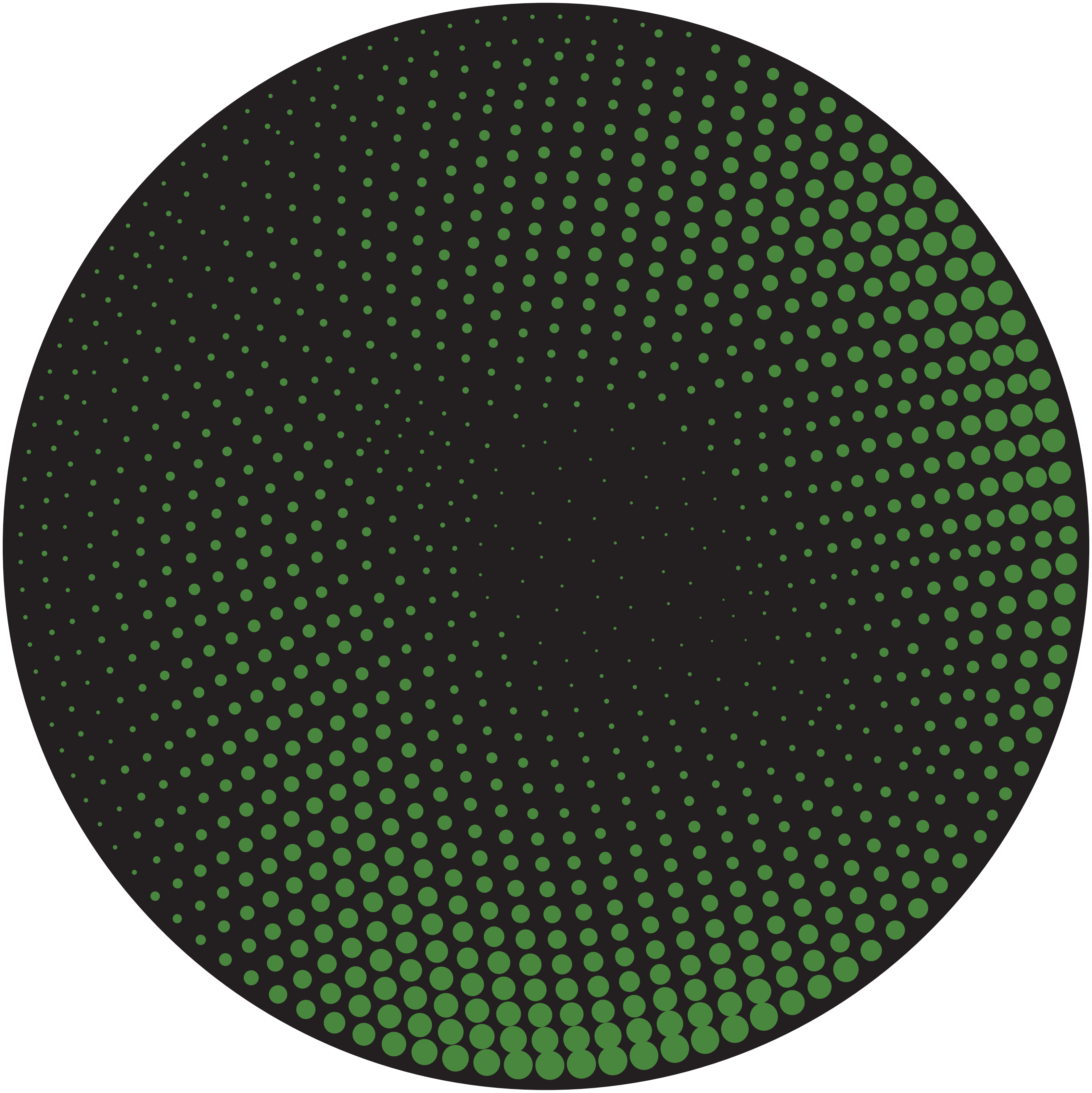


ALL SYSTEMS GO!

Aitken Spence

Aitken Spence PLC | Annual Report 2016 - 2017

ALL SYSTEMS GO!

The Aitken Spence Group has spent the last 149 years building and honing a portfolio of key industry sectors that now includes tourism, maritime and logistics, strategic investments and services.

The Group has endured nearly one and a half centuries of business by keeping our focus on the long term perspective and never losing sight of the fact that what we do today will have a significant influence on who we are tomorrow. Sustainability remains the key watchword, both in our businesses and the 'green' awareness and achievements that are synonymous with our brand.

Last year's report discussed how we made several major investments in order to serve our stakeholders with long term returns and enduring value. This report describes the development of those investments into dynamic channels of sustainable revenue, clearly demonstrating that we are 'all systems go!' for outstanding value creation to the many stakeholders we serve.

Aitken Spence

CONTENTS

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.

- With nearly 150 years of heritage
- Diversity of sectors and interest
- Long standing global partnerships
- Operations in seven countries spanning South Asia, the Middle East, Africa and South Pacific
- Internationally recognized

  First Sri Lankan corporate to be recognized three times consecutively by Forbes Magazine as one of the 200 most successful companies with under a US dollar billion in revenue, outside the United States.

THE AITKEN SPENCE STORY

ONE AND A HALF CENTURIES OF BUSINESS...

1868

CLARK SPENCE & CO

Commences business as an import and export trader in the southern port city of Galle.

1876

LLOYD'S AGENCY

Appointed as Lloyd's agents for Sri Lanka and obtains representation for several shipping agencies. The Company changes its name to Aitken Spence & Co.

LLOYD'S
Agency

1920

DIVERSIFICATION

During the great depression era of the 1920s and 1930s diversifies and becomes an agency house for the plantation companies.

1952

END OF THE COLONIAL ERA

The last Chairman of the founding families, P.W.G. Spence retires in 1952 and the Company registers as a private limited company. In 1955 the Company commences its printing operation in Galle.

1970

ENTRY IN TO TOURISM

The Company ventures into inbound and outbound travel by incorporating Aitken Spence Travels Limited. Aitken Spence launches the first resort in Sri Lanka, Neptune, the first in exclusive lineup of hotels in years to come. The Company is appointed as the General Sales Agent for Singapore Airlines, an agency which is held to date.

1983

STEPPING STONE

Becomes a public quoted company in 1983 with an issued share capital of Rs. 51 million.

CSE
COLOMBO STOCK EXCHANGE

1985 2000

GROWTH & EXPANSION

During the 1980s and 1990s, revolutionizes the cargo handling industry by setting up container freight station and depot. Takes Sri Lanka's hospitality industry to the next level by building the globally acclaimed Kandalama and Tea Factory hotels. Becomes the first Sri Lankan company to venture in to overseas tourism by acquiring Bathala Island resort in the Maldives.

2001

SUPPORTING THE NATIONAL GRID

Marking the Group's entry in to power generation the first 20 MW thermal power plant was completed at Matara.

2004

STRATEGIC PARTNERSHIPS

Aitken Spence enters in to a joint venture with TUI Germany, the world's leading tour operator.

2009

CHANGING COLOMBO'S SKYLINE

The iconic Aitken Spence Tower II is completed with the first tenants moving in during 2009. This latest addition of commercial property to Colombo becomes the venue for the registered office of Aitken Spence PLC.

2013

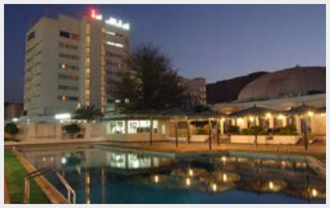
RECOGNIZED GLOBAL PLAYER

Aitken Spence Maritime sector expands its global presence by venturing in to port management business in the Fiji Islands. Becomes the first international port management company to operate in Fiji.

2016

INVESTING IN THE FUTURE

Group acquires properties in Oman, India and expands its investments in the Maldives showcasing the Group's commitment to sustainable progression.



THE CONTEXT AND PARAMETERS OF THIS REPORT

WELCOME TO OUR SIXTH INTEGRATED REPORT

We are pleased to present to our stakeholders our integrated annual report for the year ended 31st March 2017. The report contains information and data regarding the Group's social, environmental as well as economic performance and serves as an easily accessible tool for stakeholders to compare the progress made by the Group over the years.

We are pleased to present to our stakeholders our integrated annual report for the year ended 31st March 2017. The report contains information and data regarding the Group's social, environmental as well as economic performance and serves as an easily accessible tool for stakeholders to compare the progress made by the Group over the years.

This report serves as an important communication tool, to provide stakeholders with a full understanding of the Group's performance (both financial and non-financial) for the financial year under review. Hence in line with Clause Q of the Group's Integrated Sustainability Policy, the aim of this integrated annual report is to "Report on the Group's performance in a timely and accurate manner for the benefit of all stakeholders"

Further, this report is aligned to required international benchmarks as the indicators found in those frameworks provide a standardized guideline, which enables stakeholders to compare the Group's performance against peers.

REPORTING STANDARDS

This is Aitken Spence PLC's sixth integrated annual report and the Group has continued to report on performance in line with the Global Reporting Initiative's G4 Reporting Framework "In Accordance – Core" parameters 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. Based on the guidelines from these two reporting standards, the reporting practices were improved to capture more comprehensive performance disclosures across the Aitken Spence Group. We continue to seek areas for improvement and are committed to work towards improving the quality and reliability of our reporting standards.

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 Practice on Corporate Governance jointly issued by the Securities Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and other related guidance.

SCOPE & BOUNDARY

The report contains our management approach, performance against objectives and targets of the Group as well as the methods used, assumptions made and exclusions from the reporting boundary to measure and evaluate our performance, which are explained in the sector reviews. Further, 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.

Notably, the sustainability strategy of Aitken Spence in its full framework has only been implemented in our operations in Sri Lanka and the Maldives. As such, comprehensive disclosures on sustainability performance is limited to our operations in these two geographical locations. This is because, comprehensive data is not yet available in Fiji, Oman and India, where sustainability systems are still being implemented. However, information on specific sustainability priorities for our port management operation in Fiji, and our hotel properties in Oman and India have been included into this report. This information was not included in the reporting boundary of our previous reports. We hope to implement the sustainability strategy of Aitken Spence within

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

Our Annual Report is also available online.
Please visit our website at www.aitkenspence.com to access the report.

these operations in due course and it is a short term goal of ours to include comprehensive sustainability disclosures from these properties within the next two years.

FORWARD LOOKING STATEMENTS

The Report includes forward-looking statements, which relate to the possible future financial position and results of the Group's operations. These statements by their nature involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, the Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

ASSURANCE

The Company has obtained an independent opinion on the Financial Statements from its external auditors who are appointed by the shareholders to ensure of their independence. The independent opinion of Messrs KPMG in respect of the financial statement of the Company and the Group is detailed on page 212 of the report. As part of the implementation framework of the Group's sustainability policy (clause Q), the Company and the Group for the first time proceeded to obtain an independent assurance on our social and environmental processes. The assurance is obtained from Messrs DNV GL Business Assurance Lanka (Pvt) Ltd. The assurance statement is detailed in pages 316 and 318 of this report.

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

HOW TO READ THIS REPORT

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

Find out more about our stringent and comprehensive Governance framework.

A detailed analysis of the Group's triple bottomline performance in Sri Lanka and overseas.

An account of the Group's results for the year under review.

Supplementary information

To navigate this report, we have used specific icons for the sectors to easily identify information relevant to a specific sector. These icons are;

Tourism sector

Maritime and Logistics sector

Strategic Investments sector

Services sector

We have used an icon to show sections where information against the requirements of the GRI G4 reporting framework can be found. An example can be seen on this page.

This annual report is also the platform we use to communicate on our progress in our commitments to the UN Global Compact and the Women's Empowerment Principles. We have used the GRI Index to link the information to the relevant sections in the report.

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. Please also visit our website at www.aitkenspence.com for more information.

THE AITKEN SPENCE GROUP

WHO WE ARE...

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.

RELIABLE
Deliver on what we promise

HONEST & TRANSPARENT
Listen with interest, act with integrity

WARM & FRIENDLY
Act positively to changing circumstances

GENUINE
Act with pride and enthusiasm
Everyone can make a difference

OUR STRENGTHS

EMPLOYEES

Employees have always been the cornerstone of Aitken Spence and it is a strategic priority of the Group to invest in our human capital.

TOTAL ASSETS

Rs. 95,295 million

BRAND

The " Aitken Spence" brand inspires confidence to all stakeholders.

DIVERSE BUSINESS PORTFOLIO

We believe that in a rapidly changing environment diversification and globalization are the keys to future growth.

MAKE US A LEADING PLAYER IN

TOURISM

- Hotels
- Inbound & Outbound Travel
- Airline GSA

MARITIME AND LOGISTICS

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

STRATEGIC INVESTMENTS

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

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

WITH OPERATIONS IN

SRI LANKA
12,145
TOTAL EMPLOYEES

MALDIVES
936
TOTAL EMPLOYEES

FIJI ISLANDS
250
TOTAL EMPLOYEES

INSPIRING CONFIDENCE

Good is never quite good enough

Achieve your goals while helping others to achieve theirs

SUSTAINABLE APPROACH

Sustainable approach adopted by the Group has ensured a framework of economic growth, whilst achieving social justice, good governance with a minimum disruption to the environment we operate in.

SERVICES

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

We bring together a pool of knowledge and expertise, which is the main force that drives our growth and positions our company as one of the top conglomerates in the country. This expertise and knowledge has helped us broad base our operations beyond the shores of Sri Lanka.

We bring together a pool of knowledge and expertise, which is the main force that drives our growth and positions our company as one of the top conglomerates in the country. This knowledge and expertise has helped us broad base our operations beyond the shores of Sri Lanka. The collective intellect of Aitken Spence is comprised of vast pool of talent and proficiency. Many leading minds from various industries are part of the company, giving us a distinct edge. We nurture our human capital, our most valued asset, helping us to continuously reinvent our business strategies infusing them with fresh ideas combined with sound logic.

It was 1st September 1868, a day when two Scottish merchants; Thomas Clark and Patrick Gorden Spence met in the port city of Galle and formed a partnership. That was the beginning of what is today; a blue chip conglomerate.

The company's rich history is dotted with milestones, strong partnerships, industry firsts and accolades, all of which reflect the pioneering spirit that continues to propel Aitken Spence forward.

Listed on the Colombo Stock Exchange since 1983. The Company is a signatory to the United Nations' Global Compact and concentrates in achieving excellence within all spheres it operates in, while discovering new frontiers to conduct business. With operations spanning several continents, we believe in leading strategic growth businesses and possess a credible record of working with global leaders in every sector we operate in.

Our ability to foresee potential for growth and make 'against the grain' decisions has been a significant part of our success. Insight and the ability to always look for and create new opportunity has been our hallmark.

INDIA
162
TOTAL EMPLOYEES

OMAN
141
TOTAL EMPLOYEES

BANGLADESH
56
TOTAL EMPLOYEES

MOZAMBIQUE
3
TOTAL EMPLOYEES

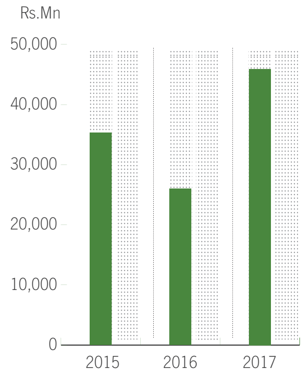
FINANCIAL HIGHLIGHTS

REACHING OUR GOALS

	2016/2017	2015/2016	Change	2014/2015
	Rs.Mn	Rs.Mn	%	Rs.Mn
Results for the year				
Group revenue with equity-accounted investees	**50,013**	31,061	61	39,824
Group revenue	**45,892**	25,978	77	35,319
Profit from operations	**5,758**	3,897	48	5,657
Profit before tax	**5,247**	3,806	38	5,710
Profit attributable to equity holders of the company	**2,890**	2,027	43	3,579
As at 31st March				
Non current assets	**63,411**	51,995	22	39,781
Current assets	**31,735**	21,210	50	25,383
Total assets	**95,295**	73,354	30	65,391
Total equity	**50,793**	44,200	15	42,237
Non current liabilities	**19,503**	13,639	43	10,727
Current liabilities	**24,999**	15,515	61	12,426
Total liabilities	**44,502**	29,154	53	23,154
Share Information - Per Share (Rs)				
Market price per share as at 31st March	**56.20**	73.50	(24)	99.50
Earnings per share	**7.12**	4.99	43	8.82
Dividends per share	**1.75**	1.50	17	2.00
Net asset value per share as at 31st March	**97.24**	90.26	8	86.27
Price earnings ratio	**7.90**	14.72	(46)	11.29
Ratios and Statistics				
Dividend cover (times covered)	**4.07**	3.33	22	4.41
Dividend - payout ratio	**0.25**	0.30	(17)	0.23
Current ratio (times covered)	**1.27**	1.37	(7)	2.04
Debt - equity ratio	**0.34**	0.28	21	0.22
Return on equity (%)	**7.59**	5.66	34	10.64
Interest cover ratio	**7.29**	16.80	(57)	30.47

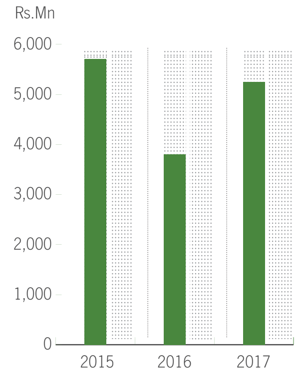
Revenue

For the year ended 31st March



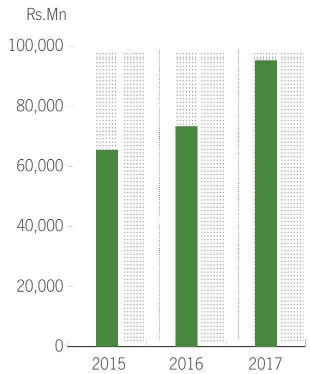
Profit Before Taxation

For the year ended 31st March



Total Assets

As at 31st March



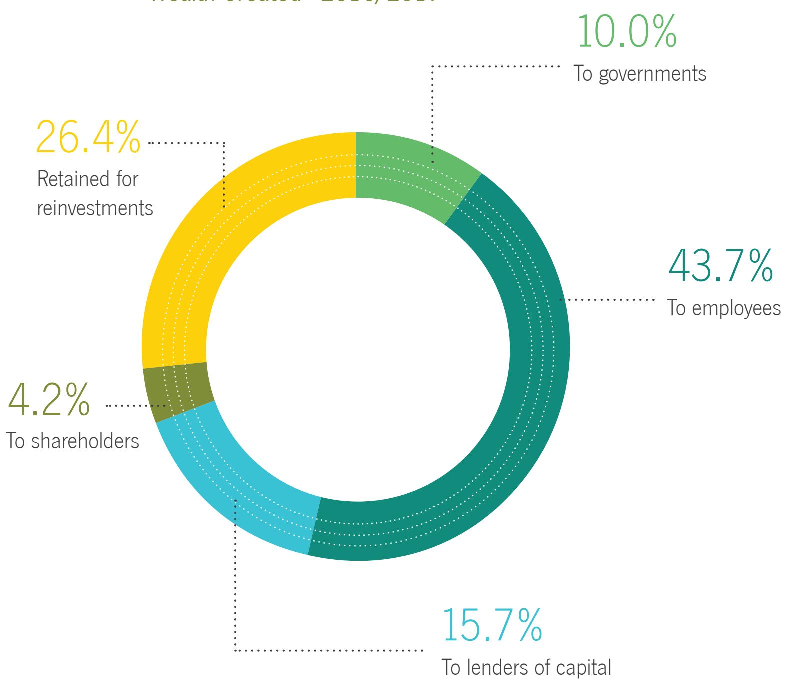
GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

VALUE ADDED STATEMENT

	2016/2017 Rs. '000	%	2015/2016 Rs. '000	%
Total revenue	45,892,179		25,977,795	
Purchase of goods and services	(30,080,645)		(14,071,685)	
	15,811,534		11,906,110	
Other operating and interest income	906,741		822,360	
Share of profits of equity-accounted investees	384,396		232,170	
Total value added by the Group	17,102,671		12,960,640	
Distributed as follows				
To governments (income tax and revenue tax)	1,716,996	10.0	1,148,037	8.9
To employees (salaries and other costs)	7,474,224	43.7	5,905,093	45.6
To lenders of capital (interest on loan capital and minority interest)	2,690,558	15.7	1,791,013	13.8
To shareholders (dividends)	710,493	4.2	608,994	4.7
Retained for reinvestments and future growth (depreciation & retained profits)	4,510,400	26.4	3,507,503	27.0
	17,102,671	100.0	12,960,640	100.0

Distribution of Wealth Created - 2016/2017



Aitken Spence through its operations has continuously recorded positive wealth creation towards the economies it operates and to its various stakeholders. This wealth creation has been achieved whilst maintaining an unceasing commitment towards the training and skills development, the upliftment of the communities it operates in and to the environment.

The value added statement depicts the wealth created by the Group during the year as a result of its activities and how this wealth has been distributed amongst its many stakeholders. It also provides the quantum of the wealth created that is retained by the Group for future development of its operations and new investments.

The Group generated a total wealth of Rs. 17.1 billion through its operations for the financial year 2016/2017, which was 32.0% higher than the previous year. Of the wealth created during the year 43.7% was distributed amongst the Group employees whilst 10.0% was paid to Governments as taxes. The Group paid Rs. 2.7 billion to lenders of capital, amounting to 15.7% of the total wealth for the year, whilst 4.2% was declared as dividends to the shareholders. From the total value created for the year, 26.4% was retained by the Group for re-investment in operations for future growth.

NON FINANCIAL HIGHLIGHTS

ACHIEVING STANDARDS

	2016/2017	2015/2016	2014/2015
NATURAL CAPITAL			
Energy			
Direct energy consumption (GJ)	597,687	399,643	342,718
Indirect energy consumption (GJ)	151,429	77,744	143,183
Total energy produced from non-renewable sources (TJ)	277,010	200,994	212,996
Total energy produced from renewable sources (MJ)	221,873	152,539	61,675
Water			
Total volume of water withdrawn (m^3)	906,928	1,210,920	709,038
Total number of water sources significantly affected by withdrawal (m^3)	None	None	None
Total volume of water re-cycled and used or re-cycled by the organisation (m^3)	598,120	526,872	311,954
Emissions			
Direct (Scope 1) greenhouse gas emissions (MT)	375,351	276,622	22,420
Energy indirect (Scope 2) green house gas emissions (MT)	31,583	27,732	29,432
Quantified amount of greenhouse gas emissions reduced and/or offset	25,613	22,548	8,822
Total investment on sustainability processes and action plans (Rs.Mn)	88.2	112	115
Human capital			
Total Employees (including employees of equity accounted investee)	13,693	13,065	13,129
Attrition rate			
Females	39%	30%	24%
Males	30%	37%	48%
Return to work after maternity leave	92%	100%	94%
Total investment in employee training (Rs.Mn)	22.43	17.95	15.80
Average hours of training per employee (No of hours)	5.6	5.1	4.9
Social and Relationship capital			
Total funds channelled for community development	135	71.7	140.23
Grievances about labour practices filed through formal grievance mechanisms	7	5	3
Significant fines and non-monetary sanctions for noncompliance with laws and regulations	None	None	None

135Mn

FUNDS CHANNELLED FOR COMMUNITY DEVELOPMENT

49%

FEMALE REPRESENTATION IN THE WORK FORCE

25,613 tCO_2

TOTAL AMOUNT OF GHG EMISSIONS REDUCED AND/OR OFFSET

598,120 m^3

QUANTITY OF WATER TREATED AND/OR REUSED

OUR CONTRIBUTION TO THE ECONOMY

THROUGH TAXES

We contribute substantially to the GDP growth, social stability and improvement of the standard of living in the countries where we operate, through the creation of economic value addition, generation of employment and by payment of taxes to governments.

The taxes paid by the Group contributes to the enhancement of economic prosperity and social stability in the regions we operate as they provide essential revenues for governments to meet economic and social objectives.

The analysis given below provides the taxes directly borne by the Group as well as the indirect taxes generated as a result of economic activities carried out by the Group.

Taxes paid to the Governments in the countries we operate are

Tax Type	2016/2017 Rs.000
Value Added Tax (VAT)	964,176
Nation Building Tax (NBT)	346,859
Stamp Duty	2,726
Tourism Development Levy (TDL)	59,588
Sales Tax in Other Jurisdictions	1,465,326
Income Tax	1,114,292
Dividend Tax	176,978
	4,129,945

THROUGH FOREIGN CURRENCY GENERATION

Aitken Spence Group, through its diversified business operations, directly and indirectly contributes significantly towards the foreign currency generation to the country. During the year under review, the Group facilitated the generation of Rs. 42.8 billion in foreign currency to Sri Lanka, through its operations. This was an 8.7% increase compared to the previous year.

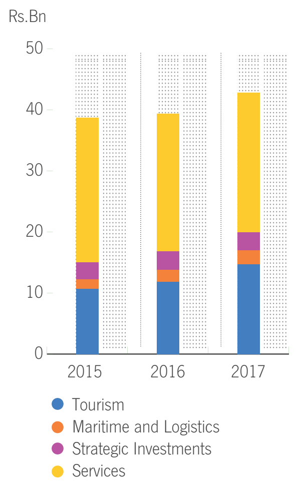
The Tourism sector generated Rs. 14.7 billion for the year, recording a 23.8% year on year increase. The hotel properties launched during the year helped to attract more tourists to the country thereby increasing the foreign currency generation, whilst revenue of the inbound travel segment and profit distribution from the Group's overseas hotels complimented the inflow.

The Maritime and Logistics sector contributed towards a generation by Rs. 2.3 billion during the year in terms of foreign exchange. This stemmed through the operations of the Group's ship agency and freight forwarding businesses, whilst the dividends received from the port management operations overseas also contributed to enhance the foreign currency inflow to the country.

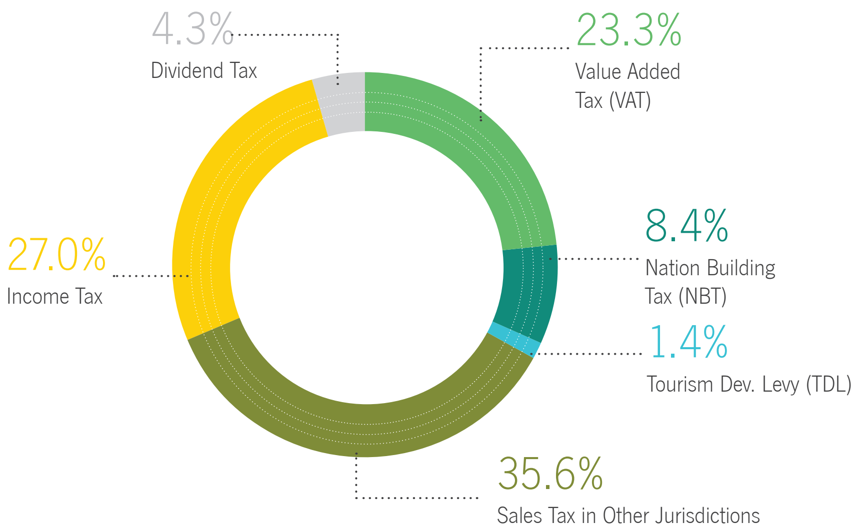
The highest contribution of foreign currency generation to the country was through the operations of the Services sector mainly owing to the operations of MMBL Money Transfer (Pvt) Ltd; an agent for Western Union. The Strategic Investments sector recorded a generation of Rs. 3.0 billion through its operation from its printing and packaging, apparel manufacturing and plantations segments.

Foreign Currency Generation to the Country

For the year ended 31st March



Taxes Paid to the Governments 2016/2017



OPERATIONAL HIGHLIGHTS OF 2016

APRIL 2016 Aitken Spence unveils Heritance Negombo
As the latest addition to its premier Heritance brand, Aitken Spence unveiled the 139-room Heritance Negombo. The five star hotel is an iconic addition to Negombo's vibrant tourism landscape boasting of world-class facilities.

JANUARY 2017 Aitken Spence Printing wins the 'National Business Excellence Award 2016'
Aitken Spence printing segment's export arm, Ace Exports (Pvt) Ltd is awarded the 'National Business Excellence Award 2016' for it's overall business excellence and contribution towards economic progression of the country.

AUGUST 2016 Hotel RIU Sri Lanka in Ahungalla
As its inauguration in the Asian continent the Spanish international resort chain RIU, partnered Aitken Spence to open the 501-room five star resort in Ahungalla, making it the largest hotel in the country outside Colombo.

JANUARY 2017 Turyaa Chennai obtains the highly sought after five star accreditation
Aitken Spence Hotels' Turyaa Chennai is now one of only six hotels in Chennai to be classified as a five star deluxe hotel.

MARCH 2017 DPD Group Partners Aitken Spence in Sri Lanka
DPD Group, the Europe's second largest international parcel delivery network, and DTDC, India's largest express delivery network, partnered with Aitken Spence to offer international courier services in Sri Lanka.

FEBRUARY 2017 Aitken Spence Elevators certified for quality
Elevators (Pvt) Ltd is awarded the ISO 9001: 2008 certification for its Quality Management System (QMS).

FEBRUARY 2017 Aitken Spence Travels is awarded the 'Best in Class' at the Interactive Media Awards
For its revamped Aitken Spence Holidays website, Aitken Spence Travels (Pvt) Ltd is awarded 'Best in Class' award in the Travel and Tourism category at the Interactive Media Awards.

MARCH 2017 Aitken Spence Printing wins global recognition for sustainability
Being the only carbon neutral printing facility operator in South Asia, Aitken Spence Printing and Packaging (Pvt) Ltd was honoured with the 'GSK 2016 Global Environmental Sustainability Award'

MARCH 2017 A landmark 150,000 visitors for Aitken Spence Travels
Sri Lanka's largest inbound tourism operator, Aitken Spence Travels (Pvt) Ltd records an unprecedented 150,000 visitors to the country within the financial year, affirming its market leadership and strong contribution to Sri Lanka's tourism industry.

PREPARED TO TAKE OFF

EXECUTIVE REVIEWS

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

CHAIRMAN'S STATEMENT

WE ARE 'ALL SYSTEMS GO'!

"The Group capitalized on its well-positioned and diversified portfolio of businesses to manage a difficult operating environment and deliver strong results for the year reporting a profit before tax of Rs. 5.2 billion."

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

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report and the financial statements of Aitken Spence PLC for the financial year ended 31st March 2017, the sixth instalment of our integrated reporting journey, as we continue to make progress in providing stakeholders with a more transparent and holistic view of how the Group creates and sustains value.

GLOBAL IMPACT

According to the International Monetary Fund (IMF), global growth slipped to 3.1% in 2016 underpinned by volatile commodity prices, softening consumer sentiments, the slowing down of major economies and the ongoing realignments in China, while new shocks, such as Brexit and pockets of geopolitical tension caused by the refugee crisis in Europe also had a bearing on the economic outlook.

Meanwhile, the ongoing mismatch between supply and demand for oil, pushed prices below US$30 per barrel at the start of 2016, with the sharp drop having far-reaching consequences not just on the oil and gas industry, but on the global economy as well.

THE SRI LANKAN PERSPECTIVE

Once again amidst slower-than-expected growth in all key sectors of the economy and a decline in exports, the Sri Lankan economy rode out a difficult year in 2016 with GDP growth at 4.4%.

We congratulate the Government for positively engaging the European community thereby enabling European Union (EU) to restore the Generalised System of Preferences (GSP) plus concessions, which will tremendously benefit the garment industry and other export items. The country has also benefitted from the open skies policy, which I believe has laid the foundation for the consistent increase in tourist arrivals that we are seeing at present. The successful renovation of the runway and the proposed expansion of the airport will also help the country to achieve its future tourist arrival targets.

We welcome the changes proposed in respect of tax reforms and foreign exchange management. Simplifying and streamlining the tax regime and liberalizing foreign exchange policies would undoubtedly facilitate the private sector to undertake further investments that will stimulate economic growth in the country. While the proposed tax legislation seeks to expand the tax base of the country it is also essential that administrative measures are taken to widen the tax base by ensuring greater compliance, which has been a long standing need in order to enable the government to achieve a satisfactory tax revenue to GDP ratio. However, when these legislations are being enacted the government must ensure that it is done in a transparent manner with a due review process and in consultation with all stakeholders in order to achieve a successful implementation which will benefit all sectors of the economy.

STRATEGY IN ACTION

Anchored by a legacy spanning nearly 150 years, Aitken Spence PLC., has always understood that evolving in tandem with the changing world is the key to delivering sustainable value to stakeholders. With social and economic conditions becoming increasingly complex to forecast in recent years, our ability to respond to market trends has become crucial in our effort to transform the Group into a global best-in-class conglomerate at the forefront of our chosen industries.

We have been quick to identify new investment opportunities where we can diversify to remain relevant in the present business context. Catalysed by our investment model, we seek strategic partnerships with global partners that would provide a competitive edge in the markets we intend to serve.

At present, we have identified Tourism and Maritime and Logistics as key growth sectors, and have made significant strides in the current financial year to expand the Group's footprint in these selected business domains. We invested in a number of exciting opportunities, which I believe will make a real difference to our brand positioning in the respective spheres.

In the Tourism sector, the launch of Heritance Negombo has enhanced our portfolio due to its close proximity to the airport as well as the city of Colombo. Another key milestone was the launch of Hotel RIU Sri Lanka in Ahungalla in partnership with RIU Hotels and Resorts of Spain, a move that cements the Group's position as the largest resort owner in Sri Lanka.

OUR PERFORMANCE

Supported by this strategy, the Group capitalized on its well-positioned and diversified portfolio of businesses to manage a difficult operating environment and deliver strong results for the year ended 31st March 2017. Your Company reported a healthy increase in revenue of 76.7% to record Rs. 45.9 billion for the year while reporting a profit before tax of Rs. 5.2 billion, a 37.9% growth. The net profit attributable to the equity holders was Rs. 2.9 billion, an increase of 42.6% over the previous year while earnings per share was Rs. 7.12.

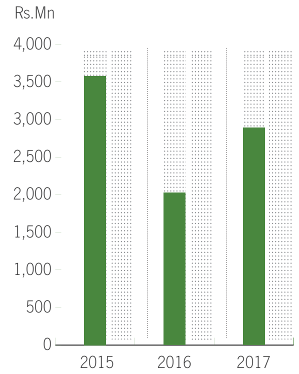
Maritime and Logistics sector once again recorded excellent results, notwithstanding the global downturn in cargo and freight industries. The sector reported a healthy 36.1% increase in profit before tax compared to the previous year, driven by strong performances from integrated logistics and the port management services domains.

CHAIRMAN'S STATEMENT

MR. D.H.S. JAYAWARDENA

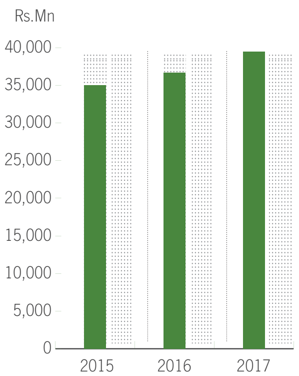
Net Profit Attributable

For the year ended 31st March



Shareholder's Fund

As at 31st March



Hotel segment results came under severe pressure as a result of the segment experiencing a decline in profits in Sri Lanka and overseas. The Sri Lankan hotels had another challenging year amidst growing competition in the local market from the unregulated informal sector. The new investments in Sri Lanka and India are yet to contribute positively to the bottom line due to profits being dragged down by financing costs. Our resorts in the Maldives too faced similar challenges, as the destination experienced a price correction and stagnant tourist arrivals, while the newly acquired property in Oman is expected to contribute positively in the next few years.

I am happy to note, that the destination management segment, printing, and elevators segments also registered improved performances compared to the previous year, thanks to a strong strategic focus on developing their respective core businesses, while there was also a significant turnaround in the power segment during the year, mainly due to the recommencement of the Embilipitiya plant.

DIVIDENDS

The strong foundation the Group has put in place for its diversified businesses has enabled it to harness rich rewards during the year. We are confident of the continued ability of the Group to reap growth in its key sectors in the coming years as our well thought out strategies come to fruition. The encouraging performance of your Company in the financial year under review has enabled the Board to declare an interim dividend of Rs.1.25 which was paid in March 2017, and in keeping with our policy of providing attractive returns to the shareholders the Board recommends a final dividend of Rs. 0.50 per share to be approved by the shareholders at the Annual General Meeting in June 2017.

SHARE PRICE

The share price of your Company ranged between Rs. 55.00 and Rs. 86.00 and the closing price was Rs. 56.20. The performance of the share price is in no way a reflection of the excellent achievements of your Company during the year. It is hoped that a re-rating would take place with the investors realizing the true future potential of your Company and the share price would reach a level that reflects the intrinsic value of the Group.

GOVERNANCE AND SUSTAINABILITY

Aitken Spence PLC's commitment to strengthening its corporate governance remains a key in providing the framework within which the Group implements its strategy to create further value for shareholders. We have continued to enhance our governance framework with greater emphasis on globally accepted best practices in relation to Board leadership and effectiveness.

This is evident in our pursuit to achieve a high-performing Board by improving its diversity to reflect the varied nature of the Group's operations and to continuously strive to enhance its composition in line with the evolving circumstances and needs of the Group.

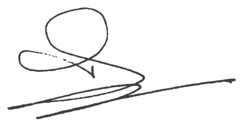
FUTURE OUTLOOK

Aitken Spence strategy would be to position the businesses in markets where we have scale, capability and competitive advantage. This means matching our strengths with market factors to support what we do best. At the same time, to mitigate the impact of negative externalities in these markets, the Group will continue to realign business models and rely on innovation to deliver value to the stakeholders. We are confident that these strategies will enable the Group to be better positioned for future growth, while delivering sustainable value to our shareholders, employees and the respective markets in which the Group operates.

APPRECIATIONS

My heartfelt gratitude goes out to the management team and all Group employees around the world for their outstanding commitment and performance, particularly during this challenging period. I would also like to thank my colleagues on the Board for their efforts to position the business to achieve success in the years to come.

On behalf of the Board, I would like to take this opportunity to record my appreciation to all our valued business partners, shareholders and other stakeholders for their continued trust and loyalty that has steered our path to progress. With your unwavering support, Aitken Spence PLC is poised to continue to grow to reach new heights in the years ahead.



D.H.S. Jayawardena
Chairman

26th May 2017

MANAGING DIRECTOR'S REVIEW

SUSTAINABILITY REMAINS OUR WATCHWORD

MR. J.M.S. BRITO

Over the years we have invested to build robust businesses underpinned by strong fundamentals. Our presence in diverse sectors has been the cornerstone of Aitken Spence PLC's success, cushioning the Group during times of economic adversity.

In the year under review, we switched gears and accelerated the pace to reach the next phase of our growth agenda. Uncertainty becoming the new normal for many of our businesses, our purpose for the year was not to be distracted by it, but rather look for opportunities that would take the Group to new heights. Exploiting the momentum generated by our 150-year-old legacy, our goal was to ensure all systems were turned on and ready to "go".

GROUP FINANCIAL RESULTS

Despite challenges faced from external factors by some of the key sectors, the Group had a commendable year of performance with the profit for the year reaching Rs. 4.0 billion, a 37.4% growth over the previous year. This was on the backdrop of an increase in revenue by 76.7% and an increase in the profits from operations of 47.8% to Rs. 5.8 billion. The earnings per share increased by 42.6% to reach Rs.7.12 for the year under review.

The total assets of the Group increased to Rs.95.3 billion as at end of the financial year with the shareholders' funds increasing by 7.7% to Rs.39.5 billion. The Group reports a net assets per share of Rs. 97.24 as at year end, an increase of 7.7% with a return on equity of 7.6% compared to the return on equity of 5.7 % reported the previous year.

SECTOR-WISE PERFORMANCE

Turning risks into opportunities, in the year under review we used challenges that came our way as a platform to build resilience, and transform each of our sectors into bigger and better businesses. At the same time we looked at ways to create a differentiation and stay ahead of peers in each business space. Going hand-in-hand with these efforts, we also sought to maintain strong capital discipline in order to maximise long-term shareholder returns.

Tourism Sector

The overall performance of the sector declined compared to the previous year, although revenues showed a 49.1% increase from Rs.13.7 billion, in the previous year to Rs.20.5 billion for 2016/2017. Profitability dropped by 23.6%, from Rs.2.8 billion in 2015/2016 to Rs.2.1 billion in the financial year under review, mainly due to the high costs of funding the investment in Hotel RIU Sri Lanka and due to the numerous new hotels built on South coast resulting in lower yields especially at the beach-front properties. Furthermore, prevailing low oil prices which reduced disposable incomes and the political uncertainty in some of the gulf countries negatively impacted the tourism industry in the Middle East thereby affecting the margins of managed and owned hotels in Oman while the political uncertainties in the recent past, the rise of the informal sector and the decline in Chinese tourist arrivals dampened the profitability of Maldivian resorts.

However, I would like to make a special mention of that among the local hotels, Heritance Kandalama and Heritance Tea Factory performed exceptionally well, recording substantial increases in its profits for the current year.

With the ever changing global dynamics and the ease of access to information and connectivity, a greater number of independent travellers are using the advances in technology to plan their very own personalized travel itinerary. The Group strengthened its efforts to capture this growing market and focused its marketing strategy on building its brand presence in spheres of digital marketing and social media.

Rs. 4.0 Bn
PROFIT
for the year 2016/2017

Rs. 95.3 Bn
TOTAL ASSETS
As at end of the financial year

EARNINGS PER SHARE
Increased by
42.6%

26%
OF THE DIRECT ENERGY CONSUMED
from renewable resources

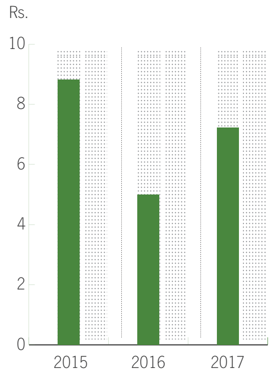
http://aitkenspence.com/corporate-governance/integrated-reporting-reports/

GRI G4 – Information on GRI Disclosures

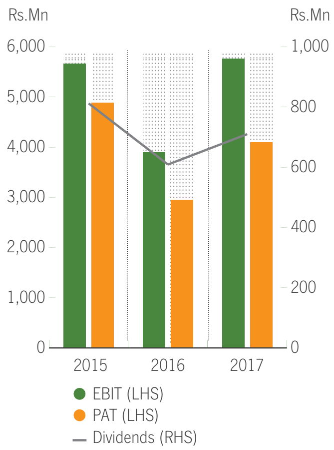
Refer to the GRI Index on pages 306 to 311 for specific details

MANAGING DIRECTOR'S REVIEW

Earnings Per Share
For the year ended 31st March



EBIT, PAT & Dividends
For the year ended 31st March



Considering the environment in which the local hotels operate, the informal sector, which is largely unregulated, continued to pose obstacles in the development of a level playing field in the industry. Inadequate regulations have meant that the informal sector is not properly governed in terms of desired industry standards and as a result do not fall within the regulated tax regime, which gives them an unfair advantage and would impact the legitimate foreign exchange earnings of the country. Moreover they are often not aligned with the Sri Lanka Tourism Development Authority (SLTDA) and in most cases do not participate in the collective efforts by the formal sector to build a credible platform for the country's tourism industry.

As such, I continue to urge the authorities to put in place necessary regulatory controls that would create a level playing field for the betterment of the industry. Further, I cannot overemphasize the importance of having a cohesive country strategy in order to strengthen the country's value proposition as a tourist destination.

Moving on, I am pleased to report Aitken Spence Travels jointly owned with TUI AG, performed exceptionally well, reaching a landmark 153,000 inbound travellers for the current financial year, the highest ever number recorded by a private travel company in Sri Lanka. The performance is even more commendable given the heightening competition in the market.

I am also pleased to note the initiatives taken by the travel segment to resume charter flights to Sri Lanka in partnership with leading global charter operators including TUI, the largest integrated travel operator in the world. I believe the partnership will spearhead a new growth phase that would reinforce the segments position as the largest operator in the country.

Meanwhile, the airline General Sales Agency (GSA) segment witnessed a robust increase in volumes, thanks to an additional capacity injection by Singapore Airlines. However, higher volumes did not translate into higher revenues, as the segment was forced to resort to price competitive strategies in response to tactics adopted by competitors. The closure of the Bandaranaike International Airport (BIA) from January to April 2017 also impacted the business and brought pressure on margins, prompting the segment to negotiate with Silk Air, the regional wing of Singapore Airlines to commence 3-times a week frequency to and from Colombo.

The GSA business encountered similar challenges in the Maldives, where the partial closure of the Malé airport and with the amalgamation of Mihin Lanka with Sri Lankan Airlines resulted in a drop in capacity.

Maritime and Logistics Sector

At a time when the prospects of the global shipping industry was on the decline, the sector registered a buoyant performance with net profit before tax reaching a record Rs. 1.8 billion, up by 36.1% from the Rs. 1.3 billion from the previous year.

In 2016 the global shipping industry wrestled with a series of challenges. However, defying the downward trend in the global shipping industry, the port management operations performed exceptionally well in the year under review, thanks to an increase in throughput volumes. At this point I must express my concerns regarding the draft Inland Revenue Act which proposes that dividends received from non-resident companies (offshore dividends) would be subject to tax at 28%. I strongly believe that at a time when the Exchange Control Act is being liberalized to permit Sri Lanka corporates to invest in companies offshore, it is unreasonable to impose such a tax as it

"I am pleased to report Aitken Spence Travels jointly owned with TUI AG, performed exceptionally well, reaching a landmark 153,000 inbound travellers for the current financial year, the highest ever number recorded by a private travel company in Sri Lanka."

could encourage profits to be retained overseas instead of being repatriated back to Sri Lanka.

The shipping agency business was directly impacted by the downturn where a severe demand-and-supply mismatch saw freight rates to/from Colombo hit an all time low, leading to lower commissions from principals. However, with the traditional agency-based model coming under pressure, the segment migrated to a more broad-based approach to drive volumes through other business lines.

The integrated logistics segment reported a stable performance demonstrating its resilience and ability to provide solutions tailored to the specific needs of its customers. The depot operation did encounter some challenges, particularly with shipping lines inclined to use free storage space offered by port terminals in an effort to cut costs. However competitive pricing strategies and value added services yielded good results. Meanwhile, with logistics earmarked as a high growth segment, we continued to make strategic investments to augment our capacity, where a total of Rs.76 million was spent to revamp the Welisara container freight station and upgrade the depot fleet, among other things.

In the freight segment, the biggest challenge for the cargo GSA's was the decision by Sri Lankan Airlines to withdraw from key European routes, leaving Sri Lankan Airlines Cargo completely unprepared for the resulting volume drop. Despite these challenges however, expansion remained a key priority and the Group tied up with the local partner in Bangladesh; in a joint venture undertaking to extend the Sri Lankan Airlines Cargo GSA operations to Myanmar. Meanwhile in the express business, the Group signed up with the French-based DPD Group; the second largest international parcel delivery network in Europe.

The customhouse clearance business on the other hand witnessed a good year, driven by a robust increase in containerized ocean freight shipments, along with a sizable expansion airfreight clearance activities.

With the acquisition of TNT by Fed Ex the Group's representation of the TNT agency discontinued in 2017.

Strategic Investments

The cumulative sector revenues increased from Rs.4.1 billion in the previous year to Rs.16.0 billion in 2016/2017, with the sector recording a profit of Rs.1.1 billion in 2016/2017, compared to a loss of Rs. 494.7 million recorded in the previous year.

The increase in revenue was mainly on account of the resumption of activities at the Ace Power Embilipitiya, following the renewal of the Power Purchase Agreement (PPA) by the Ceylon Electricity Board (CEB). With a full year of operations under its belt, the sector was able to achieve a complete turnaround in performance in the current financial year. I am happy to note the CEB has renewed the PPA for another year from April 2017.

The apparel manufacture operation showed disappointing results as at 31st March 2017 with a sizeable drop in demand amidst economic uncertainty in the US and the impact of Brexit on European markets. However the segment is expecting a much better performance in the future with the country securing the GSP plus concessions.

Struggling to balance the dual impact of lower production coupled with lower demand for tea and rubber at the Colombo auctions, the plantation segment resorted to direct marketing in order to boost the prospects for the year. Meanwhile, the oil palm business continued to generate good results, contributing positively to the segment's performance for the year. Crop diversification efforts were also accelerated as

part of the long-term strategy to migrate to a more sustainable business model. The segment was able to record a strong performance in the current year with significant increases in its profits, mainly owing to its many diversifications.

The printing segment once again produced good results. Underpinned by a dynamic two-pronged strategy focused on market–development and product-development, the segment pursued direct marketing initiatives to tap into high-volume sectors of the economy. At the same time, Rs. 80 million was invested to improve downstream capacity, giving the segment the flexibility to cater to the requirements across a wider spectrum of industries.

Services Sector

The sector reported an improved performance compared to the previous year, with revenue growing by 53.4% from Rs. 903.3 million in the previous year to Rs.1.4 billion while profits also increased to Rs. 196.3 million in the current financial year up by 5.5% from Rs.186.1 million recorded in the previous financial year.

All business segments coming under the Services sector contributed positively to the above performance, with the elevators business tabling a strong improvement compared to the previous year.

Meanwhile, in the year under review, we were compelled by the Government to suspend the Heritage Grove project, due to the proposed expansion of the second runway of the Bandaranaike international airport. Accordingly, we terminated all contracts and began returning funds obtained from buyers. We are now in the process of seeking compensation from the government.

SUSTAINABILITY LEADERSHIP

Aitken Spence continues to lead with our legacy in sustainability as pioneers of the movement in Sri Lanka. Aitken Spence was one of the first corporates in Sri Lanka to sign the United Nations Global Compact on 28th May 2002. The ten universally accepted principles in the areas of human rights, labour, environment and anti- corruption influence the decisions we make and guide our Companies to integrate sustainability as a standard operational

MANAGING DIRECTOR'S REVIEW

"In line with the commitments we have made in our integrated sustainability policy, Aitken Spence companies persist to create sustainable social, environmental and economic value. This report will detail the strategies in place and the action taken over the course of the last financial year by our companies."

element. Aitken Spence was also one of the first companies in the world to become signatories to the United Nation's Women's Empowerment Principles. We remain committed to uphold the core values of these principles and to work towards sustaining long term viability, profitability and integrity of our Companies.

The Aitken Spence approach to sustainability is more strategic in nature and our focus is to make sure our operations have sustainable systems in place. Our companies implement environmental management systems to ensure environmental sustainability. Our companies have procedures in place to look after the health and safety of our stakeholders. Industry specific management systems have been implemented to ensure the quality and sustainability of our products, services and processes. In line with the commitments we have made in our integrated sustainability policy, Aitken Spence companies persist to create sustainable social, environmental and economic value. This report will detail the strategies in place and the action taken over the course of the last financial year by our companies. This year, we are assuring our non-financial disclosures as a next step in our sustainability journey.

In recognition of our consistent commitment to the cause, we reached a number of sustainability milestones during the year. To give you just two examples; the printing segment became the only Sri Lankan company to date, to receive the Glaxo Smith-Kline Supplier Environmental Sustainability Award, in recognition of the initiatives taken by the printing segment to achieve carbon neutral status, including the integrated green supply chain covering aspects of carbon, water and waste reduction.

In the hotel segment, the newly opened Heritance Negombo became the second hotel property in the portfolio to receive the LEED certification in recognition of leadership in energy and environment design.

Aitken Spence Companies continue to work towards social, environmental and economic development of our immediate communities through targeted initiatives. Aitken Spence PLC was recognised with category awards for community relations and environmental integration and a special award in the People, Planet & Profit category for environmental sustainability by the Ceylon Chamber of Commerce in 2016. Our presence in the communities we work in has secured significant funds for community development projects and we remain committed to create sustainable value for these stakeholders who are a vital part of our success.

OUR PEOPLE

Our people are our greatest asset and we recognize that to meet our goals, it is imperative that we foster a positive and conducive environment for our employees. To do this, we continue to develop capable and engaged leaders, drive operational excellence through human resource processes that focus on aligning our talent with organizational goals.

In the year under review, we accelerated our leadership development programme for our mid-level talent to prepare them for senior leadership roles. We have also embarked on Executive Leadership Coaching for key senior executives to improve their personal performance through coaching and peer learning. As part of the effort to strengthen our coaching culture, the Supervisory Coaching Programme was also launched in the last financial year. Meanwhile, to further expand the scope of learning facilities offered by the Aitken Spence school of management, the Group recently tied up with the National University of Singapore to offer a special programme on marketing for senior managers within the Group.

COMMITMENT FOR THE FUTURE

Moving forward, we will continue to maintain a disciplined approach to investing that would reinforce the Group's position in the key markets it serves, thereby generating long term value for stakeholders of Aitken Spence PLC.

APPRECIATIONS

In closing, I wish to thank my colleagues on the Board for their steadfast support, commitment and conscientious stewardship of the Company.

I would also like to express my gratitude to all Spensonians around the world whose dedication and passion towards our business are both impressive and a great source for enhancing competitive advantage.

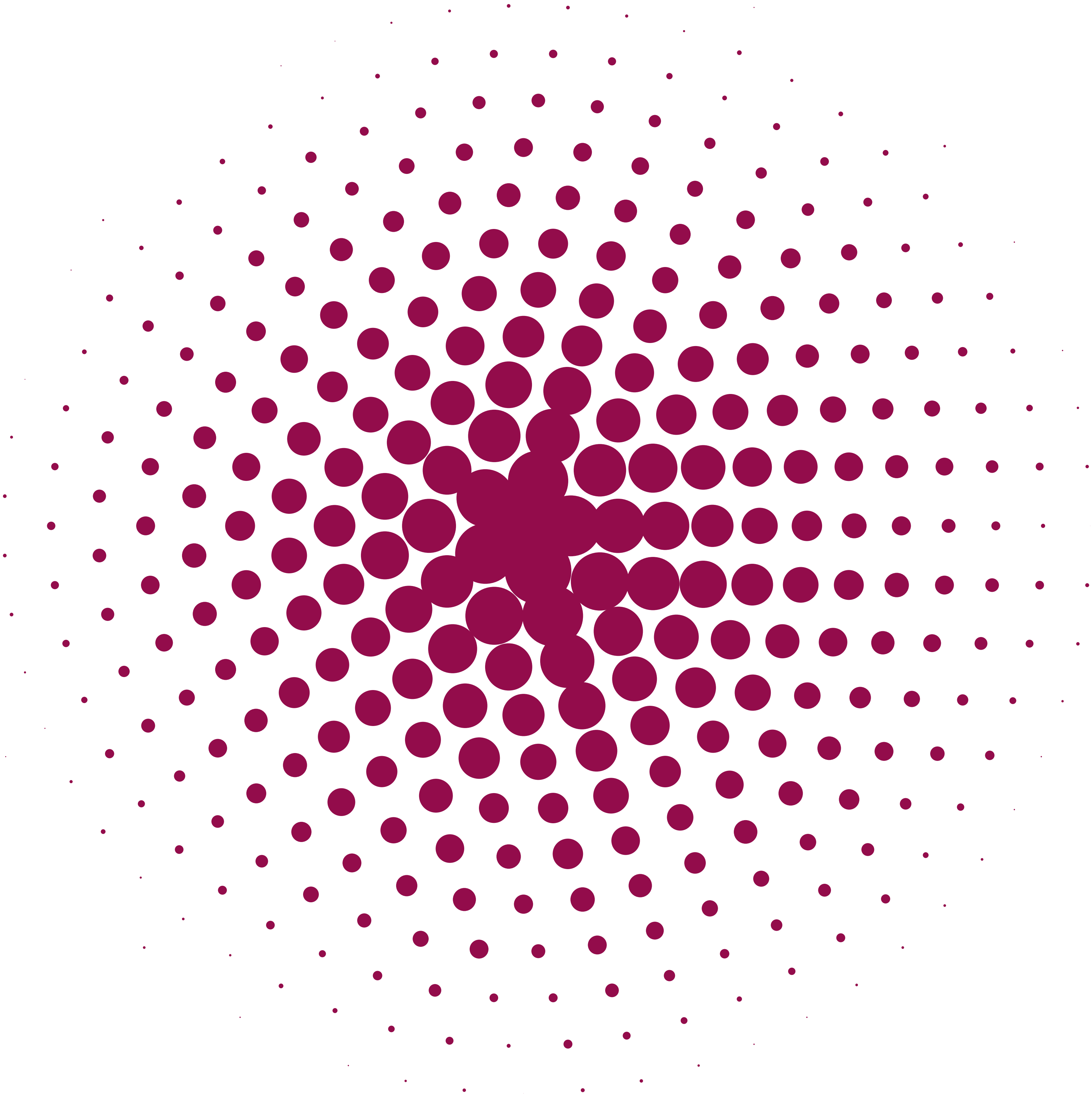
I take this opportunity to thank Mr. R.E.V Casie Chetty, Mr. K.R.T Peiris, and Mr. R.G Salgado who retired and wish them well for their future endeavours. I also warmly welcome Mr. Ranil de Silva to the Board of Management, and all members who have joined our senior management teams, whose expertise and professionalism will no doubt drive their respective businesses to new heights in the coming years.

In conclusion, I wish to thank all our shareholders, you remain the reason we are driven to succeed and grow.

JMS Brito.

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

26th May 2017



GUIDING OUR GROWTH

GOVERNANCE & RISK MANAGEMENT

Find out more about our stringent and comprehensive Governance framework

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 - Deputy Chairman and Managing Director
R.M. Fernando Ph.D., MBA, FCIM (UK)
M.P. Dissanayake MBA, Ph.D., D. Prof. Sh (Oslo), FCIM, FICS, FCILT(UK), Harvard Business School (E.EP), University of Oxford-Business Alumni
D.S.T. Jayawardena
G.C. Wickremasinghe
C.H. Gomez
N.J. de S. Deva Aditya DL, FRSA, MEP
R.N. Asirwatham FCA

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

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

Remuneration Committee
G.C. Wickremasinghe – Chairman
R.N. Asirwatham
C.H. Gomez (appointed w.e.f. 01.07.2016)

Nomination Committee
G.C. Wickremasinghe – Chairman
D.H.S. Jayawardena
J.M.S. Brito
R.N. Asirwatham

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

Company Secretaries & Registrars
P W Corporate Secretarial (Pvt) Ltd

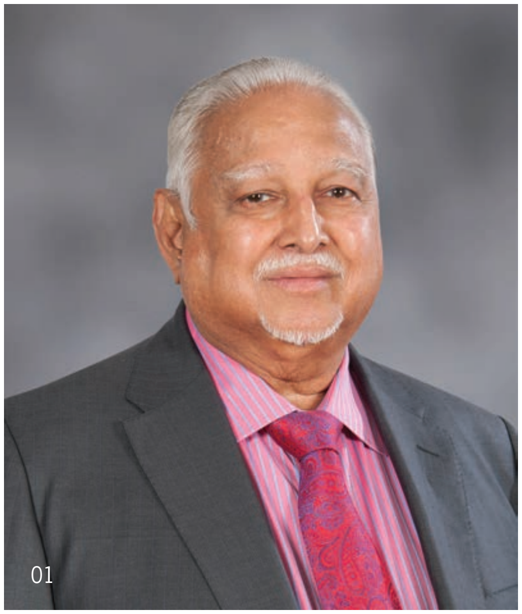
Auditors
KPMG
Chartered Accountants

Contact Details
No. 315, Vauxhall Street,
Colombo 2,
Sri Lanka.
T: (94 11) 2308308
F: (94 11) 2445406
www.aitkenspence.com

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

THE BOARD OF DIRECTORS



MR. D.H.S. JAYAWARDENA
Chairman
Appointed in April 2000

MR. J.M.S. BRITO
Deputy Chairman and Managing Director
Appointed in April 2000

DR. R.M. FERNANDO
Executive Director
Appointed in April 2005

DR. P. DISSANAYAKE
Executive Director
Appointed in September 2009

MS. D.S.T. JAYAWARDENA
Executive Director
Appointed in December 2013

MR. G.C. WICKREMASINGHE
Independent Non-Executive Director
Appointed in April 1972

"Aitken Spence Group has once again proven that it is one of the best conglomerates in Sri Lanka through its ability to work towards a common vision forging ahead in constantly changing environment."

MR. C.H. GOMEZ
Independent Non-Executive Director
Appointed in May 2002

MR. N.J. DE SILVA DEVA ADITYA
Non-Executive Director
Appointed in September 2006

MR. R.N. ASIRWATHAM
Independent Non-Executive Director
Appointed in September 2009

BOARD OF DIRECTORS

01

MR. D.H.S. JAYAWARDENA

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

A visionary with a good business acumen, he has led many enterprises in very diverse fields to achieve great success. He is the founder director and current chairman/managing director of the Stassen Group of Companies, the chairman of Lanka Milk Foods (CWE) PLC, Browns Beach Hotels PLC, Balangoda Plantations PLC, Madulsima Plantations PLC, Melstacorp PLC, Ambewela Livestock Company Ltd, Lanka Bell Ltd and the chairman of the Distilleries Company of Sri Lanka PLC. He is also a former director of Hatton National Bank PLC, the largest listed bank in Sri Lanka and several other listed and privately held companies in Sri Lanka.

Mr. Jayawardena's has been sought after to lead large public sector institutions and is a former chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

He 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".

In 2005 Mr. Jayawardena was awarded the prestigious title, "Deshamanya" in recognition of his services to the Motherland.

02

MR. J.M.S. BRITO

Mr. Rajan Brito joined the Board of Aitken Spence PLC., in April 2000 with a multi-disciplined academic background and a wealth of experience from a career counting over 35 years that includes experience working with several International Organisations. He was then appointed as the Deputy Chairman and Managing Director of Aitken Spence PLC in January 2002 and presently continues in these roles.

Mr. Brito is an acclaimed senior professional in both private and public sector industries of Sri Lanka. He is a former Chairman of DFCC Bank, Employers' Federation of Ceylon, Sri Lankan Airlines, where he currently serves as a Director, and has also served on the Board of the Sri Lanka Insurance Corporation. He holds a LLB degree from University of London, MBA degree from London City Business School and is a Fellow of the Institutes of Chartered Accountants of both Sri Lanka and England and Wales.

03

DR. R.M. FERNANDO

Dr. Rohan Fernando joined Aitken Spence plantation management in May 1994 and has been the Managing Director of Aitken Spence Plantation Managements PLC and Elpitiya Plantations PLC since August 1997. He has extensive experience in the plantation industry; both in the public and private sectors, corporate management, corporate strategy and has played a key role in the plantation privatization programme. He is the Chairman of United Nations Global Compact Network Ceylon, a former President of the Chartered Institute of Marketing Sri Lanka Chapter and was recently appointed as a member of the advisory board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT).

Dr. Fernando was appointed to the Board of Aitken Spence PLC on the 1st of April 2005 and is currently responsible for the Plantations sector and Business Development of the group covering Sustainability and Branding.

He holds a PhD and an MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM UK).

04

DR. P. DISSANAYAKE

Dr. Parakrama Dissanayake who joined Aitken Spence in 2004 is the Chairman/CEO of Maritime and Logistics Sector and has been a Director of Aitken Spence PLC., since 2009. He is also the Jt. Managing Director of CINEC Maritime Campus, a Board Director of Fiji Ports Corporation Limited and of Fiji Ports Terminals Limited.

He is a former chairman/CEO of Sri Lanka Ports Authority and a former chairman of state owned Jaya Container Terminals and Sri Lanka Port Management Services. He has been chairman/board member of several other maritime and cargo logistics sector governing bodies.

An alumni of the distinguished University of Oxford (UK) Business, he is also a Fellow of Harvard Business School USA (EEP), NORAD and JICA.

He is the current Hon. Consul General for the Republic of Fiji Islands in Sri Lanka and a member of the Maritime Advisory Council appointed by the Minister of Ports & Shipping.

Recently he was elected as the first non-British international president of the Institute of Chartered Shipbrokers (UK), founded in 1911.

05

MS. D.S.T. JAYAWARDENA

Ms. Stasshani Jayawardena joined the Aitken Spence Group in January 2010 as a Management trainee. After gaining experience in several of its key strategic business units and group companies she was appointed to the Board of Aitken Spence PLC., in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC., in July 2014. She was then appointed as Chairperson of Aitken Spence Hotel Managements (Private) Limited in January 2016 and is overall responsible for the tourism sector of the Group that includes hotels, destination management and overseas travel.

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

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

06

MR. G.C. WICKREMASINGHE

After completing his education at Royal College Colombo, Mr. Wickremasinghe joined Aitken Spence Plantations in 1954 and remained for 11 years as a professional planter. Whilst there, he was awarded the Colombo Plan Scholarship to study Management and Industrial Relations at the then British Ministry of Labour and National Service in the UK.

He was transferred to the head office in 1965 and having successfully managed the estates department his responsibilities were expanded to include the management of the insurance department and Lloyd's Agency. In 1972 he established the GSA for Singapore Airlines.

He also spearheaded the construction of the Triton Hotel, now Heritance Ahungalla, working closely with the renowned architect, Geoffrey Bawa. He conceived and implemented the conversion of the iconic Tea Factory Hotel.

His career at Aitken Spence spans over 60 years including serving as a Director of Aitken Spence PLC., since 1972 and as its Chairman in 1996/97.

At present, he is an Independent Non-Executive Director, Chairman of the Remuneration Committee, Nomination Committee and also a member of the Audit Committee and Related Party Transactions Review Committee.

07

MR. C.H. GOMEZ

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

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

Mr. Gomez is a member of the Executive Committee of the Gibraltar Amateur Rowing Association.

08

MR. N.J. DE SILVA DEVA ADITYA

Mr. Niranjan Deva Aditya, born in Sri Lanka, was educated in England with a Degree in Aeronautical Engineering and a Post Graduate Research Fellowship in Economics. He has had an illustrious career as one of the most recognised and long serving politicians in the U.K. with over 35 years in public service. Among his many inspirational and pivotal achievements are; being the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government, the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, and the first Asian born MP to be elected to the European Parliament. As a recognition of his proficiency he was nominated as a candidate for Secretary General to the UN in 2006 and has been honoured for his public and international services by the UK, the Vatican, Sri Lanka, India and China. Mr. Deva Aditya joined the company in 2006 as a Non-Executive Director and holds the post to date.

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

09

MR. R.N. ASIRWATHAM

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

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

Mr. Asirwatham is a Fellow 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 Dilmah Tea Services PLC., Royal Ceramics PLC., CIC Holdings PLC., Mercantile Merchant Bank., Dankotuwa Porcelain PLC., Colombo City Holdings PLC., Browns Beach Hotels PLC., and several other privately held companies.

GROUP SUPERVISORY BOARD

MR. J.M.S. BRITO

DR. R.M. FERNANDO

DR. P. DISSANAYAKE

MS. D.S.T. JAYAWARDENA

MS. N. SIVAPRAGASAM

MR. R.G. PANDITHAKORRALAGE

Secretary to the Group Supervisory Board

BOARD OF MANAGEMENT

MS. N.W. DE A. GUNERATNE

MR. C.M.S. JAYAWICKRAMA

MR. D.S. MENDIS

MR. P. KARUNATHILAKE

MR. L. WICKREMARACHCHI

MR. N.A.N. JAYASUNDERA

MR. D.T.R. DE SILVA

MR. S.K.R.B. JAYAWEERA

MR. P.C.J. FERNANDO

MR. I.S. CUTTILAN

MR. A.J. GUNAWARDENA

All members of the Group Supervisory Board are members of the Board of Management

GROUP SUPERVISORY BOARD AND BOARD OF MANAGEMENT

01

MR. J.M.S. BRITO

See Board of Directors Profile

02

DR. R.M. FERNANDO

See Board of Directors Profile

03

DR. P. DISSANAYAKE

See Board of Directors Profile

04

MS. D.S.T. JAYAWARDENA

See Board of Directors Profile

05

MS. N. SIVAPRAGASAM

Ms. Nilanthi Sivapragasam joined the Aitken Spence Group in 1986 as the Accountant in the insurance sector after completing her articles at Ernst & Young, Colombo.

She was transferred to the parent company in 1991 and now holds the position of Chief Financial Officer of the Group. She is also the Managing Director of Aitken Spence Corporate Finance (Private) Limited and a Director of several subsidiaries and joint venture companies in the group both local and overseas.

Ms. Sivapragasam is a Fellow Member of both CA Sri Lanka and the Chartered Institute of Management Accountants of UK.

She is currently a Board Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board, a Council Member of the Sri Lanka Institute of Directors, member of the Taxation Steering Committee and the Accounting Standards & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce and serves on the Tax Faculty and Financial Reporting Standards Implementation & Interpretation Committee of CA Sri Lanka.

She was formerly on the Board of CIMA Sri Lanka Division and the Statutory Accounting & Auditing Standards Committee of CA Sri Lanka.

Ms. Sivapragasam is also a Director of Women and Media Collective, a non-governmental organization.

06

MR. R.G. PANDITHAKORRALAGE

Mr. Rohan Pandithakorralage is the Director/ Chief Human Resources Officer of the Aitken Spence Group. Joining the company in 1994 as a HR Executive, he went on to become a Director by 2001 and was appointed to the Board of Management of Aitken Spence on 1st July 2007.

He is a graduate of Victoria University of Australia with Executive training from NUS and Nippon - Keidanren International Cooperation Centre (NICC) in Japan.

Currently he is a member of the National Labour Advisory Council (NLAC), the Board of Directors of CSR Lanka (Guarantee) Ltd, 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).

Mr. Pandithakorralage is a past president of the International Public Management Association for Human Resources - (IPMA-HR) Sri Lanka Chapter and an 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 won the Prestigious HR Leadership award at the Asia Pacific Congress (APHRM) 2007/08 and was recognized under the global HR excellence category, for the contribution made to HR for the economic development of the country.

07

MS. N. W. DE A. GUNERATNE

Ms. Nimmi De A. Guneratne joined Aitken Spence Insurance in 1985 after graduating with a Bachelor's degree in law and completing her attorney-at-law. Her swift career succession saw her becoming a Director in 1994 and being appointed Managing Director in 2000. At present, Ms. Guneratne is the Managing Director of both Aitken Spence Insurance (Private) Limited and Aitken Spence Insurance Brokers (Private) Limited. She is also the General Manager of the Lloyds Agency in Colombo and the Maldives and a Management Board Director of the Aitken Spence Group.

A Fellow of the Chartered Insurance Institute of UK, a Chartered Insurance Practitioner, a lecturer and an examiner of the Sri Lanka Insurance Institute, she also serves as a visiting Lecturer/Course Director and as a Director of CINEC Maritime Campus.

Ms. Guneratne currently serves as a member of the Legal Steering Committee of the Ceylon Chamber of Commerce and is a Past President of the Sri Lanka Insurance Institute.

08

MR. C.M.S. JAYAWICKRAMA

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

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

09

MR. D.S. MENDIS

Mr. Dinesh Mendis joined the company in 1994 as Marketing Manager of Ace Distriparks (Private) Limited. He has spent 11 years with the Logistics sector of the group including five years as a Subsidiary Director. He then progressed to become the Managing Director of MMBL Money Transfer (Private) Limited, and was subsequently appointed to the Group Management Board. Mr. Mendis is also the Joint Managing Director of Elevators (Private) Limited.

Mr. Mendis has a wealth of experience ranging from logistics, ICT, real estate, several services industries to working for Circuit City Inc in the US. He has also been an Executive Committee member of the Sri Lanka Freight Forwarders Association, a Director of the SLFFA Cargo Services Limited and the American Chamber of Commerce.

Mr. Mendis has graduated magna cum laude in Business Administration specializing in Marketing and Economics from Slippery Rock University of Pennsylvania USA. In his senior year, he was adjudged the outstanding student in both streams. He has obtained his MBA from University of Texas, USA.

10

MR. P. KARUNATHILAKE

Mr. Prasanna Karunathilake joined the Printing Department of Aitken Spence Group 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 today is a Fellow of the Institute. He was then 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.

In 2010 Mr. Karunathilake re-joined the Company as the Managing Director of Aitken Spence Printing (Private) Limited. In September 2012, he was promoted as a Director of the Aitken Spence Group.

He is currently a Director of the INGRIN Institute of Printing & Graphics Sri Lanka, a lecturer of the Sri Lanka Institute of Printing, an adviser for the Printing and Packaging Industry at the Export Development Board and an adviser on the Wages Board for the Printing Trade.

He is also a member of the Association of Directors of Sri Lanka.

11

MR. L. WICKREMARACHCHI

Mr. Leel Wickremarachchi joined Aitken Spence power sector in February 2013 as the Managing Director of all power sector subsidiaries of Aitken Spence PLC. He possesses an MSc in Engineering from People's Friendship University of Moscow, Russia and has obtained his MBA from the University of Jayawardenapura. He has 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. Wickremarachchi has held senior positions in both public and private sector organizations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a consultant in Liberia in West Africa 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. He has also done a consultancy assignment for the Asian Development Bank in 2004.

12

MR. N.A.N. JAYASUNDERA

Mr. Nalin Jayasundera has had a career spanning over 25 years with Aitken Spence, joining initially in 1983 and then re-joining in 1990. Having successfully played different roles within the sector, he took over the leadership of Aitken Spence Travels (Private) Limited as the Managing Director in 2013. Aitken Spence Travels (Private) Limited, a joint venture with TUI Travel PLC, is the leading destination management company in Sri Lanka.

With over 32 years of experience in the tourism sector, he possesses a wide knowledge of the travel industry. Mr. Jayasundera has played an important role in developing the tourism sector by venturing into many new markets, developing new products and seeking new opportunities that have come up with new global trends. His best accolade in the recent years is leading his team to grow the Aitken Spence Travels business by 100% over the last five years.

Mr. Jayasundera 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.

13

MR. D.T.R. DE SILVA

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

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

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

14

MR. S.K.R.B. JAYAWEERA

Mr. Keethi Jayaweera joined Aitken Spence Group as a Junior Executive in the Ticket Office of the General Sales Agency for Singapore Airlines in 1978. 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 also held Directorships in other GSA, outbound travel and logistics companies within the Group.

He has served in various industry related bodies holding senior positions representing the company. He is a past president of SKAL Colombo (an International Association of Travel and Tourism Professionals), the current treasurer and board member for the SKAL Asian Area and the Deputy Chairman of the Sri Lanka Association of Airline Representatives (SLAAR – an Association of Airlines GSAs).

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.

15

MR. P.C.J. FERNANDO

Mr. Claude Jayantha Fernando joined Aitken Spence in 2016 as the Managing Director of Aitken Spence (Garments) Limited. He started his career in the apparel Industry back in 1981 as a management trainee attached to a reputed garment manufacturing company in Sri Lanka. Over a successful career spanning more than 35 years in the industry, Mr. Fernando has earned a multitude of experience and held many key positions. In his most recent role, prior to joining the Aitken Spence Group, 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 a well reputed US owned group company based in Sri Lanka.

16

MR. I.S. CUTTILAN

Mr. Iqram Cuttilan who joined the Aitken Spence Shipping Limited in 1983 was appointed as a Director of the company in 2000 and was designated as the Chief Operating Officer of the maritime segment in 2014. He was involved in the setting up of the port management business in Africa and Fiji and serves as a Director of Fiji Ports Terminal Limited. With a career spanning over 34 years, Mr. Cuttilan currently serves as the Vice President of the Sri Lanka Malaysia Business Council of the Ceylon Chamber of Commerce, Treasurer of the Ceylon Association of Shipping Agents (CASA), President of the Sri Lanka Indonesia Friendship Association (SLIFA) and is a member of the Advisory Committee of the Export Development Board.

He holds a Diploma in Marketing from CIM (UK), Diploma in Business Management (SLBDC), and is a member of the Alumni of the National University of Singapore.

17

MR. A.J. GUNAWARDENA

Mr. Janaka Gunawardena joined the Aitken Spence Group in 2016, bringing with him over 21 years of experience in integrated logistics and supply chain management. His multi-functional experience covers a vast array of fields that include several overseas assignments in developing markets. He has also served as a director of Mack International Freight (Private) Limited and as General Manager Trans-ware Logistic, both subsidiaries of John Keells Holdings, Country Manager DHL Nepal and as Head of Logistics GAC Abu Dhabi / Kuwait prior to joining Aitken Spence. In his current role Mr. Gunawardena leads and directs the integrated logistics sector of the Group. Mr. Gunawardena has obtained his MBA from University of Western Sydney, Australia.

TOURISM SECTOR

SENIOR MANAGEMENT COMMITTEE

In alphabetical order

MR. D.J. DE CRUSZ
Vice President - Destination Management Segment

MR. S.N. DE SILVA
Chief Executive Officer - Oman Hotels Segment

MR. D.G.P. EKANAYAKE
Assistant Vice President - Hotels Segment

MR. S.T.B. ELLEPOLA
Chief Operating Officer - Destination Management Segment

MR. G.P.J. GOONEWARDENE
Consultant - Food & Beverage

MR. M.D.B.J. GUNATILAKE
Chief Operating Officer - Maldives Resorts Segment

MR. A.S. HAPUGODA
Assistant Vice President - Destination Management Segment

MR. D.D. PERERA
Assistant Vice President - Overseas Hotels Segment

MR. P.L. PERERA
Vice President - Destination Management Segment

MR. R.S. RAJARATNE
Vice President - Hotels Segment

MR. R.S. RATNAYAKE
Assistant Vice President - Destination Management Segment

MR. H.P.N. RODRIGO
Vice President - Destination Management Segment

MR. B. VAN DER HORST
Vice President - Hotels Segment

MR. D.L. WARAWITA
Assistant Vice President - Destination Management Segment

MR. J.C. WEERAKONE
Vice President - Sri Lankan Hotels Segment

MS. I. WIJEGUNAWARDANE
Assistant Vice President - Hotels Segment

MR. M.P. WIJESEKERA
Chief Operating Officer - Overseas Hotels Segment

MARITIME AND LOGISTICS SECTOR

SENIOR MANAGEMENT COMMITTEE

In alphabetical order

MR. A.M.M. AMIR
Vice President - Integrated Logistics Segment

MR. C.A.S. ANTHONY
Assistant Vice President - Integrated Logistics Segment

MS. T.D.M.N. ANTHONY
Assistant Vice President - Freight Segment

MR. J.E. BROHIER
Vice President - Freight Segment

MR. H. DELA BANDARA
Assistant Vice President - Maritime Segment

MR. M.A.M. ISFAHAN
Assistant Vice President - Freight and Integrated Logistics Segment

MR. A. JAYASEKERA
Assistant Vice President - Maritime Segment

MR. C.J. JIRASINHA
Assistant Vice President - Freight Segment

MR. L.I. WITANACHCHI
Assistant Vice President - Maritime Segment

STRATEGIC INVESTMENT SECTOR

SENIOR MANAGEMENT COMMITTEE

In alphabetical order

MR. B. BULUMULLA
Chief Executive Officer - Plantations Segment

MR. A.L.W. GOONEWARDENA
Director - Plantations Segment

MS. R.I.D. KATIPEARACHCHI
Vice President - Corporate Services

MR. R.T.B. NAVARATNE
Assistant Vice President - Printing and Packaging Segment

MS. R.D. NICHOLAS
Assistant Vice President - Corporate Services

MR. V.S. PREMAWARDHANA
Assistant Vice President - Corporate Services

MR. H.K.A. RATHNAWEERA
Assistant Vice President - Corporate Services

MS. W.A.D.L. SILVA
Assistant Vice President - Corporate Services

SERVICES SECTOR

SENIOR MANAGEMENT COMMITTEE

In alphabetical order

MR. J.V.A. CORERA
Assistant Vice President -
MMBL Money Transfer

MR. S.D. DE SILVA
Chief Operating Officer -
Heritage Grove

MR. S. MARIAPPAN
Joint Managing Director -
Elevators Segment

MR. A.E.A. PERERA
Assistant Vice President -
Elevators Segment

MR. A.N. SENEVIRATNE
Assistant Vice President -
Insurance Segment

CORPORATE GOVERNANCE

CHAIRMAN'S INTRODUCTION

Dear Stakeholder,

It has been yet another year of significant progress and I am happy with the headway made by the Board across our governance agenda.

Fully aware that at the core of every successful organisation is a strong and healthy culture supported by a robust governance structure, the Aitken Spence PLC Board too remains fully committed to maintaining the highest standards of corporate governance. We believe it is the key to delivering our Group strategy and generating long-term stakeholder value.

The Board recognizes the importance of setting the right tone at the top in order to guide the behaviour of our people and ensure that we live by and demonstrate the core values that have become the Aitken Spence legacy for the past 149 years.

As the custodian of Aitken Spence PLC., the Board demands openness and transparency to maintain an environment in which honesty, integrity and fairness are valued and practiced by our people every day. As per the whistleblower policy of the Group, staff members can forward any grievances, complaints or feedback to a private email address monitored by an independent third party. Full confidentiality is offered to employees who provide feedback. Issues brought up are communicated to the highest governance body and necessary action is taken.

The Board leads by example in complying with the Group code of ethics and in turn calls for the highest professional standards from all of our people at all times. The Group code of ethics which encompasses the code of conduct of employees has been communicated and is readily accessible to all staff to support their day-to-day decision-making. The Group has a zero tolerance policy with regard to breaches of the Group code of ethics or conduct. Further, the Board affirms that in the year 2016/2017, there has been no material violation of any of the provisions of the Code of Ethics.

ACCOUNTABILITY AND DISCLOSURES

This section of the Annual Report strives to provide stakeholders with sufficient information regarding the Aitken Spence PLC Board structure, composition and all functions, in order to give the reader an accurate assessment of the governance practices that are in place at a Group level.

The Board of Aitken Spence PLC., is satisfied that the Group has adequate resources to continue the operations without any disruption in the foreseeable future. The Board confirms and declares that Group's Financial Statements are prepared on a going concern basis.

At the same time, the Board has taken all reasonable steps to ensure that the Group and its subsidiaries are fully compliant with all the mandatory and voluntary rules and regulations applicable to the Company.

The Board gives due consideration in compliance of the Companies Act No. 7 of 2007, 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 and other Codes issued by Chambers of Commerce, Professional Institutions and the relevant industry associations.

Since 2002, Aitken Spence PLC has been a voluntary signatory to the United Nations Global Compact. Further, the Company has been a member of the Global Compact Network Sri Lanka Board and the steering committee since its inception. Aitken Spence was also among the first Companies in the world to become signatory to the UN Women's Empowerment Principles, all of which point to the Group's commitment to follow globally accepted best practices for Corporate Governance.

SHAREHOLDER RELATIONS

Engaging with shareholders is a key part of how Aitken Spence PLC is managed. We engage with shareholders through open, meaningful dialogue that helps us understand their expectations of us. Shareholders are encouraged to be present, participate and vote at the Annual General Meeting. As the Company does not have non-voting ordinary shares, all shareholders are entitled to one vote per individual present or one vote per share in case of a poll.

The Annual Report is presented to shareholders not less than 15 working days prior to the Annual General Meeting and provides comprehensive information which enables the shareholders to be suitably informed of the activities of the Group for the year under review. The shareholders are encouraged to use the Annual Report as a base to carry out adequate analysis and obtain independent advice regarding their investment in Aitken Spence PLC. The Annual General Meeting gives shareholders an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors. In the interest of greater transparency and clarity, a separate resolution is raised on each issue that is proposed at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of such general meetings. Communication with shareholders is also facilitated through the Company's website, press releases, social media platforms and announcements to the Colombo Stock Exchange. The Group company secretarial division and/or communication teams act as the point of contact for clarifications, suggestions or complaints raised by shareholders.

Through all this, our goal is to develop strong relationships that will pave the way for sustainable growth of our business in the years ahead.

On behalf of the Board, I wish to invite all shareholders of Aitken Spence PLC., to our Sixty Fifth Annual General Meeting on Friday, June 30, 2017.

D.H.S. Jayawardena
Chairman

Colombo
26th May 2017

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

CORPORATE GOVERNANCE

"A comprehensive internal control system is in place to reduce the risk of error and/or loss or failure to achieve corporate objectives in a cost effective manner."

1 FRAMEWORK AND APPROACH

Aitken Spence PLC's governance framework plays an integral role in supporting the Group and its businesses deliver on their respective strategies. It provides the structure through which strategy and business objectives are set, performance is monitored and the risks are managed, which includes a set of values and behaviours that aims to promote greater reporting transparency, financial accountability and business responsiveness in the day-to-day activities across all businesses in the Group. It is designed to give each Group company the necessary operating autonomy to develop their business, while at the same time ensuring that they stay within the boundaries of the Group's compliance parameters in order to protect stakeholder interests.

1.1 Key elements of the framework

1.1.1 Risk Management

Effective risk management is imperative for Aitken Spence PLC. The nature of the Group's risk profile demands that it adopts a prudent approach to corporate risk and its decisions regarding risk tolerance as well as risk mitigation.

As such, the Board assumes full responsibility for the governance of risk through a formal risk management framework. In order to ensure a consistent approach to risk management within the Group, Enterprise Risk Management (ERM) Framework approved by the Audit Committee is in place to profile the different risks that impact the Group and determine the Group's risk appetite and risk tolerance level. The Audit Committee provides oversight to ensure the ERM framework is properly carried out in order to achieve the Group's strategic objectives.

1.1.2 Internal Controls

A comprehensive internal control system is in place to reduce the risk of error and/or loss or failure to achieve corporate objectives in a cost effective manner. These controls include the proper delegation of responsibilities within a clearly defined framework of prudent and effective accounting procedures and adequate segregation of duties. They are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in an appropriate manner.

The Group's internal audit department functions independently in all operations to appraise and evaluate the effectiveness of the operational activities and the attendant business risks. Where necessary, recommendations are made for improvements in the systems of internal control and accounting practice based on internal audit plans and reports which take cognizance of relative degrees of risk of each function or aspect of business.

1.1.3 Ethics Management

Group Code of Ethics

The Group has put in place a code of ethics to provide employees with guidance on recognizing and handling areas of ethical ambiguity with guidance on how to report unethical conduct and to nurture a culture of openness and accountability.

The Group code of ethics encompasses the following areas:

- Conflict of interest,
- Corporate opportunities,
- Confidentiality,
- Fair dealing,
- Protection and proper use of company assets,
- Compliance with laws, rules and regulations (including insider trading laws), and
- Encouraging the reporting of any illegal or unethical behaviour.

Whistleblower policy

The Group's Whistleblower Policy aims to encourage staff to come forward and speak up if they know of or suspect a breach of external regulations, internal policies or business principles. The Whistleblower Policy ensures staff member raising an issue is protected with complete confidentiality guaranteed to the employee reporting such incidents. Issues brought up are communicated to the highest governance body and necessary action is taken per each individual case. Employees who detect bribery can report incidents to the next higher level of management than that of the employee/s committing bribery and/or the Chief Human Resources Officer or report anonymously through the whistleblowing procedure.

In order to maintain confidentiality and independence of the whistleblow process the Company has acquired the services of an external party. Any feedback/complaints are handled in strict confidence.

An email was circulated to all staff members informing them about the whistleblowing email address. HR personnel are not involved in this procedure. Feedback/ complaints sent to this email address and action taken are not disclosed to any internal parties of the Company.

1.1.4 Shareholder Relations

Engaging with shareholders is a key part of how Aitken Spence PLC., is managed. Open, meaningful dialogue with shareholders helps the Company to understand their expectations of Aitken Spence PLC. Shareholders are encouraged to be present, participate and vote at the Annual General Meeting, where the holders of ordinary shares are entitled to one vote per individual present or one vote per share in case of a poll.

The Annual Report is presented to shareholders not less than 3 weeks prior to the Annual General Meeting and provides comprehensive information which enables the shareholders to be suitably informed of the activities of the Group for the year under review. The shareholders are encouraged to use the Annual Report as a base to carry out adequate analysis and obtain independent advice regarding their investment in the Aitken Spence PLC. The Annual General Meeting gives shareholders an opportunity to comment, discuss and seek clarifications on any relevant issues with the Chairman and the Board of Directors. In the interest of greater transparency and clarity, a separate resolution is raised on each issue that is proposed at the Annual General Meeting. Further, shareholders are free to informally meet with the Directors at the conclusion of such general meetings. Communication with shareholders is also facilitated through the Company's website, press releases, social media platforms and announcements to the Colombo Stock Exchange. Meanwhile, the company secretarial division and/or the registrars of the Company act as the point of contact for clarifications, suggestions or complaints raised by shareholders which is communicated to the Chairman and the Chairman ensures that views of the shareholders on relevant and appropriate matters including those related to the governance arrangements of the Company are communicated to the Board on an as and when necessary basis.

1.1.5 Sustainability Governance

The Group's management of sustainability aims to address the economic, environmental and social matters that are material to the Group and its stakeholders. These concerns are then integrated into the day-to-day operations of each business, in a way it that would drive business value. Thus making a meaningful difference to all relevant stakeholders vis-à-vis;

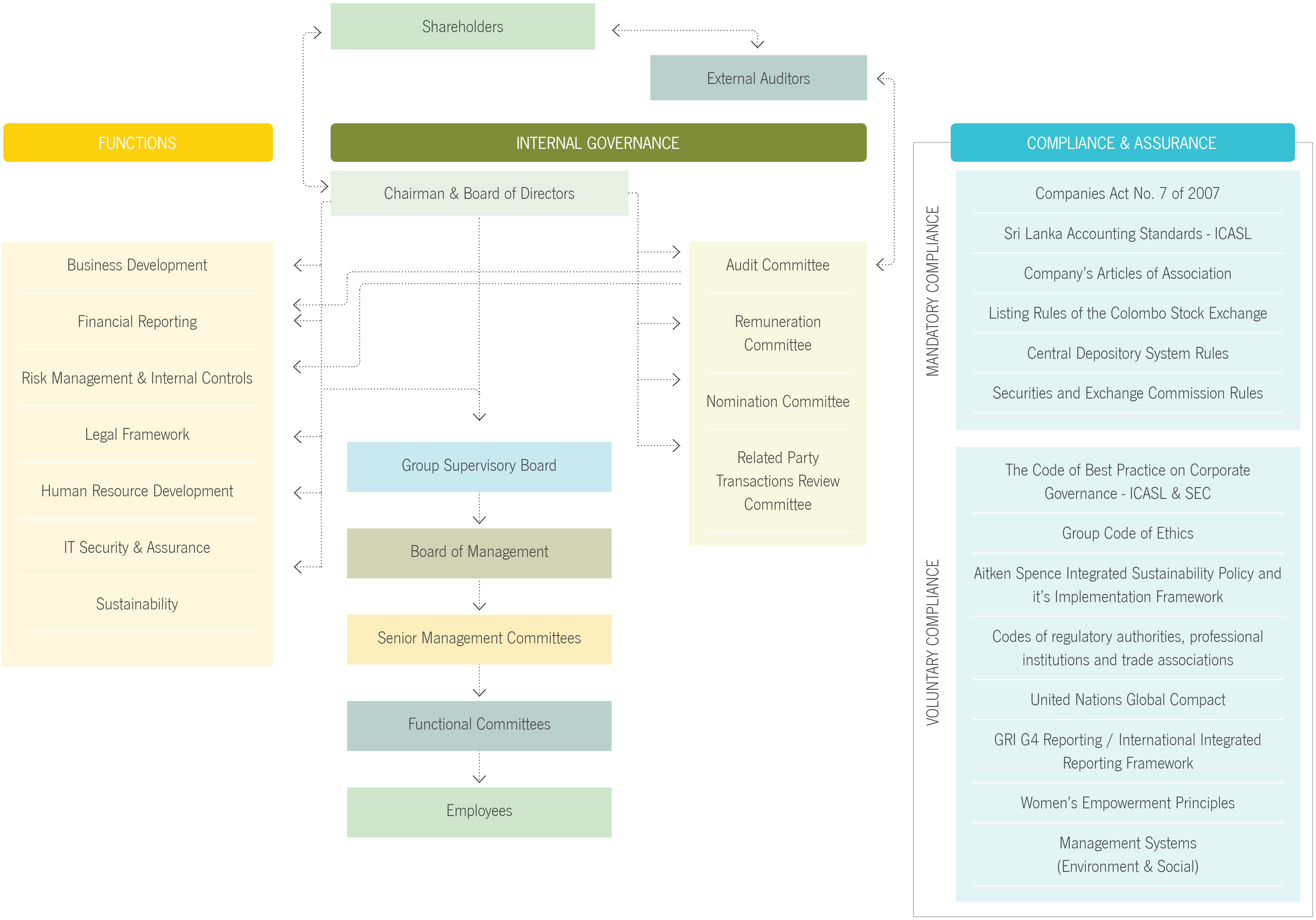
- Positive economic value creation through geographical business and product diversification,
- Creation of employment and retention of excellent employees,
- Contribution to society through strategic corporate social responsibility initiatives,
- Sustaining the business environment in which the Group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

Sustainability leadership in the form of effective guidance in reviewing and approving sustainability stems from the Deputy Chairman and Managing Director along with the head of sustainability team who is also a member of the Board, disclosures reviewed and so approved by them cascades down to SBUs through the Board of Management.

CORPORATE GOVERNANCE

2 GOVERNANCE STRUCTURE

The Corporate Governance Framework of the Aitken Spence PLC., aims to promote greater reporting transparency, financial accountability and business responsiveness across all businesses within the Group. The framework is designed to give respective Group companies the necessary operating autonomy to develop their business, while at the same time ensuring that they stay within the boundaries of the Group's Risk, Legal, HR, IT, other relevant regulatory requirements and compliance parameters.



3 THE BOARD OF DIRECTORS

3.1 Board Composition and Structure

The Aitken Spence PLC., Board currently consists of the Chairman, Deputy Chairman and Managing Director and seven other Directors, of which four are Non-Executive Directors of whom 3 are Independent.

To ensure that no one person has unfettered powers of decision making and implementation, the role of the Chairman is clearly defined, as are the functions of the Deputy Chairman and Managing Director. The duties and responsibilities pertaining to each of these positions are distinct and separate which go on to support the balance of power and authority across the Group.

The Chairman is responsible for the effective leadership of the Board. The Deputy Chairman and Managing Director with the assistance of the Board of Directors is responsible for formulating and implementing strategies and policies in achieving the vision of the Group. He provides direction in the day to day management of the companies of the Group and ensures that proper internal controls are implemented across all Group companies whilst complying with all statutory, financial and legal requirements.

3.2 Quality of the Board

The current Board combines a diverse mix of skills and experience bringing together academic, professional and entrepreneurial perspectives. The Board members' collective experience provides for a balanced mix of attributes to fulfil the Board's duties and responsibilities.

Chairman Deshamanya D.H.S. Jayawardena is one of Sri Lanka's most successful businessmen and heads many successful enterprises in very diverse fields of activities.

Deputy Chairman and Managing Director Mr. J.M.S. 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 brings with him a wealth of 35 years of international experience working with number of international organisations.

Dr. R.M. Fernando leads the sustainability strategy of the Group and highlights the sustainability concerns and achievements of the Group companies at Main Board level: his representation of the Group's sustainability team and the sustainability programmes is most likely the first instance of a Main Board Director of a company in Sri Lanka to be dedicated for sustainability. He is the Chairman of United Nations Global Compact Network, Ceylon. He holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK. He has extensive experience in the plantation industry both in the public and private sectors and played a key role in the plantations privatisation programme.

Dr. P. Dissanayake, a University of Oxford Business Alumni, is a Graduate of Harvard Business School Executive Education Programme on "Global Economy" and is also a Fellow of NORAD and JICA. He commenced his career at the Ceylon Shipping Corporation and is a former Chairman/CEO of Sri Lanka Ports Authority. Currently he is the Chairman/CEO of the Aitken Spence Maritime and Logistics Sector.

Ms. D.S.T. Jayawardena leads a team of young professionals that is endeavouring to develop a strategic development plan for future growth of Aitken Spence PLC., and is overall responsible for the Tourism Sector of the Group. Ms. Jayawardena was the youngest intern to work under the Former US President Bill Clinton in 2003.

Mr. G.C. 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 wide and varied experience in many business sectors.

Mr. C.H. 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. N.J. de Silva Deva Aditya who was appointed to the Board of Aitken Spence PLC., in September 2006, is an Aeronautical Engineer, Scientist and an Economist. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce. His multifaceted expertise aids him to contribute immensely in the deliberations of the Board.

Mr. R.N. Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. He was also a member of the Presidential Commission on Taxation. Mr. Asirwatham is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. With his vast knowledge and experience he ably chairs the Audit Committee and the Related Party Transactions Review Committee of the Company.

3.3 Board Responsibilities

The Aitken Spence PLC., Board of Directors is primarily responsible for providing effective leadership that reflects the Group's core values of accountability, fairness, integrity, professionalism, respect and transparency. The Board reaffirms its commitment to sound governance and considers the application of sound corporate governance structures, policies and practices as pivotal to ensuring that the Aitken Spence Group acts in a responsible and transparent manner from an economic, social and environmental perspective and creates sustainable value and benefits for its stakeholders. The Board has full ordinary and extraordinary administrative powers to manage the activities of the Group in a way that would achieve these corporate objectives.

The Board collectively and individually, fulfil their commitment by complying with the laws of the Country, as applicable to the Aitken Spence Group. The Board is ultimately responsible for ensuring that all business activities are conducted with integrity and in compliance with the mandatory requirements of the Companies Act No. 7 of 2007, Company's Articles of Association and Listing Rules of the Colombo Stock Exchange and the voluntary compliance of the Group code of Ethics, the Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, United Nations Global Compact, G4 Reporting

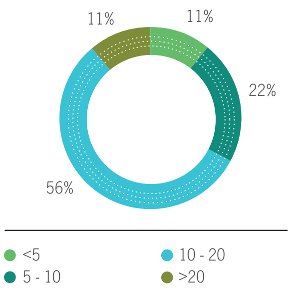
Key Focus areas for 2016/2017

STRATEGY	LEADERSHIP AND RISK
• Strategy setting	• Entrepreneurial support
• Target delivery	• Succession planning
• Achievement of goals	• Oversight of operational management
	• Determination of principal risks and risk appetite

GOVERNANCE	FINANCE
• Assurance and compliance	• Optimizing the internal control framework
• Board management and effectiveness	• Capital allocation, financing and funding
• Remuneration policy in support of strategy	• Overview and preparation of financial statements

Board Tenure

As at 31st March 2017



3.3.1 Responsibilities of the Chairman

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

- Ensuring that balance of power between the Executive and Non-Executive Directors is maintained,
- Encouraging effective participation of Executive and Non-Executive Directors,
- Ensuring that the Board adheres to procedures, relevant statutes and complies with various stakeholder and regulatory requirements of relevant 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 that they effectively contribute with their respective capabilities towards the best benefit of the Company,
- Ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders.

3.3.2 Responsibilities of the Deputy Chairman and Managing Director

Deputy Chairman and Managing 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, Board of Management and the Senior 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 and recommending any corrective action that needs to be adopted.

and Integrated Reporting Framework and the regulations, by-laws of the Group code of ethics and the trade and industry related regulatory authorities and institutions.

Specific responsibilities of the Aitken Spence PLC Board include:

- Providing oversight to ensure the proper execution of the Group's medium term and long term strategies, including the approval of strategic plans, governance structures, risk appetite, internal control systems, covering policies and procedures, reporting lines that will provide the necessary decision making framework to support the Group's strategic purpose,
- Ensuring that those in leadership positions, including the Group Supervisory Board, the Board of Management and the Senior Management Committees have the capacity to execute the Group strategies,
- Implementation of a suitable senior management succession strategy to facilitate the sustainability of the business,
- Evaluating the performance and authorizing appointments to the Board Sub-committees,
- Reviewing and approving recommendations made by Board Sub Committees,
- Reviewing and approving of operational and financial budgets and monitoring actual performance of the individual Strategic Business Units against budgets and the approving of quarterly (unaudited) and audited financial statements,
- Promoting greater transparency by subscribing to global best practices for the reporting of financial and non-financial information.
- Establishing a stable risk governance framework by setting risk parameters and tolerance levels in line with the Group's strategic priorities. This also includes implementing suitable internal audit, IT systems, HR procedures etc. that would safeguard the Group against all major business risks,
- Ensuring compliance of the Groups' statutory and regulatory obligations and safeguarding the Group's reputation by promoting high standards of honesty, integrity and ethical business practices at all levels of the business,
- Promoting corporate citizenship to ensure long-term sustainability of the business,
- Making appropriate recommendations for the appointment/removal of external auditors,
- Subject to the provisions of the Companies Act No. 7 of 2007 evaluating and approving mergers, acquisitions and divestures that results in corporate re-structuring or re-engineering.

All Directors are expected to allocate adequate time to ensure that their duties and responsibilities are satisfactorily discharged. Further, in circumstances where one or more of the Directors feel it is essential, whether as a full Board or in their individual capacities, to seek impartial professional advice at the Group's expense.

This facility is also extended to the Group Supervisory Board, Board of Management and Senior Management Teams to enable the implementation of duties in respect of matters being deliberated.

3.4 Board Meetings

	12th May 2016	30th June 2016	11th August 2016	21st November 2016	9th February 2017
Chairman					
Deshamanya D.H.S Jayawardena	✓	✓	✓	✓	✓
Deputy Chairman and Managing Director					
Mr. J.M.S. Brito	✓	✓	✓	✓	✓
Executive Directors					
Dr. R.M. Fernando	✓	✓	✓	✓	✓
Dr. M.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. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)	*	✓	✓	✓	✓
Mr. R.N. Asirwatham	✓	✓	✓	✓	✓

✓ present * excused

The Board convened 5 times during the financial year and the meetings were presided over by the Chairman.

An annual calendar of Board meetings is prepared at the beginning of each financial year and circulated among the Directors enabling them to prepare their work schedules and facilitate effective participation. In the event a Director is unable to attend a meeting, due to personal commitments or illness he/she is provided with briefing material for discussion with the Chairman or the Deputy Chairman and Managing Director on a suitable date.

In setting the agenda for Board Meetings, sufficient time is allocated to key priority areas such as strategy setting and review, performance monitoring, portfolio management including acquisitions and divestments, succession planning and talent management.

The notices of Board meetings along with the agenda and Board papers are circulated among the Directors in advance to the scheduled meeting, giving adequate time for the Directors to review and request for any additional information or clarifications needed in order to prepare for the meetings.

Minutes of each Board meeting are 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. 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.

3.5 Independence of Non-Executive Directors

Three out of four Non-Executive Directors remain independent from day-to-day management decisions, 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 at all times.

All Non-Executive Directors are expected to disclose any material business interest and submit an annual declaration confirming his independence/non-independence in compliance with guidelines stated in the statutory regulations. Moreover, in the event a conflict of interest presents itself, the onus is on the respective Non-Executive Director to refrain from the decision-making process.

Independence of Non-Executive Directors

Mr. G.C. Wickremasinghe
Mr. Wickremasinghe's period of service of as a Board Member exceeds nine years and he was an Executive Director on the Board of the Company prior to the assumption of duties as a Non-Executive Director. The Board having considered the above facts is of the view that his period of service and the Executive Directorship previously held by him do not compromise his independence and objectivity in discharging his functions as a Director and therefore determined that Mr. Wickremasinghe is 'independent' as per the Listing Rules of the Colombo Stock Exchange.

Mr. C.H. Gomez
The Board is of the view that the period of service of Mr. C.H. Gomez as a Board Member which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Gomez is 'independent' as per the Listing Rules of the Colombo Stock Exchange.

Mr. R.N. Asirwatham
Appointed to the Board as an Independent Director and meets all the criteria of independence set out in Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange.

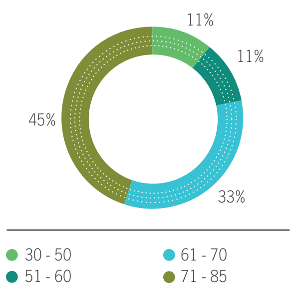
3.6 Board Appointments

New Directors are appointed through a formal process where, the Nomination Committee reviews nominations for new appointments to the Board. When a new Director is appointed, the necessary disclosures are made to the Colombo Stock Exchange, along with a brief resume of the Director. The same disclosure is published in the Colombo Stock Exchange website where it is accessible to shareholders.

In accordance with the Companies Act and the Articles of Association of the Company, Directors who are retiring are eligible to submit themselves for re-election at the Annual General Meeting. The Board at the recommendations of the Nomination Committee evaluates the effective contribution made by these respective Directors' who are offering themselves for re-election. A decision is then

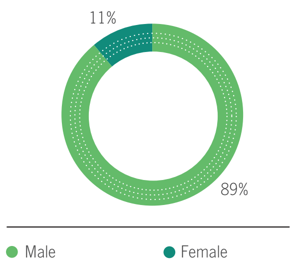
Age Distribution in the Board

As at 31st March 2017



Gender Diversity of the Board

As at 31st March 2017



The Company Secretaries

All Directors have access to advice and the services of the Group Secretaries who coordinate with the Company Secretaries and are responsible in ensuring the Board procedures follow best practices for Corporate Governance by strictly complying with the Companies Act, Listing Rules of the Colombo Stock Exchange and other applicable statutory rules and regulations. The Company Secretaries are expected to provide accurate, concise and relevant information to the Board in a timely manner to enable the Board to take informed decisions.

made whether or not to reaffirm the Company's support of their re-election.

No new Board appointments took place in the 2016/2017 Financial Year.

Re-elections at the Annual General Meeting held on Thursday, June 30, 2016:
Mr. C.H. Gomez who retired in terms of Article 83 of the Articles of Association was re-elected as a Director of the Company.
Mr. G.C. Wickremasinghe, Deshamanya D.H.S. Jayawardena and Mr. R.N. Asirwatham who were over 70 years were re-appointment as Directors of the Company by passing the relevant resolutions.

The details of the Directors who are recommended for re-election at the forthcoming Annual General Meeting are adequately disclosed in the Annual Report of the Directors on page 68 and in the Notice of meeting on page 332 of this Annual Report.

3.7 Training of Directors

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 panelists in their respective areas of proficiency. These efforts also provide the opportunity for Directors to contribute towards broader socio-economic development of the country.

3.8. Conflict of Interest

In the discharge of their duties, all Board Directors have a fiduciary duty to avoid situations in which they have or may have interests that conflict with that of the Group. In such instances, Directors are obligated to fully disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The Director concerned is then expected to exclude himself/herself from any discussion or decision over the matter in question.

3.8.1 Independent Judgement

Each Director exercises independent judgment in all matters considered by the Board and acts free from undue influence and bias from other parties.

Although the Chairman, Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardene 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.

3.8.2 Related Party Transactions

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

Related party transactions are disclosed in note 44 to the Financial Statements.

3.9 Evaluation of Board Performance

The performance evaluation of the Deputy Chairman and Managing Director is carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year. Other factors considered in the assessment of the Deputy Chairman and Managing Director's performance include, the ability to contribute to the development of strategy, to understand the major risks affecting the Group, to contribute to the cohesion of the Board, to commit the time required to fulfil the role and to listen to and respect the views of other Directors and the management team. The review process also aims to identify specific training and development needs that will enhance the ability of the Deputy Chairman and Managing Director to execute his role more effectively.

The Deputy Chairman and Managing Director in turn evaluates the performance of the three Executive Directors and the Nomination Committee headed by the longstanding Independent Non-Executive Director of the Company, collectively evaluates the rest of the Board of Directors on an annual basis; individual skills, expertise and knowledge of each Director is taken into consideration in evaluating his or her performance during the period under review.

3.10 Director's Remuneration

A formal transparent mechanism underpins the determination of Remuneration for all Executive Directors. The Remuneration Committee, headed by an Independent Non-executive Director, oversees the process. No Director on the Board of Aitken Spence PLC., is involved in determining his/her own remuneration.

Revisions to the Executive Directors' remuneration are made annually, taking into consideration the internal and external socio-economic factors including industry benchmarks.

3.10 Board Sub-committees

In accordance with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance jointly issued by Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission the Board has established four Committees to assist in the execution of its responsibilities, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Related Party Transactions Review Committee.

Each of these Committees have been assigned specific terms of reference, with all Board Committee meetings structured so as to promote open discussion.

The Chairman of each Committee reports to the Board on its deliberations. Meanwhile, to enable the Board to discharge its duties, all Directors receive minutes of Board Sub-committee Meetings, in advance of Board meetings.

Moreover, the Chairman of each Sub-committee is present at the Annual General Meeting to answer any questions of the shareholders directed to them by the Chairman of the Company.

3.10.1 Audit Committee

The key objectives of the Committee is to regularly review the adequacy of the internal controls and risk management process, ensure that the Company adheres to the statutory financial reporting regulations, assess the performance, effectiveness and the independence of the external auditors as well as the group internal audit department.

3.10.2 Remuneration Committee

The Committee's key objective is to determine and regular review of the Group's Executive Remuneration Policy for the Executive Directors and the Senior Management and thereby attract the most suitable talent and retaining them in the Group in order to enhance the Group's performance of the strategic business units

3.10.3 Nomination Committee

The Nomination Committee is responsible for overseeing the performance of the Board, its Committees and Individual Directors and evaluate their performance. The Committee strives to ensure to promote diversity and effectiveness to the boards of the Group Companies as well as to the higher levels of management and to ensure that fair and equal opportunities for promotion are given for all employees across the Group.

3.10.4 Related Party Transactions Review Committee

The Committee's key focus areas include the review of all proposed related party transactions, the formulation and regular review of the threshold of related party transactions and the review of the criteria of key management personnel as set out in the Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Charted Accountants of Sri Lanka.

4 COMPLIANCE TABLES

4.1 Listing Rules of the Colombo Stock Exchange - Corporate Governance

Mandatory compliance

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
7.10	CORPORATE GOVERNANCE COMPLIANCE		
7.10.1	Non-Executive Director		
a./b./c.	The Board of Directors shall include at least two Non-Executive Directors (NED) or equivalent to one third of the total number of Directors whichever is higher	Compliant	Four out of the nine Board members are NEDs.
7.10.2	Independent Directors		
a.	Where the Board constitutes only two NEDs both shall be independent. In other instances, two or one third of NEDs shall be independent, whichever is higher	Compliant	Three out of the four NEDs are Independent.
b.	Annual submission of a signed and dated declaration of independence/non-independence by all NEDs	Compliant	Annually each NED declares his independence/non-independence in compliance with the relevant statutory regulations.

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
7.10.3	Disclosures relating to Directors		
a./b.	The Board shall make an annual determination of the independence/non-independence of the NEDs	Compliant	Independence of the NEDs has been determined by the Board based on the annual declaration and taking account all the other information and circumstances. The criteria determining the independence of NEDs can be found in page 48 of this Annual Report.
c.	Publication of a brief resume of each director which includes information of nature of his/her expertise	Compliant	The names and profiles of each of the Directors are on pages 28 to 31 of this Annual Report.
d.	Submission of a brief resume to CSE upon appointment of a new director		On an appointment of a Director a suitable disclosure is made to CSE.
7.10.4	Criteria for defining Independence		
a. to h.	Requirements for determining independence of a director	Compliant	Please refer information of NEDs on page 48.
7.10.5	Remuneration Committee		
a.	Composition		
a. 1	The committee shall comprise of two independent directors or non-executive directors a majority of whom shall be independent, whichever is higher.	Compliant	All members of the Remuneration Committee of Aitken Spence PLC are Independent Non-Executive Directors.
a. 2	One non-executive director shall be appointed as chairman of the committee by the board		Mr. G.C. Wickremasinghe who is an Independent Non-Executive Director is the Chairman of the Remuneration Committee.
b.	Recommendation of remuneration payable to Executive Directors/CEO to the board	Compliant	The Remuneration Committee is responsible of reviewing policy of remuneration packages of the Deputy Chairman and Managing Director and other Executive Directors and recommends same to the Board.
c.	Disclosure in the Annual Report		
c.1	The annual report should set out the names of the committee members and statement of the remuneration policy	Compliant	The Remuneration Committee report set out in the Annual Report contains the names of the members and a statement of the remuneration policy. Please refer the Committee report on page 63 on this Annual Report.
c.2	The annual report should contain the aggregate remuneration paid to executive and non-executive directors	Compliant	The aggregate remuneration paid to Executive and Non-Executive Directors is set out on page 240 of this Annual Report.
7.10.6	Audit Committee		
a	Composition		
a. 1	The board committee shall comprise of a minimum of two independent non-executive directors or of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive director shall be appointed as chairman of the committee by the board	Compliant	All members of the Audit Committee of Aitken Spence PLC are Non-Executive Directors, three of whom are Independent. Mr. R.N. Asirwatham who is an Independent Non-Executive Director is the Chairman of the Committee.

CORPORATE GOVERNANCE

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
a. 2	CEO and CFO shall attend the committee meetings	Compliant	Mr. J.M.S. Brito, Deputy Chairman and Managing Director who is the CEO of Aitken Spence PLC and Ms. N. Sivapragasam, Chief Financial Officer attend the meetings by invitation. Please refer the attendance of the Committee set out on pages 61 and 62 of this Annual Report.
a. 3	Chairman or one member of the committee should be a member of a recognized professional accounting body.	Compliant	The Chairman of the Committee, Mr. R.N. Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka.
b	Functions		
b. (i)	Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLAS).	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.
b. (ii)	Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.
b. (iii)	Overseeing the processes to ensure the internal controls and risk management are adequate to meet the requirements of the SLAS.	Compliant	Refer Audit Committee Report and the Director's Statement on Internal Control on pages 61 to 62 and 65 respectively on this Annual Report.
b. (iv)	Assessing the independence and performance of the external auditors.	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.
b. (v)	Recommend to the board pertaining to the appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.
c.	Disclosure in the Annual Report		
c.1	The annual report should set out the names of the committee members	Compliant	The Committee reports and the Annual Report of the Directors set out in the Annual Report contains the names of the members.
c.2	Determination of independence of the auditors and the basis for such determination	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.
c.3	A report of the audit committee containing the manner of compliance	Compliant	Refer Audit Committee Report on pages 61 and 62 in this Annual Report.

4.2 The Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2013) Compliance Table

Voluntary compliance

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
I	THE COMPANY		
A	Directors		
A.1	**The Board**	Compliant	Corporate Governance – Section 3.1
A.1.1	Board Meetings	Compliant	Corporate Governance – Section 3.4
A.1.2	Role and Responsibility of the Board	Compliant	Corporate Governance – Section 3.3
A.1.3	Compliance with laws and access to independent professional advice and services	Compliant	Corporate Governance – Section 3.3
A.1.4	Access to advice from the Company Secretary and duties of the Company Secretary	Compliant	Corporate Governance – Section 3.3
A.1.5	Independent Judgement	Compliant	Corporate Governance – Section 3.5
A.1.6	Board Commitment	Compliant	Corporate Governance – Section 3.3
A.1.7	Training of Directors	Compliant	Corporate Governance – Section 3.7
A.2	**Chairman and Chief Executive Officer (CEO)**		
A.2.1	Decision to combine the posts of Chairman and CEO	Not Applicable	Deshamanya D.H.S Jayawardena is the Chairman and Mr. J.M.S Brito is the Deputy Chairman and Managing Director who is the CEO of Aitken Spence PLC.
A.3	**Chairman's Role**		
A.3.1	Effective conduct of Board proceedings by the Chairman	Compliant	Corporate Governance – Section 3.3.1/3.4
A.4	**Financial Acumen**		
A.4	Ensuring the availability of sufficient financial acumen within the Board	Compliant	Corporate Governance – Section 3.2 Refer profiles of the Board of Directors on pages 28 to 31 of this Annual Report.
A.5	**Board Balance**		
A.5.1	Board Composition	Compliant	The Aitken Spence PLC Board currently consists of the Chairman, Deputy Chairman and Managing Director and seven other Directors, of which four are Non-Executive Directors. Out of four Non-Executive Directors, three are Independent Non-Executive Directors.
A.5.2	Number of Independent Non-Executive Directors (NED)	Compliant	The Aitken Spence PLC Board currently consists of three are Independent Non-Executive Directors.
A.5.3	Declaration of independence or non-independence by the NEDs	Compliant	Corporate Governance – Section 3.5
A.5.4	Annual Declaration of NEDs	Compliant	Corporate Governance – Section 3.5
A.5.5	Board determination on independence of NEDs	Compliant	Corporate Governance – Section 3.5
A.5.6	Independence of an Alternate Director	Compliant	The only Alternate Director in the Board represents a Non-Independent Non-Executive Director.

CORPORATE GOVERNANCE

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
A.5.7 – A.5.8	Senior Independent Director (SID) and the Role of SID	Not Applicable	The role of the Chairman and the Deputy Chairman and Managing Director are distinct.
A.5.9	Chairman meeting with NEDs	Compliant	Chairman meets with the NEDs as and when necessary.
A.5.10	Recording of unresolved matters	Compliant	Corporate Governance – Section 3.4
A.6	**Supply of Information**		
A.6.1	Management's obligation to provide appropriate and timely information	Compliant	Corporate Governance – Section 3.4
A.6.2	Timely circulation of relevant documents	Compliant	Corporate Governance – Section 3.4
A.7	**Appointments to the Board**		
A.7.1	Presence of the Nomination Committee	Compliant	Corporate Governance – Section 3.10 The report of the Nomination Committee is set out on page 60 of this Annual Report.
A.7.2	Assessment and composition of the Board	Compliant	The report of the Nomination Committee is set out on page 60 of this Annual Report.
A.7.3	Disclosure of Appointment of a New Director	Compliant	Corporate Governance – Section 3.6
A.8	**Re-election**		
A.8.1 - A.8.2	Re-election of Directors including Chairman	Compliant	Corporate Governance – Section 3.6
A.9	Appraisal of Board Performance	Compliant	Corporate Governance – Section 3.9
A.9.1	**Annual appraisal of the Board**	Compliant	Corporate Governance – Section 3.9
A.9.2	Annual self-evaluation of the Board and its Committees	Compliant	Corporate Governance – Section 3.9
A.9.3	Disclosure of performance evaluation	Compliant	Corporate Governance – Section 3.9
A.10	**Disclosure of information in respect of Directors**		
A.10	Profiles of the Board of Directors and other related information	Compliant	The names and profiles of each of the Directors are on pages 28 to 31 of this Annual Report.
A.11	**Appraisal of Chief Executive Officer**		
A.11.1	Setting financial and non-financial targets	Compliant	Corporate Governance – Section 3.9
A.11.2	Performance appraisal	Compliant	Corporate Governance – Section 3.9
B	DIRECTORS' REMUNERATION		
B.1	**Remuneration Procedure**		
B.1.1	Remuneration Committee	Compliant	Corporate Governance – Section 3.10 The report of the Remuneration Committee is set out on page 63 of this Annual Report.
B.1.2	Composition of the Remuneration Committee	Compliant	The report of the Remuneration Committee is set out on page 63 of this Annual Report.
B.1.3	Disclosure of names of the Chairman and members of the Remuneration Committee	Compliant	The report of the Remuneration Committee is set out on page 63 of this Annual Report.
B.1.4/B.2.9	Determination of remuneration of NEDs	Compliant	Non-executive Directors are remunerated in accordance with the Article of Association of the Company. Their fees and reimbursable expenses are paid in consideration of the basis of contribution of the basis of contribution and services performed at the Board and Committee meetings.

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
B.1.5	Consultation with Chairman and CEO about proposal relating to remuneration of other Executive Directors and access to professional advice in discharging their responsibilities	Compliant	The Remuneration Committee consults the Chairman and Deputy Chairman and Managing Director regarding the remuneration proposals and revision of salary packages as and when necessary to Executive Directors and the Board of Management, taking into consideration the internal and external socio-economic factors.
B.2	**The level and make up of Remuneration**		
B.2.1 – B.2.4	Standards for determining Remuneration of Executive Directors	Compliant	Corporate Governance – Section 3.10
B.2.5	Executive Share Option	Compliant	As at date, the Company has no share option available to its Directors.
B.2.6	Designing schemes of Remuneration	Compliant	The report of the Remuneration Committee is set out on page 63 of this Annual Report.
B.2.7 – B.2.8	Early termination in Directorate	Compliant	The Remuneration Committee determines the remuneration of Directors in the event of early termination.
B.3	**Disclosure of Remuneration**		
B.3.1	Disclosure of the names of the members of the Remuneration Committee, statement of remuneration policy and set out the aggregate remuneration paid to Directors.	Compliant	The report of the Remuneration Committee is set out on page 63 of this Annual Report.
C	Relations with Shareholders		
C.1	**Constructive use of the Annual General Meeting and conduct of general meetings**		
C.1.1	Use of Proxy	Compliant	All proxy votes are counted and the quantum of proxies lodged on each resolution is tabulated and given to the Chairman and Deputy Chairman and Managing Director prior to the Annual General Meeting.
C.1.2	Separate resolution for each issue	Compliant	A separate resolution on each issue is proposed at the Annual General Meeting of the Company.
C.1.3	Availability of Chairmen of Board Committees at the Annual General Meeting	Compliant	Corporate Governance – Section 3.10
C.1.4	Notice and procedure of meetings	Compliant	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.
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings.	Compliant	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.
C.2	**Communication with shareholders**		
C.2.1, C.2.2 & C.2.3	Effective communication with shareholders	Compliant	The Company encourages effective communication with the shareholders and answers queries and concerns of shareholders through the Group company secretarial division and registrars.
C.2.4 & C.2.6	Contact person in relation to shareholders matters.	Compliant	Persons to contact in relation to shareholders is the Group company secretarial division and/or registrars.

CORPORATE GOVERNANCE

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
C.2.5 & C.2.7	Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	Compliant	The Group company secretarial division maintain a record of all correspondence received and will deliver such correspondence to the Board or individual Director as applicable. The Board or individual Director, as applicable will generate an appropriate response to all validly received shareholder correspondence and will direct Group Company Secretaries to send the response to the particular shareholder.
C.3	**Major and Material Transactions**		
C.3.1	Disclosure of Major related party transaction with a related party	Compliant	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.
D	Accountability and Audit		
D.1	**Financial Reporting**		
D.1.1	Board responsibility in Financial Reporting	Compliant	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 are prepared and presented in accordance with Sri Lanka Accounting Standards. Aitken Spence also continues to report its performance "In Accordance – Core" with the Global Reporting Initiative's G4 Reporting framework while following the guidelines of the International Integrated Reporting Council's Framework.
D.1.2	The Directors' Report	Compliant	The Annual Report of the Directors in on pages 66 to 69 of this Annual Report.
D.1.3	Responsibility statement by the Directors and Auditors for the preparation and presentation of Financial Statements	Compliant	The Statement of the Directors and Auditors are on pages 211 and 212 respectively of this Annual Report.
D.1.4	Management discussion and analysis	Compliant	Management discussion and analysis of the Company and its subsidiaries under 4 sectors are on pages 87 to 200 in this Annual Report.
D.1.5	Going concern	Compliant	Declaration is made on the Annual Report of the Directors in on page 67 of this Annual Report.
D.1.6	Serious loss of capital	Compliant	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.
D.1.7	Disclosure of Related Party Transactions	Compliant	Refer the report of the Related Party Transactions Review Committee on page 64 on this Annual Report and note 44 to the Financial Statements.
D.2	**Internal Control**		
D.2.1	Directors should conduct a review of the risks of the Company and the effectiveness of the internal control systems	Compliant	Refer the Board of Directors' Statement on Internal Control is on page 65 of this Annual Report.
D.2.2	Internal audit function	Compliant	Refer the Board of Directors' Statement on Internal Control is on page 65 of this Annual Report.
D.2.3	Board responsibility for the disclosure on internal control	Compliant	Refer the Board of Directors' Statement on Internal Control is on page 65 of this Annual Report.

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
D.2.4	Directors' responsibility in maintaining a sound system of internal control	Compliant	Refer the Board of Directors' Statement on Internal Control is on page 65 of this Annual Report.
D.3	**Audit Committee**		
D.3.1	Composition of the Committee	Compliant	The report of the Audit Committee is set out on pages 61 and 62 of this Annual Report.
D.3.2	Duties of the Committee	Compliant	The report of the Audit Committee is set out on pages 61 and 62 of this Annual Report.
D.3.3	Terms and Reference of the Committee	Compliant	The report of the Audit Committee is set out on pages 61 and 62 of this Annual Report.
D.3.4	Disclosure of the names of the members of the Audit Committee, determination of independence of the Auditors and a report by the Committee.	Compliant	The report of the Audit Committee is set out on pages 61 and 62 of this Annual Report.
D.4	**Code of Business Conduct and Ethics**		
D.4.1	Disclosure of the presence of code of business conduct and ethics for Directors and Key Management Personnel and declaration of compliance.	Compliant	Corporate Governance – Section 1.1.3 Refer the Board of Directors' Statement on Internal Control is on page 65 of this Annual Report.
D.4.2	Chairman's affirmation that he is not aware of any violation of the provision of the code of business conduct and ethics	Compliant	Chairman's Introduction on the Corporate Governance on page 41 of this Annual Report.
D.5	**Corporate Governance Disclosures**		
D.5.1	Disclosure of a Corporate Governance Report in the Company's Annual Report	Compliant	Corporate Governance on pages 42 to 59 of this Annual Report.
II	Shareholders		
E	Institutional Investors		
E.1	**Shareholder Voting**		
E.1	Regular and structured dialogue with shareholders	Compliant	Corporate Governance – Section 1.1.4
E.2	**Evaluation of Governance Disclosures**		
E.2	Institutional investors should be encouraged to give due weight to all relevant factors when evaluating the Company's governance arrangements	Compliant	Corporate Governance – Section 1.1.4
F	Other Investors		
F.1	**Investing/Divesting Decisions**		
F.1	Encouraging shareholders to carry out adequate analysis and seek independent advice	Compliant	Corporate Governance – Section 1.1.4
F.2	**Shareholder Voting**		
F.2	Encouraging shareholders to participate in general meetings	Compliant	Corporate Governance – Section 1.1.4
G	Sustainability Reporting		
G.1	**Principles of Sustainability Reporting**		
G.1.1 – G.1.7	Adherence to sustainability principles	Compliant	Please refer Stakeholder Engagement on pages 92 to 101 of this Annual Report.

4.3 Companies Act No. 7 of 2007 – Contents of the Annual Report

Mandatory compliance

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
168 (1) (a)	Any change during the accounting period in the nature of business of the company or any of its subsidiaries and the classes of business in which the company has an interest	Compliant	Refer Group Directorate on pages 322 to 328 on this Annual Report.
168 (1) (b)	Financial statements of the company and the group for the accounting period completed and signed	Compliant	Refer Financial Statements on pages 213 to 300 on this Annual Report.
168 (1) (c)	Auditors report on the financial statements of the company and the group	Compliant	Refer Independent Auditors Statement on page 212 on this Annual Report.
168 (1) (d)	Change of accounting policies during the accounting period	Compliant	Section 3 of the Annual Report of the Directors on page 66 of this Annual Report.
168 (1) (e)	Particulars of entries in the interest register made during the accounting period	Compliant	Refer Section 8.5 on the Annual Report of the Directors of this Annual Report.
	Information pertaining to material foreseeable risk factors	Complaint	Refer Risk Management on pages 70 to 84 of this Annual Report.
168 (1) (f)	Remuneration and other benefits paid to the directors during the accounting period	Compliant	Refer note 9 to the Financial Statements on page 240 on this Annual Report.
168 (1) (g)	Total amount of donations made by the company during the accounting period	Complaint	Refer Section 4.2 on the Annual Report of the Directors of this Annual Report.
168 (1) (h)	Directorate of the company and the group as at the end of the accounting period along with the changes occurred during the accounting period	Complaint	Refer Group Directorate on pages 322 to 328 in this Annual Report.
168 (1) (i)	Amounts payable to the auditors as audit fees and fees payable for other related services provided by them	Compliant	Refer note 9 to the Financial Statements on page 240 on this Annual Report.
168 (1) (j)	Relationship or interest of the Auditor has with the company or any of its subsidiaries	Compliant	Refer Section 16 on the Annual Report of the Directors of this Annual Report.
168 (1) (k)	The annual report of the board be signed on behalf of the board	Compliant	Refer pages 66 to 69 of the Annual Report of the Directors of this Annual Report.

4.4 Listing Rules of the Colombo Stock Exchange - Contents of the Annual Report

Mandatory compliance

SECTION/ RULE	REQUIREMENT	COMPLIANCE STATUS	NATURE OF COMPLIANCE BY AITKEN SPENCE
7.6	CONTENTS OF THE ANNUAL REPORT		
i)	Names of directors of the entity	Compliant	Refer Corporate Information on page 27 on this Annual Report.
ii)	Principal activities of the entity and its subsidiaries during the year under review	Compliant	Refer Group Directorate on pages 322 to 328 on this Annual Report.
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Compliant	Refer Investor Information on page 205 of this Annual Report.
iv)	The Public Holding percentage	Compliant	Refer Investor Information on page 205 of this Annual Report.
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Compliant	Refer Investor Information on page 206 of this Annual Report.
vi)	Information pertaining to material foreseeable risk factors	Compliant	Refer Risk Management on pages 70 to 84 of this Annual Report.
vii)	Details of material issues pertaining to employees and industrial relations	Compliant	Refer Stakeholder Engagement on pages 93 and 94.
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Compliant	Refer note 15 to the Financial Statements.
ix)	Number of shares representing the stated capital	Compliant	Refer Investor Information on page 204 of this Annual Report.
x)	Distribution schedule of the number of holders and the percentage of their total holding	Compliant	Refer Investor Information on page 204 of this Annual Report.
xi)	Ratios and market price information	Compliant	Refer Investor Information on pages 201 to 206 of this Annual Report.
xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Compliant	Refer note 15 to the Financial Statements.
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	Compliant	The Company had no public issue, rights issue or private placement during the year under review.
xiv)	Employee share option/purchase schemes	Compliant	As at date, the Company has no share option/ purchase schemes made available to its Directors or employees.
xv)	Corporate Governance Disclosures	Compliant	Refer Corporate Governance on pages 42 to 59 of this Annual Report.
xvi)	Related Party Transactions	Complaint	Refer note 44 to the Financial Statements.

NOMINATION COMMITTEE REPORT

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

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

✓ present * excused

COMPOSITION OF THE COMMITTEE

The Committee is composed of two Independent Non-Executive Directors along with the Chairman and the Deputy Chairman and Managing Director of the Company who served as members of the Committee throughout the year under review. The members of the Committee possess wide experience, financial and business acumen.

COMMITTEE MEETINGS

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

Summary of Responsibilities of the Committee

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

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

The Committee strives to review and make recommendations that are fair, free from any bias and not influenced by personal or business relationships. This enables the Committee to make sound and measured judgments in attracting the best talent to the Group while retaining the services of talented employees by providing them fair and equal opportunities for promotion within the Group. During the year under review the Committee performed the following functions:

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

ANNUAL GENERAL MEETING 2017

In terms of Section 210(2) of the Companies Act No.7 of 2007 Deshamanya D.H.S. Jayawardena, Mr. J.M.S. Brito, Mr. G.C. Wickremasinghe and Mr. R.N. Asirwatham retires from the Board at the conclusion of the forthcoming AGM. Further, Dr. M.P. Dissanayake retires by rotation in terms of Article 84 of the Articles of Association.

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

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
26th May 2017

AUDIT COMMITTEE REPORT

Aitken Spence PLC, through its subsidiary, joint venture and associate companies in diverse sectors has a broad geographic spread, which signifies the necessity of achieving best practices in financial reporting, internal control and risk management in the Group.

The Committee has sought to balance independent oversight of the Group's businesses with the support and guidance to the Board of Directors to fulfil their obligations and responsibilities in relation to financial reporting processes, adequacy and effectiveness of internal control systems, external audit, and the Group's process for monitoring compliance with laws and regulations. The Committee believes that there are many reasons for the Audit Committee to be confident that it has carried out its duties successfully and to a high standard during the year, thereby helping to enrich the value of the Group.

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

Meetings										
Attendance of the Members										
Dates of meetings		13.05.2016	01.07.2016	08.08.2016	24.08.2016	31.08.2016	01.11.2016	22.11.2016	07.02.2017	01.03.2017
Chairman	Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	✓	✓	✓	✓
Members	Mr. G.C. Wickremasinghe	✓	✓	*	t	t	✓	✓	*	✓
	Mr. C.H. Gomez	*	✓	*	*	t	*	✓	✓	t
	Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	✓	✓	✓	✓	✓	✓	*	*	*

✓ present * excused t via teleconference

COMPOSITION OF THE COMMITTEE

The Audit Committee is comprised of four Non-Executive Directors, of whom, three are Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director. Mr. H.K.A. Rathnaweera, Chief Internal Auditor of Aitken Spence serves as the Secretary to the Committee with effect from June 30, 2016, subsequent to the resignation of Mr. R.E.V. Casie Chetty, Company Secretary, Aitken Spence PLC. Profiles of the members are given on pages 28 to 31 of this report.

COMMITTEE MEETINGS

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

ATTENDANCE BY INVITATION

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

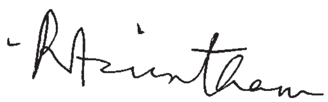
RE-APPOINTMENT OF EXTERNAL AUDITORS

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

AUDIT COMMITTEE REPORT

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

Responsibility	Activity
Risk Management and Internal Control Review the adequacy of Company's internal control and risk management systems.	• Reviewed the adequacy and effectiveness of the Group's internal controls and risk management activities and highlighted the areas which required attention, and suggested recommendations to the Board. • Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of conduct; and standards of conduct required by regulatory authorities, professional bodies and trade associations.
Financial Reporting and Financial Control Monitor the integrity of the Group's financial statements and review significant financial reporting judgments contained in them.	• 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 Make a recommendation to the Board on the appointment, reappointment and removal of the external auditor	• Assessed the performance and effectiveness of the external auditors, and their independence and professional capabilities and made recommendations to the Board. • Reviewed the audit plan presented by the external auditors and 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. • Held discussions with Messrs KPMG, pertaining to the Management Letter issued by them at the conclusion of the audit and instructed the management to take appropriate and follow up action on matters highlighted therein. • Reviewed the fees & out of pocket expenses proposed by external auditors and suggested recommendations to the Board.
Internal Audit Review the operation and effectiveness of the Group internal audit function	• Reviewed and evaluated the independence and effectiveness of the Group's internal audit department and their resource requirements, and made recommendations for any required changes. • 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 Group internal audit department with management responses, on financial and operational audits, IT security, and risk assessments carried out in line with the approved annual internal audit plan. • The Audit Committee continued to ensure the co-ordination between the Group Internal Audit Department and external auditors.
Reporting	• The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. • The Annual Report incorporates the Audit Committee Report. • The Chairman of the Audit Committee attends the Annual General Meeting.



R.N. Asirwatham
Chairman
Audit Committee

Colombo
26th May 2017

REMUNERATION COMMITTEE REPORT

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

Meetings		
Attendance of the Members		
Date of the Meeting		25.06.2016
Chairman	Mr. G.C. Wickremasinghe	✓
Members	Mr. R.N. Asirwatham	✓
	Mr. C.H. Gomez (appointed w.e.f. 01.07.2016)	–

✓ present * excused t via teleconference

COMPOSITION OF THE COMMITTEE

The Committee is currently composed of three Independent Non-Executive one of whom functions as the Chairman. 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.

INDEPENDENCE OF THE COMMITTEE

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

KEY OBJECTIVE

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

RESPONSIBILITIES

The Committee is responsible to the Board for;

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

THE SCOPE OF THE COMMITTEE

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

KEY FUNCTIONS OF THE COMMITTEE

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

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

No Director was involved in deciding his/her remuneration.

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

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
26th May 2017

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

Meetings							
Attendance of the Members							
Dates of meetings		13.05.2016	01.07.2016	21.11.2016	09.02.2017	28.03.2017
Chairman	Mr. R.N. Asirwatham	✓	✓	✓	✓	✓
Members	Mr. G.C. Wickremasinghe	✓	✓	✓	✓	✓
	Mr. C.H. Gomez	*	✓	✓	✓	t
	Mr. N.J. de Silva Deva Aditya/Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)	✓	✓	*	✓	*

✓ present * excused t via teleconference

COMPOSITION OF THE COMMITTEE

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

COMMITTEE MEETINGS

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

SUMMARY OF RESPONSIBILITIES OF THE COMMITTEE

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

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

KEY MANAGEMENT PERSONNEL

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

KEY FUNCTIONS PERFORMED DURING THE YEAR UNDER REVIEW

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

R.N. Asirwatham
Chairman
Related Party Transactions Review Committee

Colombo
26th May 2017

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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

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

INTERNAL AUDIT

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

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

REVIEW ADEQUACY AND EFFECTIVENESS

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

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

WHISTLE BLOWING POLICY

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

CODE OF BUSINESS CONDUCT AND ETHICS

The Group's Code of Ethics, which is articulated to Directors and all employees includes a strong set of corporate values and required conduct. The Board ensures that Directors and employees strictly comply with the Group's Code of Ethics at all levels in the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of the Group's image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

GOING CONCERN

The Statement of Going Concern is set out in the 'Annual Report of the Directors' on page 66.

RISK MANAGEMENT

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 70 to 84.

ANNUAL REPORT

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

CONFIRMATION

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

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

D.H.S. Jayawardena
Chairman

JMS Brito.

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

R.N. Asirwatham
Chairman
Audit Committee

Colombo
26th May 2017

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The details set out herein provide the pertinent information as 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 2017 which were approved on 26th of May 2017.

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 and Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 322 to 328 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 223 to 135.

For the year ended 31st March	Group 2017 Rs. '000	Group 2016 Rs. '000
The net profit after providing for all expenses, known liabilities and depreciation on property plant and equipment	5,246,872	3,805,508
Provision for taxation including deferred tax	(1,201,407)	(861,229)
Net profit after tax	4,045,465	2,944,279
Other comprehensive income	1,309,258	916,978
Total comprehensive income for the year	5,354,723	3,861,257
Total comprehensive income attributable to the minority shareholders	(1,456,534)	(1,188,549)
Total comprehensive income attributable to equity shareholders	3,898,189	2,672,708
Transactions directly recognised in the equity statement	50,112	34,043
Balance brought forward from the previous year	34,510,479	32,615,720
Amount available for appropriations	38,458,780	35,322,471
Final dividend for 2015/2016 (2014/2015)	(608,994)	(811,992)
Interim dividend for 2016/2017 (2015/2016)	(507,495)	-
Total Reserves and earnings	37,342,291	34,510,479
Stated Capital	2,135,140	2,135,140
Balance Attributable to equity holders of the Company at the end of the period	39,477,431	36,645,619

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

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. 652.3 million (2015/2016 – Rs 624.9 million). The Group revenue was Rs. 45.9 billion (2015/2016 – Rs. 26.0 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. 4.0 billion (2015/2016 Rs. 2.9 billion).The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 2.9 billion (2015/2016 - Rs. 2.0 billion). The segmental profits are disclosed in note 6 to the Financial Statements.

4.2. Donations

During the year donations amounting to Rs.7.9 million - were made by the Company, while the donations made by the other Group entities during the year amounted to Rs.2,7 million.

4.3 Taxation

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

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 23 and

32 to the Financial Statements. The deferred tax of the Company and the Group are calculated based on the tax rates enacted in law 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

An interim dividend of Rs.1.25 was declared and paid on 30th March 2017 from dividends received by the Company where 10% withholding tax on dividends has been deducted. The Board of Directors provided the statement of solvency to the auditors and obtained the certificate of solvency from the auditors in respect of the interim dividend paid in terms of Section 56 (2) of the Companies Act No 07 of 2007.

The Directors recommended a final dividend payment of Rs. 0.50 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 satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the Final dividend.

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

5.1 Stated Capital and Reserves

As at 31st March 2017 the Company had issued 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 2017 were Rs.11.3 billion (2015/2016- Rs.11.2 billion) whereas the total Group's reserves as at 31st March 2017 were Rs. 37.3 billion (2015/2016-Rs. 34.5 billion). The movement in these reserves is shown in the Statement of Changes in Equity – Company and Group on pages 216 and 217.

5.2. Property, Plant and Equipment, Intangible Assets Biological Assets, Investment Property and Leasehold Property

The details of Property plant and Equipment, Investment Property, Intangible assets, Biological Assets, and Leasehold Property of the Company and Group where applicable are given in notes 15,16,17,18 and 19 to the Financial Statements on pages 248, 251, 252 and 254.

Information in respect of extent, location, valuation of land and building held by the Company and Group are detailed in notes 15.3 and 16.2 to the Financial Statements on pages 249 and 251.

5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in note 42 to the Financial Statements.

6. EVENTS OCCURRING AFTER THE REPORTING DATE

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

7. GOING CONCERN

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

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

8.1 Board of Directors

The Board of Directors of the Company comprised of :

	Executive	Non-Executive	Independent
Deshamanya D.H.S. Jayawardena (Chairman)	✓		
Mr. J.M.S. Brito (Deputy Chairman and Managing Director)	✓		
Dr. R.M. Fernando	✓		
Dr. M.P. Dissanayake	✓		
Ms. D.S.T. Jayawardena	✓		
Mr. G.C. Wickremasinghe		✓	✓
Mr. C.H. Gomez		✓	✓
Mr. N.J. de Silva Deva Aditya		✓	
Mr. R.N. Asirwatham		✓	✓

All of the above Directors held office during the entire year. The brief profiles of the Directors are given in pages 28 to 31 of this Annual Report.

Mr. Asirwatham was appointed as an Independent Non-Executive Director and meets the criteria for independence as per the Listing Rules of the Colombo Stock Exchange.

The periods of service of Messrs Wickremasinghe and Gomez as Board Members exceed nine years. Additionally, Mr. Wickremasinghe was an Executive Director on the Board of the Company prior to the assumption of duties as a Non-Executive Director.

The Board is of the view that the periods of service of the said Directors and the Executive Directorships previously held by Mr. Wickremasinghe do not compromise their independence and objectivity in discharging their functions as Directors and, therefore, has determined that Messrs Wickremasinghe and Gomez are 'independent' as per the Listing Rules."

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)

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)

Mr. R.N. Asirwatham

Mr. C. H. Gomez (appointed w.e.f 01.07.2016)

Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)

Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito

Mr. R.N. Asirwatham

Related Party Transactions Review Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

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

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

Mr. J. M. S. Brito, who attained the age of 70 years on 21st August 2016 and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (a) of the Companies Act, is also recommended by the Nomination Committee and the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Dr. M. P. Dissanayake who retires by rotation in terms of Article 83 of the Articles of Association of the Company offers himself for re-election.

8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 206 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. Any interest in transaction disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No.7 of 2007 is duly recorded in the Interests Register.

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2017 are disclosed on page 240 of the Financial Statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 44 to the Financial Statements. These are recurrent and non-recurrent related party transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the audited Financial Statements as at 31st March 2016.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the Audited Financial Statements as at 31st March 2016, which required additional disclosures in the Annual Report under Listing Rule 9.3.2(a).

The Group companies and their key management personnel have disclosed on a quarterly basis, the proposed Related Party Transactions (if any) falling under the ambit of Rule 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made were tabled at the quarterly meetings of the Related Party Transactions Review Committee, in compliance with the requirements of the abovementioned rule.

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

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2017 and Directors who ceased to hold office during the accounting period are indicated on pages 322 to 328 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 capital report is set out on pages 108 to 119 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 42 to 59 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 70 to 84 of this report.

12. INTERNAL CONTROLS

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

Board of Directors' Statement on Internal Controls is on page 65, the Statement of Directors' Responsibilities is on page 211 and the Audit Committee Report is set out on pages 61 and 62 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 211 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 4,593 shareholders as at 31st March 2017. The distribution schedule of the number of shareholders and their shareholdings are detailed on page 204 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2017 are given on page 205 of this Annual Report. The percentage of the shares held by the public as at 31st March 2017 was 51.01%.

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 201 to 203 of this Annual Report.

16. AUDITORS

The independent auditors' report on the Financial Statements is given on page 212 of the Annual Report. The retiring auditors Messrs KPMG Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as auditors and to authorise 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.1.2 million.

In addition to the above Rs. 1.7 million 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 322 to 328 of this Annual Report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 16.5 million while a further Rs. 9.3 million was payable for permitted audit and non audit related services. In addition to the above Rs 6.5 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.7.4 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
Deputy Chairman and Managing Director

P W Corporate Secretarial (Pvt) Ltd
Company Secretaries

Colombo
26th May 2017

RISK MANAGEMENT

GOOD **RISK MANAGEMENT** IS FUNDAMENTAL TO GOOD **CORPORATE GOVERNANCE.**

Risk is inherent in the businesses and markets in which the Aitken Spence Group operates. The challenge is to identify and manage critical business risks through a proactive approach and an effective group-wide strategic risk management framework that blends with the sustainability process for each strategic business unit (SBU) and in turn the entire Group. Effective risk management is therefore fundamental to the growth and sustainability of the Group and hence a core deliverable in the Group's overall approach to strategic management.

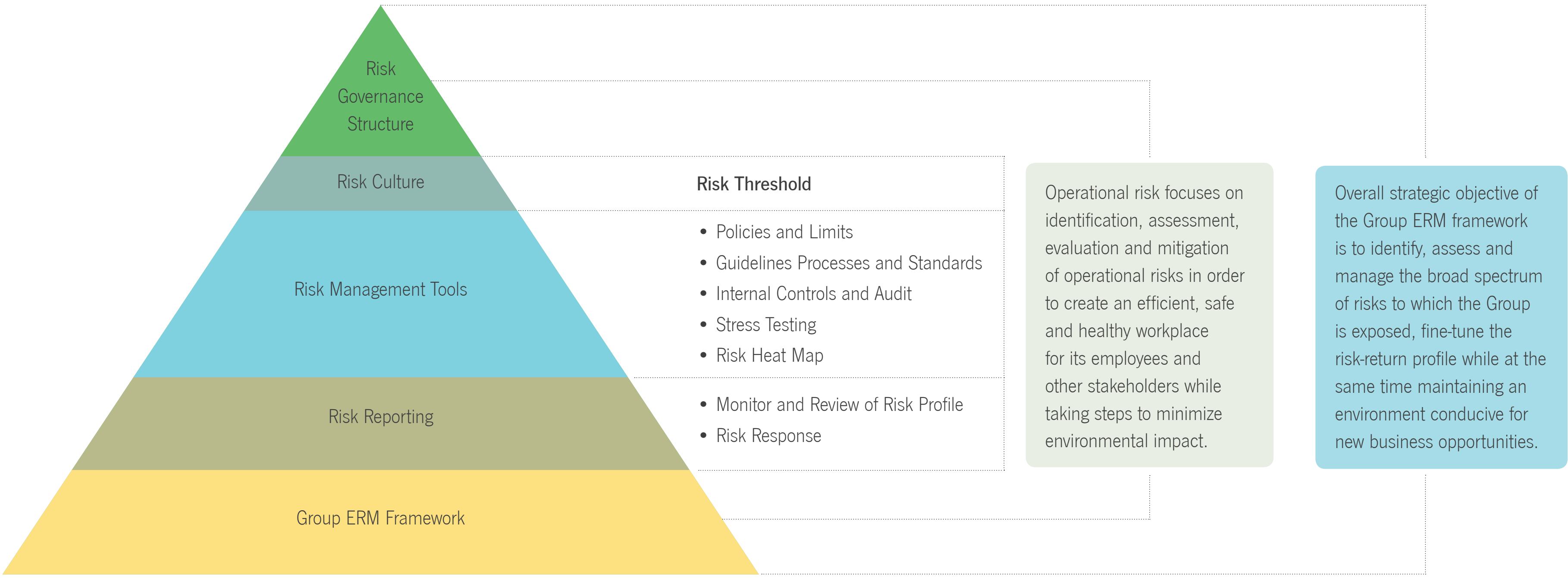
Risk management is also deemed a shared responsibility of all employees of the Group, and hence its risk and control policy is integrated into the day-to-day operations across all SBUs. The policy has been structured in a manner that would drive the Group's objectives whilst ensuring legal and regulatory compliance and the safeguarding of integrity.

THE GROUP ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

The primary goals of the Group risk management framework are to ensure that the outcomes of risk-taking activities are consistent with the strategies and risk threshold mandated by the Board of Directors, and to ensure an appropriate balance between risk and reward in order to maximize shareholder returns. The Group ERM framework provides the foundation for achieving these goals.

The Group ERM framework is subject to constant evaluation, to ensure that it meets the challenges and requirements of the local and global markets including regulatory standards and industry best practices in which Aitken Spence operates. In this context, the risk management programmes of SBUs conform in all material aspects to the Group ERM framework, although the actual execution may differ based on business specifics.

For new acquisitions, or situations where control of a SBU has been recently established, the Group would first assess whether risk management programmes are already in place and, where necessary, steps would be taken to improve the alignment with the Group ERM framework.



GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

RISK GOVERNANCE 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.

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

Board of Management

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 stakeholder concerns including the negation of possible adverse actions of stakeholders.

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 specialized sub units covering key areas of the risk management process.

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

Monitors movements in foreign exchange and interest rates with the objective of eliminating or minimizing financial losses through appropriate mechanisms such as forward contracts and swaps.

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.

Finance and Operational Audit

Performs audits to verify compliance with the internal control framework and reviews its adequacy.

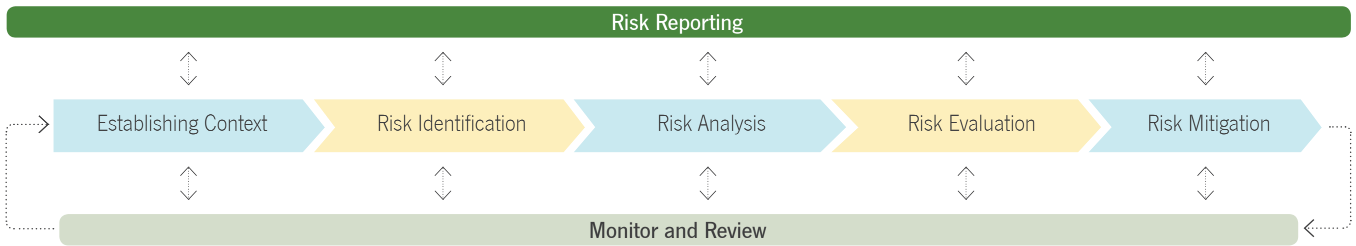
Strategic Risk Unit

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.

RISK MANAGEMENT MODEL



RISK MANAGEMENT

RISK CULTURE

The Group functions on the basis that effective risk management can only be achieved through the development of a strong, robust, and pervasive risk management culture at all levels of the business. Accordingly, each SBU is held accountable for the risks they may incur. Risk education programmes, and documented policies and procedures are available to staff across the Group, to help them understand and manage the risks profile of their respective SBUs in line with the business model. Moreover, in the development and execution of business plans, SBUs are advised to take cognizance of sector-specific risks and work within the guidelines of the Group ERM framework to ensure that risks arising from their businesses fall within the approved risk parameters of the Group and appropriate mitigation strategies are implemented.

RISK THRESHOLD

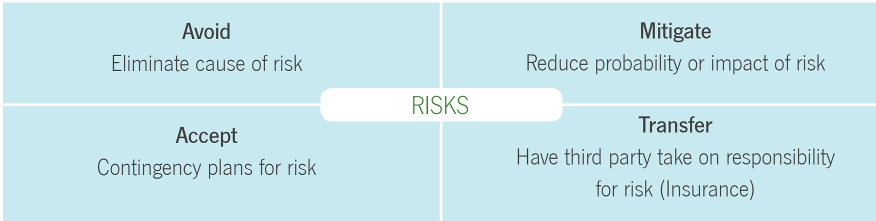
Effective risk management requires clear articulation of the Group's risk threshold and how its risk profile will be managed in relation to that threshold. The Board conducts an annual review and provides guidance on relevant parameters to be adopted across the SBUs. The decision to update or revise the risk threshold is based on a series of qualitative and quantitative indicators that help determine the amount and types of risk the Group wishes to prudently undertake in pursuing its strategic and financial objectives.

Risk threshold is set for the Group as well as all key SBUs.

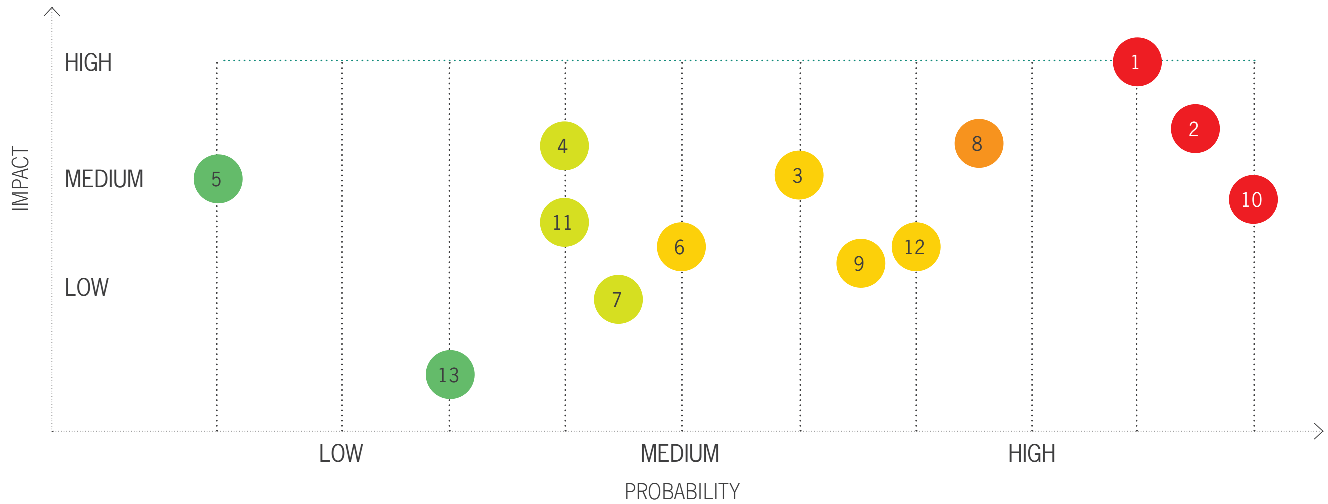
Doing so also requires continuous monitoring of the key risk threshold measures to ensure the Group / SBU stays within appropriate risk boundaries.

RISK RESPONSE

Risk response at Aitken Spence is the process of developing strategic options, and determining actions, to enhance opportunities and reduce potential threats to the Group's objectives.



RISK HEAT MAP



1. HR and talent management risk
2. Competitor risk
3. Operations risk
4. Political and regulatory risk
5. Legal risk
6. Credit risk
7. Reputation risk
8. Environmental risk
9. Principle risk
10. Technology risk
11. Supply chain risk
12. Interest rate risk
13. Exchange rate risk

As illustrated above, during the financial year in concern, the Group faced significant levels of threats arising from areas such as human resources, market competition and technology. Human resources risk arose primarily in the Tourism sector since trained staff were being head hunted, owing to rapid growth in the industry, while the main contributor for competitor risk were the large numbers of small-scale, low-cost players entering the market, in travels, printing and freight forwarding segments which have resulted in an aggressive price war scenario.

Technology risk arose since the Group is exposed to potential cyber incidents via targeted and non-targeted attacks from hackers, collateral damages etc.

Adequate steps have been rolled out to mitigate and monitor these significant risks, both at SBU and at Group levels.

Risks arising from all other areas were comparatively lower, nevertheless they too have been mitigated to a great extent, thereby reducing the impact to the Group.

HUMAN RESOURCE AND TALENT MANAGEMENT RISK

Risks arising from:	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
• inability to attract, motivate and retain high calibre staff. • poor productivity and loss of reputation resulting from low employee engagement and deterioration of employee morale. • occupational health and safety hazards leading to employee injuries or deaths, due to inappropriate and unsafe working environment. • misappropriations caused by employees.			
Sector-wise risk rating	H	H	H

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
H	L	M	H	H

Sector	Risk profile	Response	Mitigation strategies
Sector - Tourism Segment - Destination Management and Hotels	• The inherent high staff turnover rate in the sector makes it difficult to retain operational level staff, who have been trained by these segments, since they are constantly head hunted by competitors for more attractive remuneration. • Recruiting trained skilled staff also continues to be a challenge, mainly due to the high demand owing to the rapid growth in the tourism industry.	Mitigate	• Offering competitive monetary and non-monetary benefits to attract and retain skilled employees. • Career mapping and succession planning. • Tap into target resource pools by attending job fairs and strategic partnerships with hotel schools, technical colleges, universities and professional institutes. • Updating human resources policies and practices cognizant to trends in the tourism industry. • Providing employees opportunities to work in overseas hotels of the Group. • Strengthen employer branding. • Collaborating with an associate company and investing in a hotel training school with foreign accreditation, in order to provide well-structured training for staff.
Sector - Services Segment - Elevators	• The Elevator business in the services sector too faced similar challenges, given the difficulties in recruiting skilled technicians with experience. Moreover, once technicians are trained by the company and have obtained necessary experience especially in handling large high rise projects, there is a high risk of these technicians looking for potential opportunities for employment overseas. • Engineers and technicians who handle the installation and commissioning of the elevators, sometimes at high altitudes, face a distinct risk. These staff are also exposed to the risk of mishandling tools.	Mitigate	• Offering competitive monetary and non-monetary benefits to attract and retain skilled technicians. • Updating human resources policies and practices cognizant to trends in the industry. • Comprehensive safety manual, which offers guidelines regarding minimizing the risk of on-site accidents and occupational injuries. The guidelines include, mandatory wearing of protective gear for all those on-site at a given time, use of safety harnesses to protect those performing high altitude tasks etc. • Periodic site visits are conducted by a designated safety manager to ensure all protocols are adhered to as per the safety manual. • Elevator staff are given a comprehensive tool box training on a periodic basis.

RISK MANAGEMENT

Sector	Risk profile	Response	Mitigation strategies
All sectors and segments	• Lack of employee engagement which results in low productivity and tarnishes the brand image, is an inherent risk that any large conglomerate will face.	Mitigate	• Facilitating a robust communicative culture through an “open door” policy, enabling all employees to have access to the chief human resource officer and senior management. • Formulating internal transfer policies to promote greater mobility across the Group and providing employees with the opportunity to gain experience in any industry of their choice within the Group. • Promoting employee engagement and wellbeing, by organizing networking events such as sport meets, bowling tournaments, staff trips etc.
Sector - Maritime and Logistics Segment - Logistics	• Employees stationed at the yard and at warehouses face the risk of inhaling fumes and dust within the facility. • Employees are also prone to accidents caused by heavy vehicles such as container handlers, prime movers etc.	Mitigate	• Using local exhaust ventilation (LEV) systems to control dust and fumes. • Compulsory use of safety masks. • Regular cleaning of yard surface to minimize dust collection. • Providing adequate and continuous training to operators and drivers to minimize accidents.
Sector - Strategic Investments Segment - Printing and Garments	• Machine operators are at risk of injuries caused by heavy machineries.	Mitigate	• Ensuring that all machine operators are adequately trained before they can operate such machineries. • A dedicated compliance officer visits the factory floor frequently and ensures that necessary safety protocols are met. • All reported accidents are taken up at the monthly management meetings and strategies are devised so as to avoid them in future.

Other general mitigation strategies:

- Collaborating with international educational bodies through the Aitken Spence school of management to provide employees with more focused and meaningful training, enabling them to add value to their jobs and anticipated roles.
- Structured succession planning for all departments and SBU’s supported by a transparent performance evaluation mechanism to promote career growth. This is followed by the Management Training Programme (MTP), which is recognized as a license to manage at Aitken Spence.
- Cross-functional training, job rotation opportunities, special assignments and overseas secondments to strengthen overall capabilities of employees.
- Grievance handling procedure and counselling services to address both personal and professional issues faced by employees.
- In adherence to the first two principles of the United Nations Global Compact (UNGC) on human rights, the Group has made great strides towards applying the essential action points of the human rights protection framework developed by the business leaders’ initiative for human rights and the UNGC.
- All appointed occupational health and safety (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 employees.

COMPETITOR RISK

Risk of increasing competitive pressures, preventing the Group from achieving its predicted margins and market share. (Most markets in which the Group operates are often characterized by mainly price-driven competitive threats)	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
Sector-wise risk rating	H	H	H

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
H	H	M	H	H

Sector	Risk profile	Response	Mitigation strategies
Sector - Maritime and Logistics and Tourism Segment - Freight Forwarding and Destination Management	• High levels of competition due to a large number of small-scale, low-cost freight forwarders and travel agents entering the market, resulting in an aggressive price war scenario.	Mitigate	• Leverage on service assurance and the Aitken Spence brand strength as the key differentiators to drive both customer acquisition and retention.
Sector - Strategic Investments Segment - Printing	• Printing segment too have encountered similar threats arising from small time and informal competitors, who operate with low costs and slim margins.	Mitigate	• With a view to attract export related businesses, the segment has differentiated itself from its competition through sustainability initiatives, such as implementing integrated green supply chain to all its processes from premises to reverse logistics.
Sector - Tourism Segment - Airline GSA	• Increase in competition due to the entry of several Far Eastern airlines and budget airlines, in the recent past, resulting in a severe price war to capture key market segments.	Mitigate	• Floating promotional fares from time-to-time to encourage volume growth in these key market segments.
Sector - Strategic Investments Segment – Garments	• Over the last several years the labour cost of workers in Sri Lanka has been on the rise, making the country less competitive in the global marketplace, in comparison to other South Asian economies (Bangladesh) with much lower labour costs.	Accept	

Other general mitigation strategies:

- Regular monitoring of external environment alongside pre-emptive measures to ensure the Group's competitiveness is sustained at all times.
- Strategic diversification to enhance the portfolio.
- Investing in research and development, process improvements and obtaining ISO certifications, enabling the Group to retain a competitive edge.
- Strengthening the Group's brand image, enabling subsidiaries to leverage on the Group brand to secure a competitive advantage in the market.

RISK MANAGEMENT

OPERATIONS RISK

Risk of losses due to the inadequacy or failure of procedures, people and internal systems, or unforeseen external events.	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
Sector-wise risk rating	M	L	H

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	H	H	M	M

Sector	Risk profile	Response	Mitigation strategies
Sector - Maritime and Logistics Segment - Logistics	• Container handlers are the backbone of the depot operations. Breakdowns and repairs in the laden and empty container handlers, may cause disruption in the depot operations, as well as hinder other inter-sector operations such as container transport, container repairs and container freight station.	Mitigate	• Regular servicing and maintenance of container handlers in order to minimize breakdowns. • Updating of the fleet through periodic replacement of aged container handlers, thereby minimizing any disruptions to yard operations. • Continuous yard rehabilitations are performed to further minimize structural damages to the container handlers.
Sector - Strategic Investments Segment - Garments	• Unionised labour strikes, which may cause unwanted disruptions and lost days. • The dependence on a third party washing plant may cause unexpected disruptions to the operations, in the event of a breakdown or delayed service at the washing plant.	Mitigate	• Strengthening relationships with trade unions and using this as a platform to resolve grievances before they escalate into risk threats. • Broadening the supply chain to counteract overdependence on a single source.
Sector - Strategic Investments Segment - Printing	• Unionised labour strikes, which may cause unwanted disruptions and lost days.	Mitigate	• Entering into a collective agreement with the workforce.
Sector - Strategic Investments Segment - Power	• With the thermal power plant heavily dependent on Ceylon Petroleum Corporation for the uninterrupted heavy furnace oil (HFO) supply, any interruptions to the HFO supply would likely bring the plant operations to a temporary halt and curtail the plant's power generation capacity.	Mitigate	• Segment has installed high capacity HFO storage tanks, to compensate for supply disruptions.

Other general mitigation strategies:

- Well-structured and uniform set of internal controls supported by frequent compliance audits carried out by the Group internal audit department to ensure conformity of internal controls. Automated Oracle-based EBS application software is used to enforce adherence with the required internal controls across SBU's.
- Formal policies and procedures for various aspects of business conduct for SBU's.
- Sector-specific business continuity plans and disaster recovery systems.
- Formulation of preventive and mitigation strategies based on the potential loss and probabilities of occurrences for all natural and man-made disasters that can have an adverse impact on each of the sectors.
- The Group's integrated sustainability policy supported by a three-tiered implementation framework, which focuses on action points deemed "essential", "expected" and "exemplary" for the successful and sustainable operation of the SBU's of the Group. Tier one action points are classified as "essential" and strive to bring all SBU's into a common platform in areas such as occupational health and safety, talent management and supply chain management etc.

POLITICAL AND REGULATORY RISK

Risks arising from:
- political uncertainties in the regions in which the SBUs operate.
- changes in various regulatory systems such as those related to law, taxation, accounting etc.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
M	M	H

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	M	H	M	M

Sector	Risk profile	Response	Mitigation strategies
Sector - Tourism Segment - Destination Management	• Recent increases in VAT and increases in entrance fee for state run attractions, have had an adverse impact on the profitability of this sector, mainly as a result of pre-arranged rates quoted to foreign travel agents prior to such increases.	Accept	

Other mitigation strategies include:

- Continuous monitoring of the domestic and global economic environments by the strategic risk unit, to determine potential adverse impacts arising from the regulatory framework. Any concerns are flagged and promptly escalated to the management for further action.
- Constant engagement with regulatory authorities together with trade chambers and associations, so as to be up to date with new laws and regulations and influence those which adversely impact the economy and the business environment.
- The strategic risk unit also carries out industry-specific studies to evaluate political trends and new regulatory developments that are likely to impact the Group and the sectors in which Aitken Spence has a presence.

LEGAL RISK

Loss arising as a result of legal claims or losses arising from misinterpretation and non-compliance of prevailing laws, regulations and contracts.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
L	L	H

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	L	M	L	L

Sector	Risk profile	Response	Mitigation strategies
All sectors and segments	• Legal vagaries in agreements could be interpreted by third parties for their benefit and could result in legal litigation that could be a risk to the SBUs and the Group.	Mitigate	• All agreements (particularly joint venture and principal agreements) are thoroughly vetted by the Group's legal division, and any concerns are addressed and clarified before signing, so as to safeguard the interest of the Group and ensure smooth conduct of business while maintaining healthy relationship with joint venture partners and principals. • However, despite these precautionary measures, there is a possibility that there could be interpretation issues in which case the necessary arbitration and remedial measures are inbuilt to the contract.

Other general mitigation strategies include:

- A dedicated centralized in-house legal division assists and advises SBUs on all legal matters and where necessary external professional advice is obtained.
- Periodic reviews by the internal audit division in collaboration with the legal division to ensure that all SBUs conform to legal, regulatory and statutory requirements specific to their business.
- Fulfilling all responsibilities towards stakeholders as per the listing rules of the Colombo Stock Exchange and the voluntary adoption of the code of best practice for corporate governance, jointly issued by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.
- Obtaining the assistance of external professional consultants as and when required.

CREDIT RISK

Risk of loss arising to the Group as a result of default of contracted terms by debtors.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
M	M	L

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	M	L	L	M

Sector	Risk profile	Response	Mitigation strategy
Sector - Tourism Segments - Destination Management and Airline **Sector - Strategic Investments** Segment - Printing	• As the segments operate in a competitive business environment, there is a requirement to extend credit facilities to the customers, to facilitate business growth. The amount of credit granted by these sectors may expose them to a default risk.	Mitigate & Transfer	• Proactive credit policies and procedures are in place to verify the creditworthiness and determine the potential credit risk associated with a client. • In the airline segment the credit risk is transferred by obtaining bank guarantees to minimize credit exposure. • Providing appropriate incentives to clients for early settlement.

Other general mitigation strategies include:

- Ongoing monitoring of trade receivables to assess the composition of debtors, and flagging of aged concentrations of debtors by sector and segment wise.
- The Group legal division where necessary works with the SBUs to take swift legal action to recover overdue debts.
- Review of the credit approval processes followed by SBUs through regular operational audits performed by the internal audit division. The report highlights any deviations and recommends changes, if warranted.

REPUTATION RISK

Risk of damage to the Group's image and brand name as a result of negative public opinion, customer complaints, grievances by investors or any other stakeholders	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
Sector-wise risk rating	M	H	H

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
H	M	L	H	M

Sector	Risk profile	Response	Mitigation strategy
Sector - Tourism Segment - Destination Management	• Service failures originating from contracted hotels and / or transport providers, is likely to have a negative impact on the sector's overall reputation.	Mitigate	• In order to minimize service failures, guest accommodation is arranged only at star class hotels managed by reputed hotel chains, boutique hotels and independent properties which conform to required standards. • Frequent visits by sector operations teams to assess operating standards and service levels at partner hotels and properties. • Regular inspection of vehicles to ensure adequate maintenance is carried out. • Guest review forms, which rate the guest experience are analysed and corrective action taken as required.

Other general mitigation strategies include:

- Ensure consistency in communications by channelling all media communications through the corporate communication unit.
- Embedding corporate values and promoting a high standard of ethics at all levels of business activities, vis-à-vis the Aitken Spence PLC., Group code of ethics. A copy of the Group code of ethics is given to all new recruits and is accessible to all employees on the intranet.
- Conducting regular workshops to encourage ethical behaviour and anti-corruption programmes for all employees.
- Continuous monitoring and management of corporate social media accounts.
- On-going brand monitoring across media sources to mitigate potential brand threats.
- All SBUs perform continuous assessments on customer satisfaction and initiate follow up action to address complaints and suggestions made by customers.
- Promoting greater transparency through the adoption of international best practices for sustainability reporting.
- As a priority the Group focuses on positive interactions with key stakeholders through a robust stakeholder engagement mechanism, which facilitates sector-wise materiality mapping.
- The Group maintains positive culture towards compliance with laws and regulations.

RISK MANAGEMENT

ENVIRONMENTAL RISK

Risks arising due to:

- adverse effects on the surrounding environment caused by effluents, emissions, waste, resource depletion, etc., on account of the Group's business activities.
- environmental damage to the business caused by; floods, wildfire, tsunami etc. are also categorized as potential environmental risks.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
M	M	M

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
L	M	M	L	M

Sector	Risk profile	Response	Mitigation strategy
Sector - Strategic Investment Segment - Power	• The Branford power plant has a potential flood risk. In the event, a situation similar to the devastating flood of May 2016 occurs and affects the plant, the segment may have to incur a high cost to restore operations.	Mitigate & Transfer	• Inbuilt safeguards including comprehensive flood mapping studies to track flood statistics for the past several decades. These studies, which were conducted at the pre-construction stage have enabled the power plant to be built above these levels. • Obtaining adequate insurance cover for any unforeseen floods, as a risk transfer strategy.
Sector - Maritime and Logistics Segment - Logistics	• The risk to the environment from hazardous spills, caused by transporting of large quantities of various liquids through different terrains. • Sound pollution caused by various heavy machinery including prime movers, container handlers, forklifts etc. • Emissions resulting from the use of diesel-powered heavy machinery and equipment.	Mitigate	• Providing adequate training for drivers and cleaners as a preventative measure. In addition, the Group has a damage control action plan in place to prevent the liquids spreading and reaching water sources, in the event of a spill. • Curtailment of depot and container freight station operations at night, in order to minimize disturbances to the neighbourhood. • Investing in energy efficient solar powered equipment to reduce energy consumption.
Sector - Strategic Investment Segment - Printing	• The segment accumulates considerable amount of waste water, due to chemical discharge from various machineries. It is hazardous if this is released to the environment, without proper treatment.	Mitigate	• Waste water is collected in the waste water sump, after which the primary treatment is performed. There after the waste water is dispatched to Water Supply and Drainage Board where the secondary treatment is performed. • During the above process the segment has taken preventive steps to ensure that waste water does not reach the environment.
All sectors and segments	• The climate change phenomenon effects several areas in the Group. • Unpredicted and irregular rain fall and temperature, may lead to changes in crop cycle which adversely impacts the plantation segment. • Due to drought, several sectors had been instructed by the CEB to use generators, which in turn increases the segment's energy cost.	Accept	• With a view to reduce the Group's impact to the environment which in turn results in climate change, the sectors have implemented meaningful climate change mitigation activities. • The plantation segment has rolled out an effective reforestation programme, while segments such as logistics and printing have commenced a programme of sourcing part of their energy requirement through renewable energy including solar power, in order to reduce gas emissions to the environment. • The Group's sustainability division performs routine impact assessments, to ascertain the adverse impacts caused to the environment, and to device strategies to minimize same.

Other general mitigation strategies:

- The adoption of the Group's sustainability framework which underpins the commitment to protect the environment, especially the ecosystems the Group operates in.
- All SBUs are strictly advised to identify activities that have adverse impacts on the environment and establish necessary control measures to at least mitigate, if not eliminate the impact to the environment.
- The Group maintains over forty environmental management systems (EMS), aligned to ISO 14001:2004 and ISO 14001:2015 standards, ten of which are certified EMS. In the plantation segment; fourteen estates obtained the Forestry Stewardship Council (FSC) certification standards, while the upcountry cluster estates are Rainforest Alliance (RA) certified. The printing segment and the inbound travel segment are committed to offset their carbon emissions year-on-year.
- Sustainability committees have been established at SBU level to 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 following stringent monitoring and reporting of carbon emissions at each hotel.
- The Group is working towards implementing similar systems to monitor carbon emissions and greenhouse gas emission data and improve the disclosure of such data in other sectors across the Group in the future.
- Product responsibility guidelines for each SBU, ensures that in the development and maintenance of all products, services or activities, due consideration is given towards minimizing the impact on areas of high bio-diversity value outside protected areas.
- Ensuring strict compliance with applicable laws, regulations and industry best practice standards on environmental concerns at a Group level as well as at SBU level.

PRINCIPAL RISK

Risk arising due to principals terminating the existing agency arrangements with the SBUs.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
M	H	H

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
L	M	L	M	M

Sector	Risk profile	Response	Mitigation strategy
Sector - Maritime and Logistics Segment - Maritime, Airline Cargo and Courier **Sector - Service** Segment - Inward Money Transfer, Elevator and Insurance **Sector - Tourism** Segment - Airline	• Agency agreements pertaining to these sectors are renewed periodically, by the respective overseas principals. However, the risk of non-renewal poses a threat to the long-term sustainability of the sector.	Mitigate	• Strengthening relationships with principals and business partners by constantly engaging with them. • Conducting regular assessments on service levels to ensure service standards required by the principal are met. • Developing new relationships in order to improve the sustainability of the SBUs.

TECHNOLOGY RISK

Risks associated with the use, ownership, operations, involvement, influence and adoption of technology.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
H	M	L

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
H	M	H	H	H

Sector	Risk profile	Response	Mitigation strategy
All sectors and segments	• Impact of cyber incidents via a targeted attack from hackers, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these.	Mitigate	• Well-defined group-wide cyber security incident response process. • Conducting cultural change management programmes to create staff awareness on the importance of maintaining information security and handling of sensitive information. • Implementation of network protection technology to manage network perimeter defence, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls.

RISK MANAGEMENT

Sector	Risk profile	Response	Mitigation strategy
Sector - Strategic Investment Segment - Garments and Printing	• The heavy dependence on mechanized operations puts these SBUs at risk of cancellation of orders, unable to process new complex orders with minimal defects due to lack of state of the art machinery.	Mitigate	• Continuous monitoring and maintenance of the production floor helps detect obsolete machinery, which is then retired and replaced or upgraded, enabling these SBUs to enhance their production portfolios and remain competitive in the market.

Other general mitigation strategies:

The Group's centralized 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 2016 which the division continues to maintain. This is the governing practice for the entire Group for IT services.

- As a part of IT governance, the Group continues to carry out risk assessments based on environmental changes while mitigating associated risks and implementing corrective action plans against specific high-risks aspects.
- 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 also;
  - Continuously scans for PESTEL changes and trends, and advises the SBUs on necessary updates, while maintaining a 5 year rolling forward roadmap.
  - Ensures all risk prevention mechanisms are up-to-date, cognizant to growing trends of threats against the information assets of the organization.
  - Trains and guides employees to imbue best practices in addressing sector-specific vulnerabilities and help them understand the importance of proactive risk mitigation strategies to safeguard against technology risk.
  - Provides oversight to ensure business continuity plan (BCP) and disaster recovery (DR) mechanisms are active and ready.

SUPPLY CHAIN RISK

Risks arising due to failures, disruptions in the supply chain, resulting in the Group not being able to meet its customer expectations. Such incidents may range from individual supplier failures to disruptions in the total supply chain.

Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
M	Not Rated	Not Rated

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	L	M	L	M

Sector	Risk profile	Response	Mitigation strategy
All sectors and segments	• Almost all businesses in the Group are dependent on an efficient supply chain in order to provide uninterrupted goods or services to the customers as and when required. • The power segment relies on the Ceylon Petroleum Corporation's Heavy Furnace Oil (HFO) supply to have uninterrupted power generation, while the garment and printing segments are dependent on foreign raw material supply to keep the production lines moving.	Mitigate	• An effective group wide supply chain risk management (SCRM) is practiced to ensure that supply chain risks are kept at minimal levels. • The Group reviews its supplier's performance, in terms of compliance with laws and regulations with regard to labour, environment etc, so as to ensure the continuity of the supply chain. • Adequate inventory levels are maintained to compensate for any unforeseen supply disruptions. • Alternate sourcing arrangements are looked at as part of the (SCRM) process.

INTEREST RATE RISK

Risk of losses arising due to unfavourable changes in domestic or foreign interest rates.	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
	M	L	M

Sector-wise risk rating

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
M	L	M	L	M

Sector	Risk profile	Response	Mitigation strategy
Sector - Strategic Investment Segment - Power	• Delays in settling invoices by the Ceylon Electricity Board (CEB) to the power segment has had an impact on the cash flows of the segment. This compels the reliance on high-cost borrowings to promptly settle dues to the Ceylon Petroleum Corporation, in order to maintain uninterrupted supply of HFO for the plant.	Mitigate	• The power segment aggressively follows up with the CEB, in order to collect its debts on a timely basis to minimize finance cost.
Sector – Tourism Segment - Hotels	• Recently the hotels sector invested in new properties and in the refurbishment of its existing properties, most of which were debt financed.	Mitigate	• The Group's treasury department continues to negotiate with banks and financial institutions to secure the best possible rates for the Group's borrowings and investments.

Other general mitigation strategies:

- The Group's treasury management function is centralized to corroborate uniformity. The Group treasury department performs the following activities:
  - Continuously monitoring and forecasting market interest rates, as a pre-emptive strategy to maximize the return on financial investments and to minimize the cost of borrowings.
  - Mitigating the adverse impact of movements in interest rates on long term borrowings through interest rate swaps and other hedging mechanisms available in the market as required.
  - Regularly carrying out interest rate sensitivity analysis to measure the potential impacts of rate variations.

RISK MANAGEMENT

EXCHANGE RATE RISK

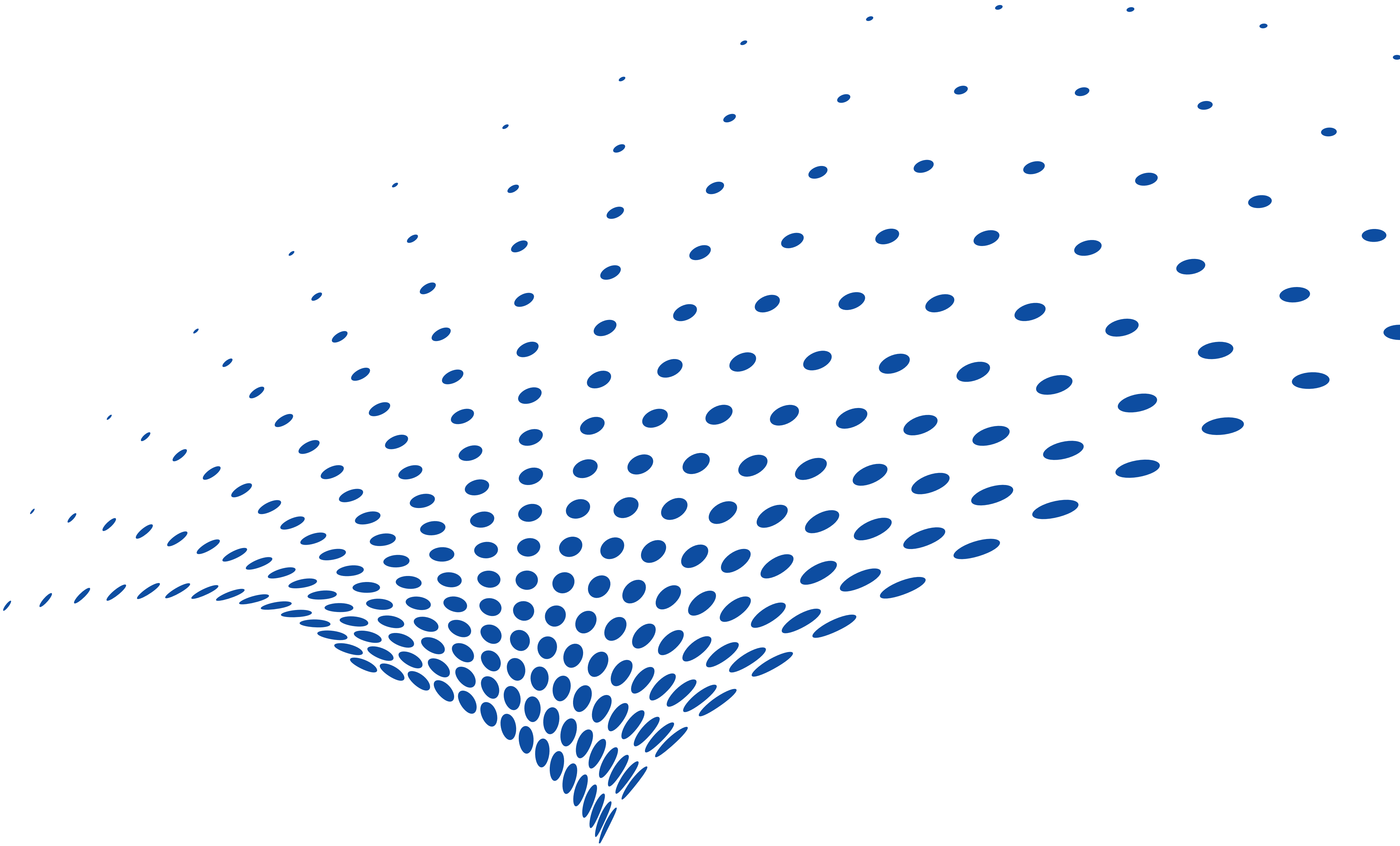
Risk of losses arising due to unfavourable changes in exchange rates.	Group risk rating for 2016/2017	Group risk rating for 2015/2016	Group risk rating for 2014/2015
Sector-wise risk rating	L	L	M

Tourism	Maritime and Logistics	Strategic Investments	Services	Group risk
H	L	L	M	L

Sector	Risk profile	Response	Mitigation strategy
Sector - Tourism Segment - Destination Management	• The impact of the 2016 Brexit vote that led to the weakening of the Sterling Pound against Sri Lankan Rupee, making Sri Lanka a more expensive destination for UK holiday makers, causing a decline of tourist arrivals from this source market and adversely affecting the profitability of this sector.	Mitigate	• Aggressive marketing and promotional activities to tap into alternative source markets in Europe to counter the drop in the UK market.
Sector - Strategic Investment Segment - Printing	• Strengthening of the US dollar against the Rupee puts the sector at risk of loss, given the large volume of imported raw materials such as paper and board from suppliers in India, China etc.	Mitigate	• A currency flow matching strategy is practiced to negate this risk. Using the US dollar proceeds received from foreign clients, this segment has built up a US dollar reserve, from which the foreign suppliers are settled.

Other general mitigation strategies:

- Exchange rate forecasts to ensure timely and appropriate hedging mechanisms are adopted to mitigate exchange rate risk.
- Matching foreign currency liabilities against foreign currency denominated assets to minimize 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.



REACHING FOR NEW HEIGHTS

MANAGEMENT DISCUSSION & ANALYSIS

A detailed analysis of the Group's triple bottomline performance in Sri Lanka and overseas

EXTERNAL ENVIRONMENT

GLOBAL ECONOMY

World markets continued to recover during the financial year with sluggish global trade, weak investor sentiments and heightened policy uncertainty in developed markets resulting in a lacklustre economic growth. The world economic growth fell to 3.1% in 2016 according to IMF, the weakest performance since the global financial crisis of 2008.

Whilst the advanced economies struggled to gain momentum, the emerging and developing countries continued to perform better, albeit at a reduced growth rate, mainly as a result of the increase in commodity prices in the second half of 2016. The loss of momentum in the Chinese economy impacted many of its trading partners whilst the US economy continued to record encouraging results prompting the Federal Reserve to hike policy rates two times during the year. The slow recovery of Euro economies continued during the year with the Brexit shock reverberating across the world during the second half of 2016.

OIL PRICES

Crude oil prices recovered from a low of US$ 30 per barrel at the beginning of 2016, but nevertheless remained lower than pre-2015 levels. However, following OPEC's decision in November 2016 to limit production, an immediate increase was seen, with crude oil prices averaging at US$ 43 per barrel.

SRI LANKA'S ECONOMIC PERFORMANCE

Unfavourable weather conditions and sluggish global recovery caused the Sri Lankan economy to grow at a slower rate of 4.4 % in 2016 in real terms, in comparison to 4.8 % in the previous year.

Increased investments in infrastructure and property development projects undertaken by the construction sector, were main factors to drive the economic growth during the year, while consumption expenditure slowed in response to the policy environment in place.

INFLATION

Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4.0 % in 2016 according to the 2016 Central Bank Annual Report. Adverse impacts of weather, fiscal policy changes and rising international commodity prices led to high levels of inflation during certain months of the year in 2016.

EXTERNAL SECTOR

Movements in the external sector balances remained subdued with foreign exchange outflows exceeding the inflows during the year. Increase in imports and reduction in exports resulted in the Balance Of Payments (BOP) recording a deficit for the second consecutive year.

The persistent failure of the country to attract a sufficient amount of Foreign Direct Investment (FDI's) had an impact in the capital account. The trade deficit as a percentage of GDP expanded to 11.2 % in 2016 compared to 10.4% in 2015 according to the annual report of Central Bank.

EXCHANGE RATE

The annual depreciation of the Sri Lankan rupee was less than 5% despite heavy outflows from the Bond market. Regulator intervention was mostly limited to moral suasion which allowed the market to be sentiment driven. IMF's extended fund facility and low oil prices provided a much-needed cushion for the local currency during the year, offsetting low foreign currency inflows to the debt and equity markets.

INTEREST RATES

The CBSL raised its key policy interest rates in two steps during 2016, the first in February and the second in July. This coupled with the raising of the Statutory Reserve Ratio (SRR) with effect from January 2016, led to an upward adjustment in interest rates, which saw both lending and deposit rates of commercial banks increasing significantly.

FISCAL SECTOR DEVELOPMENTS

Steps taken towards greater fiscal consolidation contributed to the overall improvement of the fiscal sector during 2016 and helped contain the overall budget deficit at the targeted level of 5.4 % of GDP in 2016 in comparison to the deficit of 7.6 % in the previous year as per the annual report of CBSL.

To ensure continuing economic stability, the government's fiscal consolidation policy stance was further embedded into the three-year Extended Fund Facility (EFF) programme formulated by the International Monetary Fund (IMF), which came in to effect in June 2016.

GROUP STRATEGY

KEEPING OUR FOCUS ON THE LONG TERM PERSPECTIVE...

For over a century and a half Aitken Spence PLC has built its legacy by developing and refining a strategy which ensures that its business remains robust and resilient and is able to withstand challenges posed by the changing environment. The discipline of building strategy through foresight and deploying resources to ensure implementation had resulted in the Company's business remaining sustainable into the 21st century. We conduct our business to be profitable, but more importantly, as we consider ourselves core value creators for the nation, our aim is to add economic value over a sustained period in order to make certain that the benefits of this value creation would translate into tangible socio-economic progress for all citizens of Sri Lanka.

To achieve this, we remain committed to building existing competencies within the Group and to establish a culture of exceptional performance, which we believe will spearhead future market expansion.

Stemming from this, we continue to focus on growth opportunities and remain committed to respond strategically and operationally to macro-trends in our operating environments. Our goal is to build resilience and adaptability to boost the Group's overall strategic position. In doing so, we expect our growth trajectory to be catalysed by the following;

Strategic investments will only be undertaken following a strict evaluation to determine its alignment with the Group ethos, Group policies and practices, while a comprehensive feasibility study is carried out to assess the financial viability of such investments vis-à-vis a host of indicators including; the projected internal rate of return and the payback of the investment outlay among others. Further, all proposed investments are measured for their social, environmental and economic impact and will be pursued only if proposed venture demonstrates a positive outcome vis-à-vis these factors.

In this context, the key value drivers are our six core capitals. We actively seek synergies between the financial, manufactured, intellectual, human, social and natural aspects of our business as we strive to create and sustain value for all our stakeholders.

- Tourism and Maritime and Logistics to continue to be a key growth lever for the Group
- Concentration on expansion of the Maritime and Logistics footprint in especially to new emerging economic regions around the world
- Enhance and create unique competitive advantages in the business segments operated in, and strategically exit from business where key competitive advantages cannot be created or where competitive advantage has deteriorated due to loss of economies of scale
- Strategic investments into food, agriculture and utilities will remain a key priority as part of the Group's commitment to address food security concerns arising as a result of climate change factors
- Focus on and vertical and lateral growth through acquisitions and strategic partnerships to diversify into new verticals that would complement the sectors the Group currently operates in
- Strive for excellence in innovation and digitization – identified as the key differentiator that would strengthen brand positioning and reinforce market leadership

Financial Capital

- Implementation of sound financial strategies to derive maximum leverage from debt and equity markets in order to facilitate the Group's expansion plans
- Managing of the portfolio to match investment objectives , asset allocation to balance risk against returns
- Achieve cost leadership by strengthening cost containment measures

Manufactured Capital

- Continue to pioneer the movement for sustainable production and consumption by investing in Group infrastructure to achieve sustainable returns.
- Expand overseas market presence to reposition the Group as a leading global conglomerate
- Invest in technology to improve downstream capacity across businesses and generate economies-of-scale that will deliver improved productivity.

Intellectual Capital;

- Seek strategic partnerships that would strengthen existing capabilities and catalyse new growth opportunities
- Invest in information technology to simplify systems and processes that would drive a competitive advantage in key markets
- Invest in research and development to enhance brand reputation and improve the Group's global positioning

Human Capital;

- Transform human capital to act as a key lever that would facilitate the Group's growth plans
- Proactive leadership management and align employment goals to organization.
- Benchmark world-class HR practices to reinforce the Group as an employer of choice
- Continually work towards providing a safe and healthy workplace and working environment that is conducive to the personal and professional growth.

Social and Relationship Capital;

- Proactive and structured engagement with business partners to derive business synergies to secure a competitive advantage
- Engage with customers and clients to develop solutions and work towards achieving joint growth objectives
- Invest to improve the socio-economic wellbeing of communities
- Work with our stakeholders to inculcate social and environmental governance in to the decision making processes and to collaborate for sustainable growth

Natural Capital;

- Invest in innovative technologies to improve Group-wide resource efficiency
- Implement strategies to enable environmental sustainability, enrich biodiversity and engage in industry collaborations to create new movements for sustainability
- Develop partnerships to seek sustainable solutions to address the long-term impacts of climate change

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 and 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

BUSINESS MODEL

VISION | MISSION | VALUES

STRATEGY

INPUTS

FINANCIAL CAPITAL

Total equity attributable to equity holders	Rs. 39.5 billion
Non-controlling interest	Rs. 11.3 billion
Non-current and current liabilities	Rs. 44.5 billion

HUMAN CAPITAL

Number of employees	13,693
Employee benefit expenses	Rs. 7.4 billion
Total training Hours	76,735
Investment in training and development	Rs. 22.4 million

SOCIAL & RELATIONSHIP CAPITAL

Customers
Suppliers
Government and regulators
Communities
Associations and industry bodies
Strategic partnerships

MANUFACTURED CAPITAL

Property, plant and equipment	Rs. 50.0 billion
Investment property	Rs. 1.6 billion
Biological assets	Rs. 43.6 million

INTELLECTUAL CAPITAL

Aitken Spence brand (Logo)
Proprietary knowledge

NATURAL CAPITAL

Water consumed and utilised	906,926m3
Total energy consumed	749,116GJ
Biodiversity and natural ecosystem	

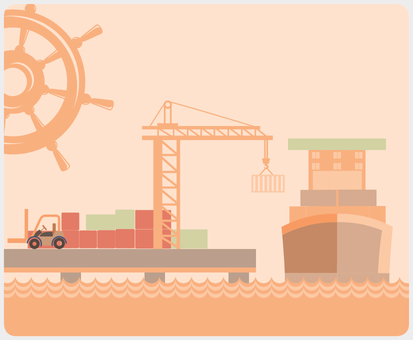
RE - DEPLOYMENT

STAKEHOLDER ENGAGEMENT

GOVERNANCE

TOURISM

MARITIME AND LOGISTICS



STRATEGIC INVESTMENTS

SERVICES

SUPPORT SERVICES

Legal | Secretarial | Corporate Finance | Information Technology | Financial Shared Services
Internal Audit & Risk Management | Business Development | Group Sustainability
Human Resources | Group Services

RISK MANAGEMENT

SUSTAINABILITY FRAMEWORK

OUTPUTS

FINANCIAL CAPITAL

Revenue	Rs. 45.9 billion
Profit for the year	Rs.4.0 billion
Dividends to shareholders	Rs. 710.5 million

HUMAN CAPITAL

43.7% of value added distributed to employees.
International exposure
Personal and Professional growth

SOCIAL & RELATIONSHIP CAPITAL

Zero tolerance for fraud and corruption.
Improvement to local communities
Rs. 135 million channelled through Group's operations for community development

MANUFACTURED CAPITAL

Iconic properties
Environmental friendly LEED certified manufacturing plants.
Rainforest Alliance certified tea estates

NATURAL CAPITAL

Water recycled and/or re-used - 598,120m^3
Renewable energy generation - 221,873GJ
Conservation of natural ecosystems

INTELLECTUAL CAPITAL

Delivering brand promise.
Pioneers of the sustainability movement in Sri Lanka
Improving and elevating the benchmarks of quality within industries

STAKEHOLDER ENGAGEMENT

"Key stakeholders of Aitken Spence PLC contribute towards the sustainability of the Group by communicating on issues and concerns that can potentially affect our ability to sustain the financial, social and environmental performance in line with our values and priorities."

WHY WE ENGAGE WITH STAKEHOLDERS

Key stakeholders contribute towards the sustainability of the Group by communicating on issues and concerns that can potentially affect our ability to sustain the financial, social and environmental performance in line with our values and priorities. The feedback we receive from stakeholders also contributes towards the identification of potential trends and opportunities in the respective industries.

HOW WE ENGAGE WITH STAKEHOLDERS

Due to the diversity of the Group's operations in both scale and nature, each industry segment has its own set of stakeholders, concerns, impacts, risks, opportunities and benefits. As such, 'one size fits all' speedy solutions are neither sustainable nor suitable for the Group. Each sector has a different approach to engage with key stakeholders and to maintain good relationships with them.

Across its four sectors, the Group engages with a broad range of stakeholders both within and external to our operational boundary on an ongoing basis.

In addition to the internal channels of engagement, during the last quarter of 2014/2015 we commissioned an external stakeholder engagement study to identify tacit knowledge from key stakeholders to;

a) verify the material issues we have identified and

b) identify issues and areas for concern that may not be directly communicated to the company by the stakeholders such as trends and opportunities in respective industries.

The study took a considerable amount of time as the research team had to approach key stakeholder groups independently, without intervention from the company and, was completed towards the 2nd quarter of 2016/2017 financial year.

The key issues identified through internal assessments and the external stakeholder engagement study are specified in the respective sector reviews.

CHANNELS OF ENGAGEMENT

- Direct communication
- Inspections
- Audits
- Social Media
- Policy discussions, public forums and events
- External study

KEY STAKEHOLDERS

Stakeholders within the operational boundary	Stakeholders external to the operational boundary	Stakeholders engaged in the broader Scope of Operations
Partners	Suppliers	Community
Employees	Customers	Government
Shareholders	Service Providers	Social and Environmental Interest Groups
Investors	Financial institutions	
	Banks	
	Regulators	
	Industrial, trade and professional Associations	

Level of engagement, impact, involvement in the decision – making process

Higher → Lower

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

HOW WE PRIORITISE OUR ACTION BASED ON STAKEHOLDER FEEDBACK

We have internal processes to identify the key concerns to act on from the input we obtain from our stakeholders. We use these criteria that benchmark the priority of stakeholder concerns by identifying the significance through;

- Business priorities (risk, compliance, priorities raised through voluntary endorsements such as the UN Global Compact Principles or the Women's Empowerment Principles etc.)
- Severity of any significant impacts that could affect the stakeholders and the company
- Relevance and priority of each stakeholder to the industry/sector/company
- Striking the triple bottom line balance in our engagements

Essential points to consider

Expected points to be considered as per the nature of the industry

Aitken Spence companies engage with key stakeholder and work on responding to key issues identified.

Key sustainability issues and concerns addressed through stakeholder engagement include return on investment, profit and growth for investors, business partners and shareholders; career progression, benefits, remuneration, working facilities and personal development for employees, product and service quality, cost, reliability for customers; economic, social and environmental impact including local purchasing and employment for communities.

COMMUNICATION ON SOCIAL AND ENVIRONMENTAL CONCERNS;

Stakeholders such as community members and suppliers are engaged routinely or as and when the need arises. We also work with organisations and institutions (such as local government authorities, schools, places of worship etc.) as a channel of communication with key stakeholders. These stakeholders freely provide their feedback to us when necessary and each sector has a unique approach to absorb stakeholder feedback and to identify priorities to act on.

Concerns raised through these interactions are managed at sector level most of the time. The concerns raised and action taken are also communicated to Group level management teams on a routine basis (or immediately depending on the significance of the concern). Any issues or concerns that require Group level intervention are escalated to the respective management teams, which in turn makes an important contribution to our research and development, innovation and risk management processes and go on to form the basis of our strategy formulation reporting processes.

Further explanation on the process we use to prioritize community development projects embarked on is included in the Social and Environmental Capital section of this report.

ENHANCING THE STAKEHOLDER ENGAGEMENT FRAMEWORK

Guidance is provided at Group level to refine the process of stakeholder engagement and on internal/external communication by the SBU's responsibility mapping task. Based on the needs identified, the Group plans programmes for the year to provide capacity building on sustainability communication.

An outcome of the stakeholder engagement study conducted by a third-party service provider was that key stakeholders were keen to hear more about the sustainability initiatives of the Company. Accordingly, the Group is in the process of mapping out a Group level communication strategy for the sustainability initiatives of our Companies

Stakeholder Group	CHANNELS OF ENGAGEMENT	KEY AREAS OF INTEREST FOR STAKEHOLDERS AND THE ORGANIZATION	OUR COMMITMENT
Employees	• Employee satisfaction surveys • Internal newsletters and intranet • Performance reviews • Open door policy • Grievance handling procedures • Small group meetings with the Managing Director • Group and SBU level events • Staff conventions	• Occupational health and safety • Remuneration and benefits • Career progression • Skills development • Human Rights at the workplace • Work life balance	• Continually work towards providing a safe and healthy workplace and working environment that is conducive to the personal and professional growth of our employees. • For more details on action taken to achieve this objective, refer to the human capital section.

STAKEHOLDER ENGAGEMENT

Stakeholder Group	CHANNELS OF ENGAGEMENT	KEY AREAS OF INTEREST FOR STAKEHOLDERS AND THE ORGANIZATION	OUR COMMITMENT
Investors & Shareholders Banks and Financial Institutions	• Annual General Meeting and other meetings • Financial reporting • Website and social media • Media • Investor discussions	• Return on investment/ ROE • Ethical conduct • Environmental and social governance • Resilient balance sheet • Sustainable profitability • Corporate communication	• Work with our investors, shareholders, partners to inculcate social and environmental governance in to the strategic decision making process and to continually improve dialogue between key stakeholders to identify new ideas, opportunities and trends in the industries we operate in. • Refer to the Governance and Strategy sections and sector reviews for more details.
Industry Partnerships and Associations	• Direct contact • Participation in forums and training programmes • Communication via sub agents or representatives • Site visits and service level agreements • Meetings and lobby groups	• Adherence to international benchmarks • Prevention of corruption • Assurance of products / services • Progress on agreed activities/ procedures • Capitalising on new business opportunities by catering to the needs of the clientele	• Collaborate with industry partners and associations to facilitate the achievement of the Sustainable Development Goals, and strengthen the adoption of the ten principles of the UN Global Compact, the Women's Empowerment Principles and other voluntary endorsements • Work with industry partners and associations to generate new ideas and programmes to achieve sustainable progress in social and environmental governance • For more details on action taken to achieve this objective, refer to the Sector Reviews and the Social and Relationship Capital sections as well as the GRI Index.
Customers	• Customer satisfaction surveys • Buyer inspections/ audits • Direct contact • Customer service and support points-of-contact	• Quality and reliability of products and services • Ethical production • Value for given price • Data security and privacy of information disclosed to the organisation • Innovation of products and services to meet new trends in markets and customer needs	• Work towards innovating our processes to provide best in class products & services to customers. • Be diligent towards internalising social and environmental governance standards to provide sustainable products and services. • Continually enhance quality of products, services and value provided to customers while ensuring profitability • For more details on action taken to achieve this objective, refer to the Sector Reviews, Manufactured Capital, Social and Relationship Capital and the Intellectual Capital sections.
Suppliers / Services Providers	• Direct dialogue • Participation in seminars on quality and efficiency • Supplier appraisals	• Ethical conduct and production • Profitability • Assurance for service requirements, concerns, solutions • Professionalism and on time service • Efficiency and effectiveness of operations • Competitive advantage	• Roll out action plans to inculcate social and environmental governance within the supply chain • Refer to the Social and Relationship Capital for more details about our supply chain.
Community	• Direct communication • Local purchasing engagements • Dialogues with community groups • Media and annual reports	• Development of infrastructure • Employment generation and extending opportunities for local entrepreneurs/ students • Environmental conservation • Building sustainable social relationships • Safety, health and welfare	• Engage in industry collaborations to strengthen economic development, enhance social sustainability and ensure environmental protection within our communities. • For more details on action taken to achieve this objective, refer to the Social and Relationship Capital section as well as the GRI Index.

Stakeholder Group	CHANNELS OF ENGAGEMENT	KEY AREAS OF INTEREST FOR STAKEHOLDERS AND THE ORGANIZATION	OUR COMMITMENT
Government & Regulatory Authorities	• Dialogue with policymakers, regulatory authorities and experts • Reports and meetings • Participation in industry/ national level events • Compliance reviews • Media	• Compliance • Generation of employment • Foreign income generation • Payment of taxes/ fees/ levies due to government/ regulatory bodies • Prevention of corruption	• Continue to establish and maintain governance structures that meet best practices in legal and other regulatory requirements necessary in the industries we operate in for the sustainable operation and development of our company • For more details on action taken to achieve this objective, refer to the Governance section as well as the GRI Index.
Environment / Environmental Interest Groups	• Dialogue with policymakers, regulatory authorities and experts • Direct communication • Compliance reviews • Media	• Climate change mitigation • Management of environmental impacts • Waste management • Compliance with environmental standards, laws and regulations of the country	• Enable environmental sustainability, enrich biodiversity and engage in industry collaborations to create new movements for sustainability. • For more details on action taken to achieve this objective, refer to the Natural Capital section.

INDEPENDENT STAKEHOLDER ENGAGEMENT STUDY - SUMMARY OF OUTCOMES

Strategic Initiatives Group (Pvt) Ltd
18/185 A – 1/1 A M E D Dabare Mawatha, Colombo 5, Sri Lanka
Tel. No. 4941670

31st March 2017

Stakeholder Engagement Study for Aitken Spence PLC

This is to verify the stakeholder engagement study conducted by STING Consultants (Strategic Initiatives Group (Pvt) Ltd.) for Aitken Spence PLC as an independent service provider. This study was completed on the 23rd January 2017, and the results have been communicated to the Company along with a detailed report of the outcome.

Stakeholder engagement process;

Workshop » Tools development » Data collection » Data analysis » Feedback & recommendations

Stakeholders engaged with through the study;

Employees, community members & neighbours, competitors, shareholders, investors & JV partners, business partners, suppliers, service providers, customers, regulators, activists.

Summary of results;

To Remove;

Extensive processes and sense of distance from some stakeholder could potentially inhibit the robust growth of the Company.

To Improve;

Key stakeholders were keen to hear more about the sustainability initiatives of the Company.

Opportunities were identified to improve the value created for stakeholders by increasing channels of engagement. A growing need was identified for innovative product and service solutions in the industries the Company operates in.

To Maintain;

The Company is seen to be; An established, stable, reputed, and strong organization. Financially solid. A great partner to work with. Pride of association for most stakeholders

Sgd.
Strategic Initiatives Group (Pvt) Ltd.

MATERIALITY

"As a diversified holding company Aitken Spence operates in a multitude of sectors having many impacts on both the internal and external environment."

An aspect is deemed to be 'material' when its potential impact on the long-term viability, profitability and integrity of the Group becomes sufficiently significant that it warrants proactive action in order to limit or mitigate the adverse outcome.

WHY WE MONITOR AND REPORT ON MATERIAL ASPECTS

Monitoring "material' aspects enables the Group to be more proactive rather than reactive in addressing the economic, social and environmental impacts that could put the Group at risk.

Reporting on "material" aspects is one of the Group's key commitments. It underpins Aitken Spence PLC's efforts to be more transparent on how the Group creates value through its day-to-day business activities.

OUR PROCESS TO IDENTIFY MATERIAL ASPECTS

The Group attempts to identify material aspects through following means.

- Internal assessments (discussions, internal audits, inspections, management reviews, and evaluations etc.)
- Direct inputs from key stakeholders
- Results of external stakeholder engagement activities
- Customer feedback
- Feedback from external inspections (system audits, buyer inspections etc.)

ASPECTS MATERIAL TO AITKEN SPENCE

As a diversified company Aitken Spence operates in a multitude of sectors having many impacts on both the internal and external environment. The Group has identified aspects that can be material to our diverse operations and appropriate actions are customised according to the nature and scale of the respective Strategic Business Unit (SBU).

The sustainability strategy looks at aspects that are commonly applicable across the Group and uses a prioritization framework to allow each SBU to customise their actions in line with the nature and scale of operations and their impacts.

The aspects material to the Group can be broadly grouped into a few categories in line with the GRI G4 reporting framework's approach; economic, environment, labour practices and decent work, human rights, society and product responsibility. Aspects identified within these broader categories can be seen in the table overleaf. These are selected based on the Group's current operational priorities and are bound to change with actions taken and the outcome of these actions. We have also identified several aspects that we intend to act on in the next 2 – 3 years (see table).

We have identified seven Sustainable Development Goals to which all of our sustainability driven actions can be aligned to, in order that targeted action can be promoted at Group level.

SDGs picked at Group level to support our development efforts

Note: SBU level priorities may contribute to different SDGs as per the projects planned to meet SBU specific needs.

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

Economic

IDENTIFIED MATERIAL ASPECT	• Economic performance • Market presence • Indirect economic impacts • Procurement practices
WHY THE ASPECT IS MATERIAL	• Economic value generated • Financial sustainability
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Social – Labour practices and decent work;

IDENTIFIED MATERIAL ASPECT	• Employment • Labour/ Management relations • Occupational health and safety • Training and education • Equal remuneration for men and women • Labour practices grievance mechanisms
WHY THE ASPECT IS MATERIAL	• Potential to disrupt the business • Reputation risk • Compliance with laws, regulations and voluntary standards endorsed • Talent retention and acquisition
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Product Responsibility

IDENTIFIED MATERIAL ASPECT	• Customer health & safety • Product and service labelling • Marketing communications • Customer privacy • Compliance
WHY THE ASPECT IS MATERIAL	• Impact on customers • Reputational risk • Compliance with laws, regulations and voluntary standards endorsed
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Environment

IDENTIFIED MATERIAL ASPECT	• Energy • Water • Biodiversity • Emissions • Effluents and waste • Compliance • Overall
WHY THE ASPECT IS MATERIAL	• Environmental impact • Potential to create positive change • The Group's commitment to environmental sustainability • Stakeholder expectations
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Society

IDENTIFIED MATERIAL ASPECT	• Local communities • Anti-corruption • Compliance
WHY THE ASPECT IS MATERIAL	• Building relationships with key stakeholders • Potential to create positive value for local communities • Legal, financial and reputational risk
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Human rights

IDENTIFIED MATERIAL ASPECT	• Investment • Non-discrimination • Security practices
WHY THE ASPECT IS MATERIAL	• Potential to disrupt the business • Reputation risk • Compliance with laws, regulations and voluntary standards endorsed • Talent retention and acquisition
THE SDG TO WHICH THE OUTCOME IS EXPECTED TO CONTRIBUTE	

Identified for future action

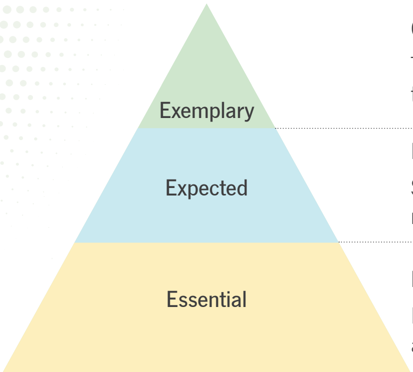
- *Supplier assessment for labour practices*
- *Supplier assessment for impacts on society*
- *Supplier human rights assessment*
- *Human rights grievance mechanisms*

MATERIALITY

"The sustainability strategy looks at aspects that are commonly applicable across the Group and uses a prioritization framework to allow each SBU to customise their actions in line with the nature and scale of operations and their impacts."

PRIORITIES OF ACTION

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



Optional from a group perspective where the action adds potentially transformational value to the SBU

These are action that SBUs take which are above expected levels to show their commitment and to champion their causes.

Expected action from SBUs to strengthen performance on sustainability priorities

Some action is recommended to SBUs based on the nature and scale of the organisation. Such action would not be commonly applicable to all SBUs.

High priority (Foundation level action)

For every aspect, there are certain action that Aitken Spence companies are required to take to maintain our ability to sustain the business. These are the actions applicable to

LEVEL OF PRIORITY FROM A GROUP PERSPECTIVE	DECIDING FACTORS	
Essential – i.e. High priority Action within each material aspect that is specified as 'essential' (Action applicable to all SBUs)	Environmental or social impact is high	Environmental or social impact is moderate or low but frequency of occurrence is high
	Industry requirement for action	Action required in line with company policy of and/or voluntary standard
	Action has been highlighted by a key stakeholder as a requirement	Legally required action
Expected Action within the aspect is recommended to SBUs based on the nature and scale of the organisation. Such action would not be relevant to all SBUs commonly and priority will differ from SBU to SBU.	Strengthens sustainability priorities of the SBU	Action highlighted by a key stakeholder as an expectation from the SBU
	Action adds value to the business operation	Action is expected within a management system
Exemplary – i.e. Optional action These are action that SBUs take which are above expected levels to show their commitment and to champion their causes.	Action gives direction for sustainability best practices/ movements in the industry	Action adds potentially transformational value to the operation or key stakeholders
		Action will create differentiation for chosen priorities of the SBU

	Stage of GRI G4 materiality process	GROUP LEVEL ACTION (Brief Overview)	SBU SPECIFIC ACTION (Brief overview)
Plan	Identify	Identify Material Aspects (Policy)	Discuss material aspects with relevant stakeholders and plan action to meet Group level and SBU specific strategies
	Prioritise	Identify Action for Each Aspect (Implementation framework) Essential action Expected action Exemplary action	Allocate team members (Responsibility mapping) to manage planned programme or specific tasks
			Plan necessary educational programmes for the responsible team members
Do		Discuss commitments with SBUs and the management team	Implement programmes and monitor progress on identified priorities
		Discuss action plans with SBUs	Collect performance data and communicate on action taken to stakeholders
		Document planned action and conduct necessary capacity building programmes	Analyse performance data
Check	Validate	Monitor Action. Seek feedback from the SBUs and other stakeholders.	Conduct internal audits validate performance information
		Discuss areas for improvements with SBUs and the Management	
Act	Review	Analyse performance data and report	Conduct management reviews for sustainability performance
		Grade SBUs on performance	Report on performance for Group level reporting and analysis
		Conduct Group level management reviews	

The identified aspects and action taken can be perused in the respective Sector Reviews as well as the capital reviews within this report. To cross reference the aspects, please refer to the GRI Index on pages pages 306 to 311.

MATERIALITY

“Material aspects of an organisation will have different levels of relevance to different stakeholders. Extent of disclosures within the report will differ based on the approximated significance for the sectors.”

Material aspects of an organisation will have different levels of relevance to different stakeholders. In this table, we give a general overview of the relevance to stakeholders both within and outside the organisation. Extent of disclosures within the report will differ based on the approximated significance for the sectors as illustrated as well as the relevance to different stakeholders.

Approximated Significance for the Sectors

Broad categories of the material aspects (as per GRI classifications)	TOURISM SECTOR	MARITIME AND LOGISTICS SECTOR	STRATEGIC INVESTMENTS SECTOR	SERVICES SECTOR
Economic	High	High	Medium	Low
Environmental	High	Medium	High	Low
Social – Labour practices & decent work	High	High	High	Low
Social – Human rights	High	High	High	Medium
Social – Society	High	Low	High	Low
Social – Product responsibility	High	High	High	Medium

Overview of the relevance to stakeholders

IDENTIFIED MATERIAL ASPECT	SECTORS FOR WHICH THE ASPECT IS MATERIAL	RELEVANCE WITHIN AND OUTSIDE AITKEN SPENCE	
		INTERNAL	EXTERNAL
Economic;			
Economic performance	All	✓	✓
Market presence	Operations in Sri Lanka: Tourism and Strategic Investments Operations outside Sri Lanka: Tourism, Strategic Investments, Logistics	✓	✓
Indirect economic impacts	Operations in Sri Lanka: Tourism and Strategic Investments Operations outside Sri Lanka: Tourism, Strategic Investments, Logistics	✓	✓
Procurement practices	Operations in Sri Lanka: Tourism and Strategic Investments Operations outside Sri Lanka: Tourism, Strategic Investments, Logistics	✓	✓

IDENTIFIED MATERIAL ASPECT	SECTORS FOR WHICH THE ASPECT IS MATERIAL	RELEVANCE WITHIN AND OUTSIDE AITKEN SPENCE	
		INTERNAL	EXTERNAL
Environment;			
Energy	All	✓	
Water	All	✓	
Biodiversity	Tourism and Strategic Investments	✓	✓
Emissions	All	✓	✓
Effluents and waste	All	✓	✓
Compliance	All	✓	✓
Overall	All	✓	
Social – Labour practices and decent work;			
Employment	All	✓	
Labour/ Management relations	All	✓	
Occupational health and safety	All	✓	✓
Training and education	All	✓	
Equal remuneration for men and women	All	✓	
Labour practices grievance mechanisms	All	✓	
Social - Human rights;			
Investment	All	✓	✓
Non-discrimination	All	✓	✓
Security practices	All	✓	✓
Social – Society;			
Local communities	All	✓	✓
Anti-corruption	All	✓	
Compliance	All	✓	✓
Social - Product Responsibility;			
Customer health & safety	All	✓	✓
Product and service labelling	All (Partially reported)	✓	✓
Marketing communications	All	✓	✓
Customer privacy	All	✓	✓
Compliance	All	✓	✓
Social - aspects identified for future action (partially disclosed in this report)			
Supplier assessment for labour practices	All	✓	
Supplier human rights assessment	All	✓	
Human rights grievance mechanisms	All	✓	
Supplier assessment for impacts on society	All	✓	

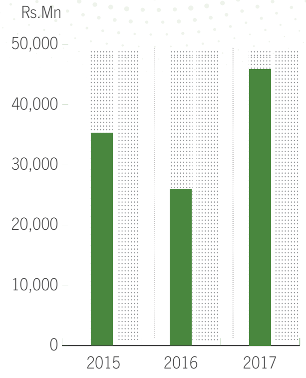
GROUP CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

"The Group's profit from operations or the earnings before interest and tax (EBIT) recorded a healthy increase of 47.8% to Rs. 5.8 billion for the year 2016/2017. The Tourism sector, being the highest contributor accounted for 47.5% of the Group's profit from operations."

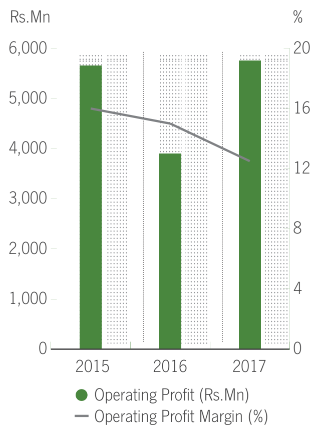
Revenue

For the year ended 31st March



Operating Profit & Operating Profit Margin

For the year ended 31st March



GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

GROUP PERFORMANCE

Group Revenue

The Aitken Spence Group recorded a consolidated revenue of Rs. 45.9 billion during 2016/2017, in comparison to the revenue of Rs. 26.0 billion reported the previous year. This increase of 76.7% mainly arose from the strategic investment sector, which saw the re-commencement of operations of the 100 MW thermal power plant at Embilipitiya.
As a result, revenue of Rs. 16.0 billion was reported by the Strategic Investment sector for the year under review compared to Rs. 4.1 billion achieved in 2015/2016. This sector accounted for 34.9% of the total revenue of the Group.

The largest contributor towards Group revenue continued to be the Tourism sector, which accounted for 44.6% of the total revenue. The Tourism sector witnessed a 49.1% increase in revenue to Rs. 20.5 billion in 2016/2017. The revenue generated from the hotel properties launched during the year were the key contributors towards this increase. Subsequent to a review made during the year it was decided to consolidate Aitken Spence Travels Ltd as a subsidiary as opposed to being treated as an equity accounted investee. This change too had a positive impact on the sector revenue.

The Maritime and Logistic sector also recorded a 10.7% improvement in revenue to reach Rs. 8.0 billion for the year. Increase in revenue generated from port management operations directly as a result of the higher throughput volumes handled by the ports in Fiji and the higher revenue generated from the integrated logistics segment as a result of the recommencement of the fuel transport operation were the main drivers of the revenue growth of the sector.

The impressive performance of the elevators segment, where it was able to nearly double its revenue over the previous year was the key propeller which enabled the Services sector to record a 53.4% growth in revenue for the year under review. The Services sector recorded a revenue of Rs. 1.4 billion for the year and contributed 3.0% of the total revenue for the Group.

Profit from Operations

The Group's profit from operations or the earnings before interest and tax (EBIT) recorded a healthy increase of 47.8% to Rs. 5.8 billion for the year 2016/2017. The Tourism sector, being the highest contributor accounted for 47.5% of the Group's profit from operations. However, the sector witnessed a 7.2% decline in profits when compared to the previous year, to end the year at Rs. 2.7 billion. This decline was witnessed by the hotel segment with both the Sri Lankan and the Maldivian hotels recording lower profits. The partial closure of Heritance Ahungalla during part of the year and the newly launched properties of Hotel RIU Sri Lanka and Turyaa Kalutara not yet reaching their desired occupancies resulted in the lower performance of the Sri Lankan hotels whilst the rate correction witnessed in the Maldives resulted in the lower than expected performance from this sub segment. Further, the sector also reported reduced net foreign exchange gain during the period owing to the partial liquidation of foreign currency denominated investments which resulted in a decline of 16.8% to other income generated by the Group.

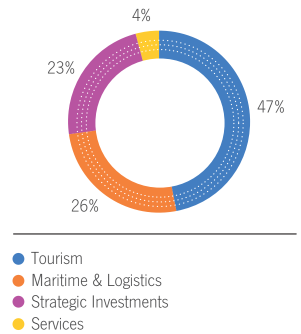
The second highest contributor towards the Group's profit from operation was the Maritime and Logistics which accounted for 25.5% of the total. The sector recorded a 19.4% increase over the previous year to reach Rs. 1.5 billion. Improvements in profitability of the integrated logistics segment and the port management sub segment were the key drivers towards this increase, while the performance of cargo GSA's and the partnership with DB Schenker augmented the sector's growth.

The Strategic Investments sector witnessed a turnaround in performance during the year under review, with the recommencement of the operations of the 100 MW thermal power plant at Embilipitiya. This improvement in performance was further accentuated due to Rs. 293.4 million asset impaired provision for Ace Power Embilipitiya Ltd., being accounted for in the previous year's performance of the sector. During the year, the printing and packaging segment also recorded a healthy increase in profits from operations, with improvements in performance recorded in all business lines. However, the apparel manufacturing segment recorded operational loss due to a reduction in orders from its main markets of US and UK. Overall the Strategic Investments sector achieved a profit from operation of Rs. 1.3 billion and contributed 22.8% of the Group's total operational profit.

The Services sector witnessed a 16.4% increase in profit from operations, a much lower growth figure than the revenue growth recorded by the sector. The lower than expected performance of Aitken Spence Technologies (Pvt) Ltd, the subsidiary specializing in information

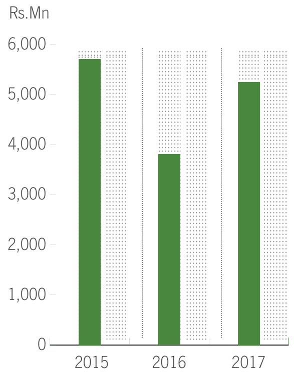
Sector Operating Profit

For the year ended 31st March 2017



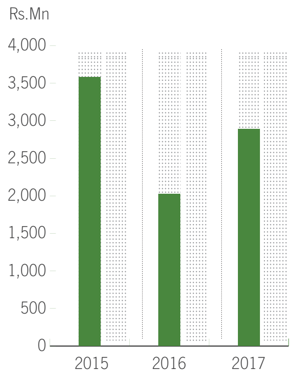
Profit Before Taxation

For the year ended 31st March



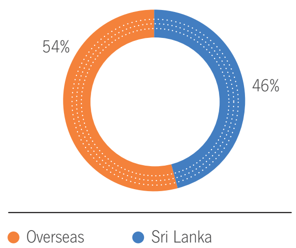
Net Profit Attributable

For the year ended 31st March



Geographical Analysis - Profit Before Tax

For the year ended 31st March 2017



technology, dragged down the profitability of the sector. However, the elevators segment achieved a significant improvement in profitability, with the insurance, money transfer and property segments being able to record yet another year of steady performance.

A significant increase was recorded in the cost incurred for raw materials and consumables by the Group during the year, which was a result of the recommencement of operations of the thermal power plant at Embilipitiya. During the year, the Group had invested Rs. 7.5 billion on employee benefits which was 26.6% higher than the previous year. This increase can be chiefly attributed to the increase in staff cadre in the newly launched hotel properties and in the power segment due to the recommencement of operations. The depreciation, amortization and impairment expenses stood at Rs. 2.3 billion for the year, which was a 11.6% increase over last year.

Share of Profits from Equity Accounted Investees

The share of profits (net of tax) attributable to the Group from its equity accounted investees amounted to Rs. 384.4 million for the year compared to Rs. 232.2 million applicable for 2015/2016. This was an increase of 65.6%. The main contribution to the profit from equity accounted investees was from the Maritime and Logistics sector which contributed Rs. 367.5 million. The improved performances from CINEC maritime campus and from the equity accounted investees in the port management segment augmented the sector's contribution in the profit share from equity accounted investees.

However, the Tourism sector recorded a loss of Rs. 62.5 million from its equity accounted investees due to Heritance Negombo which was launched in April 2017, not yet reaching its full potential in occupancy and the high interest cost on investment borne by the property.

> "The Tourism sector contributed 35.9% and the Maritime and Logistics sector contributed 35.5% to the Group profit after tax for the year by generating profit after tax of Rs. 1.5 billion and Rs. 1.4 billion respectively."

Improved performance of the plantations segment which is the key contributor towards the equity accounted investees in the Strategic Investments sector enabled it to record over 100% increase in the share of profits compared to the previous year. The lacklustre performance from the equity accounted investees in the Services sector was due to the losses incurred in the Heritage Grove project, which the Group was compelled to suspend on the request by the Government due to the proposed expansion plans of the Bandaranaike International Airport.

Taxation

The Profit before tax of the Group was Rs. 5.2 billion an increase of 37.9% with the income tax charge for the year amounting to Rs. 1.2 billion and the profit after tax recorded as Rs. 4.0 billion an increase of 37.4% over the previous year.

The Group's tax figure for the year under review was Rs. 1.2 billion an increase of 39.5% over the previous year. The income tax charge in the financial statements comprises of income tax of Rs. 948.0 million, deferred tax of Rs. 61.6 million, under provision in respect of prior years of Rs. 27.0 million and withholding tax from intercompany dividends received amounting to Rs. 164.8 million. The increase in tax was mainly due to the increase in income tax of Rs. 154.4 million and deferred tax of 154.6 million.

The effective tax on the consolidated profit increased from 22.6% to 22.9% due to higher percentage of profits being contributed by companies liable for tax at higher rates and the companies enjoying concessionary tax rates recording operational losses and reducing the taxable profits of the Group.

The contribution to the Government by the Group either directly or indirectly from payment of taxes amounted to Rs 4.1 billion which is an increase of 35.0 % over the previous year.

Presently the delay in implementing the new Inland Revenue act and the lack of transparency is creating uncertainty in the corporate sector, hindering effective planning for the ensuing year.

Earnings for the Year

The Group recorded a consolidated profit after tax for the year of Rs. 4.0 billion which was a 37.4% increase over the profit after tax for the year of Rs. 2.9 billion of the previous year. This profit for the year was derived after the charge of Rs. 1.2 billion as income tax expense which witnessed a 39.5% year on year increase. The Group's profit before tax was Rs. 5.2 billion compared to Rs. 3.8 billion in 2015/2016.

The Tourism sector contributed 35.9% and the Maritime and Logistics sector contributed 35.5% to the Group profit after tax for the year by generating profit after tax of Rs. 1.5 billion and Rs. 1.4 billion respectively. The Strategic Investments sector recorded a profit after tax for the year of Rs. 1.0 billion whilst the Services sector achieved a profit after tax of Rs. 117.7 million.

The Group's net profit attributable to the equity holders of the company amounted to Rs. 2.9

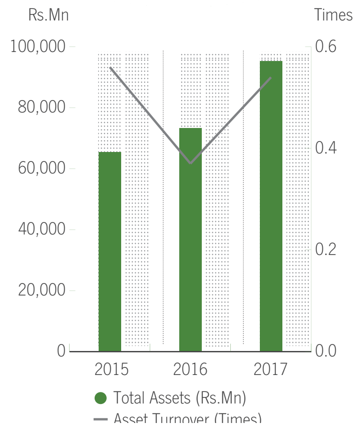
GROUP CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

"The total assets included Rs. 63.4 billion as non-current assets and Rs. 31.9 billion as current assets. The largest portion of the non-current assets was attributable to property plant and equipment which amounted to Rs. 50.0 billion as at year end."

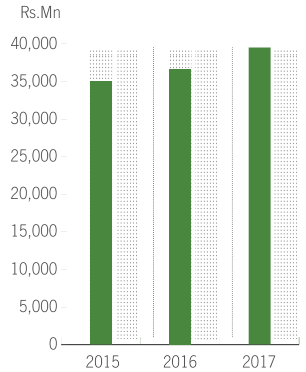
Total Assets & Asset Turnover

As at 31st March



Shareholder's Fund

As at 31st March



billion which was a commendable increase of 42.6% over the previous year's Rs. 2.0 billion. The Group's profit attributable to non-controlling interest increased by 26.0% to Rs. 1.2 billion for the year. This was mainly due to the proportionate increase in profit attributable to the non-controlling interests in the power generation segment.

FINANCIAL POSITION & RESOURCES

Total Assets

As at end of the financial year under review, the Group laid claim to a total asset base of Rs. 95.3 billion. This was in comparison to the total asset base of Rs. 73.4 billion held at the end of the previous financial year and was a 29.9% increase year on year. The total assets included Rs. 63.4 billion as non-current assets and Rs. 31.9 billion as current assets. The largest portion of the non-current assets was attributable to property plant and equipment which amounted to Rs. 50.0 billion as at year end. Further the significant increase in non-current assets was also witnessed from property, plant and equipment which was Rs. 14.8 billion higher than the end of the last financial year. In addition to the capital expenditure incurred by the Group during the year, due to Ahungalla Resorts Ltd, the owning company of Hotel RIU Sri Lanka and Aitken Spence Travels Ltd., being reclassified as subsidiaries as opposed to the classification as equity accounted investees, the value of property, plant and equipment consolidated by the Group increased by Rs. 9.8 billion. Trade and other receivables accounted as the largest current asset and recorded a Rs. 6.9 billion increase over the previous year. This was mainly due to the increase in trade and other receivables in the power generation segment during the year.

58.2% of the total assets of the Group amounting to Rs. 57.8 billion were held by the Tourism sector, of which Rs. 43.4 billion was in non-current assets and Rs. 14.4 billion in current assets. Maritime and Logistics sector held a total asset base of Rs. 12.5 billion while the total asset base in the Strategic Investments sector was Rs. 25.6 billion. The Services sector had a total asset base of Rs. 3.5 billion as at end of the financial year.

Investments in Equity Accounted Investees

During the period under review the Group reassessed its control over Aitken Spence Travels Ltd., and Ahungalla Resorts Ltd., the owning company of Hotel RIU Sri Lanka and concluded that they would be treated as subsidiaries based on the underlying circumstances. Due to this reason, the amount accounted for as investments in equity accounted investees as at the end of the financial year 2016/2017, witnessed a reduction to Rs. 6.1 billion, compared to the Rs. 9.8 billion accounted for as at the end of the last financial year.

Capital Expenditure

During the year under review, the Group invested a total of Rs. 6.1 billion as capital expenditure. The major share of the investments was taken up by the Tourism sector as the Group remains bullish on the Sri Lankan and Maldivian tourism destinations. Continuing the investment drive in line with the long-term plans of the Group, Rs. 1.8 billion was invested in the new Maldivian property currently being developed, whilst Rs. 2.5 billion was invested in Hotel RIU Sri Lanka during the first half of the financial year, which commenced commercial operations in August 2017.

Other capital expenditure included investments in the integrated logistics segment to expand its vehicle fleet and upgrade the warehousing facilities and capacities and in the printing segment which continues to invest in the state of the art equipment to be in the forefront of technological developments.

Financial Leverage

The total assets of Rs. 95.3 billion were funded by shareholders' equity of 39.5 billion, non-controlling interests of Rs.11.3 billion, and total liabilities of Rs. 44.5 billion. There is a decrease in the proportion of shareholder funding of total assets from 50.0% to 41.4% as at the balance sheet date, whilst the percentage of assets funded by non-current and current liabilities have increased from 39.7% to 46.7%.

Aitken Spence Travels Ltd., and Ahungalla Resorts Ltd being treated as subsidiaries had an impact on the increase in the total liabilities and non-controlling interests. The Group during the year has sought external sources of financing mainly in the form of debt for its investment requirements and this is reflected in the increase in financial leverage of the Group to 2.22 times from 1.94 times in the previous year.

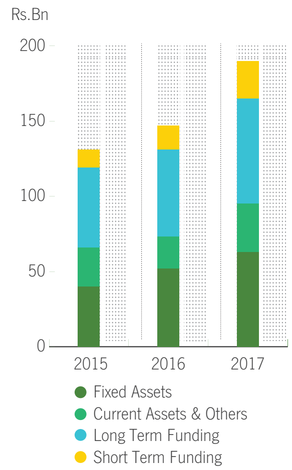
The increase in financial leverage has resulted in a positive impact on the return on equity, which is discussed in the following sections.

Non-Current Interest Bearing Borrowings

With Ahungalla Resorts Ltd., the owning company of Hotel RIU Sri Lanka being

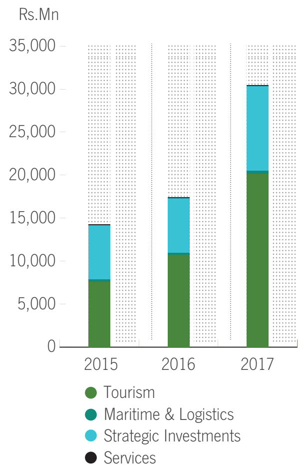
Assets & Funding

As at 31st March



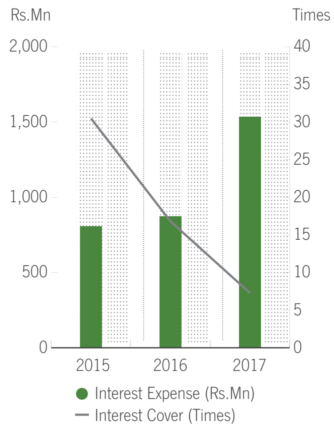
Long-term and Short-term Borrowings

As at 31st March



Interest Expense & Interest Cover

For the year ended 31st March



accounted as a subsidiary, project loans procured for the construction of the property carried in the balance sheet of the company is now reflected under Group's non-current interest bearing borrowings in the current financial year. This has resulted in the consolidated non-current interest bearing borrowings as at end of the financial year increasing by 40.4% over the last year to Rs. 17.2 billion.

Loans outstanding amounting to Rs. 4.7 billion was repaid by the Group during the year under review, whilst new loans amounting to Rs. 3.6 billion was obtained. Majority of the loans obtained was by the Tourism sector, which was in line with the investment requirements of the sector, whilst one loan taken was to refinance an existing loan on more beneficial terms.

Foreign currency denominated borrowings of the Group amounted to Rs. 15.1 billion, which was 87.7% of the total borrowings as at the end of the financial year. The Group has opted to borrow in foreign currencies to take advantage of low interest rates wherever the project or the strategic business unit generates foreign currency earnings since debt servicing costs can be matched with revenue in the same currency.

The debt to equity ratio of the Group increased slightly to 0.34 times from 0.28 times, well within the comfort level of allowing the Group to borrow further should there be a need to finance any new projects through debt financing.

The Group constantly monitors its debt in relation to the capital structure to maintain a healthy balance in order to maximise shareholders' return on equity whilst maintaining financial flexibility and reducing the risk of the debt burden.

Finance Income & Finance Expenses

Finance income of the Group increased by 17.6%, whilst the finance expense increased by 70.6%, resulting in the net finance expense increasing by 177.0% to Rs. 895.1 million for the year under review.

Tourism and Strategic Investments sectors, both contributed almost equally to the increase in net finance expense. New loans obtained by the Tourism sector for investments resulted in an increase in the long-term interest expense. Short term interest expense increased during the financial year in the Strategic Investments sector, due to increased working capital requirements of the power generation segment.

Depletion of the cash and short-term investments held by the holding company resulted in the reduction in the interest income generated, whilst the general increase in market interest rates adversely impacted the interest cost across the Group. Average Weighted Prime Lending Rate (AWPLR) increased to 11.56% as at the end of the financial year, from 8.87% a year ago and caused a substantial rise in interest expense.

As such, despite an increase of 47.8% in operating profit, the interest cover dropped to 7.29 times for the financial year under review from the previous year's 16.80 times. However, the interest cover is still at a very healthy level, indicating the Group's ability to comfortably meet its debt servicing obligations

Working Capital

At the balance sheet date, the Group's net working capital position stood at Rs. 6.7 billion, a 18.3% increase from a year ago. Current assets increased by 49.6% primarily on the back of higher trade receivables in the Tourism and Strategic Investments sectors in line with the increase in revenues.

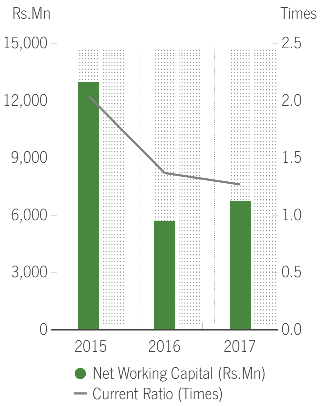
"The debt to equity ratio of the Group increased slightly to 0.34 times from 0.28 times, well within the comfort level of allowing the Group to borrow further should there be a need to finance any new projects through debt financing."

Current liabilities of the Group increased by 61.1% and stood at Rs. 25.0 billion at the balance sheet date. An increase in bank overdrafts and short term borrowings has contributed primarily to this increase as the power generation segment's higher working capital requirement was financed through short term borrowings.

Despite the increase in net working capital position, the current ratio declined to 1.27 times from 1.37 times at the balance sheet date. The quick assets ratio too declined to 1.20 times from 1.29 times, although both ratios are continued to be at healthy levels.

Net Working Capital & Current Ratio

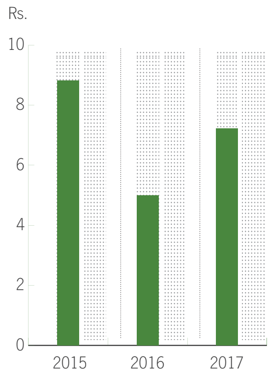
As at 31st March



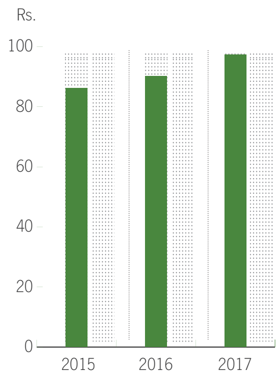
GROUP CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

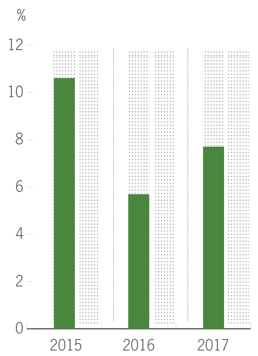
Earnings Per Share
For the year ended 31st March



Net Assets per Share
As at 31st March



Return On Equity
For the year ended 31st March



SHAREHOLDER RETURNS

Earnings Per Share (EPS)

The Group recorded an earnings per share of Rs. 7.12 for the year in comparison to the earnings per share of Rs. 4.99 the previous year. During the year, there was no change in the number of issued shares. Hence the increase in the earnings per share of 42.6% is equal to the increase recorded in the net profit attributable to equity shareholders.

Net Assets per Share (NAPS)

The total equity attributable to equity holders of the parent company stood at Rs. 39.5 billion at end of the financial year under review. This indicated a net assets per share of Rs. 97.24 which was an 7.7% increase over the net assets per share of Rs. 90.26 as at end of the previous financial year. As the number of issued shares remain unchanged during the year, this increase is due in full to the increase of the equity attributable to the equity holders of the parent.

Return on Equity (ROE)

The Group achieved a return on equity of 7.6% for the year compared to the return on equity of 5.7% recorded the previous year. The return on equity being a multiplication of the Group's net profit margin, asset turnover and financial leverage, witnessed a higher asset turnover and financial leverage whilst the decline was noted in the net profit margin to record an overall improvement in the ratio.

The net profit margin for the year declined to 6.3% from the 7.8% recorded in the previous year due to the higher costs incurred on raw materials and consumables. This increase mainly arose from the power generation segment which witnessed the recommencement of operations of Ace Power Embilipitiya. The asset turnover ratio indicated an improvement in the use of the Group's assets for the generation of revenue by increasing to 0.54 times from the 0.37 times the previous year. The financial leverage ratio increased from 1.9 times in 2015/2016 to 2.2 times for 2016/2017 denoting a higher debt funding of the Group's assets.

Market Price per Share and Market Capitalization

During the year under review, the share price of the Company moved between a high of Rs 86.00 and a low of Rs 55.00, to close the year at Rs. 56.20. This was a 23.5% decline over the price per share of Rs. 73.50 on 1st April 2016. In comparison, the Diversified sector index declined by 2.58% during the same period while All Share Price Index recorded a decrease of 0.52%. S&P SL 20 index recorded a growth of 7.06% during the financial year.

The market capitalization of the company stood at Rs. 22.8 billion and accounted for 0.86% of the total market capitalization of the Colombo Stock Exchange.

The performance of the share price of the Company does not reflect the growth achieved by the Group during the period but was attributable to the adverse market conditions that prevailed during a major part of the financial year.

Return on equity attributable to equity holders of the Company

	Net Profit Margin	x	Asset Turnover	x	Financial Leverage	=	ROE
2016/2017	6.30%	x	0.54	x	2.22	=	7.59%
2015/2016	7.80%	x	0.37	x	1.94	=	5.66%

Price Earnings Ratio and Price to Book Ratio

The Price to Earnings Ratio (PER) of the Aitken Spence share was 7.9 times at the end of the financial year. Despite the 42.6% increase in the EPS, the share price declined during the year under review as discussed earlier, resulting in a 46.4% decline from the 14.72 times PE multiple as at the end of the previous financial year.

With respect to the net assets, Aitken Spence share was trading at a 42.2% discount at the balance sheet date, with a price to book-value ratio of 0.58 times.

Dividends per Share

The strong foundation the Group has put in place for its diversified businesses has enabled it to harness rich rewards during the year. The Group is confident of the continued ability to reap growth in its key sectors in the coming years due to well thought out strategies coming to fruition. The encouraging performance of the Company in the financial year under review has enabled the Board to declare an interim dividend of Rs 1.25 which was paid in March 2017, and in keeping with the policy of providing attractive returns to the shareholders the Board recommends a final dividend of Rs 0.50 per share to be approved by the shareholders at the Annual General Meeting in June.

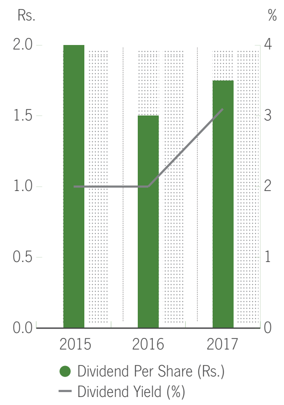
TREASURY OPERATIONS

Interest Rate and Cash Management

The year under review saw the monetary policy being further tightened by the Central Bank in order to ensure macro-economic stability of the nation. The policy rates were increased twice during the year as the Standing Deposit Facility Rate (SDFR) was revised from 6.50% to 7.25% and the Standing Lending Facility Rate (SLFR) was increased to 8.75% from 8.00%. Interest rates on government securities also were on an uptrend with the 12-month treasury bill

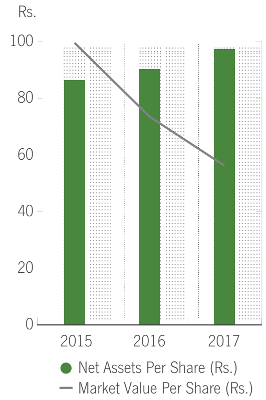
Dividend Per Share & Dividend Yield

For the year ended 31st March



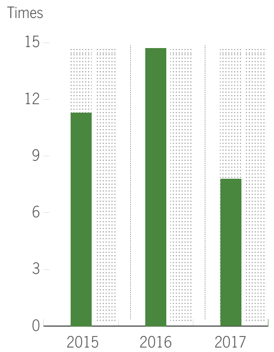
Net Assets Per Share & Market Value Per Share

As at 31st March



Price Earnings Ratio

As at 31st March



rate moving up from 10.64% to 10.98% during the year while the 3-month treasury bill rate increased from 8.90% to 9.63% during the year. The market liquidity was short for most part of the year and exerted upward pressure on commercial borrowing rates. Average Weighted Prime Lending Rate (AWPLR) calculated on a monthly basis moved up sharply from 8.87% to 11.56% during the year thereby increasing the finance costs of corporates significantly. On the positive side, depositors were at an advantage as banks were forced to borrow at ever increasing rates to meet their lending obligations. Corporates with surplus cash positions were able to negotiate high rates for their deposits. The Group treasury was able to take advantage of the mismatch between short term borrowing and lending rates in the market to create positive value for the Company.

The Group treasury negotiated several short-term borrowing facilities from commercial banks on favourable terms during the year. These facilities are used to meet working capital requirements of the Group on a day to day basis. The main objective of negotiating new facilities is to ensure that finance costs are minimized and the Group has sufficient liquidity to meet its operating obligations.

The US Federal Reserve increased policy rates three times since December 2015 with the increase in March 2017 being the latest. Although this has resulted in an increase in LIBOR rates, the availability of US Dollar denominated interest earning assets has minimized the impact on the Group's finance expenses. The Group treasury will continue to monitor global markets to assess the impact of new developments and recommend appropriate action to minimize interest rate risks.

Foreign Exchange Management

The Rupee commenced the year at 145.28 to the US Dollar and closed at 151.98 with 152.25 being the peak reached on 17th March 2017 The rapid decline in the value of the Rupee was partially driven by the exit of foreign investors from government securities and was also due to the balance of payment worries which persisted during the year. Although the Central Bank took the appropriate steps by increasing policy rates, impact of foreign debt repayments on reserves exerted pressure on the Rupee. The assistance of the International Monetary Fund (IMF) in the form of an Extended Fund Facility (EFF) was welcome and mitigated the adverse impact.

The tightening of the monetary policy by the Central Bank was successful in reducing the private sector credit growth which was fuelled mainly by the consumption expenditure. Continuation of this policy is likely to result in stabilizing the currency and the balance of payment position of the country. The successful issue of a sovereign bond to raise US dollar 1.5 billion in the current financial year for which there was an overwhelming investor interest is an encouraging development. The restoration of GSP+ as well as the re-commencement of marine exports to Europe are welcome developments which will no doubt have a positive impact on the economy by way of increased export earnings.

The Group continued to enjoy a high volume of foreign exchange denominated cash flows from its main sectors of operations which ensures a natural hedge against fluctuations of forex markets. The Group also continues to maintain a significant value of foreign exchange denominated interest earning assets to mitigate translational impact due to foreign currency borrowings. Comparatively low interest rates on foreign currency borrowings despite policy rate hikes by the US Federal Reserve is an attraction for project financing, although the Group resorts to such borrowings only in respect of projects generating cash flows in a matching currency. Such projects are mainly ventures in foreign countries.

The year ahead is likely to bring a plethora of challenges to foreign exchange markets. The US Federal Reserve has indicated that it would be resorting to further policy rate hikes which is likely to result in capital outflows from emerging and frontier markets back to the developed world. Thus, the currencies in such markets are likely to be under pressure in the coming months. The impact of the Brexit has already been felt in the form of a weakening Sterling Pound and the continuing weakness in European economies compounds the negative impact on the developing world. Moreover, the geopolitical tensions in South and East Asia are creating further uncertainties that impact foreign exchange markets. The Group treasury will continue to follow these developments to assess and recommend appropriate strategies that would maximize the benefits to the Company and minimize adverse outcomes.

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

1,729
EXECUTIVES

6,412
NON EXECUTIVES

627
EXECUTIVES

4,925
NON EXECUTIVES

THE STRATEGIC AGENDA

Human capital goes hand in hand with the current and future success of the Aitken Spence Group and hence the long-term vision of the Group underpins all activities of the HR function, where the overarching goal is to create an environment in which employees can thrive and feel empowered to deliver sustainable organizational performance. In practice, this calls for the Group's various businesses to actively focus on reducing complexity, increasing efficiencies and implement better change management strategies that would pave the way for a more dynamic human capital base across the Group.

Encapsulating these principles, a five-year strategic plan for HR was rolled out in 2013/2014 emphasizing on certain strategic priorities. It is hoped that the implementation of these key priorities would re-engineer the Group's human capital in readiness for the emerging challenges of 2020 and beyond, while also augmenting Aitken Spence PLC's position as an employer of choice in Sri Lanka's corporate sector.

	Business Sector								Group	
Employment Type	TOURISM SECTOR		MARITIME AND LOGISTICS SECTOR		SERVICES SECTOR		STRATEGIC INVESTMENTS SECTOR			
	M	F	M	F	M	F	M	F	M	F
Executive	659	245	549	170	171	58	350	154	1,729	627
Non Executive	2,540	154	769	77	125	0	2,978	4,694	6,412	4,925

M - Male F - Female

Employment Distribution in different regions

Region	Employment breakdown on gender	
	Male	Female
Fiji	204	46
Maldives	882	54
India	142	20
Oman	120	21
Mozambique	3	0
Bangladesh	52	4
Sri Lanka	6,738	5,407

Developing a more strategically active HR team

Given the complexity of modern business, organizational responsiveness is seen as a key driver of competitive performance. Therefore, for any organization, achieving this would depend on the agility of its HR function. However, developing a strategically active HR team remains a challenge for any organization, especially one as large and diverse as the Aitken Spence Group.

DISTRIBUTION OF EMPLOYEES IN DIFFERENT REGIONS

FIJI	MALDIVES	INDIA	OMAN	MOZAMBIQUE	BANGLADESH	SRI LANKA
250	936	162	141	3	56	12,145
1.83%	6.84%	1.18%	1.03%	0.02%	0.41%	88.69%

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

As a control function of the Group, the role of HR continues to evolve in tandem with trends that continue to reshape the human capital landscape across the globe. Aitken Spence Group HR operates in partnership with senior management team and all subsidiaries, business divisions and departments. Moving away from a reactive HR model, the current Group HR model is structured to be more proactive, with the ongoing focus on bringing the Group's values and beliefs to life through a long-term vision for the HR function.

As part of this proactive approach, the Corporate HR team is responsible for implementing HR strategies at a Group level and providing oversight for core HR functions across the Group, while designated HR partners have been given delegated authority to implement strategic initiatives relevant to their respective subsidiaries. The main goal here is to encourage HR partners to cultivate a more hands-on approach towards addressing the sector-specific human capital challenges in cognizance with the Group's HR vision.

Developing the leadership pipeline

Investment in skills and accelerating employees' professional and personal development are essential components of the Group's human capital agenda. Aitken Spence PLC is fully committed to strengthening the capability of managers and holding them accountable, enabling employees to thrive and meet their full potential. This is reflected in the recalibrated talent development agenda, which aims to develop and nurture future leaders who would champion the Group's core values, take ownership for the Group's performance and inspire the best in their colleagues.

A key driver of this leadership development process is the ability to identify and enable employees and develop in them, the skills necessary to take up new roles within their own companies or in others within the Group. By providing access to skills training and career development programmes coupled with redeployment opportunities to support greater cross-functional mobility across departments and companies within the Group. Employees not only have access to more diverse and fulfilling careers but also become key partners in the long-term growth of the business. The Group places increasing importance on managing and developing employee performance holistically through effective feedback and proactive action. All talent development programmes now have a strong culture component embedded in their curriculum.

High-level decisions regarding the leadership pipeline are made at the monthly meetings of the Board of Management. The Chief Human Resource Officer (CHRO), who is also a member of the Board of Management sits in on these meetings and contributes towards the determination of the development of a strategic leadership pipeline for the Group.

At an operational level the following initiatives are in place to facilitate greater employee involvement and promote a bottom-up approach towards the leadership development process:

- The "Staff Convention" held thrice a year, provides a forum for the senior leaders and business managers to share their views and suggestions with the Board of Management,
- The monthly HR Committee Meeting attended by the HR partners of each of the Business Units, provides a platform to obtain business specific information and feedback,
- Subsidiary visits conducted by the Group HR team are structured to enable subsidiary business leaders to contribute towards key strategic initiatives that will spearhead growth and transformation of each business unit.

Creating a strong performance-driven work culture

A strong corporate culture has been the cornerstone of the Group's legendary success. From the inception Aitken Spence PLC., has adopted a purpose-driven approach to strengthen and preserve its unique corporate culture, where the focus has always been to ensure employees actively imbue the Group's core values and beliefs as part of their day-to-day business activities.

Together with the clear strategic direction from the top, strong two-way communication ensures that all human capital processes, practices and policies are well anchored to the Group's core values and beliefs.

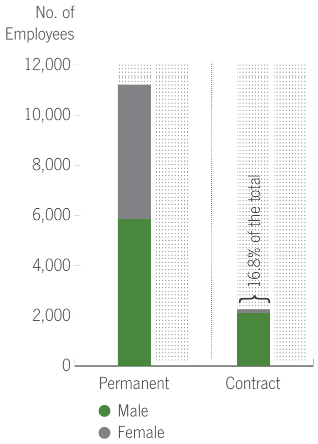
These efforts also go hand in hand with an increased emphasis on greater personal accountability and a cohesive approach towards managing human capital risk.

Setting the standards for disciplined management of human capital risk also entails developing highly competitive incentive and reward structures with due consideration of market factors. Given the scale of the organization, the key priority for Aitken Spence Group HR is to optimize the supply and demand for capabilities within the Group, while at the same time reducing the cost-per-employee in the long-term.

Having understood that this can only be achieved through performance-driven incentives, remuneration and benefits are now determined by an employees' ability to deliver sustainable performance and his or her behaviour vis-à-vis corporate values. In this regard, a structured remuneration framework provides clear guidelines on the target proportion of fixed to variable compensation by title, division, function etc.

Breakdown of Employees on Employment Type & Gender

As at 31st March



GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

"To anticipate the future human capital needs of the Group and determine level of competencies needed to execute future strategy, a review of the labour force and its composition is carried out every two years."

NO. OF NEW RECRUITS DURING THE YEAR

TOURISM SECTOR
1,067

MARITIME AND LOGISTICS SECTOR
343

STRATEGIC INVESTMENTS SECTOR
1,665

SERVICES SECTOR
54

Strategic resourcing

To anticipate the future human capital needs of the Group and determine level of competencies needed to execute future strategy, a review of the labour force and its composition is carried out every two years. The results of these studies indicate that in order to optimize the use of resources and ensure long-term value creation, the Group's human capital must have both; individuals who possess the business acumen to understand the core business model and also agile, creative cross-functional teams who would act as agents of change for the future of the business.

These objectives are met in a number of ways, mainly through job rotation, which is practiced within the Group as a method of retaining talented employees, who are given the opportunity to gain experience in other subsidiaries within the Group. Promoting greater cross-functional mobility in this manner ensures that employees are not stagnated in their existing position and are able to gain experience and knowledge in other sectors in which the Group has a presence.

Another key aspect of Group's hiring strategy is to ensure a steady pipeline of junior talent, including permanent hires, interns etc. A joint induction and orientation programme is conducted to introduce all new junior recruits to the Group, and orient them to the business focus. These interactions also serve as an initial training ground to identify relevant technical skills and lay the foundation for strong employee relations in the future.

Meanwhile, to meet the growing high-level strategic resourcing needs of the Group, a strategic decision was made to recruit expatriates to the work force, particularly with new projects and emerging business opportunities in the tourism industry. It is expected that this move would help the Group to secure a competitive advantage in the market and capitalize on the current boom in the leisure industry.

Company school of management

Established in 2013, the Aitken Spence school of management continues to function with the aim of creating a fully-fledged in-house training facility that would enable the development of technical and managerial skills of employees through specialized academic courses.

Since then, significant progress has been made with the first batch of 40 employees comprising of senior managers and Directors selected from the Maritime and Logistics sector, successfully completing a Group-sponsored two year MBA degree programme in Logistics and Supply Chain Management offered jointly by Dalian Maritime University (DMU) of China and CINEC Maritime Campus.

To further expand the scope of learning facilities offered by the school of management, the Group, in 2016, tied up with the National University of Singapore to offer a special programme on marketing for senior managers within the Group. As a result of these ongoing developments, the school of management now offers courses and MBA programmes in logistics studies, transport management and business management, all of which are affiliated to leading universities across the world.

TAKING ACTION & DELIVERING RESULTS

Talent acquisition and management

Against the backdrop of strategic repositioning and addressing the human capital challenges that lie ahead, Group relies both on leveraging the skills and experience already available within the organization, as well as sourcing the necessary capabilities that will help position the Group for long-term sustainable performance.

Recruitments are made through a balanced and transparent approach that is based on a strict screening and evaluation process to determine not only skills and competencies but also the ability of potential candidates to connect with the Aitken Spence corporate value culture and work ethic. In order to ensure these objectives are met, all line managers are given regular training on interview techniques and interpretation of test results. In addition, the opportunity to sit in with senior interview panel for simulated interview scenarios.

Among the key focus areas for the year was cost management and control related to recruitment, as part of the effort to increase the efficiency and quality of HR processes both internally and externally. Moreover, HR governance was also strengthened to ensure that consistent, structured and merit-based hiring practices are strictly applied across the Group. Among the developments was the tightening of policies on hiring and a more comprehensive scrutiny of workforce referrals.

More recently, there has also been a particular focus on demographic trends and how they affect the Group. The new project rolled out during the year, to address the high attrition rates observed among the large number of millennials joining the workforce. In addition, a new series of programmes were introduced jointly by Group HR together with subsidiary-based HR partners, to obtain an understanding of behavioural attitudes and mindset of entry-level recruits, a move that has prompted the restructuring of the onboarding and integration processes.

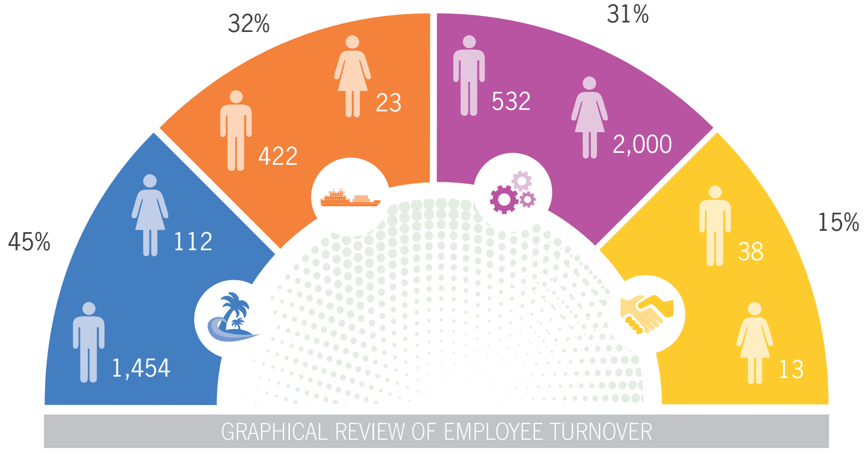
Meanwhile, to broaden access to diverse talent pools, the Group continued to strengthen its partnerships with various institutes and universities including, the long-standing partnership with the Chartered Institute of Management Accountants and the Institute of Chartered Accountants of Sri Lanka and links with a number of leading universities, which enable students from these institutions to benefit from the Group's career guidance sessions and internship programmes.

Sector-specific partnerships were also strengthened: The tourism sector tie-ups with different universities (specializing in tourism) and student bodies such as AIESEC and institutes focusing on language studies (German, French, Russian etc). The logistics arm works with local universities and logistics related universities (CINEC Maritime Campus), providing them with internships and hiring then when required. Aitken Spence PLC., also has a significant shareholding in the CINEC Maritime Campus.

The hotels segment has its own hotel school where it offers hospitality related courses to students and providing them with practical training with the option to be absorbed into the Group, in the event suitable vacancies arise.

Number of interns from partnerships and other tie ups in each sector (e.g. CINEC, AIESEC etc.)

Sector	No. of interns
Tourism Sector	78
Maritime and Logistics Sector	36
Strategic Investments Sector	46
Services Sector	21



37.5% FEMALE RECRUITS for the year

48.6% OF OUR WORKFORCE under the age of 35 years

181 INTERNS RECRUITED during the year

Details on new recruits

Sector	No. of new recruits based on age and gender							
	35 yrs and below		36 yrs – 45 yrs		46 yrs – 55 yrs		56 yrs and above	
	M	F	M	F	M	F	M	F
Tourism Sector	462	71	342	39	124	16	12	1
Maritime and Logistics Sector	110	29	121	20	39	13	11	0
Strategic Investments Sector	311	476	251	395	121	103	7	1
Services Sector	15	2	20	7	7	1	2	0

M - Male F - Female

Details on employee turnover

Sector	Employee turnover based on age and gender								Turnover Rate %
	35 yrs and below		36 yrs – 45 yrs		46 yrs – 55 yrs		56 yrs and above		
	M	F	M	F	M	F	M	F	
Tourism Sector	1,146	99	210	8	80	5	18	0	45
Maritime and Logistics Sector	204	17	93	1	95	3	30	2	32
Strategic Investments Sector	218	1,224	173	460	98	246	43	70	31
Services Sector	18	11	7	0	7	1	6	1	15

Note on GRI G4 – LA1: While we present the numbers on total number of new recruits and turnover by age, gender and sector, the breakdown by geographical region is currently not available. We hope to include this information in future reports.

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

Career progression

In the year under review, the Group continued to strengthen its internal career mobility activities to drive greater career development and retention of employees. Efforts to establish a suitable framework for growth by creating greater visibility of opportunities saw managers being assigned with new projects, empowering them to take up new challenges. At the same time, a more focused approach was developed to actively identify redeployment opportunities at all levels, with specific efforts to facilitate cross-divisional moves to allow employees to develop and expand their skills and pursue diverse career options. As part of this initiative, existing employees in the Group were given the opportunity to apply for available internal vacancies prior to advertising externally; a move that has facilitated greater career mobility within the Group.

A prerequisite to the career progression is a comprehensive performance evaluation mechanism which is made available to all employees of the Aitken Spence Group. The talent review process is geared to highlight an employee's strengths and identify areas for development. The mechanism follows a structured approach, based on a person's individual performance and development as well as their personal contribution to overall organizational success.

The first step of this process is the goal setting exercise, where each individual in discussion with his/her supervisor sets both operational and developmental goals for the year ahead. This is followed by a mid-year appraisal to review progress and concludes with an annual review conducted at the end of the financial year, where goal evaluation, competency evaluation and a feedback and development plan is formulated for each individual. At the core of the evaluation process is Group's competency dictionary, an eight-point gauge to measure employee capability, based on their grade. Employees are allocated ratings between 0–4, where a score of 4 is deemed exceptional and 0 is considered unsatisfactory. The competency dictionary is the main catalyst in determining employee career progression and training needs.

In addition, certain subsidiaries including hotels and freight forwarding arm, have in place a 360° degree feedback system, to ensure that their employees receive an overall feedback regarding their performance from all stakeholders of the business. In such cases, the result of these surveys too is considered in the career mapping process. The performance appraisal process holds a great level of significance and has a direct impact on the promotion decisions. The 360° mechanism is an option available for management of subsidiaries to incorporate in their performance appraisal processes at their own discretion.

Sector	No. of promotions	Percentage of employees who received an annual performance review
Group	279	100%
Tourism Sector	65	100%
Maritime and Logistics Sector	86	100%
Strategic Investments Sector	74	100%
Services Sector	54	100%

Having subscribed to the Women's Empowerment Principles, the Group endorses a strong gender balance in all human resources processes including career progression. In the plantations and apparel manufacture segments, where female representation in the workforce is high, special programmes have been implemented to support women to continue working and to also facilitate financial security and independence. In testimony to the commitment to enhance Group-wide gender balance, 92% of the female cadre returned to work after maternity leave.

Training and development

To enable employees to maximize their potential and get the most out of their career, the Group promotes the continuous professional and personal development of all employees. Training is not limited to the executive grade and permanent staff only. Employees who are in the non executive cadre as well as the employees who have joined on contract basis are also evaluated in terms of their performance and are given equal opportunity during the process of training needs identification.

Training plans are developed primarily based on the training & development needs of individual employees, which are identified mainly through the performance appraisal process. Business requirements and competency gaps play the key role on developing training programmes for employees with all employee groups being considered in formulating training plans. In addition, business-specific training needs, individual recommendations and the feedback received from 3600 surveys and customer service audits, also contribute towards the assessment of training needs, particularly for subsidiary level employees.

"Having subscribed to the Women's Empowerment Principles, the Group endorses a strong gender balance in all human resources processes including career progression."

FEMALES RETURNING TO WORK
after maternity leave
92%

NO OF EMPLOYEES PROMOTED
For the year ended 31st March 2017
279

NO. OF FOREIGN LEADERSHIP TRAINING
During the year
60

COMPETENCY LEVEL 01:

Executive to Assistant Manager

1. Leadership (Ability to lead and train others and to get results through teamwork)
2. Personality (Ability to get along with fellow workers and others)
3. Quality of work (The accuracy and thoroughness with which work meets recognised standards of performance)
4. Dependability (Reliability in following through on assignments and instructions)
5. Interpersonal skills (Relations with internal and external customers, where applicable)
6. Quantity of work (Volume of work based upon recognized standards of performance)
7. Initiative and application (Resourcefulness, independent thinking, attention and application to his/her work)
8. Knowledge of work (Understanding of all phases of work and related matters

COMPETENCY LEVEL 02:

Manager to General Manager

1. Initiative and application (Resourcefulness, independent thinking, attention and application to his/her work)
2. Quantity of work and target orientation (Setting of effective periodic targets (SMART) and volume of work based upon recognized standards of performance)
3. Dependability (Reliability in following through on assignments and instructions)
4. Knowledge of work (Understanding of all phases of work and related matters)
5. Employee management and leadership (Effective management and leadership of employees allowing employees to accomplish their goals at work capitalizing on their strengths and abilities)
6. Interpersonal skills and personality (Relations and ability to get along with fellow workers, internal/external customers and other stake holders)
7. Problem solving and decision making (Ability to analyse problems, evaluate alternatives, anticipate consequences and eliminate obstacles to successful completion of objectives or responsibilities)
8. Quality of work (The accuracy and thoroughness with which work meets recognized standards of performance

COMPETENCY LEVEL 03:

Assistant Vice President to Managing Director

1. Brand image (Positioning the company as a top end corporate citizen. league tables, awards, accolades, positive media coverage are some of the factors to be considered.)
2. Strategic planning/implementing (Degree to which one foresees the future strategic developments in the financial services industry and recommending/implementing strategies to position the institution to benefit from these strategies and limit any adverse impact)
3. Communication/influencing skill (The degree to which one communicates all matters of importance (upward and downward), transmits directions and information orally and in writing, conducts and participates in meetings especially where significant financial interests are at stake)
4. Problem-solving/decision making (The ability to analyse problems, evaluates alternatives, anticipate consequences & eliminate obstacles to successful completion of objectives or responsibilities)
5. Creativity & innovation (The ability to effect continuous improvements to systems and procedures and the ability to come up with new concepts, ideas and systems)
6. Compliance (Compliance with company's relevant obligations. This term is defined as knowledge and application on the Companies Act and tax law and any other enactments that provide a legal framework within which the company operates and that may materially affect the company's financial statement)
7. Talent management/succession planning (Attracting, motivating and retaining high quality staff. Resolving conflicts and building effective teams. Identifying and developing high performers for succession)
8. Interpersonal/leadership skills (Relationships with customers, service providers and regulators; acceptance by business community and leadership roles outside the institution)

In general, across the Group a higher weightage (70%) is allocated to job-related training enabling employees to obtain the knowledge, skills and attitude to add value to their job role, while the remaining 30% consists of other training initiatives that focus on building soft skills of the employees in order to develop them professionally as well as personally.

All participants are required to complete a post-training evaluation form, which has been designed to capture the participants response regarding the training as well as to gauge the effectiveness of training content, facilities, trainers' delivery, handouts, etc. Data captured in this manner is then collated into an evaluation summary and circulated amongst the respective trainer/s, for necessary improvements.

Leadership development

In line with the Group's leadership development platform Aitken Spence PLC., continues to partner with foreign affiliates such as NUS (National University of Singapore), & Cornell University USA, where selected candidates from the senior management team, are given the opportunity to obtain valuable training and experience pertaining to leadership and high-

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

"To enable employees to maximize their potential and get the most out of their career, the Group promotes the continuous professional and personal development of all employees."

level strategic management. These programmes are geared to provide participants with the knowledge and insights into marketing strategy, business strategy, effective project leadership, high performance leadership, international business standards and global best practices in managing and leading large-scale organizations.

Institute	No. of employees benefitted
National University of Singapore	40
Cornell University USA	20

In addition, senior level employees also have access to the Group's secondment programme, which offers them the opportunity to work at various businesses located overseas, enabling them to benefit from international work exposure and global best practices. As a support measure, an executive coaching & mentoring programme was introduced in the year under review to give senior level employees the opportunity to further enhance their leadership skills and boost their eligibility for the secondment programme.

Efforts to develop the middle management saw the roll out of the 'Management Development Centre (MDC)', a special initiative linked to the aforementioned competency dictionary. The main goal of the programme is to groom the next generation of leaders who would lead the Group from 2020 and beyond. These efforts are supported by regular programmes to help all newly appointed managers settle in and grow into their new roles. Moreover, the Management Training Programme (MTP) was made a compulsory prerequisite for all those aspiring for managerial positions. From a Group perspective, it is deemed to be the "license to manage", and all employees are required to participate in this programme and obtain the relevant certification in order to be eligible for a management level promotion.

The following programmes were also conducted in 2016;

- **Essentials for Managers** – an initiative to address the knowledge deficiencies observed among mid-level managers especially in the disciplines of HR, marketing, IT and finance, which was found to be hampering their ability to make informed business decisions. This programme was conducted for multiple batches for assistant managers from various subsidiaries across the Group
- **Chat & Learn and Write Right** – an initiative to improve verbal and written communication skills of mid-level managers, the programme was conducted over 10 consecutive weeks focusing on developing spoken and written English as well as presentation skills of target group

Further, the Group's ongoing partnership with Cornell University in the USA, enabled 20 mid-level managers to follow an academic e-learning programme conducted by the university in 2016.

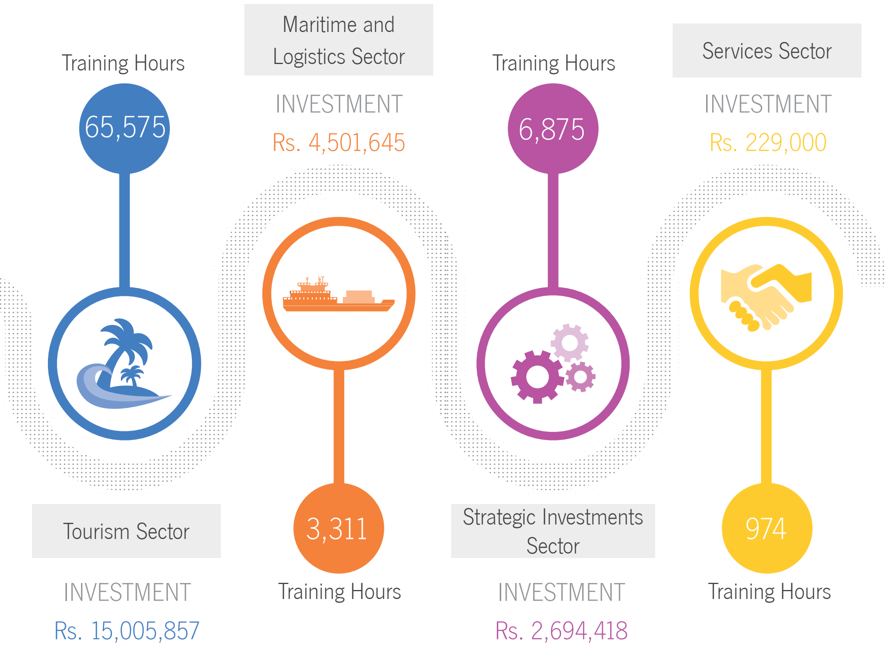
TRAINING AND DEVELOPMENT GRAPHICAL REVIEW

Key focus areas consists both technical and soft skills training

Group

INVESTMENT
Rs. 22,430,920

TOTAL TRAINING HOURS
76,735



			Job-related training hours (per employee)		
	Total investment (Rs.)	Key focus areas	Competency Level 01 (Executive to Assistant Manager)	Competency Level 02 (Manager to General Manager)	Competency Level 03 (Assistant Vice President to Managing Director)
Group	22,430,920	Both technical and soft skills training, non executive trainings	12.5	13.8	13
Tourism Sector	15,005,857	Both technical and soft skills training	25	21	16
Maritime and Logistics Sector	4,501,645	Both technical and soft skills training	10	19	15
Strategic Investments Sector	2,694,418	Both technical and soft skills training	8	7.5	11
Services Sector	229,000	Both technical and soft skills training	7	7.5	10

Note on GRI G4 – LA9: While HR systems are in place to identify training needs across the Group, training and educational opportunities are provided to all employees as per their needs without discrimination. The current monitoring system does not include a gender based analysis as the nominations for training are dependent on the training needs of individual employees. However, based on data available as at 31st March 2017, it is estimated that average female participation in training programmes was 27%. Plans are currently underway to set up a more structured mechanism to monitor the gender participation within the categories mentioned above. It is hoped that such a mechanism would assist in identifying if the gender balance remains intact when planning skills development programmes within the sectors or competency levels.

Best Practices

Human rights

Aitken Spence PLC., endorses the Human Rights Protection Framework developed by the Business Leaders Initiative on Human Rights (BLIHR) as a guide to integrate human rights concerns into business management. Moreover, to ensure that every employee is treated with dignity and without any tolerance for discrimination, harassment or abuse all Group level policies, practices and procedures have been evaluated in line with the essential and expected action points of the BLIHR framework as well as other voluntary endorsements such as the Principles of the UN Global Compact.

Group HR along with appointed HR partners are proactively involved in educating employees on the BLIHR framework, the UNGC Principles and the policies, procedures and practices in place in the Company.

Regulatory compliance

The Group complies with the labour laws applicable in the jurisdictions it operates in and ratifies the core conventions of the ILO with respect to employment of persons, including in the areas of freedom of association, forced labour, discrimination and child labour.

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.

Employee relations

From the inception Aitken Spence Group has worked tirelessly to create and maintain positive individual and collective relationships, through an open dialogue with its employees. At present, employees have a range of engagement mechanisms, enabling them to maintain effective relationships with the management of their respective companies. Employees have access to multiple communication channels including; the corporate news letter, intranet, corporate website, company blog, social media platforms etc. which enable them to foster closer connections with their superiors and colleagues.

At a Group level, the commitment to long-term collective relationships with employees are based on the Group code of ethics, which lays the foundation for a culture based on trust, shared values, mutual respect and open dialogue.

The code stipulates that maintaining employee relations are the clear responsibility of the management at each subsidiary, who are expected to enforce Group principles, policies and standards through regular engagement with employees.

With over 50% of the total workforce (including plantations) of the Group covered by collective bargaining agreements and or mirror matching of collective agreements, all matters/grievances are handled locally at site level (factories, warehouse, etc.) in accordance with business-specific laws and practices. Only serious unresolved issues are escalated to a Group level. Management does not restrict employees from joining trade unions or collective agreements and the freedom to be a part of a union or a collective agreement at their own discretion is guaranteed. Further, the management of the Group goes a step beyond collective bargaining by ensuring an “Open Door Policy”. Our continuous effort is to work with our employees to provide them job security at every level. Either party may terminate employment with one month’s notice unless specified otherwise. Retrenchment is zero at Aitken Spence and even during the recession in 2008 Aitken Spence maintained employment and there were no retrenchments. If an employee requests for a transfer within the Group, the transfer takes place at a mutually agreed time frame.

When a grievance is escalated to Group level it is first tackled by a team from Group HR comprising of minimum of two officers who will be present at all discussions pertaining to resolving the matter, unless the nature of the discussion requires only certain people to be involved. After the first screening of the matter, we seek help of professionals such as psychiatrists, consultants, counsellors etc. based on the nature of the problem.

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

GRIEVANCE HANDLING

Relevance – This is the management approach to handle employee grievances

Whistle Blowing Procedure

The Group has a whistle blowing policy whereby staff members can forward any grievances, complaints or feedback to a private email address monitored by an independent third party. Full confidentiality is offered to employees who provide feedback. Issues brought up are communicated to the highest governance body and necessary action is taken according to each individual case.

Social media and the Aitken Spence blog are monitored by the group business development division and feedback is conveyed to the Board of Management.

Performance Appraisals

All executives have to conduct performance appraisals which has been added to the online Human Resources Information System (HRIS). In these appraisals, employees are expected to have discussions with the immediate supervisors. These evaluations include the analysis of work, workload, responsibilities, accountabilities and expectations as well as grievances. Exit interviews for employees who are resigning or retiring from the organisation are also channels where feedback is obtained on company practices, workplace satisfaction and other pertinent details.

Open Door Policy

We practice an open door policy across the Group where employees are able to have direct contact with senior management by requesting for a meeting. Any employee with a new product idea or innovative service opportunity is able to discuss their ideas with their supervisors and/or senior managers. There have been many ideas implemented across the Group which have originated from our employees. Grievances of the employees are treated with importance and if necessary, employees are able to email the respective Managing Directors with any grievances or feedback.

Employee Satisfaction Surveys

'Employee Satisfaction Surveys' are conducted frequently to strategically identify and project the employee viewpoint in a variety of areas which are considered equally important to the employee and the employer. To enable more opportunities for staff members to communicate with Managing Directors, a young executives meeting is organized where a selected group of executives throughout the Group meet the highest governance body to communicate their views on the growth potential of the company, areas for improvement and any other concerns.

Number of grievances filed through formal grievance mechanisms during the reporting period: Seven.
Total number of incidents of discrimination and corrective action taken: None

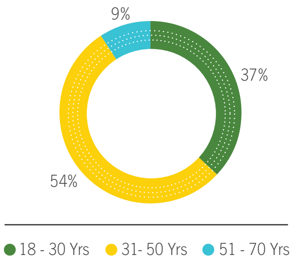
The SGD's we hope to contribute towards our efforts

Managing Diversity

Diversity is embedded across all people processes from recruitment to leadership development and reflected in all HR-related offerings, including parental leave, coaching and flexi-time options. Moreover, across subsidiaries, managers are responsible for fostering diverse capabilities and leading inclusively, with hiring and promotion programmes also reflecting key aspects of the Group's diversity principles. Whilst nurturing a culture that cherishes diversity and inclusion the Company ensures equal pay and equal career opportunities across the Group. As part of this commitment, the groundwork was laid to begin analysing the Group's workforce statistics by permanent/contract basis, gender and region. At Aitken Spence diversity is embraced as a norm more than a strategy, where people are not discriminated and are accepted to the workforce regardless of their nationality, gender, them being differently able etc. The Sri Lankan workforce of the Group currently have about 10 expatriate employees who contribute immensely in terms of bringing a different flavour to the way the work is done. We believe that these slight changes that diversity brings in to the culture of an organization are huge in terms of the contribution they make in creating a more globally competitive organization. In a broader sense, we believe in creating equal opportunities for all and ensuring all our employees have equal access to these opportunities. It is in the hands of the employees to ensure that they gain benefit by tapping these opportunities.

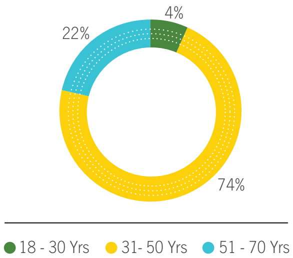
Prompted by the Groups voluntary subscription of the Women's Empowerment Principles, Aitken Spence Group remains committed towards developing female employees through both standard and specialized programmes, internal career mobility measures and strategic succession planning. Over the years, the Group has made steady progress in increasing female representation in management teams and in senior management positions. Further, at subsidiary level the management has the authority to make decisions to create a more conducive work environment for the working mothers. In the approach of ensuring women empowerment, the Group also ensures that gender equality is maintained in all the practices and no employee is discriminated based on gender while their performance is the key determinant of their career progress.

Executive to Assistant Manager
Age Analysis 2016/2017

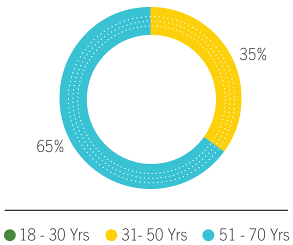


HR team at Human Capital Management Awards 2016

Manager to General Manager
Age Analysis 2016/2017



Assistant Vice President to Managing Director
Age Analysis 2016/2017



Testifying to the success of the Group's programmes, Aitken Spence PLC., received the category award for Diversity & Inclusion at the Human Capital Management Awards 2017. In addition to above the Group also won a Silver Award for the overall HR Practices.

In related developments, the Group also celebrated gender diversity on International Women's Day (08th March) by recognizing the service and the significant contribution by females to the growth of the business.

	Gender Ratio			Age Analysis 2016/2017 (%)			Employee Grade
	2016/2017	2015/2016	2014/2015	18 - 30	31- 50	51 - 70	
Group	2.5	2.6	3.1	37	54	9	Executive to Assistant Manager
	5.8	6.1	6.9	4	74	22	Manager to General Manager
	7.5	7.5	9	0	35	65	Assistant Vice President to Managing Director
Tourism Sector	2.1	2.9	3	41	52	7	Executive to Assistant Manager
	6.5	6.4	6.7	6	75	19	Manager to General Manager
	21	21	0	0	41	59	Assistant Vice President to Managing Director
Maritime and Logistics Sector	5	5.2	5	22	68	10	Executive to Assistant Manager
	9.6	9.7	10	6	74	20	Manager to General Manager
	5	5	4	0	33	67	Assistant Vice President to Managing Director
Strategic Investments Sector	2	2.2	2.1	37	51	12	Executive to Assistant Manager
	3.9	3.9	4	0	80	20	Manager to General Manager
	2.8	2.8	2.8	0	32	68	Assistant Vice President to Managing Director
Services Sector	2.6	2.9	2.8	41	48	11	Executive to Assistant Manager
	5	5.1	5.2	6	69	25	Manager to General Manager
	7	7	7	0	25	75	Assistant Vice President to Managing Director

Meanwhile, as part of the diversity strategy, the Group currently has in its cadre more than 200 differently-abled employees who work alongside their colleagues as productive members of the workforce.

Gender Ratio: The proportion of males to females in the employee population (Above figures depict the number of males per one female employee in the given employee populations)

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

Occupational health and safety

The Group maintains a strong and ongoing commitment to Occupational Health & Safety (OHS) at the workplace.

The Group's overall responsibility towards OHS includes:

- Conducting ongoing identification of hazards, the assessment of risk, and the implementation of necessary control measures (HIRAC assessments),
- Minimizing incidents and manage hazards through conducting OHS inspection & appropriate training regularly,
- Complying with local business-specific OHS legislations and other requirements,
- Continual review and improvement in OHS management and performance across all subsidiaries.

OHS practices are imbued into the daily business operations across all subsidiaries and several companies in the Group implemented action on occupational health & safety that meet the requirements of OHSAS 18000 Occupational Health and Safety Standards. For example, Aitken Spence Printing has implemented an OHS system that is OHSAS 18001 certified. Accordingly, each subsidiary is responsible for the development of their own OHS objectives and targets as part of the commitment to ensure a safe and healthy workplace. Reviews are conducted to evaluate actual performance against stated objectives, with the findings being used to spearhead further improvements. These practices that are implemented across the Group and the monitoring mechanisms that are in place ensures that the companies meet the Group level requirements of OHS practices.

Employee wellbeing

The Group is committed to ensuring the wellbeing of employees and offers a range measures to help all employees balance their work with their life and responsibilities outside the workplace.

Key among them are the flexi-time options offered by certain subsidiaries, free annual medical check-ups made available for Group employees, medical insurance scheme for employees and their families and weekly yoga classes, among others. The company also takes maximum effort in always making the employee aware about health and well-being related matters. Circulating awareness flyers and conducting awareness sessions are some of the initiatives taken.

All Group employees are eligible to an array of benefits including insurance schemes, medical reimbursement schemes, weekend packages at Aitken Spence Hotels, exam fee reimbursement, and sponsorship in professional memberships, among others. In addition, the following rewards and recognition are also in place;

- 25 years of service award
- Employee of the month/year
- Ex-gratia payments

Employee engagement initiatives

Employee engagement surveys are conducted in-house based on subsidiary requirements as well as at Group level. The Group engaged with a 3rd party consultant to carry out a study on stakeholder engagement. Though small in terms of the sample considered, this survey has provided us with focused feedback in terms of employee satisfaction and how employees perceive the actions of the management. Taking in the feedback received, as a future strategy, management plans to streamline the process of measuring employee satisfaction via more systematic in-house surveys that would

"The Group is committed to ensuring the wellbeing of employees and offers a range measures to help all employees balance their work with their life and responsibilities outside the workplace."

NO. OF LOST DAYS
due to injury
162

DIFFERENTLY-ABLED EMPLOYEES
more than
200

	No. of injuries			No. of lost days due to injury			No. of fatalities		
	2016/2017	2015/2016	2014/2015	2016/2017	2015/2016	2014/2015	2016/2017	2015/2016	2014/2015
Group	32	17	58	162	35	74	0	0	02
Tourism Sector	17	9	49	124	24	57	0	0	02
Logistics Sector	3	4	2	16	6	5	0	0	0
Strategic Investments Sector	11	4	5	15	5	6	0	0	0
Services Sector	1	0	2	7	0	6	0	0	0

Note on GRI G4 – LA6: Absentee rate is not an indicator currently monitored by the Group, as systems and procedures currently in place to allow employees to plan absence from work and to effectively use their official and personal leave allocation. Should the need arise in the future, the Group remains open to consider introducing this indicator in order to better manage employee relations.

"Different Strokes"
– Workshop for children of employees

Top left
Spence Avurudu Asiriya

Left
Aitken Spence Christmas Carols

Above
Carom Competition

help to cover all employees. Further, actions will be taken to further enhance and improve the available engagement mechanisms such suggestion boxes and informal gatherings. Formality will also be brought into the grievance handling processes with the expectation of giving opportunity for employees to voice their concerns.

FUTURE FOCUS

With the current dramatic changes in the business world it is imperative that the Group takes pre-emptive steps in readiness for the HR challenges of the future. Therefore, moving forward, the focus would be on improving organizational speed, organizational learning, workforce adaptiveness and productivity. This calls for the adoption of new technology, in particular automating certain aspects of HR operations that will significantly increase the speed with which HR conducts its day-to-day operations, in turn contributing positively towards achieving the Groups' strategic objectives.

Focus will also be laid on increasing the avenues available to employees to report on grievances related to discrimination or violation of human rights at the workplace. As a medium-term action plan, steps will be taken in the coming year to create maximum awareness among employees about the path available to them to take when faced with a grievance. Further, as a preventive mechanism, HR partners will be trained on grievance handling and on aspects that must be proactively tackled to eliminate situations that may lead to grievances.

Human capital does not stand alone in directing the company towards its objectives. It creates an impact on other capitals by ensuring strategies are in place to address every aspect. Human capital focused strategies that are in place to improve employee health, level of knowledge, skill level and the level of motivation ensures that a productive workforce is on a continuous effort towards achieving objectives of the Group. Thus, the human capital management strategies of the Group immensely contribute in empowering employees and ensuring that the people aspect of the other capitals are well balanced.

Meanwhile, Aitken Spence will strive to maintain its reputation as an employer of choice in Sri Lanka by recruiting the right people and cultivating a dynamic, responsive and future ready workforce. Further, the Group will stay focused on promoting focus in diversity and inclusiveness while striving to benchmark global best practices for human resource management.

GROUP CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

"The relationships we build are an integral part of how we operate and over time enhances our ability to sustain long term, competitive value. We are committed to create sustainable value for our stakeholders."

In the human capital and the corporate governance sections of this report, we have discussed the processes in place to manage and monitor our performance on labour practices, occupational health and safety, human rights at the workplace as well as anti-corruption and governance procedures. In this section of the report, we take a closer look at the relationships we build to sustain the Group's operation in an economically, socially and environmentally sustainable manner.

The relationships we build are an integral part of how we operate and over time enhances our ability to sustain long term, competitive value. We are committed to create sustainable value for our stakeholders.

Stakeholder Group	Our value proposition in the relationship
Employees	Provide a working environment conducive to personal and professional growth.
Investors & Shareholders Banks and Financial Institutions	Work towards the long-term viability, profitability and integrity of our businesses and ensure sustainable financial returns and dividends from well managed operations.
Industry Partnerships and Associations	Lead the movement for economic, social and environmental sustainability, build trusted relationships and collaborate towards inclusive growth and sustainable development in the industries we operate in.
Customers	Provide reliable, high quality, sustainable products and services to customers
Suppliers/ Services Providers	Build trusted, long standing relationships with our suppliers and service providers by working with them to inculcate social and environmental governance within the supply chain.
Community	Cascade value to our communities through investment in job creation and security, extending opportunities for inclusive economic growth, enhanced social sustainability and promoting environmental protection.
Government & Regulatory Authorities	Work towards the long-term viability, profitability and integrity of the businesses we are in and contribute towards the enhancement of revenue to the government and economic development of the nation.
Environment/Environmental Interest Groups	Lead the movement for environmental sustainability as well as enrich biodiversity and engage in industry collaborations to create new movements for sustainability.

The material concerns within the boundary of social sustainability tend to vary within the sectors.;

	Approximated Significance for the Sectors			
Social aspects as per the GRI classification	TOURISM SECTOR	MARITIME AND LOGISTICS SECTOR	STRATEGIC INVESTMENTS SECTOR	SERVICES SECTOR
Labour practices and decent work	High	High	High	Medium
Human rights	Medium	Medium	Medium	Medium
Society - local communities	High	Low	High	Low
Social - anti-corruption	High	High	High	High
Product responsibility	High	Medium	High	Medium
Compliance	High	High	High	High

GRI G4 - Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

> "Our ability to be commercially viable upholds the economic sustainability of over 13,000 employees and many more community members who are indirectly linked to our operations."

LOCAL COMMUNITIES

We operate in communities that are constantly evolving and have diverse needs for social and economic development. Our ability to be commercially viable upholds the economic sustainability of over 13,000 employees and many more community members who are indirectly linked to our operations. At the same time, our ability to remain commercially viable depends on the development and sustainability of the communities we operate in.

We engage with different segments of the community at different levels. (For more details refer to Stakeholder Engagement section) In general, each operation manages communication through community leaders and works with them to identify the needs of their communities.

We give priority to strategic relevance to the organization and our immediate community before we commit to any project. Aitken Spence bases the decisions to initiate community development projects on any one or a combination of the following reasons;

- Benefit to our immediate community or key stakeholders
- Serves a prominent need in the community
- Build relationships and enables engagement with community members
- Fulfilment of a regulatory requirement
- Enhance employee volunteerism
- The potential to create positive environmental, social and economic benefit on target beneficiaries
- Any other reason that can be justified by the need for the project to be carried out

Other factors that influence our decisions include;

- Can the beneficiaries continue the programme even after Aitken Spence exits from the community/ from the programme?
- Is the project socially, environmentally and financially sustainable?
- Is this the only way to achieve this objective?
- Have we met the objectives we set out to achieve?
- Can the project be up scaled to create more value through collaboration?

We are also guided by local and global development targets to decide on the areas of focus.

GROUP CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

"Many of our efforts towards inclusive development focus on education with the intention to increase the employability of our community members in their chosen fields."

SDGs we hope to support with our social development initiatives at Group level

EDUCATIONAL PROGRAMMES

Many of our efforts towards inclusive development focus on education with the intention to increase the employability of our community members in their chosen fields.

Group level programmes

Empowering Sri Lanka First programme (ESLF) of Aitken Spence was initiated after much research with the objective of providing access to quality education in the English language and computer literacy for less privileged youth to augment their employability. Aitken Spence Printing & Packaging, Heritance Ahungalla and Heritance Kandalama partnered Aitken Spence PLC in this effort and the programme has educated 160 students. Further it facilitated training and education on new teaching techniques to eleven English teachers conducted through the British Council and on computer skills to six teachers through the Foundation of Goodness. Post project evaluation revealed areas for improvement in the model we have utilized.

The programme offered opportunities to employees of the Group to share their skills with the youth of our own community and to help these students practice their skills in a supportive and encouraging environment in order to increase their employability. Within this programme, Chef Dimuthu Kumarasinghe was invited to share with the students how he pursued the career of his choice without conforming to social pressure.

The future focus of the Group is to introduce similar programmes which would achieve the same objective of ESLF with a more sustainable model.

Sector specific initiatives

Adaaran Kurimagu, conducted by Adaaran Resorts, commenced is a one-year management-training programme for ten selected Maldivian youth. The selected candidates are either graduates or diploma holders of the Faculty of Hospitality – University of Maldives, while three of the candidates are experienced employees of Adaaran resorts, thereby forming a team of young talented youth with diverse experience. The trainees undergo 200 hours of theoretical training and 2,300 hours of hands-on practical training in all aspects of resort operations. At the completion of the programme, each trainee is evaluated and absorbed to the executive cadre of the resort.

Adaaran Apprenticeship Programme, covering the areas of housekeeping, front office & food & beverage, is conducted for young Maldivians with the objective of developing them for employment opportunities in hospitality. Trainees receive an allowance, accommodation and meals. Upon successful completion, these students are absorbed to the cadre at the resorts.

Considering the shortage of skilled employees in the industries we operate in, our SBUs work to bridge the gap by providing internship opportunities to develop the skills of the local talent pool.

MMBL conducts financial literacy programmes for the migrant worker community. This builds the relationship between the customers and the company and further empowers migrant workers to make sustainable decisions in respect of their earnings. In addition, the SBU sponsors a booklet that includes key information required for migrant workers such as contact details for the high commissions or embassies of Sri Lanka in each country. This is an ongoing programme and MMBL has educated over 1,000 migrant workers in the last financial year.

OTHER PROJECTS

Health care

The Heritance Ayurveda Maha Gedara organizes a health camp every Wednesday to provide associates the opportunity to seek medical assistance. The hotel is also working with the National Child Protection Authority to create awareness for local stakeholders on protecting children from exploitation.

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

The plantation segment recognises that its success is intrinsically linked to its workers. Therefore, the health of workers is of paramount importance. The Elpitiya Plantations team continually works to provide access to healthcare and medical assistance to estate community members and is also seeking to provide support systems to enable estate workers to strengthen their health and wellbeing and the ability to maintain sustainable livelihoods. The company provides crèche facilities which are developed to the level of preschools and are managed by qualified and trained child development officers. Over the years, the company has conducted numerous free medical camps and clinics focusing on female health. It has also conducted workshops to create awareness on communicable diseases, prevention of alcoholism as well as environmental sustainability that is conducive to individual wellbeing. More details of specific projects can be perused in previous annual reports of Aitken Spence PLC.

Animal Welfare

The Tourism sector takes special interest in animal welfare as a priority identified for action through stakeholder feedback;

- During the year Hotel Hilltop and Heritance Tea Factory conducted a vaccination and sterilisation programme to ensure the health of the community dogs which in turn also protects the safety of community members. The sector hopes to carry out the above programme at other hotel locations in Sri Lanka.
- Heritance Kandalama has been working with a local supplier, who was providing elephant rides to guests at the hotel, to influence him to stop elephant back rides and to offer excursions that are more humane. During the last year, the sector has conducted test runs of the available options and held discussions with animal welfare experts to plan the programmes accordingly.

In the plantations segment, biodiversity surveys have been conducted across over 8,000 ha of estate. Rearing of animals in captivity is no longer allowed in any estates and any animals reared in captivity have been identified and estate communities informed to avoid doing so. The segment hopes to act to protect the hog deer that have been spotted in the area.

Funds channelled for Community Projects

The relationships we maintain with stakeholders on many occasions creates value for communities. Our partners and associates choose to channel funds for community development projects through Aitken Spence due to the trust they place in the transparency of our activities. It is the commitment of our teams, our management expertise, reliability of the company's performance, reputation as a sustainable corporate citizen and transparency in how we handle funds that has enabled significant funds to be channelled towards our communities. This is especially true for the plantations segment that is supported by donors that channel funds for many community projects developed by the company.

At Elpitiya Plantations, the community development projects include housing development projects, road development programmes, upgrading Child Development Centres and strengthening the infrastructure of the estate community.

NUMBER OF INTERNS TRAINED DURING THE YEAR

TOURISM SECTOR
78

MARITIME AND LOGISTICS SECTOR
36

STRATEGIC INVESTMENTS SECTOR
46

SERVICES SECTOR
21

TOTAL FUNDS CHANNELLED
for community development
Rs. 135 Mn

FUNDS CHANNELLED
by donor agencies (in additions to funds channelled by Aitken Spence)
Rs. 114 Mn

GROUP CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

Donor funded development initiatives ongoing or completed at Elpitiya Plantations;

Water and sanitation projects

Dunsinane estate
Work ongoing on the construction of 697 rest rooms and 03 water supply schemes

Sheen estate
89 rest rooms being constructed through funding by the World Bank

Fernlands estate
Undertook the construction of 97 restrooms, 06 bathing sites, 03 water supply schemes and 80 garbage pits for waste disposal

Deviturai estate
Completed the construction of 15 restrooms

Housing projects

Dunsinane estate
Undertook the construction of 404 housing units

Sheen estate
Completed the construction of 30 housing units

Meddecombra estate
Completed the construction of 23 housing units and a community development centre. Upgraded a child development centre

Deviturai estate
Upgraded a child development centre

Nayapane estate
New child development centre constructed

Bentota estate
New child development centre constructed

Talgaswella estate
Upgraded a child development centre

Fernlands estate
Undertook the construction of a child development centre

Road development projects

Meddecombra estate
10 km extent of road upgraded

Fernlands estate
10 km extent of road upgraded

Livelihood development

Meddecombra estate
A desilted lake was constructed to provide fresh water fish to the estate population and the neighbouring villages surrounding the Meddecombra estate

PRODUCT RESPONSIBILITY

Aitken Spence Group partners many global brands to provide a diverse range of products and services to our customers and is committed to ensuring a high standard of quality in its offerings. A key aspect of ensuring a high-quality product is to have a superior supply chain. As a leading conglomerate in Sri Lanka, our reputation is built on the high ethical and environmental standards that we apply throughout all our business activities and we expect these same standards from all our suppliers. Our longstanding bond with many of our partners, suppliers and buyers is testament of our commitment to build sustainable relationships.

The sector specific supply chains are discussed in the respective sector reviews and in this section, we discuss the value created to local suppliers.

PRIORITISING LOCAL COMMUNITIES

As discussed in the human capital section, priority is given to local community members when recruiting employees, especially by our operations outside Colombo. For example, in Aitken Spence Printing & Packaging, more than 90% of new recruitments were from local area ('local area' is defined as 35 to 40 km radius from the location of our local operations in Sri Lanka to identify development channelled outside Colombo). Many such employees who join the company progress to senior levels of management in the category of Assistant Manager and above who are the on-site decision makers at our hotels and plantations.

As a strategic initiative to support inclusive economic growth, opportunities are extended to local suppliers to source our resources directly

"As a leading conglomerate in Sri Lanka, our reputation is built on the high ethical and environmental standards that we apply throughout all our business activities"

Standard Disclosure	Standard Disclosure Title	Tourism	Maritime Logistics	Strategic Investments	Services
Aspect: Market Presence					
G4-EC6					
	Proportion of senior management hired from the local community at significant locations of operation	Over 20%	Fiji – 70%	Over 20%	N/A
	Proportion of employees hired from the local community at significant locations of operation	Over 60%	Fiji – 100%	Over 60%	N/A

from them. Aitken Spence Hotels practices a local purchasing policy. Our hotels commit to source supplies from community members where possible. Our hotels in Sri Lanka purchase over 75% of their produce and other resources locally. Aitken Spence Travels source safari vehicles (100%), tour guides (30%) and other support services from locally based suppliers

Elpitiya plantations procures green tea leaves from the local growers and planters and have established purchasing schemes to ensure all bought leaf meet stipulated quality standards.

To uphold this commitment as much as possible, our SBUs also extend assistance to develop community members to the expected levels of social and environmental sustainability. For example, Aitken Spence Cargo considered screening suppliers on social and environmental grounds. However, realizing that the supply chain in Sri Lanka is yet to reach the expected level of maturity in sustainability, the SBU resorted to communicating on the sustainability commitments of Aitken Spence Cargo to almost 200 of their suppliers. These communications included action within the Company to maintain ISO 14001 certified environmental management systems, ISO 9001 certified quality management systems as well as global benchmarks in line with the Ten Principles of the UN Global Compact.

Aitken Spence Travels conducts compulsory training programmes for drivers and chauffeur guides on work ethics, personal hygiene & good habits, skills for customer care & effective tour guiding techniques, traffic rules & road safety (organized by the police department), first aid, time management & how to prepare for a tour and execute the tour effectively. During the year, the company conducted training programmes for about 50 chauffeur guides and drivers.

As discussed in the Sector Reviews, we have conducted a basic study of the potential social risks that could emanate from the specific processes within the supply chain. Moving forward, we hope to work on cascading our sustainability values within the supply chain.

We remain committed to diversify our portfolios and investing in technology to upgrade our processes to meet the quality and service assurance levels that our customers demand. Given the diversity of our sectors, each business has put in place quality assurance parameters that are relevant to their respective operations and takes ownership for their own policies and procedures with regular reviews to ensure accordance.

In the Travels segment, the Qlikview MIS system was enhanced with the incorporation of technical visit analysis systems to ensure proper monitoring of the technical visits made by hotels and tour operators, with MIS tools geared to identify areas for improvement with a view to improving overall service levels offered to customers. At Aitken Spence Printing and Packaging, a mechanism to document quality defects, complaints and rejects, along with the corrective action taken, was introduced during the year.

"We remain committed to diversify our portfolios and investing in technology to upgrade our processes to meet the quality and service assurance levels that our customers demand."

Standard Disclosure	Standard Disclosure Title	Group 2016/2017
SUB-CATEGORY: SOCIETY		
Aspect: Anti-corruption		
G4-SO5	Total number and nature of confirmed incidents of corruption	Zero
Aspect: Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Zero
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
Aspect: Customer Health And Safety		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	Zero
Aspect: Marketing Communications		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	Zero
Aspect: Customer Privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Zero
ASPECT: COMPLIANCE		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Zero

GROUP CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

"Aitken Spence PLC was one of the first organisations in the World to become signatory to the Women's Empowerment Principles (WEP) in 2011."

SOCIAL AND ENVIRONMENTAL GOVERNANCE

(Aspects covered: Labour practices and decent work, Human Rights, Anti-Corruption, and Compliance)

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

Moving beyond compliance to laws and regulations applicable to our operations, the social and environmental governance framework of Aitken Spence PLC is guided by experience as well as local and international best practices and these benchmarks influence our decision-making further enhancing our social and relationship capital.

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 (refer to the GRI Index to find specific information about how we practice these principles). Our integrated sustainability policy can be found on www.aitkenspence.com/sustainability

The Global Compact Local Network's role is to root the Global Compact within Sri Lanka and facilitate the progress of companies engaged in the Global Compact. This is with respect to the implementation of the ten principles. It also creates 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 their inception.

During the former UN Secretary General Ban Ki-moon's visit to Sri Lanka in September 2016, an event was hosted by the Lakshman Kadirgamar Institute in partnership with the Ministry of Foreign Affairs and the United Nations in Sri Lanka. At this forum, Dr. Rohan Fernando (Chairman UN Global Compact Network Sri Lanka and Director Aitken Spence PLC) summarised the Sri Lankan private sector's ongoing work to help sustain peace in the country and achieve the Sustainable Development Goals.

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. We continue to use the IFC Performance Standards as a guide to direct our action on social and environmental governance.

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. To read more about the practices in place, refer to the GRI Index on page 306.

EMPOWERMENT FOR SOCIAL AND ENVIRONMENTAL GOVERNANCE

'Empowerment' is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

Each SBU is expected to conduct a 'Responsibility Mapping' exercise at least once a year where the team identifies the persons 'in-charge' of specific responsibilities within the SBU's sustainability subcommittee. Educational programmes are conducted to build capacity within the appointed team members or responsible officers to fulfil tasks so that they are empowered with the right knowledge to make the right decisions when necessary. In the last financial year, a Group level educational programme was conducted to train newly appointed team members on Occupational Health and Safety (OHS) and how to conduct a Hazard Identification, Risk Assessment Control (HIRAC) inspection which included a mock inspection at Aitken Spence Towers to give them hands on experience.

Heritance Kandalama works with a network of 39 schools located close to the hotel to disseminate knowledge about environmental conservation and sustainability. The purpose of this initiative is to empower the growth of the next generation with sustainable development as a core value to guide their decisions in whatever field they choose to be in. The eco park at the hotel is also used to educate school children and visitors alike on waste management, protection of biodiversity and successfully coexisting with natural ecosystems. During the last financial year, about 8,600 visitors were educated at the eco park.

Aitken Spence endorses the Human Rights Protection Framework developed by the Business Leaders Initiative on Human Rights (BLIHR) as a guide for integrating human rights concerns into business management. Group level policies, practices, and procedures have been evaluated against the action points of the framework. Support givers for human rights at the workplace have been appointed at all key SBUs as an additional support system to the human resource partners of the Group and have been educated to carry out this task. As part of this framework, we work with Group security to educate our security personnel on human rights at the workplace, especially on topics such as the recommended response of security personnel specific situations. 100% of the security personnel on duty at Aitken Spence Towers have been trained on this topic. In the last financial year, we expanded this training to persons in charge of security at our logistics operations, and the printing facility. We hope to continue this dialogue and gradually cascade this education to 100% of the security personnel at operations outside Colombo and maintain a forum where security personnel can be educated on the relevant topics and they in turn also have a platform to voice any concerns or grievances of their own.

GROUP CAPITAL MANAGEMENT REVIEW

NATUREL CAPITAL

“Environmental management programmes are established to contribute towards the sustainability objectives of the Group”

Environmental sustainability is an inherent prerequisite to sustain any other system. Aitken Spence PLC strives to manage our business activities in such a manner that the potential impact on the environment is minimized.

Hence, as stated in Clause D of the integrated sustainability policy, Aitken Spence companies are expected to “use environmental management systems in organisational operations and activities and commit to prevent pollution”.

Environmental management programmes are established to contribute towards the sustainability objectives of the Group: every Aitken Spence Company is required to have a system to identify impacts on the environment and act to mitigate if not eliminate adverse impacts and to also establish action to enable positive results on the environment. A summarised overview of an “environmental management system” is given below;

In applying this framework, each Strategic Business Unit (SBU) is expected to assess the potential harm from the activities of the company. These are then weighed according to the following;

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

Plan	Do	Check	Act
Decide on the environmental policy of the Company	Appoint an Environmental Management Representative	Monitor and measure operational performance	Conduct Management Reviews
Identify aspects causing most impacts to the environment	Review programme plans with management for approval/ improvements	Manage records	Discuss areas for improvement
Identify legal requirements for the company	Implement programmes and establish controls	Conduct internal EMS Audits	Take corrective action
Identify requirements of voluntary standards endorsed	Document the system manual and procedure manual	Evaluate compliance	Decide on future action
Agree on qualitative objectives, quantitative targets	Provide training for appointed team members (e.g. internal auditors)	Analyse performance against objectives and targets	
Plan programmes to achieve the objectives and targets	Provide training for all employees on their responsibilities		

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

Approximated Significance for the Sectors

Environmental aspects as per the GRI classification	TOURISM SECTOR	MARITIME AND LOGISTICS SECTOR	STRATEGIC INVESTMENTS SECTOR	SERVICES SECTOR
Energy	High	High	High	Medium
Water	High	Medium	High	Low
Biodiversity	High	Low	High	Not material
Emissions	High	High	High	Medium
Effiluents and waste	High	High	High	Medium
Compliance	High	Medium	High	Low

Based on the outcome of this evaluation, SBUs then select the aspects that are most important to work on and go on to plan programmes and establish control measures to reduce if not eliminate the impacts. Essentially, it is the SBUs responsibility to correctly identify impacts and to ensure the activities of the business are not harmful to the environment by using this guideline. While the steps within this system may differ from company to company, our operations maintain 41 environmental management systems across the industries and have a pool of over 100 trained internal environmental auditors to monitor services internally.

The recommended system standard for the EMS is the ISO 14001 Environmental Management System standard. However, SBUs are free to opt for different systems that are best suited to the profile of their business operations. For example, while majority of our companies subscribe to the ISO 14001 system, Elpitiya Plantations PLC chose the Rainforest Alliance Certification system to benchmark their action as it was a system more relevant to their industry.

Certification of the respective management systems is an optional task for the SBUs. Based on the level of importance to the SBU, several SBUs have sought certification for their management systems. A list of these certification can be viewed in the intellectual capital section of this report. These certifications are used in our communications to buyers, customers etc. informing them that our service is environmentally sustainable.

At Group level, we have identified energy, water, biodiversity, emissions, effluents and waste and compliance (in line with the GRI classification of aspects) as material aspects for all Group companies. However, the level of materiality will differ across the sectors as illustrated in the 'Approximated Significance for the Sectors' diagram. We have also considered the relevance to stakeholders both within and outside the organisation when we made this approximation

ENERGY AND EMISSIONS

Energy is a material aspect for all operations because the use of energy results in the depletion of non-renewable resources as well as the emission of greenhouse gases (GHGs). Our approach to manage this aspect is based on two key thrusts;

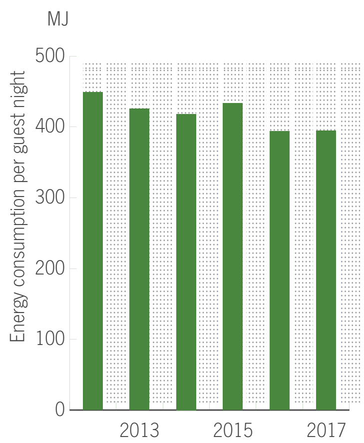
1. Reduce consumption by practicing resource efficiency
2. Invest in renewable energy to replace the energy we use

Tourism sector commitments;

- Hotels segment has implemented procedures to manage energy consumption in line with the requirements of the ISO 50001:2011 Energy Management System standard. Heritance Ahungalla, Heritance Ayurveda Maha Gedara, Heritance Kandalama, and Heritance Tea Factory have obtained the ISO certification for their energy management systems. As part of the process, each property remains committed to ensure a year-on-year reduction in the consumption of energy which is achieved through continuous monitoring to review efficiency levels of day-to-day processes and also by training and educating staff. Accordingly, all hotels practice switch off policies to reduce the waste of energy when not in use. Part of the energy requirements at Heritance Kandalama and Heritance Tea Factory are met using biomass gasifiers that are powered by fuel-wood to replace the need for diesel.
- Aitken Spence Travels strives to reduce their energy consumption by utilizing simple techniques such as route planning and routine preventive maintenance of their vehicles to increase fuel efficiency. As an incentive to their energy management practices, the SBU also offsets emissions from the owned fleet of vehicles and the office operation.

Reduction in Energy Consumption

At the hotel properties in Sri Lanka and Maldives



Maritime and Logistics sector commitments;

- Aitken Spence Logistics invested in renewable energy by commissioning solar panels at the Mabole, Wattala and Katunayake container freight station operations, which collectively generated 126,075kWh of energy (approximately 454 GJ of energy) during 2016/2017, which helped offset 93,295 kg of GHG emissions by replacing grid electricity with solar energy.

Strategic Investments sector commitments;

- Elpitiya Plantations PLC uses fuel wood and briquettes (rice husk) as the source of energy for the withering process as opposed to using diesel. Moreover the company also houses 2 mini-hydropower plants at the Sheen and Fernlands estates. The segment is currently investing in solar energy as another alternative to non-renewable energy.

GROUP CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

- Aitken Spence Garments Ltd. also installed 2 solar panels at the factory in Mathugama as a trial project in addition to ongoing productivity improvements to reduce the energy consumption per task.
- Aitken Spence Printing and Packaging has invested in electric forklifts instead of diesel-powered forklifts to reduce emissions. This initiative contributed to the net reduction of GHG emissions by 4.85% (i.e. 57 tonnes CO_2e). In addition to reducing the energy consumption of their factory, the SBU also expanded on the services offered to their clients by introducing the Heidelberg XL 75, the first CO_2 free printing press in Sri Lanka. The SBU is the only carbon neutral property of Aitken Spence and offset 1,050 tonnes CO_2e in the last year.
- The Group's power plants comply with the requirements of ISO 14001 Environmental Management System standard and as required, energy efficiency improvements are carried out year on year to ensure losses in the generation process are minimized. Stack emission tests are conducted routinely at the Embilipitiya thermal power plant to make our NOx, SOx and particles per million are well within the stipulated minimum levels. Our wind power plant in Ambewella and the Branford mini-hydropower plant generate clean energy for the national grid

Standard Disclosure	Standard Disclosure Title	Tourism	Maritime and Logistics	Strategic Investments	Services	Group 2016/2017
Aspect: Energy						
G4-EN3	Total direct energy consumption (GJ) (Consumption of energy for Aitken Spence operations)	250,960	86,046	259,195	1,486	607,687
	Diesel (%)	1%	0.03%	20%	89%	9%
	Petrol (%)	86%	99%	25%	11%	61%
	Furnace oil (%)	3%	-	-	-	1%
	LPG (%)	0.05%	-	0.2%	-	2%
	Renewable energy (%)	4%	0.5%	55%	-	26%
	Total energy produced from non-renewable sources (GJ)	212,996	-	4,788,130	159	5,001,285
	Energy produced from non-renewable sources (for external consumption) (GJ)	-	-	4,725,116	-	4,725,116
	Energy produced from renewable sources (GJ)	11,005	454	210,415	N/A	221,873
	Energy produced from renewable sources sold to the national grid (GJ)	-	-	67,254	N/A	67,254
	Total Indirect Energy consumption – grid electricity (GJ)	99,666	17,067	25,332	9,364	151,429
G4-EN6	Reductions achieved in energy consumption (GJ)	It is not possible to quantify the overall energy reduction achieved this year as we have introduced new units into the reporting boundary including our operations in Fiji, Oman and India. Energy reductions achieved by individual SBUs is mentioned within the writeup.				
Aspect: Emissions						
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	17,345	6,214	351,689*	103	375,351
G4-EN16	Energy indirect GHG emissions (Scope 2)	21,606	2,844	5,207	1,925	31,583
G4-EN19	Amount of emissions reduce and/ or offset (tCO2)	830	4.4	24,767	12	25,613

*Including emissions from the generation of power from furnace oil (for external consumption)

WATER

Water is another material aspect for our operations by virtue of it being a precious resource that is rapidly depleting. Our approach to manage our water footprint is based on two key thrusts;

1. Manage water consumption to reduce the demand on fresh water
2. Reuse treated water or harvested rain water to replace the use of freshwater where possible

Tourism sector commitments;

- At all Aitken Spence Hotels in Sri Lanka, 100% of the wastewater generated due to the operational activities are reclaimed and treated at the on-site sewage water treatment plants. The sludge is treated and used as fertiliser in gardening activities of the hotels and is also sold at a nominal rate to local farmers. Laundry operations, which accounts for on average 60% of the water consumed are strictly monitored at each property, with necessary controls in place to minimize waste. Guest education also remains a key aspect of the water management effort at all properties.

Maritime and Logistics sector commitments;

- Aitken Spence Logistics implemented a water treatment unit at their site in Mabole where

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

the waste water generated from washing containers is treated and reused within the premises. The amount of water treated in the last financial year is 130m^3.

Strategic Investments sector commitments;

- Elpitiya Plantations invested Rs. 4.5 Mn in the current financial year to set up rainwater harvesting tanks at all estates to capture and retain rainwater to be used for irrigation purposes. The segment also manages waste water by channelling the volumes to septic tanks or primary level treatment units to ensure the waste water does not damage natural water bodies.

- At Aitken Spence Printing, water discharged from air conditioners (chilled water) is filtered and reused to fill the cisterns to avoid using freshwater. This amounts to approximately 50m^3 per month. Overall, about 1,500 litres of wastewater is filtered each day through the purification system.

Standard Disclosure	Standard Disclosure Title	Tourism	Maritime and Logistics	Strategic Investments	Services	Group 2016/2017
Aspect: Water						
G4-EN8	Total water withdrawal (m^3) (municipal water, ground water, surface water)	769,313	38,979	66,554	32,082	906,928
G4-EN9	Water sources significantly affected by withdrawal of water	None	N/A	None	N/A	None
G4-EN10	Volume of waste water and/ or rain water that is treated and used (m^3)	582,730	130		122	582,982
	Volume of waste water and/ or rain water that is treated (m^3) for disposal	-	-	15,138	N/A	15,138
	Total volume of water that is treated and reused or treated to be discarded as a percentage of the total water withdrawn	76%	0.3%	23%	0.4%	66%

BIODIVERSITY

Some of our operations are located in close proximity to areas of high biodiversity, while yet others connect with protected areas as part of their operational activities. Notably, the aspect becomes applicable to specific sectors; namely the Tourism sector and the Strategic investments sector.

Our locations are marked against protected areas and areas of high biodiversity value to illustrate our proximity to these areas as the closer we are, the more stringent our action needs to be; to eliminate if not minimize any adverse impacts on sensitive ecosystems.

Tourism sector commitments;

- Aitken Spence Hotels take ownership for maintaining the environment surrounding their respective boundaries. The Heritance Kandalama, which is built amidst a centuries-old ecosystem has undertaken the conservation of 58 acres of forest area, flora and fauna within the hotel and another 198 acres of forest area rich in bio diversity outside the hotel. The hotel has invested over Rs. 10 million to maintain the conservational forest in order to prevent deforestation, poaching and the construction of unauthorised artificial structures. The Heritance Kandalama has been constructed taking cognizance of all wild life trails, water trails and animal habitats to retain the fundamentals of the environment and as such is built on a platform in order to let the water trails run free. This helps to protect the origins of 11 natural streams, which provide irrigation water to 34 dry zone reservoirs. In fact, paddy fields that had been abandoned for almost 12 years are now being cultivated after the water systems to the area were improved and maintained by the hotel. The Impressive biodiversity indicators reported from the hotel property are 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies. The hotel supports the natural environment, ensuring least possible disturbance is caused and has four types of primates using the green spaces of the hotel. Of these, two are endemic – the Macaque Monkey and Purple Faced Leaf Monkey, the other two being the Gray Langur and Slender Loris. The large open areas and the green cover over the building welcome even the most timid amongst birds. Among those sighted at the hotel has been the very rare Ceylon Shama (long tail Jungle Robin). Sanctuaries and policies against the invasion/interference with natural habitats have ensured the protection of biodiversity and ecosystems. No alien fauna and flora have been introduced and there is zero negative impact on the Kandalama Lake due to the operations of the hotel.

  Further, Heritance Kandalama continues to maintain relationships with over 30 schools within 30km to 40km radius of the hotel in an effort to create awareness amongst students regarding environmental sustainability and inculcate environmental conscientiousness at a young age.

- Turyaa Kalutara has initiated an ongoing programme to protect the Pandanas plants, which are part of the ecosystem surrounding the hotel.

- Aitken Spence Travels partnered with the Group Sustainability Division to conduct a programme marking World Environment Day 2016 (June 5th). Facilitated by two field experts, the programme was aimed at creating awareness among stakeholders regarding the issue of illegal wild life trade and trafficking. Aitken Spence Travels also formed a separate division to handle the sustainability driven service packages with the support of Aitken Spence product development team. One such service package is the PATA Gold award winning excursion that was a collaborative effort with Elpitiya Plantations PLC and the excursion with the Bandaragama Agro Tourism Village which are popular among the clients.

Strategic Investments sector commitment;

- Conservation of biodiversity is a material aspect for Elpitiya Plantations. Biodiversity surveys have been completed in over 8,000ha of land space to document the biodiversity in the vicinity. Most of the flora and fauna within the estates have been identified, with daily records being maintained by field officers. Buffer zones of

GROUP CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

"Our locations are marked against protected areas and areas of high biodiversity to illustrate our proximity to these areas"

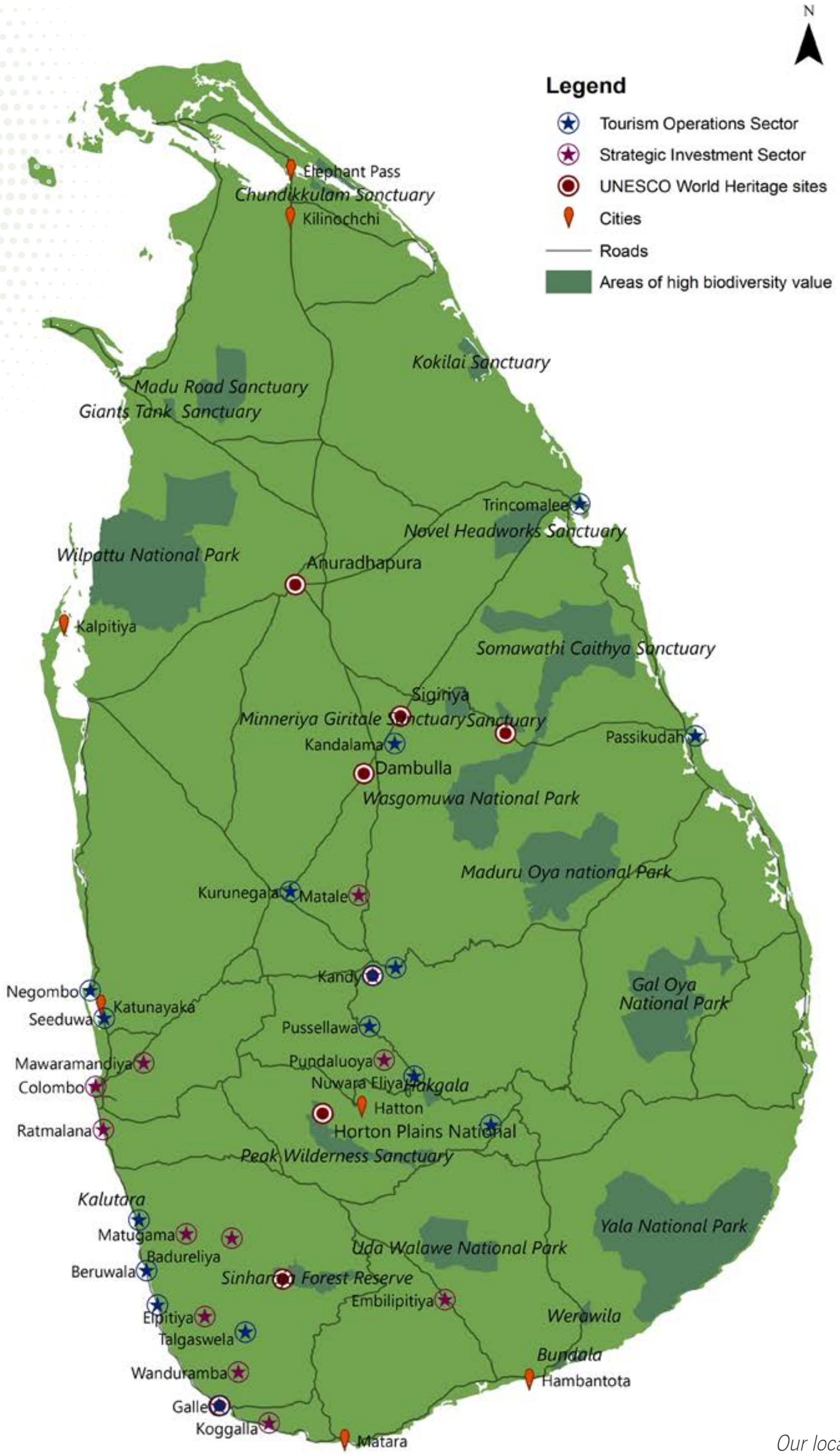
BIODIVERSITY INDICATORS REPORTED FROM THE HERITANCE KANDALAMA

128 SPECIES OF NATIVE FLORA

183 SPECIES OF BIRDS

19 SPECIES OF REPTILES AND AMPHIBIANS

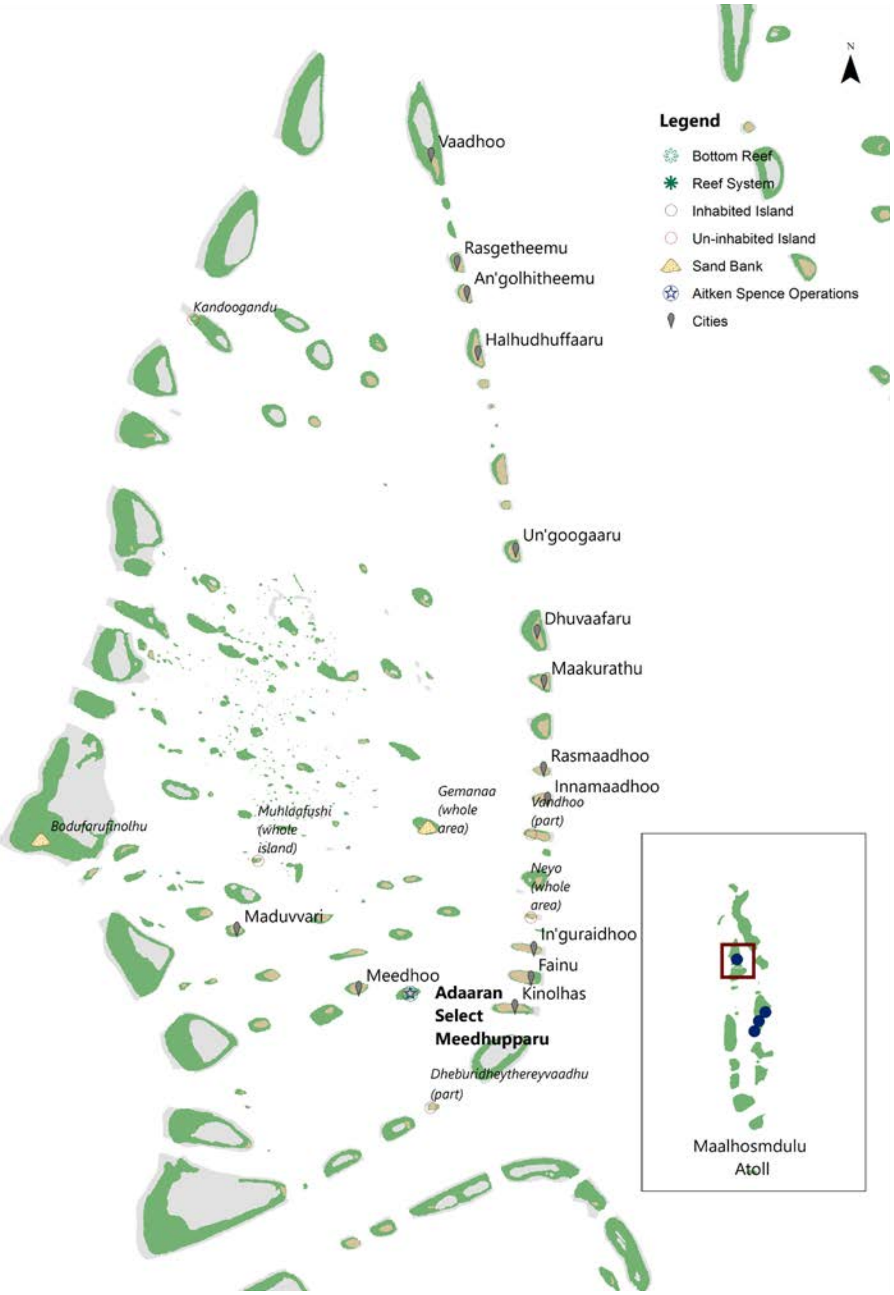
64 SPECIES OF BUTTERFLIES AND DRAGONFLIES



Our locations against areas of high biodiversity value in Sri Lanka

minimum 20m or more are demarcated and maintained from the natural forests. Areas with soil erosion and likelihood of landslides have been identified and cover crops have been introduced to mitigate the hazards. Rearing of animals in captivity is no longer allowed at all estates and any animals reared in captivity have been identified and estate communities informed to avoid doing so.

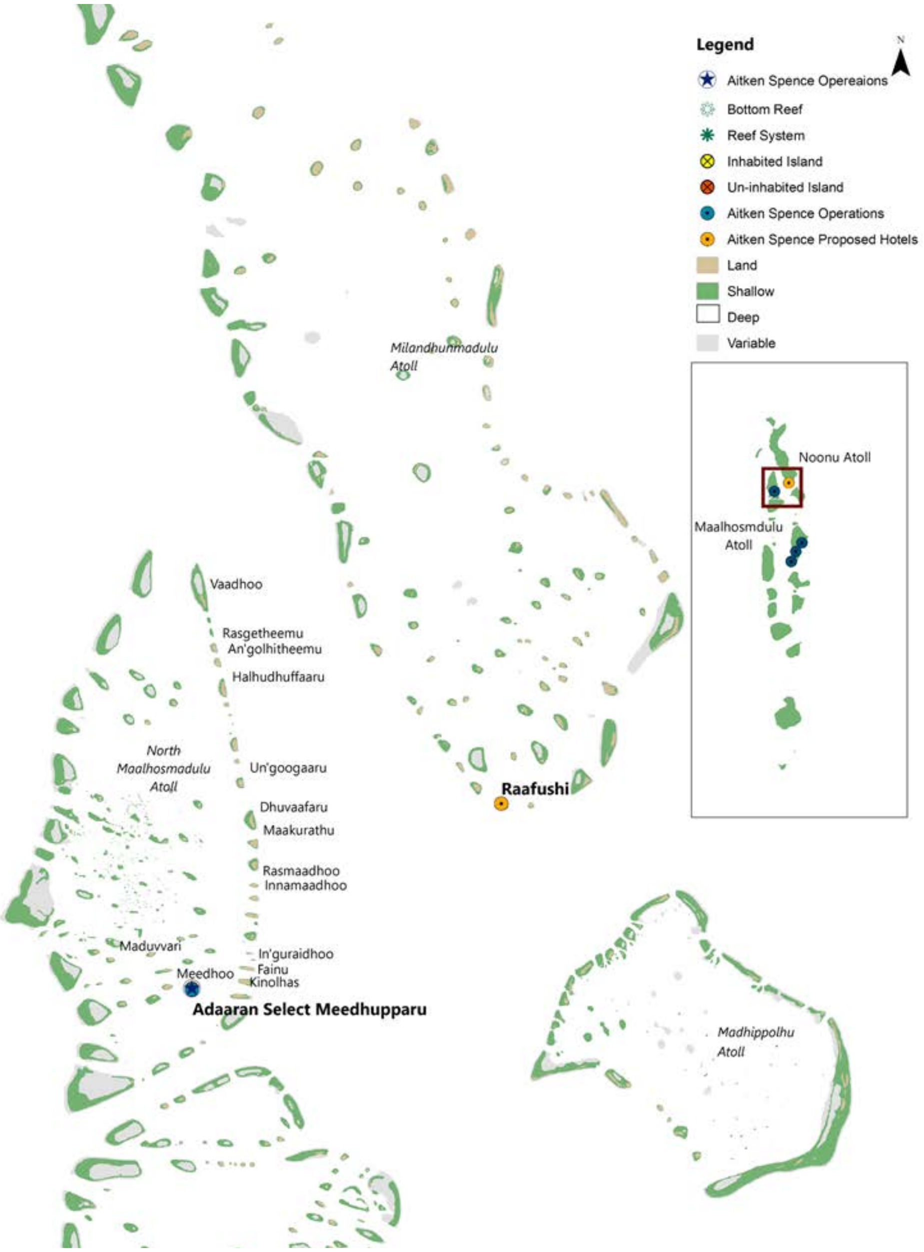
Small-scale jungles surrounding each plantation have been mapped and animal corridors have been developed at each site. Signboards have been displayed at public places. As the plantations community plays an important role in maintaining the systems in place to protect biodiversity of the estates, the general public and estate employees have been informed and educated on the importance of biodiversity conservation. All 6 estates of the upcountry cluster of estates in the plantations segment are Rainforest Alliance certified and maintain stringent action in line with the requirements of the certification.



Our locations against areas of high biodiversity value in Maldives

GROUP CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL



Our locations against areas of high biodiversity value in Maldives

EFFLUENTS AND SOLID WASTE

As previously discussed, many of our operations also treat the effluents generated on site and either reuse the treated water or hand the volumes over to Central Environmental Authority (CEA) authorized service providers for proper disposal. Treated water is tested to ensure we meet the stipulated criteria before it is reused or disposed.

The Group's 7R principle provides guidance to enable our operations to continually work towards achieving zero waste being sent to landfills. This is achieved through:

1. **Rejecting**, where possible, material and substances that are toxic or are non-biodegradable
2. **Reducing** the use of resources and in turn the generation of waste
3. **Reusing** every resource where possible to reduce the use of resources
4. **Reclaiming** what cannot be reused to recycle
5. **Repairing** and reuse to reduce consumption of new resources
6. **Replacing** with environmentally friendly options where possible
7. **Recycling** all waste to achieve zero waste dumping

Aitken Spence companies strive to reduce their paper consumption by avoiding printing of documents where possible and reusing paper printed one side. Waste paper is shredded and sold to a Central Environmental Authority (CEA) authorized recycling service provider.

"Group's 7R principle provides guidance to enable our operations to continually work towards achieving zero waste being sent to landfills"

Standard Disclosure	Standard Disclosure Title	Tourism	Maritime and Logistics	Strategic Investments	Services	Group 2016/2017
ASPECT: EFFLUENTS AND WASTE						
G4-EN23	Total weight of waste;					
	Paper and cardboard (tons) Sold for recycling or for reuse	13	4	1,616	12	1,645
	Composted biodegradable waste (tons)	Not quantified	-	32.4	-	32.4
	Plastic/ plastic scrap (tons) - Sold for reuse/ Handed over for recycling to an authorised vendor	12.25	-	3.52	-	15.77
	Polythene (tons) - Sold for reuse/ Handed over for recycling to an authorised vendor	5	-	-	-	5
	CFL Bulbs (no. of units) - Handed over for recycling to an authorised vendor	886	-	-	230	1116
	TFL Bulbs (no. of units) - Handed over for recycling to an authorised vendor	-	-	-	272	272
	Lead acid batteries (No. of units or Kg) - Handed over/ kept in storage for recycling; sold for reuse; exchanged for new units	581	3,970		2	2 units 4,551 kg
	Alkaline batteries (no. of units) - Handed over for recycling or kept in storage to be recycled	-	-	-	-	-
	Scrap metal (tonnes) Sold for reuse	23	51	0.02	0	74.02
	Tires and tubes (no. of units) - reused and/ or sold for reuse			842 tyres 844 tubes		842 tyres 844 tubes
	Glass (units/ Kg) - Handed over for recycling to an authorised vendor	9,302 units 31,041 Kg	-	156 Kg	-	9,302 units 31,197 Kg
	Soiled cotton (tons) - Handed over for recycling to an authorised vendor	0.63	-	31.16		31.79
	Food waste (tons) - Handed over to an authorised vendor for discarding; composted; or reused in biogas generator	2,341	Not quantified	30.7	8.8	2,380.5
	E-waste (units/ Kg) - Handed over for recycling to a certified vendor; or disposed in line with the requirements of the EPL	13 units 341 kg	-	-	-	13 units 341 kg
	Non-biodegradable packing material (Kg) – Reused	-	119	-	-	119
	Used plywood (no. of units) – reused	-	29	-	-	29
	Corrugated boxes (tons) - Reused or sold for reuse	-	-	13.21	-	13.21
	Packing material Paper sacks (Nos.) - Reused or sold for reuse	-	-	107,850	-	107,850
	Nylon chords (tons) - disposed as per CEA requirements	-	1	-	-	1
	ETP Sludge (tons) - Disposed in line with CEA requirements; or handed over to an authorised recycling service provider	-	-	3	-	3
	HFO Sludge (Litres) - Treated and handed over to a certified vendor for disposal (as per CEA requirements)	-	4,056	752,400	-	756,456
	Oil soaked filters (no. of units) - disposed as per CEA requirements	-	-	2	-	2
	Used cans/containers (no. of units or tons) - Sold for recycling	-	168 cans 165 barrels	6.22 tons	375 units	543 units 6.22 tons
	Foiling reels (tons) - Sold for recycling	-	-	14.52	-	14.52
	Fabric waste (tons) Handed over for incineration to a certified vendor	-	-	67	-	67
	Waste oil (litres) - Handed over for recycling to an authorised vendor or disposed as per CEA requirements	5,674	24,415	3,552	-	33,641
G4-EN24	Total number and volume of significant spills	None	N/A	None	N/A	None

GROUP CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

"At Aitken Spence Garments, the waste water generated from the staff canteens is managed with "Effective Microorganism (EM)TM" Technology, which increases the availability of nutrients in the organic residues, mainly nitrogen and phosphorus and enriches the waste water with beneficial micro-organisms, making the discharges conducive for the environment."

Tourism sector commitments;

- At Aitken Spence Hotels, stocks are bought in bulk to reject packaging prior to the point of purchase itself. Any waste items generated in a hotel property, from a bottle cap to a fruit peel, is segregated so that it can be either sold for reuse, handed over for recycling or be disposed in line with CEA requirements.
- Heritance Ayurveda Maha Gedara has replaced the use of plastic bottled water with the use of glass pitchers to try and eliminate plastic items from the hotel.
- The Heritance Tea Factory adopts composting and the use of organic compost fertilizer in the tea plantation and garden of the hotel to increase soil quality and to nurture the environment.
- All beachfront properties carry out regular beach cleaning programmes with voluntary assistance from staff members and the community, while training and education on environmental protection is also conducted often to create awareness among the community.

Maritime and Logistics sector commitments;

- In the Logistics sector, waste segregation is practiced.
- Aitken Spence Cargo reuses shredded paper waste, wood wool and reused polythene to replace Styrofoam packing material to reduce the use of a non-biodegradable item.
- In the Fiji Port, a new Environment Management Programme covering energy management and waste management in line with IMO regulations, was rolled out at the ports of Suva and Lautoka.
- The Cabin Conversion concept was expanded to offer a general-purpose solution to refurbish and reuse old containers for general purposes such as office cabins, project offices and temporary holiday cabins etc.

Strategic investments sector commitments;

- At Aitken Spence Garments, the waste water generated from the staff canteens is managed with "Effective Micro-organism (EM)TM" Technology, which increases the availability of nutrients in the organic residues, mainly nitrogen and phosphorus and enriches the waste water with beneficial micro-organisms, making the discharges conducive for the environment.
- In the plantations segment, palm oil bunches are reused as natural fertilizer in parts of the estate to reduce the use of artificial fertilizers.
- All six up country estates currently compost biodegradable waste at the estates and use the fertilizer in selected plots within the estates.
- The segment also introduced wastewater tanks in the worker housing units.
- A part of the Rainforest Alliance certification implementation process, washing bays were commissioned for staff members to clean their equipment and clothing so that the contaminated water can be collected into separate waste water collection units.
- The factories also maintain primary level water treatment units (as there is no chemical contamination) with solid waste traps to remove any solids from the water before discharge.
- An 'Empty Chemical Cans' policy was introduced whereby empty cans will not be issued for any reuse purpose among the estate community to prevent contamination. Containers will be sold to government authorized waste collectors for proper disposal.
- Polythene free zones were introduced in many estates with the provision of biodegradable bags for the estate community for daily use.
- Aitken Spence Printing practices strict waste segregation techniques to separate cotton waste, sludge, ink containers, foil reels, food waste, cardboard etc.
- Hazardous waste items are handed over for recycling to authorised service providers. Non-hazardous waste such as paper and off-cuts are sold for reuse.

Services sector commitments

- To reduce the toxicity of the effluents discharged from Aitken Spence Towers, the detergents and other liquid solvents used for janitorial purposes were replaced with biodegradable options several years back. During the last couple of years, the team has been studying options to manage solid waste more effectively. A feasibility study was conducted to look at the possibility of establishing a biogas unit at the premises; due to space constraints, we had to veto this idea. A more successful initiative was to work with Dialog Axiata to place mobile waste collection boxes at Aitken Spence Towers so that electronic waste from our employees and guests can be directed to licensed recycling service providers. Aitken Spence Property Development Ltd. continues to work with licensed service providers to dispose other wastes such as paper waste, bulbs, and batteries.

COMPLIANCE

While there are standard laws and regulations that govern all organisations, specific industries have industry specific laws and regulations that Companies should be mindful of as well. Each company is expected to maintain a legal register which includes a list of laws and regulations applicable to companies in general as well as their respective industries.

Our primary focus is to get make sure our systems are sustainable in the long term and our products and services are sustainable in their use. Hence our investment on environmental protection is primarily for maintaining the management systems the SBUs have in place and to implement the programmes and action plans in line with the respective environmental management systems. This would include costs incurred in conducting educational programmes to maintain these systems, cost of certifications, reforestation expenses, recertification costs etc.

Over the last year, we have identified areas for improvement across the Group in maintenance of environmental management systems, the monitoring mechanisms and the processes in place to manage performance data. Correcting these areas is a priority we have picked for the next year.

Moving forward, we hope to cascade our action on environmental protection within the supply chains as well. We have conducted a basic study of the potential environmental risks that could emanate from the specific processes within the supply chain. As part of this study, Aitken Spence PLC assessed the waste management service suppliers we work with for Aitken Spence Towers; we studied their environmental certifications, and inspected several suppliers on site. Based on this study, suitable service providers were shortlisted to manage paper, cardboard and other scheduled waste and recommendations were made to the SBUs housed at Aitken Spence Towers. We hope to study the supply chains in more detail for each SBU, work with the SBU to identify practices already in place and introduce essential, expected and exemplary action across the Group to manage environmental sustainability of the supply chain.

Standard Disclosure	Standard Disclosure Title	Tourism	Maritime and Logistics	Strategic Investments	Services	Group 2016/2017
Aspect: Compliance						
G4-EN29	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	None	None	None	None
Aspect: Overall						
G4-EN31	Total environmental protection expenditures and investments (Rs. Mn)	32.7	3.6	51.9	-	88.2

CLIMATE CHANGE MITIGATION AND ADAPTATION

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

Creating better awareness about the potential impacts of climate change is an important aspect of climate action as the people required to maintain the systems need to endorse the action for them to be successful. With the intention of illustrating to stakeholders the need to give due importance to climate change mitigation, a team from the Adaaran chain of hotels signed a policy statement under water on the 13th of November 2016 promising their commitment to uphold the sustainability strategy of the hotels. Adaaran thus became the first resort chain in the world to endorse a policy statement under water.

The Group in general is still in the early stages of studying how the potential impacts of climate change likely to affect our industries. However, the plantations segment incorporates this concern into their sustainability strategy as the agriculture industry is directly impacted by climate change.

For example, Elpitiya Plantations is studying potential risks to the estate community from possible environmental disasters and hopes to implement solutions in due course. The segment also invests in reforestation of uneconomical tea lands as it helps to mitigate climate change while also strengthening the environment against erosion damage.

The segment is venturing into diversification as a method of adaptation and collaborated with Aitken Spence Travels to launch an ecofriendly excursion connecting tourists with the natural systems within the plantations. This initiative secured a PATA Gold Award in 2014. The segment is planning projects taking in to account the unique environment and inherent ecosystems of the segment.

GROUP CAPITAL MANAGEMENT REVIEW

MANUFACTURED CAPITAL

"Effective management of assets used in operations is a key business imperative and is considered an essential element in executing the Group's strategy. "

SECTOR-WISE MANUFACTURED CAPITAL (Rs.Mn)

TOURISM SECTOR	47,364
MARITIME AND LOGISTICS SECTOR	10,893
STRATEGIC INVESTMENTS SECTOR	12,126
SERVICES SECTOR	2,424

Manufactured capital is the hardware, software, network infrastructure, plant, equipment and operational capacity that support the day-to-day operations of our businesses. While all sectors do have an element of manufactured capital, being a diversified conglomerate the extent of it varies between sectors and also from business to business.

Effective management of assets used in operations is a key business imperative and is considered an essential element in executing the Group's strategy. This calls for continuous investments and improvements to sharpen our asset management and maintenance strategies in order to maximize utilization and generate desired results.

TOURISM SECTOR

The Tourism sector has a heavy investment in manufactured capital consisting predominantly of seven owned hotel properties located in Sri Lanka, six in the Maldives, one in India and one in Oman. The Group also has an associate holding in two hotel properties in Sri Lanka. The Tourism sectors' manufactured capital stood at Rs. 47,364 million as at 31st March 2017. This includes significant investments made during the year under review to further augment the manufactured capital of the sector as detailed below;

- Heritance Negombo, a 139 room hotel was completed at a cost of Rs. 5.4 billion in the Sri Lankan hotels segment.
- The Group invested Rs. 12 billion in Hotel RIU Sri Lanka, a project in partnership with RIU Hotels and Resorts, Spain. Our 60% investment in the hotel is aimed at strengthening the Group's market share in the Sri Lankan hotel segment.
- Renovations at Heritance Ahungalla were completed at a cost of Rs. 156 million. The newly renovated property complements the Group's strategy to strengthen its position in the luxury beachfront hotel segment in Sri Lanka

- Invested in a Property Management System (PMS) for the hotels segment. A powerful web-based Central Reservation System (CRS), platform is geared to support larger volumes of traffic on online travel channels
- The destination management segment, invested in IT hardware and software to expand the scope of "Spencebeds" - the segment's own B2B booking engine, and also to integrate "Spencebeds" with Travel Assist – the segment's tour operating system, a move that would create greater operational synergies that would drive business on online travel channels

The following projects commenced during the year and remained in progress as at 31st March 2017

- Development work commenced to renovate 34 water villas at the Adaaran Club Rannalhi, Maldives and a further 65 beach rooms at Adaaran Select Hudhuranfushi, Maldives. Both projects are estimated to cost Rs. 214 million, of which 85% was incurred in the year under review
- Construction work on 160 room Heritance Aârah in the Maldives commence this year. The hotel is scheduled to be operational in early 2018.

RIU Hotels & Resorts

The Group invested Rs. 12 billion in Hotel RIU Sri Lanka, a project in partnership with RIU Hotels and Resorts, Spain.

HERITANCE AHUNGALLA

Renovations at Heritance Ahungalla were completed at a cost of Rs. 156 million.

HERITANCE NEGOMBO

A 139 room hotel was completed at a cost of Rs. 5.4 billion.

TEA PLANTATION
As at 31st March
2,400ha

PALM OIL PLANTATION
As at 31st March
1,578ha

PRINTING SEGMENT INVESTMENT
During the year
Rs.139Mn

MARITIME AND LOGISTICS SECTOR

The sector with its port management operations in Fiji the four container freight stations coming under the logistics operation in Colombo and the CINEC maritime campus in Malabe, the Maritime and Logistics sector has a considerable investment in manufactured capital. As at 31st March 2017, the manufactured capital of the sector stood at Rs. 10,893 million, which included the following significant investments made in the year under review;

- Welisara container freight station was fully upgraded at a cost of Rs. 76 million, significantly enhancing the capacity of the facility and bringing it on par with international standards
- The sector commissioned two new calibrated weighbridges at the Katunayake and Welisara container freight stations in an effort to comply with the mandatory new Safety of Life At Sea (SOLAS) container weight verification requirement, which came into effect from July 2016

STRATEGIC INVESTMENTS

The Strategic Investments sector of the Group consisting of the power, plantations , printing and garments segments comprise of Rs. 12,126 million in manufactured capital.

Plantations Segment

Plantations segment consists of 2,400 hectares of tea, 1,244 hectares of rubber, 1,578 hectares of oil palm and further 1,032 hectares of other sundry crops. In addition to this, the manufactured capital of the segment includes factories and processing plants used for the manufacture of tea, rubber and oil palm as well as the mini-hydropower generation facilities located at many of the tea estates. Valued at Rs. 4,971 million, the total manufactured capital of the segment was further enhanced in the current financial year through the following investments;

- As part of the replanting and crop diversifications strategy a total of over Rs. 200 million was invested tea (112 hectares), rubber (297 hectares), oil palms (471 hectares), commercial timber (168 hectares) and cinnamon, agarwood and other crops (40 hectares).

Printing Segment

The manufactured capital of the printing segment consists of its state-of-the art printing facility located in a three acre property at Mawaramandiya, with a value of Rs. 1,273 million as at 31st March 2017. The segment invested Rs. 139 million during the year under review to upgrade the facility with the aim of maintaining its market leadership in the off-set printing industry.

- Commissioning of a new BOBST die cutting, screen UV, and case making machines to augment downstream capacity and allow for greater flexibility in meeting the customized printing requirement of clients. In addition the segment upgraded the IT infrastructure resulting in a stricter monitoring and control mechanism to ultimately improve throughput efficiency on the production floor
- Commissioned a new rigid box making line, enabling the segment to begin providing customized value-added packaging solutions for the tea industry's high-end niche markets

Apparel Manufacture Segment

The manufactured capital of the segment consists of the two manufacturing facilities located in Koggala and Matugama. Together both facilities are valued at Rs. 440 million as at 31st March 2017. The segment invested Rs. 46 million in manufactured capital during the year.

Power Segment

The manufactured capital of the power segment consists of the thermal power plant situated at Embilipitiya, the hydro power plant located at Matale and the wind power facility constructed at Ambewela, which together were valued at Rs. 1,269 million as at 31st March 2017.

SERVICES SECTOR

The Services sector of the Group comprising of inward money transfer, elevator agency, insurance, property and technology segments has invested Rs 2,424 million in manufactured capital.

Other than the property segment, the manufactured capital of other segments are insignificant due to the nature of their operations, which is predominantly the provision of services.

Aitken Spence Towers at Vauxhall Street, Colombo, which houses the Group's headquarters is a key component of the Group's manufactured capital and was valued at Rs. 2,247 million as at 31st March 2017.

GROUP CAPITAL MANAGEMENT REVIEW

INTELLECTUAL CAPITAL

Although the "Aitken Spence" name by itself commands significant brand equity in the market, being a diversified conglomerate, the Group, has over the years, invested considerable financial resources in building intellectual capital. As it stands now, Aitken Spence PLC's intellectual capital is anchored to four key pillars; distinctive brands, strategic partnerships, Group services and third party certifications, all of which augment the Group's competitive positioning and contribute towards overall brand equity.

DISTINCTIVE BRANDS

"Aitken Spence" is the parent brand, which all businesses across the Group leverage on to strengthen their own USP's (unique selling proposition) in order to secure a competitive edge in their respective markets.

The Group's prominent brands in the hospitality and maritime sectors hold leadership positions in their respective markets in different geographic locations, largely due to the equity of the parent brand.

Safeguarding the integrity of the "Aitken Spence" brand is therefore a foremost priority for the Group. In doing so, the Group takes a proactive approach to ensure all communications are visually aligned and remain consistent with the identity of the parent brand.

Tourism Sector

- Heritance – The Group's iconic brand in Sri Lanka
- Turyaa – Emerging brand in the South Asian Region
- Adaaran – Flagship brand in the Maldives
- Al Falaj – Popular hotel in Omani capital, Muscat.

Maritime Sector

- CINEC – The only specialized Maritime Academy in Sri Lanka

Strategic Investments - Plantations Sector

- Harrow Ceylon Choice, the flagship Tea brand of Elpitiya Plantations PLC

STRATEGIC PARTNERSHIPS

From the inception, strategic partnerships have been a key catalyst in the Group's growth trajectory. Such partnerships will continue to be instrumental in positioning the Group as a leading conglomerate.

Tourism Sector

- Singapore Airlines GSA
- TUI
- SriLankan Airlines GSA
- RIU
- Emirates Holidays
- Carlson Wagonlit
- Many tour operators across the globe

Maritime and Logistics

- DB Schenker
- DPD Group
- DTDC
- Qatar Airways (GSA)

Services Sector

- OTIS
- Western Union Money Transfer
- Lloyds of London

THIRD PARTY CERTIFICATIONS

The Group continues to benchmark its performance against global best practices to ensure the sustainable management of broader issues that affect each of the Group's key sectors. As such each business subscribes to various internationally-accepted management systems and/or specifications to establish and continually improve standard procedures to streamline the quality, safety, reliability and sustainability that enhances their USP. These certifications have helped the Group's business to sharpen the knowledge and expertise in specific areas, giving them a definite edge over their peers. They have thus been able to position themselves as market leaders in their respective business spheres.

Within each sector, action has been implemented to make sure our products and services are benchmarked to international best practices, and standards. Some of this action is essential to be implemented or is expected of certain SBUs due to the nature of their industries. However, many SBUs have progressed beyond basic requirements by seeking certification for their management systems with the aim of adding transformational value to the operation and to enhance the confidence our stakeholders place in us. As we have explained in the Materiality section, certification is an optional action taken by SBUs based on specific deciding factors such as creating differentiation for the chosen priorities of the SBUs, or giving direction for sustainability best practices or movements in the industry.

The certifications secured by the SBUs is testament to the expertise, and knowledge of our teams as most of these systems have been built and implemented almost entirely on internal capacity.

ENVIRONMENTAL & SOCIAL SUSTAINABILITY

Strengthening their commitment to environmental sustainability, these SBUs have certified their management systems contributing to environmental aspects;

ISO 14001: 2004 Certified Environmental Management Systems

Tourism sector;

- Earl's Regency
- Heritance Ahungalla
- Heritance Kandalama
- Heritance Tea Factory
- Turyaa Kalutara

Strategic Investments sector;

- Aitken Spence Printing & Packaging (Pvt) Ltd. (within the integrated management system certification)

ISO 14001: 2015 Certified Environmental Management Systems

Tourism sector;

- Aitken Spence Travels

Maritime and Logistics sector;

- Ace Aviation Services (Pvt) Ltd.
- Ace Cargo (Pvt) Ltd.
- Aitken Spence Cargo (Pvt) Ltd.

ISO 50001: 2011 CERTIFIED ENERGY MANAGEMENT SYSTEMS

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

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

GROUP SERVICES

Operating in an ever-changing environment where time and efficiency is vital, Group services provides critical support in facilitating the growth agenda outlined for all businesses across each of the four sectors.

Financial Shared Services Centre	Group Sustainability	Legal	Corporate Finance	Company Secretarial	HR
GROUP SUPPORT SERVICES					
Internal Audit and Risk	Group Security	Corporate Communication	Business Development	Group IT	

LEED GOLD CERTIFIED PROPERTIES

Leadership in Energy and Environmental Design (LEED) is a rating system of the United States Green Building Council (USGBC). Securing the LEED certification is testament to the environmental performance of our properties.

Tourism sector;

- Heritance Kandalama
- Heritance Negombo

Strategic Investments sector;

- Aitken Spence Printing & Packaging (Pvt) Ltd.

OPERATIONS TO OFFSET CARBON NEUTRAL CERTIFICATION

Several SBUs are committed to offset their emissions by both managing the operation to reduce the environmental footprint and by offsetting emissions. The following operations have offset the GHG emissions of their operations;

- Aitken Spence Travels
- Aitken Spence Printing & Packaging (Pvt) Ltd

TRAVELIFE GOLD CERTIFIED HOTELS

The Travelife Sustainability System is an initiative dedicated to promoting sustainable practices within the travel and tourism industry. This certification illustrates an organisation's compliance with the international Travelife standard for social and environmental sustainability.

- Heritance Ahungalla
- Heritance Ayurveda Maha Gedara
- Heritance Kandalama
- Heritance Tea Factory
- Adaaran Club Rannalhi
- Adaaran Hudhuranfushi
- Adaaran Prestige Meedhupparu
- Adaaran Vadoo

OPERATIONS WITH THE RAINFOREST ALLIANCE CERTIFICATION

The RA certification is a symbol of environmental health, and social sustainability. The green frog certification seal of RA indicates that a farm, forest, or tourism enterprise has been audited to meet standards that require environmental, social, and economic sustainability. Securing this certification for the upcountry cluster of estates as listed below is a commendable achievement of the plantations segment.

- Dunsinane Estate
- Sheen Estate
- Fernlands Estate
- Meddecombra Estate
- New Peacock Estate
- Nayapane Estate

GREEN FINS ACCREDITED MEMBERS

This accreditation illustrates the compliance of our operation to the environmental standards and code of conduct for the diving and snorkeling industry.

- Dive Point, Adaaran Select Hudhuranfushi
- Dive Point, Adaaran Prestige Vadoo
- Dive Point, Adaaran Club Rannalhi

COMPLIANCE+ CERTIFICATION

Awarded by the Employers' Federation of Ceylon, this certification is proof of exemplary standards in employment practices

Strategic Investments sector;

- Aitken Spence Garments Ltd.

PLATINUM CERTIFICATE OF COMPLIANCE – WORLDWIDE RESPONSIBLE ACCREDITED PRODUCTION (WRAP)

Worldwide Responsible Accredited Production (WRAP) is an independent, objective, non-profit team of global social compliance experts dedicated to promoting safe, lawful, humane and ethical manufacturing around the world through certification and education.

Strategic Investments sector;

- Aitken Spence Garments (Mathugama)
- Aitken Spence Apparels (Koggala)

PRODUCT/ SERVICE QUALITY AND SAFETY

Our operations have also implemented management systems to ensure hygiene and food safety to provide the best products and services to our clients.

ISO 22000/ HACCP: 2005 Certified Food Safety Systems

Tourism sector;

- Earl's Regency
- Heritance Ahungalla
- Heritance Kandalama
- Heritance Tea Factory

GROUP CAPITAL MANAGEMENT REVIEW

INTELLECTUAL CAPITAL

- Adaaran Club Rannalhi
- Adaaran Select Meedhupparu
- Adaaran Select Hudhuranfushi
- Adaaran Prestige Vadoo

Strategic Investments sector;

- Deviturai Tea Factory
- Dunsinane Tea Factory
- Nayapana Tea Factory
- New Peacock Tea factory
- Talgaswella Tea factory

ORGANIC CERTIFICATION OF SRI LANKA STANDARDS INSTITUTE (SLSI)

This certification awarded by the Sri Lanka Standards Institute (SLSI) for the cultivation and processing of organic tea.

Tourism sector;

- Heritance Tea Factory

ISO 9001: 2008 Certified Quality Management Systems

Many of our operations maintain quality management systems. ISO 9001 is a system standard for quality management systems that is not specific to any industry. Obtaining this certification is a testament to the efforts of an organisation to assure the quality of the product or service.

Tourism sector;

- Aitken Spence Travels
- Aitken Spence Shipping Ltd.

Strategic Investments sector;

- Aitken Spence Printing & Packaging (Pvt) Ltd. (within the integrated management system certification)
- Aitken Spence Garments Ltd.

Services sector;

- Elevators (Pvt) Ltd.

ISO 9001: 2015 Certified Quality Management Systems

Maritime and Logistics sector;

- Ace Aviation Services (Pvt) Ltd.
- Ace Cargo (Pvt) Ltd.
- Ace International Express (Pvt) Ltd.
- Aitken Spence Cargo (Pvt) Ltd.

SCUBA SCHOOLS INTERNATIONAL (SSI) DIAMOND STATUS CERTIFICATION FOR COMMITMENT TO EXCELLENCE AND LEADERSHIP

The SSI Diamond Status recognises dive centres and dive resorts that make a commitment to excellence and leadership in the categories of Business Practices & Ethics, Quality Assurance, Education Commitment, Customer Service and Diving Passion. Only dive centres and dive resorts recognized as the leaders in their marketplace can be considered for the SSI Diamond Status

Tourism sector;

- Dive Point, Adaaran Select Meedhupparu

ISO 27001: 2013 Information Security Management Systems

Information security is a priority for the company and Group IT has implemented an information security management system (ISMS) with standard procedures and practices per the requirements of the ISO 27001 system standard.

Strategic Investments sector;

- Aitken Spence Corporate Finance – Group IT

OHSAS 18001:2007 for Occupational Health & Safety

All Aitken Spence companies have procedures in place to ensure occupational health and safety. Aitken Spence Printing has progressed one step above the essential actions required from companies and implemented an occupational health and safety management system in line with the requirements of the OHSAS 18001 system standard. This is an internationally applied British Standard for occupational health and safety management systems. It exists to help any organizations (without industry specification) to establish demonstrably sound occupational health and safety performance.

Strategic Investments sector;

- Aitken Spence Printing & Packaging (Pvt) Ltd. (within the integrated management system certification)

ACCOLADES: FINANCIAL YEAR 2016/2017

Aitken Spence PLC and its companies strive towards achieving excellence in all our activities, to establish high growth businesses in Sri Lanka and across new frontiers, and to become a globally competitive market leader in the region. In that effort, recognition we receive in our journey is an encouragement and testament to the success of our management approach.

AWARDS RECEIVED FOR OVERALL SUSTAINABILITY PERFORMANCE

- Aitken Spence PLC was adjudged as a Best Corporate Citizen of Sri Lanka for the 11th consecutive year in the Best Corporate Citizen Sustainability Awards 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 11 years consecutively. The company also secured the following category awards;
  - » Category Award for the Ten Best Corporate Citizens 2016
  - » Category Award Winner for Triple Bottom Line (Planet)
  - » Category Award Winner for Environmental Integration
  - » Award Winner for Community Relations
- Aitken Spence PLC was ranked Platinum in the STING Corporate Accountability Index 2016. Aitken Spence is jointly ranked No.2 in the overall index and No. 1 in the diversified holdings category within the index.
- Aitken Spence PLC was adjudged a Silver Award and won the Category Award for Diversity & Inclusion at the Human Capital Management (HCM) Awards 2016 organized by Association of Human Resource Professionals (AHRP)
- Aitken Spence PLC was joint winner of the Bronze Award in the Diversified Holdings category at Annual Report Awards 2016 of the Chartered Accountants of Sri Lanka. The annual competition recognises best practices in reporting in the corporate sector by awarding companies which have demonstrated leadership in transparency, accountability and good governance via their annual reports.

AWARDS RECEIVED BY THE TOURISM SECTOR

Aitken Spence Hotels

- Aitken Spence Hotels Holdings PLC won the Gold Award at Annual Report Awards 2016 of the Chartered Accountants of Sri Lanka.
- Heritance Ahungalla was awarded 3rd place in the Service Sector – Large Scale Category at the National Productivity Awards 2015. Organised by the National Productivity Secretariat, this national competition is held complying with current procedures

of the Asian Productivity Organisation while conforming to National Vision and Development Plan of Sri Lanka. Heritance Ahungalla is the only hotel awarded in this category.

- Heritance Ayurveda Maha Gedara received a Merit award at the 'Social Dialogue and Workplace Cooperation 2016' awards organised by the Department of Labour. This award aims to recognize sound employer – employee relationships in organisations.
- Aitken Spence Hotels restaurant 'Diamond Room' at Aitken Spence Towers obtained the Grade A – Certification of Commendation by Public Health Department of Sri Lanka at The Food Safety High Achievers' Awards 2016. This programme is conducted to recognise best in class in food safety within Colombo municipality.
- Adaaran Resorts won 70 medals, including 7 Gold Medals, at Food & Hospitality Asia Maldives International Culinary Challenge and Exhibition 2016. This event is considered as Asia's most comprehensive international food & hospitality trade event.
- Heritance Ayurveda Maha Gedara received the FIT Reisen Quality Certificate 'Premium Quality Hotel' in the category of Ayurveda & Yoga. (Note: FIT Reisen is a German tour operator specializing in wellness travelling. Only the highest quality and best rated hotels receive the FIT Reisen Quality Certificate.)

The Fit Reisen Quality Certificate

- Adaaran Club Rannalhi has been listed as one of the top 100 resorts by Schauinsland Reisen, the 7th largest travel agency in Germany. Adaaran "Select" Meedhupparu was selected as a 'Partner of Excellence'.
- South Asian Travel Awards [SATA] is the first ever regional travel awards endorsed by multinational associations providing the tourism sector of the South Asian region with recognition towards their facilities and service excellence. SATA aims to encourage and raise service standards within the regions of the Tourism industry. The following hotel properties were recognized at the SATA in 2016;
  - » Heritance Kandalama - Leading Eco Hotel /Resort in South Asia
  - » Heritance Kandalama - Leading Eco Hotel /Resort in Sri Lanka
  - » Heritance Negombo - Leading Designer Hotel/Resort in Sri Lanka
  - » Turyaa Kalutara - Leading Family Hotel/ Resort in Sri Lanka
  - » Adaaran "Club" Rannalhi - Leading Activity /Water Sports Centre
  - » Adaaran "Select" Meedhupparu - Leading Dive Hotel/Resort
- The TripAdvisor Certificate of Excellence honours accommodations, restaurants and attractions that consistently receive great traveller reviews on TripAdvisor helping travellers to make informed decisions. The TripAdvisor Certificate of Excellence was awarded to;
  - » Adaaran "Club" Rannalhi
  - » Adaaran "Prestige" Vadoo
  - » Adaaran "Prestige" Water Villas
  - » Amethyst Resort
  - » Desert Nights Camp (Oman)
  - » Earl's Regency
  - » Heritance Ahungalla
  - » Heritance Kandalama
  - » Heritance Tea Factory
- TripAdvisor Travellers Choice Award was given to;
  - » Heritance Ahungalla
  - » Heritance Kandalama
  - » Heritance Tea Factory
- Holiday Check is the largest German-language rating portal for travel and holidays online with a base of over 6 million hotel reviews and more than 7 million holiday pictures. 'Holiday Check Recommended' certification was received by the following properties;
  - » Heritance Ahungalla
  - » Heritance Ayurveda Maha Gedara

Aitken Spence Travels

- Aitken Spence Travels received the 'Best in Class' award presented by the Interactive Media Awards (IMA) for its revamped Aitken Spence Holidays website in the Travel and Tourism category. The Interactive Media Awards honour individuals and organizations for their outstanding achievement in website design and development. This achievement is testament to the quality of the platform presented to customers for their convenience.

Maritime Sector

Aitken Spence Cargo

- Aitken Spence Cargo was presented an award by Chevron Lubricants Lanka PLC on Chevron celebrating 15 years of Safety Excellence in March 2017, in appreciation of Aitken Spence Cargo's valuable contribution as a logistic service supplier partner towards achieving industry leading safety performance.

Strategic Investments Sector

Printing

- Aitken Spence Printing received the prestigious GSK 2016 Environmental Sustainability Award. The awards aim to recognize vendors who excel in sustainability from an international pool of suppliers who work with GSK. The win marks another milestone for Aitken Spence Printing, the only Carbon neutral printing facility operator in Southeast Asia.
- Aitken Spence Printing and Packaging won 01 Gold, 03 Silver and 03 Bronze Awards at Lanka Star Awards 2016 organized by Sri Lanka Institute for Packaging. This award is organised to recognise excellence in packaging solutions and is testament to the quality of the services provided by the company.

Aitken Spence Plantations

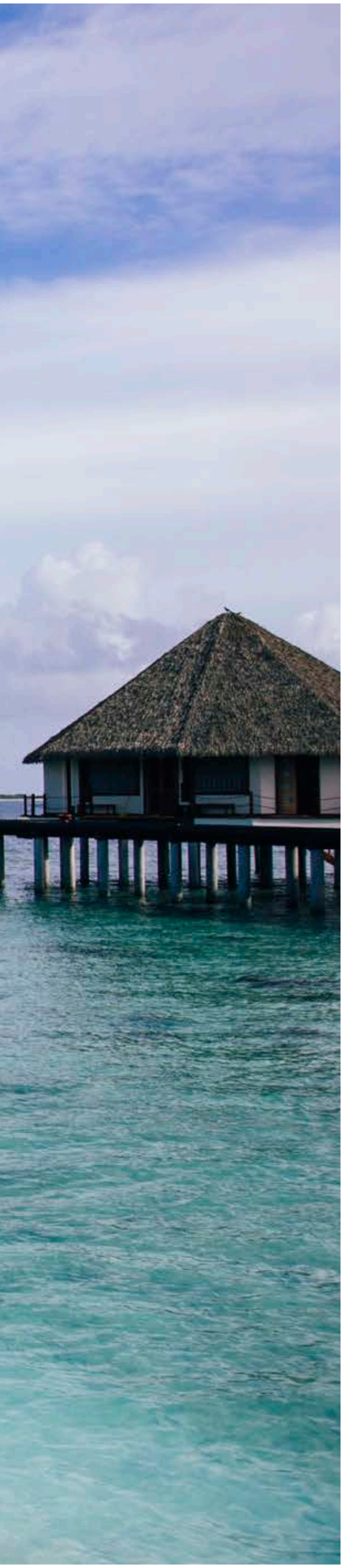
- Forbes & Walkers Tea Brokers conduct annual awards to recognise and honour their clients for exceptional performance. Aitken Spence Plantations received the following awards in 2016;
  - » Highest Improvement in Sale Average – Black Tea Category awarded to Mr. Ranga Gunasekera of Fernlands estate
  - » Highest Agro Climatic Average - Black Tea Category awarded to Mr. Chandana Priyadarshana of Maddecombra North
  - » Highest Improvement in Turnover Elevation Wise - Black Tea Category awarded to Mr. Anushka Baddewithana of Sheen estate
  - » Highest Elevational Averages, Highest Improvement in Turnover Elevation Wise, All-Time Record Price, All-Time Record Price, and Most Number Of Top Prices; five awards in total in the Black Tea Category awarded to Mr. Asela Udumula of Dunsinane Estate
  - » Highest Improvement in turnover category awarded to Elpitiya Plantations

SECTOR REVIEW

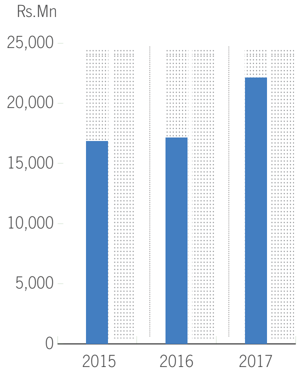
TOURISM

- Hotels
- Inbound & Outbound Travel
- Airline GSA

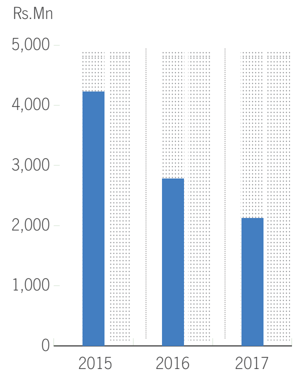
Rs. 22.1 Bn	2,647	Rs. 2.9 Bn	76%
REVENUE	ROOM INVENTORY	TOTAL CONTRIBUTION TO THE GOVERNMENTS	OF THE TOTAL WATER WITHDRAWN IS TREATED AND/OR REUSED



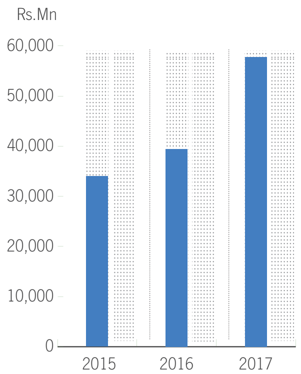
Revenue
For the year ended 31st March



Profit Before Tax
For the year ended 31st March



Total Assets
As at 31st March



The Aitken Spence Group is one of the leading players in the tourism sector and the largest resort operator in Sri Lanka. The Group owns and operates resorts in Sri Lanka, Maldives, India and Oman which include several iconic properties well known among travellers. The Group which is the pioneering Sri Lankan investor in the resorts sector in Maldives it took yet another ground-breaking step during the financial year under consideration by launching the resort with the largest number of rooms in Sri Lanka, when it unveiled the 501 room Hotel RIU Sri Lanka. The Group is the only public company in Sri Lanka to own and operate hotels in India and Oman.

The Tourism sector consists of hotels, travels and airline General Sales Agency (GSA) segments that complement each other to deliver a complete product to the customer. The destination management segment, which is a joint venture with TUI, the largest integrated travel company in the world, is the market leader in inbound tourism in Sri Lanka. The airline GSA segment operates the prestigious Singapore Airlines agency which has been with the Group for a period of over forty years, being the longest standing GSA representation for the airline.

The Tourism sector which is one of the key business sectors of the Group, contributed 43.5% to Group revenue and accounted for 58.2% of the total assets base.

The sector collectively provides direct employment to over 3,500 people, with thousands of indirect employment opportunities being created as a result of the range and diversity of the sectors' business interests.

All businesses under the sector occupy leadership positions among their respective peer groups as evidenced by the numerous awards and accolades received by the sector in recognition of excellence.

Tourism Sector	2016/2017 Rs '000	2015/2016 Rs '000	%	2014/2015 Rs '000
Revenue (with equity accounted investees and inter-segment)	22,122,985	17,159,728	29	16,843,678
Profit before tax	2,126,766	2,783,052	(24)	4,230,229
Profit after tax	1,452,516	2,288,445	(37)	3,678,261
Total taxes paid to Governments (Indirect and direct taxes)	2,923,687	2,213,299	32	1,892,832
Total assets	57,791,304	39,455,399	46	34,009,676
Total liabilities	29,240,667	15,268,945	92	11,445,373
Employee number	3,598	3,320	8	2,873
Room Inventory (owned and managed)				
Sri Lanka	1,536	896	71	811
Maldives	617	617	-	617
Oman	354	454	(22)	454
India	140	140	-	140
Total	2,647	2,107	26	2,022
Number of pax handled by the travels segment	153,167	128,896	19	108,337

SECTOR REVIEW

TOURISM

AWARDS RECEIVED BY THE TOURISM SECTOR IN 2016/2017

Aitken Spence Hotels

- Aitken Spence Hotels Holdings PLC., won the gold award at Annual Report Awards 2016 of the Chartered Accountants of Sri Lanka.

- Heritance Ahungalla was awarded 3rd place in the Service Sector – Large Scale Category at the National Productivity Awards 2015. Organised by the National Productivity Secretariat, this national competition is held complying with current procedures of the Asian Productivity Organisation while conforming to National Vision and Development Plan of Sri Lanka. Heritance Ahungalla is the only hotel awarded in this category.

- Heritance Ayurveda Maha Gedara received a merit award at the 'Social Dialogue and Workplace Cooperation 2016' awards organised by the Department of Labour. This award aims to recognize sound employer – employee relationships in organisations.

- Aitken Spence Hotels restaurant 'Diamond Room' at Aitken Spence Towers obtained the Grade A – Certification of Commendation by the Public Health Department of Sri Lanka at The Food Safety High Achievers' Awards 2016. This programme is conducted to recognise best in class in food safety within Colombo municipality.

- Adaaran Resorts won 70 medals, including 7 gold medals, at Food & Hospitality Asia Maldives International Culinary Challenge and Exhibition 2016. This event is considered as Asia's most comprehensive international food & hospitality trade event.

- Heritance Ayurveda Maha Gedara received the FIT Reisen Quality Certificate 'Premium Quality Hotel' in the category of Ayurveda & Yoga. (Note: FIT Reisen is a German tour operator specializing in wellness travel. Only the highest quality and best rated hotels receive the FIT Reisen Quality Certificate.)

- Adaaran Club Rannalhi has been listed as one of the top 100 resorts by Schauinsland Reisen, the 7th largest travel agency in Germany. Adaaran "Select" Meedhupparu was selected as a 'Partner of Excellence'.

- Holiday Check is the largest German-language rating portal for travel and holidays online with a base of over 6 million hotel reviews and more than 7 million holiday pictures. 'Holiday Check Recommended' certification was received by the following properties;
  - Heritance Ahungalla
  - Heritance Ayurveda Maha Gedara

- South Asian Travel Awards [SATA] is the first ever regional travel awards endorsed by multinational associations providing the tourism sector of the South Asian region with recognition towards their facilities and service excellence. SATA aims to encourage and raise service standards within the regions of the tourism industry. The following hotel properties were recognized at the SATA in 2016;
  - Heritance Kandalama - Leading Eco Hotel/Resort in South Asia
  - Heritance Kandalama - Leading Eco Hotel/Resort in Sri Lanka
  - Heritance Negombo - Leading Designer Hotel/Resort in Sri Lanka
  - Turyaa Kalutara - Leading Family Hotel/Resort in Sri Lanka
  - Adaaran "Club" Rannalhi - Leading Activity/Water Sports Centre
  - Adaaran "Select" Meedhupparu - Leading Dive Hotel/Resort

Aitken Spence Travels

- Aitken Spence Travels received the 'Best in Class' award presented by the Interactive Media Awards (IMA) for its revamped Aitken Spence Holidays website in the Travel and Tourism category. The Interactive Media Awards honour individuals and organizations for their outstanding achievement in website design and development. This achievement is testament to the quality of the platform presented to customers for their convenience.

- The TripAdvisor Certificate of Excellence honours accommodations, restaurants and attractions that consistently receive great traveller reviews on TripAdvisor helping travellers to make informed decisions. The TripAdvisor Certificate of Excellence was awarded to;
  - Adaaran "Club" Rannalhi
  - Adaaran "Prestige" Vadoo
  - Adaaran "Prestige" Water Villas
  - Amethyst Resort
  - Desert Nights Camp (Oman)
  - Earl's Regency
  - Heritance Ahungalla
  - Heritance Kandalama
  - Heritance Tea Factory

- TripAdvisor Travellers Choice Award was given to;
  - Heritance Ahungalla
  - Heritance Kandalama
  - Heritance Tea Factory

SECTOR REVIEW

TOURISM

"The hotel segment comprises of a diverse portfolio of offerings. The company's premier brand, Heritance hotels and resorts operates a portfolio of five properties in Sri Lanka and the overseas hotel segment consists of the signature brand of Adaaran resorts in the Maldives, Turyaa, Chennai in India and Al Falaj Hotel in Muscat, Oman."

HOTELS

OVERVIEW

The hotel segment consists of two sub-segments; Sri Lankan hotels and overseas hotels under the umbrella of Aitken Spence Hotel Holdings PLC, with Aitken Spence PLC as the ultimate owning company.

The Sri Lankan hotels sub segment comprises of a diverse portfolio of offerings. The company's premier brand, Heritance hotels and resorts operates a portfolio of five properties in Sri Lanka which comprises of Heritance Kandalama, Heritance Tea Factory, Heritance Ayurveda Maha Gedara, Heritance Ahungalla and Heritance Negombo.

In addition the Group owns and operates Turyaa Kalutara, Hotel Hilltop, Kandy and are the managing agents for Earls Regency, Kandy and Bandarawela Hotel and the Group also has an interest in Amethyst Resorts in Pasikudah and a 60% shareholding in the newly opened Hotel RIU, Sri Lanka.

Aside from being the market leader in Sri Lanka's leisure industry, Aitken Spence Hotels are also seen as the vanguard in the sustainable tourism movement of the country and in the region. In fact, Heritance Kandalama receives its iconic status mainly owing to the strong commitment towards its sustainable practices. Testifying to this, the property was the first hotel in the world and the first property outside USA to receive a LEED certification for its environmentally friendly building design. The newly opened Heritance Negombo an associate company of the Group is the second property in the portfolio to receive the LEED certification in recognition of Leadership in Energy and Environment Design.

Extending the commitment to benchmark international best practices, Aitken Spence Hotel Holdings PLC was one of the only five tourism enterprises and associations in Sri Lanka, to sign the UNWTO private commitment to the Global Code of Ethics in July 2016.

The overseas hotel sub segment consists of the signature Adaaran brand of resorts in the Maldives, Turyaa Chennai in India and the Al Falaj Hotel in Muscat, Oman.

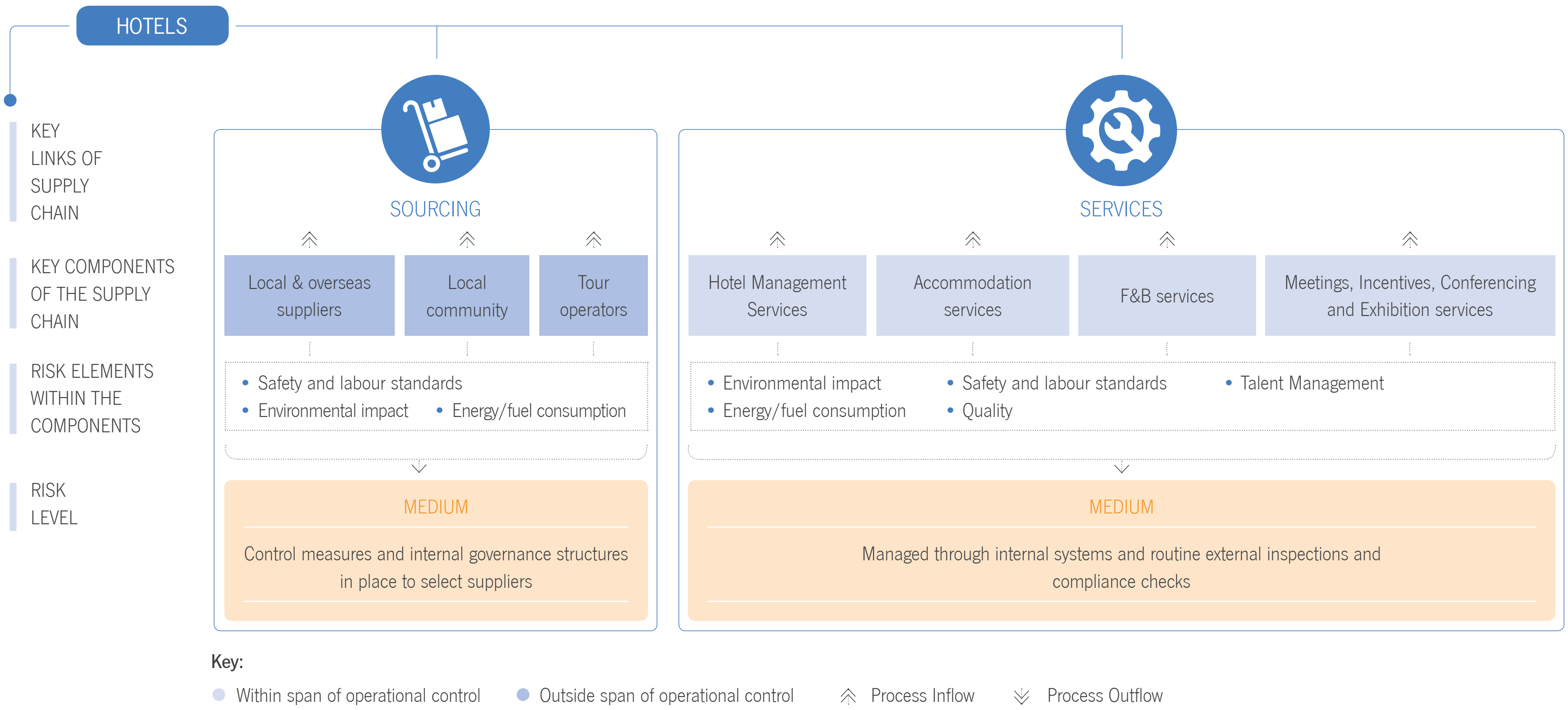
The hotel management segment of the Group in addition to managing the Group's owned resorts in Sri Lanka, Maldives, and Oman manages and operates resorts not owned by the Group. The properties managed but not owned are; Bandarawela Hotel, which the Group has been managing for over 28 years and the five-star property, Earls Regency Hotel Kandy, which has been under the management of the Group since 2004. In addition to the Sri Lankan resorts, there are three resorts in Oman, which are managed by the Group including the luxury Desert Nights Camp.

Major Challenges [GRI G4 - 2]	• Inconsistent regulation and ad-hoc policy changes • Rise of the informal sector • Threats to beachfront properties from low-cost, low-quality operators • Competition from emerging destinations in the region • Lack of skilled labour • High staff turnover rate in the sector makes it difficult to retain operational level staff (Refer Risk Management Report on pages 70 to 84) • Inadequate national infrastructure to attract high-end tourists • Sensitivity to key international currency movements • Sensitivity to changes in the airline industry
Opportunities [GRI G4 - 2]	• Emerging tourism trends • Emerging destinations
Key Strengths [GRI G4 - 2]	• Brand reputation • Established market presence • Diversified portfolio • Globally recognized strategic partners • Relationship with local communities
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Biodiversity • Solid waste • Occupational health and safety • Emissions • Effluents • Labour standards • Local purchasing • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Suppliers/ Service Providers • Community members/ neighbours • Regulators • Shareholders/Investors • JV Partners • Customers • Activists
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • A growing need was identified for innovative service solutions in the industry • Opportunities were also identified to expand the market presence and to improve the customer experience by increasing channels of engagement with stakeholders of the sector

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

We are evaluating social and environmental risks that could arise within the span of operations of the suppliers we source from. To date, we have focused on the direct operations within our supply chains.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of the suppliers that could indirectly have an impact on our operations.



The above diagram summarizes the suppliers that the hotels are dependent on. Local and overseas suppliers include those suppliers of food and beverages, crockery and cutlery, soft furnishing and linen, furniture and equipment etc. and the local communities for the sourcing of their workforce. We have identified potential risks with the operations which are managed by control measures and internal governance structures to select suppliers.

While existing procurement practices and systems are in place to mitigate social and environmental risks, we will be assessing the supply chain in greater depth in our roadmap to building sustainable supply chains across our Group.

SECTOR REVIEW

TOURISM

ARRIVALS TO SRI LANKA

Increased by

14%

in 2016

PERFORMANCE SUMMARY

The hotels segment recorded a year of mixed fortunes with some of its flagship properties performing exceptionally well compared to the previous financial year. The iconic properties; Heritance Kandalama and Heritance Tea Factory produced excellent results with profitability increasing by 22% and 30% respectively for the year. However, the Sri Lankan hotels sub segment recorded an overall decline, due to two reasons; the partial closure of Heritance Ahungalla for refurbishment for part of the year and also due to the higher interest burden resulting from the investments made in the newly launched properties.

The overseas hotels segment was also negatively impacted as some of the key markets came under pressure due to heightened price competition and changes in external factors.

A culmination of these factors meant the profits of the Sri Lankan hotels sub-segment, recorded a 67.0% dip in profitability for the year.

Sri Lankan Hotels

With an ever-increasing number of tourists traversing the globe, Sri Lanka's tourism industry has been achieving record growth for the past few years. Despite falling short of the targeted 2.2 million mark, arrivals to the country crossed 2 million in 2016, a 14.0% increase compared to the previous year.

Growth in inbound traffic was seen from the source markets of UK, Europe, Australia and China, while arrivals from Eastern Europe dropped during the peak winter season. Economic instability and depreciating currencies adversely impacted the Eastern European travellers with arrivals from Russia in particular being affected. Meanwhile, with low oil prices curtailing their spending capacity, numbers arriving from the Middle East also declined in the first half of the year, the trend reversed from December 2016 in tandem with the improving oil prices.

Driving growth from all source markets became the key priority for the segment during the year. However, doing so amidst growing competition and ad-hoc regulatory changes continued to be a challenge.

Consequently, a multi-pronged strategy to develop all distribution channels and tap into a broader spectrum of global markets was initiated following a review of the existing channel mix, with specific strategies being assigned to develop each channel. A robust online marketing strategy underpinned by Pay Per Click (PPC) campaigns and digital advertising was aimed at strengthening the Online Travel Agents (OTA) segment. Further, targeted direct marketing to capture niche markets and strategic tie-ups to secure mass markets were among the other key initiatives that were pursued to strengthen direct channels.

Furthermore, with all properties continuing to be a popular choice among Sri Lankans, seasonal promotional campaigns were carried out fuelling growth during the off-season.

The flagship Heritance brand successfully maintained its pre-eminent position in the

"Heritance Kandalama and Heritance Tea Factory proving to be the unchallenged market leaders in their respective segments."

PROFITABILITY
Increased by
22%

PROFITABILITY
Increased by
30%

market, with Heritance Kandalama and Heritance Tea Factory proving to be the unchallenged market leaders in their respective segments. Occupancy at both properties reached record levels in 2016/2017, as ongoing efforts to sharpen the core value proposition and service levels proved fruitful, both properties recorded excellent results in terms of revenue and profits in the financial year under review. Heritance Ayurveda Maha Gedara also reported a satisfactory performance in the financial year 2016/2017.

Heritance Ahungalla was partially closed for refurbishment which affected its performance in the current financial year. However, Heritance Ahungalla showed signs of a recovery in the last quarter of the financial year with the renovations completed. Despite the escalating competition among beachfront offerings due to the mushrooming of low-priced, low-quality operators (formal and informal) Heritance Ahungalla was able to command a leadership position in the market.

71%
ROOM INVENTORY INCREASED IN SRI LANKA

Similarly, the Group's other beachfront property: Turyaa Kalutara, launched in the previous financial year, continued to face the pressures resulting from a price-driven market for beachfront offerings, prompting renewed efforts to reposition the property to create greater visibility to drive growth from key source markets.

Completing its first full year of operation following the refurbishment, Hotel Hilltop, Kandy made steady progress showing good results proving its value-for-money proposition as a success.

Meanwhile, in line with the strategic decision to broaden the asset mix, the Group made significant strides in expanding the portfolio during the financial year under review, starting with the newest addition to the Heritance brand; Heritance Negombo, which was launched in April 2016. Positioned as a resort hotel in the city, the 139-room property complements the Heritance portfolio, and remains well positioned to capture multiple segments of the tourism market.

Another key milestone was the launch of the 501-room Hotel RIU Sri Lanka in August 2016. A joint venture partnership with RIU Resorts and Hotels in Spain, Aitken Spence retains a 60% ownership stake, with RIU undertaking the management and marketing of the property. The resort is marketed as a destination by itself primarily for charters from Europe through TUI of Germany, the largest integrated leisure services company in the world, and a long-standing partner of the Aitken Spence Group.

With the new properties coming on board, the Sri Lankan hotel segment's room inventory increased to 1,536 keys, reinforcing the Group's position as one of the largest resort operators in Sri Lanka.

SECTOR REVIEW

TOURISM

ARRIVALS TO MALDIVES
Increased by
4.2%
in 2016

HERITANCE AÁRAH
Under construction; room inventory
160

Overseas Hotels

Maldives

Maldives, continues to remain a highly sought after destination and despite the Malé airport being partially closed for renovation, the arrivals to the destination recorded a marginal increase of 4.2% for 2016. However, the release of a large number of islands and lagoons for development has resulted in an excess capacity in the market, which is likely to continue in the short to medium term. This factor together with the development of guesthouses in inhabited islands has exerted downward pressure on room rates. The downward pressure on room rates too is expected to remain in the medium term. However, the yields of the destination still remain attractive in comparison to regional competitors.

Nonetheless, affected by these externalities, room rates remained low, and despite improvements in occupancy, revenue at all Adaaran resorts declined in US dollar terms compared to the previous year. In addition, the full impact of the green tax which was imposed in the latter part of 2015, was felt in the current financial year. The green tax was levied at US$ 6 per night per guest. At the same time, costs escalated due to the removal of government subsidies on certain staple food and electricity, along with higher import duties on items such as tobacco and energy drinks. A combination of these factors resulted in the contraction of margins during the financial year under consideration. However, despite the 23.1% drop in profitability reported by the Maldivian hotels, the Indian Ocean destination still remains the highest contributor towards the segment's bottom line.

"The Maldives, continues to remain a highly sought after destination and despite the Malé airport being partially closed for development work, the arrivals to the destination recorded a marginal increase of 4.2% for 2016."

Despite the challenging operating environment, investments in infrastructure, systems, processes, technology and people continued to be made. Development work to upgrade 34 water villa rooms at the Adaaran Club Rannalhi, along with refurbishment of 65 beach rooms at Adaaran Select Hudhuranfushi commenced during the year. Meanwhile, in tandem with the Group's expansion strategy for the Maldives, construction work on Heritance Aárah commenced during the financial year under review. Scheduled to be operational in early 2018, Heritance Aárah is a 160-room luxury resort that would be positioned as the Group's flagship property in the Maldives.

"In the Maldives segment, the Group will launch its flagship hotel in 2018 and concentrate on upgrading the hardware and software of other properties in order to remain ahead of the competition"

Operational improvements and investments in technology driven systems also continued during the year, mainly to develop online channels across all properties. These investments are expected to drastically reduce the amount of manual labour needed to manage bookings, maintain rate parity, and optimize last-room inventory. From an operational perspective, they would also save time and reduce errors by eliminating the need for manual data entry. Investments were also made in a new Integrated pro guest survey solution to obtain proactive guest feedback through in-stay or post-stay surveys. Further, a revenue management solution was also commissioned to facilitate more effective yield management and to realign performance forecasts across the entire company in real time.

India

Turyaa Chennai completing its first full year of operations made steady progress in establishing itself in the market. Positioned as the only 5-star business hotel in Chennai's IT corridor, 70% of the business generated for the year came from business travellers within India, with overseas business travellers accounting for the balance 30%. Ongoing efforts to grow numbers from both segments prompted an aggressive direct marketing campaign to create greater brand visibility in all major cities in south India as well as key overseas source markets. To complement these efforts, relationships with local tour operators and both local and global Online Travel Agents (OTA) were also strengthened.

Being a business hotel, further steps were taken to explore the potential in the MICE (Meetings, Incentives, Conferences, Exhibitions) market. The move delivered good results, with a substantial increase in corporate events seen in the latter part of the year.

Moreover, strict cost control and efficiency improvement remained a key focus, as part of the margin management strategy.

Oman

Depressed crude oil prices, ongoing political tensions in neighbouring countries, together with the overall increase in 4 and 5-star room inventory in the country, had a bearing on the demand for the Group's offerings in Oman, including the Al Falaj, which was acquired during the previous financial year. The Group has previously managed this property for eight years and remains aware of its potential in the Middle Eastern market.

In light of these developments the main strategy for Al Falaj was to reorient the brand and create greater visibility in key source markets in Europe. Leveraging on the hotel's prime location a number of new strategic tie-ups were pursued, while all OTA channels were strengthened to cater to the growing number of online bookings.

Marketing efforts in the UAE and the GCC (Gulf Cooperation Countries) were also intensified during the year and included a firm effort to tap into the B2B and MICE markets in the region, while an area-wide sales blitz was conducted to capture a higher volume of leisure travellers from the region.

The Group's strong emphasis on efficiency improvements continued at Al Falaj as well, where cost management and new process controls were implemented in order to drive economies of scale across all operations.

FUTURE PLANS

For the Sri Lankan hotel sub-segment, the strategy going forward would be to consolidate the current portfolio. Given the increase in the room inventory, resulting from the addition of Heritance Negombo and Hotel RIU
Sri Lanka, the overarching emphasis would be to strengthen visibility across all distribution channels in order to drive growth from key source markets. However, doing so in the absence of a cohesive country strategy to promote Sri Lanka would prove to be a major challenge. The lack of adequate standards to regularize the burgeoning growth of the informal sector is yet another serious challenge that is likely to undermine the prospects of the formal sector of the industry in the future.

Overcoming these challenges calls for a rigorous brand building effort on the part of Aitken Spence Hotels which would enable the segment to leverage the diversity of the portfolio while strengthening its market leadership and tapping into emerging opportunities and global tourism trends. This will also need to be coupled with the stringent focus on end-to-end process efficiencies to improve the scalability of the business and pave the way for each property to produce consistent returns in the years ahead.

In the Maldives segment, the Group will launch its flagship hotel in 2018 and concentrate on upgrading the hardware and software of other properties in order to remain ahead of the competition, particularly with many international brands entering the Maldives market. For Turyaa Chennai, yield management remains the key to success, while in Oman the strategy would be to consolidate the Al Falaj value proposition in order gain a stable foothold in the Middle Eastern region in the coming years.

SECTOR REVIEW

TOURISM

"The company enjoys long-standing partnerships with some of the leading tour operators in the world, including TUI, the world's largest integrated tourism company."

TRAVEL

OVERVIEW

Aitken Spence Travels, the Group's destination management arm, handling inbound and outbound tour packages for groups, FIT and the MICE segments operates in a highly competitive business environment. The company is the market leader in the inbound travel segment with a substantial market share in the formal sector.

The company enjoys long-standing partnerships with some of the leading tour operators in the world, including TUI, the world's largest integrated tourism company.

REVENUE

Increased by

14%

ARRIVALS HANDLED

Increased by

19%

FIRST DMC IN SRI LANKA

To obtain the certification ISO

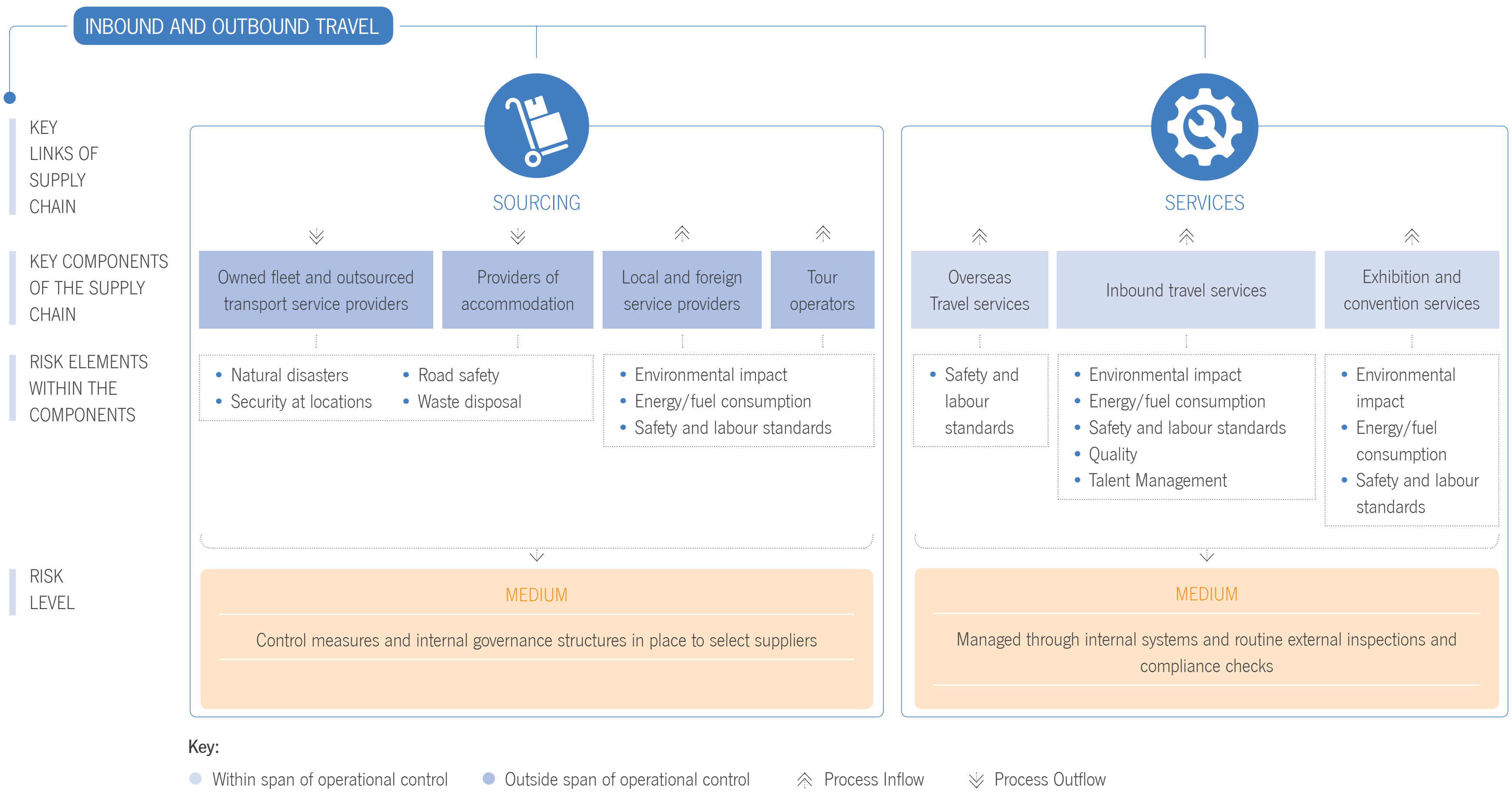
14001-2015

Major Challenges [GRI G4 - 2]	• Rising competition from small scale players • Ad-hoc government policy decisions and regulations regarding tax structures etc. • High staff turnover (Risk management report on page 73) • Service failures originating from contracted hotels and/or tour providers, is likely to have a negative impact on the sector's overall reputation (Risk management report on page 82) • Unfavourable movements in the exchange rate (Risk management report on page 84)
Opportunities [GRI G4 - 2]	• Rapid evolution in industry dynamics that demand continuous innovation • Leverage on tie up with TUI to expand global market reach
Key Strengths [GRI G4 - 2]	• Brand Reputation • Unmatched track record • Globally recognized JV partnerships
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Biodiversity • Solid waste • Emissions • Labour standards • Local purchasing • Occupational health and safety • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • JV Partners • Business Partners • Shareholders/Investors • Customers • Regulators
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Customers and other key stakeholders were keen to hear more about the sustainability initiatives of the company • It was noted from customers that there is a growing need for innovative tour packages and travel services in the industry • A growing need was also identified for improved accessibility to information about excursions and destinations to make more informed decisions about the sites to visit • Tour guides highlighted a tendency of guests to divert from planned excursions based on new sites they learn about on the journey. Flexibility to accommodate such requests is an opportunity to offer a customised experience to visitors

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With an increased focus on our supply chains, we are evaluating social and environmental risks that could arise within our supply chains.

Aspects of our supply chain that fall within our operational boundary have taken precedence. Going forward we will evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This will cover any sourcing and distribution activities of the suppliers that could indirectly affect our travel operations.



The key elements of our supply chains have been summarized in the above schematic diagram. Sourcing takes place from multiple segments such as local suppliers and outsourced transport service providers. The elements of risk within our supplier's operation that could have an impact on our operations have been identified and are currently being managed through internal systems and external compliance checks.

Currently systems are in place to reduce the impact of potential social and environmental risks, however we will be assessing the supply chain in greater detail to reinforce the existing practices and systems.

SECTOR REVIEW

TOURISM

"To cater to the increasing numbers, the segment expanded its partner network to offer a wider choice of accommodation and tour options that would appeal to the mass market."

NUMBER OF PAX

Handled during the year

153,000

PERFORMANCE SUMMARY

It was a year of strong performance for the travel segment, which saw the segment's revenue and profit before tax showing a growth of 13.7% and 17.8% respectively, driven by a substantial increase in the number of arrivals to the country. The number of visitors serviced by the segment reached an all-time record of 153,000 for the twelve months ending 31st March 2017, up by a staggering 18.8% from the previous year, further cementing the Company's position as the market leader in inbound travel.

In maintaining its leadership position however, the segment did have to contend with a growing number of competitive challenges, key among them: the severe dilution caused by the large number of new entrants (both formal and informal) and the low pricing strategies adopted to secure business from key source markets. In light of these developments, the core operational strategy for Aitken Spence Travels was to create a differentiated value proposition that would give the segment the first-mover advantage across all market segments.

Steps taken to penetrate high volume source markets saw the presence of Aitken Spence Travels expand in these markets through strategic tie-ups. Further, the segment leveraged on its partnership with globally renowned charter operators to revive the charter business to Sri Lanka, after a lapse of six years. The resumption of charter operations marks the next phase in the company's long-term growth strategy for the mass-market segment. The only DMC to have handled charters from five different source markets; UK, Finland, Sweden, Italy and Russia, during the 2016 winter season, Aitken Spence Travels teamed up with Coral Travels and their airline charter arm, Royal Flight, which made its maiden flight to Sri Lanka on 2nd November 2016, carrying 300 passengers from Russia. Further, in partnership with TUI, Thomson Airways made its inaugural charter flight, to Sri Lanka on 10th November 2016 carrying 300 passengers from London Gatwick, to be followed by 300 more passengers from the Nordic region, who arrived in the country on 23rd December 2016.

To cater to the increasing numbers, the segment expanded its partner network to offer a wider choice of accommodation and tour options that would appeal to a different market segment. Coupled with these efforts, a series of value enhancements were also introduced, key among them being the "seat-in-coach" tours with guaranteed departures, seeking to attract more clients looking for competitive pricing options.

Parallel to this, a number of portfolio diversification activities were also carried out to penetrate high-value market segments. Having identified the potential in the high-end cruise segment, the Company took steps to enhance the excursion options at each port of call; Colombo, Galle, Hambantota and Trincomalee.

Meanwhile, a dedicated unit was set up during the year to develop sustainable tourism model, specifically focusing on the growing demand for eco, agro and adventure tourism. The aim of the unit is to develop these markets by promoting the Aitken Spence unique selling proposition (USP), while showcasing the country as one of the safest and most diverse tourist hotspots in the region. As part of this strategy, specific models catering to the emerging experiential tourism segment were also introduced during the year. To promote these new offerings, the segment participated in all major global trade fairs, including ITB, WTM, ATM, CITM BIT, IFTM, among others.

To cater to the online segment, an area that has seen rapid growth in recent past, the segment expanded its online travel agents, (OTA) base through tie-ups with number of leading global players. At the same time, "Spencebeds" - the segment's own B2B booking engine, was strengthened with the facility of full XML integration, enabling the "Spencebeds" booking portal, to provide seamless connectivity with all registered OTA's. The next phase of the development process for "Spencebeds", saw the integration with Travel Assist – The Company's tour operating system. To coincide with this, a series of new modules were also rolled out to improve efficiency of the Travel Assist system and facilitate faster response times. As part of the strategy to develop online channels, the company website – www.aitkenspencetravels.com was also revamped and re-launched in September 2016.

Ongoing process improvements to enhance overall operational systems continued in this year too, with Aitken Spence Travels becoming the first DMC in Sri Lanka to secure the ISO 14001-2015 (EMS Certification) upgrade.

With robust volume growth across all channels enabling the Company to register a strong increase in revenue, strict operational controls and cost management initiatives helped boost profitability for the year ended 31st March 2017.

FUTURE PLANS

Moving forward the emphasis would be to grow volumes across all revenue channels. As always, growing online business volumes remains a key priority, especially given the stiff competition in the local DMC market. Further, with charter operations gathering momentum, the immediate focus for the forthcoming year would be to further develop this line of business by strengthening relationships with existing operators, while expanding the partner network to penetrate the Americas.

With Sri Lanka emerging as a potential cruise destination, the segment expects to leverage on strategic tie-ups to expand the cruise business, while accelerating its pitch for other niche markets, in particular sports and luxury segments, with a clear long-term strategy to promote the product as well as the destination would spearhead growth in the coming years.

For online channels
visit our website
www.aitkenspencetravels.com

"For the past 45 years, Aitken Spence has been the General Sales Agent (GSA) in Sri Lanka for Singapore International Airlines (SIA) Passenger and Cargo segments."

AIRLINE GSA

OVERVIEW

For the past 45 years, Aitken Spence has been the General Sales Agent (GSA) in Sri Lanka for Singapore International Airlines (SIA) passenger and cargo segments. In the current competitive environment the segment has had to contend with increased competition largely due to the open skies policy, which has attracted a number of new carriers in both the passenger and cargo segments. Nonetheless, the SBU remains a frontrunner in the market, thanks to the commitment to maintain SIA's globally recognized premium brand proposition.

The segment also consists of Ace Aviation Services Maldives, which has been appointed as the GSA for Sri Lankan Airlines and Mihin Lanka, in the Maldives since 2011.

Major Challenges [GRI G4 - 2]	• Passenger - Open skies policy by the government encouraging the entry of budget airlines and charter operators • Passenger - Rescheduling of day-time flights due to airport closure • Cargo – Overcapacity resulting from more carriers/freighters	
Opportunities [GRI G4 - 2]	• Passenger - Commencement of operations by SilkAir • Cargo - Removal of the EU's seafood import ban on Sri Lanka	
Key Strengths [GRI G4 - 2]	• SIA's Brand Reputation • Unmatched track record	• SIA's global network
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy and emissions • Water • Compliance	• Solid waste • Occupational health and safety • Service quality management

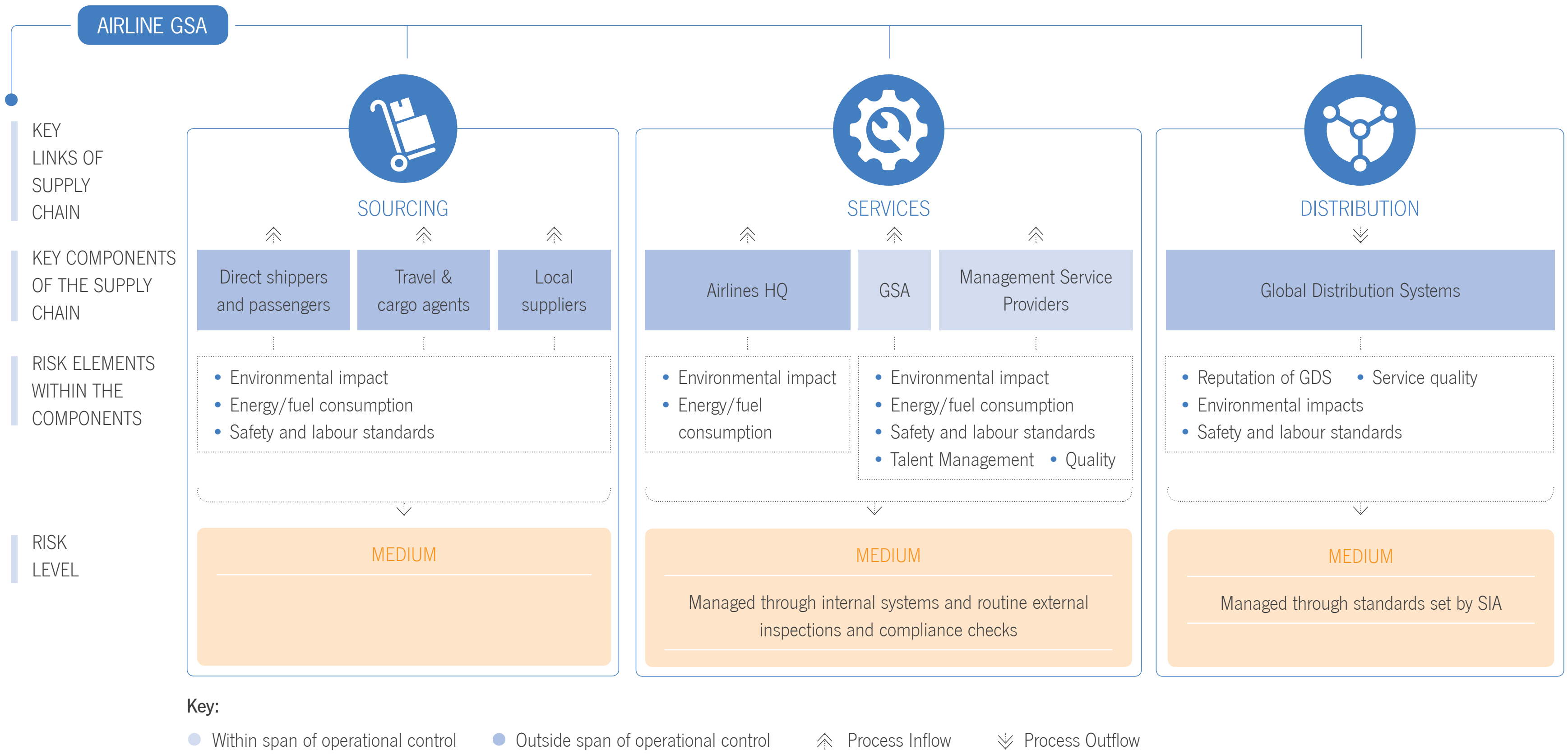
SECTOR REVIEW

TOURISM

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

Whilst we are a part of larger supply chains in the Airline industry, we have focused on those aspects of our supply chain that fall within our operational boundary to evaluate the social and environmental risks that could arise. We have laid focus on the direct operations within our supply chains.

Our future action plan covers the evaluation of the scope of the indirect activities to determine where risks could arise. This includes any sourcing or distribution activities of suppliers that could indirectly have an impact on our operations.



The above diagram illustrates the key links of the supply chain for the GSA's. There are internal systems and routine inspections and compliance checks to ensure standards are maintained.

Thus there are existing systems in place to alleviate social and environmental risks, we will be assessing the supply chain in more depth in our roadmap to building sustainable supply chains.

"It is expected that in the forthcoming year, the addition of Silk Air to the Singapore-Colombo route will optimize the utilization of the SIA's resources and present a better match of capacity to demand, which would translate into improved results for the passenger segment in the long-term."

SINGAPORE AIRLINES

PASSENGERS FOR THE YEAR
in Sri Lanka

89,489

SriLankan Airlines

PASSENGERS FOR THE YEAR
in Maldives

178,000

PERFORMANCE SUMMARY

The year kicked off with the introduction of three new passenger flights per week (morning operation), enabling the segment to increase the spread and making it possible to connect to SIA's tranche of late evening departures via Singapore.

The ensuing 45% capacity injection heightened market competition and saw competitors reacting with promotional campaigns in a bid to lure passengers through lower airfares. In response, SIA too was compelled to break away from tradition and resort to aggressive price-driven tactics in an attempt to drive volumes and retain market share.

The move resulted in an increase in volumes, bringing with it a healthy increase in the passenger load factor, compared to the previous year. However, the unfeasible pricing strategy affected yields, which meant higher passenger volumes did not translate into higher revenues. Moreover, the frequent promotions carried out by the Gulf Carriers, making western destinations more affordable to the local traveller resulting in many opting to travel to the west, which lowered the demand for SIA's customary far-east offerings, also affected the overall performance of the SBU.

From an operational perspective, the closure of the Airport for daytime flights with effect from January 2017 required all SIA flights to be pushed back to night time, prompting the principals to rethink its 3-times-a-week services, which led to the decision to discontinue two of the three flights. However, heavy loads in the peak month of January, made it impossible to cancel the flights without incurring passenger complaints and possible revenue loss. Hence the three flights remained in operation through January 2017, but were subsequently suspended during February and March 2017.

Given these challenges, representations were made to the principals to replace the large capacity SIA flights with the smaller capacity aircraft operated by SilkAir, the regional wing of Singapore Airlines. Operating Boeing 737-800 aircraft, SilkAir commenced services from April 2017, with three flights per week, taking over SIA's morning SQ466/SQ467 service, while SIA will continue to operate its daily night flight SQ468 and return flight SQ469.

On the cargo side, a marked increase in the number of carriers/freighters operating in Colombo created an 'over capacity' situation in the market, and with the limited expansion in the country's manufacturing and industrial sectors to drive export cargo, the resulting supply and demand mismatch drove down overall yields for all cargo operators. Meanwhile, the cargo segment encountered a new challenge during the year as a result of freight forwarders bypassing regular airlines to charter their own flights to meet air cargo requirements.

However on a more positive note, the removal of the ban on seafood imports from Sri Lanka to the EU saw the resumption of orders from the EU leading to an increase in SIA's cargo exports to the EU region, while, SIA's network capacity injection to LAX (additional frequency and upgraded aircraft), helped drive higher cargo loads to the US) from about October 2016 until the end of the financial year.

Ace Aviation Services Maldives

With both the Maldives and Sri Lankan airports partially closed for renovations, it was a challenging year for the SBU. Affected by the closure of the Male airport for night time flights, two Sri Lankan airlines flights on the night time route were suspended. To make up for the shortfall, a new flight was introduced with effect from 01st December 2016 to Gan Island in Addu City, the second destination in the Maldives. However, the move helped fill only 40% of the cabin factor out of Male.

Further, in light of the closure of the Male airport, all Mihin Lanka flights to the Maldives were discontinued with effect from October 2016, again affecting the performance of the SBU. On a more positive note, however the discontinued routes were taken over by Sri Lankan Airlines, and replaced with full-service operations to Dhaka, Bangladesh and other key destinations in South India.

Meanwhile, in an attempt to stem the negative impact arising as a result of the closure of Colombo airport from January to April 2017, a dedicated unit to handle corporate sales was set up at the BIA.

Despite these best efforts however, volumes for the year were low resulting in a significant drop in revenue and consequently profits for the current financial year fell short of expectations.

FUTURE PLANS

It is expected that in the forthcoming year, the addition of Silk Air to the Singapore-Colombo route will optimize the utilization of the SIA's resources and present a better match of capacity to demand, which would translate into improved results for the passenger segment in the long term.

It is also expected that with the completion of the bridge linking Male city to Hulu Male, there would be rapid development in with more employment opportunities and migration to Hulu Male from Male. Given these opportunities, Ace Aviation Services - Maldives would likely consider opening a branch office in Hulu Male to service the travel requirements of this segment.

SECTOR REVIEW

MARITIME AND LOGISTICS

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

Rs. 1.8 Bn
PROFIT BEFORE TAX

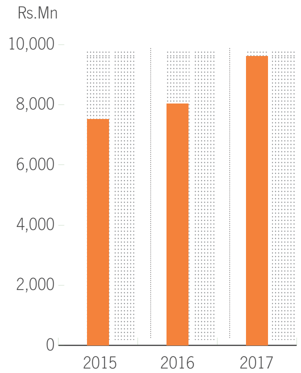
1,565
NUMBER OF EMPLOYEES

Rs. 654 Mn
TOTAL CONTRIBUTION TO GOVERNMENTS

4.4 tCO_{2e}
EMISSIONS REDUCED AND/OR OFFSET

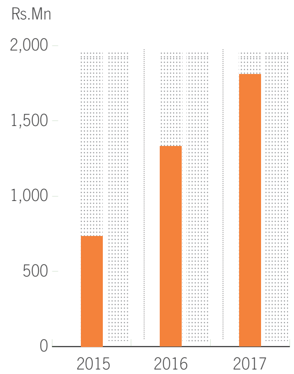
Revenue

For the year ended 31st March



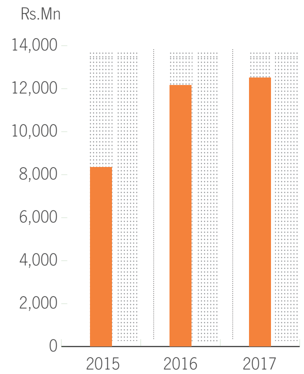
Profit Before Taxation

For the year ended 31st March



Total Assets

As at 31st March



The Maritime and Logistics sector of the Aitken Spence Group, with its diversified interests in port management services, shipping agency services, air and sea freight cargo handling, integrated logistics solutions, express courier business, customhouse clearing services and maritime education is positioned as one of the leading industry players in the sub-continent. Aitken Spence has been a pioneer in most of the services offered by the sector and is the largest integrated logistics solutions provider in the country.

Being a capital-intensive sector, the Maritime and Logistics sector accounts for 12.6% of the Group assets. The sector has made an increasing impact on the Group's performance over the past few years due to its rapid growth trajectory. Evidencing this fact, the Maritime and Logistics sector recorded a 36.1% increase in profits before tax for the year and contributed 34.5% of the total Group profit before tax.

Maritime and Logistics Sector	2016/2017	2015/2016	%	2014/2015
	Rs '000	Rs '000		Rs '000
Revenue (with equity accounted investees and inter-segment)	9,612,944	8,039,586	20	7,519,367
Profit before tax	1,810,954	1,331,003	36	735,484
Profit after tax	1,435,396	1,041,841	38	613,873
Total taxes paid to Governments (Indirect and direct taxes)	653,550	495,135	32	281,131
Total assets	12,506,082	12,168,735	3	8,338,272
Total liabilities	3,670,963	3,814,904	(4)	2,633,819
Employee number	1,565	1,224	28	1,082
Total supply chain fleet	252	249	1	245
Warehouse facilities (Sqft)	319,194	288,401	19	260,517
Annual student registrations at CINEC Campus (Numbers)	21,631	19,246	12	19,344

AWARDS RECEIVED BY THE MARITIME AND LOGISTICS SECTOR IN 2016/2017

Aitken Spence Cargo

Chevron

Aitken Spence Cargo was presented an award by Chevron Lubricants Lanka PLC on the occasion of Chevron celebrating 15 years of Safety Excellence in March 2017, in appreciation of Aitken Spence Cargo's valuable contribution as a logistics services supplier partner towards achieving industry leading safety performance.

SECTOR REVIEW

MARITIME AND LOGISTICS

"Aitken Spence PLC has a 51% shareholding in Fiji Ports Terminal Ltd (FPTL), which provides management services to the two international ports in Suva and Lautoka in Fiji under a concession agreement with Fiji Ports Corporation Ltd (FPCL) for a period of 15 years."

MARITIME

OVERVIEW

The Maritime segment consists of three core areas, namely, shipping agency services, port management services, and maritime education.

The main activities coming under shipping agency services include the provision of cargo shipping services to the import- export trade on some of the world's leading shipping lines, handling transshipment cargo, and the servicing of passenger cruise vessels, car carriers and casual callers.

Aitken Spence PLC has a 51% shareholding in Fiji Ports Terminal Ltd (FPTL), which provides management services to the two international ports in Suva and Lautoka in Fiji under a concession agreement with Fiji Ports Corporation Ltd (FPCL) for a period of 15 years. With the signing of the concession agreement with FPCL in 2013, Aitken Spence PLC became the first Sri Lankan corporate to manage international ports in an overseas jurisdiction. Further, the segment also provides port management services in Mozambique in the African continent.

Aitken Spence PLC also has a 20% equity stake in Fiji Ports Corporation Ltd (FPCL), which is the commercial regulator of the ports sector in Fiji owning the infrastructure of all major ports in the country. FPCL further provides dry-docking and ship repair services.

The maritime education arm consists of the Colombo International Nautical and Engineering College (CINEC) Campus, Sri Lanka's largest private higher education institute located in Malabe, which specializes in fulfilling the training and education requirements of the maritime industry. CINEC offers undergraduate, postgraduate, and doctoral degrees in affiliation with several reputed foreign universities as well as vocational courses in maritime-related disciplines and other areas such as engineering and management. CINEC also manages maritime academies in Fiji and Seychelles.

Major Challenges [GRI G4 - 2]	• Volatile external environment • Ad-hoc government policy decisions and regulations regarding tax structures etc. • Risk of non-renewal of agreements by principals (Please refer page 81 of the Risk Management Report)	
Opportunities [GRI G4 - 2]	• Growing global need for maritime services	
Key Strengths [GRI G4 - 2]	• Brand Reputation	• Globally recognized partnerships
Sustainability priorities [GRI G4 - 19]	**Operations in Sri Lanka** • Talent management • Energy • Water • Solid waste • Emissions • Labour standards • Occupational health and safety • Compliance	**Operations outside Sri Lanka** • Talent management • Energy • Water • Effluents • Solid waste • Emissions • Labour standards • Occupational health and safety • Compliance • Process control
Key stakeholders [GRI G4 - 24]	• Employees • JV Partners / Principals • Customers	• Regulators • Suppliers/ Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • It was found out that key stakeholders were interested to hear more about energy efficient products offered by the company and expected the company to increase visibility within the industry • Opportunities were identified to expand the market presence by increasing effective channels of engagement with key clients and stakeholders	

"Despite many challenges faced by the global maritime industry, the segment performed exceptionally well owing mainly to the diversification of its operations into port management and maritime education markets."

36%
INCREASE IN PROFIT BEFORE TAX

PERFORMANCE SUMMARY

Despite many challenges faced by the global maritime industry, the segment performed exceptionally well owing mainly to the diversification of its operations into port management and maritime education markets. These factors resulted in the segment recording a 41.4% increase in profit before tax over last year.

Shipping Agency Operations

Facing one of its worst years in recent history, the crisis ridden global shipping industry continued to struggle in 2016, hitting its lowest point for the past five years. All global container shipping lines recorded losses in 2016, as shipboard tonnage rose by 15%, while cargo growth hovered somewhere between 3-4%. The demand and supply mismatch spelt disaster for the global shipping industry, which saw one of the leading shipping lines filing for bankruptcy, a few others being bought over and a couple of others opting to merge in a bid to stay afloat.

The crisis had far reaching consequences, affecting the Sri Lankan market as well. Freight rates to/from Colombo were at an all time low owing to severe price competition between liners seeking to secure bookings/cargo, only to fill their vessels.

As market conditions worsened, the shipping lines represented by Aitken Spence also were pressured into reducing freight rates in order to stay competitive. One of the shipping lines adopted a strict pricing policy coupled with restrictions on space allocation to/from Colombo, which proved to be a challenge. Despite best efforts to negotiate export liftings, inadequate space allocations ultimately led to lower freight volumes being booked on the particular liner. The corresponding drop in revenue-per-container had a negative impact on the agency income for the current financial year.

However, in the case of another shipping line represented by the Group, increasing import and export volumes were successfully accomplished with strong support from the principals who readily granted the space and rates needed to drive cargo volumes. This resulted in a sizable increase in cargo volumes handled by this shipping line in the financial year under review.

Lobbying of passenger cruise principals to increase the frequency of vessels calling over at Sri Lankan ports also proved successful, with one line deciding to operate a fortnightly service from the west coast of India to Maldives with calls at Colombo. The arrangement which was for a period of six months between November 2016 and March 2017, led to a record number of passenger cruise vessels being handled by the segment during the year.

Transshipment volumes also increased, although the number of casual callers and car carriers declined, as the increase in import duties reduced the number of vehicles imported.

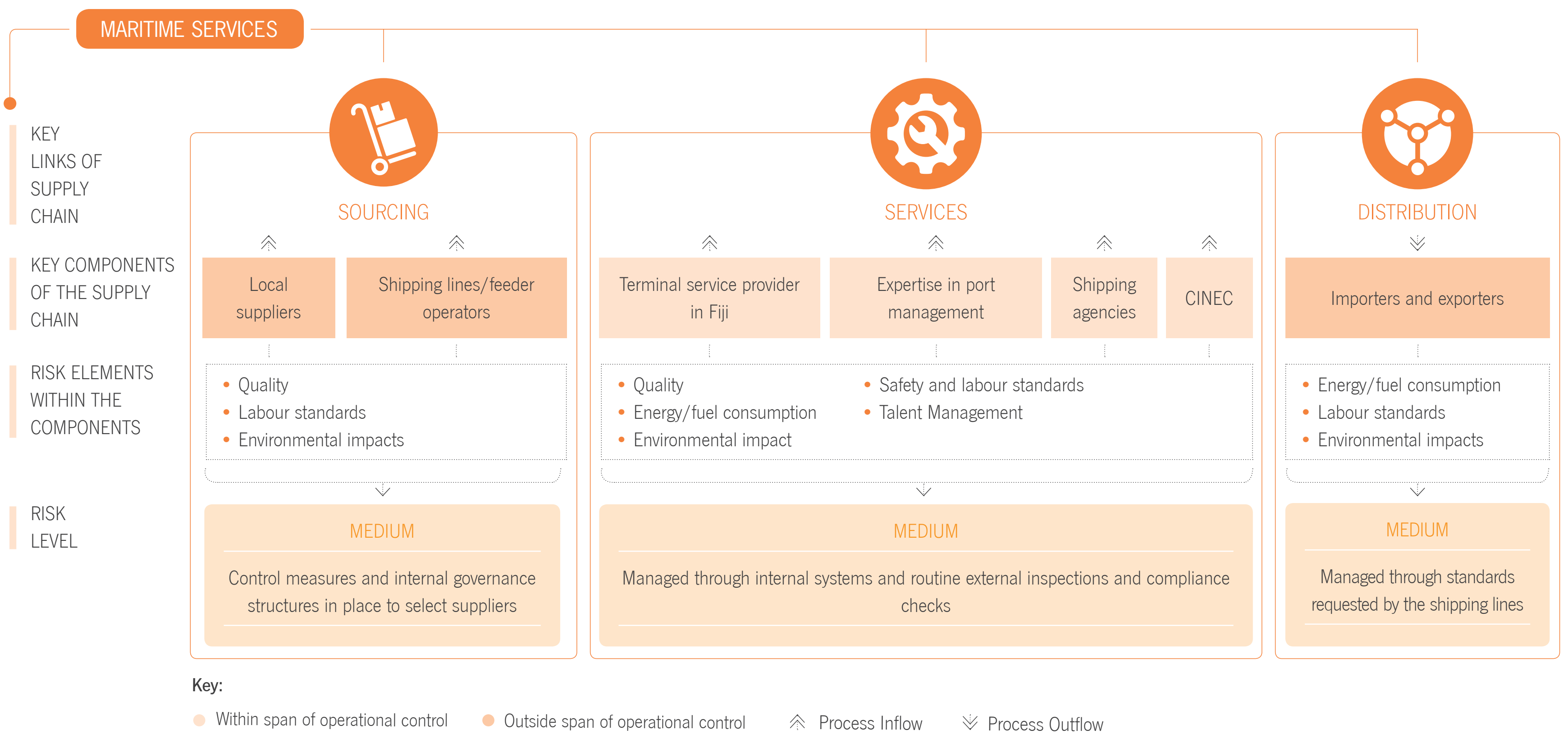
SECTOR REVIEW

MARITIME AND LOGISTICS

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on the Group's supply chains, we are evaluating social and environmental risks that could arise within the span of operations of the suppliers. Whilst our maritime services operation is a part of larger global supply chain, we have focused on those aspects that fall within the Group's operational boundaries.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of our suppliers that could indirectly affect the Group's operations.



The above diagram summarizes the key supplier groups that the maritime services sector is dependent on such as local suppliers and shipping lines/feeder vessels. The risk factors associated with these supplier segments identified are quality, labour standards and environmental impacts which are managed by control measures and internal governance structures in place to select suppliers.

While there are existing control measures and systems in place to alleviate social and environmental risks within the span of operations, we will be assessing the supply chain in more depth to fortify these existing practices.

Port Management Operations

The port management operations segment performed exceptionally well during the year under review. Improved economic stability of the South Pacific region resulted in both international ports in Fiji namely, Suva and Lautoka, which are managed by the sector, recording an impressive performance during the year under review. Proactive yield management tactics to curtail possible revenue leakages were implemented at both ports while deploying extensive productivity improvements along with strict process control to safeguard the bottom line. During the year the overriding emphasis was on productivity enhancement and efficiency improvements in order to meet the demand of higher cargo flow.

Meanwhile, in Mozambique, the port management contract for the Port of Nacala was extended for a further period and the segment remains optimistic that the returns from the African continent would continue to enhance the bottom line.

In Sri Lanka throughput volumes in the Port of Colombo increased by 10.6% in 2016 relative to the previous year as the newly built Colombo International Container Terminal (CICT) began attracting larger capacity vessels. The increase in volumes augured well for the prospects of the Port of Colombo, which has established itself as the transshipment hub in South Asia.

However, with CICT expected to reach its full capacity in 2017 it is essential that the Port of Colombo undertake further developments in order to maintain its leading position in the region. With the Ministry of Ports and Shipping calling for Expressions of Interest (EOI) for the development and operation of the East Container Terminal of the Port of Colombo on Build, Operate and Transfer (BOT) basis, Aitken Spence PLC., formed a consortium with PSA International, the largest port operator in the world, Pacific International Lines (PIL), a leading international shipping line and Shapoorji & Pallonji, one of the largest construction companies in India. The EOI was submitted in September 2016 and the outcome remains pending with industry expectations that the evaluation process would be expedited to reach a conclusion in mid 2017.

Maritime Education

The CINEC Campus reported a strong growth in performance for the current financial year recording over 21,000 student registrations. The campus saw significant increases in revenue from engineering sciences and related disciplines with the introduction of a range of new courses.

Over the years CINEC has broad based its course offering from the spectrum of maritime education to management and other specialized fields of education. Thus, enabling the campus to attract a wider student population. While maritime education will remain the hallmark of the campus, these diversifications will expand the reach of the campus and be a key propeller in future growth.

FUTURE PLANS

Moving forward, the strategy for the maritime segment would be one of expansion. In the shipping agency business, this would mean expanding agency activities in Sri Lanka as well as widening agency and logistics activities to markets in other countries.

In the port management segment, enhancing cargo volumes whilst further improving operational productivity is seen as the key to success. Achieving this goal calls for a strategic roadmap to expand port management activities to other ports in the South Pacific region and the African continent. At the same time investments to strengthen capabilities in shipbuilding, dry-docking and ship repair would enable the segment to tap into new business opportunities in the coming years.

SECTOR REVIEW

MARITIME AND LOGISTICS

"The Group's logistics segment is one of the largest integrated logistics operators in Sri Lanka. Renowned for superior performance and pioneering services, the segment has the capacity and capability to deliver fully-fledged logistics solutions tailor made to customer requirements."

LOGISTICS

OVERVIEW

The Group's Logistics segment is one of the largest integrated logistics operators in Sri Lanka. Renowned for superior performance and pioneering services, the segment has the capacity and capability to deliver fully-fledged logistics solutions tailor made to customer requirements.

Specializing 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 the entire range of containerized cargo, the segment owns and manages one of the largest state-of-the-art logistics facilities in Sri Lanka, combined with 31 acres of yard facilities and over 300,000 sqft of warehousing complexes. Strategically located in Colombo, Wattala, Mabole and Katunayake Zone, each complex boasts of ultra-modern facilities such as the latest handling equipment including forklifts, cranes, laden and empty container handlers, reach stackers, prime movers, tankers and specially designed trailers.

WAREHOUSE FACILITIES

319,194sqft

Major Challenges [GRI G4 - 2]	• Increasing market competition • Breakdowns and repairs in the laden & empty container handlers, which may cause disruption in the depot operations (Please refer page 76 of the Risk Management Report) • Rapid obsolescence of machinery and equipment	
Opportunities [GRI G4 - 2]	• Changing dynamics in the global hipping and logistics industry • The demand for integrated value-added solutions	
Key Strengths [GRI G4 - 2]	• Brand reputation • State-of-the-art infrastructure • Long-standing strategic partnerships	
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Solid waste • Effluents	• Emissions • Labour standards • Occupational health and safety • Compliance • Aspects
Key stakeholders [GRI G4 - 24]	• Employees • Competitors • Customers	• Regulators • Suppliers/ Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• A growing need was identified for innovative service solutions in the industry • Opportunities were identified to improve the customer experience by increasing channels of engagement with customers • Key stakeholders were keen to hear more about the sustainability initiatives of the company	

PERFORMANCE SUMMARY

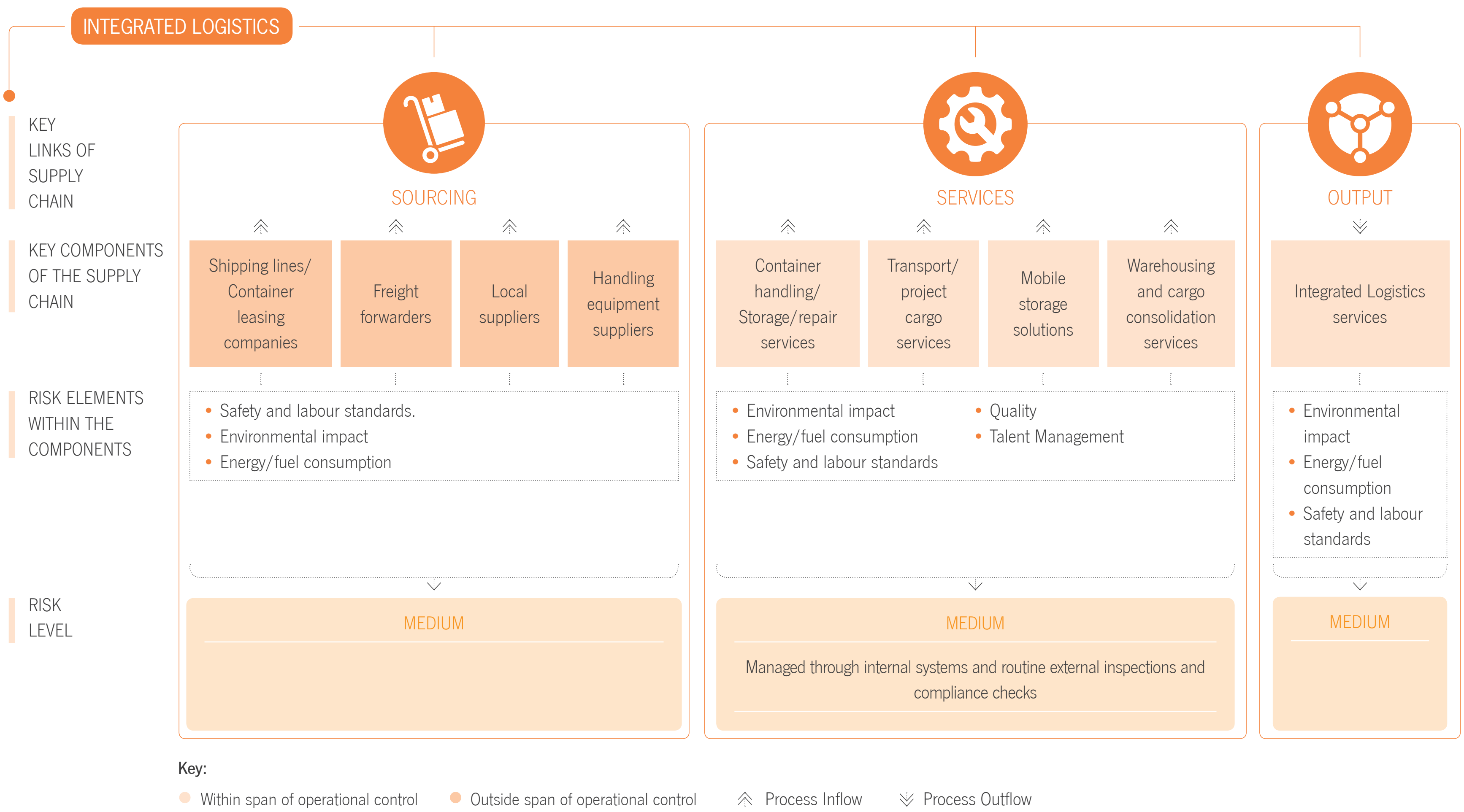
The logistics segment leveraged on its core competencies to record a robust performance for the current financial year. The sector was led by a steady growth in volumes, with all revenue streams contributing positively towards the bottom line.

The depot operation did encounter some challenges, particularly with shipping lines preferring to use free storage space offered by the Port of Colombo in an effort to reduce costs. However, the depot operation was able to retain its market share by focusing on driving volumes through competitive pricing and value added services. All other business segments also maintained their market share, regardless of the stiff competition. The distribution segment too, overcame the challenges of the previous year to record a complete turnaround in performance, with the recommencement of distribution of fuel to the power plant at Embilipitiya following the renewal of the power purchase agreement.

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on the Group's supply chains, we are evaluating social and environmental risks that could arise within the span of operations of the suppliers. Whilst our integrated logistics operation is a part of larger global supply chain, we have focused on those aspects that fall within the Group's operational boundaries.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of our suppliers that could indirectly affect the Group's operations.



The above diagram illustrates the links of the supply chain across the integrated logistics operations and the key supplier groups. Sourcing takes place from local suppliers, handling equipment suppliers and for certain operations freight forwarders and shipping lines. Control measures are in place to control risk elements within our operations such as safety and labour standards, environmental impacts and energy and fuel consumption

While there are existing systems in place to alleviate social and environmental risks, we will be assessing the supply chain in more depth to fortify these existing practices.

SECTOR REVIEW

MARITIME AND LOGISTICS

"Being a capital-intensive sector, investments to strengthen hardware infrastructure was the overarching priority for the logistics segment. The newly revamped Container Freight Station (CFS) in Welisara commissioned during the year was one such effort."

Being a capital-intensive sector, investments to strengthen hardware infrastructure was the overarching priority for the logistics segment. Efforts for the year focused on capacity building through expansions and specific investments to support high-growth sectors. The newly revamped Container Freight Station (CFS) in Welisara commissioned during the year was one such effort. Fully upgraded at a cost of approximately Rs. 76 million, the facility is targeted primarily at providing specialized integrated logistics solutions for the apparel-manufacturing sector. The underlying strategy here is to build a solid customer base by seamlessly integrating into the value chain of its key customers.

Two new calibrated weighbridges were commissioned at Katunayake and Welisara CFSs. While augmenting the CFS value proposition, the move also signifies the commitment to comply with the mandatory new Safety of Life at Sea (SOLAS) container weight verification requirement, which came into effect from July 2016.

Further investments to enhance depot operations included yard development activities and, strengthening of the equipment fleet by acquiring new prime movers, forklifts and an empty container handler.

In addition to capacity building, the emphasis on productivity improvements and efficiency management continued this year as well, which saw the roll out of a new container management solution, enabling the segment to benchmark global best practices for logistics management.

FUTURE PLANS

Moving forward the key thrust would be to build capabilities in order to expand the scope of the integrated logistics solutions model, where the overriding focus would be on value added services that correlate to the demands of the market. Doing so would mean working cognizant to the changing dynamics in the global logistics sphere and investing in necessary hardware to strike the balance between risk and returns. Meanwhile, in the execution of these plans, the segment remains open to pursue mutually beneficial partnerships that would deliver a competitive advantage and drive growth in the coming years.

As part of the medium term growth strategy, it is likely that overseas expansion opportunities would also be pursued, mainly by leveraging on the Group's footprint in the port management segment.

FREIGHT FORWARDING AND COURIER

OVERVIEW

Businesses coming under the freight segment include customhouse clearing services, express courier business and air and sea freight logistics services. The Group also represents the German-based supply chain management and logistics solutions provider DB Schenker, in Sri Lanka and the Maldives. During the year, the segment also entered into a partnership with DPD Group of France, the second largest international parcel delivery network in Europe.

The General Sales Agencies (GSA) for Qatar Airways Cargo and the Sri Lankan Airlines Cargo in the Maldives, Bangladesh and Myanmar, also come under the freight segment.

Major Challenges [GRI G4 - 2]	• Stiff competition from small-scale low cost freight forwarders
Opportunities [GRI G4 - 2]	• Changing dynamics in the global shipping and logistics industry • The demand for integrated value-added solutions
Key Strengths [GRI G4 - 2]	• Brand Reputation • Globally recognized strategic partners
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Solid waste • Emissions • Labour standards • Occupational health and safety • Quality • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Agents and Principals • Customers • Regulators • Suppliers/Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Opportunities were identified to improve the customer experience by increasing channels of engagement with customers • A growing need was identified for innovative service solutions in the industry

"The segment entered into a partnership with DPD Group of France, the second largest international parcel delivery network in Europe and the segment also represents the German-based supply chain management and logistics solutions provider DB Schenker, in Sri Lanka and the Maldives."

QATAR AIRWAYS

CARGO GSA
Sri Lanka

SriLankan Airlines

CARGO GSA
Maldives
Bangladesh
Myanmar

PERFORMANCE SUMMARY

Operating in a fiercely competitive environment, the key priority for the year was to sharpen operational strategies in order to increase market share and drive sustainable growth in all business domains.

In the GSA segment, a multi-pronged strategy was adopted to drive growth of air freight cargo volumes, particularly to secure a larger base of perishable cargo business. For Qatar Airways Cargo, the goal for segments was to maintain a 85% load factor with a strong emphasis on high-yield destinations. Stemming from this, block service agreements were pursued with clients in all key verticals, in an attempt to maintain the base load and boost cargo volumes. However, given the overcapacity in the cargo industry a competitive pricing strategy was needed in order to drive volumes. The move yielded good results with the Qatar Airways Cargo operation showing a notably improved performance in the current financial year.

In the freight and logistics segment, the focus shifted towards integrated logistics solutions, where the strategy was to develop warehousing and transport management services to be able to generate customized solutions for all key verticals. Doing so meant leveraging on business synergies derived through partnerships with the maritime and logistics segment in order to facilitate end-to-end solutions starting from sourcing through manufacturing to warehousing and on to the final delivery of finished products to dealers, distributors and end users. The commencement of contract logistics for large multinationals is one such move that seeks to proactively enhance the

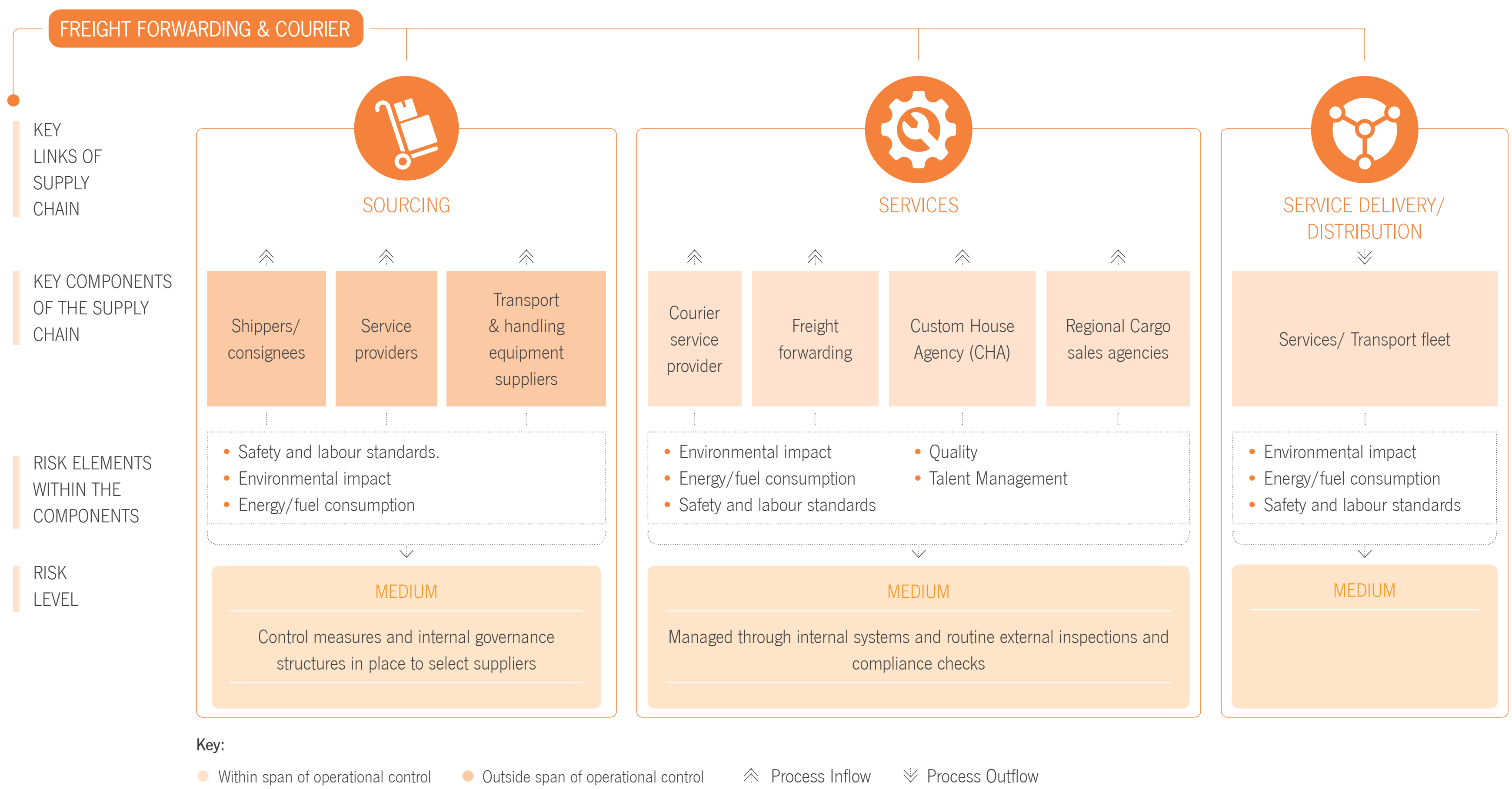
SECTOR REVIEW

MARITIME AND LOGISTICS

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on the Group's supply chains, we are evaluating social and environmental risks that could arise within the span of operations of the suppliers. Whilst our freight forwarding and courier operation is a part of larger global supply chain, we have focused on those aspects that fall within the Group's operational boundaries.

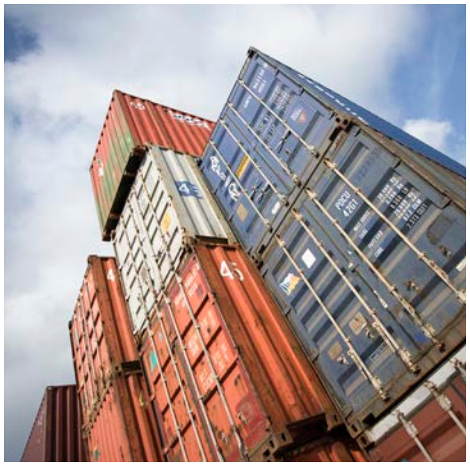
Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of our suppliers that could indirectly affect the Group's operations.



The above diagram illustrates the links of the supply chain across the freight forwarding and courier operations and the key supplier groups. The sector engages with suppliers, service providers as well as freight forwarders and shipping lines in its operations. The distribution process also includes service providers and the transport fleet. Control measures are in place to control risk elements within our operations such as safety and labour standards, environmental impacts and energy and fuel consumption

While there are existing systems in place to alleviate social and environmental risks, we will be assessing the supply chain in more depth to fortify these existing practices.

"Plans were drawn up for the proposed construction of a 40,000 square feet warehouse complex at Biyagama export processing zone, a fully-fledged facility equipped to cater to the demands of high-volume generating industries located within the zone."



value chain of these organizations. During the year, plans were also drawn up for the proposed construction of a 40,000 square feet warehouse complex at Biyagama export processing zone, a fully-fledged facility equipped to cater to the demands of high-volume generating industries located within the zone.

The performance of Sri Lankan Airlines Cargo GSA came under pressure amidst widespread structural changes made by the airline. The decision to withdraw from key European routes had a notable impact on airfreight volumes in the Maldives. Further, the lack of alternative space purchase agreements with other airlines meant Sri Lankan Airlines was not in a position to facilitate the usual capacity of European exports from the Maldives, leading to an overall drop in cargo volumes for the year. In Bangladesh too volumes dropped as exporters looked for alternative sources following the rate increase implemented after Sri Lankan Airlines took over the routes previously operated by Mihin Lanka with effect from October 2016.

Despite these challenges, expansion remained a key priority, where the main thrust was to widen the partner network in the region through an agency-based operating model. Leveraging on strategic partners within the region the Group tied up with the ground partner in Bangladesh in a joint venture undertaking to extend the Sri Lankan Airlines Cargo GSA operations to Myanmar.

Meanwhile, despite severe competition from small-scale low cost operators, the customhouse clearance business registered a healthy performance for the current financial year driven by a robust increase in containerized traffic in the ocean freight segment, along with a sizable expansion in airfreight clearance activities. Ever mindful of the rising costs, the customhouse clearance business was relocated from the head office at Vauxhall Street to a more cost effective location in Bloemendhal road. With the added advantage of its proximity to the Colombo port, the new office has led to a notable improvement in overall efficiencies across the business leading to an improved service delivery to the customer.

The key focus for the express business was to maintain the market share through expansion of the core activities which led to the partnership with France's DPD Group, the second largest international parcel delivery network in Europe. The Group now represents DPD in Sri Lanka and in the Maldives. The Group also represents DTDC Express, India's largest delivery company and a strategic partner of the DPD Group. Still in its infancy the business did produce satisfactory results for the current financial year and is expected to grow consistently from the forthcoming year onwards.

Here too the business was relocated to new premises in September 2016, a move that is expected to spearhead growth of the local courier business. Meanwhile, signalling a shift from the traditional business model of the express business the document management and archiving solutions line was expanded during the year. The new solution, which is designed to securely store large volumes of paper-based information is geared to help large corporates and banks to streamline their data storage processes. This service is to be extended to provide digital storage solutions in the near future.

FUTURE PLANS

The future for the freight forwarding and cargo business looks promising, especially given Sri Lanka's plans of becoming a regional logistics hub through the establishment of free port operations within the next 3 to 5 years. However, leveraging on these opportunities would require widespread and significant capital investments in infrastructure and technology to be made by the Group, while this forms part of the long-term roadmap for growth, the near term focus would be to strengthen the core competencies in all existing business domains in order to catalyse growth across all revenue streams. This would also mean investing in people and processes to drive service delivery, which would in turn augment each value proposition and exceed customer expectations, thus creating a competitive advantage over peers.

SECTOR REVIEW

STRATEGIC INVESTMENTS

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

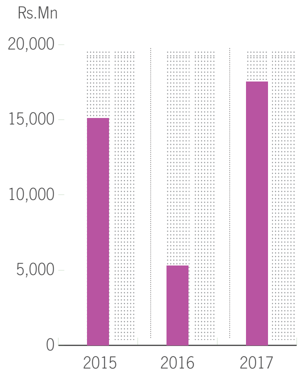
Rs. 1.1 Bn
PROFIT BEFORE TAX

8,176
NO. OF EMPLOYEES

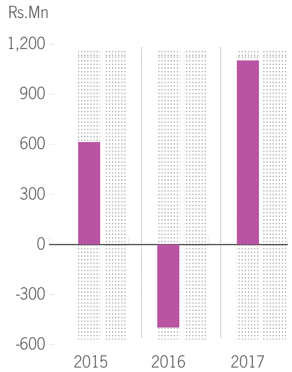
Rs. 375 Mn
TOTAL CONTRIBUTION TO THE GOVERNMENT

24,767 tCO_{2e}
EMISSIONS REDUCED AND/OR OFFSET

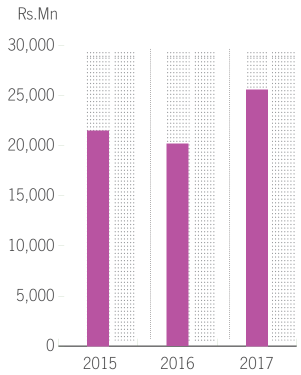
Revenue
For the year ended 31st March



Profit Before Taxation
For the year ended 31st March



Total Assets
As at 31st March



The Strategic Investments sector showcases the diversity of the Group's investment portfolio. Comprising of investments in power, printing, apparel manufacture and plantations, the sector's assets accounted for 25.8% of the Group's total asset base. The sector's contribution to Group revenue for 2016/2017 was 34.5%.

The Strategic Investments sector has the largest workforce among all sectors in the Group, with over 8,000 direct employees, of which the apparel manufacture segment accounts for 25%, while the plantations segment accounts for the majority 67%. In addition to the estate workforce directly employed, the plantations segment takes an active responsibility towards maintaining the communities who reside in the estates.

Strategic Investments Sector	2016/2017	2015/2016	%	2014/2015
	Rs '000	Rs '000		Rs '000
Revenue (with equity accounted investees and inter-segment)	17,532,552	5,305,610	230	15,109,605
Profit before tax	1,112,803	(494,654)	(325)	612,590
Profit after tax	1,039,880	(510,148)	(304)	508,946
Total taxes paid to Governments (Indirect and direct taxes)	374,843	189,157	98	139,713
Total assets	25,609,797	20,177,642	27	21,494,685
Total liabilities	15,615,839	11,907,940	31	10,460,739
Employee number	8,176	8,193	(0)	8,865
Area cultivated (Ha)				
Tea	2,400	2,436	(1)	2,471
Rubber	1,244	1,335	(7)	1,347
Palm Oil	1,578	1,447	9	1,402
Sundry Crop (including timber)	1,032	1,022	1	1,015
Total area cultivated	6,254	6,240		6,235
Power generated (MW)				
Thermal	511,290	6,329	7,979	382,347
Hydro	9,835	11,539	(15)	10,290
Wind	4,258	3,260	31	4,059

SECTOR REVIEW

STRATEGIC INVESTMENTS

AWARDS RECEIVED BY THE STRATEGIC INVESTMENTS SECTOR IN 2016/2017

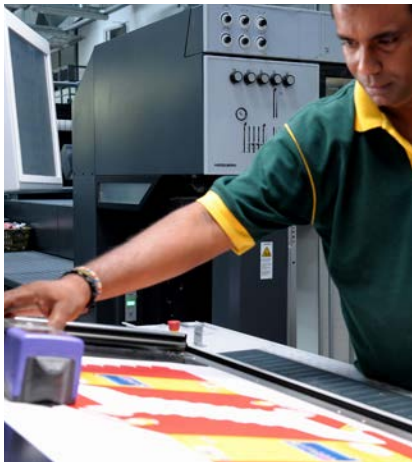
Printing

- Aitken Spence Printing received the prestigious GlaxoSmithKline (GSK) 2016 Environmental Sustainability Award. The award aims to recognize vendors who excel in sustainability from an international pool of suppliers who work with GSK. The achievement marks another milestone for Aitken Spence Printing, the only carbon neutral printing facility in southeast Asia.

- Aitken Spence Printing and Packaging won 01 gold, 03 silver and 03 bronze Awards at Lanka Star Awards 2016 organized by Sri Lanka Institute for Packaging. This award is organised to recognize excellence in packaging solutions and testifies to the quality of the services provided by the company.

Aitken Spence Plantations

- Forbes & Walkers Tea Brokers conduct annual awards to recognise and honour their clients for exceptional performance. Aitken Spence Plantations received the following awards in 2016;
  - Highest improvement in sales average – Black Tea Category awarded to Mr. Ranga Gunasekera of Fernlands estate
  - Highest agro climatic average - Black Tea Category awarded to Mr. Chandana Priyadarshana of Maddecombra North
  - Highest improvement in turnover elevation wise - Black Tea Category awarded to Mr. Anushka Baddewithana of Sheen estate
  - Highest elevational averages, highest improvement in turnover elevation wise, all-time record price, all-time record price, and most number of top prices; five awards in total in the Black Tea Category awarded to Mr. Asela Udumula of Dunsinane Estate
  - Highest improvement in turnover category awarded to Elpitiya Plantations



PRINTING

OVERVIEW

The printing segment comprise of Aitken Spence Printing and Packaging (Pvt) Ltd and Ace Exports (Pvt) Ltd. With over 60 years in the business, the segment has evolved into a dynamic operation and is ranked among the top printers in the country specializing in both offset and digital printing technologies. The segment offers the full gamut of printing solutions including packaging, coffee table books, publications, magazines, tags and labels, and seasonal products such as calendars and diaries, and caters to a wide range of industries and high-growth sectors including; tea, apparel, FMCG, pharmaceuticals, gift boxes, etc. Operating in a fiercely competitive industry, the segment enjoys a leading market share in the printing industry of Sri Lanka.

In recent years, the heightened focus on environmental and social governance has boosted the segments profile as an environmentally compliant printing solutions provider. As a pioneer sustainability champion, strong credentials of the segment in this area have now become a strategic lever that gives it a clear competitive advantage over peers. Acknowledging the segment's commitment to sustainability compliance, in 2016 the Aitken Spence Printing and Packaging (Pvt) Ltd was adjudged the winner of the GlaxoSmithKline (GSK) Supplier Environmental Sustainability Awards (SME category: Global), in recognition of the initiatives taken to achieve carbon neutral status, including the integrated green supply chain covering aspects of carbon, water and waste reduction. The award makes the SBU one of GSK's official supply chain partners, and the only Sri Lankan company to achieve this landmark to-date, further validating the segment's position as a trailblazer in the local printing industry.

"With over 60 years in the business, the segment has evolved into a dynamic operation and is ranked among the top printers in the country specializing in both offset and digital printing technologies."

Major Challenges [GRI G4 - 2]	• Sensitivity to global trading conditions • Strengthening of the US dollar, making raw materials more costly • Sri Lanka's high tax rates on imported materials compared to other regional economies • Emerging trends in the packaging industry (eg: flexible packing) • Higher interest rates leading to an increase in finance costs
Opportunities [GRI G4 - 2]	• Large conglomerates seeking long-term outsource partners • Trend towards green printing solutions
Key Strengths [GRI G4 - 2]	• Brand reputation built on quality of output, timely delivery and superior service • State-of-the-art manufacturing facilities • Global accepted best practices for sustainability
Sustainability priorities [GRI G4 - 19]	• Talent management and labour standards • Energy, water, solid waste, emissions and effluents • Occupational health and safety • Process control & quality • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Customers • Regulators • Suppliers/ Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Opportunities were identified to improve the customer experience by increasing channels of engagement with customers • A challenge to provide environmental friendly printing solutions was identified in the low cost of other less environmentally friendly alternatives • Key stakeholders showed support for 'green printing' solutions and encouraged cascading social and environmental governance across the supply chain

SECTOR REVIEW

STRATEGIC INVESTMENTS

PERFORMANCE SUMMARY

The segment continued to register a sound growth in the financial year under review, with all KPI's showing year-on-year improvement compared to the previous year. Spearheading growth for the year was the "recurring revenue model", which accounted for over 70% of the business generated in 2016/2017. The continued success of the "recurring revenue model" is underpinned by the segments' robust value proposition, which is based on three key pillars; value addition, shorter lead-times and elevated service levels, all of which give the SBU a leading edge in the market.

However with many of the SBU's traditional market strongholds (mainly the tea industry) coming under pressure amidst tough global trading conditions, the "recurring growth model" was put to the test, forcing the SBU to rethink its growth strategies for the current financial year. Driven by a two-pronged "market–development strategy' and 'product-development strategy", the segment accelerated its growth thrust to capture a broader spectrum of market segments. Cascading from this, the segment pursued direct marketing initiatives to tap into high-volume sectors of the economy, a move that delivered good results, and made a healthy contribution towards the performance of both the printing and packaging businesses in the 2016/2017 financial year.

A series of capacity infusions were also made in anticipation of the larger volume orders coming through to the business. These included the investment in a new BOBST Die Cutting, Screen UV, and Case Making machines costing Rs. 80 million, commissioned in an order to augment downstream capacity and allow for greater flexibility in meeting the customized printing requirement of clients.

Further operational improvements were aimed at driving greater economies of scale. Of these, the re-instatement of the post manufacturing process led to a dramatic reduction of work-in-progress, while the introduction of electronic verification system in the offset printing area eliminated the need for manual proof reading and ensured zero deviation on text and design formats. Additional investments to upgrade the IT infrastructure were aimed at implementing a stricter monitoring and control mechanism to ultimately improve throughput efficiency on the production floor. This included the re-structure of the enterprise resource planning software (Shuttleworth) primarily to enhance the production planning, event management and quick estimating modules. These investments came into fruition within the year itself, delivering a notable increase in overall efficiencies including speed and flexibility, and enabling the segment to record a further improvement in its order to dispatch cycle compared to the previous year.

Striving to bring greater control over the supply chain, the segment also successfully completed the Chain of Custody Certification under the internationally accredited Forest Stewardship Council (FSC) standards.

Meanwhile, in tandem with the growing demand for smaller volume contracts in the packaging business, the focus for the year was to secure long-term contracts to supply to low-volume and high variety driven niche markets.

This called for a rethink of operational strategies, prompting a shift in focus to align with the 4V configuration (low Volume, high Variety, and relatively high Variation in demand and high Visibility). As a first step towards achieving this goal, investments were made to automate the manual box-making process and a new rigid box making line was introduced, a move that enabled the segment to begin providing customized value-added packaging solutions for the tea industry's high-end niche markets.

The unveiling of the "Art Café", another first in the industry was aimed showcasing the segment's value proposition to a specific audience. A designated studio to assist authors in meeting their printing requirements, the Art Café is part of the long-term strategy to strengthen business competencies in niche market offerings.

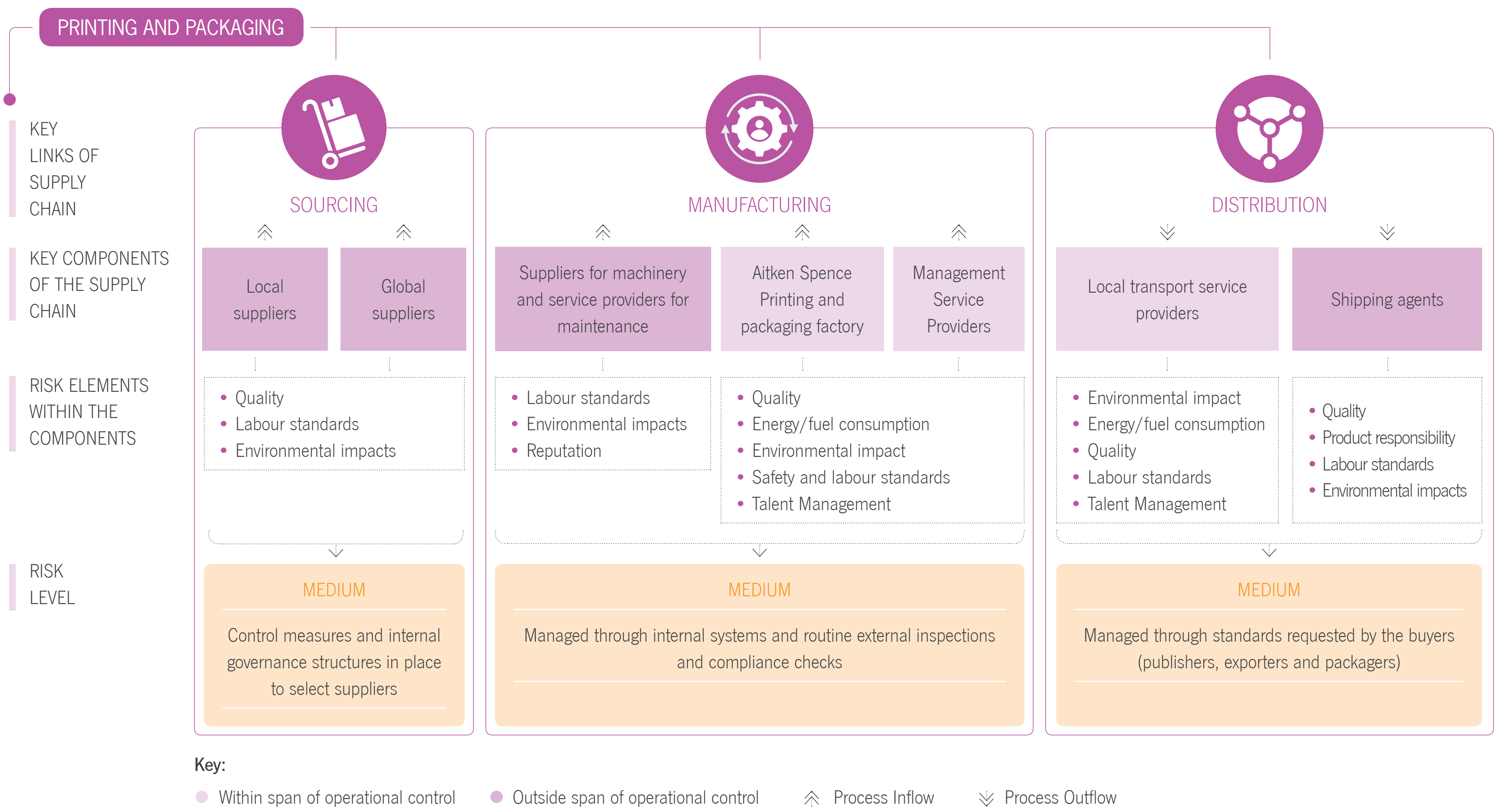
FUTURE PLANS

The consistent performance registered in the past few years, would likely provide a solid foundation for future growth of the printing business. However, in order to strengthen the prospects and ensure business continuity in the coming years, the segment would need to strategically expand each business in tandem with emerging market opportunities. This calls for a cohesive strategy to improve all aspects of the business. From a marketing perspective, maintaining the 70% contribution by the "recurring revenue model" would be imperative. However, doing so amid changing market dynamics may pose some challenges. Given this scenario, it is likely that direct marketing would become a catalyst in achieving the segment's performance objectives in both the printing and packaging segments, while, greater emphasis on innovation-led improvements in productivity, quality and service delivery will reinforce segment's value proposition in the market. At the same time, augmenting digital capabilities would be vital to spearhead growth in the years ahead.

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on our supply chains, we are evaluating social and environmental risks that could arise within the span of operations of our suppliers. Whilst we are part of larger supply chains in the printing segment, we have focused on those aspects of our supply chain that fall within our operational boundary.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of the suppliers that could indirectly affect our printing operations.



The above diagram illustrates the links of the supply chain across the printing and packaging operations. Sourcing takes place from local suppliers and global suppliers for paper etc. Being a carbon neutral printing facility, there are control measures in place to select suppliers to maintain carbon neutrality. In the distribution of finished goods to the customer, risks are managed through standards set by the buyers.

While there are existing systems in place to alleviate social and environmental risks, we will be assessing the supply chain in more depth to fortify these existing practices.

SECTOR REVIEW

STRATEGIC INVESTMENTS

"The company has more recently ventured into other areas such as hydropower, eco-tourism, production of specialty teas for Chinese market and agarwood cultivation as part of the diversification strategy aimed at reducing the dependence on its core products."

PLANTATIONS

OVERVIEW

The plantation segment consists of Elpitiya Plantations PLC (EPP), which operates thirteen estates located in up, mid, and low country regions. These estates are cultivated with tea, rubber, oil palm, coconut, cinnamon, commercial forestry and other crops. The company has more recently ventured into other areas such as hydropower, eco-tourism, production of specialty teas for Chinese market and agarwood cultivation as part of the diversification strategy aimed at reducing the dependence on its core products.

Major Challenges [GRI G4 - 2]	• Tea and rubber - price sensitivity linked to global commodities markets • Tea and rubber - vulnerability to adverse climatic changes • Rubber - competition from new low-cost rubber producing nations • Tea and rubber - labour-intensive harvesting processes resulting in high labour costs • Tea and rubber - highly unionised labour force • Tea, rubber, oil palm and mini hydro - ad-hoc regulatory changes and inconsistent policy decisions
Opportunities [GRI G4 - 2]	• Tea and rubber - growing trend favouring eco-tourism • Oil palm - become more competitive through an integrated sustainability model • Crop diversification to reduce the dependence on the traditional crops
Key Strengths [GRI G4 - 2]	• Reputation for consistent high quality tea and rubber • State-of-the-art manufacturing facilities • Implementing globally accepted best practices for rain forest alliance, ISO 22000/HACCP and ethical tea partnership certifications
Sustainability priorities [GRI G4 - 19]	• Talent management, labour standards, occupational health and safety, community development • Energy, water, biodiversity, solid waste, emissions, effluents, climate change adaptation • Compliance, food safety
Key stakeholders [GRI G4 - 24]	• Employees • Customers • Regulators • Shareholders • JV partners • Suppliers/service providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Opportunities were identified to expand the market presence by increasing channels of engagement with stakeholders • Opportunities were also identified to improve the customer experience by increasing channels of engagement with key clients

TOTAL INVESTMENT
Tea plantations

Rs.38.8Mn

TOTAL INVESTMENT
Oil palm plantations

Rs.103.4Mn

PERFORMANCE SUMMARY

Tea

The global demand for orthodox black tea, Sri Lanka's main tea offering remained erratic at best during the 2016/2017 year. Reeling under the pressure of ongoing political concerns and currency worries, the demand from key CIS markets including Russia stayed low for a good part of 2016, while low crude oil prices muted the demand from the Middle East during the first nine months of the financial year. Nonetheless, 2016 ended on a high note following a revival in demand from both regions, which saw tea prices at the Colombo auctions shoot up from about September 2016 and reach a peak in February 2017.

Aside from market uncertainties, in this year too Sri Lanka's tea industry continued to be plagued by erratic weather, making for unfavourable harvesting conditions, which resulted in a significant drop in the country's tea production for 2016. To add to the woes, ongoing wage negotiations with the estate workforce reached a stalemate, triggering an industry-wide go-slow campaign that further restricted production during the month of October 2016.

Despite its resilience, EPP's tea business too was affected by these challenges in the first six months of the financial year, but staged a strong comeback in the second half, which helped make good the losses incurred earlier on in the year.

The record performance was also thanks to the equal emphasis on quality, productivity and cost control. Renewing the focus on quality, the segment pursued mechanization techniques to boost leaf quality and drive yields at all estates. Steps taken to automate key processes on the production floor and improve output quality enabled all factories in the up and mid country regions to achieve prices that were consistently above elevation averages. Specific investments to upgrade infrastructure at the New Peacock and Nayapane factories were aimed at raising quality standards and increasing the out-turn ratio at these factories.

Moreover, with the full impact of the high fertilizer cost being felt, cost control became key priority for the year. And with the 17% mandatory increase in labour wages coming into effect from October 2016, the segment had to contend with a further increase in the cost of production, prompting even stricter cost curtailment measures in order to trim operational costs at all factories.

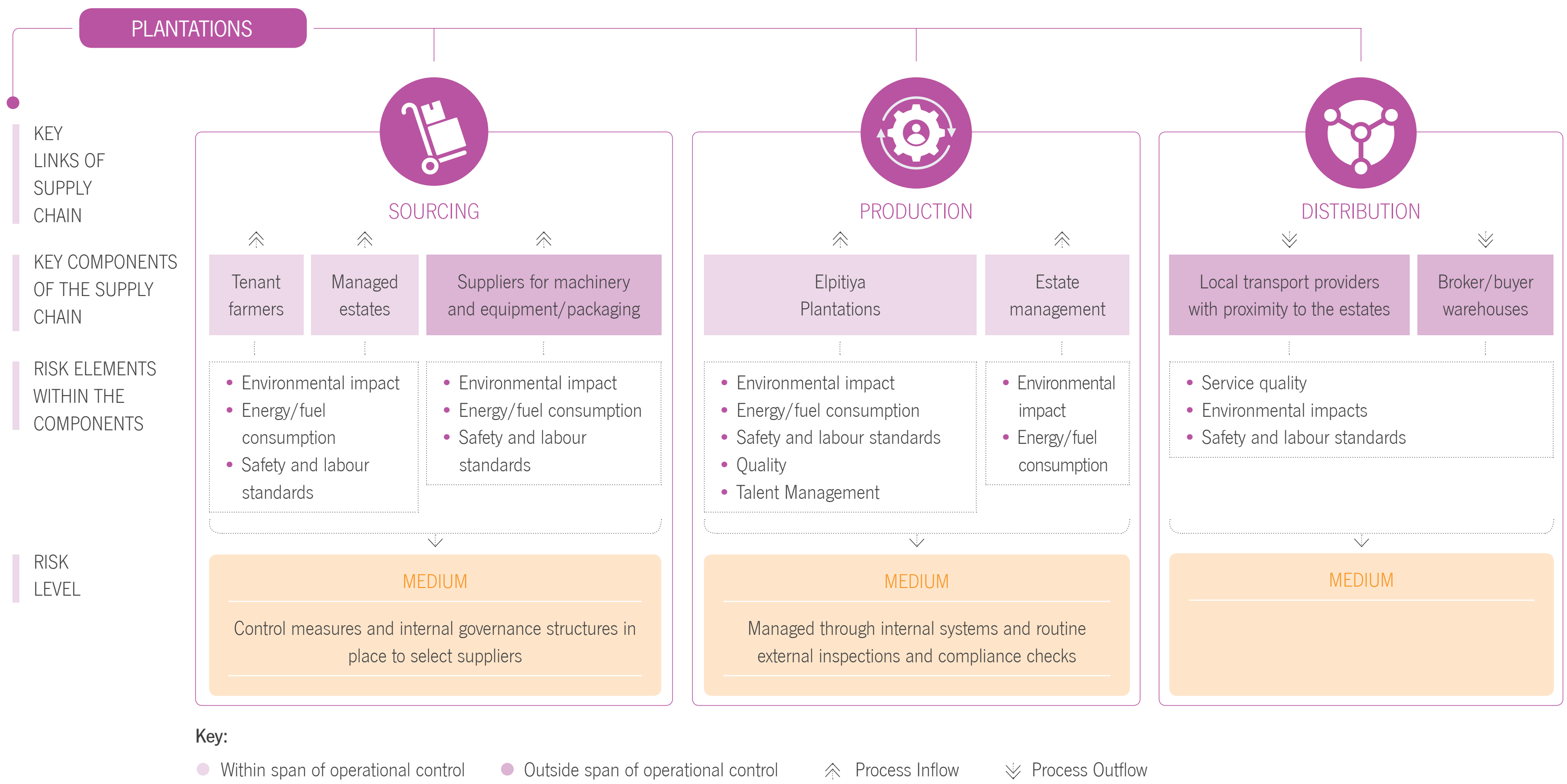
Meanwhile, to reduce the dependency on the Colombo auctions, EPP continued to purse direct marketing opportunities. The segment leveraged on its strategic partnership with Dianhong Jin Ya Tea Trading Company (Pvt) Ltd of China to deepen the penetration into China. The partnership, which led to the setting up of a state-of-the-art manufacturing plant in 2013, has been instrumental in EPP's efforts to manufacture and export high quality teas specifically for the high-end niche market in China. Further efforts to penetrate Chinese and other mass markets across the world saw the "Harrow Ceylon Choice" portfolio being expanded with the introduction of new value added teas including the "Kandyan" and "Ruhuna" collections produced from selected grades at the Nayapane and Talgaswella factories. A programme to ship bulk teas to China also commenced during the year, as part of the brand visibility strategy for the Chinese market.

SECTOR REVIEW

STRATEGIC INVESTMENTS

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our increased focus on our supply chains, we are evaluating social or environmental risks that could arise within the span of operations of our suppliers. Currently we have focused on those aspects of our supply chain that fall within our operational boundary of the plantations segment. Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes activities of the Suppliers we depend on that could have an indirect impact on our operations.



Plantations sources their raw materials from tenant farmers and owned estates. Therefore, environmental impacts, safety and labour standards are controlled by internal governance structures in place to select suppliers for machinery and equipment/packaging. Through the value chain, environmental impacts, safety and labour standards and energy and fuel consumption are managed through internal systems and routine external inspections and compliance checks.

While there are existing systems in place to alleviate social and environmental risks, we will be assessing the supply chain of our Plantations operation in more detail to support these existing practices.

Rubber

In 2016, the global natural rubber markets was marked by a severe supply glut, being the result of stockpiles in China and dumping by new low-cost supplier countries such as Vietnam and Cambodia. The situation was made worse by sluggish demand, coming on the back of low crude oil prices that made synthetic rubber a more attractive option. The slowdown in the automobile industry in Europe and Japan also had a cascading effect on the demand, causing natural rubber prices in the global market to slump. Mirroring this trend, prices at the Colombo auctions too commenced a downward spiral from April 2016 up until September 2016, followed by a steady pick up on the back of OPEC's decision to cut oil production in October 2016. Further price improvements were noted in the months of January and February 2017. Meanwhile, Sri Lanka's national rubber production reached an all time low in 2016, the result of unfavourable weather patterns that disrupted tapping operations in key rubber districts.

The performance of EPP's rubber segment reflected the market movements for the year, where the prices of all rubber grades dropped, causing a year-on-year decline on the National Sales Average (NSA). However thanks to the strong focus on quality, EPP's Sales Average remained higher than the NSA for a good part of the financial year. Moreover, the introduction of the early tapping system proved to be a highly effective yield rationalization strategy to maximize the harvest. Consequently, EPP's yield-per-hectare showed a marked improvement in the current financial year, while a reduction in the cost of production was also observed as a result.

The Company's direct exports of sole crepe, continued to produce good results making its usual contribution to the segments topline.

Meanwhile, to further reduce the dependence on the Colombo auctions, a number of forward contracts were also negotiated to supply sole crepe to Vietnam at guaranteed prices. Nonetheless, despite best efforts to fuel revenue growth and reduce costs, the performance of EPP's rubber segment fell below expectations for the year.

Oil Palm

Totally dependent on the local edible oil market, EPP's oil palm business experienced a good year. Being one of only two large-scale players in the market, the segment benefitted from a strong local demand for unsaturated palm oil in 2016/2017, driven by an increase in the government imposed commodity levy aimed at restricting the import of edible oils into the country.

Meanwhile, supported by an increase in yield-per-hectare, EPP's oil palm segment tabled record production figures for the current financial year, which bolstered both revenue and profitability of the segment.

Galvanized by the robust performance for the year, the company adopted a growth-focused approach and looked to develop a fully integrated strategy that would sharpen the current business model and improve the sustainability of the oil palm operation in the long-term.

Energy

The investment in hydropower did not generate expected results for the year under review, mainly due to the severe drought conditions that prevented mini-hydro from functioning at optimal capacity. The project cost of setting up a mini hydropower facility also increased following the implementation of additional government tariffs, prompting the company to halt implementation of any new projects.

With this, the company looked to invest in alternative and renewable energy. A new renewable energy project to install solar panels commenced during the year, with the first phase being completed at the New Peacock factory at a cost of Rs. 12.4 million. The project is would be extended to all factories in the forthcoming year.

Crop Diversification

Given the uncertainties surrounding the tea and rubber segments, the company accelerated its crop diversification strategies with the intention of; maximizing the land productivity by enhancing the efficiency of the core business operations (tea/rubber/oil palm), while at the same time exploring other potential opportunities that may become available for other crops.

In this context, ongoing investments into replanting, new planting timber and re-forestation of uneconomical tea lands, continued in this year as well. Underpinning the initiatives for the year was the joint venture with a Thai-based company to grow agarwood in the low-country estates, a project that would eventually see the setting up of a facility to process agarwood extracts to cater to the demand from the global cosmetics industry. Further investments were made in a king coconut cultivation project and a pilot project for passion fruit cultivation in the Deviturai Estate also commenced during the year.

The rewards of diversification within the segment was clearly evident, with the resulting revenue and profit before tax for the year under review, recording a growth of 25.9% and 114.5% respectively.

Crop	Total Investment for the year. (To end Jan. 2017) Rs. million
Tea	38.8
Rubber	43.8
Oil Palm	103.4
Commercial Forestry (Timber)	8.6
Others (Cinnamon/ Agarwood etc.)	6.0

FUTURE PLANS

Moving forward, the strategy for EPP would be to migrate to a more sustainable business model that would give the company a competitive edge and thereby create a scalable platform for future growth. In the tea segment this would essentially mean reducing the dependence on the Colombo auctions, firstly by increasing the stronghold on established markets through integrated solutions to manage the end-to-end requirements of buyers, and secondly penetrating new and emerging markets (both niche and mass). Similarly in the rubber sector too, the goal would be to boost the volume of direct exports, which will lay the foundation for sustained growth. Meanwhile, for oil palm, expansion would be the key strategy, going forward. Parallel to these efforts, crop diversification, remains the key thrust that would underpin EPP's growth and prospects in the coming years.

SECTOR REVIEW

STRATEGIC INVESTMENTS

"Ace Power Embilipitiya was able to generate a record 511 million kWh for 2016/2017, signalling a complete turnaround in the performance of the company and reversing the fortunes of the entire power segment."

POWER

OVERVIEW

The Group's power generation segment consists mainly of Ace Power Embilipitiya, a 100 MW thermal power plant licensed to supply power to the national grid under a Power Purchase Agreement (PPA) with the Ceylon Electricity Board (CEB). Given its high capacity contribution to the national power grid, Ace Power Embilipitiya plays a critical role in providing an uninterrupted power supply to the southern regions of the country.

The power generation segment also operates the Branford Hydro Power, another 2.5 MW hydro power plant and Ace Wind Power with a further 3 MW, also contributing to the national grid.

EMBILIPITIYA
Thermal power plant
100MW

BRANFORD
Hydro power plant
2.5MW

BRANFORD
Wind power plant
3.0MW

Major Challenges [GRI G4 - 2]	• Ad-hoc government policy decisions and regulations regarding power generation • Risk of receiving an uninterrupted supply of HFO from the CPC (Risk management report on page 82)
Opportunities [GRI G4 - 2]	• The growing demand for renewable energy sources • The need for a sustainable waste-to-energy solutions
Key Strengths [GRI G4 - 2]	• World-class infrastructure • Unmatched Expertise
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Emissions • Water • Solid waste • Effluents • Labour standards • Occupational health and safety • Compliance • Biodiversity
Key stakeholders [GRI G4 - 24]	• Employees • Regulators • Suppliers/Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Key stakeholders had also expressed that the sector should expand operations to other countries

PERFORMANCE SUMMARY

The renewal of the PPA in March 2016 after a lapse of one year saw a revival of activities of the thermal power plant, enabling Ace Power Embilipitiya to benefit from a full twelve months of operation. Further by maintaining the plant at optimum operating levels and the efficient management of operations and maintenance procedures, Ace Power Embilipitiya was able to generate a record 511 million kWh for 2016/2017, signalling a complete turnaround in the performance of the company and reversing the fortunes of the entire power segment.

Branford Hydro Power too continued to maintain stable power generation volumes for most of the year. With the generation of hydro power heavily dependent on the water released by the CEB-owned Ukuwela hydro power station located approximately 15 km upstream, power generation at Brandford peaked in the first half of 2016/2017, on the back of higher water levels being released to irrigate agricultural land in Mahaweli Systems G and H. In contrast, power generation volumes slumped in the latter half of the year, as drought conditions from September 2016 saw the water levels receding, and consequently total power generated by Branford Hydro Power stood at 7.2 million kWh for 2016/2017, a decline of 3.1% from the previous year.

Ace Wind power plant which is heavily reliant on the wind patterns of the southwest and

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our increased focus on our supply chains, we aim to determine social or environmental risks that could arise due to the activities of our suppliers. This includes any sourcing or distribution components that could affect our operations spanning our Power generation sector. We have focused on those aspects of our supply chain that fall within our operational boundary

POWER GENERATION

KEY LINKS OF SUPPLY CHAIN	SOURCING			SERVICES		DISTRIBUTION
KEY COMPONENTS OF THE SUPPLY CHAIN	Lubricants /Fuel suppliers	Importers and Local suppliers for machinery/spare parts	Ace Distriparks	Aitken Spence Power plant	Operational and Maintenance Management Service Providers	Buyer - CEB
RISK ELEMENTS WITHIN THE COMPONENTS	• Environmental impact • Energy/fuel consumption • Safety and labour standards • Product responsibility • Quality		• Environmental impact • Energy/fuel consumption • Safety and labour standards • Quality	• Environmental impact • Energy/fuel consumption • Safety and labour standards • Talent Management • Quality		• Environmental impact • Energy/fuel consumption • Safety and labour standards
RISK LEVEL	MEDIUM			MEDIUM Managed through internal systems and routine external inspections and compliance checks		MEDIUM Managed through the buyer

Key:
- Within span of operational control
- Outside span of operational control
- Process Inflow
- Process Outflow

Aitken Spence power depends on suppliers for their lubricants, machinery, spare parts and fuel. The impacts of these suppliers' operations on the environment, safety and labour standards are not within the span of operational control as there is only one supplier of fuel. During the generation of power, aspects such as impacts on the environment, energy/fuel consumption, safety and labour standards are managed by existing systems such as internal systems and routine external inspections and compliance checks.

SECTOR REVIEW

STRATEGIC INVESTMENTS

"The segment's renewable energy strategy would be led by the proposed 10 MW waste-to-energy project, an initiative which would be of tremendous national importance as it would help the country to find a solution to the current garbage disposal issue."

northeast monsoons, experienced a good year. The strong windy conditions experienced during the 2016 southwest monsoon period increased the energy generation at Ace Wind Power to reach 4.3 million kWh for the year under review, an increase of 30.6% compared to the previous year.

In contrast to the previous years' performance, the power segment recorded a complete turnaround in 2016/2017, due mainly to the renewal of the PPA, which enabled Ace Power Embilipitiya to reach full capacity. The turnaround marks a high point for the Power segment; with revenues reaching record figures, the sector was able to register a strong increase in profits for the year ending 31st March 2017.

FUTURE PLANS

The PPA of Ace Power Embilipitiya was renewed for a further period of one year in April 2017. With the prevailing drought situation in the country hydropower generation levels have significantly reduced and the contribution from thermal power plants is essential to maintain an uninterrupted power supply. Ace Power Embilipitiya provides the necessary back-up power to the national grid especially during the peak demand period of the day and hence remains an essential element in the supply network.

The key future focus for the segment would be however to ensure and maintain a minimum operational capacity, which will bring greater stability and produce consistent results in the years ahead. Doing so would require the segment to plan its strategy in-line with the national energy roadmap, where the current focus is on developing renewable energy sources. In this context, the segment's renewable energy strategy would be led by the proposed 10 MW waste-to-energy project an initiative which would be of tremendous national importance as it would help the country to find a solution to the current garbage disposal issue. It is envisaged that the proposed new tariff structure will pave the way for a more sustainable way forward for the proposed project in the coming years.

"High standards maintained by the factories have enabled the segment to secure Vendor Compliance Certification, The Worldwide Responsible Accredited Production Certification, ISO and Compliance+ certifications."

APPAREL MANUFACTURING

OVERVIEW

The apparel manufacturing segment of the Group consists of three companies specializing in the manufacture of men's and children's garments for global apparel giants in the US and UK. Having served these niche markets since its inception in 1977, the segment has built a name as a reliable supplier known for on-time delivery, quality and compliance.

The segment operates two factories, in Koggala and Matugama. High standards maintained by the factories have enabled the segment to secure Vendor Compliance Certification, The Worldwide Responsible Accredited Production Certification, ISO and Compliance+ certifications.

Major Challenges [GRI G4 - 2]	• Labour shortages caused by reluctance to work under high pressure conditions in the apparel sector • Migration of skilled workers in search of better prospects overseas • Over reliance on a few buyers	
Opportunities [GRI G4 - 2]	• New trends and developments • Sri Lanka being reinstated with GSP+ status	
Key Strengths [GRI G4 - 2]	• Reputation for quality and delivery	
Sustainability priorities [GRI G4 - 19]	• Talent management • Occupational health and safety • Energy • Water • Solid waste	• Emissions • Effluents • Quality • Process Control • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Customers	• Regulators • Suppliers/Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Opportunities were identified to expand the business and the industry by sharing knowledge and expertise and by embracing technological advancements • Opportunities were also identified to improve the customer experience by increasing effective channels of engagement with key clients	

PERFORMANCE SUMMARY

The segment experienced a challenging year following a reduction in the order book amidst dip in demand from US buyers, the segment's key market. The demand from the UK also reduced in the post-Brexit period. Redoubling efforts to grow volumes and stem possible revenue leakages, the segment tapped into new sources to secure its order book for 2016/2017.

Moreover, to tide over sluggish periods in 2016, the segment undertook the manufacture of subcontract orders, a move aimed at preventing idle capacity and retaining the workforce.

Nonetheless, pressured by lower volumes, the segment had to contend with a drop in revenue during the current financial year, although the depreciation of the rupee did bring some relief towards the latter part of the financial year.

Lower volumes also signalled an increase in the cost of production as the segment had to retain the skilled workforce by paying wages at a higher level to reduce employee turnover.

To reduce the impact on the bottom line, a series of process improvements were implemented to drive productivity and thereby reduce overheads and production related costs.

SECTOR REVIEW

STRATEGIC INVESTMENTS

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our increased focus on our supply chains, we aim to determine social or environmental risks that could arise due to the activities of our suppliers. This includes any manufacturing, sourcing or distribution associated with the suppliers that could have an impact on our apparel manufacturing operations. As we are part of a larger supply chain in this instance, we have focused on those aspects of our supply chain that fall within our operational boundary.

GARMENT MANUFACTURE

	SOURCING	MANUFACTURING	DISTRIBUTION
KEY LINKS OF SUPPLY CHAIN	SOURCING	MANUFACTURING	DISTRIBUTION
KEY COMPONENTS OF THE SUPPLY CHAIN	Local suppliers; Fabrics sourced from buyers	Suppliers for machinery and service providers for maintenance; Aitken Spence Garments Factory; Management service providers	Local transport service providers; Local warehousing service providers; Shipping agents
RISK ELEMENTS WITHIN THE COMPONENTS	• Quality • Labour standards • Environmental impacts	Suppliers for machinery and service providers for maintenance: • Labour standards • Environmental impacts • Reputation Aitken Spence Garments Factory and Management service providers: • Quality • Energy/fuel consumption • Environmental impact • Safety and labour standards • Talent management	Local transport and warehousing service providers: • Environmental impact • Energy/fuel consumption • Quality • Labour standards • Talent Management Shipping agents: • Quality • Product responsibility • Labour standards • Environmental impacts
RISK LEVEL	MEDIUM Control measures and internal governance structures in place to select suppliers	MEDIUM Managed through global standards maintained by the buyers	MEDIUM Managed through internal systems and routine external inspections and compliance checks

Key:
- Within span of operational control
- Outside span of operational control
- Process Inflow
- Process Outflow

We have determined the key elements of our supply chains to evaluate general risks that could arise as summarized in the above schematic diagram. A.S. Garments sources factory inputs from local suppliers some of which are sourced by the buyer and supplied to A.S. Garments, therefore quality aspects, labour and environmental standards from the sourcing perspective are controlled by internal measures as well as the global standards maintained by the buyers.

Throughout our operations, impacts such as labour standards, environmental impacts, energy and fuel consumption and quality are managed through the buyer's standards. Even though there are existing systems in place to alleviate basic risks, we will be assessing the supply chain in more depth to fortify these existing practices.

"Leveraging on the reinstatement of the GSP+ status, the segment would tap into long-standing buyers to generate higher volumes and approach customers, particularly in Europe with the aim of diversifying its markets."

Some of the key initiatives implemented by the segment include the conversion of standard production lines to streamline operations and maximize efficiency during smaller volume runs, rationalizing the procurement system in order to minimize wastage and eliminate the risk of overpayments to cover shortages resulting from incorrect placement of orders, along with a number of technical improvements aimed at reducing energy consumed at production facilities.

FUTURE PLANS

Moving forward, the key focus for the segment would be to make inroads into new markets and market segments in order to minimize the over dependence on a single buyer. Leveraging on the reinstatement of the GSP+ status, the segment would tap into long-standing buyers to generate higher volumes and approach customers, particularly in Europe with the aim of diversifying its markets. Having already commenced work in this regard, the segment remains optimistic that these negotiations would materialize into confirmed new orders for the forthcoming year.

At the same time, attracting new buyers also calls for investments in technology that would enhance the entire value chain, and result in improved productivity, better product quality and procurement efficiencies, which will enable the segment to align with increasingly stringent global vendor compliance standards.

SECTOR REVIEW

SERVICES

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

Rs. 1.4 Bn
TOTAL REVENUE

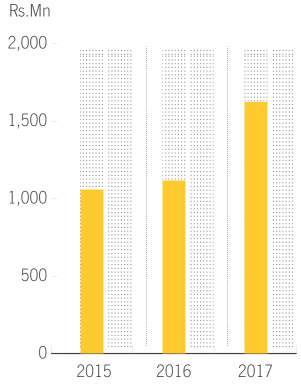
354
TOTAL EMPLOYEES

Rs. 178 Mn
TOTAL CONTRIBUTION TO THE GOVERNMENT

12 tCO_{2e}
EMISSIONS REDUCED AND/OR OFFSET

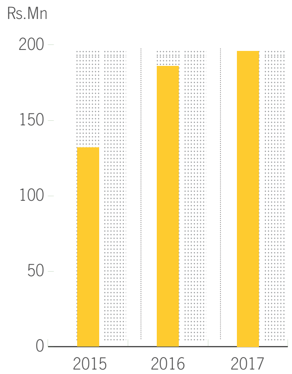
Revenue

For the year ended 31st March



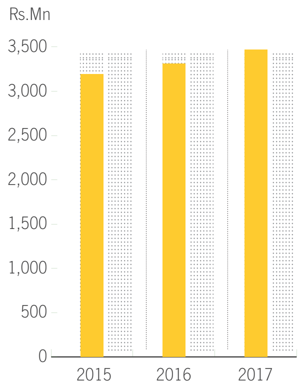
Profit Before Taxation

For the year ended 31st March



Total Assets

As at 31st March



The Group's interests in the Services sector focus on key thrust areas that support the country's long term economic growth agenda. The sector offers services in the construction industry in the form of supply and servicing of elevators and escalators, has operations in the financial services sector where it provides money transfer facilities and, acts as an insurance agent for leading service providers including Lloyds of London.

Services offered to the construction industry seek to underpin Sri Lanka's goal to become an economic hub in the region. Meanwhile, the Group's interest in financial services aims to bring greater prosperity to the masses, enabling Sri Lanka to reach the goal of becoming a middle-income economy in the near future.

All businesses under the Services sector operate with minimum investments in manufactured capital, with the sectors' assets accounting for only 3.5% of the Group assets. However, positioned in key high-growth sectors of the economy, the Service sector has continued to grow year-on-year for the past few years. In 2016/2017, the sector's revenue increased to Rs. 1.6 billion compared to Rs. 1.1 billion reported in the previous year.

Services Sector	2016/2017	2015/2016	%	2014/2015
	Rs '000	Rs '000		Rs '000
Revenue (with equity accounted investees and inter-segment)	1,621,149	1,114,312	45	1,056,684
Profit before tax	196,349	186,107	6	131,620
Profit after tax	117,673	124,141	(5)	82,520
Total taxes paid to Governments (Indirect and direct taxes)	177,864	161,057	10	98,696
Total assets	3,471,591	3,311,639	5	3,192,579
Total liabilities	980,019	824,823	19	913,312
Employee number	354	328	8	309
MMBL and agent locations	2504	2885	(13)	2783

SECTOR REVIEW

SERVICES

"The sole distributor for OTIS elevators and escalators, the elevator segment has represented the brand in Sri Lanka and the Maldives for the past twenty-seven years. "

ELEVATORS

OVERVIEW

The sole distributor for OTIS elevators and escalators, the elevator segment has represented the brand in Sri Lanka and the Maldives for the past twenty-seven years. Leveraging on the OTIS brand name, its high quality value proposition, safety record and the technical skills of the local workforce, the segment, has over the years built a solid track record as the most reliable and competent elevator operator in the market. Supported by the Aitken Spence Group, the segment continues to maintain its leadership position, despite stiff market competition in recent years.

Major Challenges [GRI G4 - 2]	• Highly competitive, price-driven market • Risk of depletion of skilled labour (Refer Risk Management Report on page 73)
Opportunities [GRI G4 - 2]	• The need for environmental friendly solutions to support Green construction • The need for higher safety standards for the construction sector
Key Strengths [GRI G4 - 2]	• Brand reputation • Product diversity • Years of expertise
Sustainability priorities [GRI G4 - 19]	• Talent management • Labour standards • Occupational health and safety • Energy • Water • Solid waste • Emissions • Quality • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Customers • Suppliers/Service providers • Competitors
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • It was found out that key stakeholders were interested to hear more about energy efficient products offered by the company and expected the company to increase visibility within the industry • Opportunities were identified to expand the market presence by increasing effective channels of engagement with key clients and stakeholders

PERFORMANCE SUMMARY

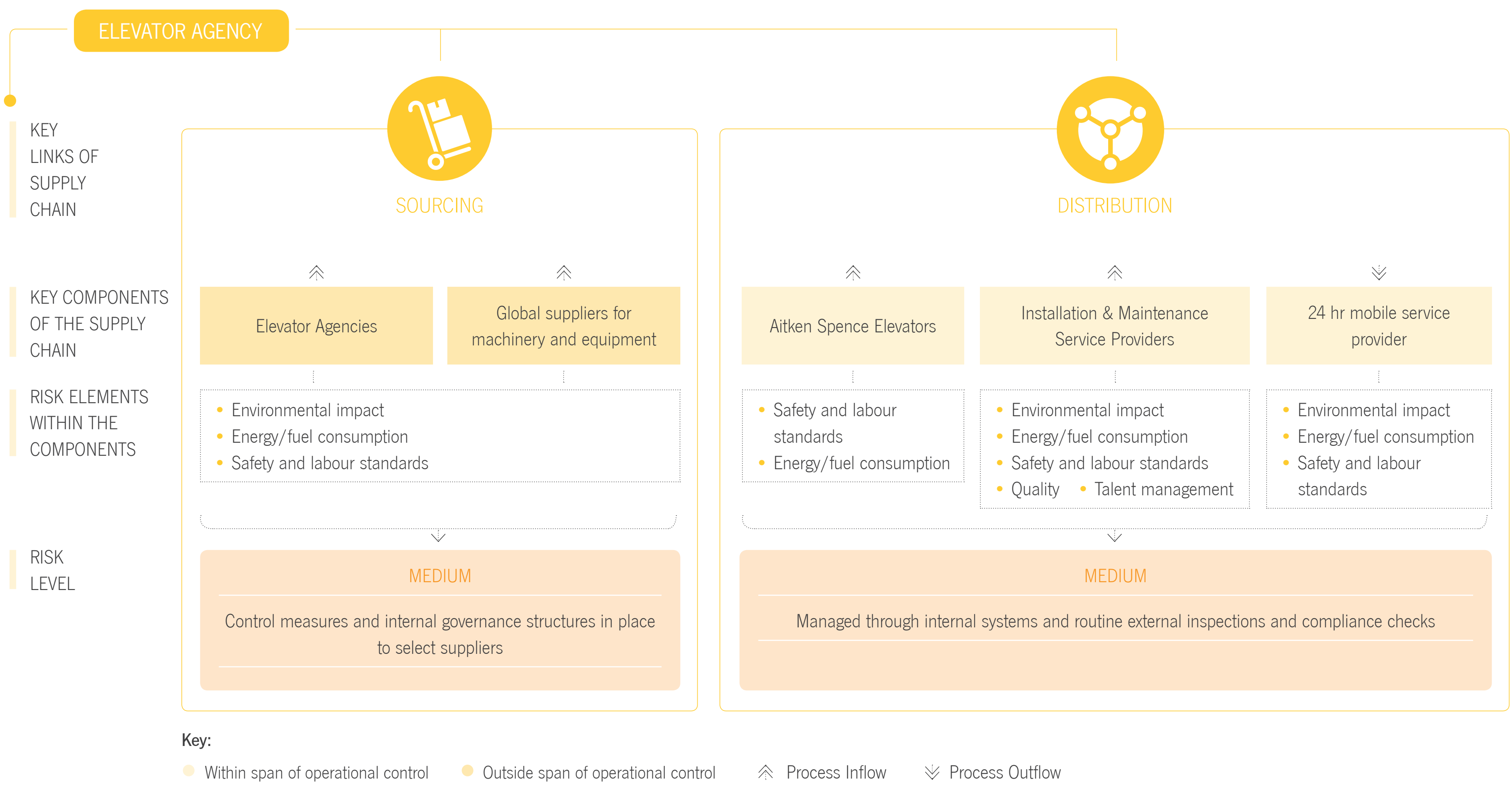
Capitalizing on ongoing real estate boom in Sri Lanka, the elevator segment registered a robust performance across all key revenue streams; equipment sales, installations, after-sales-servicing and repairs & maintenance.

Growth in new equipment sales, in particular remained the key thrust for the year 2016/2017. Having identified the luxury and upper-mid-tier residential cluster and the high-end commercial buildings as key growth drivers for OTIS elevators both in Sri Lanka and Maldives, a series of aggressive customer-focused strategies were initiated to tap into high-profile projects in these segments. Also with the market being diluted by low-quality generic imports and the demand becoming more price driven, the segment reinforced the OTIS brand promise to drive sales in specific customer segments through targeted below-the-line promotional activities. To support these initiatives, certain operational changes were also made including the introduction of the key account manager model, which brings greater focus to targeted client segments. These strategies generated positive results with a staggering year-on-year increase of 153% in new equipment sales,

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on our supply chains, we are evaluating social and environmental risks that could arise within the span of operations of our suppliers. Whilst our operation is a part of larger supply chains across the construction and real estate industries, we have focused on those aspects of our supply chain that fall within our operational boundary.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of our suppliers that could indirectly affect our operations.



The above diagram summarizes the suppliers that the Elevator Agency is dependent on. Elements of risk such as safety and labour standards, environmental impacts and energy/fuel consumption within the span of operational control are managed through internal systems and routine external inspections and compliance checks.

While there are existing procurement practices and systems in place to alleviate potential social and environmental risks, we will be assessing the supply chain in more depth to fortify these existing practices.

SECTOR REVIEW

SERVICES

"Competitive re-pricing of key services such as installations and maintenance solutions were aimed at countering the threat from low cost service providers. Consequently, revenue from these activities registered a year-on-year growth of 35% and 11% respectively during the year."

raising volume-based market share to 23% from 7% a year ago, making OTIS the market leader in Sri Lanka in terms of units sold as at end-March 2017.

Meanwhile, competitive re-pricing of key services such as installations and maintenance solutions were aimed at countering the threat from low cost service providers. Consequently, revenue from these activities registered a year-on-year growth of 35% and 11% respectively during the year.

Further, with more than 30% of the installed portfolio consisting of elevators that have been in operation for over 10 years, equipment modernization was introduced as a new business line as part of the long-term sustainability strategy for the elevator segment. Launched in the latter part of the 2016, the results of this initiative would likely be seen only in the coming years.

From an operational perspective, a series of new initiatives focusing on quality improvement were rolled out to enhance process efficiency and boost productivity across the value chain; key among them being the setting up of a new quality management unit aimed at streamlining activities and strengthening the overall quality of the installation and repairs processes. Parallel to this, Elevators (Pvt) Ltd was awarded ISO 9001:2008 Quality Management System certification by SGS United Kingdom Ltd, signalling the commitment towards ongoing improvement of all systems and processes across the business.

Hand-in-hand with these process improvements, strict cost curtailment measures were also applied to reduce overheads, all of which culminated in significant improvement in the bottom line for the 2016/2017 financial year.

FUTURE PLANS

With Sri Lanka's property boom showing no signs of slowing down, the main priority for the coming years would be to ensure the market leadership of OTIS elevators in Sri Lanka. This calls for a comprehensive strategy to tap into the right projects at the right time, in order to drive consistent year-on-year growth in equipment sales. This would also likely mean expanding the reach in order to meet the growing demands of the elevators and escalators from other regions in the country.

Development of the service solutions model would be another key focus area for the future. In this context, the emphasis would be to expand the scope of the services model in order to improve response times and also track its effectiveness vis-à-vis call monitoring and other such customer service parameters. It is hoped that these measures would support consistent growth across all revenue streams in the years ahead.

MONEY TRANSFER SERVICES

OVERVIEW

The segment is represented by MMBL Money Transfer (Pvt) Ltd., which has been a principal agent in Sri Lanka for Western Union (WU) money transfer services since 1995 with a network of over 2,500 locations, including 600 retail outlets across the country.

Operating on the traditional cash-to-cash money transfer model, WU accounts for approximately 10% of Sri Lanka's cash-to-cash inward remittance market, of which approximately 60% is channelled through MMBL.

"Operating on the traditional cash-to-cash money transfer model, WU accounts for approximately 10% of Sri Lanka's cash-to-cash inward remittance market, of which approximately 60% is channelled through MMBL."

Major Challenges [GRI G4 - 2]	• Global economic slowdown and drop in crude oil prices, which is affecting the inward remittance market • Shrinking / stagnant market for the cash-to-cash money transfer business • New government regulations on female migration for employment has led to a reduction in numbers • Inconsistent interpretation of local taxation rules has a negative impact making it difficult to attract new business
Opportunities [GRI G4 - 2]	• The trend for direct-to-bank and mobile cash solution
Key Strengths [GRI G4 - 2]	• Brand reputation • Island-wide reach • Years of expertise • Strict compliance with Suspicious Transaction Reporting (STR) and Anti Money Laundering (AML) regulations
Sustainability priorities [GRI G4 - 19]	• Talent management • Occupational health and safety • Energy • Water • Solid waste • Emissions • Quality • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Customers • Regulators • Business Development Officers • Suppliers/Service Providers • Competitors
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Opportunities were also identified to improve the customer experience by increasing channels of engagement with key clients • Key stakeholders were keen to hear more about the sustainability initiatives of the company

PERFORMANCE SUMMARY

It was a challenging year for MMBL due to the company's main revenue corridor, the Middle East, showing signs of slowing down with the region's key economies plagued by ongoing political tensions and low crude oil prices for the second consecutive year. As a result, MMBL's Middle East corridor volumes declined yet again in the 2016/2017 financial year. Despite the drop in transaction volumes, thanks to greater process efficiencies and strict containment strategies, the segment recorded profit before tax growth of 30.7% in the year under review, compared to the previous year.

Further, as changing business dynamics and socio-economic factors brought pressure on the traditional business model, MMBL subscribed to a portfolio diversification strategy as a first step towards reducing the dependence on the cash-to-cash model. Efforts in this regard saw the Company introduce a new D2B (Direct-to-

SECTOR REVIEW

SERVICES

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on our supply chains, we are evaluating social and environmental risks that could arise within the span of operations of our suppliers in the Inward Money Remittance segment.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any sourcing or distribution activities of our suppliers that could indirectly affect our operations.

INWARD MONEY TRANSFER

KEY LINKS OF SUPPLY CHAIN: SOURCING

KEY COMPONENTS OF THE SUPPLY CHAIN and **RISK ELEMENTS WITHIN THE COMPONENTS:**

- Inward currency remitters
  - Safety and labour standards.
  - Purpose of remittances
  - No control on remittances
- Western Union remittance service provider
  - Environmental impact
  - Energy consumption
  - Other principal agents appointed
- Banks
  - Environmental impact
  - Energy consumption
  - Exchange rates

RISK LEVEL: MEDIUM

Managed through Western Union policies and regulations

KEY LINKS OF SUPPLY CHAIN: SERVICE DELIVERY

KEY COMPONENTS OF THE SUPPLY CHAIN: MMBL customer service provider; Agent payment/ reimbursement provider; Network of business development officers; Agent network

RISK ELEMENTS WITHIN THE COMPONENTS:

MMBL customer service provider; Agent payment/ reimbursement provider:
- Environmental impact
- Energy/fuel consumption
- Safety and labour standards
- Quality
- Talent Management

Network of business development officers; Agent network:
- Service quality
- Environmental impacts
- Safety and labour standards

RISK LEVEL: MEDIUM

Managed through internal systems and routine external inspections and compliance checks

Key:
Within span of operational control
Outside span of operational control
Process Inflow
Process Outflow

MMBL as a principal agent for Western Union enables the senders in the respective countries to transfer remittances through its supply chain to their customers. From a sourcing perspective, exchange rate fluctuations, purpose of remittance etc are elements of risk that cannot be controlled while risks such as money laundering are strictly controlled through Western Union policies and regulations. Within the service delivery aspect, these risks are controlled through internal systems and compliance checks.

Even though there are existing systems in place to alleviate basic risks, we will be assessing the supply chain in more depth to fortify these existing practices.

"To facilitate the smooth operations of the new D2B service the Company also linked up with the CEFTS platform, which allows recipients to benefit from instant credit to their bank accounts."

Bank) service. Parallel to the product launch in December 2016, the Company leveraged on WU's global network to promote the product across all key overseas market corridors. Meanwhile, to facilitate the smooth operations of the new D2B service the Company also linked up with the CEFTS platform, which allows recipients to benefit from instant credit to their bank accounts.

The Company also looked to tighten key control aspects of the money transfer process by registering with the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka (CBSL) in June 2016, enabling MMBL to directly access the FIU to fulfil the STR (suspicious transaction reporting) and AML (anti money laundering) compliance requirements. The move also strengthens MMBL's standing as a WU agent. Moreover, the "Know your Agent" programme rolled out by the principals to enforce stricter compliance across the network, was also successfully completed in the current financial year.

FUTURE PLANS

With the traditional cash-to-cash transfer model coming under threat, the main priority moving forward would be portfolio diversification strategies. This would require the Company to evolve cognizant to market trends and invest in products and technology and widen the international partner network in order to cater to the growing demands.

SECTOR REVIEW

SERVICES

"Backed by the long-standing association with Lloyds together with the Aitken Spence Group's reputation for quality, reliability and efficiency, the Insurance segment has been able to achieve the gold standard in the markets it serves."

INSURANCE

OVERVIEW

The insurance segment has been a part of the highly respected Lloyds of London Agency Network since 1876. As Survey and Marine Claim Settling Agents for Lloyds in Sri Lanka and Maldives, the segment's key clients include shipping lines, importers and exporters of air and sea cargo in both countries.

Backed by the long-standing association with Lloyds together with the Aitken Spence Group's reputation for quality, reliability and efficiency, the Insurance segment has been able to achieve the gold standard in the markets it serves.

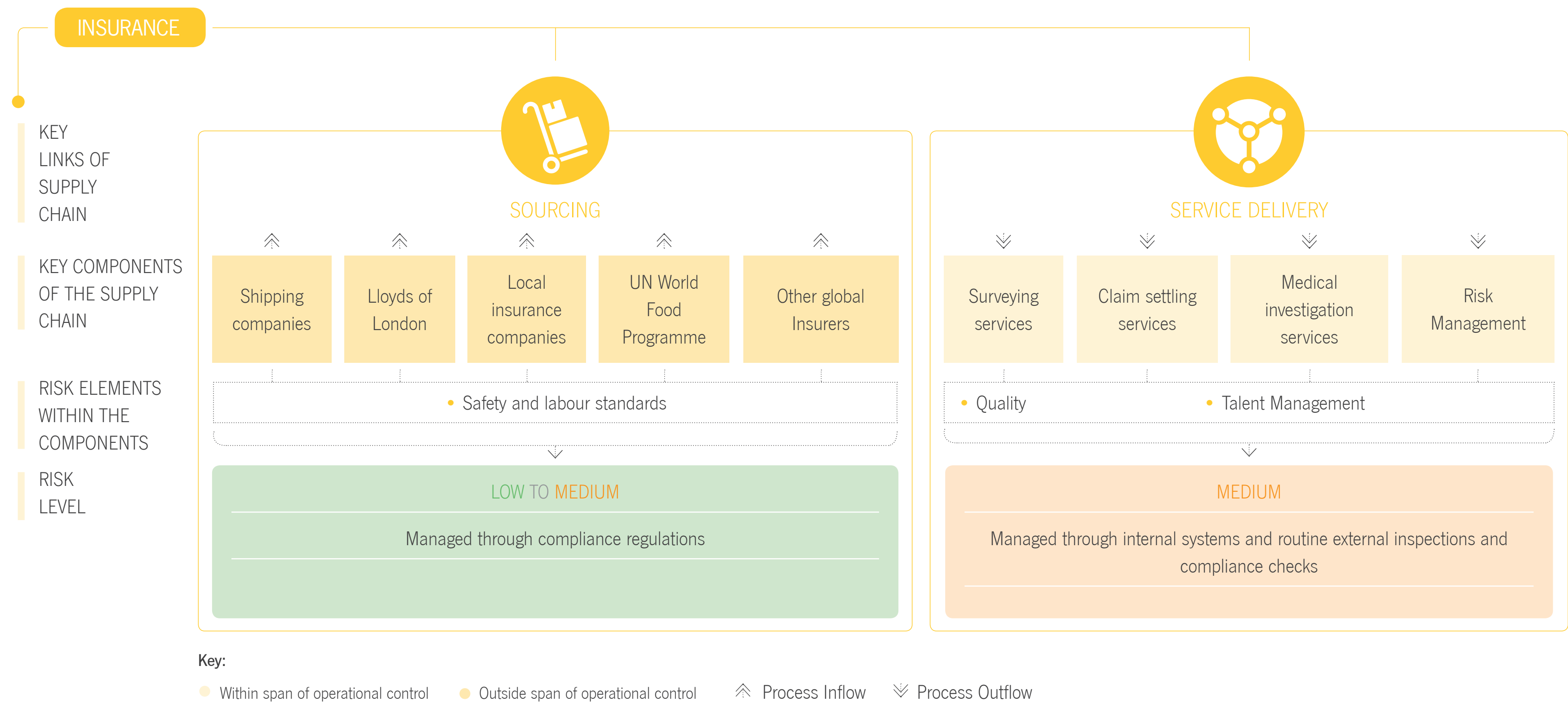
Aitken Spence Insurance also represents Webster's, W.E. Cox, CESAM and similar globally recognized organizations, further enhancing the credentials of the segment.

Major Challenges [GRI G4 - 2]	• Advances in integrated logistics leading to lower returns for the core business • Declining demand for the core business amidst cost cutting strategies implemented amidst changing dynamic in the local insurance industry
Opportunities [GRI G4 - 2]	• Long term agreement with the UNWFP (United Nations World Food Programme)
Key Strengths [GRI G4 - 2]	• Lloyds brand strength • Island-wide reach • Years of expertise
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Solid waste • Labour standards • Occupational health and safety • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Principal Agent (Lloyd's) • Customers • Regulators • Suppliers/Service Providers
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on our supply chains, we are evaluating social and environmental risks that could arise within the span of operations of our suppliers in the Insurance segment.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any sourcing or distribution activities of our suppliers that could indirectly affect our operations



Insurance depends on Lloyds of London, shipping companies, local insurance companies and other global insurers for the sourcing for their operations. Within these components the risks are managed through internal systems, routine external inspections and compliance checks.

Even though there are existing systems in place to alleviate basic risks, we will be assessing the supply chain in more depth to fortify these existing practices.

SECTOR REVIEW

SERVICES

"The strategic thrust for Aitken Spence Insurance was altered to reposition the segment as the only premier survey and claim settlement agent in Sri Lanka and Maldives by consolidating core activities to remain competitive and attract business."

PERFORMANCE SUMMARY

In the year under review, the segment found its conventional business model being challenged amidst dwindling opportunities for survey and claims settlement - the core business of the segment. Essentially a demand driven function, which is heavily dependent on nominations or accidental occurrences, the segment has little or no control over the volume of survey and claims settlement business generated each year.

In the current financial year a sharp decline in volumes was observed, as many insurance companies in the local industry began scaling back on their demand for survey and claims settlement in order to curb costs.

After reviewing the situation, the strategic thrust for Aitken Spence Insurance was altered to reposition the segment as the only premier survey and claims settlement agent in Sri Lanka and Maldives. Doing so meant consolidating core activities to remain competitive and attract business from the local market. At the same time, the segment also stepped up efforts to tap into new market segments, in particular Sri Lanka's thriving marine and fisheries industries. Following the decision, the island-wide supervisor network was consolidated in order to improve response times.

Efforts also commenced to develop the life insurance model as a more sustainable solution for the future. With the necessary licenses already in place, a pilot project was rolled out towards the end of 2016 to develop resources and infrastructure needed to embark on the life insurance business. Pursuant to this, the segment looked at possible tie-ups with local insurers to provide health, medical and travel insurance options that will further augment the life insurance proposition for the customer.

With regard to fees charged from foreign principals, a re-pricing strategy was considered in order to counter the high Indian taxes.

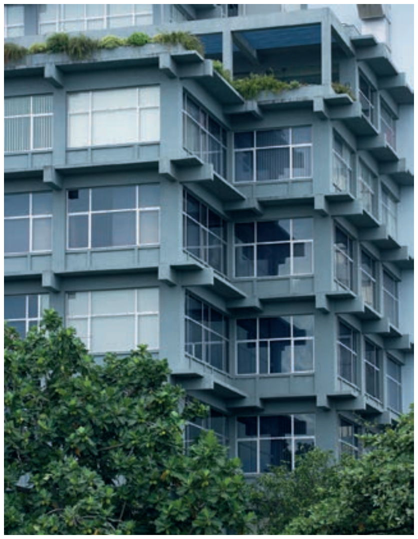
Expanding the services offered was another approach that was pursued. Stemming from this, the SBU commenced providing marine inspection services to vessels, in line with the Lloyd's initiative to provide hull & machinery inspection services to independent clients who are not necessarily within the Lloyd's network. Aitken Spence Insurance successfully completed its first hull & machinery inspection for a client in the Maldives in March 2017

Meanwhile with the United Nations World food Programme (UNWFP) scaling back its interventions in Sri Lanka due to the relatively stable civil environment, a conservative bidding strategy was initiated to secure long-term contracts from the WFP.

FUTURE PLANS

Given the uncertainties surrounding the local Insurance industry at present, the segment is likely to stay focused on the immediate future, with a strong emphasis on consolidation, training and cost curtailment initiatives to pave the way for a more sustainable operational model that will underpin business growth in the forthcoming year.

In the long term however, the demand for insurance services is expected to pick up in response to the heightened development activities that would likely gather momentum as Sri Lanka prepares to reach middle-income economy status in the coming years.



PROPERTY MANAGEMENT

The property management segment manages the two towers located in Vauxhall Street, Colombo which houses the Aitken Spence Group. The buildings consists of 195,784 sqft of office space, of which the Group occupies over 75%, with the balance being rented out to other corporate entities.

TECHNOLOGIES

Ecocorp Asia (Pvt) Ltd, set up as a joint venture partnership to introduce Nano technology based coating solutions for both industrial and consumer markets. Being the first of its kind in Sri Lanka, the focus for the year was to create awareness regarding the product, prompting an aggressive below the line advertising campaign to tap into the apparel and hospitality industries. Meanwhile, efforts to penetrate into the retail segment were led by the distributor network. Given the growing acceptance seen of the product, the prospects for the forthcoming years appear promising.

"The property management segment manages the two towers located in Vauxhall Street, Colombo which houses the Aitken Spence Group. The buildings consists of 195,784 sqft of office space, of which the Group occupies over 75%"

Major Challenges [GRI G4 - 2]	• Dearth of skilled workers in the industry • Lack of sustainable options to recycle solid waste (e.g. lunch sheets) • Specifications for service quality is sometimes seen as too high by service providers
Opportunities [GRI G4 - 2]	• Increasing need for commercial building space in Colombo
Key Strengths [GRI G4 - 2]	• Expertise and experience of the top management • Committed workforce • Brand reputation • Relationship with local communities • Commitment to sustainability
Sustainability priorities [GRI G4 - 19]	• Talent management • Energy • Water • Solid waste • Emissions • Effluents • Labour standards • Occupational health and safety • Compliance
Key stakeholders [GRI G4 - 24]	• Employees • Suppliers/Service Providers • Tenants • Regulators • Shareholders/Investors • Community members/Neighbours
Key topics and concerns raised by stakeholders [GRI G4 - 27]	• Key stakeholders were keen to hear more about the sustainability initiatives of the company • Opportunities were identified to expand the market presence and to improve the customer experience by increasing channels of engagement with stakeholders

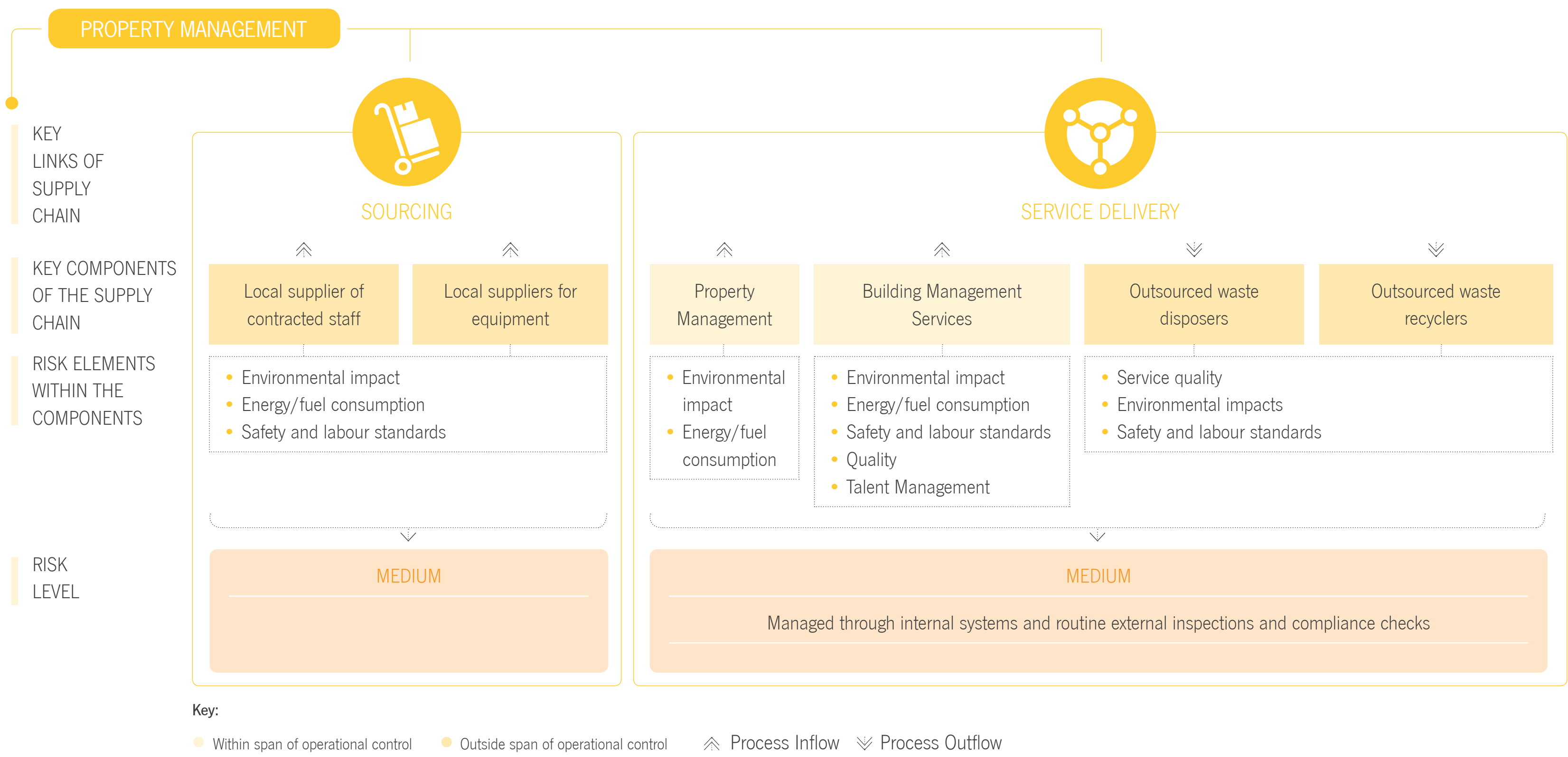
SECTOR REVIEW

SERVICES

THE SOURCING AND DISTRIBUTION COMPONENTS OF THE SUPPLY CHAIN

With our focus centred on our supply chains, we are evaluating social and environmental risks that could arise within the span of operations of our suppliers in the property management segment.

Our next step is to evaluate the scope of the indirect activities to determine where social or environmental risks could arise. This includes any manufacturing, sourcing or distribution activities of our suppliers that could indirectly affect our operations.



Property Management mainly sources from local suppliers for contract staff and local suppliers for equipment. Their practices on safety and labour standards and environmental impacts have been identified as elements of risk that could impact our operations. These are maintained through internal systems and compliance checks.

Even though there are existing systems in place to alleviate basic risks, we will be assessing the supply chain in more depth to fortify these existing practices.

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

SHARE PERFORMANCE

Market Value Per Share

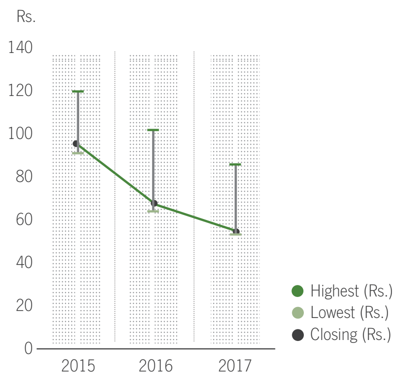
For the year ended 31st March	2017	2016	2015
Highest (Rs.)	86.00	104.50	120.50
Lowest (Rs.)	55.00	67.10	95.50
Closing (Rs.)	56.20	73.50	99.50

The market value of the ordinary share as at 26th May 2017 was Rs. 68.00.

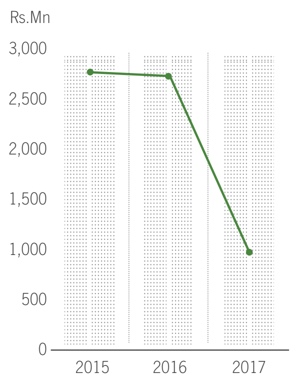
Share Trading Information

For the year ended 31st March	2017	2016	2015
Number of transactions	3,675	4,363	7,868
No. of shares traded during the year	14,410,018	29,133,437	26,691,694
Value of shares traded during the year (Rs.)	976,456,739	2,733,241,825	2,770,996,156
Percentage of total value transacted (%)	0.55	1.18	0.78

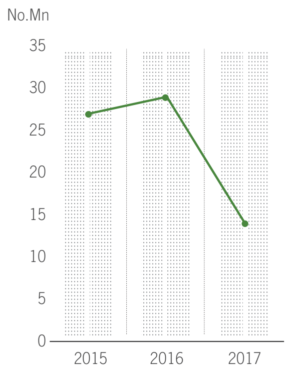
Market Value Per Share
For the year ended 31st March



Value of Shares Traded
For the year ended 31st March



No. of Shares Traded
For the year ended 31st March

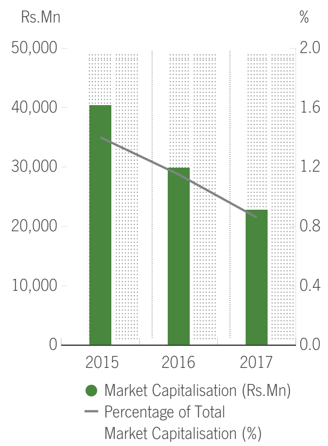


INVESTOR INFORMATION

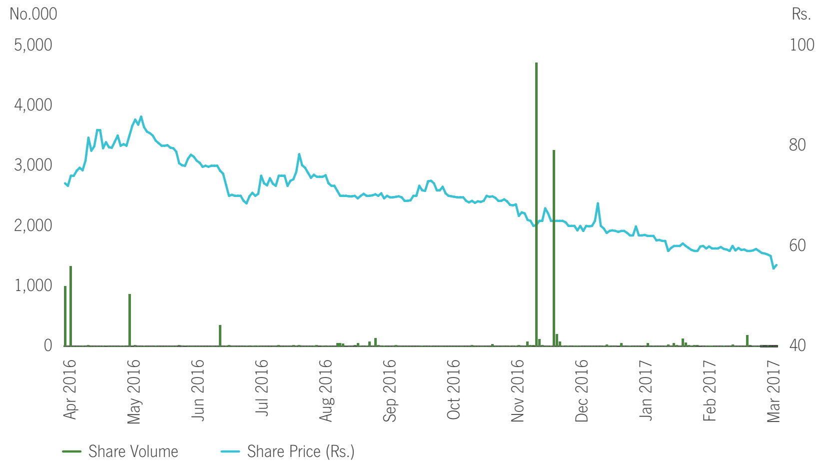
Market Capitalisation

As at 31st March	2017	2016	2015
Market Capitalisation on 31st March (Rs.)	22,816,977,729	29,840,709,308	40,396,606,478
Total Market Capitalisation (Rs.)	2,662,860,329,230	2,586,153,933,663	2,891,168,282,342
Percentage of total market Capitalisation (%)	0.86	1.15	1.40

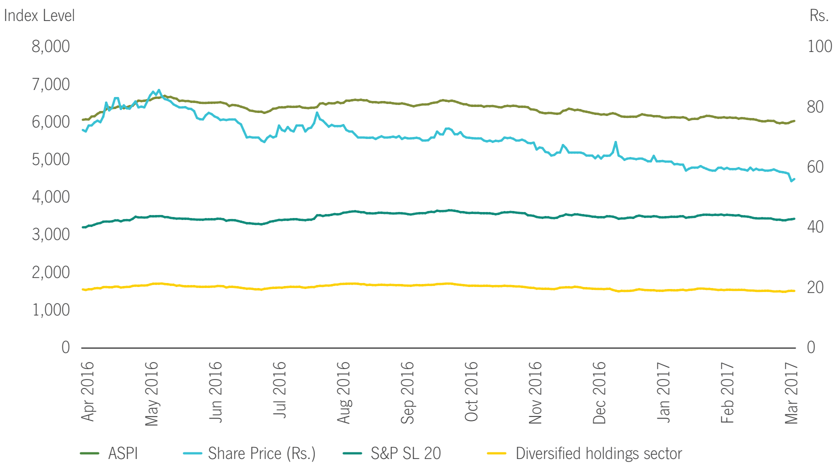
Market Capitalisation
As at 31st March



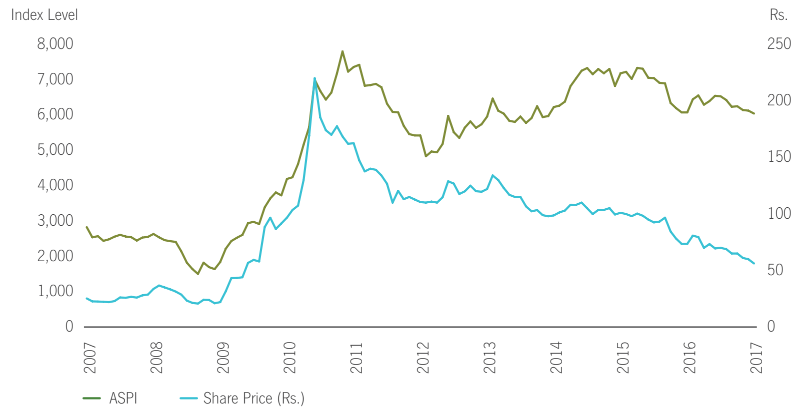
Share Price vs Share Volume - 2016/2017
12 Months Trend



Share Price vs Indices - 2016/2017
12 Months Trend



Share Price vs ASPI - 10 Year Trend
(1st April 2007 to 31st March 2017)



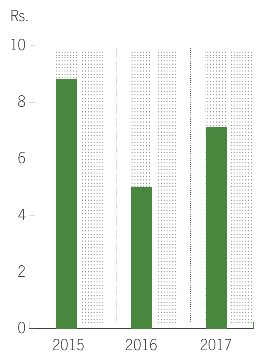
Earnings

For the year ended	2017	2016	2015
Earnings per share - Basic/Diluted (Rs.)	7.12	4.99	8.82
Price earnings ratio (P/E) (Times)	7.90	14.72	11.29

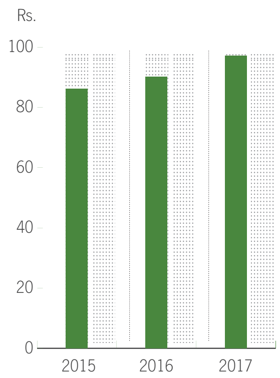
Net Assets Per Share

As at 31st March	2017	2016	2015
The Group (Rs.)	97.24	90.26	86.27
The Company (Rs.)	33.03	32.72	31.35

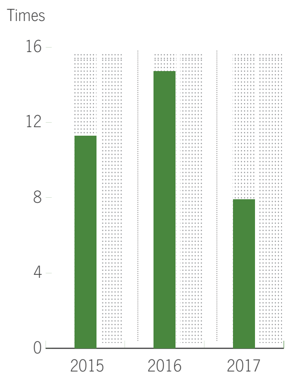
Earnings Per Share
For the year ended 31st March



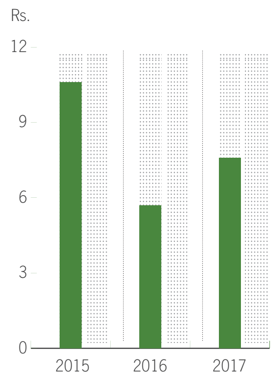
Net Assets Per Share
As at 31st March



Price Earnings Ratio
As at 31st March



Return On Equity
For the year ended 31st March

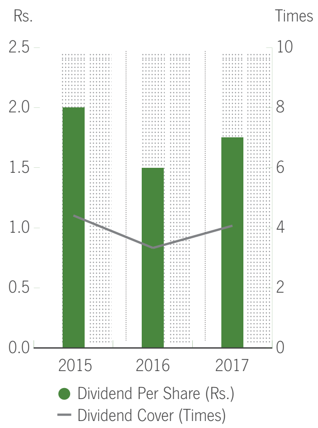


Dividends

For the year ended 31st March	2017	2016	2015
Dividend per share (Rs.)	1.75*	1.50	2.00
Dividend cover (Times)	4.07	3.33	4.41

*An interim dividend of Rs. 1.25 per share for 2016/2017 was paid on 30th March 2017. A final dividend of Rs. 0.50 (2015/2016 - Rs. 1.50 per share) has been recommended to the shareholders for approval at the forthcoming Annual General Meeting.

Dividends Per Share and Dividend Cover
For the year ended 31st March



INVESTOR INFORMATION

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
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
2016/2017	1.75	4.07	0.25

* The above figures are restated taking into consideration the sub-division of shares

SHAREHOLDER COMPOSITION

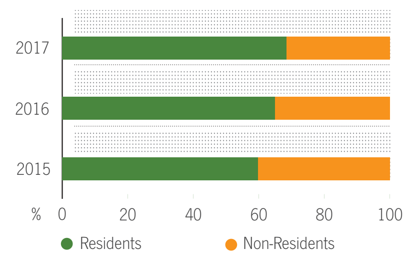
Shareholder Category	31st March 2017			31st March 2016		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	2,704	841,224	0.21	2,644	825,249	0.20
1,001 - 10,000	1,378	5,026,706	1.24	1,295	4,627,446	1.14
10,001 - 100,000	401	12,223,827	3.01	369	11,323,748	2.79
100,001 - 1,000,000	84	24,848,116	6.12	82	24,927,447	6.14
1,000,001 - above	26	363,056,172	89.42	25	364,292,155	89.73
Total	4,593	405,996,045	100.00	4,415	405,996,045	100.00

There were 4,593 registered shareholders as at 31st March 2017 and they are entitled for one vote per share. (31st March 2016 - 4,415).

Residents/Non- Residents

As at 31st March	2017			2016		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Residents	4,445	277,685,423	68.4	4,272	263,874,921	64.99
Non-Residents	148	128,310,622	31.6	143	142,121,124	35.01
	4,593	405,996,045	100	4,415	405,996,045	100

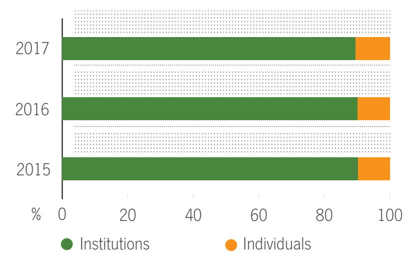
Residents/Non-Residents
As at 31st March



Individuals/Institutions

As at 31st March	2017			2016		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Institutions	362	363,576,599	89.55	4,070	365,822,748	90.1
Individuals	4,231	42,419,446	10.45	345	40,173,297	9.9
	4,593	405,996,045	100	4,415	405,996,045	100

Individuals/Institutions
As at 31st March

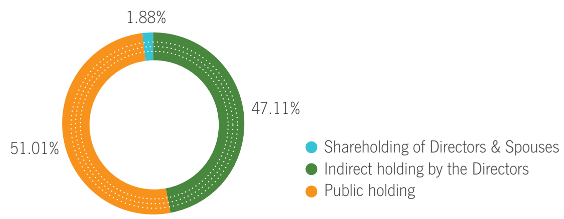


Public Holding

The percentage of public holding as at 31st March 2017 was 51.01% with reference to the rule No. 7.6 (iv) of the Colombo Stock Exchange

	%	No. Of Shares
Shareholding of Directors & Spouses	1.88	7,646,574
Indirect holding by the Directors	47.11	191,263,320
Public holding	51.01	207,086,151
Total Shares Issued	100.00	405,996,045

Public Holding
As at 31st March 2017



Twenty Largest Shareholders as at 31st March 2017

	Name	No. of Shares	%
1	Melstacorp PLC	183,190,790	45.12
2	Rubicond Enterprises Limited	65,990,145	16.25
3	Employees' Provident Fund	20,590,978	5.07
4	HSBC International Nominees Limited - BPSS Lux - Aberdeen Global - Asian Smaller Companies Fund	20,215,873	4.98
5	HSBC Intl Nom Ltd - BP2S London-Aberdeen Asia Pacific Equity Fund	10,490,578	2.59
6	Mr. G.C. Wickremasinghe	7,308,240	1.80
7	Placidrange Holdings Limited	5,521,500	1.36
8	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.07
9	HSBC Intl Nominees Ltd - BP2S - London - Aberdeen New Dawn Investment Trust XCC6	3,874,977	0.95
10	HSBC International Nominees Ltd - SSBT - Aberdeen Institutional Commingled Funds LLC	3,868,047	0.95
11	HSBC Intl Nominees Ltd - BP2S - London-Aberdeen Asia Smaller Companies Investment Trust	3,400,000	0.84
12	Stassen Exports (Pvt) Limited	3,244,500	0.80
13	Miss. A.T. Wickremasinghe	3,211,975	0.79
14	Mrs. K. Fernando	3,135,070	0.77
15	Mr. G. Wickremasinghe	3,019,090	0.74
16	HSBC Intl Nom Ltd - BP2S - Luxembourg - Aberdeen Global Frontier Markets Equity Fund	3,013,214	0.74
17	Employees' Trust Fund Board	2,621,870	0.65
18	Bank of Ceylon No. 1 Account	2,596,230	0.64
19	National Savings Bank	2,593,516	0.64
20	Mellon Bank N.A. - Florida Retirement System	2,142,462	0.53
	Total	354,350,555	87.29

INVESTOR INFORMATION

Shareholding of Directors together with their spouses in Aitken Spence PLC

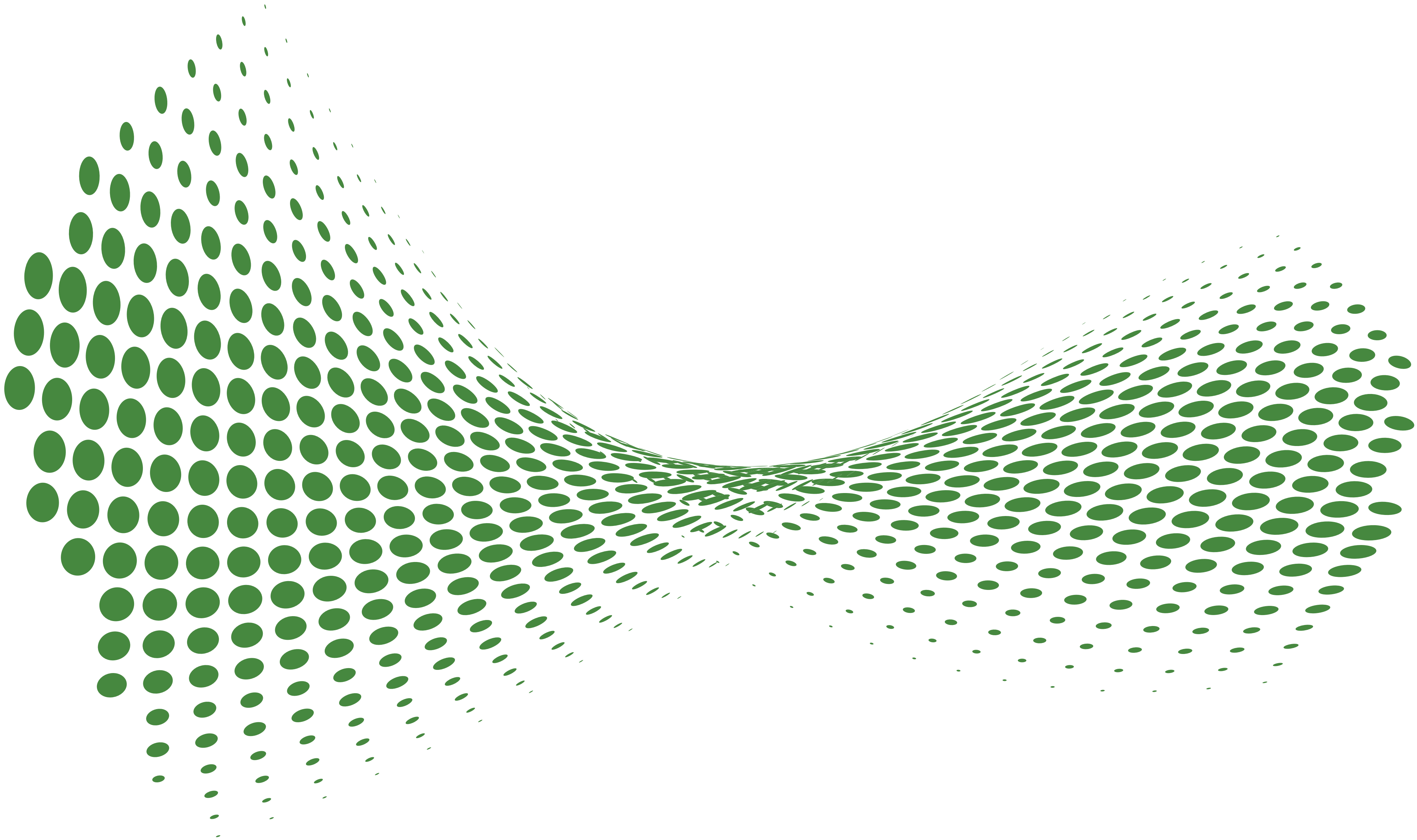
As at 31st March	2017	2016
Mr. J.M.S. Brito	309,495	309,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	1,000
Miss. D.S.T. Jayawardena	27,839	27,839
Total	7,646,574	7,646,574

Indirect holding by Directors

As at 31st March		2017	2016
Mr. G.C. Wickremasinghe	- Manohari Enterprises Ltd	298,830	298,830
Deshamanya D.H.S. Jayawardena	- Stassen Exports Ltd	3,244,500	3,244,500
	- Milford Exports (Ceylon) Ltd	4,321,500	4,321,500
	- Melstacorp PLC	183,190,790	176,193,390
	- Distilleries Company of Sri Lanka PLC	186,500	186,500
	- Periceyl (Pvt) Ltd	21,200	21,200
Total		191,263,320	184,265,920

Shareholding in Group companies

As at 31st March		2017	2016
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	278,023	111,596
	Mr. G.C. Wickremasinghe	2,082,241	2,082,241
	Mr. R.N. Asirwatham	1,000	1,000
	Miss. D.S.T. Jayawardena	16,000	16,000
Hethersett Hotels Limited	Mr. G.C. Wickremasinghe	1,041,500	1,041,500



KEEPING THE MOMENTUM

FINANCIAL STATEMENTS

An account of the Group's results for the year under review

FINANCIAL CALENDAR 2016/2017

Interim Financial Statements

Interim financial statements for the three months ended on 30th June 2016	Approved on 11th August 2016
Interim financial statements for the six months ended on 30th September 2016	Approved on 03rd November 2016
Interim financial statements for the nine months ended on 31st December 2016	Approved on 09th February 2017
Interim financial statements for the year ended 31st March 2016	Approved on 25th May 2017

Audited Financial Statements

Audited financial statements for year ended on 31st March 2017	Approved on 26th May 2017

Dividends

Final dividend for the year ended on 31st March 2016	Paid on 12th July 2016
Interim dividend for the year ended on 31st March 2017	Declared on 9th March 2017
Interim dividend for the year ended on 31st March 2017	Paid on 30th March 2017
Final dividend for the year ended on 31st March 2017	Proposed on 25th May 2017

Annual General Meeting

65th Annual General Meeting	30th June 2017

QUARTERLY FINANCIAL HIGHLIGHTS 2016/2017

	Q1	Q2	Q3	Q4	2016/2017
Revenue (Rs.'Millions)	7,537	9,848	13,142	15,366	45,892
Profit from operations (Rs.'Millions)	555	1,204	1,491	2,508	5,758
Profit for the period (Rs.'Millions)	323	709	1,213	1,800	4,045
Profit attributable to Equity holders of the Company (Rs.'Millions)	249	540	870	1,230	2,890
Earnings per share (Rs.)	0.61	1.33	2.14	3.03	7.12
Net assets per share (Rs.)	89.64	90.98	94.03	97.24	97.24

INDEX TO THE FINANCIAL STATEMENTS

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 2017 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.

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

The Financial Statements presented in this Annual Report for the year ended 31st March 2017, have been prepared based on the Sri Lanka Accounting Standards (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 2017 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2017 reflect a true and fair view of the Company and the Group.

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

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

By order of the Board,
AITKEN SPENCE PLC

P W Corporate Secretarial (Pvt) Ltd
Company Secretaries

Colombo
26th May 2017

INDEPENDENT AUDITORS' REPORT

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
Internet : www.kpmg.com/lk

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, 2017, and the income statement, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 213 to 300 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS
Colombo

May 26, 2017

INCOME STATEMENTS

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	7	45,892,179	25,977,795	652,260	624,946
Revenue taxes		(515,589)	(286,807)	(11,421)	(11,120)
Net revenue		45,376,590	25,690,988	640,839	613,826
Other operating income	8	145,245	174,645	1,767,232	1,553,228
Changes in inventories of finished goods and work-in-progress		111,852	(20,850)	-	-
Raw materials and consumables used		(11,816,151)	(1,825,981)	-	-
Employee benefits expense		(7,474,224)	(5,905,093)	(468,004)	(454,769)
Depreciation, amortisation and impairment of non-financial assets	9	(2,330,861)	(2,089,386)	(178,363)	(102,961)
Other operating expenses - direct	10	(11,871,505)	(7,483,985)	-	-
Other operating expenses - indirect		(6,383,333)	(4,643,836)	(491,653)	(265,755)
Profit from operations	9	5,757,613	3,896,502	1,270,051	1,343,569
Finance income	11	761,496	647,715	725,000	538,546
Finance expenses	11	(1,656,633)	(970,879)	(808,664)	(524,028)
Net finance income/(expense)		(895,137)	(323,164)	(83,664)	14,518
Share of profit of equity-accounted investees (net of tax)	22	384,396	232,170	-	-
Profit before tax		5,246,872	3,805,508	1,186,387	1,358,087
Income tax expense	12	(1,201,407)	(861,229)	49,693	42,097
Profit for the year		4,045,465	2,944,279	1,236,080	1,400,184
Attributable to:					
Equity holders of the company		2,890,032	2,027,112	1,236,080	1,400,184
Non-controlling interests		1,155,433	917,167	-	-
Profit for the year		4,045,465	2,944,279	1,236,080	1,400,184
Earnings per share - basic/diluted (Rs.)	13	7.12	4.99	3.04	3.45

The notes on pages 221 through 300 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 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Profit for the year		4,045,465	2,944,279	1,236,080	1,400,184
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment	15	207,671	-	-	-
Actuarial gains on defined benefit obligations	33	76,155	17,821	9,242	4,210
Share of other comprehensive income of equity-accounted investees (net of tax)	22	85,832	19,452	-	-
Income tax on other comprehensive income	12.6	(15,348)	(3,941)	(2,588)	(1,179)
		354,310	33,332	6,654	3,031
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		862,425	826,893	-	-
Net change in fair value of available-for-sale financial assets		(71,215)	22,477	(367)	(1,868)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	(56)	-	(56)
Share of other comprehensive income of equity-accounted investees (net of tax)	22	163,738	34,332	-	-
		954,948	883,646	(367)	(1,924)
Other comprehensive income for the year (net of tax)		1,309,258	916,978	6,287	1,107
Total comprehensive income for the year		5,354,723	3,861,257	1,242,367	1,401,291
Attributable to:					
Equity holders of the company		3,898,189	2,672,708	1,242,367	1,401,291
Non-controlling interests		1,456,534	1,188,549	-	-
Total comprehensive income for the year		5,354,723	3,861,257	1,242,367	1,401,291

The notes on pages 221 through 300 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Notes	Group 31.03.2017 Rs.'000	Group 31.03.2016 Rs.'000	Company 31.03.2017 Rs.'000	Company 31.03.2016 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	50,048,523	35,278,046	141,198	118,702
Investment properties	16	1,630,801	1,630,801	3,431,687	3,434,441
Intangible assets	17	886,103	867,223	11,036	21,876
Biological assets	18	43,583	25,838	-	-
Leasehold properties	19	2,042,459	2,006,728	-	-
Pre-paid operating leases	20	1,978,348	1,828,797	-	-
Investments in subsidiaries	21	-	-	7,252,083	7,287,194
Investments in equity-accounted investees	22	6,060,842	9,771,984	2,755,184	2,850,235
Deferred tax assets	23	434,794	328,140	195,421	78,385
Other financial assets	24	285,629	257,799	145,412	43,779
		63,411,082	51,995,356	13,932,021	13,834,612
Current assets					
Inventories	25	1,655,875	1,195,831	2,183	2,322
Pre-paid operating leases	20	72,819	32,795	-	-
Trade and other receivables	26	11,664,152	4,800,506	3,212,249	3,189,439
Current tax receivable		210,095	224,257	171,103	206,746
Deposits and prepayments		1,781,102	1,165,943	62,801	38,349
Other current assets	27	10,318,598	9,136,630	6,182,392	5,130,226
Cash and short-term deposits	28	6,032,612	4,653,788	1,400,611	1,397,670
		31,735,253	21,209,750	11,031,339	9,964,752
Assets classified as held for sale	29	149,125	149,125	57,237	57,237
Total assets		95,295,460	73,354,231	25,020,597	23,856,601
EQUITY AND LIABILITIES					
Equity					
Stated capital	30	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	30	16,849,379	15,248,423	7,937,490	7,259,908
Retained earnings		20,492,912	19,262,056	3,338,642	3,890,346
Total equity attributable to equity holders of the company		39,477,431	36,645,619	13,411,272	13,285,394
Non-controlling interests		11,315,985	7,554,724	-	-
Total equity		50,793,416	44,200,343	13,411,272	13,285,394
Non-current Liabilities					
Interest-bearing liabilities	31	17,191,011	12,242,494	2,489,974	3,684,817
Deferred tax liabilities	32	863,958	678,010	-	-
Employee benefits	33	850,247	718,654	105,246	100,414
Other liabilities	34	597,833	-	-	-
		19,503,049	13,639,158	2,595,220	3,785,231
Current liabilities					
Interest-bearing liabilities	31	4,829,650	3,736,594	1,350,941	1,770,729
Trade and other payables	35	11,370,334	9,783,515	4,402,232	4,831,831
Current tax payable		371,693	554,937	-	-
Bank overdrafts and other short-term borrowings	28	8,427,318	1,439,684	3,260,932	183,416
		24,998,995	15,514,730	9,014,105	6,785,976
Total equity and liabilities		95,295,460	73,354,231	25,020,597	23,856,601

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 221 through 300.

I certify that the Financial Statements for the year ended 31st March 2017 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
Deputy Chairman and Managing Director

26th May 2017
Colombo, Sri Lanka

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017	Attributable to equity holders of the company								Non-controlling interests	Total equity
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Available for sale reserve	Retained earnings	Total		
	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 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 30.3.1)	-	-	-	-	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
Profit for the year	-	-	-	-	-	-	2,890,032	2,890,032	1,155,433	4,045,465
Other comprehensive income for the year (note 30.3.1)	-	192,637	-	-	791,863	(61,360)	85,017	1,008,157	301,101	1,309,258
Total comprehensive income for the year	-	192,637	-	-	791,863	(61,360)	2,975,049	3,898,189	1,456,534	5,354,723
Share of net assets of equity-accounted investees	-	-	-	-	-	-	64,858	64,858	(4,043)	60,815
Amount vested on business combinations	-	-	-	-	-	-	-	-	3,055,607	3,055,607
Acquisition and changes in non-controlling interest	-	-	-	-	(133)	-	(14,613)	(14,746)	(2,590)	(17,336)
Transfer to general reserve	-	-	-	677,949	-	-	(677,949)	-	-	-
Final dividends for 2015/2016 (note 14)	-	-	-	-	-	-	(608,994)	(608,994)	-	(608,994)
Interim dividends for 2016/2017 (note 14)	-	-	-	-	-	-	(507,495)	(507,495)	-	(507,495)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(744,247)	(744,247)
Total contributions and distributions recognised directly in equity	-	-	-	677,949	(133)	-	(1,744,193)	(1,066,377)	2,304,727	1,238,350
Balance as at 31st March 2017	**2,135,140**	**6,580,537**	**148,440**	**7,976,675**	**2,110,655**	**33,072**	**20,492,912**	**39,477,431**	**11,315,985**	**50,793,416**

The notes on pages 221 through 300 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 2017	Stated capital Rs.'000	General reserves Rs.'000	Available for sale reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
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 30.3.2)	-	-	(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
Profit for the year	-	-	-	1,236,080	1,236,080
Other comprehensive income for the year (note 30.3.2)	-	-	(367)	6,654	6,287
Total comprehensive income for the period	-	-	(367)	1,242,734	1,242,367
Transfer to general reserve	-	677,949	-	(677,949)	-
Final dividends for 2015/2016 (note 14)	-	-	-	(608,994)	(608,994)
Interim dividends for 2016/2017 (note 14)	-	-	-	(507,495)	(507,495)
Total contributions and distributions recognised directly in equity	-	677,949	-	(1,794,438)	(1,116,489)
Balance as at 31st March 2017	**2,135,140**	**7,949,963**	**(12,473)**	**3,338,642**	**13,411,272**

The notes on pages 221 through 300 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Notes	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
Cash flows from operating activities					
Profit before tax		5,246,872	3,805,508	1,186,387	1,358,087
Adjustments for					
Depreciation and amortisation		2,330,031	1,746,018	48,300	52,988
Impairment of intangible assets		-	50,000	-	-
Interest expense		1,535,125	873,846	806,791	515,532
Gain on disposal of property, plant and equipment	8	(28,205)	(22,697)	(2,568)	(805)
Gain on disposal of group investments	8	(18,573)	-	(3,256)	-
Gain on disposal of equity securities classified as available-for-sale financial assets		-	(53)	-	(53)
Interest income	11	(761,496)	(647,715)	(725,000)	(538,546)
Share of profit of equity-accounted investees (net of tax)	22	(384,396)	(232,170)	-	-
Impairment of investments in subsidiaries		-	-	130,063	50,000
Impairment losses/(reversals) of inventories		830	293,368	-	(27)
Impairment losses/(reversals) and write offs of trade and other receivables and deposits		20,062	34,204	198,785	(926)
Net foreign exchange (gain) / loss		357,342	876,496	176,414	259,235
Provision for retirement benefit obligations	33	167,650	122,437	19,781	18,655
		3,218,370	3,093,734	649,310	356,053
Operating profit before working capital changes		8,465,242	6,899,242	1,835,697	1,714,140
(Increase)/decrease in trade and other receivables		(3,403,838)	2,855,488	(221,595)	(338,653)
(Increase)/decrease in inventories		(457,239)	11,489	139	(296)
(Increase)/decrease in deposits and prepayments		(197,532)	(379,340)	(24,452)	(3,999)
Increase/(decrease) in trade and other payables		(1,443,745)	2,683,335	(939,724)	1,681,610
		(5,502,354)	5,170,972	(1,185,632)	1,338,662
Cash generated from operations		2,962,888	12,070,214	650,065	3,052,802
Interest paid		(1,524,997)	(863,778)	(799,468)	(506,085)
Income tax paid		(1,336,415)	(1,300,080)	(34,287)	(73,294)
Retirement benefit obligations paid	33	(85,662)	(91,737)	(5,707)	(12,271)
		(2,947,074)	(2,255,595)	(839,462)	(591,650)
Net cash generated from/(used in) operating activities		15,814	9,814,619	(189,397)	2,461,152

The notes on pages 221 through 300 form an integral part of these financial statements.
Figures in brackets indicate deductions.

(carried forward to next page)

For the year ended 31st March	Notes	Group 2017 Rs.'000	Group 2016 Rs.'000	Company 2017 Rs.'000	Company 2016 Rs.'000
(brought forward from previous page)					
Cash flows from investing activities					
Interest received from deposits		761,496	640,025	725,000	540,301
Cash and cash equivalents vested on business combination	A	3,110,578	-	-	-
Assets / liabilities acquired on business combination		-	(5,476,675)	-	-
Investment in subsidiaries and equity accounted investees		(75,095)	(4,404,787)	(52)	(2,648,755)
Investment in equity and debt securities		(150,000)	(466)	(150,000)	-
Cash and cash equivalents of subsidiaries divested	B	(10,846)	-	-	-
Capital reduction by subsidiary		-	(246,223)	-	700,789
Acquisition of property, plant and equipment	15	(5,843,687)	(2,837,892)	(67,036)	(13,706)
Acquisition of intangible assets	17	(23,696)	(11,914)	(1,767)	(6,991)
Acquisition of biological assets	18	(18,159)	(25,838)	-	-
Operating leases pre-paid	20	(37,666)	(734,516)	-	-
Proceeds from disposal of property, plant and equipment		88,190	191,921	14,169	4,738
Proceeds from disposal of investment property		-	17,500	-	-
Proceeds from sale of equity and debt securities		45,711	45,801	45,711	45,857
Proceeds/(purchase) of other financial assets and liabilities (net)		(1,305,109)	3,289,970	(1,049,876)	(270,777)
Proceeds on retirement of assets held for sale		-	77,798	-	77,798
Final liquidation proceeds of subsidiary		3,356	-	3,356	-
Dividends paid to non-controlling interests		(744,247)	(517,712)	-	-
Dividends received from equity accounted investees		204,454	322,234	-	-
Net cash generated from/(used in) investing activities		(3,994,720)	(9,670,774)	(480,495)	(1,570,746)
Cash flows from financing activities					
Proceeds from interest-bearing liabilities	31	3,624,754	6,843,802	-	2,340,250
Repayment of interest-bearing liabilities	31	(4,659,051)	(3,647,621)	(1,799,587)	(1,000,680)
Issue of shares by subsidiaries		-	17,094	-	-
Transaction costs on subsidiary share issue		-	(19,874)	-	-
Dividends paid to equity holders of the parent		(606,364)	(941,651)	(606,364)	(941,651)
Net cash generated from / (used in) financing activities		(1,640,661)	2,251,750	(2,405,951)	397,919
Net increase in cash and cash equivalents		(5,619,567)	2,395,595	(3,075,843)	1,288,325
Cash and cash equivalents at the beginning of the year		3,214,104	821,406	1,214,254	(69,058)
Effect of movements in exchange rates		10,757	(2,897)	1,268	(5,013)
Cash and cash equivalents at the end of the year	28	(2,394,706)	3,214,104	(1,860,321)	1,214,254

The notes on pages 221 through 300 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the statements of cash flows

A. Assets and liabilities vested on business combination,

During the period under review the Group reassessed its control over Aitken Spence Travels Ltd and Ahungalla Resorts Ltd and concluded that they would be treated as subsidiaries based on the underlying circumstances. The assets and liabilities vested in this respect are detailed below ;

	Rs.'000
Property, plant and equipment	(9,508,007)
Intangible assets	(4,377)
Inventories	(3,635)
Trade and other receivables	(3,479,870)
Deposits and prepayments	(418,621)
Deferred taxation	(485)
Interest-bearing liabilities	6,509,164
Income taxation	15,178
Employee benefits	120,111
Trade and other payables	2,566,284
Cash and cash equivalents	(3,110,578)
Total identifiable net assets	(7,314,836)
Re-classified under subsidiaries	4,259,229
Changes in non-controlling interest	3,055,607
Cash and cash equivalents vested on business combinations	3,110,578
Net cash inflow on business combination	3,110,578

B. Divestment of subsidiaries

The group divested its investments in Ace Alliance Power Ltd and Bhairob Power Ltd during the financial year. The fair values of assets and liabilities thus divested are as follows;

	Rs.'000
Property, plant and equipment	18,788
Deposits and prepayments	994
Trade and other payables	(45,845)
Cash and cash equivalents	10,846
Total identifiable net assets divested	(15,217)
Non-controlling interest divested	6,391
Gain on disposal	8,826
Cash and cash equivalents divested	(10,846)
Net cash outflow on divestment of subsidiaries	(10,846)

The notes on pages 221 through 300 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 2017 comprise the Financial Statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 322 to 328 of this report.

Aitken Spence PLC does not have an identifiable parent of its own and is the ultimate parent of the Group.

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. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

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

2.2 Responsibility for Financial Statements

The Board of Directors of the Company acknowledges their responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "Certification on the Statement of Financial Position".

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Group and the Company for the year ended 31st March 2017 were approved and authorised for issue by the Board of Directors on the 26th of May 2017. These Financial Statements include the following components :

- an Income Statement and a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer pages 213 and 214;
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 215;
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer pages 216 to 217;
- a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilization of those cash flows. Refer page 218 to 220;
- notes to the Financial Statements comprising significant accounting policies and other explanatory information. Refer pages 221 to 300.

2.4 Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items stated in the Statement of Financial Position.

Item	Basis of measurement	Note number
Land	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	3.4 and 15
Financial assets classified as available-for-sale	Measured at fair Value	3.3.1.1.4, 24 and 27
Financial assets classified as fair value through profit or loss	Measured at fair Value	3.3.1.1.1, 24 and 27
Retirement benefit obligations	Measured at the present value of the defined benefit obligation	3.12 and 33

2.5 Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency), which is the Sri Lankan Rupee.

The Financial Statements are presented in Sri Lankan Rupees and has been rounded to the nearest thousand except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

Each group company determines its own functional currency and items included in the Financial Statements of these companies are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS

Functional currency of all the group companies is Sri Lankan Rupees other than the following companies whose functional currency is given below.

Company	Country of incorporation	Functional currency
A.D.S. Resorts Pvt Ltd	Maldives	United States Dollar
Unique Resorts Pvt Ltd	Maldives	United States Dollar
Jetan Travel Services Company Pvt Ltd	Maldives	United States Dollar
Ace Resorts Pvt Ltd	Maldives	United States Dollar
Cowrie Investment Pvt Ltd	Maldives	United States Dollar
Aitken Spence Resorts (Middle East) LLC	Oman	Oman Riyal
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Indian Rupee
Aitken Spence Hotel Services Pvt Ltd	India	Indian Rupee
PR Holiday Homes Pvt Ltd	India	Indian Rupee
Perumbalam Resorts Pvt Ltd	India	Indian Rupee
Crest Star Ltd	Hongkong	United States Dollar
Crest Star (B.V.I) Ltd	British Virgin Islands	United States Dollar
Fiji Ports Terminal Ltd	Fiji	Fiji Dollars
Fiji Ports Corporation Ltd	Fiji	Fiji Dollars
Ace Bangladesh Ltd	Bangladesh	Taka

There was no change in the Group's presentation and functional currency during the year under review.

2.6 Current vs non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading.

Or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period.

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.7 Materiality and aggregation

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

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

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company

2.9 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 expenses and accompany disclosures including contingent liabilities. Estimates and judgements which management has assessed to have the most significant effect on the amounts recognised in the consolidated Financial Statements have been discussed in the individual notes of the related financial statement line items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

2.10 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 31st 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.

During the year under review the Group reassessed its control over Aitken Spence Travels Ltd and Ahungalla Resorts Ltd and concluded that they would be treated as subsidiaries based on the underlying circumstances. This decision was based on the following:

Aitken Spence Travels Ltd

In September 2016 the Group concluded that it now controls Aitken Spence Travels on a de facto basis, based on its ability to use its power over the company to affect the returns as all relevant activities of the company are now controlled by the Group, after the other shareholder demonstrated their intention to reduce their involvement in the destination management companies by disposing many of their investments in this segment.

Ahungalla Resorts Ltd

Subsequent to completion of construction of the resort facility owned by Ahungalla Resorts Ltd (investee), the group reassessed its ability to control this company. On reassessment it was determined that the Group is exposed and has rights, to variable returns from its involvement with the company and

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has the ability to affect those returns through its power over the investee, as a result of the ability to appoint a majority of the directors. During the construction phase the relevant activities of Ahungalla Resorts Ltd were jointly controlled by the group and the minority shareholder.

Aitken Spence Travels Ltd and Ahungalla Resorts Ltd were previously accounted as joint ventures using the equity method.

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. Changes to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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

The 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 subsidiaries, and equity accounted investees of the Group have the same reporting period as the parent company other than the subsidiary companies Fiji Ports Terminal Limited., Ace Resorts Private Limited, A.D.S. Resorts Private Limited, Unique Resorts Private Limited, Jetan Travel Services Company Private Limited, Cowrie Investment Private Limited, Ace Aviation Services Maldives Private Limited, Spence Maldives Private Limited, Interlifts International Private Limited., and associate Fiji Ports Corporation Limited whose financial year ends on 31st of December. However the Group incorporates the results of these companies up to 31st March in the Group's Financial Statements.

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.

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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 previously mentioned 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 rate 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 financial 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 has 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 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.

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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.

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on market values, this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to 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.

3.7 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

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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
Soursop	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 Employee benefits

3.12.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

3.12.2 Defined contribution plan

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

3.12.2.1 Provident fund and trust fund – Sri Lanka

For employees in Sri Lanka the Group contributes a sum not less than 12% of the gross emoluments as provident fund benefits and a sum equivalent 3% of the gross emoluments as trust fund benefits.

3.12.2.2 Pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme.

3.12.2.3 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.

3.12.2.4 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.

3.12.2.5 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.

3.12.3 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

3.12.3.1 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. Management's estimate of the defined benefit plan 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. 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.

The defined benefit plan is valued by a professionally qualified external actuary.

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.

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3.12.3.2 Retiring Gratuity – India

A liability is provided for employees in India based on a valuation made by an independent actuary using unit credit method for payment of gratuity at the rate of 15/26 times the monthly qualifying salary for each year of service.

3.12.3.3 Retiring Gratuity – Fiji

Retirement benefit liability is recognised for all permanent employees in Fiji based on four months salary plus four weeks pay for every year of service effective from appointment date until retirement at 60 years..

3.12.3.4 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.

3.13 Provisions

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

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.

3.14 Revenue

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

3.14.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and levies.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

3.14.2 Sale of goods

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

3.14.3 Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

3.14.3.1 Hotel operation

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

3.14.3.2 Loyalty points programme of hotel companies

'Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group'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.

3.14.3.3 Power generation

Revenue from the power generation sector is recognised at the fair value of the consideration received or receivable based on a variable and fixed component (if any) which are computed in accordance with the terms of the relevant power purchase agreements entered into with the Ceylon Electricity Board.

3.14.3.4 Commission income

When the Group acts in the capacity of an agent rather than the principal in a transaction, the revenue recognition is the net amount of commission earned by the Group.

3.14.3.5 Installation of elevators

Revenue on installation of elevators is recognised in the income statement by reference to the stage of completion of the transaction at the reporting date.

Stage of completion is measured by reference to cost incurred to date as a percentage of estimated total cost for each installation.

3.14.4 Use by others of entity assets

3.14.4.1 Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

3.14.4.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

3.14.4.3 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the hire.

3.15 Expenditure

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

3.16 Finance income / (expenses)

Finance income comprises of interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss , and gains on the disposal of interest generating investments whether classified under fair value through profit or loss or available-for-sale financial assets.

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 11 to the Financial Statements.

3.17 Government grants and subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

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

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and recognised in the income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the applicable market rate, the effect of this favourable interest is regarded as a government grant.

3.18 Income tax expense

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

3.18.1 Current tax

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

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

3.18.1.1 Companies incorporated in Sri Lanka

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

3.18.1.2 Companies incorporated outside Sri Lanka

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to the relevant tax statutes as disclosed in note 12.4 to the Financial Statements.

3.18.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

Withholding tax on the Intra-Group dividends are recognised as a tax expense in the Consolidated Income Statement. Deferred tax is provided on the undistributed profits of the Group companies only to the extent that it is probable distribution will be made, as the holding company has control over the dividend policy of the Group companies.

3.18.3 Sales tax

Revenue, expenses and assets are recognised net of the amount of sale tax, except: a) where sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable, b) receivables and payables that are stated with the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the

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taxation authority is included as part of receivables or payables in the Statement of Financial Position

3.18.4 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.

3.19 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 322 to 328.

3.20 Movement of reserves

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

3.21 Cash flow

The statement of cash flows is reported based on the "indirect method".

3.22 Commitments and contingencies

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

Commitments and Contingent liabilities are disclosed in note 40 and 42 to the Financial Statements.

3.23 Earnings per share

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

3.24 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 these Financial Statements and the Group plans to apply these standards as and when they become effective. The Group is currently in the process of evaluating the potential effects of adoption of these standards and amendments on its Financial Statements. Such impact has not been quantified as at the balance sheet date.

SLFRS 9 – Financial Instruments – effective for annual periods beginning on or after 1st of January 2018.

The final version of SLFRS 9 - Financial Instruments that replaces LKAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of SLFRS 9. SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During the financial year, the Group has performed a high-level impact assessment of all three aspects of IFRS 9 and the Group expects no significant impact to its income statement or statement of financial position. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group in the future.

SLFRS 15 – Revenue from Contracts with Customers– effective for annual periods beginning on or after 1st of January 2018.

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016/2017, the Group performed a preliminary assessment of IFRS 15 and determined that its impact on the Financial Statements would be insignificant. However this is subject to changes arising from a more detailed ongoing analysis.

SLFRS 16 – Leases – effective for annual periods beginning on or after 1st of January 2019.

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017/2018, the Group plans to assess the potential effect of SLFRS 16 on its consolidated Financial Statements.

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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	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total revenue generated	24,083,360	18,249,643	9,933,383	8,278,653	18,196,279	5,941,562	1,689,148	1,181,395	53,902,170	33,651,253
Intra-segmental revenue	(1,960,375)	(1,089,915)	(320,439)	(239,067)	(663,727)	(635,952)	(67,999)	(67,083)	(3,012,540)	(2,032,017)
Total revenue with inter - segmental revenue	22,122,985	17,159,728	9,612,944	8,039,586	17,532,552	5,305,610	1,621,149	1,114,312	50,889,630	31,619,236
Inter - segmental revenue	(10,846)	(14,652)	(315,074)	(93,315)	(321,508)	(246,843)	(228,875)	(203,003)	(876,303)	(557,813)
Total revenue with equity-accounted investees	22,112,139	17,145,076	9,297,870	7,946,271	17,211,044	5,058,767	1,392,274	911,309	50,013,327	31,061,423
Share of equity-accounted investees' revenue	(1,658,664)	(3,424,568)	(1,256,735)	(681,850)	(1,198,893)	(969,216)	(6,856)	(7,994)	(4,121,148)	(5,083,628)
Revenue from external customers	20,453,475	13,720,508	8,041,135	7,264,421	16,012,151	4,089,551	1,385,418	903,315	45,892,179	25,977,795
Profit from operations	2,734,385	2,946,956	1,469,409	1,230,874	1,311,847	(489,206)	241,972	207,878	5,757,613	3,896,502
Finance income	454,573	166,525	61,747	47,726	234,990	415,838	10,186	17,626	761,496	647,715
Finance expenses	(999,733)	(417,200)	(87,750)	(66,116)	(556,499)	(478,298)	(12,651)	(9,265)	(1,656,633)	(970,879)
Share of profit of equity-accounted investees (net of tax)	(62,459)	86,771	367,548	118,519	122,465	57,012	(43,158)	(30,132)	384,396	232,170
Profit before tax	2,126,766	2,783,052	1,810,954	1,331,003	1,112,803	(494,654)	196,349	186,107	5,246,872	3,805,508
Income tax expense	(674,250)	(494,607)	(375,558)	(289,162)	(72,923)	(15,494)	(78,676)	(61,966)	(1,201,407)	(861,229)
Profit for the year	1,452,516	2,288,445	1,435,396	1,041,841	1,039,880	(510,148)	117,673	124,141	4,045,465	2,944,279
Depreciation and amortisation	1,625,057	1,076,823	276,497	249,505	340,006	334,320	88,471	85,370	2,330,031	1,746,018
Impairment losses / (reversals) and write offs	8,843	7,959	7,078	6,684	(665)	356,124	5,636	6,805	20,892	377,572
Other non-cash expenses	62,324	34,307	49,507	36,186	44,303	41,296	11,516	10,648	167,650	122,437

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 12.2 billion of revenue, which amounts to 26% of the Group's total revenue for the year, is attributable to one customer (state owned enterprise) recorded under strategic investments sector.

6.1.2 Business segment analysis of group assets and liabilities

	Tourism sector		Maritime & logistics sector		Strategic investments		Services sector		Total	
As at	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Property, plant and equipment	37,963,227	23,169,120	4,427,570	4,297,106	5,310,582	5,418,740	2,347,144	2,393,080	50,048,523	35,278,046
Investment properties	72,001	72,000	-	-	1,558,800	1,558,801	-		1,630,801	1,630,801
Intangible assets	13,988	4,328	8,963	15,180	19,682	22,835	-	-	42,633	42,343
Biological assets	-	-	-	-	43,583	25,838	-	-	43,583	25,838
Leasehold properties	2,042,459	2,006,728	-	-	-	-	-	-	2,042,459	2,006,728
Pre-paid operating leases	1,753,670	1,772,071	3,429	3,479	221,249	53,247	-	-	1,978,348	1,828,797
Deferred tax assets	168,335	183,766	43,207	40,248	209,184	79,103	14,068	25,023	434,794	328,140
Other financial assets	126,651	202,395	12,549	10,610	146,429	44,794	-	-	285,629	257,799
Segment non-current assets	42,140,331	27,410,408	4,495,718	4,366,623	7,509,509	7,203,358	2,361,212	2,418,103	56,506,770	41,398,492
Investments in equity-accounted investees	1,297,164	5,612,048	3,625,941	3,112,779	996,697	863,137	141,040	184,020	6,060,842	9,771,984
Intangible assets - Goodwill on consolidation	-	-	-	-	-	-	-	-	843,470	824,880
Total non-current assets	43,437,495	33,022,456	8,121,659	7,479,402	8,506,206	8,066,495	2,502,252	2,602,123	63,411,082	51,995,356
Inventories	480,996	303,995	125,123	116,116	917,912	662,426	131,844	113,294	1,655,875	1,195,831
Pre-paid operating leases	71,556	32,745	50	50	1,213	-	-	-	72,819	32,795
Trade and other receivables	7,027,376	2,012,200	2,405,816	2,647,034	6,678,159	2,511,307	628,710	363,154	16,740,061	7,533,695
Current tax receivable	18,495	4,255	12,045	4,690	177,024	214,990	2,531	322	210,095	224,257
Deposits and prepayments	1,296,844	753,969	287,461	278,042	153,302	100,917	43,495	33,015	1,781,102	1,165,943
Other current assets	2,552,280	2,184,929	110,308	103,383	7,650,319	6,842,513	5,691	5,805	10,318,598	9,136,630
Cash and short-term deposits	2,906,262	1,140,850	1,443,620	1,540,018	1,525,662	1,778,994	157,068	193,926	6,032,612	4,653,788
Segment current assets	14,353,809	6,432,943	4,384,423	4,689,333	17,103,591	12,111,147	969,339	709,516	36,811,162	23,942,939
Eliminations / adjustments	-	-	-	-	-	-	-	-	(5,075,909)	(2,733,189)
Total current assets	14,353,809	6,432,943	4,384,423	4,689,333	17,103,591	12,111,147	969,339	709,516	31,735,253	21,209,750
Assets classified as held for sale	-	-	-	-	-	-	-	-	149,125	149,125
Total assets	57,791,304	39,455,399	12,506,082	12,168,735	25,609,797	20,177,642	3,471,591	3,311,639	95,295,460	73,354,231
Interest-bearing liabilities	14,275,708	8,011,477	-	-	2,915,303	4,231,017	-	-	17,191,011	12,242,494
Deferred tax liabilities	368,993	237,166	140,749	122,986	95,928	72,219	187,823	175,174	793,493	607,545
Employee benefits	357,607	242,109	238,465	227,086	204,317	198,579	49,858	50,880	850,247	718,654
Other liabilities	597,833	-	-	-	-	-	-	-	597,833	-
Segment non-current liabilities	15,600,141	8,490,752	379,214	350,072	3,215,548	4,501,815	237,681	226,054	19,432,584	13,568,693
Eliminations / adjustments	-	-	-	-	-	-	-	-	70,465	70,465
Total non-current liabilities	15,600,141	8,490,752	379,214	350,072	3,215,548	4,501,815	237,681	226,054	19,503,049	13,639,158
Interest-bearing liabilities	3,311,163	1,826,509	-	-	1,518,487	1,910,085	-	-	4,829,650	3,736,594
Trade and other payables	7,599,375	3,722,764	2,788,978	3,055,210	5,451,937	5,236,991	605,953	501,739	16,446,243	12,516,704
Current tax payable	165,273	357,535	145,666	168,659	33,491	16,276	27,263	12,467	371,693	554,937
Bank overdrafts and other short-term borrowings	2,564,715	871,385	357,105	240,963	5,396,376	242,773	109,122	84,563	8,427,318	1,439,684
Segment current liabilities	13,640,526	6,778,193	3,291,749	3,464,832	12,400,291	7,406,125	742,338	598,769	30,074,904	18,247,919
Eliminations / adjustments	-	-	-	-	-	-	-	-	(5,075,909)	(2,733,189)
Total current liabilities	13,640,526	6,778,193	3,291,749	3,464,832	12,400,291	7,406,125	742,338	598,769	24,998,995	15,514,730
Total liabilities	29,240,667	15,268,945	3,670,963	3,814,904	15,615,839	11,907,940	980,019	824,823	44,502,044	29,153,888
Total segment assets	56,494,140	33,843,351	8,880,141	9,055,956	24,613,100	19,314,505	3,330,551	3,127,619	93,317,932	65,341,431
Total segment liabilities	29,240,667	15,268,945	3,670,963	3,814,904	15,615,839	11,907,940	980,019	824,823	49,507,488	31,816,612
Additions to non-current assets	5,181,049	2,802,037	374,002	373,788	321,463	386,098	46,694	48,237	5,923,208	3,610,160

NOTES TO THE FINANCIAL STATEMENTS

6.2 Geographical information

Geographical information is stated based on the country where the sale occurred or the service was rendered.

6.2.1 Geographical analysis of group revenue and profit

	Sri Lanka		Maldives		Other countries		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Revenue	31,186,466	13,153,314	9,995,479	10,177,504	4,710,234	2,646,977	45,892,179	25,977,795
Profit for the year	1,753,532	504,877	1,859,643	2,350,996	432,290	88,406	4,045,465	2,944,279
Depreciation and amortisation	1,318,077	939,580	690,840	604,366	321,114	202,072	2,330,031	1,746,018
Impairment losses / (reversals) and write offs	15,591	373,576	4,971	8,109	330	(4,113)	20,892	377,572
Other non-cash expenses	138,003	116,248	2,591	2,555	27,056	3,634	167,650	122,437

6.2.2 Geographical analysis of group assets and liabilities

	Sri Lanka		Maldives		Other countries		Total	
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016
Segment non-current assets	36,034,908	23,522,586	13,379,799	10,200,354	7,092,063	7,675,552	56,506,770	41,398,492
Segment current assets	26,396,572	15,712,739	4,390,007	4,280,518	1,409,759	1,612,004	32,196,338	21,605,261
	62,431,480	39,235,325	17,769,806	14,480,872	8,501,822	9,287,556	88,703,108	63,003,753
Investments in equity-accounted investees	-	-	-	-	-	-	6,060,842	9,771,984
Goodwill on consolidation	-	-	-	-	-	-	843,470	824,880
Assets classified as held for sale	-	-	-	-	-	-	149,125	149,125
Eliminations / adjustments	-	-	-	-	-	-	(461,085)	(395,511)
Total assets	62,431,480	39,235,325	17,769,806	14,480,872	8,501,822	9,287,556	95,295,460	73,354,231
Segment non-current liabilities	10,977,397	6,140,619	5,391,544	3,970,920	3,063,643	3,457,153	19,432,584	13,568,692
Segment current liabilities	18,645,096	9,803,891	4,539,840	4,368,086	1,992,241	1,523,016	25,177,177	15,694,993
	29,622,493	15,944,510	9,931,384	8,339,006	5,055,884	4,980,169	44,609,761	29,263,685
Eliminations / adjustments	-	-	-	-	-	-	(107,717)	(109,797)
Total liabilities	29,622,493	15,944,510	9,931,384	8,339,006	5,055,884	4,980,169	44,502,044	29,153,888
Additions to non-current assets	3,641,500	1,263,574	2,145,387	1,864,366	136,321	482,220	5,923,208	3,610,160

7 REVENUE

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rendering of services	42,116,086	22,309,589	595,229	566,147
Sale of goods	3,776,093	3,668,206	-	-
Royalty income	-	-	57,031	58,799
	45,892,179	25,977,795	652,260	624,946

7.1 Business segment analysis of Group revenue

	2016/2017			2015/2016		
	Rendering of services	Sale of goods	Total revenue	Rendering of services	Sale of goods	Total revenue
Tourism sector	20,453,475	-	20,453,475	13,720,508	-	13,720,508
Maritime & logistics sector	8,041,135	-	8,041,135	7,264,421	-	7,264,421
Strategic investments	12,240,164	3,771,987	16,012,151	421,606	3,667,945	4,089,551
Services sector	1,381,312	4,106	1,385,418	903,054	261	903,315
	42,116,086	3,776,093	45,892,179	22,309,589	3,668,206	25,977,795

7.2 Geographical segment analysis of Group revenue

	2016/2017			2015/2016		
	Rendering of services	Sale of goods	Total revenue	Rendering of services	Sale of goods	Total revenue
Sri Lanka	27,410,373	3,776,093	31,186,466	9,485,108	3,668,206	13,153,314
Maldives	9,995,479	-	9,995,479	10,177,504	-	10,177,504
Other countries	4,710,234	-	4,710,234	2,646,977	-	2,646,977
	42,116,086	3,776,093	45,892,179	22,309,589	3,668,206	25,977,795

8 OTHER OPERATING INCOME

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	1,794,439	1,572,386
Dividends from available-for-sale financial assets	3,938	3,017	135	213
Gain on disposal of subsidiaries *	18,573	-	3,256	-
Gain on disposal of equity securities classified as available-for-sale financial assets	-	53	-	53
Gain on disposal of property, plant and equipment	28,205	22,697	2,568	805
Insurance claims received	10,477	7,256	-	-
Net foreign exchange gain / (loss)	46,849	117,281	(40,756)	(26,263)
Sundry income	37,203	24,341	7,590	6,034
	145,245	174,645	1,767,232	1,553,228

* Gain on disposal of subsidiaries includes the profit on divestment of Ace Alliance Power Ltd, Bhairob Power Ltd and final liquidation proceeds of Ace Power Horana (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

9 PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost of inventories and services	31,789,321	15,522,716	450,273	452,362
Directors' remuneration and fees	445,676	472,689	98,806	108,548
Auditors' remuneration				
- KPMG	16,541	12,349	1,225	1,130
- Other auditors	6,460	6,348	-	-
Fees paid to auditors for non-audit services				
- KPMG	9,275	2,163	1,663	920.00
- Other auditors	7,350	6,628	-	-
Depreciation, amortisation and impairment of non-financial assets				
- Depreciation of property, plant and equipment, investment property and biological assets	2,194,153	1,648,283	35,693	37,011
- Amortisation of intangible assets, leasehold properties and operating leases	135,878	97,735	12,607	15,977
- Impairment of intangible assets	-	50,000	-	-
- Impairment losses/(reversals) of inventories	830	293,368	-	(27)
- Impairment of investments in subsidiaries and joint ventures	-	-	130,063	50,000
Total of depreciation, amortisation and impairment of non-financial assets	2,330,861	2,089,386	178,363	102,961
Impairment losses/(reversals) and write offs of trade & other receivables and deposits	20,062	34,204	198,785	(926)
Operating lease payments	565,331	523,993	-	-
Legal expenses	13,989	9,570	875	3,180
Defined contribution plan cost - Sri Lanka	464,559	388,969	43,822	46,693
Defined contribution plan cost - overseas (Maldives, South India, Fiji and Oman)	94,481	72,044	-	-
Defined benefit plan cost - retirement benefits	167,650	122,437	19,781	18,655

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	
	2016/2017 Rs.'000	2015/2016 Rs.'000	2016/2017 Rs.'000	2015/2016 Rs.'000
Finance income				
Interest income and net change in fair value of government securities classified as fair value through profit or loss	28,301	102,087	28,301	102,087
Interest income on loans and receivables	733,195	535,652	684,886	424,116
Dividend income on preference shares	-	-	11,813	11,813
Net change in fair value of derivative financial assets classified as fair value through profit or loss	-	9,976	-	530
	761,496	647,715	725,000	538,546
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(1,532,320)	(873,223)	(806,791)	(515,532)
Net change in fair value of derivative financial assets classified as fair value through profit or loss	(2,805)	(623)	-	-
Other finance charges	(121,508)	(97,033)	(1,873)	(8,496)
	(1,656,633)	(970,879)	(808,664)	(524,028)

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 59.9 million.(2015/2016 - Rs. 81.5 million), (Company-nil). The average rate of borrowing costs eligible for capitalisation for the US dollar denominated borrowings are 5.08% and Euro denominated borrowing is 1.8%.

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 the standard rate of 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. Apart from the Companies taxed at the standard rate, income tax status of the Companies which are exempt from income tax and those subject to tax at different rates are set out in notes 12.1,12.2,12.3 and 12.4 below.

- Companies exempt from income tax are given in note 12.1
- Companies liable to income tax at concessionary rates are given in note 12.2
- Companies incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.3
- Companies incorporated and operating outside Sri Lanka are given in note 12.4

NOTES TO THE FINANCIAL STATEMENTS

12.1 Companies exempt from income tax

12.1.1 Companies exempt from income tax under the Board of Investment (BOI) Law

Company	Basis	Period*
Ace Wind Power (Pvt) Ltd	Construction and operation of a wind power plant	5 years ending 2018/2019
Branford Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	5 years ending 2018/2019
CINEC Skills (Pvt) Ltd	Set up and operation of a training institute to provide marine, IT and industrial training in Trincomalee District	8 years ending 2018/2019

* Income tax exemptions referred to above are granted in terms of Section 17 of BOI Law No. 4 of 1978.

12.1.2 Companies exempt from income tax under the Inland Revenue Act

Company	Basis	Statute Reference	Period
Ahungalla Resorts Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 Years*
Negombo Beach Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 Years*
Turyaa Resorts (Pvt) Ltd (formally Aitken Spence Resorts (Pvt) Ltd)	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years ending 2026/27
Ace Apparels (Pvt) Ltd	Construction of a garment factory and manufacturing apparels	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 years ending in 2021/2022

* Income tax exemption would commence in the first year the company makes profits or not later than two years from the commencement of commercial operations, whichever is earlier.

12.2 Companies liable to income tax at concessionary rates

12.2.1 Companies liable to income tax at concessionary rates under the BOI Law

Company	Basis	Income Tax Rate*
Ace Power Embilipitiya (Pvt) Ltd	Construction and operation of a thermal power generation plant	15%
Aitken Spence Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	20%
Logilink (Pvt) Ltd	Set up and conduct warehouse operation activities	10% for 2 years ended 2016/2017 and 20% thereafter
Vauxhall Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	2% of turnover for 15 years ending 2018/2019

* Concessionary income tax rates referred to above are granted after the initial tax exemption period, in terms of Section 17 of BOI Law No. 4 of 1978.

12.2.2 Companies liable to income tax at concessionary rates under the Inland Revenue Act

Company	Basis	Statute Reference	Income Tax Rate
Ace Containers (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Container Terminals (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Distriparks (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Freight Management (Pvt) Ltd	Profits from operation and maintenance of facilities for storage	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Colombo International Nautical and Engineering College (Pvt) Ltd	Profits from provision of educational services	Fifth schedule to the Inland Revenue (Amendment) Act No. 22 of 2011	10%
Ace Container Repair (Pvt) Ltd	Profits from qualified exports	Section 52 of the Inland Revenue Act No. 10 of 2006	12%
Hapag-Lloyd Lanka (Pvt) Ltd	Profits from transshipment agency fees and provision of service to a foreign ship operator	Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014	12%
Shipping and Cargo Logistics (Pvt) Ltd	Profits from transshipment agency fees and provision of service to a foreign ship operator	Section 59 of the Inland Revenue Act No. 10 of 2006 and Section 58 of the Inland Revenue (Amendment) Act No. 8 of 2014	12%
Aitken Spence Hotel Holdings PLC	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Hotels Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Hotel Managements (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Hethersett Hotels Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Kandalama Hotels (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
M.P.S. Hotels (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Paradise Resorts Pasikudah (Pvt) Ltd	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd)	Profits from promotion of tourism	Section 46 of the Inland Revenue Act No. 10 of 2006	12%
Ace Exports (Pvt) Ltd	Profits from qualified exports/ deemed exports	Section 52 and 56 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Apparels (Pvt) Ltd	Profits from deemed exports	Section 56 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence (Garments) Ltd	Profits from qualified exports	Section 52 of the Inland Revenue Act No. 10 of 2006	12%
Aitken Spence Plantation Managements PLC	Profits from agricultural undertaking	Section 46 of Inland Revenue Act No. 10 of 2006	12%
Elpitiya Plantations PLC	Profits from agricultural undertaking	Section 48A of Inland Revenue Act No. 10 of 2006	10%
	Profits from operation of a mini hydro power project	Section 59E of Inland Revenue (Amendment) Act No. 18 of 2013	12%

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

- Interest income earned on foreign currency denominated instruments specified under section 09 are exempt from income tax.
- Dividends from non-resident companies remitted to Sri Lanka though a bank are exempt from income tax in terms of section 10.
- 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 are received in foreign currency through a bank is exempt from income tax in terms of section 13 (ddd).
- 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.

NOTES TO THE FINANCIAL STATEMENTS

12.3 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 arising in Oman is liable to tax at 12% and income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotels International (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Ports International Ltd (formally Port Management Container Service (Pvt) Ltd)	Mozambique, Fiji	Profits and income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively.

Profits and income referred to above are exempt from income tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006.

12.4 Companies incorporated and operating outside Sri Lanka

Country	Company	Income Tax Rate*
British Virgin Islands	Crest Star (B.V.I.) Ltd	Nil
Hong Kong	Crest Star Ltd	Nil
Oman	Aitken Spence Resorts (Middle East) LLC	12%
Maldives	Ace Aviation Services Maldives Pvt Ltd	15%
	A.D.S. Resorts Pvt Ltd	15%
	Cowrie Investment Pvt Ltd	15%
	Interlifts International Pvt Ltd	15%
	Jetan Travel Services Company Pvt Ltd	15%
	Spence Maldives Pvt Ltd	15%
	Unique Resorts Pvt Ltd	15%
	Ace Resorts Pvt Ltd	15%
Fiji	Fiji Ports Terminal Ltd (formally Ports Terminal Ltd)	20%
	Fiji Ports Corporation Ltd	20%
	Fiji Ships Heavy Industries Ltd	20%
India	Aitken Spence Hotel Services Pvt Ltd	30.9%
	PR Holiday Homes Pvt Ltd	30.9%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	34.61%
Bangladesh	Ace Bangladesh Ltd	35%

12.5 Tax recognised in income statements

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax expense				
Tax on current year profits (note 12.7)	948,020	793,576	6,908	6,160
Under/(over) provision in respect of previous years	26,960	34,585	63,023	31,307
Withholding tax on dividends paid by subsidiaries	164,777	126,031	-	-
	1,139,757	954,192	69,931	37,467
Deferred tax expense/(income)				
Origination/(reversal) of temporary differences (note 12.8)	61,650	(92,963)	(119,624)	(79,564)
	1,201,407	861,229	(49,693)	(42,097)

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 122.1 million (2015/2016 - Rs. 86.5 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.6 Tax recognised in other comprehensive income

12.6.1 Group

	2016/2017			2015/2016		
	Before tax	Tax (expense)/ income	Net of tax	Before tax	Tax (expense)/ income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revaluation of property, plant and equipment	207,671	-	207,671	-	-	-
Actuarial gains / (losses) on defined benefit obligations	76,155	(15,348)	60,807	17,821	(3,941)	13,880
Exchange differences on translation of foreign operations	862,425	-	862,425	826,893	-	826,893
Net change in fair value of available-for-sale financial assets	(71,215)	-	(71,215)	22,477	-	22,477
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(56)	-	(56)
Share of other comprehensive income of equity-accounted investees (net of tax)	249,570	-	249,570	53,784	-	53,784
	1,324,606	(15,348)	1,309,258	920,919	(3,941)	916,978

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. 6.3 million (2015/2016 - Rs. 3.6 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.6.2 Company

	2016/2017			2015/2016		
	Before tax	Tax (expense)/ income	Net of tax	Before tax	Tax (expense)/ income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Actuarial gains / (losses) on defined benefit obligations	9,242	(2,588)	6,654	4,210	(1,179)	3,031
Net change in fair value of available-for-sale financial assets	(367)	-	(367)	(1,868)	-	(1,868)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(56)	-	(56)
	8,875	(2,588)	6,287	2,286	(1,179)	1,107

NOTES TO THE FINANCIAL STATEMENTS

12.7 Reconciliation of the accounting profits and current year tax

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before tax	5,246,872	3,805,508	1,186,387	1,358,087
Consolidation adjustments	(398,641)	(231,244)	-	-
Profit after adjustments	4,848,231	3,574,264	1,186,387	1,358,087
Income not liable for income tax	896,242	(826,872)	(100,967)	(83,396)
Effect of revenue subject to tax at source	793,023	757,723	69,078	61,604
Adjusted profit	6,537,496	3,505,115	1,154,498	1,336,295
Non - taxable receipts / gains	(134,588)	(86,157)	(1,806,386)	(1,578,368)
Aggregate disallowed expenses	4,232,412	3,485,478	615,962	466,803
Capital allowances	(5,261,951)	(2,453,380)	(17,766)	(29,358)
Aggregate allowable deductions	(870,663)	(899,718)	(147,825)	(312,972)
Utilisation of tax losses	(441,094)	(132,019)	(57,030)	-
Qualifying payment deductions	(6,848)	(83,176)	-	-
Current year tax losses not utilised	1,678,266	1,726,941	327,625	179,204
Taxable income	5,733,030	5,063,084	69,078	61,604
Income tax charged at;				
Standard rate of 28%	180,697	101,403	-	-
Concessionary rates	211,523	119,035	-	-
Other rates	936	917	-	-
Varying rates on off - shore profits	554,864	572,221	6,908	6,160
	948,020	793,576	6,908	6,160

12.8 Deferred tax expense/ (income)

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Origination/(reversal) of temporary differences arising from ;				
Property, plant and equipment	217,389	111,849	(4,068)	20,818
Defined benefit obligations	(14,612)	(36,749)	(3,941)	(29,295)
Tax losses carried forward	(140,598)	(166,898)	(111,615)	(71,087)
Other items	(529)	(1,165)	-	-
	61,650	(92,963)	(119,624)	(79,564)

12.9 Tax losses carried forward

	Group		Company	
	2016/2017 Rs.'000	2015/2016 Rs.'000	2016/2017 Rs.'000	2015/2016 Rs.'000
Tax losses brought forward	3,816,943	4,113,770	253,881	83,242
Adjustments to tax loss brought forward and tax losses arising during the year	2,589,686	(164,808)	455,656	170,639
Utilisation of tax losses	(441,094)	(132,019)	(57,030)	-
	5,965,535	3,816,943	652,507	253,881

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. 501.9 million (2015/2016 - Rs. 136.3 million) since utilisation against future taxable profits are not probable. For Aitken Spence PLC, there were no deferred tax assets unaccounted on losses as at 31.03.2017 (2015/2016 - Nil).

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
Net profit attributable to equity holders of the company (Rs.)	2,890,031,998	2,027,112,354	1,236,079,796	1,400,183,997
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	7.12	4.99	3.04	3.45

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

	Company	
	2016/2017 Rs.'000	2015/2016 Rs.'000
Interim ordinary dividend of Rs. 1.25 per share paid on 30th March 2017. (2015/2016 - nil)	507,495	-
Final ordinary dividend recommended Rs. 0.50 per share (2015/2016 - Rs. 1.50 per share)	202,998	608,994
	710,493	608,994

The Directors have recommended a final dividend payment of Rs. 0.50 per share for the year ended 31st March 2017 to be approved at the Annual General Meeting on 30th June 2017.

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 2017.

NOTES TO THE FINANCIAL STATEMENTS

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 2016								
- Recognised under non-current	10,802,692	21,298,534	9,843,736	3,007,679	144,654	1,905,732	745,410	47,748,437
- Recognised under current	-	304,769	1,481,939	37,108	-	4,647	-	1,828,463
Surplus on revaluation	207,671	-	-	-	-	-	-	207,671
Assets vested on business combination	909,394	4,729	55,318	380,657	-	46,128	8,418,678	9,814,904
Companies disposed during the year	-	-	-	-	-	-	(18,788)	(18,788)
Exchange difference	168,204	710,197	184,407	128,571	-	34,265	28,628	1,254,272
Additions	-	559,084	814,654	205,084	-	139,331	4,125,534	5,843,687
Capitalisation of lease amortised/ accrued (note 19, 20 & 34)	-	-	-	-	-	-	620,814	620,814
Transferred to pre-paid operating leases (note 20)	-	-	-	-	-	-	(132,533)	(132,533)
Other transfers	-	9,031,171	1,432,105	24,575	(144,654)	842,828	(11,186,025)	-
Disposals / write-offs	-	-	(89,157)	(129,691)	-	(3,002)	(14,165)	(236,015)
Balance as at 31st March 2017	12,087,961	31,908,484	13,723,022	3,653,983	-	2,969,929	2,587,553	66,930,912
Accumulated depreciation / impairment								
Balance as at 01st April 2016								
- Recognised under non-current	-	4,823,402	4,326,317	1,971,818	111,419	1,237,435	-	12,470,391
- Recognised under current	-	133,848	188,508	28,596	-	3,282	-	354,234
Assets vested on business combination	-	3,404	46,638	230,340	-	26,515	-	306,897
Exchange difference	-	171,853	102,158	90,314	-	20,415	-	384,740
Charge for the year	-	805,122	974,575	242,060	-	171,753	-	2,193,510
Other transfers	-	-	119,831	-	(111,419)	(8,412)	-	-
Disposals / write-offs	-	-	(78,177)	(95,052)	-	(2,801)	-	(176,030)
Balance as at 31st March 2017	-	5,937,629	5,679,850	2,468,076	-	1,448,187	-	15,533,742
Carrying amount as at 31st March 2017								
- Recognised under non-current	**12,087,961**	**25,842,666**	**6,828,309**	**1,181,176**	**-**	**1,520,858**	**2,587,553**	**50,048,523**
- Recognised under current (note 27)	**-**	**128,189**	**1,214,843**	**4,731**	**-**	**884**	**-**	**1,348,647**
Carrying amount as at 31st March 2016								
- Recognised under non-current	10,802,692	16,475,132	5,517,419	1,035,861	33,235	668,297	745,410	35,278,046
- Recognised under current (note 27)	-	170,921	1,293,431	8,512	-	1,365	-	1,474,229

15.1.1 The value of property, plant and equipment pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 8,651.4 million and for other short-term borrowing facilities amounted to Rs. 4,812.3 million (2015/2016- Rs. 5,774.2 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 balance sheet 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 2017 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 3,389.7 million that are still in use (2015/2016 - Rs. 2,195.6 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 2016	140,649	122,746	82,554	345,949
Additions	17,346	49,295	395	67,036
Disposals	(374)	(25,640)	-	(26,014)
Balance as at 31st March 2017	157,621	146,401	82,949	386,971
Accumulated depreciation/impairment				
Balance as at 01st April 2016	117,838	65,707	43,702	227,247
Charge for the year	10,656	13,927	8,356	32,939
Disposals	(374)	(14,039)	-	(14,413)
Balance as at 31st March 2017	128,120	65,595	52,058	245,773
Carrying amount as at 31st March 2017	**29,501**	**80,806**	**30,891**	**141,198**
Carrying amount as at 31st March 2016	22,811	57,039	38,852	118,702

15.2.1 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 2017 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 104.6 million that are still in use (2015/2016 - Rs. 99.6 million).

NOTES TO THE FINANCIAL STATEMENTS

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2017 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 8.00 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	05.12.2016	11 A 3 R 34.02 P	625,000	607,559	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	2 A 1 R 17.5 P	102,700	36,747	65,953
Branford Hydropower (Pvt) Ltd (a)	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
Turyaa (Pvt) Ltd (a)	418, Parallel Road, Kudawaskaduwa, Kalutara	05.12.2016	5 A 1R 37.90 P	380,000	360,227	19,773
Turyaa (Pvt) Ltd (a)	49, Sea Beach Road, Kalutara	05.12.2016	0 A 1R 30.32 P	22,250	20,770	1,480
Heritance (Pvt) Ltd (a)	Moragalla, Beruwala	23.01.2014	5 A 3 R 6.40 P	278,000	266,920	11,080
Kandalama Hotels Ltd (a)	Kandalama, Dambulla	23.01.2014	169 A 2 R 22.40 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, India	07.02.2017	14 A 0 R 6.40 P	202,670	58,530	144,140
Perumbalam Resorts (Pvt) Ltd (c)	Cochin - Kerala, India	07.02.2017	4 A 0 R 9.00 P	52,203	43,143	9,060
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
				7,886,255	6,503,537	1,382,718

The above lands have been revalued on the basis of current market value by independent, qualified valuers who have recent experience in the location and category of property being valued.

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 31.03.2017 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
Aitken Spence Hotel Managements (South India) Ltd	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	09.06 2014	0 A 3 R 14.40 P	548,947
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	2,651,093
Ahungalla Resorts Ltd *	"Ahungalla Resorts", Galle Road, Ahungalla	01.07.2016	12 A 3 R 35.12 P	909,394
				4,201,706

*Fair value of the land vested on business combination.

Above land which were acquired within the last five years have not been revalued since the acquisition cost represents the fair value.

15.3.3 Total carrying amount of land

	Carrying amount as at 31.03.2017 Rs.'000
Land carried at revalued amount	7,886,255
Land carried at cost (fair value)	4,201,706
	12,087,961

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

16.1 Movement during the year

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Cost or revaluation				
Balance as at 01st April	1,630,801	1,648,301	3,494,039	3,494,039
Disposals	-	(17,500)	-	-
Balance as at 31st March	1,630,801	1,630,801	3,494,039	3,494,039
Accumulated depreciation/impairment				
Balance as at 01st April	-	-	59,598	56,844
Charge for the year	-	-	2,754	2,754
Balance as at 31st March	-	-	62,352	59,598
Carrying amount as at 31st March	1,630,801	1,630,801	3,431,687	3,434,441

16.2 Details of land classified as investment property

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	-	191,737	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	544,799	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	3,431,687	

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 2017 for the Group was Rs. 2,446 million (2015/2016 - Rs. 1,631 million)., and for the company as at 31st March 2017 was Rs. 4,565 million (2015/2016 - Rs. 3,789 million).

16.4 Income earned from investment property

Total rent income earned by the company from the investment properties during the year was Rs. 42.3 million (2015/2016 - Rs. 40.7 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

There were no restrictions on the realisability of any investment property or on the remittance of income or proceeds of disposal.

17 INTANGIBLE ASSETS

17.1 Group

	Goodwill Rs.'000	Software Rs.'000	Other intangibles Rs.'000	Total Rs.'000
Cost or valuation				
Balance as at 01st April 2016	1,023,649	343,366	3,494	1,370,509
Assets vested on business combination	-	22,811	-	22,811
Exchange difference	18,590	1,634	523	20,747
Additions	-	23,696	-	23,696
Balance as at 31st March 2017	1,042,239	391,507	4,017	1,437,763
Accumulated amortisation / impairment				
Balance as at 01st April 2016	198,769	301,712	2,805	503,286
Assets vested on business combination	-	18,434	-	18,434
Exchange difference	-	1,620	518	2,138
Amortisation for the year	-	27,575	227	27,802
Balance as at 31st March 2017	198,769	349,341	3,550	551,660
Carrying amount as at 31st March 2017	**843,470**	**42,166**	**467**	**886,103**
Carrying amount as at 31st March 2016	824,880	41,654	689	867,223

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2015/2016- nil).

Intangible assets as at 31st March 2017 includes fully amortised assets having a gross carrying amount (cost) of Rs. 246.9 million that are still in use (2015/2016 - Rs. 179.9 million).

17.1.1 Net carrying value of goodwill

Goodwill arising on business combinations have been allocated to the following segments for impairment testing. Each segment consists of several cash generating units (CGU's).

	31.03.2017 Rs.'000
Tourism sector	394,779
Maritime & logistics sector	378,637
Strategic investments	50,000
Services sector	20,054
	843,470

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. 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 forecasts 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.

NOTES TO THE FINANCIAL STATEMENTS

17.2 Company

	Software	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Cost or valuation		
Balance as at 01st April	167,235	160,244
Additions	1,767	6,991
Balance as at 31st March	169,002	167,235
Accumulated amortisation / impairment		
Balance as at 01st April	145,359	129,382
Charge for the year	12,607	15,977
Balance as at 31st March	157,966	145,359
Carrying amount as at 31st March	11,036	21,876

There were no intangible assets pledged by the Company as security for facilities obtained from the banks (2015/2016 - nil).

Intangible assets as at 31st March 2017 includes fully amortised assets having a gross carrying amount (cost) of Rs. 110.3 million that are still in use (2015/2016 - Rs. 100.3 million).

18 BIOLOGICAL ASSETS

	Group		
	Immature plantations	Mature plantations	Total
	Rs.'000	Rs.'000	Rs.'000
Cost			
Balance as at 01st April 2016	25,838	-	25,838
Additions	18,159	-	18,159
Capitalisation of lease amortised	229	-	229
Transfers	(19,945)	19,945	-
Balance as at 31st March 2017	24,281	19,945	44,226
Accumulated depreciation			
Balance as at 01st April 2016	-	-	-
Charge for the year	-	643	643
Balance as at 31st March 2017	-	643	643
Carrying amount as at 31st March 2017	24,281	19,302	43,583
Carrying amount as at 31st March 2016	25,838	-	25,838

19 LEASEHOLD PROPERTIES

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Cost		
Balance as at 01st April	2,535,692	2,336,433
Exchange difference	127,933	199,259
Balance as at 31st March	2,663,625	2,535,692
Accumulated amortisation		
Balance as at 01st April	528,964	429,906
Exchange difference	29,247	39,097
Amortisation for the period	55,173	50,132
Capitalisation of lease amortised	7,782	9,829
Balance as at 31st March	621,166	528,964
Carrying amount as at 31st March	2,042,459	2,006,728

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	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Balance as at 01st April	1,861,592	1,073,300
Additions during the period	37,666	734,516
Transferred from property, plant and equipment	132,533	-
Less: amortisation for the period	(52,903)	(18,593)
Less: capitalisation of lease amortised under property, plant and equipment	(15,199)	(14,470)
Less: capitalisation of lease amortised under biological assets	(229)	-
Exchange difference	87,707	86,839
Balance as at 31st March	2,051,167	1,861,592
Current portion of pre-paid operating leases	72,819	32,795
Non-current portion of pre-paid operating leases	1,978,348	1,828,797

NOTES TO THE FINANCIAL STATEMENTS

20.2 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Lease rentals payable within one year	729,212	549,520
Lease rentals payable between one and five years	3,359,996	2,618,749
Lease rentals payable after five years	6,910,508	7,269,357
	10,999,716	10,437,626

20.3 Details of leases under operating lease

Company	Location of the leased property	Unexpired lease periods as at 31.03.2017
Ace Apparels (Pvt) Ltd *	Koggala - Sri Lanka	47 years
Ace Container Terminals (Pvt) Ltd *	Biyagama - Sri Lanka	70 years
Ace Container Terminals (Pvt) Ltd *	Katunayake - Sri Lanka	70 years
Ace Distriparks (Pvt) Ltd	Mihinthale - Sri Lanka	26 years
Ace Power Embilipitiya (Pvt) Ltd	Embilipitiya - Sri Lanka	16 years
Ace Windpower (Pvt) Ltd	Ambewela - Sri Lanka	16 years
Aitken Spence Agriculture (Pvt) Ltd *	Dambulla - Sri Lanka	27 years
Branford Hydropower (Pvt) Ltd	Matale - Sri Lanka	10 years
Hethersett Hotels Ltd	Nuwara Eliya - Sri Lanka	77 years
Kandalama Hotels (Pvt) Ltd	Dambulla - Sri Lanka	25 years
Western Power Company (Pvt) Ltd *	Muthurajawela - Sri Lanka	29 years
Ace Resorts Pvt Ltd *	Noonu Atoll - Maldives	48 years
ADS Resorts Pvt Ltd *	North Male' Atoll - Maldives	09 years
Cowrie Investments Pvt Ltd *	Raa Atoll - Maldives	31 years
Cowrie Investments Pvt Ltd *	Raa Atoll - Maldives	48 years
Jetan Travel Services Company Pvt Ltd *	South Male' Atoll - Maldives	24 years
Unique Resorts Pvt Ltd *	South Male' Atoll - Maldives	28 years
Fiji Ports Terminal Ltd	Suva - Fiji	10 years

Prepaid lease rentals for the properties marked "*" are recognised under pre-paid operating leases in note 20.1.

21 INVESTMENTS IN SUBSIDIARIES

21.1 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non- controlling holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000
a) Ordinary Shares							
Ace Apparels (Pvt) Ltd (a) (d)	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 Repair (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 (a)	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 Wind Power (Pvt) Ltd (a)	Sri Lanka	37,050,000	100.00	100.00	-	430,000	430,000
Aitken Spence Apparels (Pvt) Ltd (a) (d)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
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 (a) (b) (c)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Hotel Managements (Pvt) Ltd (a) (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 (a) (c)	Sri Lanka	140,000	100.00	100.00	-	1,400	1,400
Aitken Spence Printing and Packaging (Pvt) Ltd (a)	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 (a)	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
Vauxhall Cargo Logistics (Pvt) Ltd (c)	Sri Lanka	10,000,000	100.00	100.00	-	50,000	50,000
Vauxhall Investments (Pvt) Ltd (a)	Sri Lanka	1,320,000	100.00	100.00	-	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd (a)	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 (a) (b)	Sri Lanka	74,865,000	90.09	99.96	0.04	748,650	748,650
Western Power Company (Pvt) Ltd (a)	Sri Lanka	80.00	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd (a)	Sri Lanka	154,786	77.35	77.35	22.65	11,593	11,542
Aitken Spence Moscow (Pvt) Ltd	Sri Lanka	37,500	77.40	77.40	22.60	375	375
Ace Power Embilipitiya (Pvt) Ltd (a)	Sri Lanka	124,033,413	74.00	74.00	26.00	703,626	703,626
Ace Aviation Services (Pvt) Ltd (c)	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd (d)	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

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	Country of incorporation	Number of shares	Company holding %	Group holding %	Non- controlling holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000
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
Aitken Spence Travels (Pvt) Ltd (a)	Sri Lanka	1,704,000	50.00	50.00	50.00	60,876	-
Ace Aviation Services Maldives Pvt Ltd	Maldives	490.00	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
Fiji Ports Terminal Ltd (a) (c)	Fiji	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 Ports International Ltd (c)	Sri Lanka	10,000	10.00	100.00	-	-	-
Ace Printing and Packaging (Pvt) Ltd	Sri Lanka	-	-	-	-	-	100
Ace Alliance Power Ltd	Bangladesh	-	-	-	-	-	96
Bhairob Power Ltd	Bangladesh	-	-	-	-	-	80
Triton (Pvt) Ltd	Sri Lanka	-	-	-	-	-	50
						4,880,825	4,820,224
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 (d)	Sri Lanka	4,000,000	72.70	72.70		40,000	40,000
						210,000	210,000
Provision for impairment of investments						(297,029)	(201,317)
						4,793,796	4,828,907

During the period under review the Company impaired an investment in the renewable power generation sector and information technology services sector and recognised an impairment loss of Rs. 95.9 million in the income statement under depreciation, amortisation and impairment of non-financial assets.

a,b,c,d - refer note 44

21.2 Investment in subsidiaries - quoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non- controlling holding %	31.03.2017 Rs.'000	31.03.2016 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						8,429,438	12,692,051

a,d - refer note 44

21.3 Total carrying amount

Investment in subsidiaries - unquoted	4,793,796	4,828,907
Investment in subsidiaries - quoted	2,458,287	2,458,287
	7,252,083	7,287,194

21.4 Inter-company shareholdings - unquoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2017	Percentage holding (%)		
				Investor holding %	Group holding %	Non- controlling holding %
a) Ordinary Shares						
A E Lanka (Pvt) Ltd	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	200	100.00	100.00	-
Ace Aviation Services (Pvt) Ltd (c)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	26,251	50.00	100.00	-
Ace Travels and Conventions (Pvt) Ltd	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	55,000	100.00	50.00	50.00
Ahungalla Resorts Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	78,369,024	60.00	44.69	55.31
Aitken Spence Aviation (Pvt) Ltd (a)	Sri Lanka	Vauxhall Investments (Pvt) Ltd	5,000	100.00	100.00	-
Aitken Spence Corporate Finance (Pvt) Ltd (a)	Sri Lanka	Ace Containers (Pvt) Ltd	1	50.00	100.00	-
		Aitken Spence Printing and Packaging (Pvt) Ltd	1	50.00		
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	5,125,500	51.00	86.99	13.01
Aitken Spence Hotels International (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	10,744,582	51.00	86.99	13.01
Aitken Spence Hotels Ltd (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	14,701,204	98.00	73.01	26.99
Aitken Spence Overseas Travel Services (Pvt) Ltd	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	50,000	100.00	50.00	50.00
Aitken Spence Ports International Ltd (c)	Sri Lanka	Aitken Spence Maritime Ltd	90,000	90.00	100.00	-
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	5,100,000	6.14	99.96	0.04
		Ace Cargo (Pvt) Ltd	2,000,000	2.41		
		Aitken Spence Aviation (Pvt) Ltd	750,000	0.90		
		Aitken Spence Developments (Pvt) Ltd	385,000	0.46		
Aitken Spence Resources (Pvt) Ltd (d)	Sri Lanka	Aitken Spence Hotel Management (Pvt) Ltd	10,000	100.00	100.00	-
Aitken Spence Shipping Services Ltd (c)	Sri Lanka	Aitken Spence Ports International Ltd	25,000	100.00	100.00	-
Clark Spence and Company (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Ports International Ltd	25,000	100.00	100.00	-
D.B.S. Logistics Ltd (a) (c)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	200,000	100.00	100.00	-
Hapag-Lloyd Lanka (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Maritime Ltd	120,000	60.00	60.00	40.00
Heritance (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotels Ltd	2,125,627	100.00	73.01	26.99
Hethersett Hotels Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	24,542,000	87.65	65.29	34.71
Kandalama Hotels (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotels Ltd	10,216,216	63.00	82.99	17.01
M.P.S. Hotels (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	4,753,025	100.00	74.49	25.51
Meeraladuwa (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	20,227,801	100.00	74.49	25.51
Neptune Ayurvedic Village (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	500,000	100.00	74.49	25.51
Shipping and Cargo Logistics (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Shipping Ltd	25,000	50.00	50.00	50.00
Turyaa (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	219,812,322	100.00	74.49	25.51
Turyaa Resorts (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	104,600,001	100.00	74.49	25.51
Aitken Spence Resorts (Middle East) LLC (a) (b)	Oman	Aitken Spence Hotels International (Pvt) Ltd	8,089,678	99.88	86.98	13.02
		Aitken Spence Hotel Holdings PLC	10,000	0.12		
Ace Resorts Pvt Ltd (a) (d)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	8,480,999	100.00	86.99	13.01
A.D.S Resorts Pvt Ltd (d)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	1,275,000	100.00	86.99	13.01
Cowrie Investments Pvt Ltd (a) (d)	Maldives	Aitken Spence Hotel Holdings PLC	52,740	60.00	44.69	55.31

NOTES TO THE FINANCIAL STATEMENTS

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2017	Percentage holding (%)		
				Investor holding	Group holding	Non- controlling holding
				%	%	%
Jetan Travel Services Company Pvt Ltd (d)	Maldives	Crest Star (B.V.I) Ltd	47,500	95.00	70.77	29.23
Spence Maldives Pvt Ltd (a) (c)	Maldives	Ace Cargo (Pvt) Ltd	42,000	60.00	60.00	40.00
Unique Resorts Pvt Ltd (d)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	6,375,000	100.00	86.99	13.01
Aitken Spence Hotel Managements (South India) Ltd (a)	India	Aitken Spence Hotels International (Pvt) Ltd	132,672,867	100.00	86.99	13.01
Aitken Spence Hotel Services Pvt Ltd	India	Aitken Spence Hotels International (Pvt) Ltd	10,000	100.00	86.99	13.01
Perumbalam Resorts Pvt Ltd (a)	India	PR Holiday Homes (Pvt) Ltd	10,000	100.00	73.57	26.43
PR Holiday Homes Pvt Ltd (a)	India	Aitken Spence Hotel Managements Asia (Pvt) Ltd	621,310	84.57	73.57	26.43
Crest Star Ltd (a)	Hong Kong	Aitken Spence Hotel Holdings PLC	10,000	100.00	74.49	25.51
Fiji Ports Terminal Ltd (a) (c)	Fiji Islands	Fiji Ports Corporation Ltd	1,511,307	49.00	60.80	39.20
Crest Star (B.V.I) Ltd (a)	British Virgin Islands	Aitken Spence Hotel Holdings PLC	3,415,000	100.00	74.49	25.51
b) Preference Shares						
Ace Apparels (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Apparels (Pvt) Ltd	22,650,000	100.00	100.00	-
Aitken Spence Hotels International (Pvt) Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Management Asia (Pvt) Ltd	2,906,138	100.00	86.99	13.01
Aitken Spence Hotels Ltd (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	40,000,000	100.00	74.49	25.51
Hethersett Hotels Ltd (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	5,000,000	100.00	74.49	25.51

a,b,c,d - refer note 44

21.5 Inter-company shareholdings - quoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2017	Percentage holding (%)		
				Investor holding	Group holding	Non- controlling holding
				%	%	%
Aitken Spence Hotel Holdings PLC (a) (d) (Ordinary Shares)	Sri Lanka	Ace Cargo (Pvt) Ltd	4,423,601	1.32	74.49	25.51
		Aitken Spence Hotel Management (Pvt) Ltd	3,530,639	1.05		
		Aitken Spence Aviation (Pvt) Ltd	2,604,140	0.77		
		Vauxhall Investments (Pvt) Ltd	340,270	0.10		
		Clark Spence and Company (Pvt) Ltd	136,101	0.04		

21.6 The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs. 112.5 million (2015/2016 - Rs. 112.5 million)

Principal activities of the Group's interest in subsidiaries are described on pages 322 to 327.

21.7 Non-controlling interests

The following table summarises the financial information relating to the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	31.03.2017				31.03.2016			
	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	43,504,238				32,631,901			
Current assets	8,673,749				5,816,313			
Non - current liabilities	(15,595,025)				(8,598,275)			
Current liabilities	(9,150,274)				(6,015,036)			
Net assets	27,432,688				23,834,903			
Carrying amount of non-controlling interests	9,205,447	2,110,538	-	11,315,985	6,428,141	1,126,583	-	7,554,724
Revenue	16,055,386				13,378,071			
Profit for the year	1,013,739				2,087,762			
Other comprehensive income for the year, net of tax	974,116				756,009			
Total comprehensive income for the year	1,987,855				2,843,771			
Profit for the year allocated to non-controlling interests	302,991	852,442	-	1,155,433	660,445	256,722	-	917,167
Other comprehensive income for the year, net of tax allocated to non-controlling interests	260,517	40,584	-	301,101	230,553	40,829	-	271,382
Total comprehensive income for the year allocated to non-controlling interests	563,508	893,026	-	1,456,534	890,998	297,551	-	1,188,549
Cash flows from operating activities	2,587,485				3,479,769			
Cash flows from investing activities	(2,279,588)				(6,507,608)			
Cash flows from financing activities	120,782				1,409,694			
Net increase in cash and cash equivalents	428,679				(1,618,145)			
Dividends paid to non-controlling interests	186,866	557,381		744,247	152,949	364,763		517,712

NOTES TO THE FINANCIAL STATEMENTS

22 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

		Group		Company	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	22.1.1	871,190	5,061,651	238,929	333,980
Interest in associates	22.2.1	5,189,652	4,710,333	2,516,255	2,516,255
Carrying amount as at 31st March		6,060,842	9,771,984	2,755,184	2,850,235
Recognised in the income statement					
Interest in joint ventures	22.1.2	175,923	227,402	-	-
Interest in associates	22.2.2	208,473	4,768	-	-
Share of profit of equity-accounted investees (net of tax)		384,396	232,170	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	22.1.2	2,116	1,137	-	-
Interest in associates	22.2.2	247,454	52,647	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		249,570	53,784	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as;

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss	85,832	19,452
Items that are or may be reclassified to profit or loss	163,738	34,332
	249,570	53,784

22.1.1 Investment in joint ventures

	Country of incorporation	Group				Company			
		No. of shares	Holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000	No. of shares	Holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Aitken Spence C & T Investments (Pvt) Ltd (a) (b) (Ordinary shares - Unquoted)	Sri Lanka	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)	Sri Lanka	125,100	50.00	131,404	131,404	125,100	50.00	131,404	131,404
Colombo International Nautical and Engineering College (Pvt) Ltd (a) (c) (consolidated with Cinec Skills (Pvt) Ltd) (Ordinary shares - Unquoted)	Sri Lanka	253,334	40.00	502,950	502,950			-	-
Ace Bangladesh Ltd (a) (Ordinary shares - Unquoted)	Bangladesh	39,200	49.00	8,400	8,400			-	-
Aitken Spence Travels (Pvt) Ltd (a) (consolidated with Ace Travels & Conventions (Pvt) Ltd and Aitken Spence Overseas Travel Services (Pvt) Ltd) (Ordinary shares - Unquoted) *	Sri Lanka	-	-	-	60,876			-	60,876
Ahungalla Resorts Ltd(d) (Ordinary shares - Unquoted) *	Sri Lanka	-	-	-	3,636,773			-	-
Carrying amount as at 31st March				784,454	4,482,103			273,104	333,980
Provision for impairment of investments				-	-			(34,175)	-
Share of movement in equity value				86,736	579,548				
Equity value of investments				871,190	5,061,651			238,929	333,980

During the period under review the Company impaired one of its investments in the services sector and recognised an impairment loss of Rs. 34.2 million in the income statement under depreciation, amortisation and impairment of non-financial assets.

* The Group reassessed its control over Aitken Spence Travels Ltd and Ahungalla Resorts Ltd and concluded that they would be treated as subsidiaries based on the underlying circumstances. These investments are now included under investments in subsidiaries in note 21.

22.1.2 Summarised financial information of joint ventures - Group

The following analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of individually immaterial joint ventures.

	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Carrying amount of interest in joint ventures	871,190	5,061,651
Group's share of :		
- Profit for the year (net of tax)	175,923	227,402
- Other comprehensive income for the year (net of tax)	2,116	1,137
Total comprehensive income for the year	178,039	228,539

NOTES TO THE FINANCIAL STATEMENTS

22.1.3 Inter-company shareholdings - investment in joint ventures

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2017	Percentage holding (%) Investor holding %	Group holding %
Colombo International Nautical and Engineering College (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Ports International Ltd	253,334	40.00	40.00
Ace Bangladesh Ltd (a)	Bangladesh	Ace Cargo (Pvt) Ltd	39,200	49.00	49.00

Principal activities of the Group's interest in joint ventures are described on pages 327 to 328.

a,b,c,d - refer note 44

22.2.1 Investment in associates

	Country of incorporation	Group				Company			
		No. of shares	Holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000	No. of shares	Holding %	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Aitken Spence Plantation Managements PLC (a) (b) (consolidated with Elpitiya Plantations PLC (a) (b)) (Ordinary shares - Quoted)	Sri Lanka	8,295,860	38.95	165,000	165,000	8,295,860	38.95	165,000	165,000
Fiji Ports Corporation Ltd (a) (c) (consolidated with Fiji Ships Heavy Industries Ltd) (Ordinary Shares - Unquoted)	Fiji	14,630,970	20.00	2,351,255	2,351,255	14,630,970	20.00	2,351,255	2,351,255
Browns Beach Hotels PLC (a) (d) (consolidated with Negombo Beach Resorts (Pvt) Ltd (d)) (Ordinary shares - Quoted)	Sri Lanka	48,627,103	27.96	928,077	928,077			-	-
Amethyst Leisure Ltd (d) (consolidated with Paradise Resort Pasikudah (Pvt) Ltd (d)) (Ordinary shares - Unquoted)	Sri Lanka	134,666,055	20.78	249,169	191,409			-	-
Carrying amount as at 31st March				3,693,501	3,635,741			2,516,255	2,516,255
Share of movement in equity value				1,496,151	1,074,592			-	-
Equity value of investments				5,189,652	4,710,333			2,516,255	2,516,255
Market value of quoted investments as at 31st March				1,413,219	1,957,842			377,462	377,462

22.2.2 Summarised financial information of associates - Group

The following analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of individually immaterial associates.

	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Carrying amount of interest in associates	5,189,652	4,710,333
Group's share of :		
- Profit for the year (net of tax)	208,473	4,768
- Other comprehensive income for the year (net of tax)	247,454	52,647
Total comprehensive income for the year	455,927	57,415

22.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2017	Percentage holding (%) Investor holding %	Group holding %
Amethyst Leisure Ltd (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	134,666,055	27.89	20.78
Browns Beach Hotels PLC (a) (d)	Sri Lanka	Aitken Spence Hotel Holdings PLC	47,455,750	36.62	27.96
		Aitken Spence Hotels Ltd	432,459	0.33	
		Heritance (Pvt) Ltd	432,444	0.33	
		Kandalama Hotels (Pvt) Ltd	306,450	0.24	

Principal activities of the Group's interest in associates are described on pages 327 to 328.

a,b,c,d - refer note 44

23 DEFERRED TAX ASSETS

23.1 Movement in deferred tax assets

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance as at 01st April	328,140	215,907	78,385	-
Assets vested on business combination	560	-	-	-
Exchange difference	6,768	10,741	-	-
Reversal of temporary differences				
Recognised in profit/(loss)	108,844	104,479	119,624	79,564
Recognised in other comprehensive income	(9,518)	(2,987)	(2,588)	(1,179)
Balance as at 31st March	434,794	328,140	195,421	78,385

NOTES TO THE FINANCIAL STATEMENTS

23.2 Composition of deferred tax assets

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Deferred tax assets attributable to;				
Defined benefit obligations	97,166	96,745	29,469	28,116
Tax losses carried forward	375,258	300,379	182,702	71,087
Other items	31,476	29,093	-	-
Property, plant and equipment	(69,106)	(98,077)	(16,750)	(20,818)
Net deferred tax assets	434,794	328,140	195,421	78,385

23.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2017 Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	Assets vested on business combination Rs.'000	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 01.04.2015 Rs.'000
Deferred tax assets										
Defined benefit obligations	97,166	9,939	(9,518)	-	-	96,745	33,936	(2,987)	-	65,796
Tax losses carried forward	375,258	74,221	-	-	658	300,379	108,109	-	-	192,270
Other items	31,476	391	-	1,992	-	29,093	2,639	-	3,781	22,673
	503,900	84,551	(9,518)	1,992	658	426,217	144,684	(2,987)	3,781	280,739
Deferred tax liability										
Property, plant and equipment	(69,106)	24,293	-	4,776	(98)	(98,077)	(40,205)	-	6,960	(64,832)
	(69,106)	24,293	-	4,776	(98)	(98,077)	(40,205)	-	6,960	(64,832)
Net deferred tax assets	434,794	108,844	(9,518)	6,768	560	328,140	104,479	(2,987)	10,741	215,907

23.4 Movement in tax effect of temporary differences - Company

	As at 31.03.2017 Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 31.03.2016 Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2015 Rs.'000
Deferred tax assets							
Defined benefit obligations	29,469	3,941	(2,588)	28,116	29,295	(1,179)	-
Tax losses carried forward	182,702	111,615	-	71,087	71,087	-	-
	212,171	115,556	(2,588)	99,203	100,382	(1,179)	-
Deferred tax liability							
Property, plant and equipment	(16,750)	4,068	-	(20,818)	(20,818)	-	-
	(16,750)	4,068	-	(20,818)	(20,818)	-	-
Net deferred tax assets	195,421	119,624	(2,588)	78,385	79,564	(1,179)	-

24 OTHER FINANCIAL ASSETS - NON-CURRENT

24.1 Unquoted debt securities and equity securities

		Group		Company	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Available-for-sale financial assets					
- Unquoted equity securities	24.1.1	168,961	242,562	28,744	28,542
Loans and receivables					
- Unquoted debt securities	24.1.2	165,238	60,948	165,238	60,948
Carrying amount as at 31st March		334,199	303,510	193,982	89,490
Current unquoted debt and equity securities	24.1.2	(48,570)	(45,711)	(48,570)	(45,711)
Non-current unquoted debt and equity securities		285,629	257,799	145,412	43,779

24.1.1 Unquoted equity securities

	Group			Company		
	No. of shares	31.03.2017	31.03.2016	No. of shares	31.03.2017	31.03.2016
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
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	823	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd (Ordinary shares)	10,000	100	100	-	-	-
		171,213	171,213		43,640	43,640
Change in fair value of investments		(2,252)	71,349		(14,896)	(15,098)
Carrying amount as at 31st March		168,961	242,562		28,744	28,542

24.1.2 Unquoted debt securities

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd (Redeemable Debentures)	165,238	60,948	165,238	60,948
	165,238	60,948	165,238	60,948
Current unquoted debt securities	(48,570)	(45,711)	(48,570)	(45,711)
Non-current unquoted debt securities	116,668	15,237	116,668	15,237

NOTES TO THE FINANCIAL STATEMENTS

25 INVENTORIES

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Raw materials	973,876	1,110,704	-	-
Work-in-progress and finished goods	339,772	187,552	-	-
Consumables	652,755	207,273	2,183	2,322
	1,966,403	1,505,529	2,183	2,322
Impairment of inventories*	(310,528)	(309,698)	-	-
	1,655,875	1,195,831	2,183	2,322

* Based on the short term power purchase agreement signed between Ace Power Embilipitiya (Pvt) Ltd and the Ceylon Electricity Board and the extension thereto on 6th April 2016 and 17th March 2017 respectively (refer note 41) and the limitations on the tenure of the agreement, inventories on 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. 342.5 million as at 31st March 2017. (2015/2016-Rs. 432.3 million) (Company-nil)

26 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Trade receivables	9,652,970	3,372,711	3,332	1,076
Other receivables	1,870,985	1,037,734	207,279	105,245
Amounts due from subsidiaries	-	-	3,033,935	2,969,831
Amounts due from equity-accounted investees	201,039	454,230	157,672	126,187
Loans to employees	32,797	28,842	10,454	16,691
	11,757,791	4,893,517	3,412,672	3,219,030
Impairment of trade and other receivables	(93,639)	(93,011)	(200,423)	(29,591)
	11,664,152	4,800,506	3,212,249	3,189,439

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

	Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance as at 01st April	16,691	22,380
Loans granted during the period	-	3,433
	16,691	25,813
Recoveries during the period	(6,237)	(9,122)
Balance as at 31st March	10,454	16,691

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

27 OTHER CURRENT ASSETS

		Group		Company	
	Note	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Other financial assets - current	27.1	8,969,951	7,662,401	6,182,392	5,130,226
Property, plant and equipment (refer note 15)*		1,348,647	1,474,229	-	-
		10,318,598	9,136,630	6,182,392	5,130,226

* Based on the extension to the short term power purchase agreement signed between Ace Power Embilipitiya (Pvt) Ltd and the Ceylon Electricity Board on the 17th March 2017 (refer note 41) and the limitations on the tenure of the agreement, property plant and equipment of Ace Power Embilipitiya (Pvt) Ltd was treated as current assets.

27.1 Other financial assets - current

		Group		Company	
	Note	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Available-for-sale financial assets					
- Quoted equity securities	27.1.1	40,909	38,523	2,824	3,393
Loans and receivables					
- Unquoted debt securities	24.1.2	48,570	45,711	48,570	45,711
- Bank deposits	27.1.2	8,856,168	7,007,013	6,106,694	4,512,773
Financial assets at fair value through profit or loss					
- Government securities	27.1.3	24,304	568,349	24,304	568,349
- Derivative financial assets	27.1.4	-	2,805	-	-
		8,969,951	7,662,401	6,182,392	5,130,226

27.1.1 Quoted equity securities

	Group			Company		
	No. of shares	31.03.2017 Rs.'000	31.03.2016 Rs.'000	No. of shares	31.03.2017 Rs.'000	31.03.2016 Rs.'000
DFCC Bank PLC (Ordinary shares)	24,770	399	399	24,770	399	399
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
Hatton National Bank PLC (Ordinary shares)	196,874	4,060	4,060	-	-	-
		4,582	4,582		399	399
Change in fair value of investments		36,327	33,941		2,425	2,994
Carrying amount as at 31st March		40,909	38,523		2,824	3,393

27.1.2 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.

27.1.3 Government securities

Government securities are treasury bills and treasury bonds held for trading purposes and are measured at fair value through profit or loss.

27.1.4 Derivative financial assets

The Group's financial assets at fair value through profit or loss include derivative financial assets created from foreign exchange forward contracts. Net capital exposure of foreign exchange forward contracts, denominated in US dollars are as follows;

	Group	
	31.03.2017 US$'000	31.03.2016 US$'000
Net capital exposure of foreign exchange forward contracts	950	950

Derivative financial asset or liability recognised in respect of foreign exchange forward contracts arises due to the relative movements in contracted rate and comparable market rate of such contracts. As at reporting date there was no significant variance in rates, for a derivative asset or liability to be recognised.

	Group	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Derivative financial asset recognised	-	2,805
	-	2,805

NOTES TO THE FINANCIAL STATEMENTS

28 CASH AND CASH EQUIVALENTS

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Cash at bank and in hand	5,098,313	3,192,434	1,400,611	640,310
Short-term deposits	934,299	1,461,354	-	757,360
Cash and short-term deposits in the statement of financial position	6,032,612	4,653,788	1,400,611	1,397,670
Bank overdrafts and other short-term borrowings	(8,427,318)	(1,439,684)	(3,260,932)	(183,416)
Cash and cash equivalents in the statement of cash flows	(2,394,706)	3,214,104	(1,860,321)	1,214,254

29 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	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Share of net assets of equity-accounted investees classified as held for sale	141,446	141,446	57,237	57,237
Net current assets of group companies classified as held for sale	7,679	7,679	-	-
	149,125	149,125	57,237	57,237

There were no discontinued operations recognised in the income statement during the period.

30 STATED CAPITAL AND RESERVES

30.1 Stated capital

	31.03.2017	31.03.2016
Stated capital (Rs.'000)	2,135,140	2,135,140
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.

30.2 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.

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.

30.3 Other comprehensive income accumulated in reserves

30.3.1 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 2017							
Revaluation of property, plant and equipment	154,262	-	-	-	154,262	53,409	207,671
Acturial gains on defined benefit obligations	-	-	-	64,302	64,302	11,853	76,155
Exchange differences on translation of foreign operations	-	628,125	-	-	628,125	234,300	862,425
Net change in fair value of available-for-sale financial assets	-	-	(61,360)	-	(61,360)	(9,855)	(71,215)
Share of other comprehensive income of equity-accounted investees (net of tax)	38,375	163,738	-	34,316	236,429	13,141	249,570
Income tax on other comprehensive income	-	-	-	(13,601)	(13,601)	(1,747)	(15,348)
Total	**192,637**	**791,863**	**(61,360)**	**85,017**	**1,008,157**	**301,101**	**1,309,258**
For the year ended 31st March 2016							
Actuarial gains 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

NOTES TO THE FINANCIAL STATEMENTS

30.3.2 Company

	Available-for-sale reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
For the year ended 31st March 2017			
Acturial gains on defined benefit obligations	-	9,242	9,242
Net change in fair value of available-for-sale financial assets	(367)	-	(367)
Income tax on other comprehensive income		(2,588)	(2,588)
Total	**(367)**	**6,654**	**6,287**
For the year ended 31st March 2016			
Actuarial gains 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

31 INTEREST-BEARING LIABILITIES

31.1 Movement in interest-bearing liabilities

31.1.1 Group as at 31st March 2017

Bank / financial institute	Balance as at 31st March 2017 Rs.'000	Transaction cost amortised Rs.'000	Impact of exchange rate fluctuation Rs.'000	New loans obtained Rs.'000	Liabilities assumed on business combination Rs.'000	Capital repayment Rs.'000	Balance as at 01st April 2016 Rs.'000
HSBC Bank	**14,571,808**	-	441,872	-	6,509,164	(2,866,501)	10,487,273
DFCC Bank	**2,451,671**	-	8,250	1,256,844	-	(649,237)	1,835,814
DEG (German Investment Corporation)	**1,983,470**	-	109,261	-	-	(643,397)	2,517,606
Hatton National Bank	**1,513,902**	-	-	1,367,910	-	(343,431)	489,423
Habib Bank	**1,000,000**	-	-	1,000,000	-	-	-
Commercial Bank of Ceylon	**508,947**	-	-	-	-	(156,485)	665,432
Transaction cost to be amortised	**(9,137)**	7,323	-	-	-	-	(16,460)
	22,020,661	7,323	559,383	3,624,754	6,509,164	(4,659,051)	15,979,088
Current portion of interest-bearing liabilities	**4,829,650**						3,736,594
Non-current portion interest-bearing liabilities	**17,191,011**						12,242,494

31.1.2 Company as at 31st March 2017

Bank / financial institute	Balance as at 31st March 2017 Rs.'000	Transaction cost amortised Rs.'000	Impact of exchange rate fluctuation Rs.'000	New loans obtained Rs.'000	Capital repayment Rs.'000	Balance as at 01st April 2016 Rs.'000
DEG (German Investment Corporation)	1,983,470	-	109,261	-	(643,397)	2,517,606
HSBC Bank	1,266,582	-	68,372	-	(248,690)	1,446,900
Commercial Bank of Ceylon	460,000	-	-	-	(142,500)	602,500
DFCC Bank	70,000	-	-	-	(502,500)	572,500
Hatton National Bank	70,000	-	-	-	(262,500)	332,500
Transaction cost to be amortised	(9,137)	7,323	-	-	-	(16,460)
	3,840,915	7,323	177,633	-	(1,799,587)	5,455,546
Current portion of interest-bearing liabilities	1,350,941					1,770,729
Non-current portion interest-bearing liabilities	2,489,974					3,684,817

31.2 Analysed by capital repayment

31.2.1 Group as at 31st March 2017

Bank / financial institute	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 Bank	860,936	2,539,625	3,093,223	8,078,024	-	14,571,808
DFCC Bank	128,064	182,349	243,132	901,116	997,009	2,451,670
DEG (German Investment Corporation)	-	661,156	661,157	661,157	-	1,983,470
Hatton National Bank	113,031	94,094	165,961	921,951	218,866	1,513,903
Habib Bank	-	66,600	532,800	400,600	-	1,000,000
Commercial Bank of Ceylon	43,496	145,489	238,985	80,977	-	508,947
Transaction cost to be amortised	(1,520)	(3,670)	(3,049)	(898)	-	(9,137)
	1,144,007	3,685,643	4,932,209	11,042,927	1,215,875	22,020,661

31.2.2 Company as at 31st March 2017

Bank / financial institute	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 (German Investment Corporation)	-	661,156	661,157	661,157	-	1,983,470
HSBC Bank	94,994	284,981	379,974	506,633	-	1,266,582
Commercial Bank of Ceylon	40,000	135,000	225,000	60,000	-	460,000
DFCC Bank	70,000	-	-	-	-	70,000
Hatton National Bank	70,000	-	-	-	-	70,000
Transaction cost to be amortised	(1,520)	(3,670)	(3,049)	(898)	-	(9,137)
	273,474	1,077,467	1,263,082	1,226,892	-	3,840,915

NOTES TO THE FINANCIAL STATEMENTS

31.3 Analysed by interest rate

	Group				Company			
	31.03.2017		31.03.2016		31.03.2017		31.03.2016	
	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	1,066,384	996,384	1,704,048	1,131,548	70,000	-	572,500	-
Habib Bank	1,000,000	1,000,000	-	-	-	-	-	-
Commercial Bank of Ceylon	485,141	25,141	665,432	62,932	460,000	-	602,500	-
Hatton National Bank	73,056	3,056	384,423	51,923	70,000	-	332,500	-
	2,624,581	2,024,581	2,753,903	1,246,403	600,000	-	1,507,500	-
Term loans linked to AWDR								
Hatton National Bank	72,936	72,936	105,000	45,000	-	-	-	-
DFCC Bank	24,367	24,367	-	-	-	-	-	-
Commercial Bank of Ceylon	23,806	23,806	-	-	-	-	-	-
	121,109	121,109	105,000	45,000	-	-	-	-
Term loans linked to LIBOR								
HSBC Bank	7,225,100	5,958,517	9,419,717	7,972,817	1,266,582	-	1,446,900	-
DEG (German Investment Corporation)	1,983,470	-	2,517,606	-	1,983,470	-	2,517,606	-
Hatton National Bank	1,367,910	-	-	-	-	-	-	-
DFCC Bank	1,360,920	1,360,920	131,767	131,767	-	-	-	-
	11,937,400	7,319,437	12,069,090	8,104,584	3,250,052	-	3,964,506	-
Term loans linked to EURIBOR								
HSBC Bank	138,260	138,260	156,734	156,734	-	-	-	-
	138,260	138,260	156,734	156,734	-	-	-	-
Fixed rate term loans								
HSBC Bank	7,208,448	7,208,448	910,821	910,821	-	-	-	-
	7,208,448	7,208,448	910,821	910,821	-	-	-	-
Transaction cost to be amortised	(9,137)	-	(16,460)	-	(9,137)	-	(16,460)	-
Total interest-bearing liabilities	22,020,661	16,811,835	15,979,088	10,463,542	3,840,915	-	5,455,546	-

Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 8,651.4 million, inventory of Rs. 342.5 million, trade receivables of Rs. 151.4 million, investment in shares of Rs. 112.5 million, corporate guarantees of Rs. 16,493.7 million and leasehold rights of Maldives hotel properties of Rs. 2,119.9 million.

31.4 Analysed by currency equivalent in Rupees

	Group			Company		
		31.03.2017	31.03.2016		31.03.2017	31.03.2016
	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000
United States dollars	54	11,937,401	12,069,090	84	3,250,052	3,964,506
Euro	30	6,491,671	156,734	-	-	-
Sri Lankan rupees	12	2,745,690	2,858,903	16	600,000	1,507,500
Other currencies	4	855,036	910,821	-	-	-
Transaction cost to be amortised		(9,137)	(16,460)		(9,137)	(16,460)
	100	22,020,661	15,979,088	100	3,840,915	5,455,546

32 DEFERRED TAX LIABILITIES

32.1 Movement in deferred tax liabilities

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Balance as at 01st April	678,010	655,224
Liabilities assumed on business combination	75	-
Exchange difference	9,549	10,316
Origination of temporary differences		
Recognised in profit / (loss)	170,494	11,516
Recognised in other comprehensive income	5,830	954
Balance as at 31st March	863,958	678,010

32.2 Composition of deferred tax liabilities

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Deferred tax liabilities attributable to;		
Property, plant and equipment	1,082,690	815,877
Undistributed profits of consolidated entities	70,466	70,466
Defined benefit obligations	(56,691)	(42,203)
Tax losses carried forward	(231,730)	(165,441)
Other items	(777)	(689)
Net deferred tax liabilities	863,958	678,010

32.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2017 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	Liabilities assumed on business combination Rs.'000	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 1st April 2015 Rs.'000
Deferred tax liabilities										
Property, plant and equipment	1,082,690	241,682	-	8,890	16,241	815,877	71,644	-	10,972	733,261
Undistributed profits of consolidated entities	70,466	-	-	-	-	70,466	-	-	-	70,466
	1,153,156	241,682	-	8,890	16,241	886,343	71,644	-	10,972	803,727
Deferred tax assets										
Defined benefit obligations	(56,691)	(4,673)	5,830	521	(16,166)	(42,203)	(2,813)	954	(507)	(39,837)
Tax losses carried forward	(231,730)	(66,377)	-	88	-	(165,441)	(58,789)	-	-	(106,652)
Other items	(777)	(138)	-	50	-	(689)	1,474	-	(149)	(2,014)
	(289,198)	(71,188)	5,830	659	(16,166)	(208,333)	(60,128)	954	(656)	(148,503)
Net deferred tax liabilities	863,958	170,494	5,830	9,549	75	678,010	11,516	954	10,316	655,224

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33 EMPLOYEE BENEFITS

33.1 Retirement benefits obligations

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded obligations	850,247	718,654	105,246	100,414
Total present value of the obligation	850,247	718,654	105,246	100,414

33.2 Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April	718,654	635,684	100,414	98,240
Expenses recognised in profit or loss				
Current service cost	84,530	64,040	8,735	9,154
Interest cost	83,120	58,397	11,046	9,501
	167,650	122,437	19,781	18,655
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	(72,539)	(68,995)	(6,562)	(7,659)
- demographic assumptions	-	-	-	-
- experience adjustment	(3,616)	51,174	(2,680)	3,449
	(76,155)	(17,821)	(9,242)	(4,210)
Exchange difference	5,649	(270)	-	-
Others				
Benefits paid	(85,662)	(91,737)	(5,707)	(12,271)
Liabilities assumed on business combinations	120,111	70,361	-	-
Balance as at 31st March	850,247	718,654	105,246	100,414

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 2017. The actuarial present value of the promised retirement benefits as at 31st March 2017 amounted to Rs. 850,246,700 (Company - Rs. 105,246,248). The liability is not externally funded.

33.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

33.3.1 Financial assumptions

	2016/2017	2015/2016
- Discount rate	12.5% p.a.	11.0% 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.

33.3.2 Demographic assumptions

- Mortality & Disability	Based on published statistics and mortality tables	
- Retirement age	55 years	55 years
- Staff turnover rates at each age category		
* 20 years	0.07	0.07
* 25 years	0.05	0.05
* 30 years	0.05	0.05
* 35 years	0.04	0.04
* 40 years	0.03	0.03
* above 40 years	0.00	0.00

33.4 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.

	31.03.2017		31.03.2016	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Discount rate (1% movement)	(46,920)	53,518	(50,742)	43,026
Salary increments (1% movement)	55,988	(49,835)	44,554	(52,750)

NOTES TO THE FINANCIAL STATEMENTS

33.5 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

	31.03.2017	
	Group	Company
	Rs.'000	Rs.'000
Within next 12 months	111,392	42,500
Between 1 - 2 years	143,278	15,761
Between 2 - 5 years	147,221	16,234
Beyond 5 years	448,356	30,751
	850,247	105,246

34 OTHER LIABILITIES

34.1 Lease accruals

	Group	
	31.03.2017	31.03.2016
	Rs.'000	Rs.'000
Balance as at 01st April	-	-
Accrued during the year	597,833	-
Balance as at 31st March	597,833	-

This represents the accrued lease rent relating to the operating leases of the islands of Aarah and Raafushi resulting from recognising the total lease rent payable over the lease term on a straight-line basis.

35 TRADE AND OTHER PAYABLES

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	3,570,631	896,569	-	-
Other payables	7,077,123	4,997,089	278,248	276,728
Amounts due to subsidiaries	-	-	3,559,833	957,728
Amounts due to equity-accounted investees	198,478	3,875,880	40,049	3,583,398
Unclaimed dividends	524,102	13,977	524,102	13,977
	11,370,334	9,783,515	4,402,232	4,831,831

36 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.

36.1 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 2017								
Financial assets								
Trade and other receivables	26	-	11,227,955	-	-	436,197	11,664,152	11,664,152 (a)
Deposits and prepayments		-	130,399	-	-	1,650,703	1,781,102	1,781,102 (a)
Other financial assets	24 & 27	-	-	-	-	-		
- Unquoted debt securities and equity securities		-	165,238	168,961	-	-	334,199	334,199
- Quoted equity securities		-	-	40,909	-	-	40,909	40,909
- Bank deposits		-	8,856,168	-	-	-	8,856,168	8,856,168
- Government securities		24,304	-	-	-	-	24,304	24,304
- Derivative financial assets		-	-	-	-	-	-	-
Cash and short-term deposits	28	-	6,032,612	-	-	-	6,032,612	6,032,612 (a)
		24,304	26,412,372	209,870	-	2,086,900	28,733,446	28,733,446
Financial liabilities								
Interest-bearing liabilities	31	-	-	-	22,020,661	-	22,020,661	22,020,661
Trade and other payables	35	-	-	-	8,211,577	3,158,757	11,370,334	11,370,334 (a)
Bank overdrafts and other short-term borrowings	28	-	-	-	8,427,318	-	8,427,318	8,427,318 (a)
		-	-	-	38,659,556	3,158,757	41,818,313	41,818,313

	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	26	-	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	24 & 27							
- 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
- Derivative financial assets		2,805	-	-	-	-	2,805	2,805
Cash and short-term deposits	28	-	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	31	-	-	-	15,979,088	-	15,979,088	15,979,088
Trade and other payables	35	-	-	-	8,183,557	1,599,958	9,783,515	9,783,515 (a)
Bank overdrafts and other short-term borrowings	28	-	-	-	1,439,684	-	1,439,684	1,439,684 (a)
		-	-	-	25,602,329	1,599,958	27,202,287	27,202,287

NOTES TO THE FINANCIAL STATEMENTS

36.2 Accounting classifications and 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 2017								
Financial assets								
Trade and other receivables	26	-	3,212,110	-	-	139	3,212,249	3,212,249 (a)
Deposits and prepayments		-	260	-	-	62,541	62,801	62,801 (a)
Other financial assets	24 & 27	-	-	-	-	-		-
- Unquoted debt securities and equity securities		-	165,238	28,744	-	-	193,982	193,982
- Quoted equity securities		-	-	2,824	-	-	2,824	2,824
- Bank deposits		-	6,106,694	-	-	-	6,106,694	6,106,694
- Government securities		24,304	-	-	-	-	24,304	24,304
Cash and short-term deposits	28	-	1,400,611	-	-	-	1,400,611	1,400,611 (a)
		24,304	10,884,913	31,568	-	62,680	11,003,465	11,003,465
Financial liabilities								
Interest-bearing liabilities	31	-	-	-	3,840,915	-	3,840,915	3,840,915
Trade and other payables	35	-	-	-	3,701,720	700,512	4,402,232	4,402,232 (a)
Bank overdrafts and other short-term borrowings	28	-	-	-	3,260,932	-	3,260,932	3,260,932 (a)
		-	-	-	10,803,567	700,512	11,504,079	11,504,079

	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	26	-	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	24 & 27							
- Unquoted debt securities and 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	28	-	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	31	-	-	-	5,455,546	-	5,455,546	5,455,546
Trade and other payables	35	-	-	-	4,635,141	196,690	4,831,831	4,831,831 (a)
Bank overdrafts and other short-term borrowings	28	-	-	-	183,416	-	183,416	183,416 (a)
		-	-	-	10,274,103	196,690	10,470,793	10,470,793

36.3 (a) Carrying amount of financial assets and financial liabilities is a reasonable approximation of the fair value.

The Group and the Company do not have any financial instruments designated as fair value through profit or loss on initial recognition as at 31st March 2017.

The value of financial assets pledged as security for facilities obtained by the Group from banks, amounted to Rs. 151.4 million as at 31st March 2017. (2015/2016-nil) (Company-nil).

37 FAIR VALUE MEASUREMENT

37.1 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.

37.1.1 Fair value measurement hierarchy - Group

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2017				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	7,886,255	7,886,255
Other financial assets				
- Unquoted equity securities	-	126,650	42,311	168,961
- Quoted equity shares	40,909	-	-	40,909
- Government securities	24,304	-	-	24,304
- Derivative financial assets	-	-	-	-
	65,213	126,650	7,928,566	8,120,429
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,630,801	1,630,801
Other financial assets				
- Unquoted debt securities	-	165,238	-	165,238
- Bank deposits	-	8,856,168	-	8,856,168
	-	9,021,406	1,630,801	10,652,207
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	22,020,661	-	22,020,661
	-	22,020,661	-	22,020,661
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	149,125	149,125
	-	-	149,125	149,125

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	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
- Derivative financial assets	-	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

37.1.2 Fair value measurement hierarchy - Company

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2017				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,744	28,744
- Quoted equity securities	2,824	-	-	2,824
- Government securities	24,304	-	-	24,304
	27,128	-	28,744	55,872
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	4,516,115	4,516,115
Other financial assets				
- Unquoted debt securities	-	165,238	-	165,238
- Bank deposits	-	6,106,694	-	6,106,694
	-	6,271,932	4,516,115	10,788,047
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	3,840,915	-	3,840,915
	-	3,840,915	-	3,840,915
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	57,237	57,237
	-	-	57,237	57,237

	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

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37.2 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 01st April 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 31st March 2016	40,167	10,802,692	28,542
Exchange difference	-	168,204	-
Assets acquired on business combination	-	909,394	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	2,144	-	202
- Revaluation of property, plant and equipment (unrealised)	-	207,671	-
Balance as at 31st March 2017	42,311	12,087,961	28,744

37.2.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

37.3 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.

37.3.1 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
Derivative financial assets / liabilities - Forward foreign exchange contracts	- Market comparison technique The fair values are based on quotes from banks and reflect the actual transactions of similar instruments.	- Forward exchange rates as at reporting date.	Not applicable

37.3.2 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

37.3.3 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

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38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Please refer the comprehensive risk management report on pages 70 to 84 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. Financial instruments contain many variables that are affected by various market and environmental conditions. These are generally not within the control of the users, and therefore are subject to fluctuations in value. Such fluctuations in value could result in a situation undesirable to the Group, exposing it to risk. 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.

38.1 Market risk

Fluctuations of variables affecting cashflows arising from financial instruments can result in the actual outcome being different to 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.

38.1.1 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 contracts being denominated in a foreign currency. Translation exposure occurs due to the fluctuations in foreign exchange rates and 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 dollar and Euro amounted to Rs. 18.43 billion. The overseas investments made by the Group during the financial year were mostly financed through US dollar denominated borrowings from international banks. The translation exposure resulting from foreign currency borrowings has been hedged to a great extent by the acquisition of financial assets denominated in matching foreign currencies. 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 2017

	Lowest Level		Highest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	144.42	14.06.2016	152.27	23.02.2017	7.85	151.99
EUR/LKR	155.58	20.12.2016	167.98	03.05.2016	12.40	162.36
EUR/USD	1.0340	01.03.2017	1.1617	03.05.2016	0.1277	1.0682

Foreign currency sensitivity

The main foreign currencies the Group transacts in are the US dollar and the Euro. The exposure to other foreign currencies is not considered as they are mostly related to foreign operations. In order to estimate the approximate impact of the currency risk on financial instruments, a 5% fluctuation was considered in the USD/LKR and EUR/LKR exchange rates. In calculating 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

	31.03.2017				31.03.2016			
	Effect on profit before tax			Effect on equity	Effect on profit before tax			Effect on equity
	USD net financial assets/(liabilities) USD'000	USD forward contracts USD'000	EUR net financial assets/(liabilities) EUR'000	USD'000	USD net financial assets/(liabilities) USD'000	USD forward contracts USD'000	EUR net financial assets/(liabilities) EUR'000	USD'000
Net exposure	4,100	950	(33,742)	112,567	(17,068)	950	(10,610)	91,107
LKR depreciates by 5% (Rs.)	31,160	(7,229)	(273,921)	855,450	(123,481)	(7,050)	(87,463)	659,115
LKR appreciates by 5% (Rs.)	(31,160)	7,229	273,921	(855,450)	123,481	7,050	87,463	(659,115)

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

	31.03.2017	31.03.2016
	Effect on profit before tax	
	USD net financial assets / (liabilities) USD'000	USD net financial assets / (liabilities) USD'000
Net exposure	(1,120)	(11,106)
LKR depreciates by 5% (Rs.)	(8,511)	(80,348)
LKR appreciates by 5% (Rs.)	8,511	80,348

38.1.2 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 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 AWPLR and LIBOR 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 risks 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 2017

	Lowest Level		Highest Level		Spread	Year end rate
	Rate %	Period	Rate %	Period	(basis points)	%
LKR Interest rate *	8.87	Apr-16	12.29	Sep-16	342	11.56
USD Interest rate **	0.89	Jun-16	1.44	Mar-17	55	1.42

* One month AWPLR

** Six months USD LIBOR

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Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of the Group's interest bearing financial instruments is as follows.

Group

	31.03.2017			31.03.2016		
	LKR financial assets Rs.'000	LKR financial liabilities Rs.'000	USD financial liabilities Rs. Equivalent Rs.'000	LKR financial assets Rs.'000	LKR financial liabilities Rs.'000	USD financial liabilities Rs. Equivalent Rs.'000
Exposure	24,304	2,745,690	11,937,400	568,349	2,858,903	12,069,090
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	496	27,457	N/A	1,438	28,589	N/A
Increase of 100 basis points in LKR interest rates	(483)	(27,457)	N/A	(1,425)	(28,589)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	11,937	N/A	N/A	12,069
Increase of 10 basis points in USD interest rates	N/A	N/A	(11,937)	N/A	N/A	(12,069)

At the reporting date the interest rate sensitivity analysis of the Company's interest bearing financial instruments is as follows.

Company

	31.03.2017			31.03.2016		
	LKR financial assets Rs.'000	LKR financial liabilities Rs.'000	USD financial liabilities Rs. Equivalent Rs.'000	LKR financial assets Rs.'000	LKR financial liabilities Rs.'000	USD financial liabilities Rs. Equivalent Rs.'000
Exposure	24,304	600,000	3,250,052	568,349	1,507,500	3,964,506
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	496	6,000	N/A	1,438	15,075	N/A
Increase of 100 basis points in LKR interest rates	(483)	(6,000)	N/A	(1,425)	(15,075)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	3,250	N/A	N/A	3,965
Increase of 10 basis points in USD interest rates	N/A	N/A	(3,250)	N/A	N/A	(3,965)

38.1.3 Equity price risk

The Group has adopted the 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.

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. 40.9 million (as at 31.03.2016; Rs. 38.5 million)

- Unquoted equity securities : Rs. 168.9 million (as at 31.03.2016; Rs. 242.5 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

38.2 Liquidity risk

Liquid assets of a company consist 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 adversely impacts 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. These facilities are available at favourable rates and have been mostly provided without collateral. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required and closely monitors their utilisation.

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 the parent company 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 as well as to minimise the risk. At opportune moments funds are mobilised by accessing capital markets. The Group attempts to minimise future interest expenses on borrowings by negotiating favourable interest rates with the respective lenders. The Group makes use of attractive interest rates offered by international banks on foreign currency denominated funding mostly to finance its overseas investments.

The table below summarises the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2017	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	-	1,144,007	3,685,643	4,932,209	11,042,927	1,215,875	22,020,661
Bank overdrafts and other short term borrowings	8,427,318	-	-	-	-	-	8,427,318
Trade payables	2,442,693	747,457	380,481	-	-	-	3,570,631
Other Payables	2,112,699	680,521	1,847,726	-	-	-	4,640,946
	12,982,710	2,571,985	5,913,850	4,932,209	11,042,927	1,215,875	38,659,556

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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	-	-	-	7,286,988
	8,023,920	1,472,164	3,863,753	3,571,867	7,389,220	1,281,407	25,602,331

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2017	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	-	273,474	1,077,467	1,263,082	1,226,892	-	3,840,915
Bank overdraft and other short term borrowings	3,260,932	-	-	-	-	-	3,260,932
Other payables	3,629,016	-	22,699	-	50,005	-	3,701,720
	6,889,948	273,474	1,100,166	1,263,082	1,276,897	-	10,803,567

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 overdraft and other short term borrowings	183,416	-	-	-	-	-	183,416
Other payables	4,563,393	-	71,748	-	-	-	4,635,141
	4,746,809	442,460	1,400,017	1,300,936	2,383,881	-	10,274,103

Liquidity position

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Cash in hand and at bank	6,032,612	4,653,788	1,400,611	1,397,670
Trade and other receivable within 30 days	7,045,190	2,243,838	3,176,596	3,097,693
Short Term deposit	8,880,472	7,575,362	6,130,998	5,081,122
Total Liquid assets	21,958,274	14,472,988	10,708,205	9,576,485
Less:				
Bank overdraft and other short term borrowing	8,427,318	1,439,684	3,260,932	183,416
Trade payable on demand	2,442,693	605,315	-	-
Other payable at on demand	2,112,699	5,978,921	3,629,016	4,563,393
Total on demand liabilities	12,982,710	8,023,920	6,889,948	4,746,809
Excess liquidity through operating cycle	8,975,564	6,449,068	3,818,257	4,829,676
Undrawn approved bank facilities	15,384,817	11,737,198	7,693,233	5,991,494
Market value of discounted securities	24,304	568,349	24,304	568,349
Liquidity available on demand	15,409,121	12,305,547	7,717,537	6,559,843

38.3 Credit risk

The risk assumed by an entity resulting from the risk of a counterparty 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 the use of 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			
	31.03.2017		31.03.2016		31.03.2017		31.03.2016	
		Exposure		Exposure		Exposure		Exposure
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Trade and other receivables	11,227,955	42.14	4,559,198	26.41	3,212,110	29.36	3,186,636	32.66
Deposits and prepayments	130,399	0.49	132,960	0.77	260	0.00	704	0.01
Other financial assets								
- Unquoted debt securities and equity securities	334,199	1.25	303,510	1.76	193,982	1.77	89,490	0.92
- Quoted equity securities	40,909	0.15	38,523	0.22	2,824	0.03	3,393	0.03
- Bank deposits	8,856,168	33.24	7,007,013	40.58	6,106,694	55.82	4,512,773	46.24
- Government securities	24,304	0.09	568,349	3.29	24,304	0.22	568,349	5.82
- Derivative financial assets	-	-	2,805	0.02	-	-	-	-
Cash and short-term deposits	6,032,612	22.64	4,653,788	26.95	1,400,611	12.80	1,397,670	14.32
	26,646,546	100.00	17,266,146	100.00	10,940,785	100.00	9,759,015	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. The 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.

38.3.1 Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas. 95.7% 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.

Group companies formulate their credit policies 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. References 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.

Apart from the state owned enterprise which is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state owned enterprise is 38.8 % of total trade receivables of the Group as at 31st March 2017.

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Trade receivable settlement profile

	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Less than 30 days	7,045,190	2,243,838
More than 30 days but less than 60 days	1,768,428	707,473
More than 60 days but less than 90 days	424,968	184,485
More than 90 days but less than 180 days	254,248	143,483
More than 180 days but less than 365 days	75,216	40,445
More than 365 days	84,919	52,987
Total gross trade receivables	9,652,970	3,372,711
Impairment provision for trade receivables	(93,639)	(66,130)
Total net trade receivables	9,559,331	3,306,581

Collateral acquired for mitigating credit risk

The Group as a policy does not offer credit to individuals unless collateral in the form of unconditional and irrevocable bank guarantees that can be encashed on demand or advances are provided to cover the receivable. The total collateral obtained on trade receivables is Rs. 212.9 million as at the balance sheet date. The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

38.3.2 Bank deposits

The Group has a number of bank deposits in both rupees and US dollars. 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		
		31.03.2017		31.03.2016		31.03.2017		31.03.2016	
		Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %
Credit rating of institutions									
Fitch ratings (Global);	AA-	167,987	1.90	154,263	2.20	-	-	-	-
Fitch ratings;	AA+(lka)	3,125,336	35.29	849,246	12.12	2,706,005	44.31	717,120	15.89
	AA-(lka)	4,538,508	51.25	5,875,273	83.85	2,508,604	41.08	3,737,341	82.82
	A+(lka)	897,776	10.14	58,312	0.83	892,085	14.61	58,312	1.29
JCR-VIS (Pakistan);	AAA	49,283	0.56	-	-	-	-	-	-
Rating not available		77,278	0.87	69,919	1.00	-	-	-	-
Total bank deposits (note 27.1.2)		8,856,168	100.00	7,007,013	100.00	6,106,694	100.00	4,512,773	100.00

39 FINANCIAL CAPITAL MANAGEMENT

Main objectives of the Group's financial capital management policy are as follows.

- Ensuring the availability of adequate 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. Excessive capital invested in a business will have a dampening impact on the performance while insufficient level of capital will prevent an organisation from achieving its long term objectives.

39.1 Types of financial 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 several years.

The Group regularly estimates its future capital requirements by evaluating new investments 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 including 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.

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Debt to equity ratio	0.34	0.28	0.19	0.28

The debt to equity ratio of the Group has increased from 0.28 in the previous financial year to 0.34 in the financial year under review, mainly due to long term loans obtained to finance new investments. A significant percentage of these new investments was in the Tourism sector. The debt to equity ratio of the Company has decreased due to the repayment of long term loans.

Sourcing of debt is carried out subsequent to careful and detailed analysis of lender proposals. Important factors such as the tenure of the loans, 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 Sri Lankan rupees as well as foreign currencies such as US dollar 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.

39.2 Financial 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 financial 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 rigorous legal, financial and technical due diligence as required. Identification and ranking of suitable investment opportunities are carried out using the discounted cash flow modelling technique, 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 the 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.

39.3 Adequate financial reserves

The long term financial health of the Group has been ensured by maintaining sufficient reserves of financial 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 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.

NOTES TO THE FINANCIAL STATEMENTS

39.4 Financial capital management policy

The fundamental objective of the financial 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 financial 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, that affect the operating conditions. The rapid pace of change in the operating environment has a profound influence on many factors affecting the use of financial capital. A thorough understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

The Group's financial 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 financial 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 financial capital management policy as decisions taken at the present time will have implications for the future. The Group's financial 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 optimisation of resources.

40 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.

40.1 Commitments for capital expenditure for subsidiaries

	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Approximate amount approved but not contracted for	2,877,728	3,400,195
Approximate amount contracted for but not incurred	9,411,197	175,849
	12,288,925	3,576,044

The above includes Rs. 12,154.6 million (2015/2016 - Rs. 3,471.7 million) for the acquisition of property, plant and equipment and Rs. 134.3 million (2015/2016 - Rs. 104.4 million) for the acquisition of intangible assets.

40.2 Commitments for capital expenditure for joint ventures

	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Approximate amount approved but not contracted for	97,757	177,671
Approximate amount contracted for but not incurred	375	2,898,827
	98,132	3,076,498

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 95.2 million (2015/2016 - Rs. 3,071.2 million) for the acquisition of property, plant and equipment and Rs. 2.9 million (2015/2016 - Rs. 5.3 million) for the acquisition of intangible assets.

41 ACE POWER EMBILIPITIYA (PVT) LTD

Subsequent to the expiry of 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) a new short term PPA was signed between the parties on 6th April 2016 for a period of one year on the same terms and conditions of the PPA dated 9th May 2003 with amendments to certain clauses. By agreement dated 17th March 2017 the short term PPA thus signed was renewed for a further period of one year. However at present there is no indication that the PPA will be further extended and hence the directors of the company are of the opinion that the continuity of the operations will be limited to the tenure of the extension, and the assets and liabilities of the company are recorded at net realisable basis in the financial statements.

42 CONTINGENT LIABILITIES

Contingent liabilities as at 31.03.2017 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the group amounted to 2,102.7 million. As at reporting date the Company has not given any corporate guarantees to equity-accounted investees. Contingent liabilities as at 31.03.2017 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 20,119.2 million. Neither Aitken Spence PLC nor subsidiaries and equity-accounted investee have given corporate guarantees to companies outside the Group including other related companies listed in note 44.5 to the financial statements.

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 a subsidiary 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. 35.0 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.

43 DIRECTORS' FEES

The Directors of the Company have received fees amounting to Rs. 122,400 from subsidiaries for the year ended 31st March 2017.

44 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. 44.2 - 44.8.

44.1 Parent and ultimate controlling party

The Company does not have an identifiable parent of its own.

44.2 Transactions with key management personnel

44.2.1 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.

44.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

NOTES TO THE FINANCIAL STATEMENTS

44.2.3 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	98,806	704,745
Post employment benefits	-	27,523

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.

44.2.4 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 44.5.

Mr. J.M.S. Brito, Deputy Chairman and Managing 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 21 and 22 to the financial statements. He is also a Director of SriLankan Airlines Ltd and Sri Lankan Catering 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 21 and 22 to the financial statements.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "c" in note 21 to the financial statements.

Mr. C. H. Gomez a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC.

Mr. N. J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of Distilleries Company of Sri Lanka PLC SriLankan Airlines Ltd and The Kingsbury 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, Ceylon Tea Services PLC, Dankotuwa Porcelain PLC, Dial Textile Industries Ltd, Mercantile Merchant Bank 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 21 and 22 to the financial statements. She is also the Chairperson or a Director of Ceylon Garden Coir (Pvt) Ltd, Milford Exports Ceylon Ltd, Splendor Media (Pvt) Ltd, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd and Stassen Natural Foods (Pvt) Ltd.

44.3 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC	
	2016/2017 Rs.'000	2015/2016 Rs.'000
Income from services rendered	592,851	548,794
Rent income received	40,717	16,492
Allocation of common personnel and administration expenses	32,112	41,995
Purchase of goods and services	105,378	107,045
Net transfers under finance arrangements	(1,036,987)	(217,038)
Interest income received	102,828	102,558
Interest paid	140,361	50,025

Transactions with A E Lanka (Pvt) 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 Resorts (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, ADS Resorts (Pvt) Ltd, Ahungalla Resorts 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, Aitken Spence Travels (Pvt) 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.

44.4 Transactions with equity-accounted investees

44.4.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2016/2017 Rs.'000	2015/2016 Rs.'000	2016/2017 Rs.'000	2015/2016 Rs.'000
Sale of goods and services	30,532	43,944	40,573	2,259,305
Rent income received	1,847	1,088	1,847	1,088
Allocation of common personnel and administration expenses	3,624	11,809	3,624	11,809
Purchase of goods and services	-	1,013	-	72,961
Net transfers under finance arrangements	(48,163)	2,515,000	(48,163)	2,515,000
Interest paid	70,395	110,696	70,395	110,696

Transactions with Ace Bangladesh Ltd, Ahungalla Resorts Ltd (upto 30.06.2016), Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd (upto 30.09.2016), CINEC Skills (Pvt) Ltd, Colombo International Nautical & Engineering College (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd are reflected under transactions with joint ventures above.

NOTES TO THE FINANCIAL STATEMENTS

44.4.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	26,654	13,582	54,703	49,957
Allocation of common personnel and administration expenses	225	528	225	528
Purchase of goods and services	3,514	3,122	73,168	22,062
Net transfers under finance arrangements	24,000	(34,500)	24,000	(58,222)
Interest paid	1,107	1,512	1,107	7,881

Transactions with AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Amethyst Leisure Ltd, Browns Beach Hotels PLC, E P P Hydro Power (Pvt) Ltd, Elpitiya Lifestyle Solutions (Pvt) Ltd, Elpitiya Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Tea Country Homes (Pvt) Ltd, are reflected under transactions with associates above.

44.5 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	-	-	530,398	317,206
Purchase of goods and services	25,990	5,412	1,153,804	681,378
Interest paid	-	-	564	369

Transactions with Ambewela Livestock (Co.) Ltd*, Ambewela Products (Pvt) Ltd*, Bell Solutions Pvt Ltd*, Bellvantage (Pvt) Ltd*, Ceylon Agro Industries Ltd , Ceylon Garden Coir (Pvt) Ltd*, Ceylon Tea Services PLC, CIC Holdings PLC, Continental Insurance Lanka Ltd, Dankotuwa Porcelain PLC, Dial Textile Industries Ltd, Distilleries Company Of Sri Lanka PLC*, Lanka Bell (Pvt) Ltd*, Lanka Diaries (Pvt) Ltd*, Lanka Milk Foods (Cwe) PLC*, Melsta Logistics (Pvt) Ltd, Melsta Regal Finance Ltd, Mercantile Merchant Bank Ltd, Milford Exports Ceylon Ltd*, Pattipola Livestock Co Ltd*, Periceyl (Pvt) Ltd*, Renuka Hotels Ltd, Royal Ceramics PLC, Splendor Media (Pvt) Ltd, Sri Lankan Airlines Ltd, Srilankan Catering (Pvt) Ltd, Stassen Exports (Pvt) Ltd*, Stassen International (Pvt) Ltd*, Stassen Natural Foods (Pvt) Ltd*, Telecom Frontier (Pvt) Ltd*, Texpro Industries Ltd*, The Kingsbury PLC are reflected under transactions with other related companies, above.

44.6 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2016/2017	2015/2016	2016/2017	2015/2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Contributions to the provident fund	257,685	202,092	35,759	38,088

Contributions to the Aitken Spence & Associated Companies Executive Staff Provident Fund and the Aitken Spence & Associated Companies Clerical Staff Provident Fund are reflected under transactions with post-employment benefit plans, above.

44.7 Amounts due from related parties

44.7.1 Amount due from subsidiaries

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fully owned subsidiaries	2,192,897	2,039,495	N/A	N/A
Partly owned subsidiaries	841,038	930,336	N/A	N/A
	3,033,935	2,969,831	N/A	N/A
Provision for doubtful debts	196,759	2,710	N/A	N/A

44.7.2 Amount due from equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Joint ventures	151,773	114,300	153,791	375,255
Associates	5,899	11,887	47,248	78,975
	157,672	126,187	201,039	454,230

44.7.3 Amount due from other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount due from other related companies	-	-	43,005	31,777
Provision for doubtful debts	-	-	-	1,419

44.8 Amounts due to related parties

44.8.1 Amount due to subsidiaries

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fully owned subsidiaries	608,549	778,077	N/A	N/A
Partly owned subsidiaries	2,951,284	179,651	N/A	N/A
	3,559,833	957,728	N/A	N/A

44.8.2 Amount due to equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Joint ventures	7,344	3,583,076	26,529	3,614,680
Associates	32,705	322	171,949	261,200
	40,049	3,583,398	198,478	3,875,880

NOTES TO THE FINANCIAL STATEMENTS

44.8.3 Amount due to other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other related companies	840	-	55,493	51,250

44.9 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.

45 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were;

	31.03.2017	31.03.2016
United States Dollar	151.99	144.69
British Pound	189.96	207.90
Euro	162.36	163.94
Oman Rial	394.11	373.76
Fiji Dollar	74.53	68.87
South African Rand	11.29	9.65
Indian Rupee	2.34	2.17
Maldivian Rufiyaa	9.82	9.41
Bangladesh Taka	1.89	1.84

46 NUMBER OF EMPLOYEES

The number of employees of the Group (excluding equity-accounted investees) at the end of the year was 7,360 (2015/2016 - 7,342). The number of employees of the Company at the end of the year was 189 (2015/2016 - 196).

47 EVENTS OCCURRING AFTER THE REPORTING DATE

The Board of Directors of the Company resolved to recommend a final ordinary dividend of Rs. 0.50 per share for the year 2016/2017 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

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

CONSOLIDATED FINANCIAL STATEMENTS IN USD

CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March	2017 USD.'000	2016 USD.'000
Revenue	301,942	179,541
Revenue taxes	(3,392)	(1,982)
Net revenue	298,550	177,559
Other operating income	956	1,207
Changes in inventories of finished goods and work-in-progress	736	(144)
Raw materials and consumables used	(77,743)	(12,621)
Employee benefits expense	(49,176)	(40,812)
Depreciation, amortisation and impairment of non-financial assets	(15,336)	(14,440)
Other operating expenses - direct	(78,107)	(51,724)
Other operating expenses - indirect	(41,998)	(32,095)
Profit from operations	37,882	26,930
Finance income	5,010	4,476
Finance expenses	(10,900)	(6,710)
Net finance income / (expense)	(5,890)	(2,234)
Share of profit of equity-accounted investees (net of tax)	2,529	1,605
Profit before tax	34,521	26,301
Income tax expense	(7,904)	(5,952)
Profit for the year	26,617	20,349
Attributable to:		
Equity holders of the company	19,015	14,010
Non-controlling interests	7,602	6,339
Profit for the year	26,617	20,349
Earnings per share - Basic/Diluted (Rs.) USD cents	4.68	3.45
Exchange rate USD/LKR	151.99	144.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

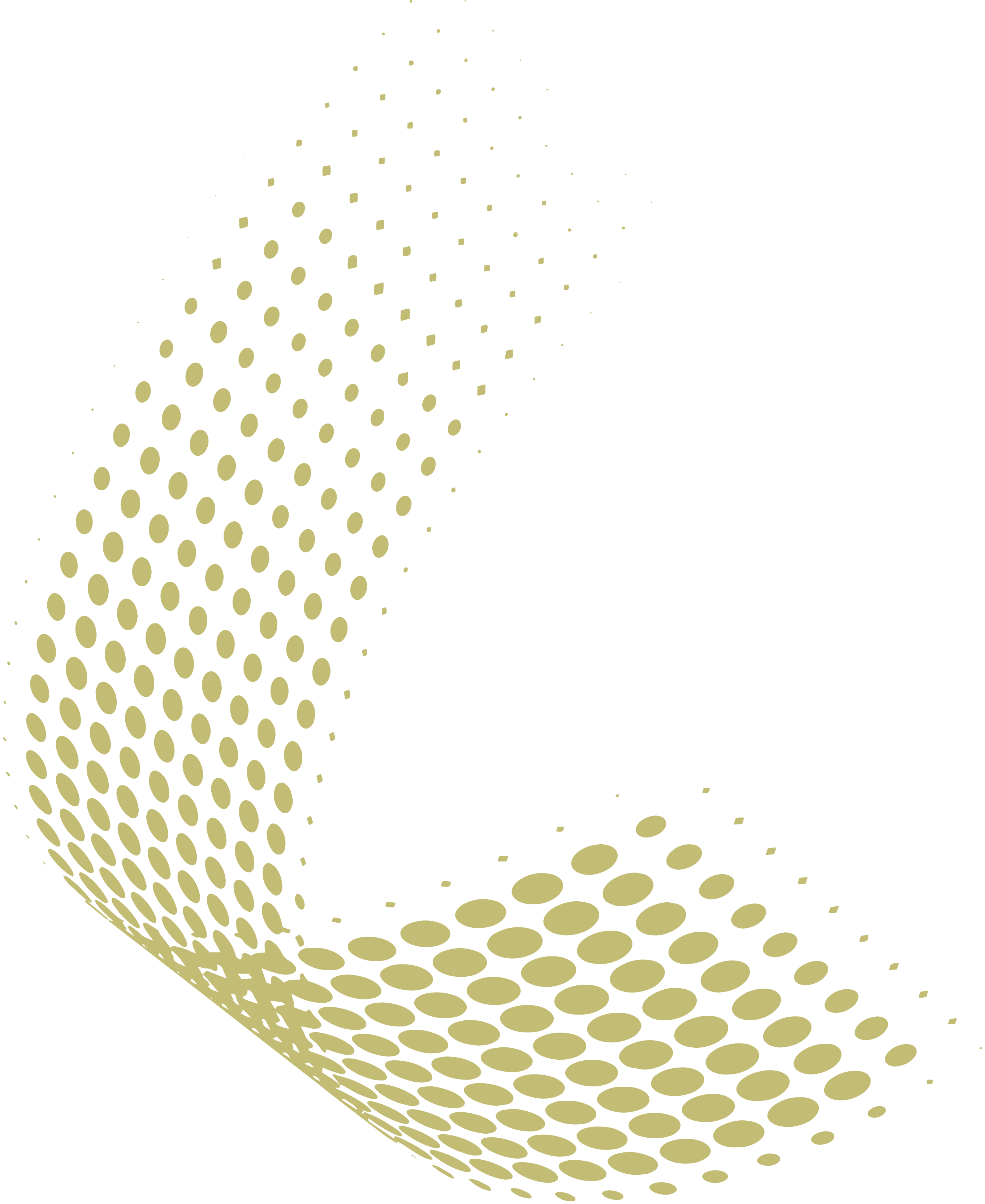
For the year ended 31st March	2017 USD.'000	2016 USD.'000
Profit for the year	26,617	20,349
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	1,366	-
Actuarial gains / (losses) on defined benefit obligations	501	123
Share of other comprehensive income of equity-accounted investees (net of tax)	565	134
Income tax on other comprehensive income	(101)	(27)
	2,331	230
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,674	5,715
Net change in fair value of available-for-sale financial assets	(469)	155
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	1,077	237
	6,282	6,107
Other comprehensive income for the year, (net of tax)	8,613	6,337
Total comprehensive income for the year	35,230	26,686
Attributable to:		
Equity holders of the parent	25,648	18,472
Non-controlling interests	9,582	8,214
Total comprehensive income for the year	35,230	26,686
Exchange rate USD/LKR	151.99	144.69

Figures in brackets indicate deductions.

CONSOLIDATED FINANCIAL STATEMENT IN USD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN USD

As at 31st March	2017 US$.'000	2016 US$.'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	329,288	243,818
Investment property	10,730	11,271
Intangible assets	5,830	5,994
Biological assets	287	179
Leasehold property	13,438	13,869
Pre-paid operating leases	13,016	12,639
Investments in equity-accounted investees	39,877	67,537
Deferred tax assets	2,861	2,268
Other financial assets	1,879	1,782
	417,206	359,357
Current Assets		
Inventories	10,895	8,265
Pre-paid operating leases	479	227
Trade and other receivables	76,743	33,178
Current tax receivable	1,382	1,550
Deposits and prepayments	11,719	8,058
Other current assets	67,890	63,146
Cash and short-term deposits	39,691	32,164
	208,799	146,588
Assets classified as held for sale	980	1,030
Total Assets	626,985	506,975
EQUITY AND LIABILITIES		
Equity		
Stated capital	14,048	14,757
Reserves	110,858	105,387
Retained earnings	134,831	133,126
Total equity attributable to equity holders of the company	259,737	253,270
Non-controlling interests	74,452	52,213
Total Equity	334,189	305,483
Non-Current Liabilities		
Interest-bearing liabilities	113,106	84,612
Deferred tax liabilities	5,684	4,686
Employee benefits	5,594	4,967
Other liabilities	3,933	-
	128,317	94,265
Current Liabilities		
Interest-bearing liabilities	31,776	25,825
Trade and other payables	74,810	67,617
Current tax payable	2,446	3,835
Bank overdrafts and other short-term borrowings	55,447	9,950
	164,479	107,227
Total Equity and Liabilities	626,985	506,975
Exchange rate USD/LKR	151.99	144.69



MADE TO MEASURE

SUPPLEMENTARY INFORMATION

TEN YEAR SUMMARY

Year ended 31st March	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Operating Results										
Revenue	45,892,179	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
Profit before taxation	5,246,872	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
Taxation	1,201,407	861,229	826,323	865,457	713,755	746,090	387,335	366,193	328,385	235,110
Profit after taxation	4,045,465	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
Profit attributable to Aitken Spence PLC	2,890,032	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
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	16,849,379	15,248,423	13,867,687	13,883,457	12,695,793	12,454,684	11,071,652	9,317,199	7,227,545	3,505,284
Retained earnings	20,492,912	19,262,056	19,022,310	16,238,762	13,222,324	10,564,698	8,309,395	7,442,131	7,715,269	6,263,600
Non-controlling interest	11,315,985	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
Non-current liabilities	19,503,049	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
Current liabilities	24,998,995	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
	95,295,460	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
Assets										
Property, plant and equipment	50,048,523	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
Investment property	1,630,801	1,630,801	1,648,301	1,648,301	1,661,596	1,662,349	102,799	28,936	28,936	28,936
Intangible assets	886,103	867,223	558,040	651,796	350,368	643,600	134,026	154,185	109,164	122,520
Biological assets	43,583	25,838	-	-	-	-	-	-	-	-
Leasehold property	2,042,459	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	1,978,348	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	6,060,842	9,771,984	5,403,518	3,367,589	3,059,987	1,770,117	1,335,002	767,498	752,636	764,489
Deferred tax assets	434,794	328,140	215,907	224,495	225,749	209,769	138,314	56,823	74,008	39,342
Other financial assets	285,629	257,799	279,346	339,540	414,409	392,737	473,945	483,580	404,946	263,576
Current assets	31,735,253	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
Assets classified as held for sale	149,125	149,125	226,923	149,125	149,125	149,125	181,489	161,663	149,124	161,951
	95,295,460	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
Share Information										
Earnings per share (Rs.)	7.12	4.99	8.82	9.04	8.10	8.59	6.25	*5.07	*5.02	*4.53
Market value per share (Rs.) - post share sub division	56.20	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
Market capitalisation on 31st March (Rs. Mn)	22,817	29,841	40,397	39,747	48,557	45,756	65,893	37,182	8,526	11,639
Price earnings ratio	7.90	14.72	11.29	10.82	14.77	13.12	25.97	18.05	4.18	6.32
Net assets per share (Rs.)	97.24	90.26	86.27	79.45	69.10	61.96	53.00	*46.54	*42.06	*29.32
Employees Information										
No. of employees	7,360	7,342	7,131	6,797	6,207	5,791	5,328	5,042	5,045	5,090
Value added per employee (Rs. '000)	2,324	1,765	2,031	1,941	1,979	1,915	1,884	1,770	1,635	1,503
Ratios & Statistics										
Ordinary dividend (Rs. '000)	710,493	608,994	811,992	811,992	608,994	568,394	405,996	270,664	257,131	189,465
Dividend per share (Rs.)	1.75	1.50	2.00	2.00	1.50	1.40	1.00	*0.67	*0.63	*0.47
Dividend cover (times covered)	4.07	3.33	4.41	4.52	5.40	6.14	6.25	7.61	7.93	9.72
Dividend - payout ratio	0.25	0.30	0.23	0.22	0.19	0.16	0.16	0.13	0.13	0.10
Current ratio (times covered)	1.27	1.37	2.04	1.84	1.43	1.27	1.43	1.33	1.33	1.35
Debt-equity ratio	0.34	0.28	0.22	0.19	0.18	0.19	0.16	0.22	0.29	0.41
ROE (%)	7.59	5.66	10.64	12.18	12.36	15.01	12.55	11.45	14.08	16.86
Interest cover ratio	7.29	16.80	30.47	13.97	8.72	23.08	23.48	6.44	6.54	5.78

Note: * The above figures are restated taking into consideration the sub division of shares in October 2010.

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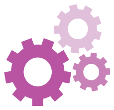
A priority of our sustainability strategy is to "Report performance in a timely and accurate manner for the benefit of our stakeholders" (clause Q of the integrated sustainability policy of Aitken Spence PLC). Disclosure on sustainability performance is a mechanism to monitor our progress in our sustainability programmes and have a published record of our data for the benefit of our key stakeholders.

We use the GRI G4 reporting framework to disclose our performance information as it is the most widely used framework in the world affording us comparability of information. Aligning with a reporting framework also helps us to identify action we can take to implement action through its specific standard disclosures on the clauses in our integrated sustainability policy and its implementation framework.

Some of our indicators are material across the Group to all sectors. However, some indicators are only material to specific industries. We have illustrated the material sectors by using the following icons to show the sector in which the information can be found.


Tourism sector


Maritime and Logistics sector


Strategic Investments sector

Services sector

Places within this report where information required by the GRI framework can be found are also marked on the specific sections and pages.

Selection of material aspects was discussed in the Materiality section of this Annual Report with more emphasis given in the respective Sector Reviews. There is information we have shared over the years about the sustainability programmes carried out by our SBUs. These reports are available in the Group's website (www.aitkenspence.com/sustainability. Our integrated sustainability policy is also available for reference on the website in Sinhala, Tamil and English.

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Disclosure Title	Page Number (or Link)	External Assurance
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision maker of the organisation	17 - 19, 20 - 24	Yes
G4-2	Description of key impacts, risks and opportunities	70 - 101	Yes
ORGANIZATIONAL PROFILE			
G4-3	Name of the organisation	27	Yes
G4-4	Primary brands, products and services	140, 142 - 143	Yes
G4-5	Location of the organisation's headquarters	27	Yes
G4-6	Locations of the organisation's operations	8 - 9, 132 - 134	Yes
G4-7	Nature of ownership and legal form	27	Yes
G4-8	Markets served	8 - 9	Yes
G4-9	Scale of the organisation	10 - 13	Yes
G4-10	Workforce breakdown	108	Yes
G4-11	Percentage of employees covered by collective bargaining agreements	115	Yes
G4-12	Organisation's supply chain	149 - 200	Yes
G4-13	Significant changes during the reporting period	6, 21 - 24, 66	Yes
G4-14	Addressing the precautionary approach	128	Yes
G4-15	Voluntary endorsement of policies/charters	126 - 127, 311 - 315	Yes
G4-16	Membership associations and affiliations	319 - 321	Yes

General Standard Disclosures	Disclosure Title	Page Number (or Link)	External Assurance
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities excluded from the organization's reporting boundary	6	Yes
G4-18	Process for defining the report content and the Aspect Boundaries	6	Yes
G4-19	Material Aspects	96 - 101	Yes
G4-20	Aspect Boundary within the organization	6, 100 - 101	Yes
G4-21	Aspect Boundary outside the organization	6, 100 - 101	Yes
G4-22	Effect of any restatements of information	20 - 24	Yes
G4-23	Significant changes from previous reporting periods	6, 130	Yes
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged	92 - 95	Yes
G4-25	Basis for identification and selection of stakeholders with whom to engage	92 - 95	Yes
G4-26	Organization's approach	92 - 95	Yes
G4-27	Key topics and concerns raised through stakeholder engagement	94 - 95	Yes
REPORT PROFILE			
G4-28	Reporting period	6	Yes
G4-29	Date of most recent previous report	31st March 2016	Yes
G4-30	Reporting cycle	6	Yes
G4-31	Contact point for questions about the report	335 - 336	Yes
G4-32	The 'in accordance' option chosen	6	Yes
G4-33	Organization's policy and current practice on seeking external assurance for the report	7	Yes
GOVERNANCE			
G4-34	Governance structure of the organization	41 - 59	Yes
ETHICS AND INTEGRITY			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	8 - 9, 41 - 42, 65	Yes

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SPECIFIC STANDARD DISCLOSURES

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	External Assurance
CATEGORY: ECONOMIC				
ASPECT: ECONOMIC PERFORMANCE				
G4-DMA	Disclosure on Management Approach	None	102 - 107	Yes
G4-EC1	The direct economic value generated and distributed (Socio Economic Value Generated and Distributed)	None	11	Yes
G4-EC3	Liabilities that are met by the organization's general resources, the percentage of salary contributed by employee or employer	None	67	Yes
ASPECT: MARKET PRESENCE				
G4-DMA	Disclosure on Management Approach	None	124, 125	Yes
G4-EC6	The percentage of senior management at significant locations of operation that are hired from the local community.	None	124, 125	Yes
Note on G4 – EC6: 'Local' to Aitken Spence is a reference to the immediate community within 35 – 40km radius to our operations outside Colombo. This is incorporated into the implementation guidelines of clauses L (Get involved in community development projects and ensure employee participation) and M (Support local communities by providing employment and purchasing from local suppliers wherever possible) of the Group's integrated sustainability policy. Our priority is to make sure our immediate community benefits from our presence in their community by ensuring opportunities for economic development and career development are extended to them. We also aspire to take development outside Colombo. At the same time, we also focus on working with our immediate community within 5 – 7km radius to our operations in Colombo to facilitate social development.				
ASPECT: INDIRECT ECONOMIC IMPACTS				
G4-DMA	Disclosure on Management Approach	None	123 - 124	Yes
G4-EC7	Significant infrastructure investments and services supported.	None	123 - 124	Yes
ASPECT: PROCUREMENT PRACTICES				
G4-DMA	Disclosure on Management Approach	None	124 - 125	Yes
G4-EC9	Percentage of the procurement budget used on suppliers local to that operation	None	124 - 125	Yes
CATEGORY: ENVIRONMENTAL				
ASPECT: ENERGY				
G4-DMA	Disclosure on Management Approach	None	128 - 130	Yes
G4-EN3	Total fuel consumption from non-renewable sources	None	129 - 130	Yes
G4-EN6	Amount of reductions in energy consumption	None	129 - 130	Yes
ASPECT: WATER				
G4-DMA	Disclosure on Management Approach	None	130 - 131	Yes
G4-EN8	Total volume of water withdrawn	None	131	Yes
G4-EN9	Total number of water sources significantly affected by withdrawal	None	131	Yes
G4-EN10	Total volume of water recycled and reused by the organization.	None	131	Yes
ASPECT: BIODIVERSITY				
G4-DMA	Disclosure on Management Approach	None	131 - 134	Yes
G4-EN11	Operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	None	131 - 134	Yes
G4-EN12	Nature of significant direct and indirect impacts on biodiversity	None	131 - 134	Yes
G4-EN13	Size and location of all habitat protected areas or restored areas	None	131 - 134	Yes

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	External Assurance
ASPECT: EMISSIONS				
G4-DMA	Disclosure on Management Approach	None	128 - 130	Yes
G4-EN15	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	Reported only for CO2 emissions	130	Yes
G4-EN16	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	None	130	Yes
G4-EN19	The amount of GHG emissions reductions achieved	None	130	Yes
ASPECT: EFFLUENTS AND WASTE				
G4-DMA	Disclosure on Management Approach	None	134 - 136	Yes
G4-EN23	Total weight of hazardous and non-hazardous waste, by disposal methods	None	134 - 136	Yes
G4-EN24	Total number and total volume of recorded significant spills.	None	134 - 136	Yes
G4-EN26	Water bodies and related habitats that are prevented from being affected by water discharges of the organisation	None	134 - 136	Yes
ASPECT: COMPLIANCE				
G4-DMA	Disclosure on Management Approach	None	137	Yes
G4-EN29	Significant fines and non-monetary sanctions for non-compliance with laws or regulations	None	137	Yes
ASPECT: OVERALL				
G4-DMA	Disclosure on Management Approach	None	137	Yes
G4-EN31	Total environmental protection expenditures	None	137	Yes
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK				
ASPECT: EMPLOYMENT				
G4-DMA	Disclosure on Management Approach	None	110 - 119	Yes
G4-LA1	Turnover during the reporting period	None	111	Yes
G4-LA2	Benefits which are standard for full-time employees of the organization	None	118	Yes
ASPECT: LABOUR/MANAGEMENT RELATIONS				
G4-DMA	Disclosure on Management Approach	None	115	Yes
G4-LA4	Minimum notice period	None	115	Yes
ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-DMA	Disclosure on Management Approach	None	118	Yes
G4-LA5	Level at which each subsidiary's OHS representative/committee operates within the organization	None	118	Yes
G4-LA5	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	118	118	Yes
ASPECT: TRAINING AND EDUCATION				
G4-DMA	Disclosure on Management Approach	None	108 - 115	Yes
G4-LA9	Average hours of training provided to employees during the reporting period	None	108 - 115	Yes
G4-LA10	Type and scope of programs implemented and assistance provided to upgrade employee skills.	None	108 - 115	Yes
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	116	Yes

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Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	External Assurance
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN				
G4-DMA	Disclosure on Management Approach	None	116 - 117	Yes
G4-LA13	Ratio of the basic salary and remuneration of women to men	None	116 - 117	Yes
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS				
G4-DMA	Disclosure on Management Approach	None	116	Yes
G4-LA16	Total number of grievances about labour practices filed through formal grievance mechanisms during the reporting period.	None	116	Yes
SUB-CATEGORY: HUMAN RIGHTS				
ASPECT: INVESTMENT				
G4-DMA	Disclosure on Management Approach	None	127	Yes
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	127	Yes
ASPECT: NON – DISCRIMINATION				
G4-DMA	Disclosure on Management Approach	None	116	Yes
G4-HR3	Total number of incidents of discrimination and corrective action taken	None	116	Yes
ASPECT: SECURITY PRACTICES				
G4-DMA	Disclosure on Management Approach	None	127	Yes
G4-HR7	Percentage of security personnel who have received formal training in the organization’s human rights policies	None	127	Yes
SUB-CATEGORY: SOCIETY				
ASPECT: LOCAL COMMUNITIES				
G4-DMA	Disclosure on Management Approach	None	120 - 127	Yes
G4-SO1	Local community engagement, impact assessments, and development programs	None	121 - 125	Yes
ASPECT: ANTI-CORRUPTION				
G4-DMA	Disclosure on Management Approach	None	79	Yes
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	None	79	Yes
G4-SO4	Total number and percentage of governance body members, employees, business partners that the organization’s anti-corruption policies and procedures have been communicated to	None	79	Yes
G4-SO5	Total number and nature of confirmed incidents of corruption	None	125	Yes
ASPECT: COMPLIANCE				
G4-DMA	Disclosure on Management Approach	None	128	Yes
G4-SO8	Significant fines and non-monetary sanctions for non -compliance with laws or regulations	None	128	Yes
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
ASPECT: CUSTOMER HEALTH AND SAFETY				
G4-DMA	Disclosure on Management Approach	None	125	Yes
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	None	125	Yes
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	125	Yes

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	External Assurance
ASPECT: PRODUCT AND SERVICE LABELLING				
G4-DMA	Disclosure on Management Approach	None	79, 93 - 95	Yes
G4-PR5	Results or key conclusions of customer satisfaction surveys	None	93 - 95	Yes
ASPECT: MARKETING COMMUNICATIONS				
G4-DMA	Disclosure on Management Approach	None	124 - 125	Yes
G4-PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None	125	Yes
ASPECT: CUSTOMER PRIVACY				
G4-DMA	Disclosure on Management Approach	None	124 - 125	Yes
G4-PR8	Total number of substantiated complaints received concerning breaches of customer privacy	None	125	Yes
ASPECT: COMPLIANCE				
G4-DMA	Disclosure on Management Approach	None	124 - 125	Yes
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	125	Yes

ADDITIONAL INFORMATION DISCLOSED IN THE ANNUAL REPORT TO ILLUSTRATE OUR CORPORATE, SOCIAL AND ENVIRONMENTAL GOVERNANCE STRUCTURES

GRI Indicators on governance are used by Aitken Spence to describe our decision-making processes, systems, procedures and general practices in place to implement action for the UN Global Compact, the Women's Empowerment Principles and other voluntary endorsements of our SBUs. As such, the indicators we report on beyond the 'In accordance – Core' option for this purpose are listed in this section.

General Standard Disclosures	Disclosure Title	Page Number (or Link)
G4-35	Delegation of authority for economic, environmental and social topics	41 - 59
G4-36	Executive-level position and positions with responsibility for economic, environmental and social topics	41 - 59
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics.	41 - 59
G4-38	Composition of the highest governance body and its committees	41 - 59
G4-39	Role of the Chair of the highest governance body	41 - 59
G4-40	Nomination and selection processes for the highest governance body and its committees	41 - 59
G4-41	Processes for the highest governance body to avoid/ manage conflicts of interest	41 - 59
G4-42	Role of the highest governance body and senior executives in the development, approval, and updating of the organization's guiding principles and business models	41 - 59
G4-43	Capacity building for the highest governance body's collective knowledge on economic, environmental and social topics.	41 - 59
G4-44	Evaluation of the highest governance body's performance on the governance of economic, environmental and social topics.	41 - 59
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	41 - 59
G4-46	Role of the highest governance body in reviewing the effectiveness of the organization's risk management processes	41 - 59
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	41 - 59
G4-48	The highest position for formal review and approval of the organization's sustainability disclosures	41 - 59
G4-49	The process for communicating critical concerns to the highest governance body.	41 - 59
G4-50	Addressing and resolving them critical concerns communicated to the highest governance body	41 - 59
G4-51	Remuneration policies for the highest governance body and senior executives	46, 49 - 55
G4-52	Process for determining remuneration.	46, 49 - 55

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PROGRESS ON THE IMPLEMENTATION OF ACTION FOR THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT (UNGC)

UN Global Compact	Related GRI Guidance		
	Reported	Partially Reported	Not Reported
Principle 1: Human Rights Businesses should support and respect the protection of internationally proclaimed human rights	GRI G4 – HR2 GRI G4 – HR7	GRI G4 – HR9 While we have assessed our processes, systems and general procedures in place to safeguard human rights at the workplace, we are yet to conduct a review and impact assessment specifically on human rights. We hope to do this within the next 2 – 3 years, including our supply chain for one SBU and one sector at a time to make this practice practicable.	GRI G4 – HR8
Principle 2: Human Rights Business should make sure they are not complicit in human rights abuses.			GRI G4 – HR1, HR10, HR11: As mentioned for Principle 1, we hope to incorporate action on this within the next 2 – 3 years, including our supply chain for one SBU and one sector at a time to make this practice practicable.
Principle 3: Labour Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	GRI G4 – 11 GRI G4 – LA4		GRI G4 – HR11: As mentioned for Principle 1, we hope to incorporate action on this within the next 2 – 3 years, including our supply chain for one SBU and one sector at a time to make this practice practicable.
Principle 4: Labour Businesses should uphold the elimination of all forms of forced and compulsory labour.			GRI G4 – HR6: As mentioned for Principle 1, we hope to incorporate action on this within the next 2 – 3 years, including our supply chain for one SBU and one sector at a time to make this practice practicable.
Principle 5: Labour Businesses should uphold the effective abolition of child labour.			GRI G4 – HR5: As mentioned for Principle 1, we hope to incorporate action on this within the next 2 – 3 years, including our supply chain for one SBU and one sector at a time to make this practice practicable.

UN Global Compact	Related GRI Guidance		
	Reported	Partially Reported	Not Reported
Principle 6: Labour Businesses should uphold the elimination of discrimination in respect of employment and occupation.	GRI G4 – 10 GRI G4 – LA1, LA9, LA11 GRI G4 – EC6: Material only to the tourism sector and the strategic investments sector. We also define 'local' as the immediate community within 35 – 40 km radius of our operations outside Colombo to promote economic development to less developed locations. GRI G4 – LA13 GRI G4 – HR3	GRI G4 – LA3: Only reported for the executive cadre. We hope to report on this more completely in the future, including the rates for the non-executive cadre, especially for the plantations segment where return to work is high. GRI G4 – LA12: While we report on gender breakdown in our Human Capital section, we do not report on other indicators of diversity. Please refer to the Human Capital section for more details.	GRI G4 – EC5 Aitken Spence maintains compensation above minimal wage levels. However, as this is a normal practice for most organisations in Sri Lanka, this is not material to illustrate our practices.
Principle 7: Environment: Businesses should support a precautionary approach to environmental challenges.	GRI G4 – EN3 GRI G4 – EN8 GRI G4 – EN15 GRI G4 – EN16 GRI G4 – EN31	GRI G4 – EC2: While we discuss the risks of climate change to our operations briefly in our Risk report, we do not currently evaluate the financial implications and other opportunities for the organisation's activities due to climate change. We hope to implement action on this in the future. GRI G4 – EN1: We report on the total quantity of fuel consumed to generate electricity. However, this is currently not identified as material to our operation. GRI G4 – EN21: Partially reported for power generation segment.	GRI G4 – EN17 GRI G4 – EN20 GRI G4 – EN27

GRI INDEX

UN Global Compact	Related GRI Guidance		
	Reported	Partially Reported	Not Reported
Principle 8: Environment Businesses should undertake initiatives to promote greater environmental responsibility.	GRI G4 – EN3 GRI G4 – EN6 GRI G4 – EN8 GRI G4 – EN9 GRI G4 – EN10 GRI G4 – EN12 GRI G4 – EN13 GRI G4 – EN15 GRI G4 – EN16 GRI G4 – EN19 GRI G4 – EN23 GRI G4 – EN24 GRI G4 – EN26 GRI G4 – EN29 GRI G4 – EN31	GRI G4 – EN1: We report on the total quantity of fuel consumed to generate electricity. However, this is currently not identified as material to our operation. GRI G4 – EN2: We only report on the quantity of packing material in Aitken Spence Cargo and explain how Aitken Spence Hotels practice the 7R principles to achieve zero waste dumping status. We hope to report on this more comprehensively in the future. GRI G4 – EN7 Please refer to the Natural Capital section to see details of how our companies have tried to reduce the energy consumption of our products and services. However, we have not evaluated this comprehensively. We hope to report on this in the future. GRI G4 – EN21: Partially reported for power generation segment. GRI G4 – EN34: While we explain our general practices to handle environmental grievances, we do not report on the number of grievances about environmental impacts filed through formal grievance mechanisms. We hope to bring this into our reporting practices in the future.	GRI G4 – EN4 GRI G4 – EN5 GRI G4 – EN14 GRI G4 – EN17 GRI G4 – EN18 GRI G4 – EN20 GRI G4 – EN22 GRI G4 – EN25 GRI G4 – EN27 GRI G4 – EN28 GRI G4 – EN30 GRI G4 – EN32 GRI G4 – EN33
Principle 9: Environment Businesses should encourage the development and diffusion of environmentally friendly technologies.	GRI G4 – EN6 GRI G4 – EN19 GRI G4 – EN31	GRI G4 – EN7 as described above	GRI G4 – EN27
Principle 10: Anti-corruption Businesses should work against corruption in all its forms, including extortion and bribery.	GRI G4 – 56 GRI G4 – 57 GRI G4 – 58 GRI G4 – SO3 GRI G4 – SO4 GRI G4 – SO5		GRI G4 – SO6

PROGRESS ON THE IMPLEMENTATION OF ACTION FOR THE WOMEN'S EMPOWERMENT PRINCIPLES

WEP	Related GRI Guidance Reported	Partially Reported	Not Reported
Principle 1: Establish high-level corporate leadership for gender equality	GRI G4 – 38 GRI G4 – 40		
Principle 2: Treat all women and men fairly at work – respect and support human rights and non-discrimination	GRI G4 – LA1 GRI G4 – LA12b: Reported. Refer to pages 108, 111, 116 GRI G4 – LA13 GRI G4 – HR3	GRI G4 – LA3 (page 112)	GRI G4 – LA12a: not reported. Positions in governance structures are awarded on basis of performance and not on gender basis. GRI G4 – EC5: Not material
Principle 3: Ensure the health, safety and well-being of all women and men workers	GRI G4 – HR3 GRI G4 – LA6		
Principle 4: Promote education, training and professional development for women	GRI G4 – LA9 GRI G4 – LA11		
Principle 5: Implement enterprise development, supply chain and marketing practices that empower women		We practice local purchasing as a policy in some operations and as a general practice in many operations to extend opportunities for economic development to local suppliers. However, we do not practice a gender based purchasing policy as priority if given to proximity from the property, quality of the product and availability of resources.	GRI 204 – Procurements Practices; DMA for investment and procurement practices. This is action that falls into exemplary level of action in our implementation framework and we are still in the planning stages of action. We hope to bring this aspect into our reports in subsequent years.
Principle 6: Promote equality through community initiatives and advocacy	GRI G4 – SO1 (Applicable only to the tourism and strategic investments sectors)		
Principle 7: Measure and publicly report on progress to achieve gender equality	The most important gender impacts of our operation is our capacity to empower women through education, awareness and access to opportunities within our operations for economic development. We have explained how we aim to create positive value in this aspect in our capital reviews. Please refer to the index for the page numbers.		

INDEPENDENT ASSURANCE STATEMENT

DNV·GL

SCOPE AND APPROACH

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Aitken Spence PLC ('Aitken Spence' or 'the Company') to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) reported in Aitken Spence Annual Report 2016/17 ('the Report') in its printed format for the financial year ending 31st March 2017. The sustainability disclosures in this Report is prepared by the Aitken Spence, based on the 'in accordance' – Core reporting option of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (GRI G4).

We performed our work using AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL's assurance methodology VeriSustainTM , which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI G4. Our assurance engagement was planned and carried out in April 2017 – May 2017.

The intended user of this assurance statement is the Management of Aitken Spence ('the Management'). We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement.

The reporting aspect boundary of sustainability performance is based on internal and external materiality assessment carried out by the Company and predominantly covers operations in Sri Lanka, Maldives and India. The Report does not include performance data and information related to the activities of non-operational entities or newly acquired entity -Fiji Ports Corporation Limited, Fiji Islands as it was operational during part of year, investment entities and holding Companies i.e. entities over which Aitken Spence does not exercise significant management control.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

RESPONSIBILITIES OF THE DIRECTORS OF COMPANY AND OF THE ASSURANCE PROVIDERS

The Management of Aitken Spence have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing our assurance work, DNV GL responsibility is to the Management of Aitken Spence; however, this statement represents DNV GL's independent opinion and is intended to inform the outcome of assurance to the stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

BASIS OF OUR OPINION

A multi-disciplinary team of sustainability and assurance specialists performed work at Company's Corporate Office, and as part of assurance we visited sample operations in Sri Lanka and Maldives. We undertook the following activities:

- Review the approach to stakeholder engagement and materiality determination process and the outcome as stated in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample operations related to Tourism, Maritime and Logistics and strategic Investment sector i.e. (i) Heritance Kandalama, Dambulla (ii) Heritance Ahungalla, Ahungalla (iii) Adaaran Select Meedhupparu – Maldives (iv) Aitken Spence Logistics Facility, Mabole (v) Aitken Spence Apparel manufacturing facility, Koggala, to review processes and systems for preparing site level sustainability data and implementation of management approach. We were free to choose sites we visited;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) and other financial data are based on audited financial statements issued by the Company's statutory auditors;
- An independent assessment of non-financial reporting against the Global Reporting Initiative (GRI) G4 Guidelines and the reporting requirements for its 'in accordance' – Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

OPINION

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not properly describe adherence to the GRI G4 reporting requirements

DNV·GL

including the Principles for Defining Report Content, identified material Aspects, related strategies and Disclosures on Management Approach and Performance Indicators as below:

- General Standard Disclosures: The reported information on General Standard Disclosure generally meets the disclosure requirements for the 'in accordance' – Core option of reporting.
- Specific Standard Disclosures: The Report describes the generic Disclosures on Management Approach (DMA) and Performance Indicators for identified material Aspects presented within the Report as below:

Economic

- Economic Performance - G4-EC1, G4-EC3;
- Market Presence - G4-EC6;
- Indirect Economic Impacts - G4-EC7;
- Procurement Practices – G4-EC9;

Environmental

- Energy - G4-EN3, G4-EN6;
- Water – Water – G4-EN8, G4-EN9, G4-EN10;
- Biodiversity -G4-EN11, G4-EN12, G4- EN13
- Emissions – G4-EN15, G4-EN16, G4-EN19;
- Effluents and Waste - G4-EN22, G4-EN23, G4-EN24, G4-EN26;
- Compliance - G4-EN29;
- Overall - G4-EN3;

Social

Labour Practices and Decent Work

- Employment - G4-LA1, G4-LA2;
- Labour/Management Relations - G4-LA4;
- Training and Education - G4-LA9, G4-LA11;
- Equal Remuneration for Women and Men G4-LA13;
- Labour practice Grievance Mechanism - G4-LA16;

Human Rights

- Investment – G4-HR2;
- Non-discrimination – G4-HR3;
- Security Practices – G4-HR7;

Society

- Local Communities - G4-SO1;
- Anti-Corruption - G4-SO3, G4-SO4, G4-SO5;
- Compliance - G4-SO8;

Product Responsibility

- Customer Health and Safety – G4-PR1, G4-PR2;
- Product and Service Labelling - G4-PR5;
- Marketing Communications - G4-PR7;
- Customer Privacy – G4 – PR8;
- Compliance - G4-PR9.

OBSERVATIONS

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

The report has articulated identified material aspect for each of its business sectors, based on an internal and external materiality analysis exercise, considering the sustainability context. The materiality of Aspects is fairly explained in the Report along with the management approach and related monitoring systems. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The report has articulated the established process to identify key stakeholders to engage with, the engagement mechanism and process, and key outcomes of stakeholder engagement. The Report has attempted to describes the process of integrating sustainability within its supply chain, however the report could explicitly bring out the key risks associated with its supply chain and mitigation strategy across its business sectors. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The report brings out the responses to identified material aspects in terms of its Policies, Strategies, Management systems and Governance mechanisms in place across the business sectors. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at Corporate Office and at sampled operational sites were found to be based on established data management system. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been communicated for changes. Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that sustainability data and information presented in the Report could be further improved upon in line with the GRI G4 performance disclosures requirements. In our opinion, the level at which the Report adheres to this principle is 'Needs improvement'.

INDEPENDENT ASSURANCE STATEMENT

DNV·GL

SPECIFIC EVALUATION OF THE INFORMATION ON SUSTAINABILITY PERFORMANCE

We consider the methodology and process for gathering information developed by Aitken Spence for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

ADDITIONAL PRINCIPLES AS PER DNV GL VERISUSTAIN

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report has fairly attempted to disclose General and Specific Standard Disclosures including the disclosure on management approach covering the strategy, management approach, monitoring systems and sustainability performances indicators against GRI G4's – 'in accordance' – Core option of reporting within the chosen reporting boundary. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation; however, the Report may further bring out reasons for underperformance and challenges during the period with respect to achieving its short, medium and long term targets. In our opinion, the level at which the Report adheres to the principle of Neutrality is 'Acceptable'.

OPPORTUNITIES FOR IMPROVEMENT

The following is an excerpt from the observations and further opportunities for improvement reported to the management and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- A system of internal audit along with documented data management system including all assumptions, calculation methodology, conversion factors etc. may be established to strengthen accuracy and reliability of reported data.
- Management may further establish sector wise short, medium and long term sustainability targets and report performance against these targets.
- The future report may consider reporting on Aspect-specific DMA related to identified material aspects and further strengthen disclosure on supply chain activities related to impact on Aitken Spence due to risks in supply chain

For DNV GL

Rathika de Silva
Country Head and Lead Verifier

DNV GL Business Assurance Lanka (Private) Limited, Colombo, Sri Lanka

Vadakepatth Nandkumar
Regional Manager

Sustainability and Supply Chain Services – Region India and Middle East

DNV GL Business Assurance India Private Limited, India.

Prasun Kundu
Assurance Reviewer

Global Service Responsible – Social Accountability

DNV GL Business Assurance India Private Limited, India.

26th May 2017, Colombo, Sri Lanka.

DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com

AA1000 Licensed Assurance Provider 000-10

MEMBERSHIPS AND AFFILIATIONS OF AITKEN SPENCE

The memberships we maintain, positions held and collaborations we take part in within the professional/ industry organisations is one method through which we add value to the industries we operation in within our sphere of influence. This is a list of our memberships and positions held within organisations.

Organisations our Companies are members of;

AITKEN SPENCE PLC

- Members of the Ceylon Chamber of Commerce
- Members of the Sri Lanka Association of Software and Services Companies (SLASSCOM)
- Signatories to the United Nations Global Compact (UNGC)
- Signatories to the Women's Empowerment Principles of UNGC and UN Women
- Signatories to the Caring for Climate initiative of UNEP, UNFCCC and UNGC
- Members of the Global Compact Network Ceylon (GCNC) Steering Committee and Board of Management
- Pioneering Partners of CSR Sri Lanka
- Members of the Asia Pacific Alliance for Disaster Management

Tourism sector

Aitken Spence Aviation (Pvt) Ltd.

- Sri Lanka Association of Airline Representatives (SLAAR) - an association of Airline GSA's

Aitken Spence Hotel Holdings.

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

Ace Exports (Pvt) Ltd.

- Employers Federation of Ceylon (EFC)
- Registered in the Sri Lanka Export Development Board (EDB)

Aitken Spence Travels - Overseas Travels.

- Civil Aviation Authority (Overseas Travels)
- Sri Lanka Malaysia Business Council
- China Business Council
- International Air Transport Association

Aitken Spence Travels (Pvt) Ltd.

- Sri Lanka Tourism Authority (Inbound)
- Japan Association of Travel Agents
- Travel Agents Association of India
- PATA Sri Lanka chapter
- The Travel Agents Association of Sri Lanka
- Ceylon Chamber of Commerce

Maritime & Logistics sector

Aitken Spence Shipping Ltd.

- Sri Lanka Association of Freight Forwarders (SLAFFA)
- Sri Lanka Association of Air Cargo Agents (SLACA)
- Ceylon Association of Shipping Agents (CASA)
- Sri Lanka Malaysia Business Council (Affiliated to Ceylon Chamber of Commerce)
- Sri Lanka Italy Business Council (Affiliated to Ceylon Chamber of Commerce)
- Sri Lanka India Business Council (Affiliated to Ceylon Chamber of Commerce)
- Sri Lanka China Business Council (Affiliated to Ceylon Chamber of Commerce)
- Sri Lanka Canada Business Council (Affiliated to Ceylon Chamber of Commerce)

Shipping & Cargo Logistics (Pvt) Ltd.

- Sri Lanka Korea Economic Cooperation Committee (Affiliated to Ceylon Chamber of Commerce)
- Ceylon Association of Shipping Agents (CASA)

Happag Lloyd Lanka (Pvt) Ltd.

- Ceylon Association of Shipping Agents (CASA)

Clark Spence & Co (Pvt) Ltd.

- Ceylon Association of Shipping Agents (CASA)

Port Management Container Services Ltd.

- International Association of Ports and Harbours (IAPH).

Ace Cargo (Pvt) Ltd.

- International Federation of Freight Forwarders Associations (FIATA)
- Accredited Cargo Agent of the International Air Transport Association (IATA)
- Sri Lanka Freight Forwarders Association (SLFFA)

Aitken Spence Cargo (Pvt) Ltd.

- Sri Lanka Freight Forwarders Association (SLFFA)
- Committee member: Sri Lanka Singapore Business Council
- Sri Lanka Maldives Business Council
- Sri Lanka Pakistan Business Council
- Sri Lanka Germany Business Council
- International Association of Movers (IAM)
- American Chamber of Commerce in Sri Lanka (AMCHAM)

Aitken Spence Logistics (Pvt) Ltd.

- Sri Lanka Freight Forwarded Association (SLFFA)
- Association of Container Transporters (ACT)
- Association of Container Transporters and Depot Operators (ACTDO)
- Free Trade Zone Manufacturer's Association membership

Strategic Investments sector

Aitken Spence Garments.

- Sri Lanka Apparel Exporters Association
- Joint Apparel Association Forum (JAAF)

Aitken Spence Power.

Members of the;

- Ceylon Chamber of Commerce (CCC)

Elpitiya Plantations PLC

Memberships;

- The Ceylon Tea Traders' Association (CTTA)
- The Ceylon Rubber Traders' Association (CRTA)
- The Planters Association of Ceylon (PA)
- Employers Federation of Ceylon (EFC)
- Employers Federation of Ceylon Network on Disability
- Ceylon Planters Provident Society (CPPS)
- Estate Staffs' Provident Society (ESPS)
- Ceylon Chamber of Commerce
- Ceylon Planters Benevolent Society

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on page 306 to 311 for specific details

MEMBERSHIPS AND AFFILIATIONS OF AITKEN SPENCE

Affiliations;

- Sri Lanka Tea Board
- Tea Commissioners' Office
- Tea Promotion Bureau
- Tea Research Institute (TRI)
- Rubber Research Institute (RRI)
- Coconut Research Institute (CRI)
- National Institute of Plantation Management (NIPM)

Aitken Spence Printing & Packaging (Pvt.) Ltd.

- Employers' Federation of Ceylon (EFC)
- Sri Lanka Association of Printers
- Sri Lanka Institute of Packaging

Services sector

Aitken Spence Insurance (Pvt) Ltd.

- American Chamber of Commerce.
- Lloyds Agents
- Comité d'Études et de Services des Assureurs Maritimes et Transports (CESAM)

Aitken Spence Insurance Brokers (Pvt) Ltd.

- Sri Lanka Insurance Brokers Association
- Sri Lanka Insurance Institute

MMBL Money Transfer Ltd.

- American Chamber of Commerce

Industry Specific Memberships and Positions Held by Individuals

BOARD OF MANAGEMENT;

Mr. J.M.S Brito

- A Fellow of the Institute of Chartered Accountants of Sri Lanka
- A Fellow of the Institute of Chartered Accountants of England and Wales

Dr. R. M. Fernando

- A Fellow of the Chartered Institute of Marketing (CIM) UK
- Chairman of the UNGC Local Network Ceylon (Guarantee) Ltd
- Member of the advisory board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT)

Dr. P. Dissanayake

- International President – Institute of Chartered Shipbrokers (UK)
- Chartered Fellow of the Chartered Institute of Marketing (FCIM) UK
- Chartered Fellow and Past Chairman (Sri Lanka) of the Institute of Chartered Shipbrokers (FICS) UK
- Chartered Fellow and Past Chairman (Sri Lanka) of the Chartered Institute of Logistics and Transport (FCILT) UK.
- A member of the main committee, Ceylon Chamber of Commerce
- Member of the Maritime Advisory Council, Ministry of Ports & Shipping
- Advisory council member of Ceylon Association of Ships Agents (CASA)

Mr. R. N. Asirwatham

- A fellow member of the Institute of Chartered Accountants of Sri Lanka
- Chairman of the steering committee for the sustainable tourism project funded by the World Bank
- Member of the Presidential Commission on taxation
- A member of the council of the University of Colombo

Mr. N.J. de Silva Deva Aditya

- A Fellow of the Royal Society for Arts, Manufacture and Commerce.

Ms. D. S. T. Jayawardena

- A member of the Ernst & Young Next Generation Club of Entrepreneurs (EY NextGen)
- A member of the Young Leaders Steering Committee of the Ceylon Chamber of Commerce
- A member of the Banking, Finance & Capital Markets Steering Committee of the Ceylon Chamber of Commerce.

BOARD OF MANAGEMENT

Ms. N. Sivapragasam

- A Fellow of CA Sri Lanka and the Chartered Institute of Management Accountants of UK.
- A member of the Taxation Faculty of CA Sri Lanka.
- A member of the Financial Reporting Standards Implementation & Interpretation Committee of CA Sri Lanka.
- Board member of the Sri Lanka Accounting & Auditing Standards Monitoring Board.
- A member of the Taxation Steering Committee of the Ceylon Chamber of Commerce.
- A member of the Accounting Standards and Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce.
- Council member of the Sri Lanka Institute of Directors.
- Board member of the Women and Media Collective, a non-governmental organization.
- A member of the steering committee on implementing World Bank RoSC 2015.

Mr. R. G. Pandithakorralage

- A Member of the Council of the Employers Federation of Ceylon (EFC).
- A Member of the National Labour Advisory Council (NLAC).
- Member of the Board of Directors of CSR Lanka Guarantee Ltd. (APEX body for CSR in SL).
- Member of the Board of Governors of the National Institute of Labour Studies (NILS).
- A Founder Committee & Fellow Member and a Past President of the Association of Human Resource Professionals in Sri Lanka (HRP).

Mr. N.A.N. Jayasundera

- The Hon. Secretary of the Sri Lanka Association of Inbound Tour Operators (SLAITO)

Mrs. N.W. de A. Guneratne

- A Fellow of the Chartered Insurance Institute of UK
- A life member of the Bar Association of Sri Lanka
- An Honorary Member of the Sri Lanka Insurance Institute
- A Chartered Insurance Practitioner
- On the panel of Lecturers of the Sri Lanka Insurance Institute
- A visiting Lecturer/Course Director – CINEC Maritime Campus on Insurance
- A member of the Legal Steering Committee of the Ceylon Chamber of Commerce

Mr. P. Karunathilake

- A Fellow of the Sri Lanka Institute of Printing
- An Employer Representative to the Wages Board for the Printing Trade
- A Director of the INGRIN Institute of Printing & Graphics Sri Lanka
- Serves as a lecturer at the INGRIN Institute of Printing & Graphics Sri Lanka and the Sri Lanka Institute of Printing
- Member of the Sri Lanka Institute of Directors
- Advisory Committee Member of the Export Development Board

Mr. D. S. Mendis

- Director of the SLFFA Cargo Services Ltd.
- Director of the American Chamber of Commerce (2013 – 2015)

Mr. S.K.R.B. Jayaweera

- Deputy Chairman- Sri Lanka Association of Airline Representatives (SLAAR)
- Board Member and current Treasurer of the Asian Area Committee of SKAL International

SECTORS

Tourism sector

Mr. N. Senaveratne, General Manager – Aitken Spence Overseas Travels

- Committee member of the Ceylon Chamber of Commerce as a representative of the Travel Agents Association of Sri Lanka (TAASL)
- Executive Council member of TAASL to represent Agency Program Joint Committee (APJC)
- Council member of IATA Agents Association of Sri Lanka
- Board Director of the Sri Lanka Tourism Development Authority (SLTDA)
- Appointed Director of the Guangdong Tourism Center in Sri Lanka
- Member of the Greater Mekong Sub region (Thai) Business Council

Mr. N. Rodrigo, Vice President – Aitken Spence Travels

- Committee member of the Sri Lanka - German Business Council

Mr. P. L. Perera, Vice President – Aitken Spence Travels

- The Council for Business with Britain
- The Sri Lanka - Nordic Business Council
- The SLAITO Cruise Tourism Committee

Mr. S. Wijenayake, Deputy General Manager – Aitken Spence Travels

- Committee member of the Benelux Business Council

Mr. Z. Ameen, Assistant General Manager - Aitken Spence Travels

- President of the Sri Lanka Association of Professional Conference, Exhibitions & Event organizers.
- A members of the Board of Management at the Sri Lanka Convention Bureau (SLCB)
- Member of the Audit and Management Committee of Sri Lanka Convention Bureau

Mr. D. D. Perera, Assistant Vice President – Supply chain management department of Aitken Spence Hotels and Director of Aitken Spence Exports (Pvt) Ltd

- Vice President of Organization of Professional Associations (OPA)

Maritime & Logistics sector

Mr. I. Cuttilan, Vice President/COO – Aitken Spence Maritime Ltd.

- Treasurer of the Ceylon Association of Ships' Agents (CASA)
- Vice President – Sri Lanka Malaysia Business Council (affiliated to Ceylon Chamber of Commerce)

Mr. K. Siripala, HR & Administration Manager - Aitken Spence Shipping Ltd.

- President of the Professional Counseling Service Association

Mr. A. M. M. Amir, Vice President – Aitken Spence Logistics

- Treasurer of the Association of Container Transporters and Depot Operators (ACTDO)

Strategic Investments sector

Mr. D. W. Basnayake, General Manager (Operations and Projects) – Aitken Spence Power

- Accreditation Consultant of Sri Lanka Sustainable Energy Authority for Development of Renewal Energy Projects

Mr. A L W Goonewardena, Executive Director – Elpitiya Plantations PLC

- Chairman, Plantation Services Group - Employers Federation of Ceylon.
- Deputy Chairman - Planters Association of Ceylon
- Member of the Media Committee - Planters Association of Ceylon
- Member of the Consultation Committee, Estates & Advisory Services, Tea Research Institute of Sri Lanka
- Member of the National Committee on Organic Forestry and Forestry
- Member of the Sri Lanka Institute of Directors
- Member of National Technical Advisory Committee on Tea - Sri Lanka Standards Institute
- Member of the Sub Committee for Tea sampling - Colombo Tea Traders Association
- Member of the Committee on Grade Nomenclature – Colombo Tea Traders Association.

Mr. B Bulumulla, Chief Executive Officer – Elpitiya Plantations PLC

- Member of the Sri Lanka Institute of Directors
- Member of the National Institute of Plantation Management

Mr. A Segarajasingam, General Manager (Marketing) – Elpitiya Plantations PLC

- Member of the Expert Panel of the Sri Lanka Tea Board of the Tea Tasting Unit
- Subcommittee member of the Colombo Tea Traders' Association on warehousing, grade nomenclature, purchasing for tea

Mr. P. Dissanayake, General Manager (Engineering & Projects) – Elpitiya Plantations PLC

- Member of the Agricultural & Plantation Engineers sectional committee of Institute of Engineers Sri Lanka for session 2016/17
- Board Member of the Sri Lanka Energy Managers Association for session 2016/17

Mr. S K S B Pahathkumbura, General Manager (Up Country, Cluster 02) – Elpitiya Plantations PLC

- Member of National Institute of Plantation Management - Sri Lanka
- Member of JESTECA (Japan Sri Lanka Technical and Cultural Association) - Sri Lanka
- Member of AOTS (Association for Overseas Technical Scholarship) - Japan
- Member of ASCI (Agriculture Skill Council of India)

Mr. A. G. Geeth Kumara, General Manager (Low Country) – Elpitiya Plantations PLC

- Member of JESTECA (Japan Sri Lanka Technical and Cultural Association) - Sri Lanka

Mr. M. I. Izzadeen, General Manager (Business Sustainability) – Elpitiya Plantations PLC

- Member of National Institute of Plantation Management - Sri Lanka

Mr. A. Bakeer-Markar, General Manager Group Business Development & Head of Sustainability – Aitken Spence PLC

- A member of the Board of Management at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKIIRSS).
- Member of the Advisory Council for the World CSR Congress 2018
- Named among the '100 most impactful CSR leaders [Global Listing]' at the 6th edition of the World CSR Congress

Services sector

Mr. A. N. Seneviratne, Director - Aitken Spence Insurance Brokers

- Associate of the Chartered Insurance Institute of UK
- Chartered Insurance Practitioner

GROUP COMPANIES AND DIRECTORATE

AITKEN SPENCE PLC

The holding company that directly and indirectly owns investments in companies which form the Aitken Spence Group. The Company also provides management and related services to the Group Companies.

TOURISM
- Hotels
- Inbound & Outbound Travel
- Airline GSA

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

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

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

TOURISM SECTOR

OUTBOUND TRAVEL

Ace Aviation Services Maldives Private Limited *
General Sales Agent for Sri Lankan Airlines in the Maldives.

Directors:
S.T.B. Ellepola (Chairman),
M. Firaq,
N.A.N. Jayasundera,
K.R.T. Peiris (Resigned w.e.f. 23.05.2017),
D.L. Warawita.

Aitken Spence Aviation (Private) Limited
General Sales Agent for Singapore Airlines, Singapore Airlines Cargo and Silkair (Singapore) Private Limited.

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

Aitken Spence Moscow (Private) Limited *
The Company did not carry out operations during the year.

Directors:
Dr. J.W.A. Perera (Managing Director),
S.T.B. Ellepola,
N.A.N. Jayasundera (Appointed w.e.f. 17.10.2016).

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 *
Leading destination management company in Sri Lanka. A joint venture with TUI – one of the largest tourism companies in the world.

Directors:
J.M.S. Brito (Chairman),
N.A.N. Jayasundera (Managing Director),
J.C. Munar (Resigned w.e.f. 26.09.2016),
M. Habig (Alternate Director to J.C. Munar) (Ceased to be an Alternate Director w.e.f. 26.09.2016),
N.N. Lazaro (Resigned w.e.f. 26.09.2016),
S.T.B. Ellepola (Alternate Director to J.M.S. Brito),
D.C. Schelp (Appointed w.e.f. 26.09.2016),
J.P.F. Ulwahn (Appointed w.e.f. 26.09.2016).

Ace Travels and 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,

Royal Spence Aviation (Private) Limited
General Sales Agent for Turkish Airlines. The agreement was terminated on the 18th March 2016.

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

HOTELS

Ace Resorts Private Limited *
Owns the Raafushi island for the construction and development of a Resort in the Maldives.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama (Managing Director),
Ms. D.S.T. Jayawardena,
A.K.M.P. Wijesekara,
M. Mahdy.

A.D.S Resorts Private Limited *
Owns Adaaran Select Hudhuranfushi – Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M. Mahdy,
A.K.M.P. Wijesekara.

Aitken Spence Hotel Holdings PLC *
The holding company of the group's hotel interests. Owns the Heritance Ahungalla Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito (Managing Director),
Ms. D.S.T. Jayawardena,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
C.M.S. Jayawickrama,
G.P.J. Goonewardena,
R.N. Asirwatham,
C.H. Gomez,
N.J. de Silva Deva Aditya.

*The companies' Financial Statements are audited by KPMG

Aitken Spence Hotel Managements (Private) Limited *
Manages resorts in Sri Lanka.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
D.T.R. de Silva (Appointed w.e.f. 01.02.2017).

Aitken Spence Hotel Managements (South India) Private Limited
Owns a 143 room hotel property "Turyaa" in Chennai.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
T.K. Dewanarayana (Appointed w.e.f. 09.05.2016),
A. Durairaj (Appointed w.e.f. 09.05.2016).

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,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
G.P.J. Goonewardena.

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,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Aitken Spence Hotel Services Private Limited
Local marketing company of hotels in India.

Directors:
R.S. Rajaratne,
A.K.M.P. Wijesekara.

Aitken Spence Hotels Limited *
Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns Heritance Ayurveda Maha Gedara.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Aitken Spence Resorts (Middle East) LLC*
Owns Adaaran Select Hudhuranfushi – Maldives.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrema,
A. Perera,
A.K.M.P. Wijesekara,
S.N. de Silva.

Aitken Spence Resources (Private) Limited *
Human resource management, foreign employment and recruitment company.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
G.P.J. Goonewardena.

Ahungalla Resorts Limited *
A joint venture company with RIUSA NED BV and owns the Hotel RIU Sri Lanka.

Directors:
J.M.S. Brito (Appointed w.e.f. 06.05.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
L. Riu Guell,
C.L.M. Riu Guell.

Cowrie Investment Pvt Ltd *
Owns Adaaran Select Meedhupparu – Maldives.

Directors:
J.M.S. Brito (Chairman and Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

Crest Star (B.V.I.) Limited
The holding company and managing agent of Jetan Travel Services Company Private Limited.

Directors:
J.M.S. Brito (Chairman),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Crest Star Limited

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Heritance (Private) Limited *
Owns a land in Beruwela for a proposed hotel project.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Hethersett Hotels Limited *
Owns Heritance Tea Factory.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f.30.06.2016).

Jetan Travel Services Company Private Limited *
Owns Adaaran Club Rannalhi – Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
H. Mohamed,
M. Mahdy,
A.K.M.P. Wijesekara.

Kandalama Hotels (Private) Limited *
Owns Heritance Kandalama.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Meeraladuwa (Private) Limited *
Owns the island of Meeraladuwa.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrema,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

M.P.S. Hotels (Private) Limited *
Owns Hotel Hilltop – Kandy.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Neptune Ayurvedic Village (Private) Limited *
Leases company owned land and building to Aitken Spence Hotels Limited.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

GROUP COMPANIES AND DIRECTORATE

Nilaveli Holidays (Private) Limited *
To operate a future hotel project.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Nilaveli Resorts (Private) Limited *
To operate a future hotel project.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

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,
M.R. Narayanan,
K.K.M. Rawther,
R. Narayanan.

PR Holiday Homes Private Limited
Owns a land in Cochin, India for a future hotel project.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
A.K.M.P. Wijesekera,
M.R. Narayanan,
K.K.M. Rawther.

The Galle Heritage (Private) Limited *
Proposed for constructing and operating a heritage hotel within the Fort of Galle.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Turyaa (Private) Limited *
Owns the resort "Turyaa" in Kalutara.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Turyaa Resorts (Private) Limited *
Owns a 90 room hotel property "Turyaa" in Kalutara.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Unique Resorts Pvt Ltd *
Owns Adaaran Prestige Vaadoo – Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
A.K.M.P. Wijesekara,
M.D.B.J. Gunatilake.

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 (Resigned w.e.f. 23.05.2017),
J.E. Brohier.

Ace Cargo (Private) Limited
Provides international freight forwarding services.

Directors:
Dr. P. Dissanayake (Chairman),
K.R.T. Peiris (Resigned w.e.f. 23.05.2017),
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
(Resigned w.e.f. 15.02.2017),
K.R.T. Peiris (Managing Director)
(Resigned w.e.f. 23.05.2017),
J.E. Brohier,
Ms. T.D.M.N. Anthony (Appointed w.e.f. 23.05.2017)

Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agent for airline cargo.

Directors:
J.M.S. Brito (Appointed w.e.f. 02.05.2017),
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris (Managing Director)
(Resigned w.e.f. 23.05.2017),
J.E. Brohier.

D B S Logistics Limited
International Freight Forwarder - Network Partner for DB Schenker.

Directors:
J.M.S. Brito,
Dr. P. Dissanayake,
K.R.T. Peiris (Resigned w.e.f. 23.05.2017),
J.E. Brohier.

Spence International (Private) Limited
Regional operating headquarters to manage operation overseas.

Directors:
Dr. P. Dissanayake,
K.R.T. Peiris (Resigned w.e.f. 23.05.2017),
J.E. Brohier.

Spence Maldives Private Limited
Provides cargo General Sales Agent, international air express, domestic express and freight forwarding services in the Maldives.

Directors:
J.M.S. Brito (Appointed w.e.f. 23.09.2016),
Dr. P. Dissanayake,
K.R.T. Peiris (Managing Director)
(Resigned w.e.f. 23.05.2017),
M. Firaq,
J.E. Brohier,
A. Ghiyas.

INTEGRATED LOGISTICS

Ace Containers (Private) Limited *
Operates an inland container terminal, container freight station and haulage management.

Directors:
J.M.S. Brito (Appointed w.e.f. 02.05.2017),
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera,
A.U. Kodagoda (Appointed w.e.f. 01.02.2017).

*The companies' Financial Statements are audited by KPMG

Ace Container Repair (Private) Limited *
Undertakes container repairs, conversions for Garments on Hangers and other purpose built solutions.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

Ace Container Terminals (Private) Limited *
Provides container storage, custom brokerage, transport and warehousing services.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

Ace Distriparks (Private) Limited *
Provides total integrated logistics services which encompasses warehouse management, transport and distribution services, project cargo logistics, mobile storage solutions and act as agents for leading Liquid Cargo Operators and Container Leasing companies.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

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.

Aitken Spence Developments (Private) Limited *
Property development company.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

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 (Resigned w.e.f. 23.05.2017),
A.M.M. Amir,
A. Jayasekera.

MARITIME SERVICES

Aitken Spence Maritime Limited *
Holding company of Hapag-Lloyd Lanka (Private) Limited and Aitken Spence Ports International Limited.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Dr. P. Dissanayake,
I.S. Cuttilan.

Aitken Spence Ports International Limited
Port management services which includes managing ports, 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 and an international freight forwarder.

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:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Fiji Ports Terminal Limited
A joint venture with Fiji Ports Corporation Limited, to operate and manage, 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:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Printing and Packaging (Private) Limited * (Being Amalgamated with Ace Printing and Packaging (Private) Limited w.e.f. 12.08.2016)
Provides printing and packaging services to the local market.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

GARMENT MANUFACTURING

Ace Apparels (Private) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers mainly in the USA and EU.

Directors:
J.M.S. Brito (Appointed w.e.f. 25.07.2016),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 25.07.2016),
R.G. Pandithakorralage (Appointed w.e.f. 29.06.2016),
P.C.J. Fernando,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

GROUP COMPANIES AND DIRECTORATE

Aitken Spence (Garments) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers primarily in USA and EU.

Directors:
Ms. D.S.T. Jayawardena (Appointed w.e.f. 25.07.2016),
R.G. Pandithakorralage,
P.C.J. Fernando,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Aitken Spence Apparels (Private) Limited
Manufacturer and exporter of high quality clothing to departmental stores and apparel importers chiefly in USA and EU

Directors:
J.M.S. Brito (Appointed w.e.f. 25.07.2016),
D.S.T. Jayawardena (Appointed w.e.f. 25.07.2016),
R.G. Pandithakorralage (Appointed w.e.f. 29.06.2016),
P.C.J. Fernando,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

POWER GENERATION

Ace Power Embilipitiya (Private) Limited
Owns and operates a 100MW thermal 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:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
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 and operates a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
L. Wickremarachchi,
Ms. N. Sivapragasam.

Western Power Company (Private) Limited
Has the approval to construct, commission and operate a 10MW waste to energy power project to supply energy 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:
J.M.S. Brito (Appointed w.e.f. 26.10.2016),
Ms. N. Sivapragasam (Managing Director),
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016).

Aitken Spence Group Limited *
Overall management of the Aitken Spence Group of Companies.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Dr. R.M. Fernando,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
K.R.T. Peiris (Resigned w.e.f. 23.05.2017),
Ms. N. Sivapragasam,
Dr. P. Dissanayake,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
D.S. Mendis,
P. Karunatilake,
D.T.R. de Silva (Appointed w.e.f. 01.02.2017).

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:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

Vauxhall Investments (Private) Limited
(Being Amalgamated with Triton (Private) Limited w.e.f. 15.08.2016)
Owns buildings and land in Bloemendhal Street.

Directors:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
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:
J.M.S. Brito (Appointed w.e.f. 17.10.2016),
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.

*The companies' Financial Statements are audited by KPMG

ELEVATOR AGENCY

Elevators (Private) Limited *
A Joint Venture between Aitken Spence PLC and OTIS Elevators AG are the 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),
S. Mariappan (Joint Managing Director),
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
S. Joseph.

Interlifts International Private Limited *
Marketing, installing, commissioning and maintaining OTIS elevators, escalators and other people moving equipment.

Directors:
R.E.V. Casie Chetty, (Resigned w.e.f. 30.06.2016),
A.K.M.P. Wijesekera,
M.M. Ahamed,
B.D.S. Mendis (Managing Director) (Appointed w.e.f. 01.07.2016),
S. Mariappan (Appointed w.e.f. 01.07.2016).

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.

FINANCIAL SERVICES

MMBL Money Transfer (Private) Limited *
Principal agent for Western Union money transfer services in Sri Lanka.

Directors:
M.D.D. Peiris (Chairman),
D.S. Mendis (Managing Director),
J.M.S. Brito,
K. Balasundaram,
Ms. N. Sivapragasam,
J.V.A. Corera,
M.R.P. Balendra (Alternate Director to M.D.D. Peiris),
Dr. R.M. Fernando (Alternate Director to J.M.S. Brito),
R.G. Pandithakorralage (Alternate Director to D.S. Mendis),
Ms. Y.N. Perera (Resigned w.e.f. 27.03.2017).

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),
C.M.S. Jayawickrama,
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
C.D.D. Perera.

EQUITY ACCOUNTED INVESTEES

TOURISM SECTOR

Amethyst Leisure Limited *
Holding company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Ms. V.J. Senaratne,
B.H.R. Sariffodeen (Resigned w.e.f. 01.03.2017),
M.Z.H. Hashim,
A. Mahir,
J.C. Weerakone (Appointed w.e.f. 14.02.2017).

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 (Ceased to be a Director w.e.f. 11.09.2016 in terms of section 210 and 211 of the Companies Act. No.7 of 2007),
A.L. Gooneratne,
Ms. D.S.T. Jayawardena,
R.N. Asirwatham,
N.J. de Silva Deva Aditya,
C.R. Stanislaus (Appointed w.e.f. 15.08.2016).

Negombo Beach Resorts (Private) Limited *
Owns and operates Heritance Negombo

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
C.R. Stanislaus (Appointed w.e.f. 15.08.2016).

Paradise Resort Pasikudah (Private) Limited *
Owning company of Amethyst Resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Ms. V.J. Senaratne,
B.H.R. Sariffodeen (Resigned w.e.f. 01.03.2017),
M.Z.H. Hashim,
A. Mahir,
J.C. Weerakone (Appointed w.e.f. 14.02.2017).

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 (Resigned w.e.f. 23.05.2017),
A. Rahman.

Colombo International Nautical and Engineering College (Private) Limited *
Sri Lanka’s largest private maritime and higher education campus.

Directors:
Capt. P.A.P. Peiris,
C.L. Wikramanayake (Resigned w.e.f. 01.12.2016),
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,
Capt. H.D.J.B. Ranchigoda,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski).

Fiji Ports Corporation Limited
Owns 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.

GROUP COMPANIES AND DIRECTORATE

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) (Ceased to be an Alternate Director w.e.f. 05.04.2017),
A.L.W. Goonewardena,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
R.E.V. Casie Chetty (Resigned w.e.f. 30.06.2016),
L.N. de S. Wijeyerathne,
B. Bulumulla (Appointed w.e.f. 05.07.2016),
Dr. R.A. Fernando (Appointed w.e.f. 11.08.2016),
A.T.S. Sosa (Alternate Director to Merrill J Fernando) (Appointed w.e.f. 05.04.2017).

Elpitiya Plantations PLC
Owns 13 Tea, Rubber and Oil Palm estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,830.52 hectares.

Directors:
J.M.S. Brito (Chairman),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
Dr. S. Anura B. Ekanayake,
D.C. Fernando (Alternate Director to Merrill J. Fernando) (Ceased to be an Alternate Director w.e.f. 05.04.2017),
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
S.C. Ratwatte,
A.L.W. Goonewardena,
Ms. B.W.G.C. Sagarika Bogahawatta,
A.T.S. Sosa (Alternate Director to Merrill J Fernando) (Appointed w.e.f. 05.04.2017).

Venture Valley (Private) Limited
Develop and Operate an Adventure park in a land identified at Deviturai Estate, Ethkandura in order to offer Adventuristic Program's to Local and foreign Visitors.

Directors:
J.M.S. Brito (Appointed w.e.f. 26.10.2016),
Dr. R.M. Fernando,
A.W.S.N. Gunathilake,
Ms. E.D.P.D. Senadeera (Appointed w.e.f. 26.10.2016).

SERVICES SECTOR

Aitken Spence C & T Investments (Private) Limited *
The Company has ceased operations due to circumstances beyond its control.

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 utilizing 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.1/1000

Capital Expenditure

The total of additions to property, plant & equipment, intangible assets, investment property and the purchase of outside investments.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Carrying Amount

The amount at which as asset is recognised in the statement of financial position.

Collateral

Monetary or non monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

Collective Impairment provision

Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

Contract

An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

Credit Risk

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

Current Ratio

Current assets divided by current liabilities.

Currency SWAP

An agreement between two parties to exchange two currencies at a certain exchange rate on a specified date in the future.

Debenture

A long-term debt instrument issued by a corporate.

Debt/Equity Ratio

Non-current interest bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Derivatives

Financial contracts whose values are derived from the values of underlying assets.

Dividend Cover

Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend – Payout Ratio

Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividends per Share (DPS)

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

Earnings per Share (EPS)

Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EBITDA

Earnings before interest, tax, depreciation and amortization.

Effective Rate of Dividend

Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

Effective Rate of Interest

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

Equity Instruments

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Fair Value

The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair Value Through Profit or Loss (FVPL)

Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Financial Asset

Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial Instruments

Any contract that gives rise to 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.

GLOSSARY OF TERMS

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.

LIBOR

The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

Liquidity Risk

The risk 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 (PER)

Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

Quick Asset Ratio

Total current assets less inventories divided by total current liabilities.

Related Parties

Parties who could control or significantly influence the financial and operating decisions of the business.

Return on Equity

Profit attributable to equity holders of the company divided by average equity less non-controlling interest at the beginning and end of the year.

Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves

Reserves set aside for future distributions and investments.

Total Equity

Total of share capital, reserves, retained earnings and non-controlling interest.

Total Shareholder Return (TSR)

Change in market price of the share between end and beginning of the financial year, plus dividend for the year, divided by the market price of the share at the beginning of the financial year.

Treasury Bill

Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond

Medium to long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (interest) paid on semi-annual basis.

Unquoted Shares

Shares which are not listed in the Stock Exchange.

Yield to Maturity

The discount rate that equals present value of all expected interest payment and the repayment of principal.

Young Managers

Executives in managerial positions (Assistant Manager and above), and under 35 years of age.

Working Capital

Current assets less current liabilities.

NOTES

NOTICE OF MEETING

Notice is hereby given that the Sixty Fifth 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 Friday, June 30, 2017, for the following purposes :-

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2017 with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-appoint Deshamanya D. H. S. Jayawardena who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D. H. S. Jayawardena who is 74 years of age and that he be re-appointed a Director of the Company"

4. To re-appoint Mr. G. C. Wickremasinghe who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G .C. Wickremasinghe who is 83 years of age and that he be re-appointed a Director of the Company"

5. To re-appoint Mr. R. N. Asirwatham who is over 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R .N. Asirwatham who is 74 years of age and that he be re-appointed a Director of the Company"

6. To re-appoint Mr. J.M.S. Brito who attained the age of 70 years, on 21st August 2016 as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M.S. Brito who attained the age of 70 years on 21st August 2016 and that he be re-appointed a Director of the Company"

7. To re-elect Dr. M.P. Dissanayake who retires in terms of Article 83 of the Articles of Association, as a Director.

8. To authorise the Directors to determine contributions to charities.

9. To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

10. To consider any other business of which due notice has been given.

By Order of the Board
Aitken Spence PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

Colombo
26th May 2017

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.

2. The completed Form of Proxy must be deposited at the Registered Office of the Company No.315, Vauxhall Street, Colombo 02 not less than forty-eight hours before the time fixed for the meeting.

3. Should the Dividend recommended is approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 11th July 2017, and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex- dividend with effect from 3rd July 2017.

FORM OF PROXY

I/We .... of ....

.... being a member/members of Aitken Spence PLC hereby appoint ....

of .... (whom failing)

Don Harold Stassen Jayawardena	(whom failing)
Joseph Michael Suresh Brito	(whom failing)
Rohan Marshall Fernando	(whom failing)
Mahinda Parakrama Dissanayake	(whom failing)
Don Stasshani Therese Jayawardena	(whom failing)
Gaurin Chandraka Wickremasinghe	(whom failing)
Charles Humbert Gomez	(whom failing)
Niranjan Joseph de Silva Deva Aditya	(whom failing)
Rajanayagam Nalliah Asirwatham	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 30th day of June 2017, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this..day of June Two Thousand Seventeen.

....

Signature

Note : Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Registered Office of the Company, No. 315, Vauxhall Street, Colombo 02 not later than 10.00 a.m. on June 28, 2017.

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. Business Development					
a) Quality and presentation of the Annual Report	◯	◯	◯	◯	◯
b) Usefulness of the information in the interim Financial Statements	◯	◯	◯	◯	◯
c) Likelihood of the financial information in the Annual Report to influence investment decisions	◯	◯	◯	◯	◯
d) Likelihood of the environmental information in the Annual Report to influence investment decisions	◯	◯	◯	◯	◯
e) Likelihood of the social information in the Annual Report to influence investment decisions	◯	◯	◯	◯	◯
f) 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) Satisfaction with the frequency and volume of Group communications appearing in mass media channels (newspapers, radio, television)	◯	◯	◯	◯	◯
d) Accessibility and availability of information related to the Group in mass media channels	◯	◯	◯	◯	◯
e) Quality of service and information provided at stakeholder contact channels (web, general line, front office/ reception)	◯	◯	◯	◯	◯
f) Satisfaction with the contact channels available for queries and feedback	◯	◯	◯	◯	◯
3. Human Resources					
a) Satisfaction with the conduct of Group employees	◯	◯	◯	◯	◯
b) Competency of Group employees based on your recent interactions.	◯	◯	◯	◯	◯
c) Access to HR related information	◯	◯	◯	◯	◯
4. Sustainability					
a) Satisfaction with the strategies developed for economic sustainability	◯	◯	◯	◯	◯
b) Satisfaction with the commitment of the Group towards environmental conservation	◯	◯	◯	◯	◯
c) Satisfaction with the commitment of the Group towards social empowerment and community development	◯	◯	◯	◯	◯
d) Ethical conduct of the Group in business activities	◯	◯	◯	◯	◯

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 communications?

a) Sustainability initiatives ◯

b) Reporting processes ◯

c) Internal operations ◯

d) New business initiatives ◯

e) Strategic investments ◯

6. What channels of communication are preferred when receiving Group related information?

a) Web ◯

b) Newspapers ◯

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 more on?

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 Group Company Secretaries at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

GRI G4 – Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

Aitken Spence®

www.aitkenspence.com