried forward	(165,441)	(106,652)
Other items	(689)	(2,014)
Net deferred tax liabilities	678,010	655,224

33.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2016 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 31st March 2015 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 1st April 2014 Rs.'000
Deferred tax liabilities									
Property, plant and equipment	815,877	71,644	-	10,972	733,261	114,757	-	(3,001)	621,505
Undistributed profits of consolidated entities	70,466	-	-	-	70,466	(8,707)	-	-	79,173
	886,343	71,644	-	10,972	803,727	106,050	-	(3,001)	700,678
Deferred tax assets									
Defined benefit obligations	(42,203)	(2,813)	954	(507)	(39,837)	(6,998)	(2,684)	538	(30,693)
Tax losses carried forward	(165,441)	(58,789)	-	-	(106,652)	(73,502)	-	-	(33,150)
Other items	(689)	1,474	-	(149)	(2,014)	(1,233)	-	75	(856)
	(208,333)	(60,128)	954	(656)	(148,503)	(81,733)	(2,684)	613	(64,699)
Net deferred tax liabilities	678,010	11,516	954	10,316	655,224	24,317	(2,684)	(2,388)	635,979

34 Employee benefits

34.1 Retirement benefits obligations

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Present value of unfunded obligations	718,654	635,684	100,414	98,240
Total present value of the obligation	718,654	635,684	100,414	98,240

34.2 Movement in present value of the defined benefit obligations

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Defined benefit obligations at the beginning of the period	635,684	545,527	98,240	86,426
Expenses recognised in profit or loss				
Current service cost	64,040	75,886	9,154	9,594
Interest cost	58,397	51,330	9,501	9,075
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	(68,995)	38,605	(7,659)	4,476
- demographic assumptions	-	-	-	-
- experience adjustment	51,174	9,602	3,449	2,439
Exchange difference	(270)	(1,780)	-	-
Others				
Benefits paid by the plan	(91,737)	(81,785)	(12,271)	(13,770)
Liabilities assumed on business combinations	70,361	-	-	-
Defined benefit obligations of companies disposed during the period	-	(1,701)	-	-
Defined benefit obligations at the end of the period	718,654	635,684	100,414	98,240

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 2016. The actuarial present value of the promised retirement benefits as at 31st March 2016 amounted to Rs. 718,653,836/- (Company - Rs. 100,414,214/-). The liability is not externally funded.

34.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

34.3.1 Financial assumptions

	2015/2016	2014/2015
- Discount rate	11.0% p.a.	9.5% p.a.
- Salary increments		
* Executive staff	11.0% p.a.	11.0% p.a.
* Non Executive and other staff	7.50% p.a.	7.50% p.a.

It is also assumed that the company will continue in business as a going concern.

34.3.2 Demographic assumptions

	2015/2016	2014/2015
- 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

34.4 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 liability in the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	31.03.2016		31.03.2015	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Discount rate (1% movement)	(50,742)	43,026	(44,590)	50,548
Salary increments (1% movement)	44,554	(52,750)	51,139	(45,834)

35 Provisions

	GROUP	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Balance at the beginning of the period	-	457,751
Additional provision for the period	-	180,526
Amounts used during the period	-	(112,849)
Impact due to expiry of the power purchase agreement	-	(525,428)
Balance at the end of the period	-	-

36 Trade and other payables

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Trade payables	896,569	1,181,065	-	-
Other payables	4,997,089	4,162,499	276,728	280,398
Amounts due to subsidiaries	-	-	957,728	1,281,662
Amounts due to equity-accounted investees	3,875,880	1,586,824	3,583,398	1,574,184
Unclaimed dividends	13,977	143,635	13,977	143,635
	9,783,515	7,074,023	4,831,831	3,279,879

37 Other current liabilities

37.1 Other financial liabilities

Other financial liabilities include derivative financial liability, which arises due to the negative movement in fair value of foreign exchange forward contracts. Refer note 28.1.4 for Group's holding of forward contracts details.

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Derivative financial liability recognised	-	639	-	530
	-	639	-	530

38 Financial instruments - accounting classifications and fair values

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities of the Group and the Company.

38.1 Accounting classifications and fair values of financial instruments - Group

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non-financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2016									
Financial assets									
Trade and other receivables	27	-	4,559,198	-	-	241,308	4,800,506	4,800,506	(a)
Deposits and prepayments		-	132,960	-	-	1,032,983	1,165,943	1,165,943	(a)
Other financial assets	25 & 28								
- Unquoted debt securities and equity securities		-	60,948	242,562	-	-	303,510	303,510	
- Quoted equity securities		-	-	38,523	-	-	38,523	38,523	
- Bank deposits		-	7,007,013	-	-	-	7,007,013	7,007,013	
- Government securities		568,349	-	-	-	-	568,349	568,349	
- Forward foreign exchange contracts		2,805	-	-	-	-	2,805	2,805	
Cash and short-term deposits	29	-	4,653,788	-	-	-	4,653,788	4,653,788	(a)
		571,154	16,413,907	281,085	-	1,274,291	18,540,437	18,540,437	
Financial liabilities									
Interest-bearing liabilities	32	-	-	-	15,979,088	-	15,979,088	15,979,088	
Trade and other payables	36	-	-	-	8,183,557	1,599,958	9,783,515	9,783,515	(a)
Other financial liabilities	37								
Bank overdrafts and other short-term borrowings	29	-	-	-	1,439,684	-	1,439,684	1,439,684	(a)
		-	-	-	25,602,329	1,599,958	27,202,287	27,202,287	

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available-for-sale Rs.'000	Other financial liabilities Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2015									
Financial assets									
Trade and other receivables	27	-	7,409,876	-	-	267,572	7,677,448	7,677,448	(a)
Deposits and prepayments		-	287,874	-	-	511,479	799,353	799,353	(a)
Other financial assets	25 & 28								
- Unquoted debt securities and equity securities		-	106,659	218,398	-	-	325,057	325,057	
- Quoted equity securities		-	-	39,837	-	-	39,837	39,837	
- Other bank deposits		-	9,447,159	-	-	-	9,447,159	9,447,159	
- Government securities		1,413,842	-	-	-	-	1,413,842	1,413,842	
- Forward foreign exchange contracts		707	-	-	-	-	707	707	
Cash and short-term deposits	29	-	2,911,135	-	-	-	2,911,135	2,911,135	(a)
		1,414,549	20,162,703	258,235	-	779,051	22,614,538	22,614,538	
Financial liabilities									
Interest-bearing liabilities	32	-	-	-	12,160,236	-	12,160,236	12,160,236	
Trade and other payables	36	-	-	-	5,458,765	1,615,258	7,074,023	7,074,023	(a)
Other financial liabilities	37								
- Forward foreign exchange contracts		639	-	-	-	-	639	639	
Bank overdrafts and other short-term borrowings	29	-	-	-	2,089,729	-	2,089,729	2,089,729	(a)
		639	-	-	19,708,730	1,615,258	21,324,627	21,324,627	

38.2 Accounting classifications & fair values of financial instruments - Company

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2016									
Financial assets									
Trade and other receivables	27	-	3,186,636	-	-	2,803	3,189,439	3,189,439	(a)
Deposits and prepayments		-	704	-	-	37,645	38,349	38,349	(a)
Other financial assets	25 & 28								
- Unquoted debt securities & equity securities		-	60,948	28,542	-	-	89,490	89,490	
- Quoted equity securities		-	-	3,393	-	-	3,393	3,393	
- Bank deposits		-	4,512,773	-	-	-	4,512,773	4,512,773	
- Government securities		568,349	-	-	-	-	568,349	568,349	
Cash and short-term deposits	29	-	1,397,670	-	-	-	1,397,670	1,397,670	(a)
		568,349	9,158,731	31,935	-	40,448	9,799,463	9,799,463	
Financial liabilities									
Interest-bearing liabilities	32	-	-	-	5,455,546	-	5,455,546	5,455,546	
Trade and other payables	36	-	-	-	4,635,141	196,690	4,831,831	4,831,831	(a)
Other financial liabilities	37								
- Forward foreign exchange contracts		-	-	-	-	-	-	-	
Bank overdrafts and other short-term borrowings	29	-	-	-	183,416	-	183,416	183,416	(a)
		-	-	-	10,274,103	196,690	10,470,793	10,470,793	

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non-financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2015									
Financial assets									
Trade and other receivables	27	-	2,832,293	-	-	17,567	2,849,860	2,849,860	(a)
Deposits and prepayments		-	704	-	-	33,646	34,350	34,350	(a)
Other financial assets	25 & 28								
- Unquoted debt securities & equity securities		-	106,659	28,785	-	-	135,444	135,444	
- Quoted equity securities		-	-	5,111	-	-	5,111	5,111	
- Bank deposits		-	3,398,789	-	-	-	3,398,789	3,398,789	
- Government securities		1,413,842	-	-	-	-	1,413,842	1,413,842	
Cash and short-term deposits	29	-	185,561	-	-	-	185,561	185,561	(a)
		1,413,842	6,524,006	33,896	-	51,213	8,022,957	8,022,957	
Financial liabilities									
Interest-bearing liabilities	32	-	-	-	3,852,254	-	3,852,254	3,852,254	
Trade and other payables	36	-	-	-	2,949,231	330,648	3,279,879	3,279,879	(a)
Other financial liabilities	37								
- Forward foreign exchange contracts		530	-	-	-	-	530	530	
Bank overdrafts and other short-term borrowings	29	-	-	-	254,619	-	254,619	254,619	(a)
		530	-	-	7,056,104	330,648	7,387,282	7,387,282	

(a) Carrying amount of financial assets and financial liabilities is a reasonable approximation of the fair value.

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 2016.

None of the financial assets were pledged by the Group or the Company as securities for facilities obtained from banks for 2015/2016 and 2014/2015.

39 Fair value measurement

39.1 Fair value measurement hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, 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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

39.1.1 Fair value measurement hierarchy - Group

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2016				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	7,659,562	7,659,562
Other financial assets				
- Unquoted equity securities	-	202,395	40,167	242,562
- Quoted equity shares	38,523	-	-	38,523
- Government securities	568,349	-	-	568,349
- Forward foreign exchange contracts	-	2,805	-	2,805
	606,872	205,200	7,699,729	8,511,801
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,630,801	1,630,801
Other financial assets				
- Unquoted debt securities	-	60,948	-	60,948
- Bank deposits	-	7,007,013	-	7,007,013
	-	7,067,961	1,630,801	8,698,762
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	15,979,088	-	15,979,088
	-	15,979,088	-	15,979,088
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	149,125	149,125
	-	-	149,125	149,125
As at 31st March 2015				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	7,656,658	7,656,658
Other financial assets				
- Unquoted equity securities	-	180,191	38,207	218,398
- Quoted equity shares	39,837	-	-	39,837
- Government securities	1,413,842	-	-	1,413,842
- Forward foreign exchange contracts	-	707	-	707
	1,453,679	180,898	7,694,865	9,329,442
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,648,301	1,648,301
Other financial assets				
- Unquoted debt securities	-	106,659	-	106,659
- Bank deposits	-	9,447,159	-	9,447,159
	-	9,553,818	1,648,301	11,202,119
Liabilities measured at fair value :				
Other financial liabilities				
- Forward foreign exchange contracts	-	639	-	639
	-	639	-	639
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	12,160,236	-	12,160,236
	-	12,160,236	-	12,160,236
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	226,923	226,923
	-	-	226,923	226,923

39.1.2 Fair value measurement hierarchy - Company

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2016				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,542	28,542
- Quoted equity securities	3,393	-	-	3,393
- Government securities	568,349	-	-	568,349
	571,742	-	28,542	600,284
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	3,382,350	3,382,350
Other financial assets				
- Unquoted debt securities	-	60,948	-	60,948
- Bank deposits	-	4,512,773	-	4,512,773
	-	4,573,721	3,382,350	7,956,071
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	5,455,546	-	5,455,546
	-	5,455,546	-	5,455,546
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	57,237	57,237
	-	-	57,237	57,237
As at 31st March 2015				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,785	28,785
- Quoted equity securities	5,111	-	-	5,111
- Government securities	1,413,842	-	-	1,413,842
	1,418,953	-	28,785	1,447,738

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	3,382,350	3,382,350
Other financial assets				
- Unquoted debt securities	-	106,659	-	106,659
- Other bank deposits	-	3,398,789	-	3,398,789
	-	3,505,448	3,382,350	6,887,798
Liabilities measured at fair value :				
Other financial liabilities				
- Forward foreign exchange contracts	-	530	-	530
	-	530	-	530
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	3,852,254	-	3,852,254
	-	3,852,254	-	3,852,254
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	135,035	135,035
	-	-	135,035	135,035

39.2 Reconciliation of fair value measurement of "Level 3" financial instruments

The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values.

	GROUP		COMPANY
	Unquoted equity securities Rs.'000	Freehold land Rs.'000	Unquoted equity securities Rs.'000
Balance as at 01.04.2014	243,671	8,506,328	30,829
Exchange difference	(9,609)	(3,113)	-
Companies disposed / transfer	-	(855,284)	-
Purchases	5,000	507,349	5,000
Sales	(91,000)	-	(1,766)
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	60,904	-	934
- Net change in fair value of available-for-sale financial assets reclassified to profit or loss (realised)	9,432	-	(6,212)
- Revaluation of property, plant and equipment (unrealised)	-	90,961	-
Transfers out of Level 3	(180,191)	-	-
Balance as at 31.03.2015	38,207	8,246,241	28,785
Exchange difference	-	(13,973)	-
Transfers	-	42,385	-
Assets acquired on business combination	-	2,528,039	-
Purchases	466	-	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	1,494	-	(243)
Balance as at 31.03.2016	40,167	10,802,692	28,542

39.2.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during 2015/2016.

However, an investment under equity securities classified as available-for-sale, was categorised under Level 2 from Level 3 during 2014/2015. This was due to the change in valuation technique used to fair value the investment to market return on a comparable investment. The fair value of this investment was categorised as Level 3 as at 31st March 2014.

39.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by both the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used.

39.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment - Freehold land	- Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	- Price per perch of land	Estimated fair value would increase (decrease) if ; - Price per perch increases (decreases)
Other financial assets - Unquoted equity securities	- Net assets basis	- Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	- Market return on a comparable investment	- Current market interest rates	Not applicable
Other financial assets / liabilities - Forward foreign exchange contracts	- Market comparison technique The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	- Forward exchange rates as at reporting date.	Not applicable

39.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property - Freehold land	- Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	- Price per perch of land
Other financial assets - Unquoted debt securities - Other bank deposits	- Discounted cash flows	- Current market interest rates
Interest-bearing liabilities	- Discounted cash flows	- Current market interest rates

39.3.3 Assets and liabilities measured at fair value - Non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	- Valued at the cash available with the disposal group held for sale.	Not applicable

40 Financial risk management objectives and policies

Please refer the comprehensive risk report on pages 119 to 125 of the annual report for a detailed description of the Group's risk management structure, process and procedures.

The Group uses financial instruments in its business activities. As financial instruments contain many variables that are affected by various market and environmental conditions which are generally not within the control of the users, there are inherent risks posed which can have unintended consequences. These risks need to be managed as unmanaged risks can lead to unplanned outcomes where the Group could fall short of its financial and budgetary objectives. The Group has adopted a financial risk management strategy aimed at minimising the risks associated with the use of financial instruments by establishing a number of policies and guidelines that are followed by the companies in the Group. These policies and guidelines are reviewed from time to time and updated to reflect current requirements in accordance with the developments in the operating environment.

This part of the report covers the financial impact that could arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

40.1 Market risk

Fluctuations of variables affecting cashflows arising from financial instruments can result in the actual cashflows being different to the expected cashflows thereby creating market risk. Variables such as interest rates and exchange rates can move in directions different to those originally expected and the consequent cashflows could be different to the originally anticipated cashflows.

Market risk could result in the revenues and expenses of the Group being adversely affected and impacting the profit attributable to shareholders. In order to identify, manage and minimise the market risk the Group has put into practice a number of policies and procedures.

40.1.1 Currency risk

The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group has operations in a number of regions across the globe and conducts business in a variety of currencies. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) of which the 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.

As the Group transacts in many foreign currencies other than the Sri Lankan rupee which is the reporting currency, it is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Maldives, India, Oman and Fiji where the net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in these geographies are exposed to foreign currency transaction risk.

The total interest bearing liabilities of the Group denominated in US$ amounted to Rs. 12.07 billion. The overseas investments made by the Group during the financial year were mostly financed through US$ denominated borrowings from international banks. The US$ 20 million term loan facility from DEG (Germany) available to the company was fully utilised during the financial year and the major portion of this loan has been invested in overseas projects that generate cashflows mainly in US$. The translation exposure resulting from foreign currency borrowings has been hedged to a great extent through these investments and by the acquisition of financial assets denominated in US$. A significant portion of the foreign currency borrowings have been made by Group companies with incomes in foreign currencies, especially in the tourism and strategic investments sectors. Transaction exposures are usually minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy with regard to amounts as well as timing. The group treasury monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

Significant movement in exchange rates during the year ended 31st March 2016

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	148.53	30.03.2016	133.14	09.04.2015	15.39	144.69
EUR/USD	1.1619	08.24.2015	1.0565	30.11.2015	0.1054	1.138

Foreign currency sensitivity

The main foreign currencies the Group uses to transact in the US dollar and the Euro. The exposure to other foreign currencies is not considered as it is not material. In order to estimate the approximate impact of the currency risk on financial instruments a 5% fluctuation was considered in the US$/LKR exchange rates. In calculation of this risk it is assumed that all other variables are held constant. The sensitivity analysis relates only to assets and liabilities depicted in financial statements as at the end of the financial year.

Group

	2015/2016			2014/2015		
	Effect on profit before tax		Effect on equity	Effect on profit before tax		Effect on equity
	US$ net financial assets / (liabilities)	US$ forward contracts		US$ net financial assets / (liabilities)	US$ forward contracts	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Net exposure as at 31st March	(29,158)	950	91,107	5,666	(7,693)	83,302
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
LKR depreciates against the US$ by 5%	(210,944)	7,050	659,115	37,767	(51,484)	555,289
LKR appreciates against the US$ by 5%	210,944	(7,050)	(659,115)	(37,767)	51,484	(555,289)

The effect on the equity arises from the investments made by the Group in the Maldives, India, Oman and 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

	2015/2016	2014/2015	
	Effect on profit before tax	Effect on profit before tax	
	US$ net financial assets / (liabilities)	US$ net financial assets / (liabilities)	US$ forward contracts
	US$'000	US$'000	US$'000
Net exposure as at 31st March	(11,106)	(4,337)	1,000
	Rs.'000	Rs.'000	Rs.'000
LKR depreciates against the US$ by 5%	(80,348)	(28,909)	6,708
LKR appreciates against the US$ by 5%	80,348	28,909	(6,708)

40.1.2 Interest rate risk

Values of financial instruments could fluctuate depending on the movements in interest rates giving rise to interest rate risk. This is a consequence of the changes in the present values of future cash flows derived from financial instruments. The fluctuation in the values of financial instruments will result in mark to market gains or losses in investment portfolios and could have an impact on the reported financial results of the Group.

The Group's investment portfolio consists of a range of financial instruments with both fixed and variable interest rates such as treasury bills and treasury bonds which are subject to interest rate risk. Liabilities with variable interest rates such as LIBOR and EURIBOR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on market interest rates. Investments with fixed interest rates would expose the Group to variations in fair values during the marking to market of portfolios. Suitable strategies are used by the group treasury to manage the interest rate risk in portfolio investments. Using long term interest rate forecasts in order to determine the most suitable duration of investments with the objective of overcoming the re-investment risk as well as to minimise any adverse impact in marking to market of the portfolio is one of the often used strategies. Interest rate swaps could be used when there is a need to hedge the risks on debt instruments with variable rates. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The group treasury monitors the interest rate environment on a continuous basis to advise the sector finance managers on the most suitable strategy with regard to borrowings. The Group usually negotiates long term borrowings during the periods in which interest rates are low in order to extend the favourable impact to future reporting periods.

Significant movement in interest rates during the year ended 31st March 2016

	Highest Level Rate	Highest Level Period	Lowest Level Rate	Lowest Level Period	Spread	Year end rate
LKR Interest rate *	9.90%	Mar-16	6.28%	Jun/Jul-2015	3.62%	9.90%
US$ Interest rate **	0.92%	Mar-16	0.40%	Apr-15	0.52%	0.92%

* One year Government treasury bill rate
** Six months US$ LIBOR

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

	2015/2016 Financial assets Rs.'000	2015/2016 rupee financial liabilities Rs.'000	2015/2016 US$ financial liabilities Rs. Equivalent Rs.'000	2014/2015 Financial assets Rs.'000	2014/2015 rupee financial liabilities Rs.'000	2014/2015 US$ financial liabilities Rs. Equivalent Rs.'000
Exposure as at 31st March	568,349	2,858,903	12,069,090	1,413,842	3,896,097	7,269,989
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	1,438	28,589	N/A	3,678	38,961	N/A
Increase of 100 basis points in rupee interest rates	(1,425)	(28,589)	N/A	(3,653)	(38,961)	N/A
Decrease of 10 basis points in US$ interest rates	N/A	N/A	12,069	N/A	N/A	7,270
Increase of 10 basis points in US$ interest rates	N/A	N/A	(12,069)	N/A	N/A	(7,270)

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows.

Company

	2015/2016 Financial assets Rs.'000	2015/2016 rupee financial liabilities Rs.'000	2015/2016 US$ financial liabilities Rs. Equivalent Rs.'000	2014/2015 Financial assets Rs.'000	2014/2015 rupee financial liabilities Rs.'000	2014/2015 US$ financial liabilities Rs. Equivalent Rs.'000
Exposure as at 31st March	568,349	1,507,500	3,964,506	1,413,842	2,145,000	1,733,160
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	1,438	15,075	N/A	3,678	21,450	N/A
Increase of 100 basis points in rupee interest rates	(1,425)	(15,075)	N/A	(3,653)	(21,450)	N/A
Decrease of 10 basis points in US$ interest rates	N/A	N/A	3,965	N/A	N/A	1,733
Increase of 10 basis points in US$ interest rates	N/A	N/A	(3,965)	N/A	N/A	(1,733)

40.1.3 Equity price risk

The Group has adopted a policy that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka accounting standards, LKAS 32 and 39 - Financial Instruments.

The Investments made by the Group which do not belong to the above categories are classified as financial assets and categorised as available-for-sale (AFS).

At the reporting date the value of investments classified as AFS are as follows;

- Quoted equity securities : Rs. 38.5 million (As at 31.03.2015; Rs. 39.8 million)
- Unquoted equity securities : Rs. 242.5 million (As at 31.03.2015; Rs. 218.4 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

40.2 Liquidity risk

Liquid assets of a company consists of cash and assets which can be converted to cash in a short period of time to settle liabilities as they arise. Liquidity is an important factor in the operations of a business as it is an essential requirement for the successful operation of an entity.

A shortage of liquidity would have a negative impact on stakeholder confidence in a business entity and impact its operations. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Shortening the working capital cycle is one of the main techniques used in ensuring that there is sufficient liquidity at a given time. Adequate short term working capital facilities provided by banks are available to all the Group companies which are utilised in the event of a requirement. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required.

The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain maximum credit in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows both at a consolidated and sector levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

Funding requirements of the sectors and at the parent company level 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. The Group attempts to minimise future interest expenses on borrowings by negotiating for favourable interest rates with the respective lenders. The Group makes use of attractive interest rates offered by international banks on foreign currency denominated fundings mostly to finance its overseas investments.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2016	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	849,872	2,886,723	3,571,867	7,389,220	1,281,407	15,979,088
Bank overdrafts and other short term borrowings	1,439,684	-	-	-	-	-	1,439,684
Trade payables	605,315	133,359	157,896	-	-	-	896,570
Other payables	5,978,921	488,933	819,134	-	-	-	7,286,987
	8,023,920	1,472,164	3,863,753	3,571,867	7,389,220	1,281,407	25,602,329

As at 31st March 2015	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	730,203	1,993,538	3,139,473	4,382,524	1,914,498	12,160,236
Bank overdrafts and other short term borrowings	2,089,729	-	-	-	-	-	2,089,729
Trade payables	903,193	153,762	124,110	-	-	-	1,181,065
Other payables	2,878,604	379,424	1,019,672	-	-	-	4,277,700
	5,871,526	1,263,389	3,137,320	3,139,473	4,382,524	1,914,498	19,708,730

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2016	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	442,460	1,328,269	1,300,936	2,383,881	-	5,455,546
Bank overdrafts and other short term borrowings	183,415	-	-	-	-	-	183,416
Other payables	4,563,393	-	71,748	-	-	-	4,635,141
	4,746,808	442,460	1,400,017	1,300,936	2,383,881	-	10,274,103

As at 31st March 2015	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	384,058	777,276	1,433,457	1,257,463	-	3,852,254
Bank overdrafts and other short term borrowings	254,619	-	-	-	-	-	254,619
Other payables	2,894,630	1,250	53,352	-	-	-	2,949,231
	3,149,249	385,308	830,628	1,433,457	1,257,463	-	7,056,104

Liquidity position

	GROUP		COMPANY	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Cash and short-term deposits	4,653,788	2,911,135	1,397,670	185,561
Trade & other receivable within 30 days	2,243,838	2,961,387	106,321	439,795
Short Term deposit	7,575,362	10,861,001	5,081,122	4,812,631
Total Liquid assets	14,472,988	16,733,523	6,585,113	5,437,987
Less:				
Bank overdraft and other short term borrowing	1,439,684	2,089,729	183,416	254,619
Trade payable on demand	605,315	903,193	-	-
Other payable at on demand	5,978,921	2,878,604	4,563,392	2,894,630
Total on demand liabilities	8,023,920	5,871,526	4,746,808	3,149,249
Excess liquidity through operating cycle	6,449,068	10,861,997	1,838,305	2,288,739
Undrawn approved bank facilities	11,737,198	13,757,653	5,991,494	6,207,153
Market value of discounted securities	568,349	1,413,842	568,349	1,413,842
Liquidity available on demand	12,305,547	15,171,495	6,559,843	7,620,995

40.3 Credit risk

The risk assumed by an entity resulting from the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or a customer contract is known as the credit risk. The Group's exposure to credit risk arises from its operating and financing activities including transactions with banks in placing deposits, foreign exchange transactions and through 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 the reporting date.

	Group				Company			
	31.03.2016		31.03.2015		31.03.2016		31.03.2015	
	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %
Trade and other receivables	4,559,198	26.41	7,409,876	33.94	3,186,636	32.66	2,832,293	35.53
Deposits and prepayments	132,960	0.77	287,874	1.32	704	0.01	704	0.01
Other financial assets								
- Unquoted debt securities and equity securities	303,510	1.76	325,057	1.49	89,490	0.92	135,444	1.70
- Quoted equity shares	38,523	0.22	39,837	0.18	3,393	0.03	5,111	0.06
- Other bank deposits	7,007,013	40.58	9,447,159	43.27	4,512,773	46.24	3,398,789	42.64
- Government securities	568,349	3.29	1,413,842	6.47	568,349	5.82	1,413,842	17.74
- Forward foreign exchange contracts	2,805	0.02	707	-	-	-	-	-
Cash and short-term deposits	4,653,788	26.95	2,911,135	13.33	1,397,670	14.32	185,561	2.33
	17,266,146	100.00	21,835,487	100.00	9,759,015	100.00	7,971,744	100.00

The Board of directors has provided the policy direction for the group treasury to manage the risk arising from investments made in financial institutions. Group's transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimise the unsystematic risk.

40.3.1 Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas.

93.0% of the Group's trade receivables are due for settlement within 90 days 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 heads of finance and the senior management teams.

The credit policies of Group companies are prepared subsequent to analysing credit profiles of customers. 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 Group company has identified credit limits for their customers. In the event a 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.

The Group does not have a significant credit risk exposure to any single counterparty.

The Group is confident that these receivables will be recovered in the immediate future.

Trade receivable settlement profile

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Less than 30 days	2,243,838	2,961,387
More than 30 days but less than 60 days	707,473	1,311,056
More than 60 days but less than 90 days	184,485	607,404
More than 90 days but less than 180 days	143,483	651,429
More than 180 days but less than 365 days	40,445	45,327
More than 365 days	52,987	43,112
Total gross trade receivables	3,372,711	5,619,715
Impairment provision for trade receivables	(66,130)	(56,601)
Total net trade receivables	3,306,581	5,563,114

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 is Rs. 242.2 million as at the balance sheet . The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

40.3.2 Bank deposits

The Group has a number of bank deposits in both rupees and US$. These deposits have been placed in several banks in order to minimise the credit risk in accordance with the policy directions provided by the board. In order to further minimise the credit risk the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained. In the event of any weakening of credit metrics of a bank the Group may decide to liquidate its investments and move to an institution with a higher credit rating.

	Group				Company			
	31.03.2016		31.03.2015		31.03.2016		31.03.2015	
	Rs.'000	Distribution %	Rs.'000	Distribution %	Rs.'000	Distribution %	Rs.'000	Distribution %
Credit Rating								
Fitch ratings ; AAA(lka)	154,263	2.20	181,318	1.91	-	-	-	-
AA+(lka)	849,246	12.12	4,418,041	46.77	717,120	15.89	1,866,361	54.90
AA-(lka)	5,875,273	83.85	4,643,135	49.15	3,737,341	82.82	1,532,428	45.10
A+(lka)	58,312	0.83	-	-	58,312	1.29	-	-
JCR-VIS ; AAA	-	-	3,372	0.04	-	-	-	-
Fitch ratings (Australia); AA-	-	-	201,293	2.13	-	-	-	-
Rating not available	69,919	1.00	-	-	-	-	-	-
Total bank deposits	7,007,013	100.00	9,447,159	100.00	4,512,773	100.00	3,398,789	100.00

41 Capital management

The capital management policy of the Group has following key objectives;

- Ensuring the availability of a sufficient amount of capital for long term investments and growth of the business.
- Maintaining an adequate liquidity buffer for business operations.
- Sustaining the financial health of the Group to withstand economic cycles and,
- Maintaining stakeholder confidence in the Group.

When capital is not available in adequate quantities or at a reasonable cost, it can have an adverse impact on the performance of the Group. The management, being conscious of these factors, has implemented the capital management policy to ensure the long term sustainability and competitiveness of the Group. Ensuring that there is no idle capital which will act as a drag on the returns generated is another factor that is considered. Too much capital invested in a business will have a dampening impact on the performance while too little capital will prevent an organisation from achieving its long term objectives.

41.1 Types of capital

Financial capital of the Group consists of two components; namely equity and debt. The equity capital consists of the stated capital, retained earnings and reserves while the debt capital is made up of the long and short term debt. The debt capital is sourced from lending institutions and capital markets. Although the Group raises debt capital often it has not raised new equity capital from shareholders in recent times.

The Group regularly evaluates its future capital requirements by looking at new investment and expansion needs and other uses of capital. Such analysis would highlight shortfalls in available capital which would be raised 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 regularly monitored to ensure the efficient use of shareholders' 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 is carried out subsequent to careful and detailed analysis of lender proposals. Important factors such as the tenure of the debts, interest rates, capital repayment terms including grace periods and repayment amounts and other terms and conditions including covenants are taken into account when making a decision. Minimising the weighted average cost of capital is one of the key considerations in determining sourcing options. The Group's debt is denominated in LKR as well as foreign currencies such as US$ and Euro. Foreign currency denominated loans have been taken mainly by the companies with foreign exchange earnings in order to take advantage of the relatively low interest rates.

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.

41.2 Capital allocation and investment

Implementation of the Group's long term strategy for growth requires continuous capital investments in the four sectors in which the Group operates. The allocation of limited capital available is done pursuant to careful evaluation of investment opportunities to ascertain expected returns. The Group's capital investment decisions are supported by elaborate financial modelling, thorough sensitivity analysis and legal, financial and technical due diligence. Identification and ranking of suitable investment opportunities are carried out using the discounted cash flow modelling technique and Internal Rate of Return (IRR) hurdle rates and payback periods. At the evaluation stage for capital investments, financial modelling, sensitivity analysis and the calculation of IRR are carried out either by the Group's corporate finance division, or the respective sector through which the investment will take place with the assistance of the former.

Upon making a decision to proceed with a capital investment, the Group follows necessary procedures to ensure that it is carried out in the best possible manner. When the investment involves external shareholders, the Group take steps to protect 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.

41.3 Adequate financial reserves

The long term financial health of the Group has been ensured by maintaining sufficient reserves of capital which can be drawn upon when there is a requirement. Probable future risks that could result in negative financial outcomes are identified and required mitigation measures are taken. The Group has implemented sound cashflow planning procedures ensuring that the receivables are collected in an efficient manner thereby shortening the cash cycle. A special emphasis is placed on minimising operating costs through critical evaluation and justification of all cost elements.

The Group policies regarding managing receivables have been communicated to the heads of finance of the business sectors and the corporate finance division monitors the Group-wide status of receivables and submits exception reports to the management for advise on required action.

41.4 Capital management policy

The fundamental objective of the capital management policy of the Group is maximising the return on limited available capital whilst safeguarding the investments that have already been made. Ensuring that there is adequate capital for the Group to expand its operations while continuing with its regular business operations, requires the management to consider multiple facets of the operation and take into account the behaviour of a number of parameters, both internal and external. The rapid pace of change in the operating environment has a profound influence on many factors affecting the use of capital. A thorough understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

The Group's capital management policy fundamentally stems from various decisions the board has taken regarding capital investments and the optimum utilisation 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 the Group directors and various aspects of risk and return parameters are considered prior to making capital investment decisions. A vital role in the implementation of the capital management policy is played by the Group treasury and the corporate finance division.

The management information necessary to base policy decisions such as key performance indicators and value drivers of the sectors highlighting financial performances are generated by the corporate finance division. 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 macroeconomic indicators are constantly monitored by the Group treasury and recommendations regarding the appropriate policy changes are made to the management.

It is vital for the Group's long term survival and growth to have a sound capital management policy as decisions taken at the present time will have implications for the future. The Group's capital management policy, therefore is constantly evolving and attempts to link its future strategy to present day financing decisions while being based on a solid foundation of optimising of resources.

42 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.

42.1 Commitments for capital expenditure for subsidiaries

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Approximate amount approved but not contracted for	3,400,195	3,487,253
Approximate amount contracted for but not incurred	175,849	718,246
	3,576,044	4,205,499

The above includes Rs. 3,471.7 million (2014/2015 - Rs. 4,134.7 million) for the acquisition of property, plant and equipment and Rs. 104.4 million (2014/2015 - Rs. 70.8 million) for the acquisition of intangible assets.

42.2 Commitments for capital expenditure for joint ventures

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Approximate amount approved but not contracted for	177,671	61,368
Approximate amount contracted for but not incurred	2,898,827	1,655,951
	3,076,498	1,717,319

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 3,071.2 million (2014/2015 - Rs. 1,712.0 million) for the acquisition of property, plant and equipment and Rs. 5.3 million (2014/2015 - Rs. 5.3 million) for the acquisition of intangible assets.

43 Ace Power Embilipitiya (Pvt) Ltd

The initial Power Purchase Agreement (PPA) dated 9th May 2003 signed between Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company and the Ceylon Electricity Board (CEB) expired on the 6th April 2015. Subsequent to the expiry of this PPA, on the 6th of April 2016 Ace Power Embilipitiya (Pvt) Ltd entered into a short term PPA with the CEB for a period of one year on the same terms and conditions of the PPA dated 9th May 2003, with amendments to certain clauses. In terms of the ongoing discussions with the CEB there appears to be limited prospects of the PPA being extended further. Hence the directors of the company are of the opinion that the continuity of operations will be limited to the tenure of the short term PPA, and the assets and liabilities of the company are recorded at net realisable basis in the financial statements.

44 Contingent liabilities

Contingent liabilities as at 31.03.2016 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,120.9 million. The guarantees given only relates to facilities obtained by subsidiaries and as at reporting date the Company has not given any guarantees to other related companies listed in note 46.5 to the financial statements. Contingent liabilities as at 31.03.2016 on guarantees given by subsidiaries and equity-accounted investees to other companies amounted to Rs. 15,352.3 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.

Aitken Spence Travels (Pvt) Ltd which is an equity accounted investee of the Group was issued an income tax assessment under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the year of assessment 2009/2010. The Tax Appeals Commission hearing the appeal in relation to the year of assessment 2009/2010 has determined the income tax assessment in favour of the Company. Pursuant to the determination of the Tax Appeals Commission the Department of Inland Revenue has appealed against the determination to the Court of Appeal. The contingent liability to the Group is estimated to be Rs. 17.5 million inclusive of all penalties for the above year of assessment. Based on expert advise and the decision of the Tax Appeals Commission 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.

45 Directors' fees

The Directors of the Company have received fees amounting to Rs. 108,000 /- from subsidiaries for the year ended 31st March 2016.

46 Related party transactions

The Aitken Spence Group and the Company 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. Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 46.2 - 46.8.

46.1 Parent and ultimate controlling party

The Company does not have an identifiable parent of its own.

46.2 Transactions with key management personnel

46.2.1 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 such companies.

46.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

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

	Company Rs.'000	Group Rs.'000
Short term employee benefits	108,548	638,057
Post employment benefits	-	18,948

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.

46.2.4 Key management personnel of Aitken Spence PLC hold positions in other companies, some of which had trading transactions with the Group during the year. Such companies the Group had transactions with are identified below.

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., which are equity-accounted investees of the Group, and the Chairman, Managing Director or a Director of companies indicated by "*" in the list of companies disclosed under note 46.5.

Mr. J.M.S. Brito, Managing and Finance Director of the company is also the Chairman or a Director of the subsidiaries and equity-accounted investees that are indicated by "a" in notes 22 and 23 to the financial statements. He is also a Director of SriLankan Airlines Ltd.

Dr. R.M. Fernando a Director of the company is also the Managing Director or a Director of the companies marked by "b" in note 22 and 23 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 22 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.

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., Dankotuwa Porcelain PLC, Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Renuka Hotels (Pvt) Ltd. and Royal Ceramics Lanka PLC.

Miss. D.S.T. Jayawardena a Director of the company is also the Chairperson or a Director of the companies marked by "d" in note 22 and 23 to the financial statements. She is also the Chairperson or a Director of Splendor Media (Pvt) Ltd., Stassen Exports (Pvt) Ltd,. Stassen Foods (Pvt) Ltd., Stassen International (Pvt) Ltd. and Stassen Natural Foods (Pvt) Ltd.

46.3 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Income from services rendered	548,794	521,352
Rent income received	16,492	17,049
Allocation of common personnel and administration expenses	41,995	40,315
Purchase of goods and services	45,131	44,796
Net borrowings under finance arrangements	(217,038)	11,539
Interest income received	102,558	95,643
Interest paid	50,025	50,931
Sale of assets	-	6,680

Transactions with A E Lanka (Pvt) Ltd., Ace Alliance Power Ltd., Ace Aviation Services (Pvt) Ltd., Ace Aviation Services Maldives (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 Printing and Packaging (Pvt) Ltd., Ace Resorts (Pvt) Ltd., Ace Wind Power (Pvt) Ltd., ADS Resorts (Pvt) Ltd. , Aitken Spence Agriculture (Pvt) Ltd., Aitken Spence Apparels (Pvt) Ltd., Aitken Spence Aviation (Pvt) Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Developments (Pvt) Ltd., Aitken Spence Exports Ltd. , Aitken Spence Garments Ltd. , Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd., Aitken Spence Hotel Management (South India) (Pvt) Ltd., Aitken Spence Hotel Management Asia (Pvt) Ltd., Aitken Spence Hotels (International) 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 Ports International Ltd., Aitken Spence Printing and Packaging (Pvt) Ltd., Aitken Spence Property Developments Ltd., Aitken Spence Resorts Ltd., Aitken Spence Resources (Pvt) Ltd., Aitken Spence Shipping Ltd. , Aitken Spence Shipping Services (Pvt) Ltd. , Aitken Spence Technologies (Pvt) Ltd., Alliance Spence Power Ltd., Branford Hydropower (Pvt) Ltd., Clark Spence and Company Ltd. , Cowrie Investments (Pvt) Ltd., Crest Star (BVI) Ltd., Crest Star Ltd., D B S Logistics Ltd., Elevators (Pvt) Ltd. , Golden Sun Resorts (Pvt) Ltd., Hapag Lloyd Lanka (Pvt) Ltd., Hethersett Hotels Ltd., Interlifts International (Pvt) Ltd., Jetan Travel Services Company (Pvt) Ltd., Kandalama Hotels Ltd., Logilink (Pvt) Ltd., Meeraladuwa (Pvt) Ltd., MMBL Money Transfer (Pvt) Ltd., MPS Hotels Ltd., Neptune Ayurvedic (Pvt) Ltd., Royal Spence Aviations (Pvt) Ltd., Shipping & Cargo Logistics (Pvt) Ltd., Spence International (Pvt) Ltd., Spence Logistics (Pvt) Ltd., Spence Maldives (Pvt) Ltd., Unique Resorts (Pvt) Ltd., Vauxhall Cargo Logistics (Pvt) Ltd., Vauxhall Investments Ltd., Vauxhall Property Developments Ltd., Western Power Company (Pvt) Ltd. are reflected under transactions with subsidiary companies above.

46.4 Transactions with equity-accounted investees

46.4.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	43,944	38,318	2,259,305	1,461,757
Rent income received	1,088	1,080	1,088	1,080
Allocation of common personnel and administration expenses	11,809	12,490	11,809	12,490
Purchase of goods and services	1,013	858	72,961	113,440
Net transfers under finance arrangements	2,515,000	497,000	2,515,000	497,000
Interest paid	110,696	62,925	110,696	62,925
Sale of assets	-	-	-	11

Transactions with Ace Bangladesh Ltd., Ace Travels & Conventions (Pvt) Ltd., Ahungalla Resorts Ltd., Aitken Spence C & T Investments (Pvt) Ltd., Aitken Spence Overseas Travel Services (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., Colombo International Nautical & Engineering College (Pvt) Ltd., EcoCorp Asia (Pvt) Ltd. are reflected under transactions with joint ventures above.

46.4.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	13,582	10,132	49,957	25,029
Allocation of common personnel and administration expenses	528	682	528	682
Purchase of goods and services	3,122	3,543	22,062	7,204
Net transfers under finance arrangements	(34,500)	34,500	(58,222)	34,500
Interest paid	1,512	689	7,881	689

Transactions with AEN Palm Oil (Pvt) Ltd., Aitken Spence Plantation Managements PLC, Browns Beach Hotels PLC, Elpitiya Lifestyle Solutions (Pvt) Ltd., Elpitiya Plantations PLC, Fiji Ports Corporation Ltd., Negombo Beach Resorts (Pvt) Ltd., Paradise Resorts Pasikuda (Pvt) Ltd., Tea Country Homes (Pvt) Ltd. are reflected under transactions with associates above.

46.5 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	-	183	317,206	335,756
Purchase of goods and services	5,412	30,043	681,378	665,773
Interest paid	-	-	369	-

Transactions with Ambewela Livestock Company Ltd.*, Bell Solutions (Private) Ltd.*, Bellvantage (Pvt) Ltd.*, Ceylon Agro Industries Ltd., CIC Holdings PLC, Dankotuwa porcelain PLC, Distilleries Company of Sri Lanka PLC and companies of the Group *, Indo Lanka Exports (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Lanka Milk Foods (CWE) PLC*, Mercantile Merchant Bank Ltd., Milford Exports (Ceylon) (Pvt) Ltd.*, Pattipola livestock company Ltd.*, Periceyl (Pvt) Ltd.*, Rajawella (Holdings) (Pvt) Ltd., Renuka Hotels (Pvt) Ltd., Royal Ceramics PLC, Splendor Media (Pvt) Ltd., Sri Lankan Airlines 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.*are reflected under transactions with other related companies, above.

46.6 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Contributions to the provident fund	202,092	175,841	38,088	32,957

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.

46.7 Amounts due from related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
46.7.1 Amount due from subsidiaries				
Fully owned subsidiaries	2,036,785	1,702,851	N/A	N/A
Partly owned subsidiaries	930,336	637,957	N/A	N/A
	2,967,121	2,340,808	N/A	N/A
Provision for doubtful debts	2,710	3,635	N/A	N/A
46.7.2 Amount due from equity-accounted investees				
Joint ventures	114,300	55,773	375,255	618,892
Associates	126,187	21,620	78,974	61,792
	240,487	77,393	454,229	680,684
Provision for doubtful debts	-	-	-	-
46.7.3 Amount due from other related companies	-	-	31,777	42,503
Provision for doubtful debts	-	-	1,419	293

46.8 Amounts due to related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
46.8.1 Amount due to subsidiaries				
Fully owned subsidiaries	776,893	1,006,462	N/A	N/A
Partly owned subsidiaries	179,651	275,200	N/A	N/A
	956,544	1,281,662	N/A	N/A
46.8.2 Amount due to equity-accounted investees				
Joint ventures	3,583,076	1,527,686	3,614,681	1,537,939
Associates	322	46,498	261,200	48,885
	3,583,398	1,574,184	3,875,881	1,586,824
46.8.3 Amount due to other related companies	-	-	51,250	17,320

46.9 Terms and conditions of transactions with related parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms .The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties, other than those disclosed in note 44 to the financial statements.

47 Foreign currency translation

The principal exchange rates used for translation purposes were;

	2015/2016	2014/2015
United States dollar	144.69	133.32
British Pound	207.90	197.24
Euro	163.94	144.29
Oman Rial	373.76	345.18
Fiji dollar	68.87	64.67
South African Rand	9.65	10.96
Indian rupee	2.17	2.12
Maldivian Rufiyaa	9.41	8.61
Bangladesh Taka	1.84	1.71

48 Number of employees

The number of employees of the Group at the end of the year was 7,342 (2014/2015 - 7,131) The number of employees of the Company at the end of the year was 196 (2014/2015 - 207).

49 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs.1.50 per share for the year 2015/2016 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

On 6th April 2016 Ace Power Embilipitiya (Pvt) Ltd, a subsidiary company entered into a short term Power Purchase Agreement (PPA) with the Ceylon Electricity Board (CEB) for a period of one year on the same terms and conditions of the previous PPA dated 9th May 2003 with amendments to certain clauses, and recommenced generation and supply of power to the national grid.

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

50 Comparative information

The Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

50.1 Fiji Ports Terminal Ltd., a subsidiary incorporated in Fiji, which was acquired during 2013/2014, has restated its opening retained earnings as a result of correcting an error relating to a receivable balance which had been incorrectly recognised prior to acquisition by the Group. As a result the consolidated financial statements of Aitken Spence PLC have been restated and the following table summarises the impact of this restatement on the Group's statement of financial position.

50.2 Impact on consolidated statement of financial position for the year ended 31st March 2014.

	As previously recorded 31.03.2014 Rs.'000	Prior year adjustment Rs.'000	As restated 01.04.2014 Rs.'000
ASSETS			
Non-current assets			
Property, plant and equipment	24,799,321		24,799,321
Investment property	1,648,301		1,648,301
Intangible assets	600,927	50,869	651,796
Biological assets	-		-
Leasehold property	1,461,100		1,461,100
Pre-paid operating leases	1,010,199		1,010,199
Finance lease receivables	2,245,884		2,245,884
Investments in subsidiaries	-		-
Investments in equity-accounted investees	3,367,589		3,367,589
Deferred tax assets	224,495		224,495
Other financial assets	339,540		339,540
	35,697,356	50,869	35,748,225
Current assets			
Inventories	1,723,718		1,723,718
Pre-paid operating leases	50		50
Finance lease receivables	146,948		146,948
Trade and other receivables	9,049,706	(102,094)	8,947,612
Current tax receivable	243,779		243,779
Deposits and prepayments	867,318		867,318
Other current assets	10,514,376		10,514,376
Cash and short-term deposits	2,672,100		2,672,100
	25,217,995	(102,094)	25,115,901
Assets classified as held for sale	149,125		149,125
Total assets	61,064,476	(51,225)	61,013,251
EQUITY AND LIABILITIES			
Equity			
Stated capital	2,135,140		2,135,140
Reserves	13,884,656	(1,199)	13,883,457
Retained earnings	16,238,762		16,238,762
Total equity attributable to equity holders of the company	32,258,558	(1,199)	32,257,359
Non-controlling interests	6,667,889	(50,026)	6,617,863
Total equity	38,926,447	(51,225)	38,875,222

50.3 Impact on consolidated statement of financial position for the year ended 31st March 2015.

	As previously recorded 31.03.2015 Rs.'000	Prior year adjustment Rs.'000	As restated 31.03.2015 Rs.'000
ASSETS			
Non-current assets			
Property, plant and equipment	24,799,321		28,696,631
Investment property	1,648,301		1,648,301
Intangible assets	507,171	50,869	558,040
Biological assets	-		-
Leasehold property	1,461,100		1,906,527
Pre-paid operating leases	1,010,199		1,072,370
Finance lease receivables	2,245,884		-
Investments in equity-accounted investees	3,367,589		5,403,518
Deferred tax assets	224,495		215,907
Other financial assets	339,540		279,346
	35,603,600	50,869	39,780,640
Current assets			
Inventories	1,723,718		1,484,504
Pre-paid operating leases	50		930
Finance lease receivables	146,948		1,333,200
Trade and other receivables	7,770,650	(93,202)	7,677,448
Current tax receivable	243,779		229,366
Deposits and prepayments	867,318		799,353
Other current assets	10,514,376		10,947,256
Cash and short-term deposits	2,672,100		2,911,135
	23,938,939	(93,202)	25,383,192
Assets classified as held for sale	149,125		226,923
Total assets	59,691,664	(42,333)	65,390,755
EQUITY AND LIABILITIES			
Equity			
Stated capital	2,135,140		2,135,140
Reserves	13,864,351	3,336	13,867,687
Retained earnings	16,238,762		19,022,310
Total equity attributable to equity holders of the company	32,238,253	3,336	35,025,137
Non-controlling interests	7,257,649	(45,669)	7,211,980
Total equity	39,495,902	(42,333)	42,237,117

Consolidated financial statements in US$

Consolidated income statement in US$

For the year ended 31st March			2016 US$.'000	2015 US$.'000 Re-stated
Revenue			179,541	264,918
Revenue taxes			(1,982)	(2,913)
Net revenue			177,559	262,005
Other operating income			1,207	3,807
Changes in inventories of finished goods and work-in-progress			(144)	441
Raw materials and consumables used			(12,621)	(67,683)
Employee benefits expense			(40,812)	(38,877)
Depreciation, amortisation and impairment of non-financial assets			(14,440)	(17,992)
Other operating expenses - direct			(51,724)	(57,851)
Other operating expenses - indirect			(32,095)	(41,420)
Profit from operations			26,930	42,430
Finance income			4,476	4,679
Finance expenses			(6,710)	(6,762)
Net finance income / (expense)			(2,234)	(2,083)
Share of profit of equity-accounted investees (net of tax)			1,605	2,482
Profit before tax			26,301	42,829
Income tax expense			(5,952)	(6,198)
Profit for the year			20,349	36,631
Attributable to:				
Equity holders of the company			14,010	26,846
Non-controlling interests			6,339	9,785
Profit for the year			20,349	36,631
Earnings per share - basic/diluted (Rs.)	US$ cents	=	3.45	6.61
Exchange rate	US$	=	144.69	133.32

Consolidated statement of profit or loss and other comprehensive income in US$

For the year ended 31st March			2016 US$.'000	2015 US$.'000
Profit for the year			20,349	36,631
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment			-	682
Actuarial gains / (losses) on defined benefit obligations			123	(362)
Share of other comprehensive income of equity-accounted investees (net of tax)			134	(119)
Income tax on other comprehensive income			(27)	56
			230	257
Items that are or may be reclassified to profit or loss				
Exchange differences on translation of foreign operations			5,715	(773)
Net change in fair value of available-for-sale financial assets			155	533
Net change in fair value of available-for-sale financial assets reclassified to profit or loss			-	71
Share of other comprehensive income of equity-accounted investees (net of tax)			237	-
			6,107	(169)
Other comprehensive income for the year, (net of tax)			6,337	88
Total comprehensive income for the year			26,686	36,719
Attributable to:				
Equity holders of the parent			18,472	26,838
Non-controlling interests			8,214	9,881
Total comprehensive income for the year			26,686	36,719
Exchange rate	US$	=	144.69	133.32

Figures in brackets indicate deductions.

Consolidated statements of financial position in US$

As at			31.03.2016 US$.'000	31.03.2015 US$.'000 Re-stated
ASSETS				
Non-current assets				
Property, plant and equipment			243,818	215,246
Investment property			11,271	12,363
Intangible assets			5,994	4,186
Biological assets			179	-
Leasehold property			13,869	14,300
Pre-paid operating leases			12,639	8,044
Investments in equity-accounted investees			67,537	40,531
Deferred tax assets			2,268	1,619
Other financial assets			1,782	2,095
			359,357	298,384
Current assets				
Inventories			8,265	11,135
Pre-paid operating leases			227	7
Finance lease receivables			-	10,000
Trade and other receivables			33,178	57,587
Current tax receivable			1,550	1,720
Deposits and prepayments			8,058	5,996
Other current assets			63,146	82,113
Cash and short-term deposits			32,164	21,836
			146,588	190,394
Assets classified as held for sale			1,030	1,702
Total assets			506,975	490,480
EQUITY AND LIABILITIES				
Equity				
Stated capital			14,757	16,015
Reserves			105,387	104,018
Retained earnings			133,126	142,682
Total equity attributable to equity holders of the company			253,270	262,715
Non-controlling interests			52,213	54,095
Total equity			305,483	316,810
Non-current liabilities				
Interest-bearing liabilities			84,612	70,781
Deferred tax liabilities			4,686	4,915
Employee benefits			4,967	4,768
			94,265	80,464
Current liabilities				
Interest-bearing liabilities			25,825	20,430
Trade and other payables			67,617	53,060
Current tax payable			3,835	4,036
Other financial liabilities			-	5
Bank overdrafts and other short-term borrowings			9,950	15,675
			107,227	93,206
Total equity and liabilities			506,975	490,480
Exchange rate	US$	=	144.69	133.32

Figures in brackets indicate deductions.

Ten year summary

Year ended 31st March	2016 Rs.'000	2015 Rs.'000 (re-stated) **	2014 Rs.'000 (re-stated) **	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000
Operating results										
Revenue	25,977,795	35,318,891	35,059,123	35,822,630	31,021,623	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632
Profit before taxation	3,805,508	5,709,923	5,444,946	5,069,032	5,183,354	3,815,555	3,353,169	3,396,916	3,064,792	2,582,088
Taxation	861,229	826,323	865,457	713,755	746,090	387,335	366,193	328,385	235,110	298,018
Profit after taxation	2,944,279	4,883,600	4,579,489	4,355,278	4,437,264	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070
Profit attributable to Aitken Spence PLC	2,027,112	3,579,008	3,671,870	3,287,607	3,487,669	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774
Equity and 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	2,135,140
Reserves	15,255,809	13,867,687	13,883,457	12,695,793	12,454,684	11,071,652	9,317,199	7,227,545	3,505,284	2,673,510
Retained earnings	19,254,670	19,022,310	16,238,762	13,222,324	10,564,698	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472
Non-controlling interest	7,554,724	7,211,980	6,617,863	5,560,028	4,708,800	5,129,687	4,566,388	4,553,439	3,881,704	3,193,710
Non-current liabilities	13,639,158	10,727,403	8,493,842	7,133,962	6,563,195	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112
Current liabilities	15,514,730	12,426,235	13,644,187	15,141,965	14,558,490	8,752,588	8,352,184	8,072,337	8,495,631	6,393,881
	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825
Assets										
Property, plant and equipment	35,278,046	28,696,631	24,799,321	23,534,930	22,585,836	23,925,653	23,328,896	22,635,636	16,982,305	16,770,495
Investment property	1,630,801	1,648,301	1,648,301	1,661,596	1,662,349	102,799	28,936	28,936	28,936	28,936
Intangible assets	867,223	558,040	651,796	350,368	643,600	134,026	154,185	109,164	122,520	159,407
Biological assets	25,838	-	-	-	-	-	-	-	-	-
Leasehold property	2,006,728	1,906,527	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	1,828,797	1,072,370	1,010,199	980,681	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	9,771,984	5,403,518	3,367,589	3,059,987	1,770,117	1,335,002	767,498	752,636	764,489	697,111
Deferred tax assets	328,140	215,907	224,495	225,749	209,769	138,314	56,823	74,008	39,342	-
Other financial assets	257,799	279,346	339,540	414,409	392,737	473,945	483,580	404,946	263,576	170,098
Current assets	21,209,750	25,383,192	25,115,901	21,723,346	18,509,286	12,494,114	11,093,448	10,721,243	11,465,087	8,524,778
Assets classified as held for sale	149,125	226,923	149,125	149,125	149,125	181,489	161,663	149,124	161,951	-
	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825
Share information										
Earnings per share (Rs.)	4.99	8.82	9.04	8.10	8.59	6.25	* 5.07	*5.02	*4.53	*3.60
Market value per share (Rs.) - post share sub division	73.50	99.50	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
Market capitalisation on 31st March (Rs. Mn)	29,841	40,397	39,747	48,557	45,756	65,893	37,182	8,526	11,639	10,285
Price earnings ratio	14.72	11.29	10.82	14.77	13.12	25.97	18.05	4.18	6.32	7.05
Net assets per share (Rs.)	90.26	86.27	79.45	69.10	61.96	53.00	* 46.54	*42.06	*29.32	*24.46
Employees information										
No. of employees	7,342	7,131	6,797	6,207	5,791	5,328	5,042	5,045	5,090	4,199
Value added per employee (Rs. '000)	1,765	2,031	1,941	1,979	1,915	1,884	1,770	1,635	1,503	1,467
Ratios and statistics										
Ordinary dividend (Rs. '000)	608,994	811,992	811,992	608,994	568,394	405,996	270,664	257,131	189,465	175,931
Dividend per share (Rs.)	1.50	2.00	2.00	1.50	1.40	1.00	* 0.67	* 0.63	* 0.47	* 0.43
Dividend cover (times covered)	3.33	4.41	4.52	5.40	6.14	6.25	7.61	7.93	9.72	8.30
Dividend - payout ratio	0.30	0.23	0.22	0.19	0.16	0.16	0.13	0.13	0.10	0.12
Current ratio (times covered)	1.37	2.04	1.84	1.43	1.27	1.43	1.33	1.33	1.35	1.33
Debt-equity ratio	0.28	0.22	0.19	0.18	0.19	0.16	0.22	0.29	0.41	0.49
ROE (%)	5.66	10.64	12.18	12.36	15.01	12.55	11.45	14.08	16.86	15.82
Interest cover ratio	16.80	30.47	13.97	8.72	23.08	23.48	6.44	6.54	5.78	4.93

Note: ** The above figures are restated taking into consideration the sub division of shares in October 2010.*
*** Please refer note 50 to the financial statements*

Benchmarks of sustainability

The social and environmental governance framework of Aitken Spence PLC is guided by experience as well as local and international best practices.

Management Systems & Certifications

Aitken Spence Companies use management systems to incorporate sustainability action into operations. The ISO 14001 environmental management system standard guides the Group in managing the activities to reduce, if not eliminate adverse environmental impacts. Rainforest Alliance certification and Forestry Stewardship Council certification guide the plantations segment to manage environmental as well as social governance procedures. The OHSAS 18001 system standard provides guidance to the companies to implement occupational health and safety procedures. The ISO 9001 guides companies to implement quality standards. Travelife certification standards maintained in the hotels sector assures ethical tourism operations while the Hotels sector also maintains energy management practices in line with the ISO 50001 management system standard. More details of specific management systems and certifications maintained by the Companies can be reviewed in the sector Reviews section in this report as well as in the Group's website (www.aitkenspence.com/sustainability)

GRI and IIRC Guidelines on Sustainability Reporting

Aitken Spence PLC follows the Global Reporting Initiative's G4 Reporting Framework (In Accordance – Core) and the integrated reporting guidelines developed by the International Integrated Reporting Council to guide the Company's reporting practices. The advantage of adopting the international frameworks and best practices is twofold: the indicators give direction on required action and works as a tool to map requirements of other frameworks against the reported indicators.

IFC Performance Standards

Aitken Spence Social and Environmental Due Diligence Evaluation Guide was introduced to the Group Companies in 2014/2015 and were used by the respective Sustainability Teams in the annual Management Reviews on sustainability. This is meant to be supporting resource incorporating compliance requirements and expected behaviours in environmental, social and economic activities of the Companies. The guidelines of the IFC Performance Standards were key resources used in developing this evaluation guide for Aitken Spence Companies to monitor sustainability performance.

The UN Global Compact

The United Nations Global Compact (UNGC) is a voluntary strategic policy initiative that was launched by the UN 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.

How these principles are practiced across Aitken Spence Companies is presented throughout this report: refer to the GRI Index to find specific information by indicator. 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.

A summary of the action taken by Aitken Spence PLC and our Group companies to internalise these principles is presented in this section of the report.

The Global Compact 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. Aitken Spence PLC has been a member of the Global Compact Network Sri Lanka's Board and the steering committee, since inception.

THE GLOBAL COMPACT
WE SUPPORT

Progress Made on Internalising the UNGC 10 Principles

Human Rights

- Aitken Spence endorses the Human Rights Protection Framework developed by the Business Leaders Initiative on Human Rights (BLIHR) as a guide integrate human rights concerns into business management. Group level policies, practices, and procedures have been evaluated in line with the essential and expected action points of the framework as well as other voluntary endorsements such as the Ten Principles of the UN Global Compact and the Women's Empowerment Principles.
- The network of Human Resource Partners of Aitken Spence PLC proactively lead initiatives for personal and professional development of the workforce. Support Givers for human rights at the workplace have been appointed at all key SBUs as an additional support system and have been educated on the BLIHR framework, and the policies, procedures and practices in place in the Company. The Support Givers are expected to convey any concerns identified to the respective Human Resource Partner(s) of the Company.
- Over 50% of the total workforce of the Company is covered by collective bargaining agreements.
- The Company's Code of Ethics has been communicated to all employees and all operations are assessed for risks related to corruption, occupational health and safety and impacts on the environment.

Human Rights

- Sustainability Teams, Human Rights Support Givers and staff members chosen randomly from all SBUs, were assessed on their awareness about the Human Rights Protection Framework during annual sustainability review inspections.
- Security personnel employed at Aitken Spence Towers were given a refresher training on human rights at the workplace. The Group Sustainability Team is working with Group Security to develop this training to incorporate acceptable behaviour in potential situations that would make Security personnel the first respondents.

Environment

- Aitken Spence Companies adopt a management system based approach to mitigate adverse impacts on the environment from business activities: all companies have implemented management systems according to the nature, scale and the potential impacts of each operation. More details of the management systems and the certifications Aitken Spence Companies have obtained can be viewed in the sector Reviews.
- Sustainability Teams, and staff members chosen randomly from all SBUs, were assessed on their awareness about the action taken to protect the environment during annual sustainability review inspections.

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 complies with the labour laws of Sri Lanka and the ILO conventions with respect to employment of persons. The Group offers equal employment 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 and in the remuneration packages rather than allocating specific quotas or rates to different groups. General practices of Aitken Spence PLC have been reviewed against the Human Rights Framework as explained above.
- Voluntary endorsements and benchmarking or Company practices: Ongoing assessments evaluate the Company's practices in line with the Women's Empowerment Principles (WEP) and action points. 35% of the workforce is female. 14% of the managerial positions are held by female employees. The Group's first female Main Board Director was appointed to the Board in 2013. She was also appointed as the Chairperson of Aitken Spence Hotel Managements (Pvt.) Ltd. in January 2016. 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. All executive staff in the plantation segment receives training and awareness on Group policies. 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.

Women's Empowerment Principles

Aitken Spence PLC was one of the first organisations in the World to become signatory to the Women's Empowerment Principles (WEP) in 2011. Over the years, we have conducted gap assessments and incorporated action points into the existing systems and procedures to internalise the requirements of the 7 WEPs. Assessment of the action points required within each principle is ongoing.

WEP UNGC

GRI index

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Disclosure Title	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision maker of the organisation	13-22	ISO 26000: 4.7, 6.2, 7.4.2	-
G4-2	Description of key impacts, risks and opportunities	39-43, 56-104	ISO 26000: 4.7, 6.2, 7.4.2	
ORGANISATIONAL PROFILE				
G4-3	Name of the organisation	10	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8	-
G4-4	Primary brands, products and services	56-104, 232-240		
G4-5	Location of the organisation's headquarters	10		
G4-6	Locations of the organisation's operations	4-5		
G4-7	Nature of ownership and legal form	10		
G4-8	Markets served	56-104		
G4-9	Scale of the organisation	4-10		
G4-10	Workforce breakdown	44-47	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8 UNGC: Principle 6	
G4-11	Percentage of employees covered by collective bargaining agreements	217-218	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8 UNGC: Principle 6	
G4-12	Organisation's supply chain	56-104	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8	
G4-13	Significant changes during the reporting period	56-104, 13-22		
G4-14	Addressing the precautionary approach	39-43, 56-104		
G4-15	Voluntary endorsement of policies/ charters	217-218, 56-104		
G4-16	Membership associations and affiliations			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities excluded from the organisation's reporting boundary	3	ISO 26000: 5.2, 7.3.2, 7.3.3, 7.3.4	
G4-18	Process for defining the report content and the Aspect Boundaries	3, 39-43		-
G4-19	Material Aspects	39-43, 56-104		
G4-20	Aspect Boundary within the organisation	56-104		
G4-21	Aspect Boundary outside the organisation	56-104		
G4-22	Effect of any restatements of information	13-22		
G4-23	Significant changes from previous reporting periods	56-104		
STAKEHOLDER ENGAGEMENT				
G4-24	Stakeholder groups engaged	39-43, 56-104	ISO 26000: 5.3	
G4-25	Basis for identification and selection of stakeholders with whom to engage	39-43, 56-104		-
G4-26	Organisation's approach	39-43, 56-104		
G4-27	Key topics and concerns raised through stakeholder engagement	39-43, 56-104		

GRI index

General Standard Disclosures	Disclosure Title	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
REPORT PROFILE				
G4-28	Reporting period	1st April 2015 to 31st March 2016	ISO 26000: 7.5.3, 7.6.2	-
G4-29	Date of most recent previous report	31st March 2015		
G4-30	Reporting cycle	Annual		
G4-31	Contact point for questions about the report	247-248		
G4-32	The 'in accordance' option chosen	Core		
G4-33	Organisation's policy and current practice on seeking external assurance for the report	Not Assured		
GOVERNANCE				
G4-34	Governance structure of the organisation	107-114	ISO 26000: 6.2, 7.4.3, 7.7.5	-
G4-35	Delegation of authority for economic, environmental and social topics	28		
G4-36	Executive-level position and positions with responsibility for economic, environmental and social topics	28		
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics.	39-43		
G4-38	Composition of the highest governance body and its committees	107-114	ISO 26000: 6.2, 7.4.3, 7.7.5 WEP: Principle 1	
G4-39	Role of the Chair of the highest governance body	107-114	ISO 26000: 6.2, 7.4.3, 7.7.5	
G4-40	Nomination and selection processes for the highest governance body and its committees	107-114	ISO 26000: 6.2, 7.4.3, 7.7.5 WEP: Principle 1	
G4-41	Processes for the highest governance body to avoid/ manage conflicts of interest	107-114	ISO 26000: 6.2, 7.4.3, 7.7.5	
G4-42	Role of the highest governance body and senior executives in the development, approval, and updating of the organisation's guiding principles and business models	107-114		
G4-43	Capacity building for the highest governance body's collective knowledge on economic, environmental and social topics.	107-114		
G4-44	Evaluation of the highest governance body's performance on the governance of economic, environmental and social topics.	107-114		
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	39-43, 56-104		
G4-46	Role of the highest governance body in reviewing the effectiveness of the organisation's risk management processes	107-114		
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	107-114		
G4-48	The highest position for formal review and approval of the organisation's sustainability disclosures	Managing & Finance Director		
G4-49	The process for communicating critical concerns to the highest governance body.	107-114		
G4-50	Addressing and resolving them critical concerns communicated to the highest governance body	107-114		
G4-51	Remuneration policies for the highest governance body and senior executives	107-114		
G4-52	Process for determining remuneration.	107-114		

General Standard Disclosures	Disclosure Title	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
ETHICS AND INTEGRITY				
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	107-114, 48-55	ISO 26000: 4.4, 6.6.3	-
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.	119-125		
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.	119-125		

SPECIFIC STANDARD DISCLOSURES

Note: Selection of material aspects was discussed in the Sustainability Strategy section with more emphasis given in the respective sector Reviews. In this section, information related to Standard Disclosures required by the 'in accordance' Core option is mapped in the index: references will be made to other sections in the report as well as information presented in the Group's website www.aitkenspence.com/sustainability. Page numbers referring to sector Reviews indicate the sectors for which certain indicators are applicable (material) and the location in the annual report/ Group website where the information can be found. Page numbers referring to complete sections of the report provide information on aspects which are material to all Group Companies. In addition to the material aspects we have also included several indicators as requested by key stakeholders.

Company website:

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
CATEGORY: ECONOMIC					
ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Disclosure on Management Approach	None	48-55	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC1	The direct economic value generated and distributed (Socio Economic Value Generated and Distributed)	None	56-104	ISO 26000: 6.8.1 to 6.8.2, 6.8.7, 6.8.9	-
G4-EC3	Liabilities that are met by the organisation's general resources, the percentage of salary contributed by employee or employer	None	153	ISO 26000: 6.8.7	-
ASPECT: MARKET PRESENCE					
G4-DMA	Disclosure on Management Approach	None	48-55	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC6	The percentage of senior management at significant locations of operation that are hired from the local community.	None	56-69, 80-95	ISO 26000: 6.4.3, 6.8.1, 6.8.2, 6.8.5, 6.8.7 UNGC: Principle 6	-
ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Disclosure on Management Approach	None	48-55	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC7	Significant infrastructure investments and services supported.	None	56-69, 80-95	ISO 26000: 6.4.3, Community involvement and development	-
ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Disclosure on Management Approach	None	39-43	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC9	Percentage of the procurement budget used on suppliers local to that operation	None	56-104	ISO 26000: 6.4.3, 6.6.6, 6.8.1, 6.8.2, 6.8.7	-

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Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
CATEGORY: ENVIRONMENTAL					
ASPECT: ENERGY					
G4-DMA	Disclosure on Management Approach	None	39-43, 56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN3	Total fuel consumption from non-renewable sources	None	39-43, 56-104	ISO 26000: 6.5.4 UNGC: Principles 7 & 8	-
G4-EN6	Amount of reductions in energy consumption	None	39-43, 56-104	ISO 26000: 6.5.4, 6.5.5 UNGC: Principles 8 & 9	-
ASPECT: WATER					
G4-DMA	Disclosure on Management Approach	None	39-43, 56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN8	Total volume of water withdrawn	None	39-43, 56-104	ISO 26000: 6.5.4 UNGC: Principle 8	-
G4-EN9	Total number of water sources significantly affected by withdrawal	None	None		
G4-EN10	Total volume of water recycled and reused by the organisation.	None	56-104		
ASPECT: BIODIVERSITY					
G4-DMA	Disclosure on Management Approach	None	39-43, 56-69, 80-95	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN11	Operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	None	39-43, 56-69, 80-95	ISO 26000: 6.5.6 UNGC: Principle 8	-
G4-EN12	Nature of significant direct and indirect impacts on biodiversity	None	39-43, 56-69, 80-95		-
G4-EN13	Size and location of all habitat protected areas or restored areas	None	39-43, 56-69, 80-95		-
ASPECT: EMISSIONS					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN15	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	Reported only for CO2 emissions	56-104	ISO 26000: 6.5.5 UNGC: Principles 7 & 8	-
G4-EN16	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	None	56-104		-
G4-EN19	The amount of GHG emissions reductions achieved	None	56-104	ISO 26000: 6.5.5 UNGC: Principles 8 & 9	-
ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN23	Total weight of hazardous and non-hazardous waste, by disposal methods	None	56-104	ISO 26000: 6.5.3, 6.5.4 UNGC: Principle 8	-
G4-EN24	Total number and total volume of recorded significant spills.	None	None	ISO 26000: 6.5.3 UNGC: Principle 8	-
G4-EN26	Water bodies and related habitats that are prevented from being affected by water discharges of the organisation	None	56-104	ISO 26000: 6.5.3, 6.5.4, 6.5.6 UNGC: Principle 8	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN29	Significant fines and non-monetary sanctions for non-compliance with laws or regulations	None	None	ISO 26000: 4.6 UNGC: Principle 8	-

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
ASPECT: OVERALL					
G4-DMA	Disclosure on Management Approach	None	39-43	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN31	Total environmental protection expenditures	None	Rs. 111.7 Mn	ISO 26000: 6.5.1 & 6.5.2 UNGC: Principles 7,8 & 9	-
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK					
ASPECT: EMPLOYMENT					
G4-DMA	Disclosure on Management Approach	None	44-47	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA1	Turnover during the reporting period	None	44-47	ISO 26000: 6.4.3 UNGC: Principle 6 WEP: Principle 2	-
G4-LA2	Benefits which are standard for full-time employees of the organisation: Bonus/ salary increments on performance basis; Festival advance; Medical benefits; Retirement benefits/ obligations	None	As mentioned herewith	ISO 26000: 6.4.4	-
ASPECT: LABOUR/MANAGEMENT RELATIONS					UNGC
G4-DMA	Disclosure on Management Approach	None	44-47, 217-218	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA4	Minimum notice period	None	1 month	ISO 26000: 6.4.3, 6.4.5 UNGC: Principle 3	-
ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA5	Level at which each subsidiary's OHS representative/ committee operates within the organisation	None	56-104	ISO 26000: 6.4.6	-
ASPECT: TRAINING AND EDUCATION					
G4-DMA	Disclosure on Management Approach	None	44-47	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA9	Average hours of training provided to employees during the reporting period	None	44-47	ISO 26000: 6.4.7 UNGC: Principle 6 WEP: Principle 4	-
G4-LA10	Type and scope of programmes implemented and assistance provided to upgrade employee skills.	None	44-47	ISO 26000: 6.4.7, 6.8.5	-
G4-LA11	Percentage of total employees by gender and by employee category who received a regular performance and career development review	Only reported for executive cadre	100% executive staff	ISO 26000: 6.4.7 UNGC: Principle 6 WEP: Principle 4	-
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Disclosure on Management Approach	None	44-47	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA13B	Ratio of the basic salary and remuneration of women to men	None	1:1	ISO 26000: 6.3.7, 6.3.10, 6.4.3, 6.4.4 UNGC: Principle 6 WEP: Principle 2	-
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Disclosure on Management Approach	None	44-47	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA16	Total number of grievances about labour practices filed through formal grievance mechanisms during the reporting period.	None	05 grievances	ISO 26000: 6.3.6	-

GRI index

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
SUB-CATEGORY: HUMAN RIGHTS					
ASPECT: INVESTMENT					
G4-DMA	Disclosure on Management Approach	None	56-104, 217-218	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
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	None	56-104, 217-218	ISO 26000: 6.3.5 UNGC: Principle 1	-
ASPECT: NON – DISCRIMINATION					
G4-DMA	Disclosure on Management Approach	None	217-218	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-HR3	Total number of incidents of discrimination and corrective action taken	None	None	ISO 26000: 6.3.6, 6.3.7, 6.3.10, 6.4.3 UNGC: Principle 6 WEP: Principle 3	-
ASPECT: SECURITY PRACTICES					
G4-DMA	Disclosure on Management Approach	None	217-218	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-HR7	Percentage of security personnel who have received formal training in the organisation's human rights policies	None	217-218	ISO 26000: 6.3.4, 6.3.5, 6.6.6 UNGC: Principle 1	-
SUB-CATEGORY: SOCIETY					
ASPECT: LOCAL COMMUNITIES					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO1	Local community engagement, impact assessments, and development programmes	None	56-104	ISO 26000: 6.3.9, 6.5.1, 6.5.2, 6.5.3, 6.8 UNGC: Principle 1 WEP: Principle 6	-
ASPECT: ANTI-CORRUPTION					UNGC
G4-DMA	Disclosure on Management Approach	None	217-218	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	None	100%	ISO 26000: 6.6.1, 6.6.2, 6.6.3 UNGC: Principle 10	-
G4-SO4	Total number and percentage of governance body members, employees, business partners that the organisation's anti-corruption policies and procedures have been communicated to	None	100%	ISO 26000: 6.6.1, 6.6.2, 6.6.3, Promoting social responsibility in the value chain UNGC: Principle 10	-
G4-SO5	Total number and nature of confirmed incidents of corruption	None	None	ISO 26000: 6.6.1, 6.6.2, 6.6.3 UNGC: Principle 10	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO8	Significant fines and non-monetary sanctions for non -compliance with laws or regulations	None	None	ISO 26000: 4.6	-
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	None	56-104	ISO 26000: 6.7.1, 6.7.2, 6.7.4, 6.7.5, 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	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8	-
ASPECT: PRODUCT AND SERVICE LABELLING					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR5	Results or key conclusions of customer satisfaction surveys	None	56-104	ISO 26000: 6.7.1, 6.7.2, 6.7.6	-
ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.3	-
ASPECT: CUSTOMER PRIVACY					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR8	Total number of substantiated complaints received concerning breaches of customer privacy	None	None	ISO 26000: 6.7.1, 6.7.2, 6.7.7	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	56-104	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
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	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.6	-

Investor information

Stock Exchange Listing

Company Name	Aitken Spence PLC
Stock Symbol	SPEN.N0000
ISIN	LK0004N00008
Security Type in Issue	Quoted Ordinary Shares
Listed Exchange	Colombo Stock Exchange (CSE) - Main Board
Market Sector	Diversified Holdings
Featured Stock Indices	All Share Price Index (ASPI), S&P (SL) 20 Index, Diversified Holdings Index

Analysis of Shareholder Base

Distribution of shares

Shareholder Category	31st March 2016			31st March 2015		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	2,644	825,249	0.20	2,473	793,843	0.20
1,001 - 10,000	1,295	4,627,446	1.14	1,361	4,922,139	1.21
10,001 - 100,000	369	11,323,748	2.79	370	11,421,633	2.81
100,001 - 1,000,000	82	24,927,447	6.14	92	27,402,490	6.75
1,000,001 - above	25	364,292,155	89.73	28	361,455,940	89.03
Total	4,415	405,996,045	100.00	4,324	405,996,045	100.00

There were 4,415 registered shareholders as at 31st March 2016 and they are entitled for one vote per share. (31st March 2015 - 4,324).

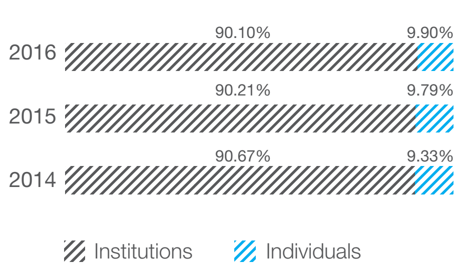
Individuals / Institutions

	31st March 2016		31st March 2015	
	No. of Shares	%	No. of Shares	%
Institutions	365,822,748	90.10	366,246,184	90.21
Individuals	40,173,297	9.90	39,749,861	9.79
	405,996,045	100.00	405,996,045	100.00

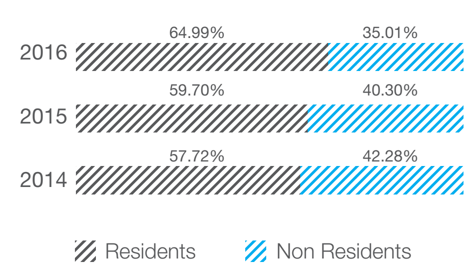
Residents / Non-Residents

	31st March 2016		31st March 2015	
	No. of Shares	%	No. of Shares	%
Residents	263,874,921	64.99	242,379,045	59.70
Non-Residents	142,121,124	35.01	163,617,000	40.30
	405,996,045	100.00	405,996,045	100.00

Individuals / Institutions
as at 31st March



Residents / Non Residents
as at 31st March



Public Holding

The percentage of public holding as at 31st March 2016 was 36.48% with reference to the rule No. 7.6 (iv) of Colombo Stock Exchange.

Twenty Largest Shareholders as at 31st March 2016

	Name	No. of Shares	%
1	Melstacorp Limited	176,193,390	43.40
2	Rubicond Enterprises Limited	65,990,145	16.25
3	HSBC International Nominees Limited - BPSS Lux -Aberdeen Global - Asian Smaller Companies Fund	24,355,179	6.00
4	Employees' Provident Fund	20,590,978	5.07
5	HSBC Intl Nom Ltd – BP2S London- Aberdeen Asia Pacific	12,192,300	3.00
6	Mr. G. C. Wickremasinghe	7,308,240	1.80
7	HSBC International Nominees Ltd - SSBT - Aberdeen Institutional Commingled Funds LLC	5,795,500	1.43
8	Placidrange Holdings Limited	5,521,500	1.36
9	HSBC Intl Nominees Ltd - BP2S - London - Aberdeen New Dawn Investment Trust XCC6	4,503,555	1.11
10	HSBC Intl Nom Ltd – BP2S - Luxembourg - Aberdeen Global Frontier Markets Equity Fund	4,502,000	1.11
11	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
12	HSBC Intl Nominees Ltd – BP2S - London - Aberdeen Asia Smaller Companies Investment Trust	3,400,000	0.84
13	Stassen Exports (Pvt) Limited	3,244,500	0.80
14	Ms. A. T. Wickremasinghe	3,211,975	0.79
15	Ms. K. Fernando	3,135,070	0.77
16	Mr. G. Wickremasinghe	3,019,090	0.74
17	Employees' Trust Fund Board	2,621,870	0.65
18	Bank of Ceylon No. I Account	2,596,230	0.64
19	National Savings Bank	2,593,516	0.64
20	Mellon Bank N.A. - Florida Retirement System	2,490,000	0.61
	Total	357,586,538	88.07

Shareholding of Directors

Shareholding of Directors together with their spouses in Aitken Spence PLC

	31st March 2016	31st March 2015
Mr. J.M.S. Brito	309,495	304,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	1,000
Ms. D.S.T. Jayawardena	27,839	27,839

Indirect holding by Directors

		31st March 2016	31st March 2015
Mr. G.C. Wickremasinghe	- Manohari Enterprises Ltd	298,830	298,830
Deshamanya D.H.S. Jayawardena	- Melstacorp Limited	176,193,390	167,376,598
	- Stassen Exports (Pvt) Ltd	3,244,500	3,244,500
	- Milford Exports (Ceylon) (Pvt) Ltd	4,321,500	4,321,500
	- Distilleries Company of Sri Lanka PLC	186,500	186,500
	- Periceyl (Pvt) Ltd	21,200	21,200

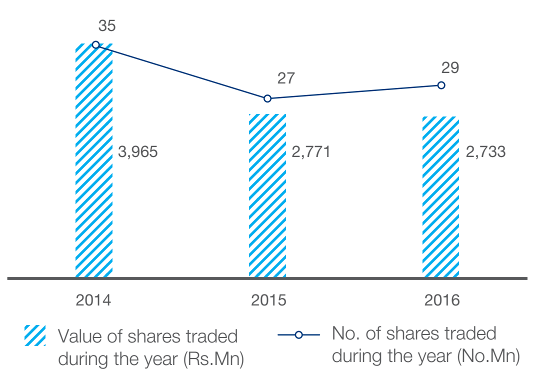
Shareholding in Group companies

		31st March 2016	31st March 2015
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	111,596	106,596
	Mr. G.C. Wickremasinghe	2,082,241	2,082,241
	Mr. R.N. Asirwatham	1,000	1,000
	Ms. D.S.T. Jayawardena	16,000	16,000
Hethersett Hotels Limited	Mr. G.C. Wickremasinghe	1,041,500	1,041,500

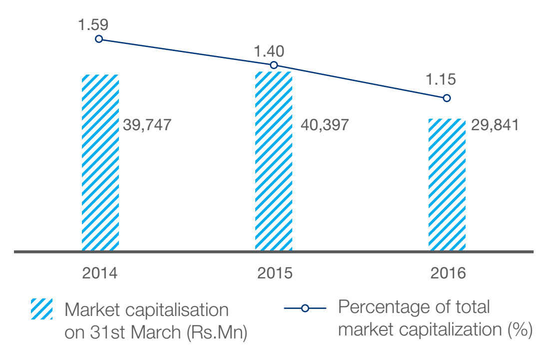
Share Trading Information

	2015/2016	2014/2015	2013/2014
Number of transactions	4,363	7,868	3,755
No. of shares traded during the year	29,133,437	26,691,694	35,111,754
Value of shares traded during the year (Rs. Million)	2,733	2,771	3,965
Percentage of total value transacted (%)	1.18	0.78	2.03

Share Trading
for the year ended 31st March



Market Capitalisation
as at 31st March



Market Capitalisation

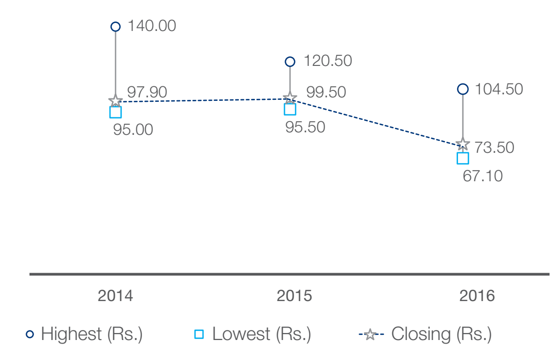
	31st March 2016	31st March 2015	31st March 2014
Market capitalisation (Rs. Million)	29,841	40,397	39,747
Percentage of total market capitalisation (%)	1.15	1.40	1.59

Market Value

	2015/2016	2014/2015	2013/2014
Highest (Rs.)	104.50	120.50	140.00
Lowest (Rs.)	67.10	95.50	95.00
Closing (Rs.)	73.50	99.50	97.90

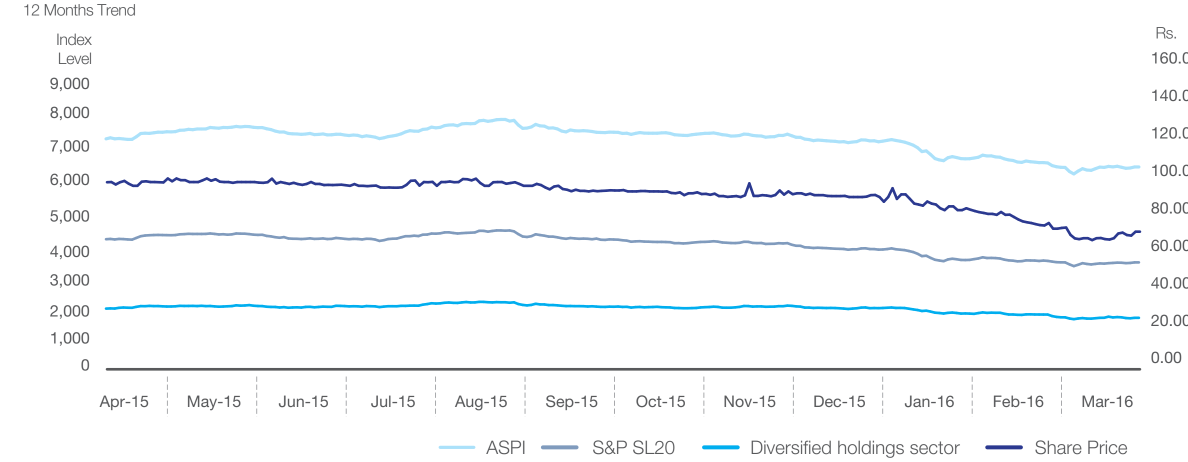
The market value of the ordinary share as at 24th May 2016 was Rs. 80.50.

Market Value Per Share
for the year ended 31st March



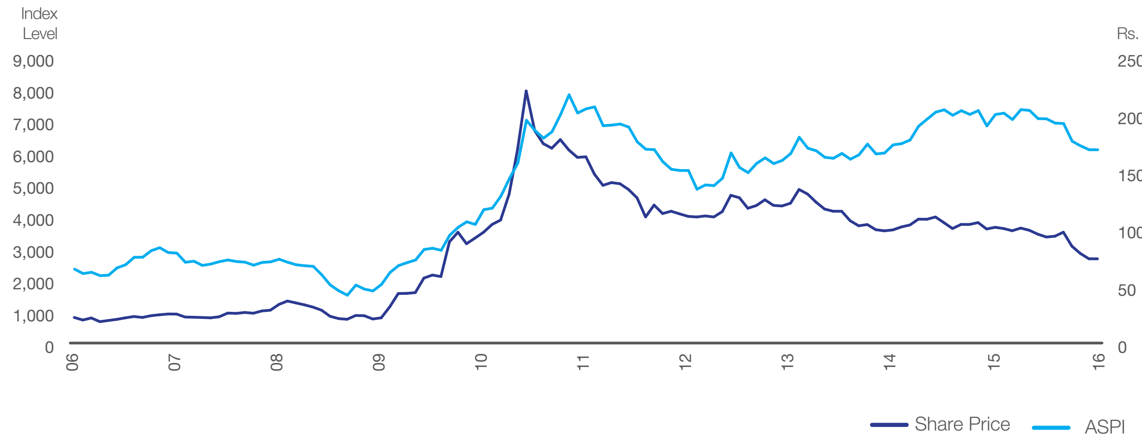
Performance of the SPEN Share

Share Price vs Indices - 2015/2016
12 Months Trend



Share Price vs ASPI

10 Year Trend (1st April 2006 to 31st March 2016)



Dividends

An ordinary dividend of Rs. 1.50 per share (2014/2015 - Rs. 2.00 per share) has been recommended to the shareholders for approval at the forthcoming Annual General Meeting.

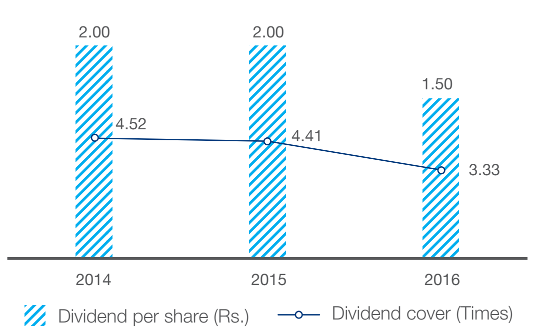
History of dividend per share, dividend cover and dividend-payout ratio for the past 10 years

Year	Dividend per share (Rs.)	Dividend cover (Times)	Dividend - payout ratio
2006/2007*	0.43	8.30	0.12
2007/2008*	0.47	9.72	0.10
2008/2009*	0.63	7.93	0.13
2009/2010*	0.67	7.61	0.13
2010/2011	1.00	6.25	0.16
2011/2012	1.40	6.14	0.16
2012/2013	1.50	5.40	0.19
2013/2014	2.00	4.52	0.22
2014/2015	2.00	4.41	0.23
2015/2016	1.50	3.33	0.30

** The above figures are restated taking into consideration the subdivision of shares.*

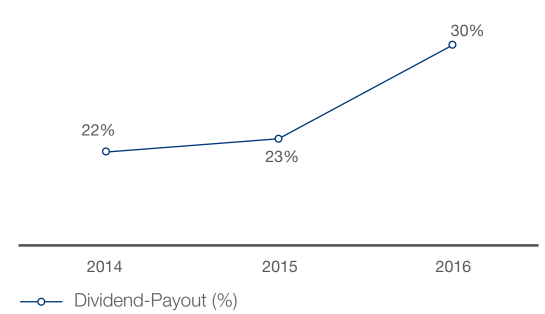
Dividend Per Share & Dividend Cover

for the year ended 31st March



Dividend-Payout

for the year ended 31st March



Investor Information

Earnings

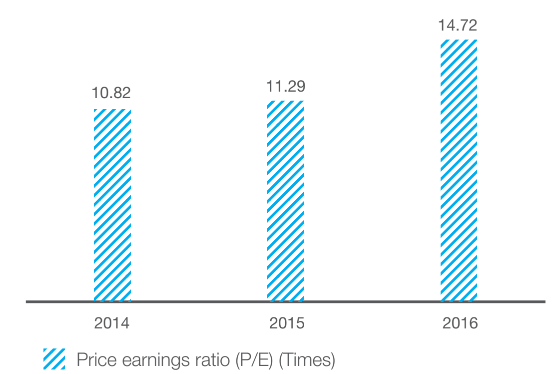
	2015/2016	2014/2015	2013/2014
Earnings per share - Basic/Diluted (Rs.)	4.99	8.82	9.04
Price earnings ratio (P/E) (Times)	14.72	11.29	10.82

Net Assets per Share

	31st March 2016	31st March 2015	31st March 2014
The Group (Rs.)	90.26	86.27	79.45
The Company (Rs.)	32.72	31.35	31.85

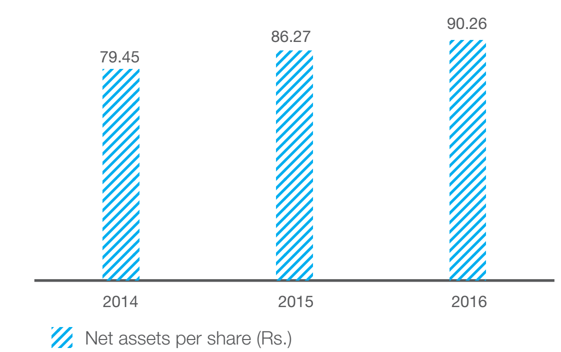
Price Earnings Ratio

as at 31st March



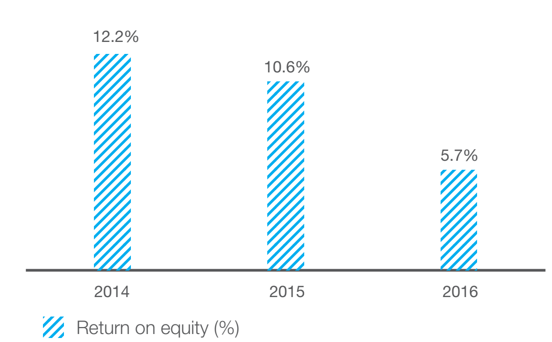
Net Assets Per Share

as at 31st March



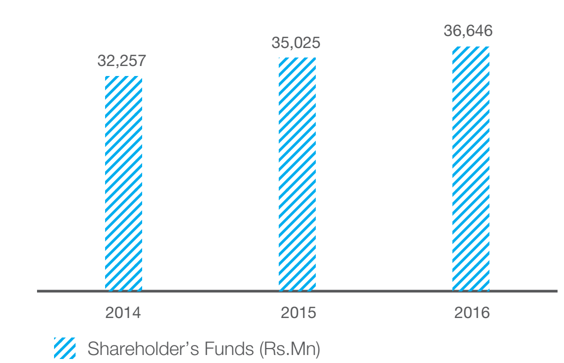
Return on Equity

as at 31st March



Shareholder's Funds

as at 31st March



Group companies and directorate

Aitken Spence

TOURISM	MARITIME & LOGISTICS	STRATEGIC INVESTMENTS	SERVICES
• Hotels • Inbound & Outbound Travel • Airline GSA	• Maritime and Port Services • Freight Forwarding & Courier • Integrated Logistics • Airline GSA (Cargo) • Maritime Education	• Power Generation • Printing & Packaging • Apparel Manufacture • Plantations	• Inward Money Transfer • Elevator Agency • Insurance • Property • Technology

Tourism sector

OUTBOUND TRAVEL

Ace Aviation Services Maldives Private Limited *
General Sales Agents for Sri Lankan Airlines and Mihin Lanka in the Maldives.

Directors:
S.T.B. Ellepola (Chairman),
M. Firaq,
N.A.N. Jayasundera,
K.R.T. Peiris,
D.L. Warawita.

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).

Aitken Spence Moscow (Private) Limited *
The Company ceased operations during the year.

Directors:
Dr. J.W.A. Perera (Managing Director),
S.T.B. Ellepola.

Royal Spence Aviation (Private) Limited
The Company manages Ace Aviation Services Maldives Private Limited.

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

HOTELS

A.D.S. Resorts Private Limited *
Owns and operates Adaaran Select Hudhuranfushi - Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama (Appointed as Managing Director w.e.f. 01.07.2015),
M. Mahdy,
A.K.M.P. Wijesekara (Appointed w.e.f. 01.07.2015),
S.M. Hapugoda (Managing Director) (Resigned w.e.f. 30.06.2015).

Ace Resort Private Limited *
Proposed to construct and develop a resort in the Maldives.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama (Managing Director) (Appointed w.e.f.01.07.2015),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.01.2016),
A.K.M.P. Wijesekara,
M. Mahdy (Appointed w.e.f. 01.07.2015),
T.D.U.D. Peiris (Resigned w.e.f. 01.02.2016).

Aitken Spence (Middle East) LLC *
Owns the Al Falaj Hotel in Oman.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
A.K.M.P. Wijesekera,
S.N. de Silva.

Aitken Spence Hotel Holdings PLC *
The holding company of the Group's hotel interests. Owns and operates Heritance Ahungalla.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito (Managing Director),
Ms. D.S.T. Jayawardena,
R.E.V. Casie Chetty,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015),
C.M.S. Jayawickrama,
G.P.J. Goonewardena,
R.N. Asirwatham,
C.H. Gomez,
N.J. de Silva Deva Aditya.

** The companies' financial statements are audited by KPMG.*

Aitken Spence Hotels International (Private) Limited *
Holding company of resort companies in the Maldives and provides international marketing services to resorts overseas.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 30.11.2015),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 30.11.2015),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015),
V.M. Gunatilleka (Resigned w.e.f. 30.11.2015).

Aitken Spence Hotel Managements (Private) Limited *
Manages resorts in Sri Lanka.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama (Managing Director),
R.E.V. Casie Chetty,
K.A.A.C. Perera (Joint Managing Director) (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Aitken Spence Hotel Managements (South India) Private Limited
Owns the 143 room hotel property Turyaa in Chennai.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
K.A.A.C. Perera (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Managing Director) (Resigned w.e.f. 09.07.2015).

Aitken Spence Hotel Managements Asia (Private) Limited *
Manages resorts in Oman and in the Maldives.

Directors:
Deshamanya D.H.S. Jayawardena,
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.01.2016),
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
G.P.J. Goonewardena.

Aitken Spence Hotel Services Private Limited
The Company ceased commercial operations during the year.

Directors:
R.S. Rajaratne,
A.K.M.P. Wijesekara.

Aitken Spence Resources (Private) Limited *
Human resource management, foreign employment and recruitment company.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
G.P.J. Goonewardena,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Aitken Spence Hotels Limited *
Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns and operates Heritance Ayurveda Maha Gedara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
N. Ratwatte (Resigned w.e.f. 22.12.2015),
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Cowrie Investment Private Limited *
Owns and operates Adaaran Select Meedhupparu - Maldives.

Directors:
J.M.S. Brito (Chairman and Managing Director),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.07.2015),
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Crest Star (B.V.I.) Limited
The holding company and managing agent of Jetan Travel Services Company Private Limited – Maldives.

Directors:
J.M.S. Brito (Chairman),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Appointed w.e.f. 01.07.2015),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Crest Star Limited

Directors:
J.M.S. Brito (Appointed w.e.f. 01.07.2015),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Golden Sun Resorts (Private) Limited
Owns and operates the resort Turyaa in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Heritance (Private) Limited *
Owns a land for a proposed hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Hethersett Hotels Limited *
Owns and operates Heritance Tea Factory.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Jetan Travel Services Company Private Limited *
Owns and operates Adaaran Club Rannalhi - Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama (Appointed as Managing Director w.e.f. 01.07.2015),

** The companies' financial statements are audited by KPMG.*

H. Mohamed,
M. Mahdy,
A.K.M.P. Wijesekara (Appointed w.e.f. 01.07.2015),
T.D.U.D. Peiris (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 01.02.2016),
S.M. Hapugoda (Managing Director) (Resigned w.e.f. 30.06.2015).

Kandalama Hotels (Private) Limited *
Owns and operates Heritance Kandalama.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

M.P.S. Hotels (Private) Limited *
Owns and operates Hotel Hilltop, Kandy.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Meeraladuwa (Private) Limited
Owns the island of Meeraladuwa.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Neptune Ayurvedic Village (Private) Limited *
Leases company owned land and buildings to Aitken Spence Hotels Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Nilaveli Holidays (Private) Limited *
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Nilaveli Resorts (Private) Limited *
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Perumbalam Resorts Private Limited
A fully owned subsidiary of PR Holiday Homes Private Limited.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
A.K.M.P. Wijesekera (Appointed w.e.f. 28.02.2016),
M.R. Narayanan,
K.K.M. Rawther,
R. Narayanan,
K.A.A.C. Perera (Appointed w.e.f. 30.06.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

PR Holiday Homes Private Limited
Owns a land in Cochin, India for a future hotel project.

Directors:
J.M.S. Brito (Appointed w.e.f. 30.06.2015),
C.M.S. Jayawickrama,
A.K.M.P. Wijesekera (Appointed w.e.f. 28.02.2016),
M.R. Narayanan,
K.K.M. Rawther,
K.A.A.C. Perera (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

The Galle Heritage (Private) Limited
Proposed for constructing and operating a heritage hotel within the Fort of Galle.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Triton (Private) Limited
(Being amalgamated with Vauxhall Investments (Private) Limited)
The holding company of Aitken Spence Aviation (Private) Limited.

Directors:
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Turyaa Resorts (Private) Limited
(Formally known as Aitken Spence Resorts (Private) Limited)
Owns the 90 room hotel property Turyaa in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Unique Resorts Private Limited *
Owns and operates Adaaran Prestige Vaadhoo - Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama (Appointed as Managing Director w.e.f. 01.07.2015),
A.K.M.P. Wijesekara (Appointed w.e.f. 01.07.2015),
M.D.B.J. Gunatilake (Appointed w.e.f. 14.03.2016),
T.D.U.D. Peiris (Resigned w.e.f 01.02.2016),
M.S. Hassan (Resigned w.e.f. 25.06.2015),
S.M. Hapugoda (Managing Director) (Resigned w.e.f. 30.06.2015).

** The companies' financial statements are audited by KPMG.*

MARITIME & LOGISTICS SECTOR

FREIGHT FORWARDING AND 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 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, international mailing, supply chain solutions and record management.

Directors:
Dr. P. Dissanayake,
K.R.T. Peiris (Managing Director),
J.E. Brohier.

Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agents for airline cargo.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris (Managing Director),
J.E. Brohier.

DBS Logistics Limited
International freight forwarder and network partner for DB Schenker.

Directors:
J.M.S. Brito,
Dr. P. Dissanayake,
K.R.T. Peiris,
J.E. Brohier.

Spence International (Private) Limited
Regional operating headquarters to manage operation overseas.

Directors:
Dr. P. Dissanayake,
K.R.T. Peiris,
J.E. Brohier.

Spence Maldives Private Limited
Cargo General Sales Agents and provides international air express,domestic express and freight forwarding services in the Maldives.

Directors:
Dr. P. Dissanayake,
K.R.T. Peiris (Managing Director),
M. Firaq,
J.E. Brohier,
A. Ghiyas.

INTEGRATED LOGISTICS

Ace Containers (Private) Limited *
Operates an inland container terminal, container freight station and provides haulage management.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

Ace Container Repair (Private) Limited *
Undertakes container repairs, conversions for Garments on Hangers (GOH) and other purpose built solutions.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

Ace Container Terminals (Private) Limited *
Provides container storage, customs brokerage, transport and warehousing services.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

Ace Distriparks (Private) Limited *
Provides total integrated logistics services which encompasses warehouse management, transport and distribution services, project cargo logistics, mobile storage solutions and acts as agents. Also agents for leading Liquid Cargo Operators and container leasing companies.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

Ace Freight Management (Private) Limited
Undertakes clearing, forwarding and operates an inland container terminal.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

Aitken Spence Developments (Private) Limited *
Property development company.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

** The companies' financial statements are audited by KPMG.*

Logilink (Private) Limited *
Provides container freight station services and deconsolidation of imports, storing, distribution and consolidation for exports.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris,
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella (Resigned w.e.f. 31.12.2015).

MARITIME AND PORT SERVICES

Aitken Spence Maritime Limited *
Holding company of Hapag-Lloyd Lanka (Private) Limited and Aitken Spence Ports International Limited.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan.

Aitken Spence Ports International Limited
(Formally known as Port Management Container Services (Private) Limited)
Port management services which includes operations and productivity enhancement management in ports.

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
W.L.P. Wijewardena.

Aitken Spence Shipping Limited *
Shipping agency services in all ports in Sri Lanka. Liner, Cruise and Casual caller agency representation, Non Vessel Operating Container Carrier (NVOCC) and an international freight forwarder.

Directors:
Dr. P. Dissanayake (Chairman),
A. Jayasekera,
I.S. Cuttilan,
Ms. T.D.M.N. Anthony.

Aitken Spence Shipping Services Limited *
Shipping agency activities in all ports in Sri Lanka.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan,
A. Jayasekera.

Clark Spence and Company (Private) Limited *
Shipping agency services in all ports in Sri Lanka and an international freight forwarder.

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
R.E.V. Casie Chetty.

Fiji 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),
N. Cook,
V. Chand,
J.M.S. Brito,
Dr. P. Dissanayake,
Ms. N. Sivapragasam,
I.S. Cuttilan.

Hapag-Lloyd Lanka (Private) Limited *
Liner agency representation.

Directors:
J. Schlotfeldt (Chairman),
F.R. Coutinho,
J.M.S. Brito,
Dr. P. Dissanayake.

Shipping and 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.

STRATEGIC INVESTMENTS SECTOR

PRINTING AND PACKAGING

Ace Exports (Private) Limited *
Provides printing and packaging services to the direct and indirect export markets.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Ace Printing & Packaging (Private) Limited *
(Being amalgamated with Aitken Spence Printing and Packaging (Private) Limited)
Provides printing and packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

** The companies' financial statements are audited by KPMG.*

Aitken Spence Printing and Packaging (Private) Limited *
Provides printing and packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

APPAREL MANUFACTURE

Ace Apparels (Private) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers mainly in the USA and EU.

Directors:
R.E.V. Casie Chetty,
P.C.J. Fernando (Appointed w.e.f. 01.03.2016),
J.S.A. Fernando (Resigned w.e.f. 31.03.2016).

Aitken Spence (Garments) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers primarily in USA and EU.

Directors:
R.E.V. Casie Chetty,
R.G. Pandithakorralage,
P.C.J. Fernando (Appointed w.e.f. 01.03.2016),
J.S.A. Fernando (Resigned w.e.f. 31.03.2016).

Aitken Spence Apparels (Private) Limited
Manufacturer and exporter of high quality clothing to departmental stores and apparel importers chiefly in USA and EU.

Directors:
R.E.V. Casie Chetty,
P.C.J. Fernando (Appointed w.e.f. 01.03.2016),
J.S.A. Fernando (Resigned w.e.f. 31.03.2016).

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),
L. Wickremarachchi,
Ms. N. Sivapragasam,
Ms. M. Spoelgen,
Ms. A.M. Fernando.

Ace Wind Power (Private) Limited
Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:
L. Wickremarachchi,
Ms. N. Sivapragasam.

Aitken Spence Power (Private) Limited
Takes part in new project opportunities.

Directors:
J.M.S.Brito,
L. Wickremarachchi,
N. Sivapragasam.

Branford Hydropower (Private) Limited
Owns a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
L. Wickremarachchi,
Ms. N. Sivapragasam.

Western Power Company (Private) Limited
Obtained approval to construct, commission and operate a 10MW Waste to Energy Power Project to supply electricity to the national grid.

Directors:
J.M.S. Brito (Chairman),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam,
S.R.S.L. Karunanayake,
Ms. N.W. de A. Guneratne.

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 (Resigned w.e.f. 30.11.2015).

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,
Dr. P. Dissanayake,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
D.S. Mendis,
P. Karunatilake,
V.M. Gunatilleka (Resigned w.e.f. 30.11.2015),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

** The companies' financial statements are audited by KPMG.*

SERVICES SECTOR

PROPERTY MANAGEMENT

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, Colombo.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
R.G. Salgado (Resigned w.e.f. 31.03.2016).

Vauxhall Investments (Private) Limited
Owns buildings and land in Bloemendhal Street.

Directors:
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 AND CLAIM SETTLING AGENCY

Aitken Spence Insurance (Private) Limited *
Survey and claim settling agents for several reputed insurance companies and organisations worldwide . 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 and 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 people moving equipment.

Directors:
J.M.S. Brito (Chairman),
B.D.S. Mendis (Joint Managing Director) (Appointed w.e.f. 04.04.2016),
S. Mariappan (Joint Managing Director) (Appointed w.e.f. 04.04.2016),
R.E.V. Casie Chetty,
S. Joseph (Appointed w.e.f. 23.11.2015),
R.G. Salgado (Managing Director) (Resigned w.e.f. 31.03.2016),
G. Pandya (Resigned w.e.f. 23.11.2015).

Interlifts International Private Limited *
Marketing, installing, commissioning and maintaining branded elevators, escalators and other people moving equipment.

Directors:
R.E.V. Casie Chetty, (Appointed as Managing Director w.e.f. 18.03.2016),
A.K.M.P. Wijesekera,
M.M. Ahmed,
R.G. Salgado (Managing Director) (Resigned w.e.f. 18.03.2016).

INFORMATION TECHNOLOGY SERVICES

Aitken Spence Technologies (Pvt) Ltd *
Provision of Information Technology enabled services.

Directors:
Dr. R.M. Fernando,
D.S. Mendis,
Ms. N. Sivapragasam,
R.G. Pandithakorralage,
V.M. Gunatilleka (Managing Director) (Resigned w.e.f. 30.11.2015).

INWARD MONEY TRANSFER

MMBL Money Transfer (Private) Limited *
Principal agent for Western Union money transfer services in Sri Lanka.

Directors:
J.M.S. Brito (Chairman),
D.S. Mendis (Managing Director),
M.D.D. Peiris,
Ms. Y.N. Perera,
K. Balasundaram,
Ms. N. Sivapragasam,
J.V.A. Corera,
M.R.P. Balendra (Alternate Director to Ms. Y.N. Perera and M.D.D. Peiris),
Dr. R.M. Fernando (Alternate Director to J.M.S. Brito),
R.G. Pandithakorralage (Alternate Director to D.S. Mendis).

PLANTATIONS

Aitken Spence Agriculture (Private) Limited*
(Formally known as Aitken Spence Tawoos Agriculture (Private) Limited)
To cultivate farm fruits and vegetables for the export market.

Directors:
J.M.S. Brito,
Dr. R.M. Fernando.

OTHER SERVICES

Aitken Spence Exports (Private) Limited*
Bottles and markets "Hethersett" bottled water.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
C.D.D. Perera,
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

* *The companies' financial statements are audited by KPMG.*

EQUITY ACCOUNTED INVESTEES

TOURISM SECTOR

Ace Travels & Conventions (Private) Limited *
The company did not carry out operations during the year as the MICE Activities are shown under Aitken Spence Travels (Private) Limited.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
P.L. Perera.

Ahungalla Resorts Limited *
A joint venture company with RIUSA NED BV and in the process of constructing a 501 room resort in Ahungalla.

Directors:
Ms. D.S.T. Jayawardena (Chairperson) (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
L. Riu Guell,
C.L.M. Riu Guell,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
R.E.V. Casie Chetty (Resigned w.e.f. 01.01.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Aitken Spence Overseas Travel Services (Private) Limited *
The company did not carry out operations during the year

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
H.P.N. Rodrigo.

Aitken Spence Travels (Private) Limited *
A joint venture with TUI - one of the largest tourism companies in the world and a leading destination management company in Sri Lanka.

Directors:
J.M.S. Brito (Chairman),
N.A.N. Jayasundera (Managing Director),
J.C. Munar (Appointed w.e.f. 13.05.2015),
M. Habig (Alternate Director to J.C. Munar) (Appointed w.e.f. 13.05.2015),
N.N. Lazaro (Appointed w.e.f. 13.05.2015),
S.T.B. Ellepola (Alternate Director to J.M.S. Brito),
D.C. Schelp (Resigned w.e.f. 13.05.2015),
P.A. Mitchell (Resigned w.e.f. 13.05.2015).

Amethyst Leisure Limited
Holding company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Appointed as Chairperson w.e.f. 01.01.2016),
V.J. Senaratne,
B.H.R. Sariffodeen,
M.Z.H. Hashim,
A. Mahir.

Browns Beach Hotels PLC *
Owns the property leased out to Negombo Beach Resorts (Private) Limited.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito,
M.V. Theagarajah,
A.L. Gooneratne,
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.01.2016),
R.N. Asirwatham (Appointed w.e.f. 17.03.2016),
N.J. de Silva Deva Aditya (Appointed w.e.f. 17.03.2016),
T.D.U.D. Peiris (Resigned w.e.f. 10.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Negombo Beach Resorts (Private) Limited *
Owns and operates Heritance Negombo.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.01.2016),
C.M.S. Jayawickrama,
K.A.A.C. Perera (Appointed w.e.f. 01.07.2015) (Resigned w.e.f. 28.02.2016),
S.M. Hapugoda (Resigned w.e.f. 30.06.2015).

Paradise Resort Pasikudah (Private) Limited
Owning company of Amethyst Resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Appointed as Chairperson w.e.f. 01.01.2016),
V.J. Senaratne,
B.H.R. Sariffodeen,
M.Z.H. Hashim,
A. Mahir.

MARITIME & LOGISTICS SECTOR

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.

Colombo International Nautical and Engineering College (Private) Limited (CINEC) *
Sri Lanka's largest private maritime and higher education campus.

Directors:
Capt. P.A.P. Peiris,
C.L. Wikramanayake,
H.K. Jayanetti,
Dr. P. Dissanayake,
J.M.S. Brito,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
S.A.R.S. Karunanayake,
D. Malais,
H.D.J.B. Ranchigoda,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski),
B. Sprotte (Alternate Director to D. Malais) (Resigned w.e.f. 31.05.2015).

* *The companies' financial statements are audited by KPMG.*

Fiji Ports Corporation Limited
Own and operates all the major ports in Fiji in addition to providing navigational services.

Directors:
S. Ali (Chairman),
Ms. M. Konrote,
V. Maharaj,
V. Chand,
J.M.S. Brito,
Dr. P. Dissanayake,
T. Kuruvakadua,
T. Ricketts,
S. Singh.

STRATEGIC INVESTMENTS SECTOR

Aitken Spence Plantation Managements PLC *
Managing agents for Elpitiya Plantations PLC.

Directors:
J.M.S. Brito (Chairman),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
D.C. Fernando (Alternate Director to Merrill J. Fernando),
A.L.W. Goonewardena,
Ms. M.D.A. Perera (Alternate Director to. Malik J. Fernando),
R.E.V. Casie Chetty,
L.N. de S. Wijeyeratne.

Elpitiya Plantations PLC
Owns tea, rubber and oil palm estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,830.67 hectares.

Directors:
J.M.S. Brito (Chairman),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
Dr. S.A.B. Ekanayake,
D.C. Fernando (Alternate Director to Merrill J. Fernando),
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
S.C. Ratwatte,
A.L.W. Goonewardena,
Ms. B.W.G.C.S. Bogahawatta.

SERVICES SECTOR

Aitken Spence C & T Investments (Private) Limited *
To construct and operate gated community type premium villas in Negombo.

Directors:
A.Y. Atapattu (Chairman),
J.M.S. Brito,
S. Chandramohan,
Dr. R.M. Fernando,
D.S. Mendis,
S.G. Atapattu.

Ecocorp Asia (Private) Limited *
Formulates specialised surface protection systems and applications on different materials utilising nanotechnology; while introducing diverse innovative solutions for industries.

Directors:
C.V.J.P. Fraser,
K.M. Fernando,
V.M. Fernando,
Dr. R.M. Fernando,
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam.

** 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.

Basis Point
One hundredth of a percentage point. i.e.1/10000

BAU
Business As Usual, the normal execution of operations within an organisation.

Biological Asset
A living animal or plant.

Business Model
The process adopted by a company to generate revenue and make a profit from operations.

Capital Expenditure
The total of additions to property, plant and 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 an 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
The Risk that a counter party 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.

Currency SWAP
An agreement between two parties to buy and sell or sell and buy a currency against another currency at fixed rates on fixed dates.

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 amortisation.

Glossary of terms

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.

Emissions
The release of greenhouse gases and/or their precursors into the atmosphere over a specified area over a specified period of time.

Employee Turnover
Number of employees who leave an organisation over a year expressed as a percentage of the total work force.

Equity Instruments
A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

EURIBOR
The Euro Interbank Offered Rate; is a rate calculated based on the interest rates at which a panel of European banks borrow funds from one another.

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 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.

GHG
Greenhouse gases.

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 fulfil 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.

Internal Rate of Return (IRR)
Rate of return used in capital budgeting to measure and compare the profitability of investments.

LIBOR
The London Inter Bank Offer Rate; is an interest rate calculated based on the rates at which banks borrow and lend funds, in marketable size, with other banks in the London interbank market. It is commonly used as a benchmark for short-term interest rates.

Liquidity Risk
The risk of an entity having constrains to settle its 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
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 (ROE)
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.

SBU
Strategic Business Unit; is usually a profit centre which focuses on specific product offerings and/or market segments thus can be identified individually within the framework of the main business.

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 instruments with a maturity period of 3, 6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond
Medium to long term debt instruments with a minimum maturity period of 2 Years and issued by the Government of Sri Lanka which carries a coupon (interest) paid on semi-annual basis.

Unquoted Shares
Shares which are not listed in a regulated 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.

Weighted Average Cost of Capital (WACC)
The rate that a company is expected to pay on average to all its equity and debt holders.

Working Capital
Current assets less current liabilities.

Notice of meeting

Notice is hereby given that the Sixty Fourth 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 Thursday, June 30, 2016 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 2016.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. C.H. Gomez who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr. G.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 82 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 73 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 73 and that he be re-elected a Director of the Company"
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs KPMG, 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
FCA, FCMA, MCMI, J Dip. MA

Company Secretary
Colombo

28th May 2016

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 Office of the Registrars P W Corporate Secretarial (Pvt) Ltd., at No. 3/17, Kynsey Road, Colombo 8, not less than forty-eight hours before the time fixed for the meeting.
3. It is proposed to post the dividend warrants on 12th July 2016 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 2016.

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)
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 2016 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Sixteen.

....
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 Office of the Registrars P W Corporate Secretarial (Pvt) Ltd., at No.3/17, Kynsey Road, Colombo 8 before 10.00 a.m. on June 28, 2016 being 48 hours before commencement of the meeting.

Aitken Spence PLC | Shareholder feedback form

Name (Optional) : ....

Address (Optional) : ....

: ....

Number of shares held (Optional) : ....

Please rate the following areas (where applicable) on a scale of 1 to 5 where 1 is the lowest to 5 being the highest

		Lowest 1	2	3	4	Highest 5
1.	Reporting					
a)	Quality and presentation of the Annual Report	☐	☐	☐	☐	☐
b)	Likelihood of the financial information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
c)	Likelihood of the environmental information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
d)	Likelihood of the social information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
e)	Satisfaction with the risk management strategies of the Company	☐	☐	☐	☐	☐
2.	Corporate Communication					
a)	Quality of Group communications appearing in traditional media (newspapers, radio, television).	☐	☐	☐	☐	☐
b)	Quality of Group communications appearing in emerging and new media (social media, web).	☐	☐	☐	☐	☐
c)	Accessibility and availability of information related to the Group in mass media channels	☐	☐	☐	☐	☐
3.	Employees					
a)	Satisfaction with the conduct of Group employees	☐	☐	☐	☐	☐
b)	Competency of Group employees based on your recent interactions.	☐	☐	☐	☐	☐
c)	Availability of talent management related information	☐	☐	☐	☐	☐
4.	Sustainability					
a)	Satisfaction with the strategies developed for economic sustainability	☐	☐	☐	☐	☐
b)	Satisfaction with the commitment of the Group towards environmental conservation and management	☐	☐	☐	☐	☐
c)	Satisfaction with the commitment of the Group towards social empowerment and community development	☐	☐	☐	☐	☐
d)	Ethical conduct of the Group in business activities	☐	☐	☐	☐	☐

Aitken Spence PLC | Shareholder feedback form

Please tick more than one where applicable:

5. What areas of the following business activities are you interested in receiving more information regarding via Group communication channels?
   - a) Sustainability initiatives ☐
   - b) Reporting processes ☐
   - c) Internal operations ☐
   - d) New business initiatives ☐
   - e) Strategic investments ☐

6. 6. What channels of communication are preferred when receiving Group related information?
   - a) Web ☐
   - b) Print media ☐
   - c) Electronic media ☐
   - d) Social media ☐
   - e) Mobile ☐

7. Out of the following, what areas of sustainability do you feel Aitken Spence Group should focus in greater detail?
   - a) Energy ☐
   - b) Water ☐
   - c) Biodiversity ☐
   - d) Waste management ☐
   - e) Resource efficiency ☐
   - f) GHG emission reduction ☐
   - g) Social empowerment ☐
   - h) Infrastructure development ☐
   - i) Education ☐

The completed Feedback Form could be handed over to a Company representative at the end of the Annual General Meeting or emailed to info@aitkenspence.lk or mailed / delivered to the Company Secretary at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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