PEOPLE. PASSION. PARTNERSHIPS.

ONE HUNDRED AND FIFTY YEARS OF DELIVERING STAKEHOLDER VALUE

Aitken Spence PLC - Annual Report 2017-2018

PEOPLE. PASSION. PARTNERSHIPS.

ONE HUNDRED AND FIFTY YEARS OF DELIVERING STAKEHOLDER VALUE

At Aitken Spence, we believe in the saying that the roots of true achievement lie in the will to be the best that we can be. The strength of our resolve and our will to win are now legendary, for these are the corporate characteristics that see your company marking 150 years of successful business - making us one of the nation's most resilient and enduring diversified conglomerates.

Today we own and operate over 16 different lines of industry under four business sectors, with operations spanning Sri Lanka and several countries across the world. Over the years spent creating such vibrant and sustainable industry segments, we never lost sight of our roots and that is how we have stood strong in difficult times.

Our history defines who we are today. We have always sought to create increasing value for our shareholders, while looking beyond our balance sheet results to emphasise our commitment to our diverse stakeholders; the people, partners and communities whose lives we touch and transform every day.

These synergies are important to us. We want to help build a sustainable society by developing long-term relationships while increasing corporate value and exceeding the expectations of every single stakeholder we serve. Our vision for the future is strengthened by what we have already achieved, inspired by the spirit of our people and driven by the passion of our partnerships.

CONTENTS

We are celebrating 150 years of operations and we are proud of our achievement.
We thank all our stakeholders who have contributed to our success.

Our Approach to Reporting

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Executive Reviews

Read through the reviews of our Chairman and Deputy Chairman/ Managing Director for a synopsis of our performance, key decisions made and plans for the way forward to ensure we're keeping our key stakeholders at the heart of our business

History

Our Leadership Team

Our ability to create value for our stakeholders is determined by many factors; one of the main catalysts to our growth and stability is the expertise and experience of our leadership team to respond to risks and opportunities in the industries we operate in. Find out how the composition of leadership adds value to the Group

Governance & Risk Management

To make an informed decision about Aitken Spence, read more about our stringent and comprehensive Governance and Risk Management framework

Management Discussion & Analysis

To understand how we respond to risks and opportunities and add value to our stakeholders, it is essential to understand our business, our activities and the impacts across the sectors we work in, the operating context, the business model, our strategies and the processes used across the Group

Our Performance Over the Year

Financial Statements

Supplementary Information

Please use the Shareholder Feedback Form and give us your feedback so that we can improve this report to serve you better.

OUR APPROACH TO REPORTING

We are pleased to present to our stakeholders our seventh integrated annual report for the year ended 31st March 2018. The report contains information regarding the Group's financial, social and environmental performance during the year and serves as an easily accessible tool for stakeholders to compare the progress made by the Group over the years.

This report is an important communication tool to our stakeholders and in line with Clause R 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". This report is supplemented by a range of additional reports, all of which are available on our *website: www.aitkenspence.com/annualreport/*

Reporting Parameters

Scope

The annual report focuses on the main operations and activities of Aitken Spence PLC and its Group of Companies for the 12-month period ending 31st March 2018. The report strives to reflect on,

» Value creation of the Group

» Comprehensive view of our business sectors by analysing our performance against the strategic objectives of the sectors highlighting the successes and challenges experienced during the year.

» Our Governance; Group strategy and outlook; risk management process; our financial, economic, ethical, social and environmental performance; and prospects within the operating segments and sectors.

Reporting Boundary

Financial and economic performance reflected in this report comprises of performance of the Company and all the subsidiaries of Aitken Spence Group and the Group's interest in equity accounted investees.

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. Information on identified material areas for our port management operation in Fiji, and our hotel properties in Oman and India have been disclosed in this report. This information was introduced in the reporting boundary of our report in the 2016/17 financial year. Where applicable, the figures will be restated to allow a comparative analysis. We hope to complete implementation of the sustainability strategy of Aitken Spence within these operations in due course and it is a short-term goal of ours to include comprehensive sustainability disclosures from these operations within the next year.

Reporting Standards

This is Aitken Spence PLC's seventh integrated annual report and the Group has commenced reporting in line with the Global Reporting Initiative's GRI Standards reporting framework "In Accordance – Core" for our sustainability priorities (material topics). 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. These guidelines serve as benchmarks used to continually improve our management practices and disclosures on performance across the Aitken Spence Group. We are committed to work towards improving our social and environmental governance practices which we hope will be reflected in the year-on-year improvements achieved in our disclosures.

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.

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.

http://www.aitkenspence.com/annualreport/

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

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 statements of the Company and the Group is detailed on page 249 of the report. As part of the implementation framework of the Group's sustainability policy (clause R), the Company and the Group obtained an independent assurance on our social and environmental governance processes. The assurance is obtained from Messrs. DNV GL Business Assurance Lanka (Pvt) Ltd. The assurance statement is detailed in pages 374 to 377 of this report.

Navigation to locate disclosures

Information for specific material topics can be found using the following guides used within the sections of this report and in the information map given at the end of the section. The following icons/ guides will indicate;

GRI	Disclosures for material topics from the GRI Standard		Disclosures applicable to the Group
UNGC	Information relevant to the UN Global Compact Principles		Disclosures applicable to the Tourism sector
WEP	Information relevant to the Women's Empowerment Principles		Disclosures applicable to the Maritime and Logistics sector
	Links for specific information available online in line with the requirements of reporting standards and/ or voluntary endorsements and more detailed overviews not published in this volume		Disclosures applicable to the Strategic Investments sector
			Disclosures applicable to the Services sector

Sections within the report with details on our six capitals

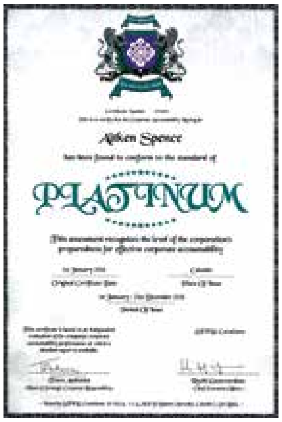
Information Map

A comprehensive shareholder feedback form is available at the end of the report from pages 395 to 396 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 to provide feedback and comments. Also, please visit our website at www.aitkenspence.com/annualreport/ for more information.

In this section;

GRI 102-46 Defining report content and topic boundaries

KEY EVENTS
2017 - 2018



March ‘18

Aitken Spence Rated Platinum Consecutively for Corporate Accountability

Aitken Spence PLC was rated Platinum for its corporate accountability practices and performance in the STING Corporate Accountability Index 2018 for the 6th consecutive year. We have been ranked among the top three companies in the index since 2011.

Aitken Spence Travels handles 178,000 visitors to the country

Sri Lanka's largest inbound tourism operator, Aitken Spence Travels records an unprecedented 178,000 visitors to Sri Lanka within the financial year and surpassing last year's record number of 150,000 happy visitors. Thereby, affirming its market leadership and strong contribution to Sri Lanka's tourism industry.

March ‘18

Aitken Spence Travels Attracted 54 Charter Flights

Strengthening a new front in its efforts to promote tourism to Sri Lanka, Aitken Spence Travels brought in total 54 charter flights from Russia, Poland, UK and Nordic.

May ‘17

Aitken Spence Partnered with Thalassemia Foundation of Sri Lanka to Raise Awareness of Thalassemia Disease

Aitken Spence partnered with Thalassemia Foundation of Sri Lanka to raise awareness of Thalassemia disease through a walk in which Aitken Spence employees across Sri Lanka and highest level of management together with supporters of Thalassemia Foundation marched from Aitken Spence premises in Vauxhall Street to Independence Square.

August ‘17

Sri Lanka's First Waste-to-Energy Plant

Aitken Spence Power entered into a partnership with the Sri Lankan government and the Colombo Municipal Council to construct and operate a revolutionary 10 Megawatt (MW) waste-to-energy power plant in Muthurajawela. The project represents a vital and much needed solution to the current challenges of disposing solid waste in Colombo. The plant is estimated to convert 600-800 metric tonnes of municipality waste into electricity daily.

December ‘17

Heritance Ahungalla wins TUI Top Quality 2018

The five-star Heritance Ahungalla, part of the premier hospitality chain Aitken Spence Hotels, was lauded with the coveted TUI Top Quality 2018 award from TUI Germany, the largest leisure, travel and tourism company in the world.

WHO WE ARE

150 YEARS

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.

VALUES

Reliable
Honest & Transparent
Warm & Friendly
Genuine
Inspiring Confidence

Best in Corporate Sustainability

Aitken Spence PLC was adjudged the winner of the Best Corporate Citizen Sustainability Awards 2017 conducted by the Ceylon Chamber of Commerce. The Company has been ranked among the Top 10 Corporate Citizens for an unprecedented 12 consecutive years.

Operating for 150 years we are listed on the Colombo Stock Exchange since 1983. We are a diversified Group of Companies with a strong regional presence in the hotels, travels, maritime services, logistics solutions, plantations, power generation, financial outsourcing, insurance, printing and packaging and apparel manufacturing sectors.

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.

Throughout our history, the Company has stayed true to its core values and thus earned its much esteemed reputation of being a premier blue chip conglomerate that is reliable and consistent in terms of integrity and good governance and which has also provided continuous positive wealth creation to all stakeholders. This is endorsed by the many accolades received by the Company over the years; one of which is being the only company to be ranked among the top ten corporate citizens in Sri Lanka consecutively for the past twelve years.

AITKEN SPENCE OF TODAY

150 years in operations we have diversified to four main sectors and 16 segments and operate in seven countries.

BANGLADESH
63
Employees

FIJI ISLANDS
149
Employees

INDIA
163
Employees

MOZAMBIQUE
5
Employees

OMAN
106
Employees

SRI LANKA
12,112
Employees

MALDIVES
935
Employees

What we do

Tourism

- Hotels
- Inbound & Outbound Travel
- Airline GSA

Maritime & Logistics

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

Strategic Investments

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

Services

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

Revenue

56,031
Rs.Mn

Profit Before Tax

6,398
Rs.Mn

Total Assets

107,843
Rs.Mn

Market Capitalisation

Rs. 20.5 Bn
as at 31 March 2018

Employees

13,533
Nos.

Total Funds Channeled for Community Development

128.2
Rs.Mn

Our initial foundation has stood forth enabling us to operate and grow for 150 years diversifying within Sri Lanka and overseas. We are proud to say that as a Sri Lankan Company we have taken the lead role in many situations.

A pioneer in many fields of the core sectors in which it operates in Sri Lanka, Aitken Spence also holds the accreditation of commencing Heritance Ahungalla, the first five star resort hotel in Sri Lanka and Heritance Kandalama, the first LEED's certified hotel outside the United States.

While securing its global footprint, Aitken Spence has recorded many firsts;

- The first Sri Lankan company to invest in Hotels in the Maldives
- The first Sri Lankan company to commence management of hotel properties overseas with the tying up of hotels in India and Oman for management
- The first Sri Lankan company to carry out port efficiency services overseas with its involvement in the Port of Durban in South Africa
- The first Sri Lankan company to enter into a Public Private Partnership overseas with its investment in Fiji Ports Terminal Limited

The diversified asset base and business portfolio of the Group enhances the financial stability of the Group while reducing the risk exposure.

Our strong focus on diversifying into many segments across the world and the professional management of our operations has proved to be the thrust and the foundation of the success of the Group amidst challenging economic environments.

The diversified asset base and business portfolio of the Group enhances the financial stability of the Group while reducing the risk exposure. This in turn enables the generation of a continuous positive return to stakeholders.

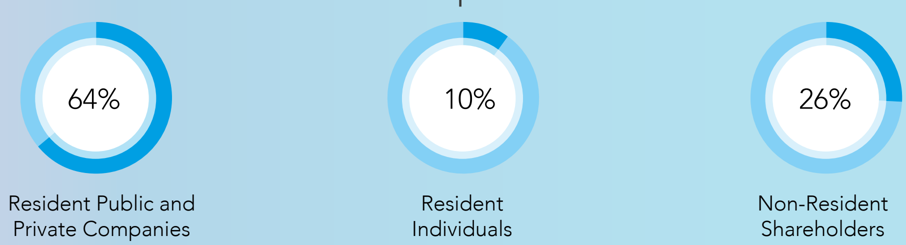
Our employees play a key role in the performance of the Group and are committed to value creation. The wealth of experience had by the human capital of the Group is unparalleled and is a driving force towards the achievement of the Aitken Spence vision.

Aitken Spence ownership structure and holdings

Total number of shareholders

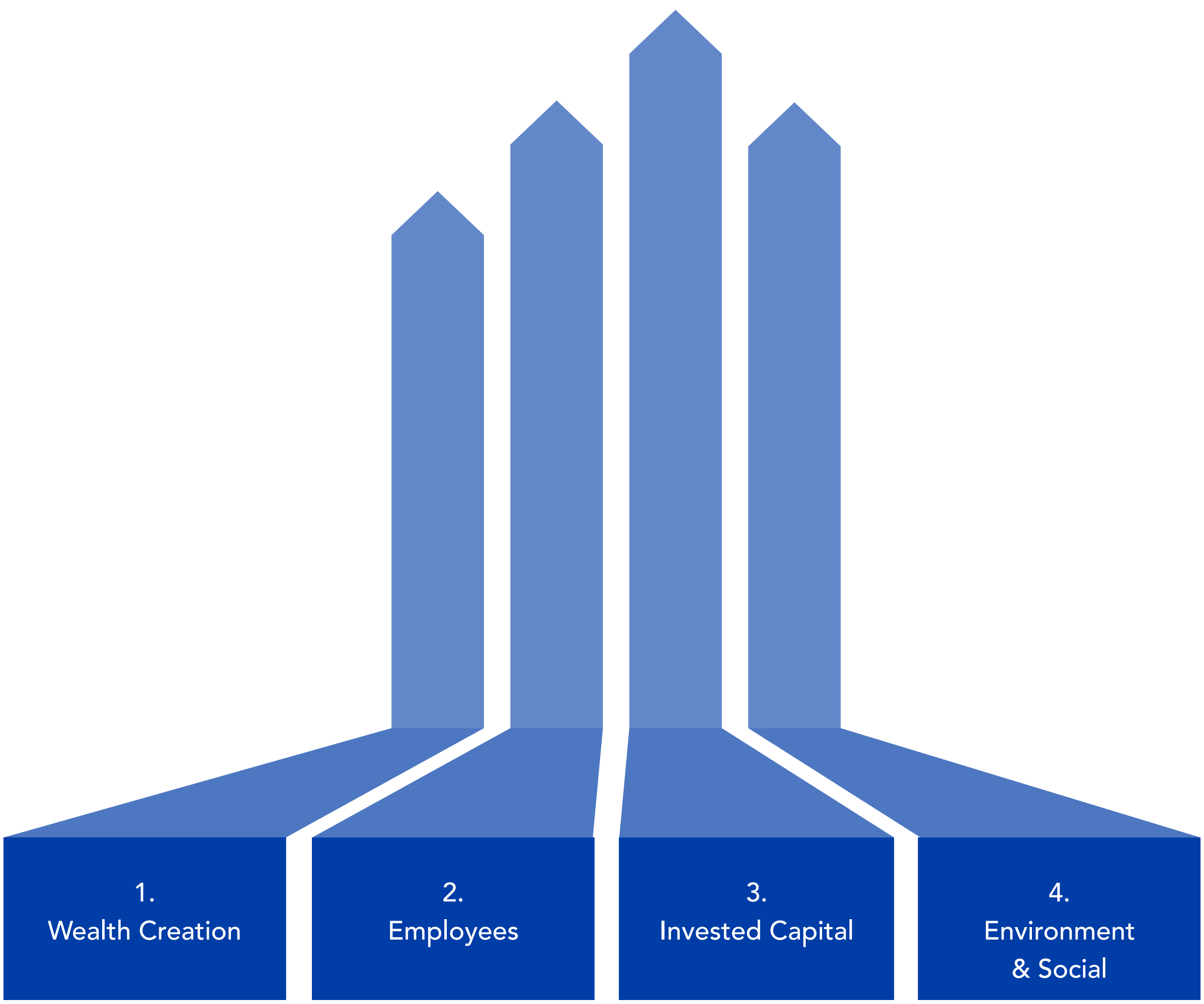
4,787

Ownership Structure



AITKEN SPENCE OF THE FUTURE

"The Group's success over the last 150 years was due to keeping the 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. We will continue to make strategic investments with the vision and commitment of delivering superior value to all our stakeholders."



GROUP STRATEGIC OBJECTIVES

1 Generating sustainable financial returns to stakeholders

- Identifying organic and inorganic growth opportunities for investments emphasizing on the four key sectors in which the Group operates in, which will result in sustainable medium and long-term growth.
- Invest in businesses that generate foreign currency and employment opportunities. The Group will leverage on its expertise in the sectors it operates in to gain a competitive advantage while focusing on investments in knowledge driven industries and education in Sri Lanka and overseas.
- As a Group that has been continuously evolving and innovating its processes to keep ahead of the competition and are of the view that technologies such as blockchain and crypto currencies will be the future. The Group is already exploring prospective opportunities these technologies offer to add value to its customers and stakeholders.
- Sound financial strategies to derive maximum leverage from debt and equity market for the future expansion of the Group.

2 To initiate employees to explore their full potential to deliver corporate objectives within a sustainable framework

- To continually learn and adopt best practices across the Group for employees and develop the leadership capabilities of the employees to achieve better performance.
- Ensure the provision of a safe and healthy work place and working environment which is conducive to personal and professional growth.
- Ensure that all employees are up-to-date in technical skills and knowledge base and facilitate such development as a priority.
- Continuous improvement of the soft skills of the employees while ensuring their mental well being.

3 Continuously improve the asset base and to ensure the effective management of the asset base to maximise the return on invested capital.

- Use new technological and digital solutions to drive cost competitiveness and deliver value.
- Strive for greater sustainable production and consumption by investing in required infrastructure of the Group.
- Ensure that all assets are maintained at optimal levels at all times to eliminate down time or re-work.
- Maximisation of asset utilization through required periodic updates of work flow structures and methodologies.

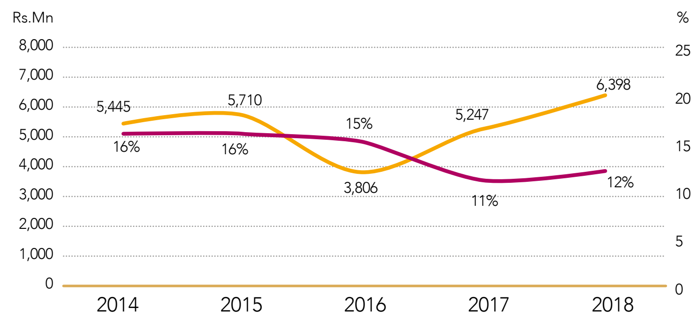
4 Enabling environmentally and socially sustainable operations

- Priority provided for the procurement of inputs such as raw materials from the local community and for the generation of employment opportunity to the local community.
- Continuous emphasis on monitoring, managing and mitigating the Group's impact on the environment.
- Social and environmental governance to be a key factor in the Group's decision making process.
- Enrichment of biodiversity and engage in industry collaborations to create new movements in sustainability.

PERFORMANCE HIGHLIGHTS

FINANCIAL CAPITAL

Profit Before Tax & PBT Margin
For the Year Ended 31st March



The Group achieved its highest ever profit before tax of Rs. 6.4 billion for the year under review, an increase of 21.9% over the previous year.

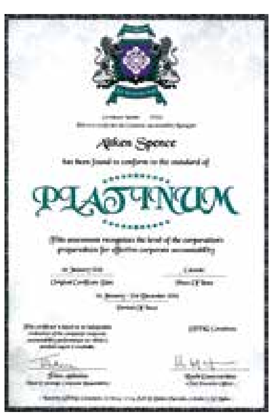
23% *Profit from Operation*
Rs.7.1 Bn

23% *Profit Attributable to equity holders*
Rs.3.6 Bn

11% *Total Equity*
Rs.56.3 Bn

INTELLECTUAL CAPITAL

Aitken Spence Rated Platinum Consecutively for Corporate Accountability



Best Corporate Citizen

#1

HUMAN CAPITAL

Attrition

Male	Female
21%	26%

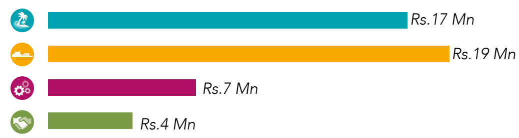
174% *Total hours of training*

209,947

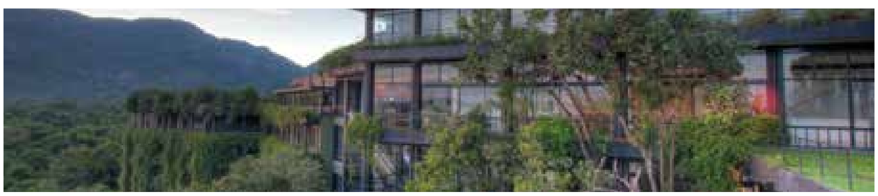
110% *Total Investment in training*

47.0 Mn

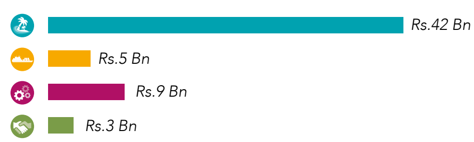
Investment in Training
For the Year Ended 31st March 2018



MANUFACTURED CAPITAL



Property, Plant & Equipment
as at 31st March 2018



SOCIAL & RELATIONSHIP CAPITAL

Total Funds channeled for community development

Rs. 128.2 Mn

Aitken Spence Travels joined the monthly beach cleaning programmes of Turyaa Kalutara, also engaging local community members and guests. This was followed by a skills development session for community members

NATURAL CAPITAL

ENERGY

Total Energy Consumption

689,807 GJ

Total Energy produced from renewable sources

243,286 GJ

WATER

Total volume of water withdrawn

2,233,493 m^3

Total Water Treated

638,187 m^3

EMISSIONS

Greenhouse Gas Emissions Reduced and/or offset

27,473 tCO_2

Total Investment on sustainable processes

Rs. 108.6 Mn

PERFORMANCE HIGHLIGHTS

	2017/2018 Rs.Mn	2016/2017 Rs.Mn	Change %	2015/2016 Rs.Mn
FINANCIAL CAPITAL				
Results for the year				
Group revenue with equity-accounted investees	**56,031**	50,013	12	31,061
Group revenue	**52,735**	45,892	15	25,978
Profit from operations	**7,081**	5,758	23	3,897
Profit before tax	**6,398**	5,247	22	3,806
Profit attributable to equity holders of the company	**3,560**	2,890	23	2,027
As at 31st March				
Non-current assets	**73,881**	63,411	17	51,995
Current assets	**33,812**	31,735	7	21,210
Total assets	**107,843**	95,295	13	73,354
Total equity	**56,285**	50,793	11	44,200
Non-current liabilities	**23,560**	19,503	21	13,639
Current liabilities	**27,997**	24,999	12	15,515
Total liabilities	**51,558**	44,502	16	29,154
Share Information - Per Share (Rs)				
Market price per share as at 31st March	**50.60**	56.20	(10)	73.50
Earnings per share	**8.77**	7.12	23	4.99
Dividends per share	**2.00**	1.75	14	1.50
Net asset value per share as at 31st March	**110.35**	97.24	13	90.26
Price earnings ratio	**5.77**	7.90	(27)	14.72
Ratios and Statistics				
Dividend cover (times covered)	**4.38**	4.07	8	3.33
Dividend - payout ratio	**0.23**	0.25	(7)	0.30
Current ratio (times covered)	**1.21**	1.27	(5)	1.37
Debt - equity ratio	**0.35**	0.34	3	0.28
Return on equity (%)	**8.45**	7.59	11	5.66
Interest cover ratio	**8.29**	7.29	14	16.80

Earnings per Share

Rs. 8.77

Net Assets per Share

Rs. 110.35

Return on Equity

8.45%

	2017/2018	2016/2017	2015/2016	2014/2015
NATURAL CAPITAL				
Direct energy consumption (GJ)	**551,202**	597,687	399,643	342,718
Indirect energy consumption (GJ)	**138,605**	151,429	77,744	143,183
Total energy produced from non-renewable sources (GJ)	**320,149**	277,010	200,994	212,996
Total energy produced from renewable sources (GJ)	**243,286**	221,873	152,539	61,675
Water				
Total volume of water withdrawn (m^3)	**2,233,493**	1,310,967*	1,210,920	709,038
Total number of water sources significantly affected by withdrawal (m^3)	**None**	None	None	None
Total volume of water re-cycled and used or re-cycled by the organisation (m^3)	**638,187**	598,120	526,872	311,954
Emissions				
Direct (Scope 1) greenhouse gas emissions (tCO_2)	**370,126**	375,351	276,622	22,420
Energy indirect (Scope 2) green house gas emissions (tCO_2)	**29,125**	31,583	27,732	29,432
Quantified amount of greenhouse gas emissions reduced and/or offset (tCO_2)	**27,473**	25,613	22,548	8,822
Total investment on sustainability processes and action plans (Rs.Mn)	**108.6**	88.2	111.7	115
HUMAN CAPITAL				
Total Employees (including employees of equity accounted investee)	**13,533**	13,693	13,065	13,129
Attrition rate				
Females (%)	**26**	39	30	24
Males (%)	**21**	30	37	48
Return to work after maternity leave (%)	**100**	92	100	94
Total investment in employee training (Rs. Mn)	**47.00**	22.43	17.95	15.80
Average hours of training per employee (No of hours)	**15.5**	5.6	5.1	4.9
SOCIAL AND RELATIONSHIP CAPITAL				
Total funds channelled for community development (Rs. Mn)	**128.20**	135.00	71.70	140.23
Grievances about labour practices filed through formal grievance mechanisms	**3**	7	5	3
Significant fines and non-monetary sanctions for non-compliance with laws and regulations	**None**	None	None	None

** Total water withdrawal for the year 2016/17 has been restated.*

13,533

Direct income provided for families

41%

Percentage of female employees

27,473

tonnes CO_{2e}

Emissions reduced and/or offset

638,187m^3

Waste water treated for reuse or safe disposal

OUR CONTRIBUTION TO THE ECONOMY

Value Added Statement

		2017/2018 Rs. '000		2016/2017 Rs. '000
Total revenue		52,734,969		45,892,179
Purchase of goods and services		(35,155,608)		(30,080,645)
		17,579,361		15,811,534
Other operating and interest income		1,287,012		906,741
Share of profits of equity-accounted investees		306,457		384,396
Total value added by the Group		19,172,830		17,102,671
Distributed as follows				
To governments (income tax and revenue tax)	9.6%	1,830,132	10.0%	1,716,996
To employees (salaries and other costs)	42.0%	8,044,419	43.7%	7,474,224
To lenders of capital (interest on loan capital and non-controlling interest)	16.6%	3,168,335	15.7%	2,690,558
To shareholders (dividends)	4.2%	811,992	4.2%	710,493
Retained for reinvestments and future growth (depreciation & retained profits)	27.6%	5,317,952	26.4%	4,510,400
	100%	19,172,830	100%	17,102,671

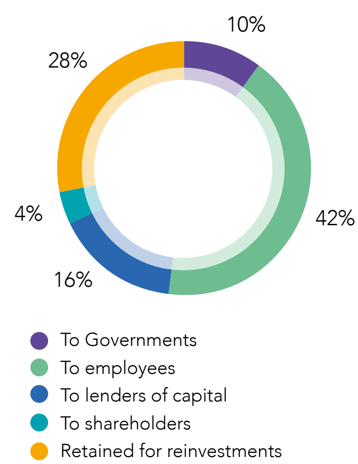
The creation of positive economic value is a prerequisite for the sustainability of a corporate entity. This not only measures the effectiveness of the operations of an entity, but is also an indicator on the contribution towards the economy through the business activities of an entity.

Over the years, the Aitken Spence Group has consistently been successful in the generation of positive economic value through its many spheres of activity. It is also noteworthy that Aitken Spence has been successful in the creation of positive value addition while maintaining its unceasing commitment towards training and employee well-being, community development and the safe guarding of the eco system of its operating environments.

During the financial year under review the Group generated a total wealth creation of Rs. 19.2 billion, an increase of 12.1% over the total wealth created in 2016/17 of Rs. 17.1 billion. The increase in the wealth creation was mainly as a result of the 14.9% increase reported in the Group's revenue.

The largest share of this wealth created was distributed amongst the employees of the Group which amounted to Rs. 8.0 billion, an increase of 7.6% over the previous year. The Group incurred Rs. 3.2 billion for servicing of lenders of capital which amounted to 16.6% of the total value addition by the Group. The Group through its operations paid a total of Rs. 1.8 billion as taxes to Governments while 4.2% of the total value additions was utilized for the declaration of dividends. Rs. 5.3 billion amounting to 27.6% of the total value addition for the year was retained by the Group for investments for future growth.

Distribution of wealth created - 2017/18



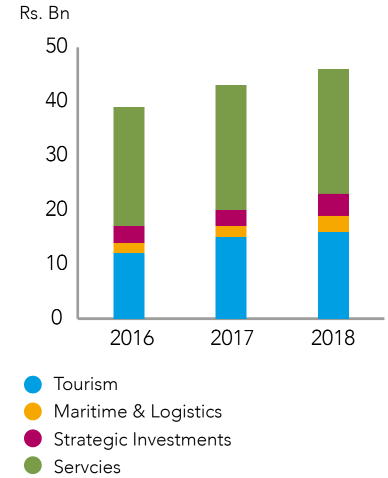
Through Foreign Currency Generation

A key strategic thrust of Aitken Spence is to invest in businesses that generate foreign currency or have revenue streams that are linked to foreign currency. The Group recognizes that the inflow of foreign currency is a pivotal need of the country at present. This not only contributes positively to the economy as a whole but also enables the Group to mitigate risk factors such as currency fluctuations and price increases in raw materials sourced from overseas.

The Aitken Spence Group through its many activities during the financial year 2017/18 facilitated the generation of Rs. 44.6 billion in foreign currency to the country. This was compared to the generation of Rs. 42.8 billion generated to the country the previous year. The Group's highest contribution towards the inflow of foreign currency to the country was from the Services sector, mainly owing to the operations of MMBL Money Transfer (Pvt) Ltd., an agent for Western Union in the country. The Service sector generated a total of Rs. 22.6 billion to the country for 2017/18, however this was a marginal decline of 0.9% when compared to the previous year.

The second highest generation of foreign currency was by the Tourism sector which contributed Rs. 15.6 billion through its operations. This was an increase of 6.1% over the previous year. The Maritime and Logistics sector contributed Rs. 2.7 billion with the Strategic Investments sector contributing Rs. 3.7 billion, derived from its businesses in the apparel manufacture, plantations and, printing and packaging segments. The Maritime and Logistics sector recorded a year on year increase of 16.1% due to higher dividends from overseas investments while the increase of 23.7% achieved by the Strategic Investments sector was due to the higher revenues in apparel manufacture and plantations.

Foreign Currency Generation to the Country
For the Year Ended 31st March



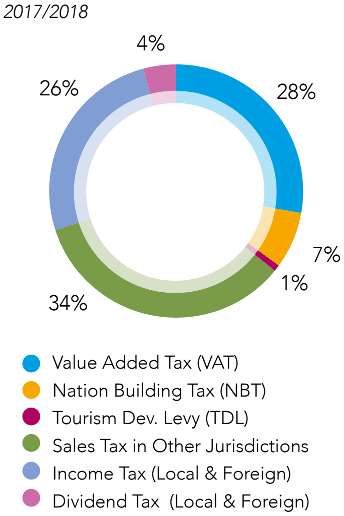
Through Taxes

Indirect and direct taxes form a vital part of the revenue generation to a country, which in turn paves the way for facilitating the Government's development policies to achieve macroeconomic growth and stability. The Aitken Spence Group as a conscientious corporate citizen stringently complies with all statutory provisions and payments. Thus, the Group during the financial year 2017/18 contributed Rs. 4.7 billion as indirect and direct taxes to the Governments of the countries in which the Group operates. This was an increase of 13.6% over the total taxes paid of Rs. 4.1 billion for the previous year.

During the year, the Indirect tax contribution to Governments improved by 15.9% when compared to previous year with Value Added Tax (VAT) being the key contributor adding Rs. 1.3 billion This is comparison to Rs. 1.0 billion paid the previous year. Total direct taxes of the Group which comprises of income tax and dividend tax increased by 8.4% to Rs. 1.4 billion compared to Rs. 1.3 billion for 2016/2017.

Tax Type	2017/2018 Rs.'000	%	2016/2017 Rs.'000	2015/2016 Rs.'000
Value Added Tax (VAT)	1,302,586	35.1	964,176	554,402
National Building Tax (NBT)	320,050	(7.7)	346,859	153,952
Stamp Duty	3,343	22.7	2,726	3,989
Tourism Development Levy (TDL)	65,674	10.2	59,588	42,196
Sales Tax in Other Jurisdictions	1,599,381	9.1	1,465,326	951,397
Income Tax	1,221,551	9.6	1,114,292	874,573
Dividend Tax	177,918	0.5	176,978	158,852
Super Gain Tax	-		-	319,286
	4,690,503		4,129,945	3,058,647

Taxes Paid to the Governments
2017/2018



CHAIRMAN'S STATEMENT

The year 2018 stands out as a historically significant milestone for Aitken Spence PLC, for it marks the Group's 150th anniversary. Reflecting on how far the Group has come in the past century and a half, the guiding principle of the Group's success has been - the vision to excel in all our activities. I firmly believe it is this vision that has led the Group to where it is today – one of the most successful diversified conglomerates in Sri Lanka and a pioneer in many fields. The Group is also among the few Sri Lankan entities with a recognizable offshore footprint. Our brand is legendary; a status highly coveted by peers and our brand equity continues to attract leading global companies to seek partnerships with the Group. All reasons to be proud, which I am sure is a sentiment shared by all Spensonians past and present who have at some point, been part of the Group's 150-year journey of excellence.

It is on this pleasing note that I present to you the annual report and financial statements of Aitken Spence PLC for the year ending 31st March 2018.

Global Impact

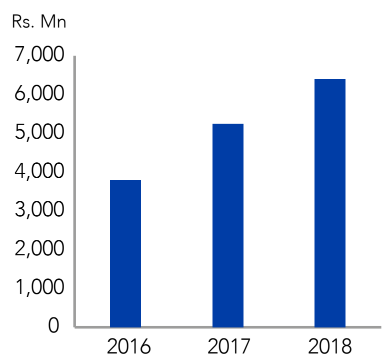
The global economy rebounded in 2017 in what is widely seen as the imminent cyclical recovery. World's GDP growth is estimated to have surpassed 4% on the back of a broad-based upturn in investments that saw more than half the world's economies reporting higher year-on-year growth for

Our brand is legendary; a status highly coveted by peers and our brand equity continues to attract leading global companies to seek partnerships with the Group.

the first time since the Global Financial Crisis in 2008.

Profit Before Tax

For the Year Ended 31st March



Sri Lankan Perspective

In Sri Lanka, the GDP growth slowed to a multi-year low reaching an estimated 3.1% in 2017. Affected by persistent bad weather for the second consecutive year, many key sectors underperformed, with the growth primarily driven by services. Higher inflation and interest rates as well as a weaker currency brought further pressure on the economy.

However, on a more positive note, the Government's ongoing fiscal consolidation strategies enabled the country to access the fourth tranche of USD 251.4 million under the Extended Fund Facility programme with the International Monetary Fund.

From a policy standpoint, I welcome the introduction of the new Foreign Exchange Act to further liberalize cross border transactions including capital inflows to the country. I believe it is a step in the right direction that will help build investor confidence and pave the way for the country to tap into targeted foreign direct investments to strengthen key growth sectors of the economy.

I am also encouraged to see the interest shown by global hotel chains to invest in Sri Lanka. While I must admit that this brings added competitive pressure for our own hospitality brands, it nonetheless offers much needed exposure and crucially raises the country profile as a world-class tourist destination.

Strategy in Action

In view of the subdued economic climate of the country in 2017, our key growth strategies remained anchored to the Tourism and Maritime and Logistics sectors, two areas that have emerged with a noteworthy track record of above average growth in the recent past both locally and globally. Our investments in Fiji Ports Terminals Ltd and Fiji Ports Corporation Limited performed exceptionally well with the increase in volumes handled by the ports in Fiji as well as the significant improvements in efficiency and productivity achieved by the Group's strategic management team. Given our success in port management in Fiji and South Africa, we feel that we have potential in expanding our footprint in this segment. The Group is in the process of initiating plans to widen its exposure in the Maritime and Logistics sector and we have taken the first step to invest in a container freight station in operation in South Africa located at Durban and Cape Town.

Looking to strategically deepen our investments in the Tourism sector, we began construction work on Heritance Aárah in the Maldives, a 160-room property that I expect would spearhead efforts to globalise the Heritance brand.

Group Revenue

Rs. 52.7 Bn

A core part of our long-term strategy is the desire to work with world-class partners, whose expertise and brand equity will give the Group a strong competitive advantage in their respective business domains. At this point I must acknowledge the Group's long-standing partnership with TUI, the world's largest travel and leisure company, which has been instrumental in the phenomenal success of the Group's destination management business.

Our decades-long partnerships with Singapore airlines and Lloyd's of London and the more recently formed partnership with DB Schenker logistics, Qatar Airways and Hapag Lloyd have also proven to be immensely fruitful alliances as evidenced by the consistent results achieved.

Our Performance

I am pleased to report that the Company had an excellent year, recording its highest ever profit before tax of Rs. 6.4 billion for the year, a growth of 21.9%. The net profit attributable to equity holders was Rs. 3.6 billion a 23.2% growth over the previous year. Earnings per share stood at Rs. 8.77 while the return on equity was 8.4% a growth of 11.3%.

In keeping with the strong performance and with the intention of providing an attractive return on investment to our shareholders, the Board recommends a final dividend of Rs. 2.00 per share.

In terms of profitability, the Tourism, Strategic investments and Services sectors performed exceptionally well during the year with the Maritime and Logistics sector showing a slight decline in profits compared to the last year. The performance of the individual business segments are described in greater detail in the reviews that follow in this report. I would like to commend the performance of the following business segments.

Destination management segment of the Group had an excellent performance with a net profit before tax growth of 19.3% and has retained its position as the market leader in Sri Lanka and in the year under review handling 178,071 number of tourists. Heritance Tea Factory had an excellent year recording the highest ever revenue and profit before tax.

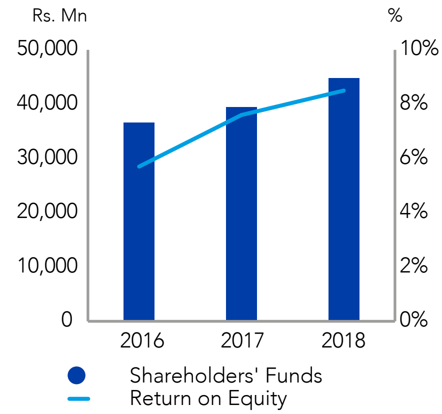
The power generation and port management segments and our resorts in the Maldives had a good year contributing positively to the bottom line. The plantations segment had an exceptionally a good year with the prices of tea remaining at healthy levels and with the increase in the yields achieved for tea and oil palm. The plantations diversification into oil palm has proven to be a success and we are targeting to increase its extent of cultivation.

It brings me great pleasure to inform that Turyaa Chennai, was conferred the 'best five-star deluxe hotel' in Tamil Nadu at the recently held Tamil Nadu Tourism Awards 2018. The resort's performance had a challenging year with the ban on the sale of liquor for four and five-star hotel properties, within a periphery of 500 meters from the national and state highway. I am glad the ban which was applicable for the first six months of the financial year was withdrawn and we should expect a better performance in the next year.

I am pleased to report that the Company had an excellent year, recording its highest ever profit before tax of Rs. 6.4 billion for the year, a growth of 21.9%. The net profit attributable to equity holders was Rs. 3.6 billion a 23.2% growth over the previous year.

Shareholders' Funds & Return on Equity

as at 31st March



I am pleased to announce your Company ventured into a pioneering project to commence work on a waste-to-energy power project; an urgent need of the country at present. The project would be a solution to the current challenges faced in disposing solid waste within the Colombo Municipal Area. Upon completion, the 10MW waste-to-energy plant would be equipped to convert between 600 – 800 metric tonnes of municipal solid waste to electricity on a daily basis.

Governance and Stewardship

The Group's governance model provides the framework and processes to support the achievement of our strategic objectives. It encompasses all aspects of our business and ensures the execution of the Group's strategic objectives effectively and ethically in compliance with applicable legislature in the markets in which we operate.

Fully committed to the highest level of corporate governance, we continue to refine our structures, policies and procedures aimed at strengthening the Group's governance framework with special

Net Assets Per Share

Rs.110.35

emphasis on the adoption of globally accepted best practices in relation to Board leadership and effectiveness.

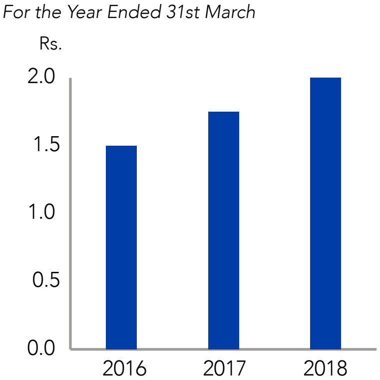
Sustainability

We maintain a holistic and long-term perspective in managing our economic, social and environmental impacts, so that we are able to generate value and growth without compromising our ability to do so in the future. The Group's corporate sustainability strategy, developed in-house, was recognized when the Ceylon Chamber of Commerce conferred the Best Corporate Citizen Sustainability 2017 award to Aitken Spence PLC.

The commitment towards securing the long-term viability, profitability and integrity of the Company will continue to be a constant focus. The technological transformation, changing nature of society and the unprecedented strains on the environment will compel us to relook at our business models across industries to remain as robust enterprises of the future. We look forward to strengthening our engagement with our stakeholders in ensuring Aitken Spence remains resilient to the demands of the future.

Dividend Per Share

For the Year Ended 31st March



Future Outlook

The economic outlook in the markets in which we operate, remains mixed. However, thanks to its strong fundamentals and solid strategy, the Group has demonstrated time and again the ability to overcome the challenges of a volatile operating environment.

Technology has become a business driver as well as a game changer in the market place. With the millennials being technological savvy and the higher interest of customers in online marketing, the Group is aggressively moving towards digital marketing and innovating the service offerings to our customers. The Group has embraced the adoption of these technological advancements to gain the first mover advantage and provide the service requirements of the ever-evolving markets.

As we look to the year ahead and beyond, we have reason to be optimistic. We remain confident in our ability to deliver steady returns for our shareholders by leveraging on the synergies between our businesses and on finding new ways to grow and meet the demands of the market. To capitalize on possible opportunities for growth, we remain open to developing our global operating platform, investing in our brand portfolio and expanding our global footprint particularly in identified high-growth sectors.

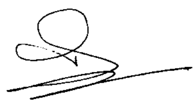
To strengthen our franchise as agents of change, we will seek to stay relevant in changing times and thereby contribute meaningfully towards socio-economic progress of the communities and the environment in which we operate.

Appreciations

In closing, I wish to thank and remember all past chairmen, past directors and all past employees who contributed invaluably during the last 150 years in making Aitken Spence such a great Company. I thank my colleagues on the Board for their steadfast support, commitment and conscientious stewardship in steering the Group.

The success and growth of a Group such as ours is dependant solely upon the contributions made by each and every employee of the Group. I would like to express my gratitude to all Spensonian employees around the world, whose dedication and passion is both impressive and a great source of strength and competitive advantage to the Group.

My sincere gratitude also to our business partners for the confidence and trust placed in the Group. In conclusion, I wish to thank our customers, shareholders and other stakeholders for their continued patronage. You remain the reason we are driven to innovate, succeed and grow.



D.H.S. Jayawardena
Chairman

28th May 2018
Colombo

MANAGING DIRECTOR'S REVIEW

In a year which saw the country progressing at a moderate GDP growth of 3.1%, many challenges were faced by the Group due to the slowing down of economic activities and the limited opportunities that were available for growth. Increase in inflation, high interest rates, lower-than-expected tourist arrivals and a weakening currency did not help the growth momentum of the corporate sector.

Notwithstanding the challenges posed by a turbulent operating environment, our prudent and astute strategies continued to hold Aitken Spence in good stead, enabling the Group to achieve a remarkable performance recording its highest ever profit before tax of Rs. 6.4 billion during the year. I am happy to report that the targeted strategy execution along with the pursuit of new opportunities to diversify, expand and innovate, enabled all sectors to meet their growth objectives and build resilience for the future.

A Journey of excellence – 150 years and counting

September 2018 marks the sesquicentennial of the Aitken Spence Group. Founded by two Scotsmen, Thomas Clark and Patrick Gordon Spence, the Group initially ventured into business under the name of "Clark Spence and Company" exporting gems, plumbago, coffee and various other spices and supplying coal for ships and chartered sailing vessels.

The vision of the forefathers has continued to date: fast forward 150 years and our focus and diversification strategy to venture mainly into foreign income generating businesses is showcased in the Group's business portfolio. The Group's prudent investment and growth strategy and commitment to maintain a balanced investment portfolio has certainly been critical to our success. It has given us the ability to develop existing markets and swiftly seize emerging market opportunities, enabling the generation of returns that exceed the expectations of our stakeholders. Testifying to the success of this strategy is the Group's investments in resorts overseas as well as the port management operations, which continues to yield stronger returns each year.

In our commitment to excellence we look to integrate sustainability into our business strategy and daily operations, which we believe will drive competitiveness and increases the value for all our stakeholders.

The Aitken Spence Group has been consistent in delivering on its vision of excellence and I can proudly state that this legendary commitment to excellence is at the core of everything we do, essentially defining who we are and what we stand for. In our commitment to excellence we look to integrate sustainability into our business strategy and daily operations, which we believe will drive competitiveness and increases the value for all our stakeholders. Building on a solid foundation of corporate governance, sustainability principles permeate the decisions and actions we undertake, ensuring our business operates efficiently, and used resources effectively in order to foster and nurture the environments and the societies we operate in.

To generate value and maintain growth momentum in this economic environment the Group focused on consolidating mature businesses, while pursuing a strategy of cautious diversification aimed at minimizing risk and scaling up where appropriate. Further the Group was able to make steady progress in its efforts to become more sustainable, underpinned by technology and innovation-led capacity improvements, with a renewed emphasis on strengthening partnerships together with targeted investments towards improving people and processes. I believe this guarded yet proactive approach amidst tough operating conditions was instrumental in our ability to deliver on growth targets.

Group Financial Results

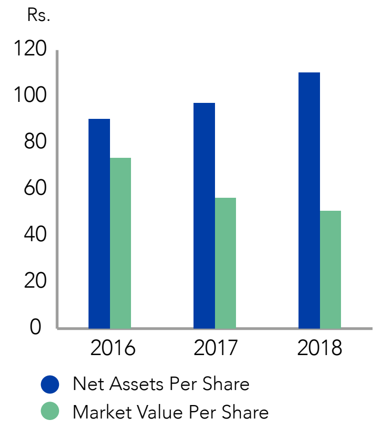
For the year under review the Group recorded a revenue of Rs. 52.7 billion which was a year on year growth of 14.9% and an operational profit of Rs 7.1 billion, a growth of 23.0%. This growth in operational profit includes Rs. 307.6 million of the profit on divestment of MPS Hotels (Pvt) Ltd, the owner of the Hilltop Hotel. The operating profit margin growth excluding the above divestment was 2.4%. Growth in the operating profit margin is primarily due to managing operating costs, improving efficiencies through technological innovation and concentrated effort to improve the performance of the loss making segments.

The net financing cost increased by 10.6% due to the increase in borrowings to fund our investments in India and the Maldives. The profit before tax of the Group was Rs. 6.4 billion, the highest achieved in the history of the Group. The profit after tax recorded for the year of Rs. 5.1 billion was also the highest ever achieved by the Group. The profit attributable to our equity holders also showed an impressive growth of 23.2% to Rs. 3.6 billion. The earnings per

Earnings Per Share

Rs. 8.77

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



share was Rs.8.77 compared with Rs.7.12 recorded last year.

The share price of the Company as at 31st March 2018 was Rs.50.60 which is trading at a discount of 54.1% to the net assets value per share of the Company, clearly indicating that the present share price is not reflective of the true value of the Company.

Sector-wise Performance

Tourism

The Tourism sector ended the year with a strong performance, marking higher revenues and profits. Revenues grew by 25.8%, from Rs. 20.5 billion in the previous year to Rs. 25.7 billion in the year under review, while profit before tax increased from Rs. 2.1 billion in 2016/2017 to Rs. 3.1 billion for the current year, denoting a year-on-year increase of 47.0%.

In the hotels segment, the local hotels ended the year with a satisfactory performance for the year, with revenues up by 18.9% compared to the previous year. All properties under the Group's flagship Heritance brand achieved revenue targets, with Kandalama, Tea Factory and Ayurveda Maha Gedara reporting good results despite being affected by a slow start to the year.

I am also pleased to observe that despite severe competition facing beach properties Heritance Ahungalla recorded a satisfactory performance, while the newest addition to the portfolio – Heritance Negombo, shows great promise for the future. Meanwhile Turyaa Kalutara and Hotel RIU did not perform as per our expectations with both resorts reporting an operational loss. The local hotels segment performed better compared to the previous year with a growth in profit before tax of over 400% even with higher finance costs. The segment's bottom line received a boost with the gain of Rs. 307.6 million resulting from the divestiture of Hotel Hilltop, Kandy. The decision to divest the Group's interests in Hotel Hilltop was a strategic one prompted by the fact that the property's value proposition had long been an inapt fit for Group's hotel portfolio. Meanwhile Aitken Spence Hotel Holdings PLC a subsidiary company of the Group increased its stake in Heritance Tea Factory from 87.6% to 94.4% during the year under review.

The local hotels segment continues to be plagued with serious challenges; the acute shortage of skilled labour, inadequate destination marketing and poor tourism infrastructure being among the gravest. To address the shortage of labour, the Group's local hotels segment has already taken action with strategies being implemented to attract more women into the workforce, which I believe will offer a more sustainable solution to the issue.

Regrettably however there is only so much that Aitken Spence alone can do to promote Sri Lanka as a travel destination. In fact, for destination marketing to be effective, I believe it needs to be part of a cohesive country strategy to differentiate Sri Lanka's value proposition from peer offerings. As I have frequently reiterated in the past, I continue to urge the relevant authorities to take immediate action to promote Sri Lanka as a prime tourist destination that offers exceptional value to travellers. This call to action includes an impassioned plea to strengthen the country's tourism infrastructure including domestic airports, highways and importantly the protection provided to tourists, which is vital to sustain the country's tourism industry.

Moving on, I am encouraged to note that despite socio-political concerns, the occupancy levels were higher at all Adaaran resorts in the Maldives and the segment reported a steady performance for the year. Alongside ongoing renovations at a number of Adaaran resorts, it is particularly pleasing to see the steady progress in the construction work on Heritance Aarah – which is scheduled to open in time for the winter season of 2018.

Meanwhile our interests in Oman, faced by the economic downturn in the Middle East reported a dip in performance, while in India, Turyaa Chennai reported a resilient performance amidst stiff competition and the ban on the sale of liquor for four and five-star hotel properties, within a periphery of 500 meters from the national and state highway which was applicable for the first six months of the year.

Celebrating 40 years in the business, the Group's destination management segment registered its best-ever performance in 2017/18, enabling the segment to further cement its position as the number one inbound travel operator in Sri Lanka with a market share of 8%. I am particularly pleased to see the phenomenal success of the segments' charter business, which recommenced in the previous year thanks to the Group's long-standing ties with TUI, the world's leading travel operator. In the year under review the partnership was responsible for a total of 38 charter flights, bringing in 8,000 inbound tourist from key European source markets during the winter season.

The airline GSA, which represents Singapore Airlines (SIA) too registered a strong performance, with passenger load factors reporting an unprecedented increase, prompting SIA to further increase its Colombo daytime frequency from 10 to 11 flights per week by end March 2018. The Sri Lankan airlines GSA operation in the Maldives also performed well despite facing a severe setback following the withdrawal of European flights by the airline.

The power generation segment entered into a landmark waste supply agreement with the Colombo Municipal Council and a PPA with the Ceylon Electricity Board to begin work on 10MW waste-to-energy plant equipped to convert on a daily basis between 600 – 800 metric tonnes of municipal solid waste to electricity.

Maritime and Logistics

Aided by a recovery in the global shipping industry, the performance of the Maritime and Logistics sector registered an improvement. Revenues grew by 6.8% year-on-year from Rs. 8.0 billion in the previous year to Rs. 8.6 billion for the year under review.

Within the sector, the integrated logistics operations experienced mixed fortunes. Directly affected by the weak economic activity in Sri Lanka, the performances of the depot operation and the container freight station came under pressure while the transport segment managed to overcome the stiff competition to deliver an improved performance. The special operations segment tabled an exceptional performance for the year under review, by capitalizing on the current infrastructure boom in the country. Notable improvements in performance were also reported by the distribution services and the mobile storage solutions segments.

The maritime segment reported a solid performance supported by the port management operation in Fiji, where the Group manages the Port of Suva in South Eastern Fiji and Port of Lautoka in the North-Western Coast of Fiji.

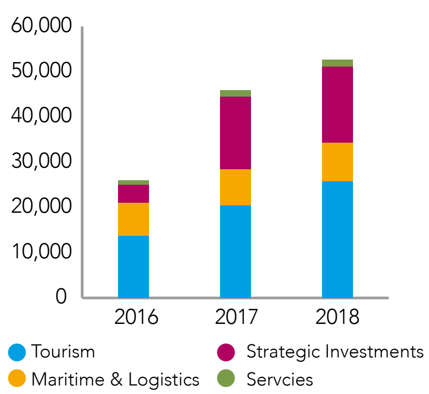
Another key part of the maritime segment, the shipping agency operation too registered a notable turnaround in performance. After facing the full force of the global shipping industry slowdown in 2016, the agency business benefited from a strong increase in imports and transshipment volumes following greater stability seen in the shipping industry in 2017. I am happy to acknowledge that the joint venture partnership with Hapag Lloyd as well as strong ties with other leading international cargo carriers contributed significantly towards this increase.

In the freight segment, while the cargo airline GSA's in Colombo, Maldives and Bangladesh performed exceptionally well, the results of the segment were negatively impacted due to the steps taken to rescale the brokerage and express businesses.

The brokerage business faced challenges in maintaining margins due to low cost operators penetrating the market, while the express business experienced a substantial drop in volumes both locally and in the Maldives due to change of networks and the dynamics of the new service model, which resulted in a loss in import volumes mainly from Europe.

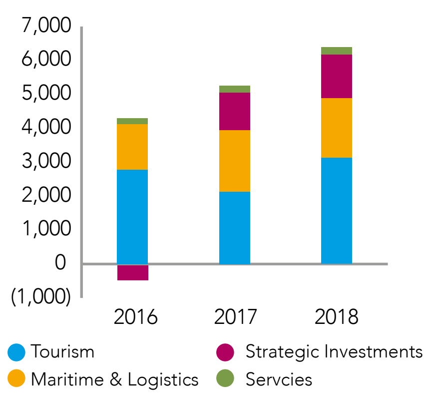
Revenue - Sector-wise

For the Year Ended 31st March



Profit Before Tax - Sector-wise

For the Year Ended 31st March



Strategic Investments Sector

The strategic investments sector reported a strong performance bolstered by healthy contributions from the power generation and the plantations segments. The sector's revenue increased to Rs. 16.8 billion in 2017/18, up 4.7% from Rs. 16.0 billion in 2016/17, while profit before tax grew by 14.9% from Rs. 1.1 billion in the previous year to Rs. 1.3 billion for the year under review.

The largest contributor to the top line, the power generation segment reported an encouraging performance mainly due

MANAGING DIRECTOR'S REVIEW

Attractive remuneration, continuous training and clear opportunities for career growth are fundamental pillars of our employment proposition and each year we commit considerable resources to enhance these core areas for the benefit of our people.

to the renewal of the Power Purchase Agreement (PPA) for the Embilipitiya thermal power plant for the second consecutive year. The year also saw the power generation segment enter into a landmark waste supply agreement with the Colombo Municipal Council and a PPA with the Ceylon Electricity Board to begin work on a waste-to-energy project, a compelling requirement to the country at present. This ambitious Rs. 13 billion undertaking, would see the construction of a 10MW waste-to-energy plant in Muthurajawela which upon completion, would be equipped to convert on a daily basis between 600 – 800 metric tonnes of municipal solid waste to electricity, which I expect would greatly relieve the Colombo City of its waste disposal burden.

The plantations segment too increased its contribution to the sector, as better prospects for Ceylon tea and the strong demand for oil palm helped revive the segments fortunes. The segments' rubber division however remained under stress amidst challenging times in global rubber markets. The energy division received a boost following the launch of the Governments' campaign to promote solar energy under the Surya Bala Sangramaya, programme aimed at adding 100 MW of solar power capacity to the national grid. Swift action to capitalize on the move saw the plantation segment complete two large-scale rooftop solar projects, with many more in the pipeline.

Disappointingly, the printing segment had a decline in profits for the first time in many years as a number of its key markets were affected due to the slow growth in the economy. The apparel manufacturing segment, while showing significant improvement in performance over the previous year was able to record only a marginal operational profit.

Services Sector

The Services sector reported an improved performance compared to the previous year, with the revenue growing by 18.2% from Rs. 1.4 billion in the previous year to Rs. 1.6 billion while profit before tax increased to Rs. 233.4 million in the current financial year up by 18.9% from Rs. 196.3 million recorded in the previous financial year.

I am pleased with the long-standing partnership with Lloyds of London which continues to yield good results for the insurance segment. Further, I welcome the segments' new partnership with Websters International, which came into effect from 1st April 2018.

The elevators segment too reached an important milestone in the current financial year by recording the highest-ever number of confirmed orders for OTIS elevators in a year, which I believe stems from the ongoing construction boom in the country.

Sustainability

We remain committed to uphold the core values of the United Nations Global Compact and to work towards sustaining long term viability, profitability and integrity of our Companies. As part of our broader sustainability vision, Aitken Spence PLC embraced the United Nations Sustainable Development Goals (SDG) approved by the UN in September 2015. We have since been working to enhance the Group's commitment to certain key goals, setting targets with the aim of contributing towards the achievement of the 2030 SDG targets.

In striving to achieve competitive leadership vis-à-vis a strong emphasis on technology-led innovation and best practices to fuel downstream operational efficiencies, we are seeking to emphasize our commitment to Goal 9 – Industry, innovation & infrastructure.

Demonstrating the commitment to Goal 8 – Decent work & economic growth Aitken Spence PLC., continues to invest in recruiting, retaining and developing the best talent needed to take our business forward. Attractive remuneration, continuous training and clear opportunities for career growth are fundamental pillars of our employment proposition and each year we commit considerable resources to enhance these core areas for the benefit of our people. In the year under review, we took steps to reinforce the Group's leadership pipeline through the launch of a specially designed coaching and mentoring programme entitled "Leadership Journey at Aitken Spence" to groom the second tier of leaders for all sectors of the Group.

Total investment in employee training

Rs. 47.0 Mn

Meanwhile in businesses where we are faced with acute labour shortages, such as in the local hotels, apparel manufacturing and specialised logistics transport segments, we have begun rolling out new initiatives to recruit the necessary cadre. For example in the local hotels segment, we are making a concerted effort to attract more females into the workforce starting with Heritance Kandalama, where the construction work on a dedicated female housing facility was initiated recently. This is also seen as a significant step forward in supporting the United Nation's Women's Empowerment to which Aitken Spence PLC., became one of the first signatories.

As a responsible corporate citizen, we lead the way in addressing such issues as clean water and a quality education for our communities. Emphasizing our commitment to Goal 6 – Clean water & sanitation, effluents generated at all hotel properties, the printing facility, and the power plants are channelled to effluent treatment units, while the commitment to Goal 4 – Quality education, is strengthened by the Group's efforts to create new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills and hospitality)

Looking Ahead

I welcome the policy changes brought in through the new Foreign Exchange Act which has liberalized the capital inflows and outflows and simplified the processes associated with current account transactions. Whilst the new Act has streamlined the procedures to be adopted in making investments overseas it is also hoped that certain provisions in it would be modified to provide more flexibility in granting approvals required by Sri Lankan corporates for their overseas investments.

I also fully support the modernization of the tax system in the country with introduction of the revenue administration and management information system and the implementation of the new Inland Revenue Act, a long felt need of this country. However, I am concerned with regard to certain provisions of the Inland Revenue Act which are not conducive for business in Sri Lanka. Particularly with regard to the differential treatment in the imposition of tax on the gains on the disposal of immovable property used in the business. Further more the subjective aspect of identifying businesses entitled to the concessionary tax rate could create an unfair advantage to some companies as well as complexities to corporates as well as to the revenue authorities.

Moving forward, we have set ourselves ambitious growth targets despite the uncertain outlook in major markets and the sluggish economy. I am convinced that the Group has the resilience and the capability to accelerate its growth trajectory even amidst headwinds by drawing on our innate domain expertise and business acumen. In doing so we will look for long term growth opportunities by focusing on sectors and markets where we see ourselves having a distinctive role, now and in the future. We will continue the strategy of expanding in domestic and offshore markets through enabling partnerships and improving competitiveness by making consistent investments in technology, people and processes.

Appreciations

I wish to thank the Chairman and my fellow Directors on the Board for their unstinted support and wise counsel extended to me at all times. My grateful thanks also to all Spensonians around the world whose dedication and passion towards our business is an immense source of strength that sets Aitken Spence PLC., apart.

I take this opportunity to thank Dr. Parakrama Dissanayake, who relinquished his duties as a Group Director with effect from June 2017, to take up duties as the Chairman of the Sri Lanka Ports Authority. Dr. Dissanayake, having served the Group in various capacities has been an invaluable asset and is credited with the transformation of the Group's Maritime and Logistics sector to what it is today. I also wish to thank Mr. Keethi Jayaweera, head of GSA operations of Singapore Airlines who retired after serving almost 40 years in the Group. I wish them both well in their future endeavours.

I wish to thank all Spensonians whose expertise and professionalism contributed to the performance of the Group and 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

28th May 2018
Colombo

THE SPENCE

1868–

AITKEN SPENCE, THE JOURNEY SO FAR...

Here unfolds one of Sri Lanka's most successful and exemplary corporate tales that began one hundred and fifty years ago. Journeying from humble beginnings to an established regional corporate player; it's a story of PEOPLE, PASSION AND PARTNERSHIPS……

1868

In 1868, in the southern port city of Galle, two scotsmen, Thomas Clark and Patrick Gordon Spence ventured into business under the name of Clark Spence and Company to export gems, plumabago, hides, sapanwood, ebony, coffee, and citronella oil and import rice from Burma and coal for ship bunkers and also to charter sailing vessels in rice trade.

In 1871 two brothers Edward and S.R Aitken joined Thomas Clark and P.G. Spence to form Aitken Spence & Company in Colombo.

Edward Aitken and
Patrick Gordon Spence

1880

The Company achieved its' first milestone by obtaining the agency for Lloyd's of London for Ceylon.

Secured several shipping agencies including Koninklijke Rotterdamsche Lloyd NV, Stoomvaart Maatschappij Nederland and Dansk East India company. With brothers Edward & S. R. Aitken joining the partnership, Clark Spence & Co. had become Aitken Spence & Co. by then.

1890

Diversification began with the
in to the plantations sector a
in the early 1900s.

19

With the beginning of turbulent times trading business was discontinued.

Company geared itself to focus on the rubber boom at the time.

Gradually the focus on its trading business shifted as the Great depression hindered growth in Global trade activities.

A formidable player in the Maritime sector by now, Aitken Spence was entrusted with managing operations of the Colombo port during the second world war.

e company moving
s an agency house

Play a leading role in managing plantation agency houses.

900

1910

1920

1930

Moving its headquarters to the heart of Sri Lanka, Aitken Spence purchased the Freudenberg building in Colombo and renamed it the Lloyd's building.

Incorporation of Shipping and Bunkering agencies.

Aitken Spence launched in to tourism segment with the opening of Neptune Hotel and then turned a new page in Sri Lanka's leisure sector by opening the first Five Star resort in the country, hotel Triton in the '80s.

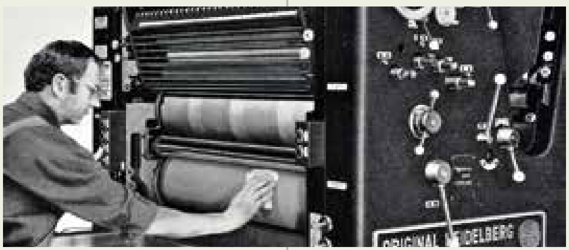
Diversified from Plantation by securing an IATA travel agency and made the first step towards Tourism sector.

Aitken Spence Travels was formed in the 1970s as an inbound and outbound tour operator in Sri Lanka.

Aitken Spence Printing began operations in Galle and went on to become a very successful segment in the Group portfolio.

Expanded the printing business by adding Industrial Printing operations.

The company ventured in to commercial aviation by becoming the General Sales Agent of Singapore airlines for Sri Lanka. Today, Aitken Spence holds the prestige of being the longest running GSA for the global giant.



1950 1960 1970 19

After becoming a private company in the 1950s Aitken Spence appointed its' first Sri Lankan Chairman, E.L. Van Langenberg, celebrating a century of business in Sri Lanka.

E.L. Van Langenberg

Neptune Hotel

The '80s paved the way for Aitken Spence to introduce Ace Cargo and revolutionize the Cargo & Logistics industry of Sri Lanka.

Aitken Spence acquired the Otis Elevator agency and entered the Garments industry to keep up with the National economic plan.

1980

Aitken Spence shares are listed in the Colombo Stock Exchange.

Became the first Sri Lankan company to venture in to overseas Tourism by acquiring Bathala Island resort in the Maldives.

Following the power crisis in the late '90s and the Government's decision to invite private sector to participate in power generation Aitken Spence completed its' first 20MW power generation plant in Matara.

1990

In 2006, Aitken Spence entered the Indian and Oman hospitality sectors, having secured, management contracts for five hotel properties in India and four hotel properties in Oman.

Aitken Spence Group ventures in to Port management in South Africa and expanded its reach into Fiji with its investment in Fiji Ports Terminal Ltd.

TUI

Partners with TUI group of Germany to form a joint venture.

2000

Aitken Spence gets globally acclaimed being rated one of the "Best under a billion" in USD revenue among the companies outside the USA by Forbes Global in 2003 & 2004.

2010

2018

As the company turns yet another page in its' success story Aitken Spence is earnest and fortified to seize the opportunities the future will present.

Current Chairman D.H.S. Jayawardena was appointed to the Board in 2000 and as the Chairman in 2003.

AITKEN STORY

2018

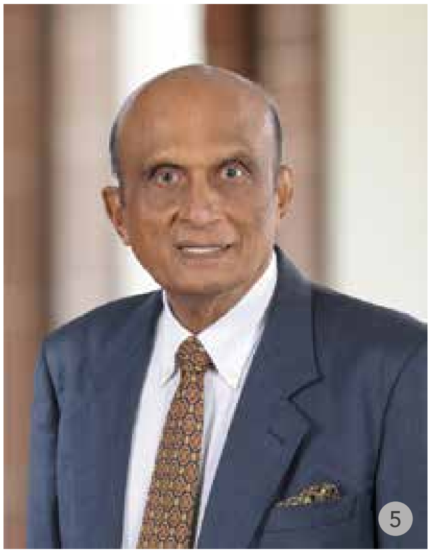
BOARD OF DIRECTORS

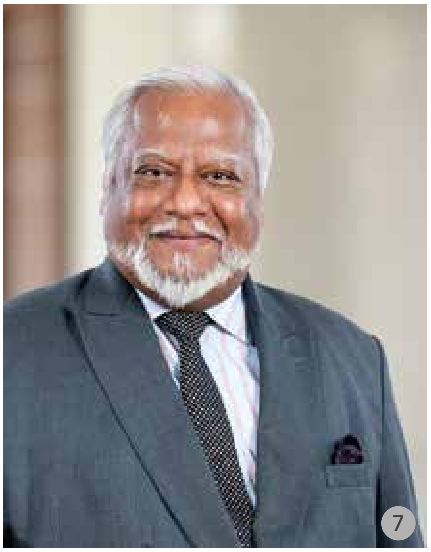
1. Mr. D.H.S. Jayawardena
Chairman

2. Mr. J.M.S. Brito
Deputy Chairman & Managing Director

3. Dr. R.M. Fernando
Executive Director

4. Ms. D.S.T. Jayawardena
Executive Director






5. Mr. G.C. Wickremasinghe
Independent Non-Executive Director

6. Mr. C.H. Gomez
Independent Non-Executive Director

7. Mr. N.J. De Silva Deva Aditya
Non-Executive Director

8. Mr. R.N. Asirwatham
Independent Non-Executive Director

BOARD OF DIRECTORS

Mr. D.H.S. Jayawardena

Chairman

Appointed in April 2000

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 Director of several other listed and privately held companies in Sri Lanka and is a former Director of Hatton National Bank PLC, the largest listed bank 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.

Mr. J.M.S. Brito

Deputy Chairman & Managing Director

Appointed in April 2000

Mr. Rajan Brito joined the Board of Aitken Spence PLC. in April 2000, with a multi-discipline academic background and a wealth of experience from a career counting over 40 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 the private and the public sector industries in Sri Lanka. He is a former chairman of DFCC Bank, Employers' Federation of Ceylon, Sri Lankan Airlines, 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.

Dr. R.M. Fernando

Executive Director

Appointed in April 2005

Dr. Rohan Fernando joined Aitken Spence Plantation Management in May 1994 and has been the Managing Director of Aitken Spence Plantation Management 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 privatisation programme. He is the Chairman of United Nations Global Compact Network, Sri Lanka, a former President of the Chartered Institute of Marketing Sri Lanka Chapter and is also 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 Main Board of Aitken Spence PLC., on the 1st of April 2005 and is currently responsible for the Plantations segment 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.

Ms. D.S.T. Jayawardena

Executive Director

Appointed in December 2013

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 appointed as Chairperson of Aitken Spence Hotel Managements (Private) Limited in January 2016 and as Director of Aitken Spence Aviation (Pvt) Ltd. in July 2017. Ms. Jayawardena 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.

Mr. G.C. Wickremasinghe

Independent Non-Executive Director

Appointed in April 1972

After completing his education at Royal College Colombo, Mr. Wickremasinghe joined an Aitken Spence Plantation 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, one of the most successful hotels in the Group.

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

At present, he is a non-executive Main Board Director, Chairman of the Remuneration Committee, Nomination Committee and is also a member of the Audit Committee and Related Party Transactions Review Committee.

Mr. C.H. Gomez

Independent Non-Executive Director
Appointed in May 2002

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 with regard to international financial markets, financial services regulations, compliance and controls and 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, Related Party Transactions Review Committee and the Remuneration Committee.

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

Mr. N.J. de Silva Deva Aditya

Non-Executive Director
Appointed in September 2006

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, the 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, where he serves in a number of key posts, among the most notable being his Chairmanship of the Delegation for Relations with the Korean Peninsula and his Vice-Presidency of the Development Committee. As a recognition of his accomplishments 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 an Independent Non-Executive Director and holds the post to date as a Non-Executive Director.

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

Mr. R.N. Asirwatham

Independent Non-Executive Director
Appointed in September 2009

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. He is presently the Chairman of the Financial Systems Stability Committee of the Central Bank of Sri Lanka

Mr. Asirwatham is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chairman of the Audit Committee. 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., Mercantile Merchant Bank., Dankotuwa Porcelain PLC., Colombo City Holdings PLC., Browns Beach Hotels PLC., and several other companies.

GROUP SUPERVISORY BOARD

1. Mr. J.M.S. Brito
2. Dr. R.M. Fernando
3. Ms. D.S.T. Jayawardena
4. Ms. N. Sivapragasam
5. Mr. R.G. Pandithakorralage

Mr. J.M.S. Brito
See Board of Directors Profile

Dr. R.M. Fernando
See Board of Directors Profile

Ms. D.S.T. Jayawardena
See Board of Directors Profile

Ms. N. Sivapragasam
Ms. Nilanthi Sivapragasam joined the Aitken Spence Group in 1986 as Accountant in the insurance segment 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 (Pvt) Ltd., the Joint Managing Director of Colombo International Nautical and Engineering College (Pvt) Ltd., (CINEC) and a Director of several subsidiaries and joint venture companies in the Group both local and overseas.

She is a Fellow Member of both the Institute of Chartered Accountants (CA) of Sri Lanka and the Chartered Institute of Management Accountants (CIMA) of UK.

She is currently a Board Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board, member of the Taxation Steering Committee and the Accounting Standards & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce and she also 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, the Statutory Accounting & Auditing Standards Committees of CA Sri Lanka and on the Council of the Sri Lanka Institute of Directors.

She is currently a Director of Women and Media Collective, a non-governmental organisation.

Mr. R.G. Pandithakorralage
Mr. Rohan Pandithakorralage is a Member of Group Supervisory Board, Aitken Spence PLC., and 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 Management Board of Aitken Spence and the Group Supervisory Board of Aitken Spence PLC in 2007 and 2017 respectively.

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

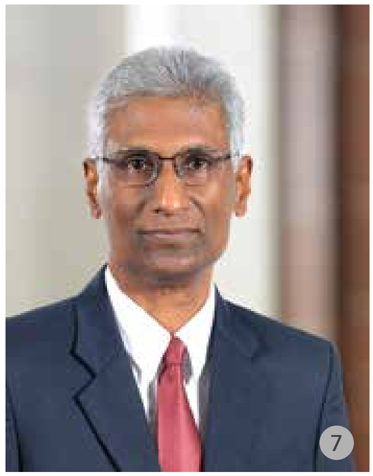
Currently he is a Director of Colombo International Nautical and Engineering College (CINEC), Skills Development Fund Ltd and C S R Lanka (Guarantee) Ltd. He is also a member of the National Labour Advisory Council (NLAC), the Council of the Employers Federation of Ceylon (EFC) and The Board of Governors 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. 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 recognised under the global HR excellence category, for the contribution made to HR for the economic development of the country.

BOARD OF MANAGEMENT

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



6. Ms. N.W. De A. Guneratne

7. Mr. C.M.S. Jayawickrama

8. Mr. D.S. Mendis

9. Mr. P. Karunathilake

10. Mr. L. Wickremarachchi

11. Mr. N.A.N. Jayasundera

12. Mr. D.T.R. De Silva

13. Mr. S.K.R.B. Jayaweera
Resigned w.e.f. 31.03.2018

14. Mr. I.S. Cuttilan

15. Mr. A.J. Gunawardena

16. Mr. S. Mariappan

17. Mr. J.E. Brohier

18. Mr. P.D.C.N. Gunawardana

BOARD OF MANAGEMENT

Ms. N.W. De A. Guneratne

Ms. Nimmi De A. Guneratne joined Aitken Spence 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 as Managing Director in 2000. At present, Ms. Guneratne is the Managing Director of both Aitken Spence International Consulting (Pvt) Ltd and Aitken Spence Insurance Brokers (Pvt) Ltd. 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 and a lecturer and examiner of the Sri Lanka Insurance Institute, she also serves as a visiting Lecturer/Course Director at the Colombo International Nautical and Engineering College (CINEC) and is also a Director of CINEC.

She is a Past President of the Sri Lanka Insurance Institute.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama has been with the company for almost 27 years and is the Joint Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd.

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 segment counting more than two decades of 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).

Mr. D.S. Mendis

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

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 Ltd and the American Chamber of Commerce.

Mr. Mendis has graduated Magna cum Laude in Business Administration specialising 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 the University of Texas, USA.

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 & Packaging (Pvt) Ltd. 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.

Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi joined Aitken Spence Power subsidiary companies in February 2013 as the Managing Director of all power segment subsidiaries of Aitken Spence PLC. He possesses an MSc in Engineering from the 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 organisations. 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 also did a consultancy assignment for the Asian Development Bank in 2004.

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 Tourism sector he took over the leadership of Aitken Spence Travels (Pvt) Ltd., (ASTL) as the Managing Director in 2013. ASTL, 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 Vice President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and was an Executive Committee Member of the PATA Sri Lanka Chapter.

Mr. D.T.R. De Silva

Mr. Ranil De Silva having joined the Group in February 2017, is the Joint Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., with specific responsibility for the Group's local hotel portfolio. 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.

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 was the Deputy Chairman of the Sri Lanka Association of Airline Representatives (SLAAR – an Association of Airlines GSA's).

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

Mr. I.S. Cuttilan

Mr. Iqram Cuttilan who joined Aitken Spence Shipping Limited In 1983, was appointed as a Director of the company in 2000, was designated as the Chief Operating Officer in 2014 and as the Chief Executive Officer of the maritime segment in 2017.

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 and Fiji Ports Corporation Ltd. With a career spanning over 34 years, Mr. Cuttilan currently serves as the President of the Sri Lanka Malaysia Business Council of the Ceylon Chamber of Commerce, Vice Chairman 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.

Mr. A.J. Gunawardena

Mr. Janaka Gunawardena joined the Aitken Spence Group in 2016, bringing with him over 32 years of diverse management experience in a variety of industries which includes integrated logistics and supply chain management, FMCG & real estate.

Having commenced his professional career with Unilever Sri Lanka, he possesses extensive cross cultural exposure and experience in senior management positions across diverse international geographies. He has also served as a Director of Mack International Freight (Private) Limited (local agents for D B Schenker) and as General Manager Trans-Ware Logistics, both subsidiaries of John Keells Holdings PLC. He has also served as Country Manager, DHL Nepal, General Manager AICT, GAC Pakistan, the largest dry port in Karachi 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 segment of the Group.

Mr. Gunawardena has obtained his MBA from the Western Sydney University, Australia.

BOARD OF MANAGEMENT

Mr. S. Mariappan

Mr. Surendar Mariappan Joined Aitken Spence Elevators in April 2016 as the Joint Managing Director. Mr. Mariappan has a degree in Mechanical Engineering SASTRA University, India and has obtained an MBA from Anna University, Chennai, India.

He started his career as an engineer with the OTIS S Elevator Company India Limited in 2011 and has held various positions predominantly covering the southern part of India. Having initially been based in Bangalore, he later moved in to Chennai in the best interest of handling OTIS Sri Lanka business.

After joining Aitken Spence as the Joint Managing Director of the elevators segment, he has successfully utilized his business development skills in adding new clients to the company's database and in supervising the construction, logistics, marketing and service departments of the company.

Mr. J.E. Brohier

Mr. Jerome Brohier heads the Freight Forwarding and Courier segment in the Maritime and Logistics sector. He joined Aitken Spence Cargo in year 2000 as the Manager of the express division which represented TNT International Express, Spring Global Mail and operated the domestic brand, Ace Xpress. He has over 30 years of experience in the express/ logistics industry, 18 of them at Aitken Spence Cargo. He was promoted to Director of the express division in 2006 and also functioned as the Country Manager of TNT International Express in Sri Lanka and the Maldives from 2008. In 2011 he took over as Vice President of the freight and courier segment. Today, he heads this segment with responsibility for freight, customs brokerage, express and cargo aviation in Sri Lanka, Bangladesh and Maldives. The segment represents leading global brands such as Qatar Airways Cargo, DB Schenker, Nippon Express, DPD Group, DTDC, Sri Lankan Airlines Cargo and SF Express.

Mr. Brohier holds an MBA from Australian Institute of Business (AIB), Adelaide, is an alumni of NUS-Stanford Graduate School of Business, Singapore and a Member of the Association of Business Executives (ABE), UK. He is a committee member of the Sri Lanka-Singapore Business Council, a Past President of the Sri Lanka Association of Air Express Companies and a former committee member of the Ceylon Chamber of Commerce.

Mr. P.D.C.N. Gunawardana

Mr. Channa Gunawardana, CEO/Director of Aitken Spence Garments, is a Fellow of the Chartered Institute of Management Accountants (UK) and also a member of the Chartered Accountants of Sri Lanka, with a MBA from the University of Southern Queensland, Australia. He holds a First-Class degree from the Department of Accountancy and Financial Management of the University of Sri Jayewardenepura.

Mr. Gunawardana has extensive experience in overseas operations, as the Country Manager of Ernst & Young - Maldives, and with apparel operations in Bangladesh. Further, he was instrumental in setting up one of the pioneering manufacturing plants, in the emerging apparel market in Ethiopia, in 2015.

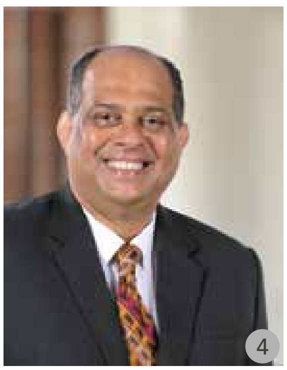
He joined Aitken Spence from the Hirdaramani group where he served for 12 years, and was the Chief Operating Officer of Knit Cluster at the time of leaving. There he was responsible for operations of 10 manufacturing units. He is recognized as the country's leading CIMA Case Study lecturer and conducts CIMA programmes in many different countries. He also conducts leadership programmes for youth in his spare time.

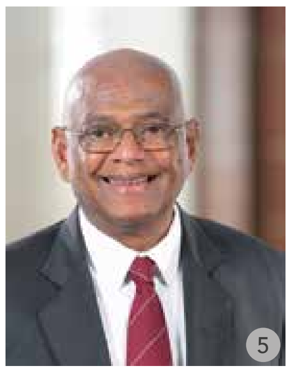
In his career, he had been instrumental in turning many challenging operations into successful/profitable ventures, and for leading start-up operations within Sri Lanka and overseas successfully.

SENIOR MANAGEMENT COMMITTEE

TOURISM SECTOR

In alphabetical order





1. Mr. S.N. De Silva
Chief Executive Officer
- Oman Hotels Segment

2. Mr. C.C.S. Dissanayake
Assistant Vice President
Maldives Resorts Segment

3. Mr. D.G.P. Ekanayake
Assistant Vice President
- Sri Lankan Hotels Segment

4. Mr. S.T.B. Ellepola
Chief Operating Officer
- Destination Management Segment

5. Mr. G.P.J. Goonewardene*
Non-Executive Director
- Hotel Segment

6. Mr. M.D.B.J. Gunatilake
Chief Operating Officer -
Maldives Resorts Segment

7. Mr. A.S. Hapugoda
Assistant Vice President
- Destination Management Segment

8. Mr. P.L. Perera
Vice President
- Destination Management Segment

9. Mr. A.R.D. Raj
Assistant Vice President
- Indian Hotels Segment

** Resigned as a Director of the Hotel Segment on 31.03.2018. Appointed as a Non-Executive Director of Hotel Segment w.e.f. 30.03.2018.*

SENIOR MANAGEMENT COMMITTEE

TOURISM SECTOR

In alphabetical order

10. Mr. R.S. Rajaratne
Vice President - Hotels Segment

11. Mr. R.S. Ratnayake
Assistant Vice President
- Destination Management Segment

12. Mr. H.P.N. Rodrigo
Vice President
- Destination Management Segment

13. Mr. B. Van Der Horst
Vice President - Hotels Segment

14. Mr. D.L. Warawita
Assistant Vice President
- Destination Management Segment

15. Mr. J.C. Weerakone
Vice President
- Sri Lankan Hotels Segment

16. Ms. I. Wijegunawardane
Assistant Vice President
- Hotels Segment

17. Mr. M.P. Wijesekera
Chief Operating Officer
- Overseas Hotels Segment

SENIOR MANAGEMENT COMMITTEE

MARITIME AND LOGISTICS SECTOR

In alphabetical order

1. Mr. C.A.S. Anthony
Assistant Vice President
- Integrated Logistics Segment

2. Ms. T.D.M.N. Anthony
Assistant Vice President
- Freight Segment

3. Mr. M.S. Balasooriya
Assistant Vice President
- Freight Segment

4. Mr. H. Dela Bandara
Assistant Vice President
- Maritime Segment

5. Mr. M.A.M. Isfahan
Assistant Vice President
- Freight & Integrated Logistics Segment

6. Mr. A. Jayasekera
Assistant Vice President
- Maritime Segment

7. Mr. C.J. Jirasinha
Assistant Vice President
- Freight Segment

8. Mr. L.I. Witanachchi
Assistant Vice President
- Maritime Segment

SENIOR MANAGEMENT COMMITTEE

STRATEGIC INVESTMENT SECTOR

In alphabetical order

1. Mr. A. Bakeer Markar
Assistant Vice President - Corporate Services

2. Mr. M.S. Buhar
Assistant Vice President - Corporate Services

3. Mr. B. Bulumulla
Chief Executive Officer - Plantations Segment

4. Mr. A.L.W. Goonewardena
Director - Plantations Segment

5. Ms. R.I.D. Katipearachchi
Vice President - Corporate Services

6. Mr. R.T.B. Navaratne
Assistant Vice President
- Printing and Packaging Segment

7. Ms. R.D. Nicholas
Assistant Vice President - Corporate Services

8. Mr. V.S. Premawardhana
Assistant Vice President - Corporate Services

9. Mr. H.K.A. Rathnaweera
Assistant Vice President - Corporate Services

10. Ms. W.A.D.L. Silva
Assistant Vice President - Corporate Services

SENIOR MANAGEMENT COMMITTEE

SERVICES SECTOR

In alphabetical order

1. Mr. J.V.A. Corera
Assistant Vice President
- MMBL Money Transfer

2. Mr. S.D. De Silva
Assistant Vice President
- MMBL Money Transfer

3. Mr. A.N. Seneviratne
Assistant Vice President
- Insurance Segment

CORPORATE GOVERNANCE

Chairman's Statement

Compliance Statement

On behalf of the Aitken Spence PLC Board, I declare that the principles of good corporate governance are well applied across the Group and I am pleased to report that the Group has complied with all relevant provisions of 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.

Dear Stakeholder,

I am pleased to have the opportunity once again to introduce the Group's corporate governance report. This section of the Annual Report sets out the rules, practices and processes that directs and controls your Company and the Group.

A strong corporate governance framework that is appropriate to the Group's size, nature, complexity and the risk profile enables Aitken Spence PLC to manage the diverse businesses under its portfolio to balance the needs of each company, stakeholders, regulators and the market. This framework supports the prudent management of the Group's activities to preserve its reputation and ensure the fair and equitable value creation for shareholders, investors, business partners and other stakeholders.

The Group's corporate governance framework is based on five key principles.

Leadership

The Board is the ultimate authority responsible to shareholders and other stakeholders for the long-term sustainable delivery of the Group's strategy, activities and financial performance; including the efficient use of resources and maintaining social, environmental and ethical standards. Further, the Board recognizes its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects and assess the principal risks affecting its operations, and to ensure that effective systems of risk management and internal control are in place to protect and enhance the shareholder value by ensuring sustainable, long term growth.

The pages that follow, offer comprehensive coverage regarding the quality and effectiveness of Aitken Spence PLC's leadership.

Culture and Ethics

The Board stresses the importance of promoting a healthy workplace environment, which includes ethics and compliance through established policies based on the values of integrity, leadership and innovation. The Group prioritizes the importance of ensuring gender equality in its diverse sectors of work. Group's equal treatment policy ensures that all work places are free from all forms of discrimination and objectionable special treatment,

The long term goal of the Group is to achieve an even gender balance in management positions. The correct tone is set from the top with the Directors leading by example to ensure that good standards of behaviour permeate throughout all levels of the Company.

Good Governance practices are enshrined in the Group's code of conduct and are cascaded down through policies and procedures that must be followed by Directors, managers and employees in their day-to-day, legal, administrative and operational activities. The Group has a formal anti-bribery and corruption policy that does not tolerate or condone corruption or bribery in any of the business dealings. This policy continues to be strictly implemented throughout the Group and is supported by employee training and regular compliance reviews.

Risk Management and Internal Control

Risk Management and Internal Control are critical components of the corporate governance framework of the Group. The Board is responsible for determining the nature and the extent of principal risks the Group is willing to take in achieving strategic objectives. In individual SBUs of the Group the strategic and operational risk management unit of that company focuses on various risks that could affect its customer experience, operational agility, cost competitiveness and stakeholder confidence. This is done through a robust risk assessment methodology that analyses not only what each company does, but also how it is done, thereby ensuring sustainable economic viability of operations in line with the Group's overall strategic direction.

The internal control systems are designed to provide the Board with reasonable assurance as to the efficiency and the effectiveness of the Group's operations and to ensure the quality of internal and external reporting is maintained while complying with applicable laws and regulations. As part of its internal control mechanism, there is a whistle-blowing policy in place to encourage employees to report in good faith any genuine suspicions of fraud, bribery or malpractice to identify any problems within the Group at an early stage. The policy has been designed to ensure that any employee who raises a genuine concern is protected.

Accountability

In seeking to remain accountable to stakeholders, the Board strives to disclose the Group's performance (financial and non-financial) accurately, consistently and transparently, and in compliance with all applicable regulations as well as through the voluntary adoption of globally accepted best practices for transparent reporting.

Shareholder Communication

The Board recognizes and values the importance of maintaining healthy and open communications with our shareholders to ensure mutual understanding of the Group's strategy, objectives, governance and performance. The Annual General Meeting is considered as a crucial time for interaction with shareholders and on behalf of the Board, I urge all the shareholders to attend and actively participate in the proceedings of this year's Annual General Meeting to be held on 29th of June 2018.

Conclusion

On behalf of the Board, I must reiterate that good corporate governance remains an essential part of running our business effectively, in order to meet the expectations of our shareholders and other stakeholders. Accordingly, we will strive to evolve our governance policies and processes in line with changes to local and international regulations as well as globally accepted good governance practices that may become relevant from time to time.

D.H.S. Jayawardena
Chairman

Colombo
28th May 2018

CORPORATE GOVERNANCE

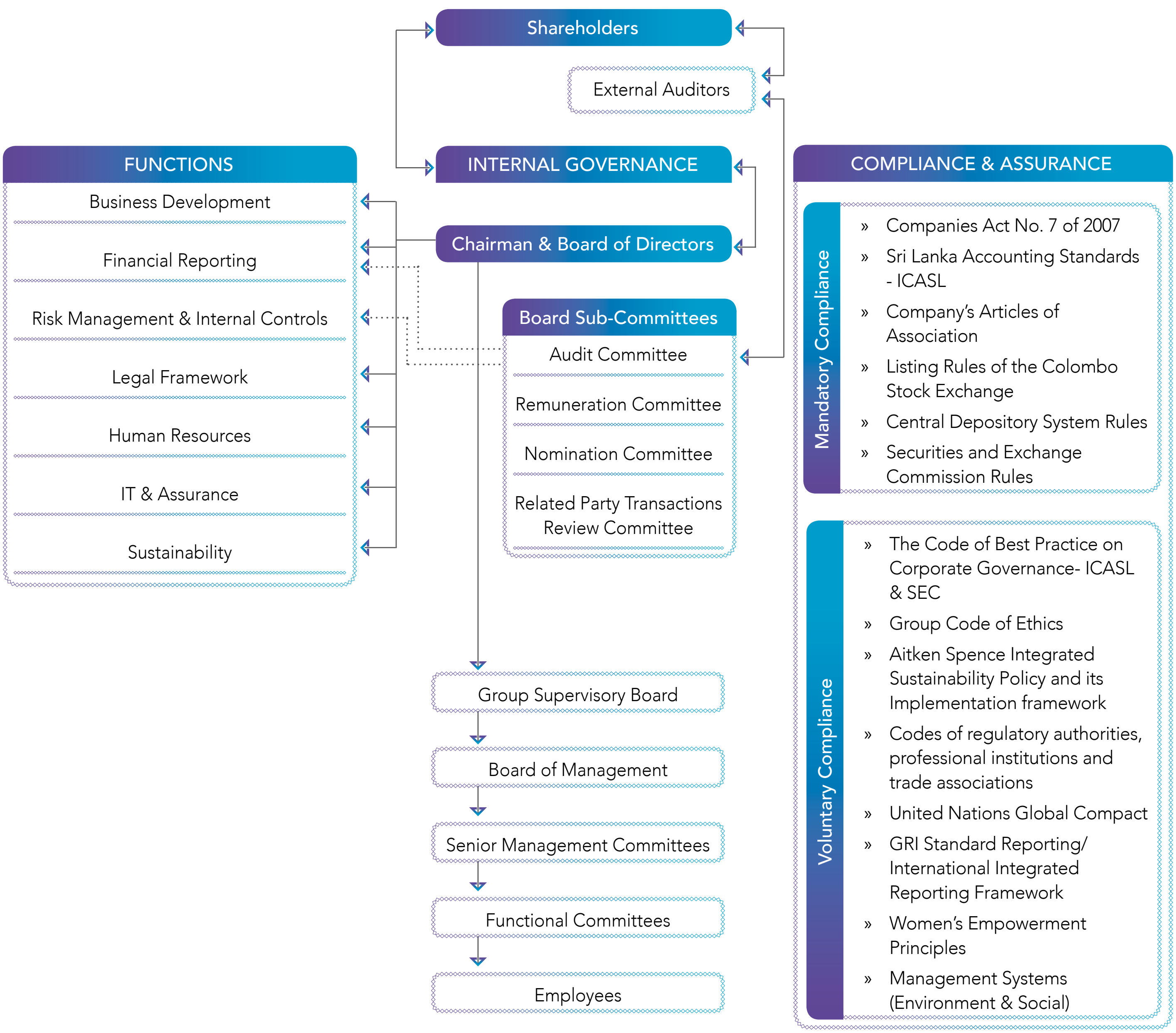
1. GOVERNANCE STRUCTURE

GRI 102 – 18

The Board of Aitken Spence PLC operates within a wider governance framework which ensures that decisions are taken at the right level of the business, by the people best placed to take them. The governance framework of Aitken Spence PLC provides clear directions on decision making which facilitates progress of the Company as well as the Aitken Spence Group.

Having delegated the day-to-day management to its executive Directors headed by the Deputy Chairman and Managing Director, the Board holds them accountable for their responsibilities. In order to discharge the Board's duties effectively, the Board operates through a number of Committees in line with the mandatory requirements of the Listing Rules of the Colombo Stock Exchange and the voluntary requirements of the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered of Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, each made up entirely of members of the Board. Each Committee so appointed, reports to the Board and is accountable for its responsibilities.

The governance framework at Aitken Spence PLC sets clear parameters of delegation and responsibilities from the Aitken Spence PLC Board down through the Group as illustrated below:



2. THE BOARD OF DIRECTORS

GRI 102 – 17, 19, 20, 21, 22, 27, 29, 30, 32

2.1 Board Composition and Independence

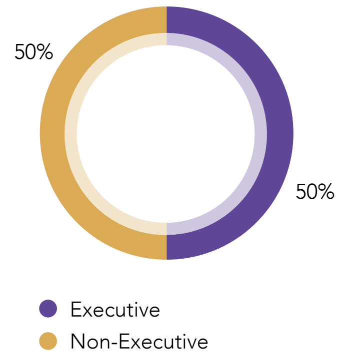
The Aitken Spence PLC Board comprises of the Chairman, Deputy Chairman and Managing Director and six other Directors, four of whom function in a Non-Executive capacity. With 50% of the Board comprising of Non-Executive Directors, their views carry significant weight in the Board's decision-making process. Further, three of the four Non-Executive Directors are construed as Independent, thus bringing the necessary balance to ensure that no individual or small group of individuals can dominate the Board's decision-making process. This enables the Board to act critically and independently in the best interest of the Group at all times.

Each Director exercises independent judgment in all matters considered by the Board and acts free from undue influence and bias from other parties. Although two of our Board Members Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other, they act in the best interest of the Group in their spirit, intention, purpose and attitude in their decision making.

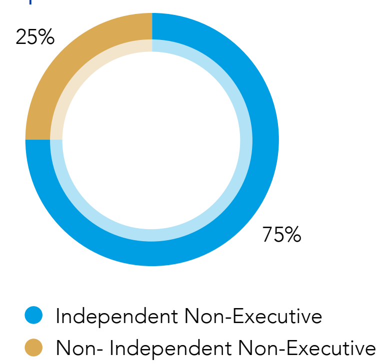
All Non-Executive Directors are expected to disclose any material business interest and submit an annual declaration confirming his/her independence/ non-independence in compliance with guidelines stated in the statutory regulations. Moreover, in the event a conflict of interest presents itself, the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

Disclosures made by Directors from time to time, regarding their interest in transactions including the related party transactions are formally noted and duly entered into the interest register. Note 43 of the Financial Statements of this Annual Report provides a list of companies in which the Directors had transactions with during the year under review.

Board Composition



Independence of the Board



Independence of Non-Executive Directors
Mr. G.C. Wickremasinghe - Mr. Wickremasinghe served as a Board Member of Aitken Spence for over nine years and was also an Executive Director on the Board prior to the assumption of duties as a Non-Executive Director. The Board having considered the above facts is of the view that the 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.
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.
Mr. R.N. Asirwatham - Appointed to the Board as an Independent Director, Mr. R.N. Asirwatham meets all the criteria of independence set out in Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange.

CORPORATE GOVERNANCE

2.2 Quality of the Board

As evident from the Board profiles on pages 34 to 37, the current Aitken Spence PLC Board comprises of a number of well-respected business leaders, two Chartered Accountants and a former investment banker. These Directors represent an optimal mix of professionalism, knowledge and experience with a level of diversity. Their academic and/or entrepreneurial financial skills and business acumen enable them to impart substantial value, knowledge and independent judgement towards decision-making and the execution of matters concerning finance and investment.

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.

Our 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 the Institutes of Chartered Accountants of Sri Lanka as well as a fellow of the Institute of Chartered Accountants; England and Wales. Together with this multi-disciplined knowledge, he brings with him a wealth of 35 years international experience working with number of global organisations.

Dr. R.M. Fernando is the Chairman of the United Nations Global Compact Network, Ceylon and leads the sustainability strategy of the Group and is responsible for escalating Group-wide sustainability concerns to the Board of Management and the Aitken Spence PLC Board. His representation of the Group's sustainability team and participation in sustainability programmes is most likely the first instance of a Main Board Director of a company in Sri Lanka to be dedicated for sustainability. Dr. Fernando 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.

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. She also oversees 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 having been appointed to the Board of Aitken Spence PLC, in April 1972 and subsequently as Chairman from 1996 to 1997, has been a Director of the Group 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 Group 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 Group.

2.3 The Role of the Board

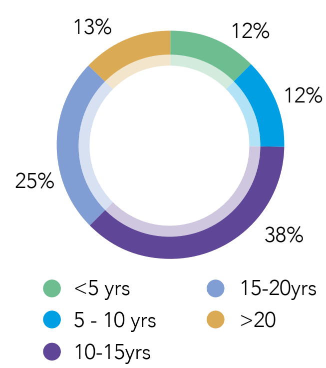
GRI 102 – 16, 23, 26, 30, 34, 205 – 2

The Board is responsible for the overall governance conduct and implementation of sound business strategies across the Group. The Board exercises its ordinary and extraordinary administrative powers in carrying out its duties within the relevant laws/regulations of the country, international laws, regulatory authorities, professional institutes and trade associations to achieve the corporate objectives of Aitken Spence PLC and the Group.

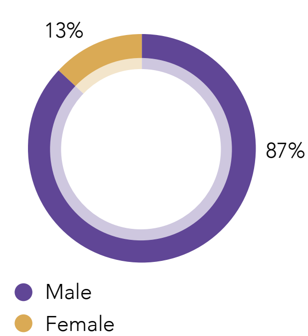
The Board collectively and Directors individually, fulfil their commitments by complying with the laws of the country and of the region, as applicable to the Aitken Spence Group. The Board is ultimately responsible for ensuring that all business activities are conducted with integrity and in compliance with the mandatory requirements of the following statutory regulations and voluntary endorsements:

» Companies Act No. 7 of 2007,
» Articles of Association,
» Listing Rules of the Colombo Stock Exchange,
» 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,
» The United Nations Global Compact, Global Reporting Initiative and the International Integrated Reporting Council Framework, Women's Empowerment Principles and the regulations,
» The integrated sustainability policy of Aitken Spence PLC and SBU specific policies and procedures established for social and environmental governance,
» By-laws of the Group Code of Ethics and the trade and industry related regulatory authorities and institutions.

Board Tenure as of 31st March 2018



Gender Diversity



The Board is specifically responsible for:

- 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/amalgamations, acquisitions and divestures that results in corporate re-structuring or re-engineering,
- In addition, the Board of Directors, both individually and collectively, strive to comply with best practices on environmental, health, safety and ethical standards whilst ensuring that the interest of all stakeholder groups are considered when taking decisions.

Key Focus areas for 2017/2018

STRATEGY

- Strategy setting
- Target delivery
- Achievement of goals

LEADERSHIP AND RISK

- Entrepreneurial support
- Succession planning
- Oversight of operational management
- Determination of principal risks and risk appetite

GOVERNANCE

- Assurance and compliance
- Board management and effectiveness
- Remuneration policy in support of strategy

FINANCE

- Optimizing the internal control framework
- Capital allocation, financing and funding
- Overview and preparation of financial statements

2.4 Board Commitment

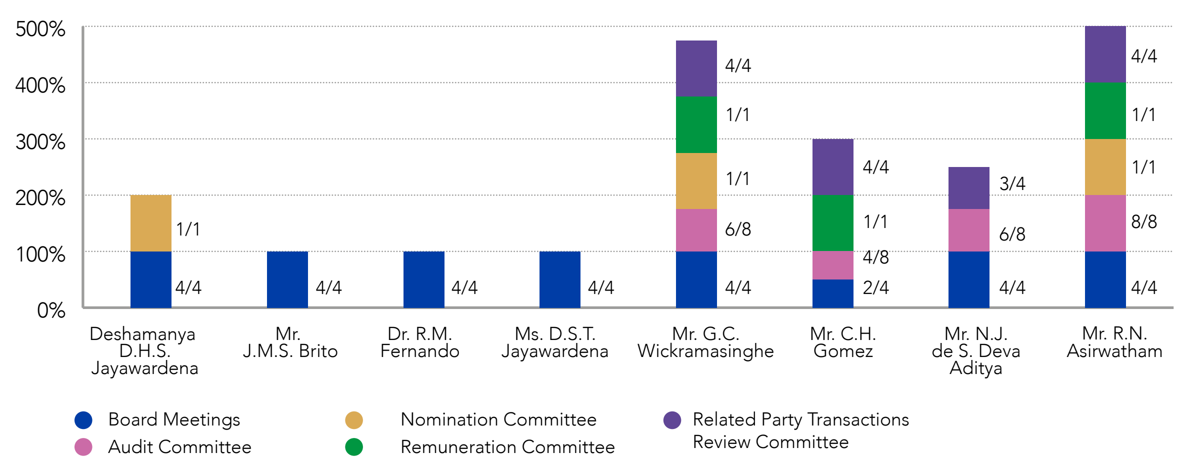
The Board is aware of other commitments of its Directors and is satisfied that these neither conflict nor impair their performance of duties as Directors of Aitken Spence PLC. Each member allocates sufficient time to fulfil his/her duties and each Director is expected to report to the Board of any intention of joining boards of any other company outside the Group and any changes of their commitments.

2.5 Board Meetings

GRI 102 – 31

The Board convened four times during this financial year, with all meetings presided over by the Chairman. An annual calendar of Board meetings is prepared and tabled at the last Board meeting of each year, enabling them to plan their commitments and to facilitate effective participation. In an instance of a Director's non-attendance at the meetings he/she is provided with briefing material for discussion with the Chairman or the Deputy Chairman and Managing Director on a later date. Attendance at the 2017/2018 Board Meetings are indicated below.

Meeting Attendance



Attendance at Board and Committee Meetings

	Board Meetings	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Review Committee
Deshamanya D.H.S. Jayawardena	4/4		1/1		
Mr. J.M.S. Brito	4/4				
Dr. R.M. Fernando	4/4				
Ms. D.S.T. Jayawardena	4/4				
Mr. G.C. Wickremasinghe	4/4	6/8	1/1	1/1	4/4
Mr. C.H. Gomez	2/4	4/8		1/1	4/4
Mr. N.J de S. Deva Aditya/ Mr. A.L. Gooneratne (alternate Director to Mr. N.J. de S. Deva Aditya)	4/4	6/8			3/4
Mr. R.N. Asirwatham	4/4	8/8	1/1	1/1	4/4
Number of meetings held during the year under review	04	08	01	01	04

The notices of Board meetings are circulated along with the agenda well ahead of the scheduled meeting. Board Papers are circulated to the Directors at least seven days prior to each meeting providing sufficient time for the Directors to review and call for any additional information or clarifications. Further, the Directors are provided with any additional information as and when required in order to effectively execute their duties and responsibilities.

General matters discussed at Board Meetings include, the Deputy Chairman and Managing Director's Report/ concerns, up-to-date financial accounts and respective operational updates and where applicable reports from the Nomination Committee, Audit Committee, Remuneration Committee and the Related Party Transactions Review Committee. Additionally, further discussions pertaining to both commercial and non-commercial strategy, technology strategy, talent and succession planning, partner relationships and associated markets are delved into an in-depth manner as and when necessary.

2.6 Conflict of Interests

GRI 102 – 25

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

Company Secretaries

Aitken Spence Corporate Finance (Private) Limited acts as Secretaries to the Board and is present at all Board Meetings. In addition, the Secretaries also:

» Assist the Chairman in ensuring that the Board Members have full and timely access to all relevant information/ documentation whilst making sure that appropriate facilities are available for the proper conduct of meetings and effective decision-making,

» Ensure correct Board procedures are followed, and that the applicable rules and regulations are reviewed regularly and complied with,

» Advise the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary,

» Manage the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their duties.

Our Chairman
Deshamanya D.H.S. Jayawardena

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

» Ensuring that the Board adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company,

» Ensuring that the Group's obligations to various stakeholders and regulatory bodies are met,

» Encouraging effective participation by both Executive and Non-Executive Directors on matters taken up for consideration,

» Ensuring that all Directors are adequately briefed on issues arising at Board Meetings and that they effectively contribute with their respective capabilities for 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.

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

A fellow member of the Institute of Chartered Accountants of Sri Lanka, London and Wales, with a LLB and a MBA, 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, Board of Management, and the senior management team,

» Revision and implementation of the Company's strategies and policies,

» Maintaining a close working relationship with the Chairman, and being a sounding board for the Chairman as and when necessary,

» Ensuring correct Board procedures are followed, and that the applicable rules and regulations are reviewed regularly and complied with,

» Advising the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary, and

» Managing the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their/its duties.

2.7 Division of Roles and Responsibilities between the Chairman and Managing Director

GRI 102 – 23

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

2.8 Induction and Professional Development

GRI 102 – 27

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

The Board recognizes the need for continuous training and development, in shaping of a Board of skilled leaders. As such, subsequent periodic training in respect of the areas mentioned below is supplemented with one-on-one meetings with the management of each subsidiary, visit sites/factories/hotels and hold meetings with key investors, suppliers, customers, service providers and other key stakeholders where appropriate.

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

2.9 Board Appointments

GRI 102 – 24

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 resumé 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 No. 7 of 2007 and the Articles of Association of Aitken Spence PLC, Directors who are retiring are eligible to submit themselves for re-election at the Annual General Meeting. The Board at the recommendation of the Nomination Committee evaluates the effective contribution made by these respective Directors to assess their eligibility for re-election.

The details of the Directors who are recommended for re-election and re-appointment at the forthcoming Annual General Meeting are disclosed in the Annual Report of the Directors on page 84 and in the Notice of meeting on page 392 of this Annual Report.

In the event that a Director recommended for re-election or re-appointment wishes to resign from his/her position as a director, he/she is expected to provide a written communication to the Board formally tabling his/her resignation along with reasons for such resignation. During the last financial year, Dr. M P Dissanayake offered himself for re-election at the Annual General Meeting held on 30th June 2017. However, by tendering a letter dated 1st June 2017 Dr. Dissanayake resigned from the Directorate of the Company with effect from 1st June 2017.

2.10 Board Evaluation

GRI 102 – 28

The annual assessment of the performance of the Board, its Committees and the individual Directors are done on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined on the Nomination Committee Report (see page 73). The self-appraisal provides an avenue to highlight areas for improvement and remedial action as well as evaluation of the progress of such areas identified. It also ensures that any gaps pertaining to investor relations and Board administration and processes are rectified.

2.11 Directors' Remuneration

GRI 102 – 36, 37

A formal transparent mechanism underpins the determination of remuneration for all Executive Directors. No Director is involved in determining his/her own remuneration. The Remuneration Committee consults the Chairman and the Deputy Chairman and Managing Director regarding the remuneration proposals including revision of salary packages (as and when necessary) of the Executive Directors and the Senior Management, with due consideration of internal and external socio-economic factors. A portion of each Director's remuneration is in the form of a 'performance bonus', which is based upon the achievement of both individual and corporate goals and targets.

Non-Executive Directors are remunerated in accordance with the Articles of Association of Aitken Spence PLC; the fees and reimbursable expenses are payable in consideration of the basis of contribution/ services performed at the Board and Committee Meetings, and the Group's year-end financial performance.

Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2018 are disclosed on page 286 of the Financial Statements, are subjected to shareholder approval.

2.12 Board Committees

GRI 102 – 22

The Board has established sub-committees for the effective and efficient discharge and development of its duties and responsibilities and in compliance with the regulations of the Code. All such committees are provided with all essential resources to empower them to undertake their duties in an effective manner. Moreover, 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 and 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.

Voluntary Committees

Nomination Committee: The Nomination Committee was formed in 2009 as a voluntary Committee and is responsible for overseeing the performance of the Board, its Committees and Individual Directors and to 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.

Mandatory Committees

Audit Committee: Established in 2002, the Audit Committee's objective is to regularly review the adequacy of the internal controls and risk management process, ensure that the Group 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.

Remuneration Committee: The Remuneration Committee was formed in 2002. The Committee's key objective is to determine and review the Group's Executive Remuneration Policy for the Executive Directors and the Senior Management and thereby attract the most suitable talent and retain them in order to enhance the Group's performance of the Strategic Business Units.

Related Party Transactions Review Committee: Formed in 2016, 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 by the Listing Rules and the Code.

3. SHAREHOLDER RELATIONS

GRI 102 – 22, 37

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 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 communication teams act as the point of contact for clarifications, suggestions or complaints raised by shareholders.

4. COMPLIANCE TABLES

4.1 Mandatory Compliances

4.1.1 Compliance requirements of the Companies Act No. 7 of 2007

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
168 (1) (a) GRI 102 – 48, 49	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 378 to 387 of 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 253 to 358 of this Annual Report.
168 (1) (c)	Auditors report on the financial statements of the company and the Group	Compliant	Refer Independent Auditor's Statement on pages 249 to 252 of this Annual Report.
168 (1) (d)	Change of accounting policies during the accounting period	Compliant	Refer Section 3 to the Annual Report of the Directors on page 84 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.
168 (1) (f) GRI 102 – 38, 39	Remuneration and other benefits paid to the directors during the accounting period	Compliant	Refer Note 9 to the Financial Statements on page 286 of this Annual Report.
168 (1) (g)	Total amount of donations made by the company during the accounting period	Compliant	Refer Section 4.2 of the Annual Report of the Directors on page 85 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	Compliant	Refer Group Directorate on pages 378 to 387 of 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 of the Financial Statements on page 286 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 84 to 88 of the Annual Report of the Directors of this Annual Report.

CORPORATE GOVERNANCE

4.1.2 Compliance requirements of the Listing Rules of the Colombo Stock Exchange - Corporate Governance

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 eight 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.
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 could be found in page 53 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 34 to 37 of this Annual Report.
d.	Submission of a brief resume to CSE upon appointment of a new director	Compliant	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 53.
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	Compliant	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 recommend same to the Board.

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
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 page 78 of this Annual Report contains the names of the members and a statement of the remuneration policy.
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 286 of this Annual Report.
7.10.6	*Audit Committee*		
a	**Composition**		
a. 1	The 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.
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, CFO attend the meetings by invitation. Please refer the attendance of the Committee set out in pages 75 to 77 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 75 to 77 of 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 75 to 77 of 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 Directors Statement on Internal Control on pages 75 to 77 and 82 respectively on this Annual Report.
b. (iv)	Assessing the independence and performance of the external auditors	Compliant	Refer Audit Committee Report on pages 75 to 77 in this Annual Report.

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
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 75 to 77 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 75 to 77 in this Annual Report.
c.3	A report of the audit committee containing the manner of compliance	Compliant	Refer Audit Committee Report on pages 75 to 77 in this Annual Report.

4.1.3. Listing Rules of the Colombo Stock Exchange – Contents of the Annual Report

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 391 of this Annual Report.
ii)	Principal activities of the entity and its subsidiaries during the year under review	Compliant	Refer Group Directorate on pages 378 to 387 of this Annual Report.
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Compliant	Refer Investor Information on pages 238 to 244 of this Annual Report.
iv)	The Public Holding percentage	Compliant	Refer Investor Information on pages 238 to 244 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 pages 238 to 244 of this Annual Report.
vi)	Information pertaining to material foreseeable risk factors	Compliant	Refer Risk Management on pages 89 to 99 of this Annual Report.
vii)	Details of material issues pertaining to employees and industrial relations	Compliant	Refer Human Capital and on pages 122 to 134 of this Annual Report.
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Compliant	Refer Note 15 and 16 to the Financial Statements on pages 297 to 301 of this Annual Report.
ix)	Number of shares representing the stated capital	Compliant	Refer Investor Information on pages 238 to 244 of this Annual Report.
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Compliant	Refer Investor Information on pages 238 to 244 of this Annual Report.
xi)	Ratios and market price information	Compliant	Refer Investor Information on pages 238 to 244 of this Annual Report.

Section/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
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 on pages 297 to 300 of this Annual Report.
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 50 to 72 of this Annual Report.
xvi)	Related Party Transactions	Compliant	Refer Note 43 to the Financial Statements.

4.2 Voluntary Compliances

GRI 102 – 35

4.2.1 Compliance requirements of the Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
THE COMPANY			
A. Directors			
A.1 The Board			
A.1.1	Board Meetings and Provision of regular and structured information to the Board	Compliant	Refer section 2.5 of the Corporate Governance report on page 57 of this Annual Report.
A. 1.2	Role of the Board	Compliant	Refer section 2.5 of the Corporate Governance report on pages 57 to 58 of this Annual Report.
A.1.3/ A.1.8	Compliance with laws and access to independent professional advice and services and training of directors	Compliant	Refer section 2.8 of the Corporate Governance report on page 59 of this Annual Report.
A.1.4	Access to advice from the Company Secretary and duties of the Company Secretary and indemnifying the board, directors and key management personnel	Compliant	All Directors have access to obtain advice and the services of the Company Secretaries who are responsible for insuring Board procedures follow the best practices in respect of Corporate Governance by strictly complying with the necessary statutory and regulatory rules and regulations. The key responsibilities of the Company Secretaries are outlined in page 58 of this report. Directors of Aitken Spence PLC and the Group are indemnified by the Company.
A.1.5	Independent Judgement	Compliant	Refer section 2.1 of the Corporate Governance report on page 53 of this Annual Report.
A.1.6	Dedication of sufficient time and effort	Compliant	Refer section 2.4 of the Corporate Governance report on page 57 of this Annual Report.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
A.1.7	Call for Resolutions	Compliant	One third of the directors could request for a resolution to be presented to the Board for the best interest of the Company.
A.2 Chairman and Chief Executive Officer (CEO)			
A.2.1/ A.5.7	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 – Role of the Chairman on page 58 of this Annual Report.
A.4 Financial Acumen			
A.4	Ensuring the availability of sufficient financial acumen within the Board	Compliant	Refer section 2.1 of the Corporate Governance report on page 53 and the profiles of the Board of Directors on pages 36 to 37 of this Annual Report.
A.5 Board Balance			
A.5.1	Board Composition	Compliant	Refer section 2.1 of the Corporate Governance report on page 53 of this Annual report
A.5.2	Constitution of the Board of Directors only with three Non-Executive Directors (NEDs)	Compliant	The Board consist of four Non-Executive Directors, of whom three are Independent.
A.5.3/ A.5.4	Determination of independence, Annual Declaration of independence by the NEDs	Compliant	Refer section 2.1 of the Corporate Governance report on page 53 of this Annual report.
A.5.5	Board's determination on independence of NEDs	Compliant	Refer Independence of Non-Executive Directors of the Corporate Governance report on page 53 of this Annual Report.
A.5.6	Independence of Alternate Directors	Compliant	The only Alternate Director in the Board represents a Non-Independent Non-Executive Director.
A.5.8	Senior Independent Director	Not Applicable	The role of the Chairman and the Deputy Chairman and Managing Director are distinct.
A.5.9	Chairman's meetings with the NEDs	Compliant	Chairman meets with the NEDs as and when required.
A.5.10	Recording concerns	Compliant	Refer section 2.6 of the Corporate Governance report on page 58 of this Annual report.
A.6 Supply of Information			
A.6.1/ A.6.2	Management's obligation to provide appropriate and timely information	Compliant	Refer section 2.5 of the Corporate Governance report on page 57 of this Annual report.
A.7 Appointments to the Board			
A. 7.1	Presence of the Nomination Committee	Compliant	Refer section 2.9 of the Corporate Governance report on page 59 and the report of the Nomination Committee is set out on page 73 of this Annual Report
A.7.2	Annual Assessment of Directors	Compliant	The report of the Nomination Committee is set out on page 73 of this Annual Report

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
A.7.3	Disclosure of Appointment of a New Director	Compliant	Corporate Governance - Board Appointments on page 59
A.8 Re Election			
A.8.1/ A.8.2	Re-election of NEDs and re-election and re-appointment of Directors	Compliant	Refer section 2.9 of the Corporate Governance report on page 59 of this Annual report.
A.8.3	Resignation	Compliant	Refer section 2.9 of the Corporate Governance report on page 59 of this Annual report.
A.9 Appraisal of Board Performance			
A.9.1/ A.9.2	Review of Performance of the Board and its Committees and self-evaluation of Directors and of its Committees	Compliant	Refer section 2.10 of the Corporate Governance report on page 59 of this Annual report.
A.9.3	Presence of a process to review participation, contribution and engagement of Directors	Compliant	Refer section 2.10 of the Corporate Governance report on page 59 of this Annual report.
A.9.4	Disclosure of performance evaluation	Compliant	Refer section 2.10 of the Corporate Governance report on page 59 of this Annual report.
A.10 Disclosure of information in respect of Directors			
A.10.1	Profiles of the Board of Directors and other related information	Compliant	The names and profiles of the Directors are on pages 36 to 37 of this Annual Report
A.11 Appraisal of the Chief Executive Officer			
A.11.1/ A.11.2	Setting financial and non-financial targets	Compliant	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.
B. Directors' remuneration			
B.1 Remuneration Procedure			
B.1.1	Remuneration Committee	Compliant	Refer section 2.11 of the Corporate Governance report on page 60 and the Report of the Remuneration Committee on page 78 of this Annual Report.
B.1.2	Composition of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee on page 78 of this Annual Report
B.1.3	Disclosure of the names of the members of the Remuneration Committee	Compliant	Refer the Report of the Remuneration Committee on page 78 of this Annual Report
B.1.4/ B.1.5/ B.2.10	Remuneration of NEDs and Executive-Directors	Compliant	Refer the Report of the Remuneration Committee on page 78 of this Annual Report

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
B.2 The Level and Make up of Remuneration			
B.2.1-B.2.5	Standard of making the remuneration packages of Executive Directors	Compliant	Refer the Report of the Remuneration Committee on page 78 of this Annual Report
B.2.6	Executive share option	Compliant	As at date, the Company has no share option available to its Directors.
B.2.7	Performance based remuneration	Compliant	Refer the Report of the Remuneration Committee on page 78 of this Annual Report
B.2.8-B.2.9	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 names of the members of the Remuneration Committee, statement of the remuneration policy and set out the aggregate remuneration paid to Directors	Compliant	Refer the Report of the Remuneration Committee on page 78 and Note 9 to the Financial Statements on page 286 of this Annual Report.
C. Relations with shareholders			
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Compliant	Notices of meetings are circulated to the shareholders within the stipulated time in accordance with the Articles of Association.
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	Accurate recording and counting valid proxy appointments received for general meetings	Compliant	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken on a show of hands.
C.1.4	Availability of Chairmen of Board Committees at the Annual General Meeting	Compliant	The Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees are present at the AGMs.
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.2.3.	Effective communication with shareholders and disclosure of the method of communication with the 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. Any matters relating to the shareholders are effectively and efficiently dealt by the Group Company Secretarial Division and the Registrars of the Company.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
C.2.4. / C.2.6	Contact person in relation to shareholder matters	Compliant	Group Company Secretarial Division and/or the Registrars could be contacted in relation to shareholders.
C.2.5 / C.2.7 GRI 102 – 33	Process to make Directors aware of the issues and concerns of Shareholders and disclosing same and the process responding to shareholder matters	Compliant	The Company Secretaries maintain a record of all correspondence received and would 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 the Company Secretaries to send the response to the particular shareholder.
C.3 Major and Material Transactions			
C.3.1-C.3.2	Disclosure of Major related party transactions with a related party	Compliant	The Company ensures that in the event of a major related party transaction takes place, all required approvals are obtained and that the disclosure requirements of the Listing Rules of the Colombo Stock Exchange are strictly adhered to.
D. Accountability and Audit			
D.1 Financial and Business Reporting			
D.1.1/ D.1.2	Board responsibility in Financial Reporting	Compliant	The Board recognizes 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.1.3	Declaration made by the Chief Executive Officer and Chief Financial Officer in maintaining accurate financial records and in compliant with the appropriate accountant standards	Compliant	The Statement of Financial Position on page 255 of this Annual Report contain a declaration by the Deputy Chairman and Managing Director and the Chief Financial Officer.
D.1.4/ D.1.5	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 248 and 249 respectively of this Annual Report. The Statement on Internal Controls is on page 82 of this Annual Report.
D.1.6	Contents of the Management Discussion & Analysis	Compliant	The Management Discussion & Analysis of the Company and its subsidiaries under 4 sectors are on pages 100 to 237 of this Annual Report
D.1.7	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.1.8	Disclosure of related party transactions	Compliant	Refer the Related Party Transactions Review Committee Report on pages 80 to 81

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
D.1.4/ D.1.5	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 248 and 249 respectively of this Annual Report. The Statement on Internal Controls is on page 82 of this Annual Report.
D.2 Risk Management and Internal Control			
D.2.1	Board's responsibility to monitor the company's risk management and internal control systems	Compliant	Refer the Board of Directors' Statement on Internal Control on page 82 of this Annual Report.
D.2.2	Confirmation by the Directors on carrying out a robust assessment of the principal risks faced by the company	Compliant	Refer the Board of Directors' Statement on Internal Control on page 82 of this Annual Report.
D.2.3	Presence of an internal audit function	Compliant	The Company is equipped with an independent Internal Audit Department
D.2.4	Review the process and effectiveness of risk management and internal control by the Audit Committee	Compliant	Refer Audit Committee Report on page 75 of this Annual Report.
D.2.5	The Statement of Internal Control	Compliant	The Statement on Internal Control is set out on page 82 of this Annual Report
D.3 Audit Committee			
D.3.1	Composition of the Committee	Compliant	Refer the report of the Audit Committee is set out on pages 75 to 77 of this Annual Report.
D.3.2	Duties of the Committee	Compliant	Refer the report of the Audit Committee is set out on pages 75 to 77 of this Annual Report.
D.3.3	Disclosures	Compliant	Refer the report of the Audit Committee is set out on pages 75 to 77 of this Annual Report.
D.4 Related Party Transactions Review Committee			
D.4.1/ D.4.2	Composition of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee on pages 80 to 81 of this Annual Report.
D.4.3	Duties of the Committee	Compliant	Refer the report of the Related Party Transactions Review Committee on pages 80 to 81 of this Annual Report.
D.5 Code of Business Conduct & Ethics			
D.5.1	Disclosure of the presence of code of business conduct and ethics for Directors and Key Management Personnel and declaration of compliance	Compliant	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.
D.5.2	Presence of a process to identify and report material and price sensitive information	Compliant	The Company ensures that material and price sensitive information is promptly identified and reported in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
D.5.3	Policy, process for monitoring and disclosure of share transactions made by related parties	Compliant	Refer the report of the Related Party Transactions Review Committee on pages 80 to 81 of this Annual Report.
D.5.4	Chairman's affirmation that he is not aware of any violation of the provision of the code of business conduct and ethics	Compliant	Refer the Chairman's Introduction on Corporate Governance on page 50 of this Annual Report.
D.6 Corporate Governance Disclosures			
D.6.1	Disclosure of a Corporate Governance Report in the Company's Annual Report	Compliant	Refer the Corporate Governance on pages 50 to 72 of this Annual Report.
Section 2 SHAREHOLDERS			
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	Regular and structured dialogue with shareholders	Compliant	Refer section 3 of the Corporate Governance report on page 60 of this Annual Report
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	Refer section 3 of the Corporate Governance report on page 60 of this Annual Report
F. Other Investors			
F.1 Investing/Divesting Decision			
F.1	Encouraging shareholders to carry out adequate analysis and seek independent advice	Compliant	Refer section 3 of the Corporate Governance report on page 60 of this Annual Report
F.2 Shareholder Voting			
F.2	Encouraging shareholders to participate in general meetings	Compliant	Refer section 3 of the Corporate Governance report on page 60 of this Annual Report
G. INTERNET OF THINGS AND CYBERSECURITY			
G.1	Process to identify how the external IT devices could connect to the organization's network	Compliant	Refer Risk Management on pages 89 to 99 of this Annual Report.
G.2	Appointment of a Chief Information Security Officer (CISO)	Compliant	The functions of the CISO is carried out by Group IT Division.
G.3	Allocation of adequate time on the board meeting agenda for discussions on cyber risk management	Compliant	Refer Risk Management on pages 89 to 99 of this Annual Report.

Principle/ Rule	Requirement	Compliance Status	Nature of Compliance by Aitken Spence
G.4	Independent periodic review of the effectiveness on the cybersecurity risk management and the scope and the frequency of the review	Compliant	Refer Risk Management on pages 89 to 99 of this Annual Report
G.5	Cybersecurity process	Compliant	Refer Risk Management on pages 89 to 99 of this Annual Report
H ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)			
H.1 ESG Reporting			
H.1.1	Provision of information in relation to ESG factors, effects of ESG issues to the business and how risks and opportunities pertaining to ESG are recognized, managed, measured and reported	Compliant	Please refer the Capital Management Review on pages 110 to 173 of this Annual Report
H.1.2	Environmental Factors	Compliant	Please refer the Natural Capital on pages 147 to 158 of this Annual Report
H.1.3	Social Factors	Compliant	Please refer the Social & Relationship Capital on pages 135 to 146 of this Annual Report
H.1.4	Governance	Compliant	Please refer the Corporate Governance Report on pages 50 to 72 of this Annual Report
H.1.5	Board's role on ESG Factors	Compliant	ESG concerns of the Group is spearheaded by Dr. Rohan Fernando with the support and leadership of the Deputy Chairman and Managing Director. The Group conducted a formal stakeholder engagement study through a third party under the guidance of Dr. R.M. Fernando, and results of this study were shared with the Board of Management with exclusive sessions conducted for specific SBUs as well. Similar briefings are routinely carried out on key sustainability priorities for the Group where all Managing Directors and the Executive Directors of the Main Board are informed about the Group's progress in social and environmental governance and impact control.

UNGC This section of the report contains information relevant to principle 1, 2, 3, 4, 5, and 10 of the United Global Compact on Human Rights, Labour Standards and Anti-Corruption

GRI This section of the report contains information required for material General Disclosures of the GRI Standard for sustainability reporting. For details of the disclosures, please refer to the GRI Index.

To peruse a synopsis of the areas of expertise represented in the Board, and the qualities brought to the Board by the Directors, please follow the link www.aitkenspence.com/annualreport/

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. Please let us know if the information in this section was useful to make decisions about Aitken Spence.

NOMINATION COMMITTEE REPORT

"The Nomination Committee endeavours to ensure that the Board of Aitken Spence PLC is composed of respected individuals who have the knowledge, experience and competence to guide and manage the Company efficiently, to achieve its goals. The Committee also constantly reviews the succession plan for Directors and Key Management Personnel."

G.C. Wickremasinghe
Chairman, Nomination Committee

GRI 102 – 24

Composition of the Committee

Nomination Committee Members	
Chairman	Mr. G.C. Wickremasinghe *
Members	Deshamanya D.H.S. Jayawardena + Mr. R.N. Asirwatham *

* *Independent Non-Executive Director* + *Executive Director*

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

Committee Meetings

One formal meeting was held during the year under review with the attendance of all its members. The Deputy Chairman and Managing Director attended the meeting by invitation.

Responsibilities of The Committee

The principal responsibilities of the Committee are to:

» Broaden, balance and diversify the effectiveness and composition of the Board of Aitken Spence PLC and its Group of companies,

» Identify and recommend suitable candidates as Directors to the boards of Aitken Spence PLC and its Group of companies,

» Review the structure, size and composition of the Boards of Group of Companies,

» Oversee the performance of the Board, its Committees and Individual Directors and evaluate their performance,

» Ensure the Boards consist of persons with a wealth of knowledge, experience, competency 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,

» Recommend insurance covers for Directors of Aitken Spence PLC and its Group of companies.

Key Functions Performed During The Year Under Review

The Committee reviews and makes recommendations that are fair, free from any bias and not influenced by personal or business relationships, thereby enabling the Company to make sound and measured judgments in order to attract the best talent to the Group. During the year under review the Committee performed the following functions:

» Ensured the diversity and effectiveness of the Aitken Spence PLC Board and the Boards of its Group of companies as well as the Key Management Personnel (KMPs),

NOMINATIONS COMMITTEE REPORT

» Reviewed and recommended necessary appointments to the Boards of the Group of companies wherever necessary,

» Evaluated and recommended suitable internal and external candidates to higher levels of management,

» Reviewed the Group's policy and guidelines for appointment, re-appointment and succession planning,

» Evaluated the eligibility of the Directors who have offered themselves for re-election/re-appointment to the Board and made necessary recommendations to the Board,

» Recommended insurance covers for the Directors of Aitken Spence and its Group of companies.

The Committee further ensures that the combination of varied skills, knowledge and experience of the Company and the boards of the Group companies matches the required strategic demands of the Group.

Re-Election and Re-Appointment of Directors

Deshamanya D.H.S. Jayawardena, Mr. J.M.S. Brito, Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham and Mr. N.J. De S Deva Aditya who retire from the Board at the conclusion of the forthcoming Annual General Meeting in terms of Section 210(2) of the Companies Act No.7 of 2007, have offered themselves for re-appointment.

Further, in terms of Article 83 of the Articles of Association, Ms. D.S.T. Jayawardena retires by rotation and has offered herself for re-election at the forthcoming Annual General Meeting.

Having given due consideration to each Director's performance, the Committee is of the opinion that the said Directors are eligible for re-appointment/re-election to continue as Directors of the Company.

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
28th May 2018

AUDIT COMMITTEE REPORT

"The Audit Committee, during the year under review evaluated the preparation, presentation and adequacy of disclosures of the financial statements and that the financial reporting requirements are adhered to. The Committee also evaluated the adequacy of internal controls and risk management framework."

R. N. Asirwatham
Chairman, Audit Committee

Composition of the Committee

Audit Committee Members	
Chairman	Mr. R.N. Asirwatham *
Members	Mr. G.C. Wickremasinghe * Mr. C.H. Gomez * Mr. N.J. de S Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director to Mr. N. J. de S Deva Aditya) ▲
Secretary to the Committee	Mr. H.K.A. Rathnaweera - 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

* *Independent Non-Executive Director* ▲ *Non-Executive Director*

As evident above, the Audit Committee is composed of three Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director who is a fellow of the Institute of Chartered Accountants of Sri Lanka. The profiles of the members are given on pages 36 to 37 of this report.

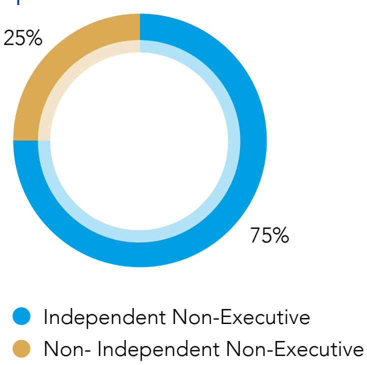
Committee Meetings

The Audit Committee functioned throughout the financial year and held 8 formal meetings. The attendance at the Audit Committee meetings held during the year under review was as follows.

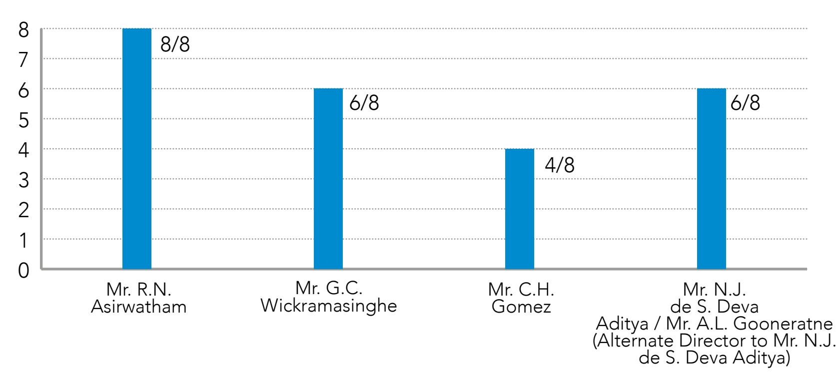
Attendance by Invitation

Mr. J.M.S. Brito, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director, Ms. N. Sivapragasam, Chief Financial Officer attends the meetings by invitation. Further, 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.

Independence of the Committee



Audit Committee Meeting Attendance



AUDIT COMMITTEE REPORT

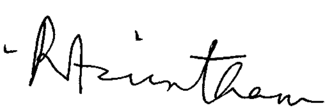
Summary of Key Focus Areas during the Year Ended 31st March 2018

Responsibility	Activity
Financial Reporting and Financial Control *Monitored the integrity of the Group's financial statements, ensured compliance with financial reporting requirements and regulations and reviewed 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 (SLAS) and other applicable Accounting Standards of jurisdictions in which each Subsidiary operate in, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka and requirements of other regulatory bodies as applicable for the Group, and suggested recommendations in line with those requirements. » Ensured that the Group adhered to and complied with all relevant laws, rules and regulations of the country and regulatory bodies, with regard to financial reporting, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations and other best accounting practices and principles. » Reviewed the operational and other management information reports submitted by the Group's management to the Audit Committee and made recommendations for improvements.
Risk Management and Internal Control *Reviewed the prevalence and adequacy of Group's internal control and risk management framework.*	» Reviewed the adequacy and effectiveness of the Group's internal controls and risk management activities and highlighted the areas which requires attention, and suggested recommendations to the Board. » Presented and discussed the changes to the Inland Revenue Act and the Foreign Exchange Control Regulation and their implications on the Group companies and their reporting requirements. » Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the SLAS.
External Audit *Made recommendations to the Board on the appointment, reappointment and removal of the external auditors.*	» Reviewed and approved the external audit plan presented by the external auditors. » Reviewed and monitored the progress of the external audit. » Discussed the management letter of the external auditors, and ensured that the management had taken appropriate actions to satisfactorily resolve highlighted issues. » Assessed the performance and effectiveness of the external auditors, their independence professional capabilities and made recommendations to the Board pertaining to the re-appointment of the external auditors. » Discussed the audited Financial Statements with external auditors and ensured that they were in conformity with the SLAS and other regulatory requirements. » Held discussions from time to time to assess the current developments in respect of reporting and compliance in view of the changes in the Auditing Standards, Inland Revenue Act etc. » Reviewed the fees & out of pocket expenses proposed by external auditors and made recommendations to the Board, for their approval.

Responsibility	Activity
Internal Audit *Reviewed the operation and effectiveness of the Group Internal Audit function.*	» Reviewed the adequacy of the Internal Audit coverage of the Group. » Reviewed the financial and operational audit reports, IT security reports and risk reports submitted by Internal Audit Department and the management's response to the same. » Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit Department, their resource requirements, and made recommendations for any required changes. » Reviewed and approved the Annual Internal Audit Plan together with the Information Technology (IT) Security, Strategic Risk Plan and made appropriate recommendations for improvements. » The Audit Committee continued to ensure the co-ordination between Group internal audit 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.

Re-Appointment of External Auditors

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



R.N. Asirwatham
Chairman
Audit Committee

Colombo
28th May 2018

REMUNERATION COMMITTEE REPORT

"The Remuneration Committee has been set up with the objective of examining and formulating a system to develop a policy on executive remuneration and determining the remuneration packages of individual Directors and the Senior Management of the Group. The Committee, endeavours to create remuneration packages that attract, develop and motivate future leaders of Aitken Spence"

G.C. Wickremasinghe
Chairman, Remuneration Committee

GRI 102 – 36

Composition of the Committee

Remuneration Committee Members	
Chairman	Mr. G.C. Wickremasinghe
Members	Mr. R.N. Asirwatham Mr. C.H. Gomez
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

The Remuneration Committee is composed of three Independent Non-Executive Directors one of whom functions as the Chairman. The members of the Committee have wide experience and knowledge of finance, business and industry.

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.

Committee Meetings

The Committee formally met once during the year under review with the attendance of all its members. Deshamanya D.H.S. Jayawardena, Chairman, Aitken Spence PLC together with Mr. J.M.S. Brito, Deputy Chairman and Managing Director, Aitken Spence PLC and Ms. D.S.T. Jayawardena, Executive Director, Aitken Spence PLC attended the meeting by invitation.

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 Remuneration Committee's decisions were made in keeping with the following policies:

» The Company's Remuneration Policy is formulated to meet the current marked trends and industrial norms, so that it would attract and retain the best talent and skills within the group,

» The Committee reviews and ensures the implementation of the Group Remuneration Policy. The Company has a performance incentive scheme which is scientifically formulated, and the Committee approves the incentive payments on Sectoral and performance basis within the parameters of the group incentive scheme,

» The Committee evaluates the achievements as well as unaccomplished targets, results of which are used in determining the performance based incentives.

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review. Further, no Director was involved in deciding his/her remuneration.

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
28th May 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

"The Related Party Transactions Review Committee was formed with the key objective of monitoring and reviewing related party transactions to ensure that the interest of all Shareholders is taken into account when entering in to any related party."

R. N. Asirwatham
Chairman, Related Party Transactions Review Committee

Composition of the Committee

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

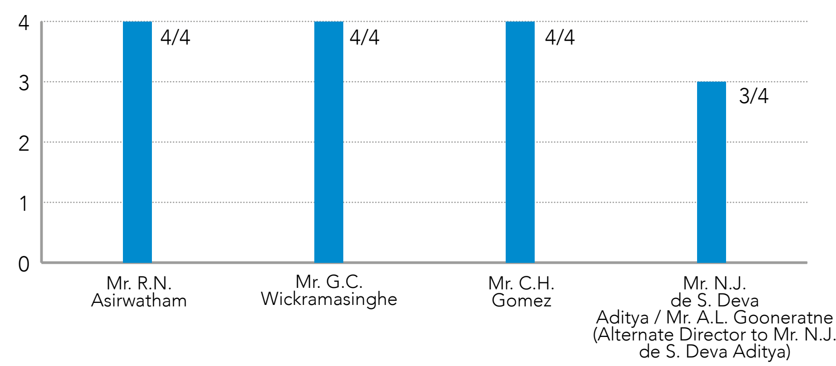
* - *Independent Non-Executive Director* ▲ - *Non-Executive Director*

The Committee is composed of three Independent Non-Executive Directors and is chaired by an Independent Non-Executive who is a fellow member of the Institute of Chartered Accountants of Sri Lanka. Members of the Committee possess a wealth of knowledge and experience.

Committee Meetings

The Committee held four 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.

Related Party Transactions Review Committee Attendance



Responsibilities of The Committee

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

» Evaluate any proposed related party transactions on a quarterly basis and recommend to the management and the Board, the appropriate course of action immediately in order to adhere to the compliance regulations of the Listing Rules and the Code of Best Practices on Related Party Transactions,

» Review any post quarter confirmations on related party transactions,

» Review the threshold for related party transactions which require either shareholders' approval or immediate market disclosures, as the case may be,

» Review the criteria of Key Management Personnel,
» Regularly report to the Board on the Committee's activities.

Key Management Personnel

The Board of Directors of the Company is construed as the Key Management Personnel (KMPs) of Aitken Spence. Further, Directors, Vice Presidents and Assistant Vice Presidents of Subsidiary Companies are considered as KMPs of such companies to establish greater transparency and governance.

Declarations are obtained from each KMP of the Company and its subsidiaries for the purpose of identifying related parties on a quarterly and annual basis to determine RPTs and to comply with the disclosure requirements, if any.

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
28th May 2018

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Responsibility

The Board of Directors has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, to ensure, that the Group's risks are within the acceptable risk profile. Accordingly, the Board has established an organization structure, which clearly defines lines of accountability and delegated authority.

The Board has instituted an ongoing process for identifying, evaluating and mitigating significant risks faced by the Group. This process entails enhancing the internal control system as and when there are changes to the business environment and regulatory guidelines.

The Board has delegated specific responsibilities to the following sub committees, which are chaired by independent Non-Executive Directors.

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Related Party Transactions Review Committee

The Board is confident that the current internal controls adopted by the Company are 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

The Group Internal Audit function provides independent assurance on the efficiency and effectiveness of the internal control systems and monitors compliance with policies and procedures, while highlighting significant findings in respect of any non-compliance. Audits are carried out on all business units and functions, and the frequency of which is predetermined by the level of risk assessed. The Group's Internal Audit function is an independent function that reports directly to the Audit Committee, which also reviews and approves the annual audit plan.

The Audit Committee reviews all internal audit findings, management responses and the adequacy and effectiveness of the internal controls. The minutes of the Audit Committee meetings are tabled at the Board meeting on a periodic basis.

Review Adequacy and Effectiveness

The adequacy and effectiveness of the internal controls of both financial and operations processes are regularly reviewed by the Board and the Audit Committee, and remedial steps are taken where necessary.

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.

Policies, Procedures and Budgets

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, which are updated from time to time.

Annual budgets are approved by the respective Boards and the subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances periodically to the respective Boards.

Whistle Blowing Policy

The Group encourages a whistle blowing policy which enables employees to bring irregularities in financial reporting, internal controls or other matters within the Group to the notice of the higher management. Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The prevalence and effectiveness of this policy is monitored by the Audit Committee time to time.

The Group Code of Ethics

The Group Code of ethics which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Group's code of ethics in exercising their duties, communications, role modelling and in any other circumstance, so as to uphold the Group's integrity and image. Strict disciplinary actions are initiated for any violation of the Group code of ethics.

Going Concern

The statement of going concern is set out in the 'Annual Report of the Board of Directors' on page 85.

Risk Management

An overview of the Group's risk management framework which include the Group's policy on cybersecurity, is set out on pages 98.

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 equity accounted investees 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

We confirm that 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, and the Listing Rules of the Colombo Stock Exchange and any other regulatory bodies as applicable for the Group. We further confirm that the current internal control and risk management policy of the Company is adequate to identify, evaluate and manage significant risks 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 for the year ended 31st March 2018 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
28th May 2018

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 2018 which were approved on 28th of May 2018.

1. Principal Activities

Aitken Spence PLC is the holding Company that directly or indirectly owns investments in companies which form the Aitken Spence Group. In addition to the above, the Company provides management and related services to the Group companies. During the year there were no significant changes in the principal activities of the Company and the Group.

The activities of the Group are categorised into four main sectors namely Tourism, Maritime & Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 378 to 387 of this annual report.

For the year ended 31st March	Group 2018 Rs. '000	Group 2017 Rs. '000
The net profit after providing for all expenses, known liabilities and depreciation on property plant and equipment	6,397,816	5,246,872
Provision for taxation including deferred tax	(1,248,284)	(1,201,407)
Net profit after tax	**5,149,532**	**4,045,465**
Other comprehensive income	1,453,305	1,309,258
Total comprehensive income for the year	**6,602,837**	**5,354,723**
Total comprehensive income attributable to the non-controlling interest	(1,127,239)	(1,456,534)
Total comprehensive income attributable to equity shareholders	**5,475,598**	**3,898,189**
Transactions directly recognised in the equity statement	49,704	50,112
Balance brought forward from the previous year	37,342,291	34,510,479
Amount available for appropriations	**42,867,593**	**38,458,780**
Final dividend for 2017/2018 (2016/2017)	(202,998)	(608,994)
Interim dividend (2016/2017)	-	(507,495)
Total Reserves and earnings	**42,664,595**	**37,342,291**
Stated Capital	2,135,140	2,135,140
Balance Attributable to equity holders of the Company at the end of the period	**44,799,735**	**39,477,431**

2. Review of Operations

A review of operational and financial performance, strategies and future outlook 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 264 to 280.

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.775.5 million (2016/17– Rs 652.3 million). The Group revenue was Rs. 52.7 billion (2016/17 – Rs. 45.9 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 Company was Rs 1.9 billion (2016/17- Rs. 1.2 billion). The Group profit after tax was Rs. 5.1 billion (2016/17 Rs. 4.0 billion). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 3.6 billion (2016/17 - Rs. 2.9 billion). The segmental profits are disclosed in note 6.1.1 to the financial statements.

4.2. Donations

During the year donations amounting to Rs. 460,650/ - were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 1,625,090/-.

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 that are specified in the Inland Revenue Act No 24 of 2017.

4.4 Dividends

The Directors recommended a first and final dividend payment of Rs. 2.00 per share for the year, the total dividend is paid out of dividends received by the Company where 10% withholding tax on dividends has been deducted. The Directors are 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 first and 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 2018 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 2018 were Rs. 12.9 billion (2016/17-Rs. 11.3 billion) whereas the total Group's reserves as at 31st March 2018 were Rs. 42.7 billion (2016/17-Rs. 37.3 billion). The movement in these reserves is shown in the statement of changes in equity – Company and Group on pages 256 and 258.

5.2. Property, Plant and Equipment, Investment Property, Intangible Assets, Biological Assets, 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 297 to 304.

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 299 and 301.

5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in note 41 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 46 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 (Resigned w.e.f. 01.06.2017)	✓		
Ms. D.S.T. Jayawardena	✓		
Mr. G.C. Wickremasinghe		✓	✓
Mr. C.H. Gomez		✓	✓
Mr. N.J. de Silva Deva Aditya		✓	
Mr. R.N. Asirwatham		✓	✓

ANNUAL REPORT
OF THE BOARD OF DIRECTORS

All of the above Directors held office during the entire year with the exception of Dr. M.P. Dissanayake who resigned w.e.f 01st June 2017. The brief profiles of the Directors are given in pages 36 to 37 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)

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)

Mr. R.N. Asirwatham

Mr. C. H. Gomez

Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)

Deshamanya D.H.S. Jayawardena

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, R. N. Asirwatham and J. M. S. Brito 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. N. J. de Silva Deva Aditya, who attained the age of 70 years on 11th May 2018 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.

Ms. D. S. T. Jayawardena who retires by rotation in terms of Article 83 of the Articles of Association of the Company offers herself for re-election.

8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 244 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 2018 are disclosed on page 286 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 43 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 2017.

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 2017, 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 above mentioned 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 2018.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2018 and Directors who ceased to hold office during the accounting period are indicated on pages 378 to 387 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 122 to 134 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 50 to 83 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 89 to 99 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 pages 82 to 83, the Statement of Directors' Responsibilities is on page 248 and the Audit Committee Report is set out on pages 75 and 77 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 248 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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

and analysis of this report and at www.aitkenspence.com/sustainability.

15. Shareholder Information

There were 4,787 shareholders as at 31st March 2018. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 242 to 244 of this annual report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2018 are given on page 243 of this annual Report. The percentage of the shares held by the public as at 31st March 2018 was 46.96%.

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 238 to 244 of this annual report.

16. Auditors

The independent auditors' report on the financial statements is given on page 249 to 252 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. 1.3 million.

In addition to the above Rs. 2.6 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 378 to 387 of this annual report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 18.2 million while a further Rs. 5.7 million was payable for permitted audit and non audit related services. In addition to the above Rs. 6.9 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. 4.5 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

Aitken Spence Corporate Finance (Private) Limited
Secretaries

Colombo
28th May 2018

RISK MANAGEMENT

Exceptional risk management practice has always been a pivotal part of the Group's corporate governance. This has aided the Group to navigate through numerous socio economic and cultural environments for 150 years.

Our risk management framework and capabilities are constantly remodelled to suit the dynamism of the environment so as to ensure the long-term growth and sustainability of our businesses.

Risk Management Philosophy

Risk management is the strategic discipline of assessing, prioritizing, monitoring and controlling the impact of uncertainty on objectives.

Human capital and its ethical leadership are the cornerstones of the Group's risk management philosophy as these ensure entrepreneurial flair, sound corporate reputation and effective governance.

We accept that risk is inherent in Aitken Spence PLC's businesses and the markets in which it operates. The aim is to identify risks and then manage them so that they can be understood, reduced, mitigated, transferred or avoided. This demands a proactive approach to risk management and an effective Group-wide risk management framework.

Risk Threshold and Risk Profiling Criteria

Aitken Spence PLC's risk threshold represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with the Group's value framework and expectations of its stakeholders, Aitken Spence PLC will only take reasonable risks that:

(a) Suit its strategy and capability

(b) Can be properly understood and managed

(c) Do not expose the Group to:

- Material financial loss which would impact the execution of the Group's strategies,
- Incidents affecting safety and health of our staff, contractors and the general public,
- Breach of external regulations leading to loss of critical operational approvals / business licenses and / or substantial fines,
- Incidents which results in tarnishing of Group's reputation and brand name,
- Activities leading to adverse impact on the community, and
- Severe environmental incidents.

Based on these principles, the Group has established a risk assessment matrix to help prioritize and rank risk management efforts at the Group level. Business units too are required to adopt a similar risk matrix structure in order to carry out their own risk profiling and determine consequence and likelihood of identified risks with reference to their own materiality and circumstances as well as establishing appropriate business specific risk mitigation strategies.

The following are some of the qualitative and quantitative factors considered by the Board in evaluating the risk threshold:

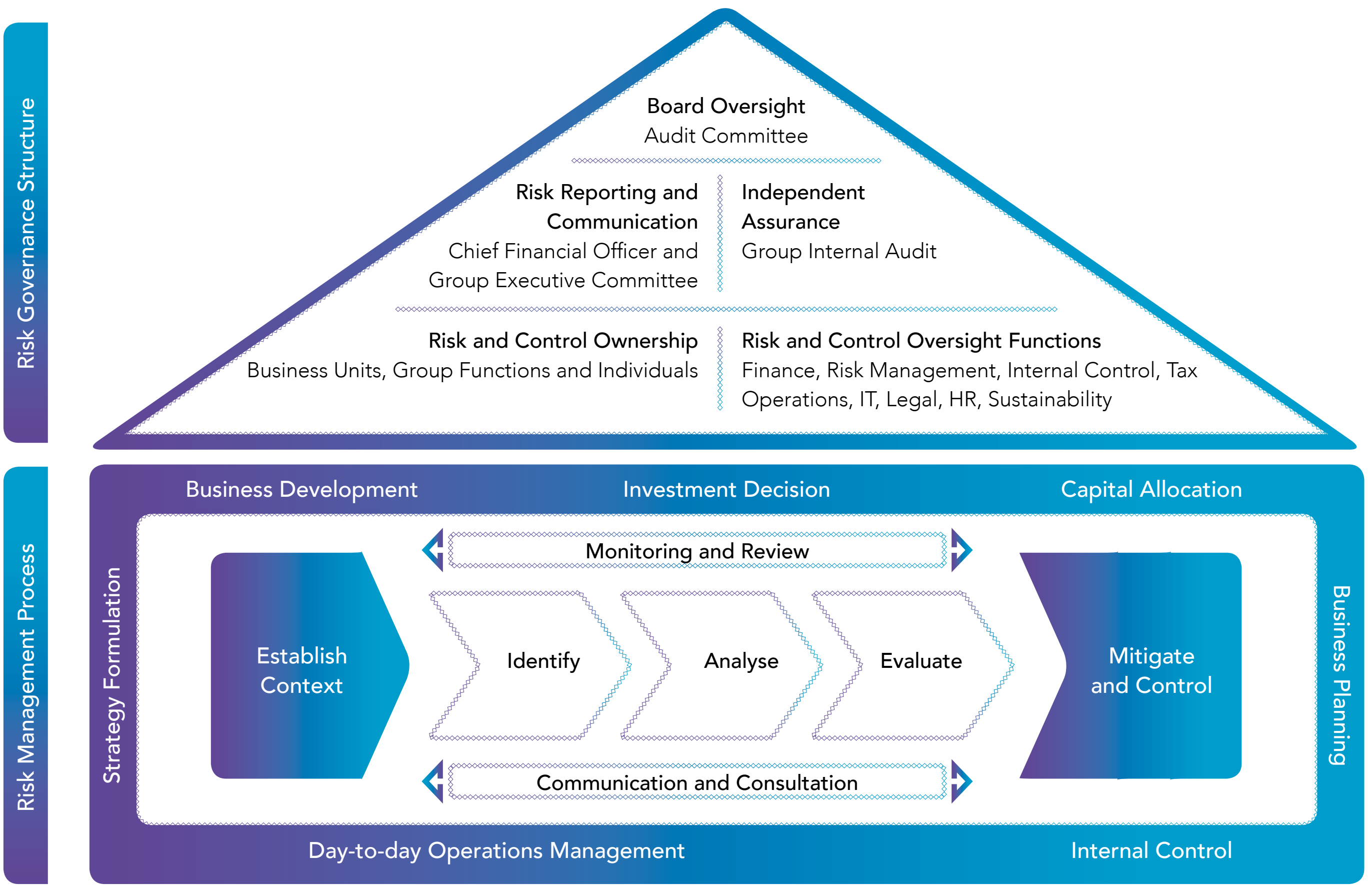
- Risk and return of the current investment portfolio,
- Availability of cash resources and other liquid assets,
- Available funding opportunities,
- Risk return profile of prospective opportunities,
- Financial ratios relevant to measuring performance,
- International and local economic cycles and trends, and
- Foreign currency rates and trends.

The Group uses the three lines of defence model:

First line of defence	Business unit management	The heads of business units are primarily responsible for risk management, with the due process of assessing, evaluating and measuring risk integrated into the day-to-day activities of their respective businesses. This process includes implementing the Group's risk management framework, identifying issues and taking remedial action where required. The management of each business unit is also responsible for reporting and escalating risk concerns to the board.
Second line of defence	Group strategic risk unit is independent of business management.	The strategic risk unit is primarily accountable for setting the Group's risk management framework and policy, providing oversight and independent reporting to the Audit Committee.
Third line of defence	Internal audit function	Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Group Audit Committee.

Risk Management Framework

The Group risk management framework comprises two key elements: risk governance structure and risk management process.



Risk Governance Structure

» Facilitates risk identification and escalation whilst providing assurance to the Board.

» Assigns clear roles and responsibilities and facilitates implementation with guidelines and tools.

» Consists of multiple layers of roles and responsibilities.

Board of Directors (BOD)

As the head of the Risk Governance Structure, the BOD approves high level risk parameters for individual SBUs and the Group based on 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

Reviewing the adequacy of the risk management framework by evaluating risk management reports submitted by the risk management unit as well as from internal and external auditors.

Group Management Committee

Designs, operates and monitors risk management and control processes at SBU and Group level, while 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

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

Evaluate the status of risk and effectiveness of risk mitigation through day-to-day oversight of risks and risk mitigation actions, while improving risk mitigation strategies where possible.

Group Treasury

Monitor movements in foreign exchange and interest rates with the objective of timely hedging activities such as forwards and swaps that could eliminate or minimize financial losses.

Integrated Sustainability Team

The sustainability team is a group of cross-functional and diverse executive level representatives from all strategic business units of the Group. This team spearheads the implementation of Aitken Spence PLC's 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

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

Risk Management Process

Risk Management is a continuous and interactive process with stakeholder communication and consultation as well as subject to regular monitoring and review. The process is integrated into business and decision-making processes and involves:

- » Establishing the context;
- » Identifying risks, assessing their potential consequences and likelihood;
- » Evaluating the risk level, control gaps and priorities; and
- » Developing control and mitigation plans.

Key risk issues analysed during the year under review

Macroeconomic Risk Issues

- » Geopolitical uncertainty in national and international markets that may limit our growth opportunities.
- » Anticipated changes in global trade policies may limit our ability to operate effectively and efficiently in international markets.
- » Anticipated increases in labour costs may affect our opportunity to meet profitability targets.
- » The climate change phenomenon impacts, in ways that affect the planning and day to day operations of the Group's businesses. The manifestations of climate change include higher temperatures, altered rainfall patterns, and more frequent or intense extreme events such as heatwaves, drought, and storms.

Strategic Risk Issues

- » Rapid speed of disruptive innovations and/or new technologies within the industry may outpace the Group's ability to compete and/or manage the risk appropriately, without making significant changes to its business model.
- » Regulatory changes and regulatory scrutiny may heighten, noticeably affecting the manner in which our products or services will be produced or delivered.
- » Entry of new competitors into the industry and marketplace may threaten our market share.
- » Sustaining customer loyalty and retaining customers may be increasingly difficult due to evolving customer preferences and/or demographic shifts in our existing customer base.

Operational Risk Issues

- » Uncertainty surrounding the viability of key suppliers or scarcity of supply may make it difficult to deliver our products or services.
- » The Group's succession challenges and ability to attract and retain top talent may limit its ability to achieve operational targets.

Human resources and talent management risk

The Group continues to experience high staff turnover, in several segments, such as travels and hotels. As a result, attracting and retaining suitably skilled and experienced staff is a constant challenge.

Risk Rating	
2017/18	2016/17
H	H

Mitigation Strategies

» Effective functioning of the Remuneration and Nomination Committees.

» The Group ensures that strong ethical leadership is practiced at all levels of management.

» Strengthen the Group's human capital by attending job fairs and working with universities and professional institutes to build a pool of potential candidates to hire when vacancies arise, while collaborating with international educational bodies through Aitken Spence school of management to provide employees with more focused and meaningful training to perform their jobs and anticipated roles.

» Succession planning for all departments and business units is in place.

» Facilitating an open-door policy where any employee can speak to the Chief Human Resource Officer of the Group and senior management regarding any concern.

» Providing job rotation opportunities and overseas assignments in order to develop managerial capacity of employees.

» Maintaining an internal transfer policy to facilitate greater internal mobility.

» Revising existing HR policies (remuneration, benefits, communication etc.) and where applicable introducing new policies to accommodate the changing market environment and employee needs.

» Promoting greater employee engagement through activities organized by the Group's sports club.

» Educational sponsorship to encourage employees to pursue continuous professional development.

Competitor risk

Escalating pressure from competition may hinder the Group from achieving its predicted margins and market share. Most markets in which the Group operates are characterized by strong competition and are often price-driven.

Risk Rating	
2017/18	2016/17
H	H

Mitigation Strategies

» With a view to attract export related businesses, the printing and packaging segment has differentiated itself from its competition through sustainability initiatives.

» Leverage on the long-standing reputation of the "Aitken Spence" brand as a tool to create sustainable competitive advantage.

» Regular and systematic competitor analysis is performed by each sector, with adequate measures are being taken to ensure the Group's competitiveness is sustained.

» Under the supervision of the strategic risk division, all sectors are expected to comply with the integrated sustainability policy in order to maintain the long-term competitiveness of the Group.

» Strategic portfolio diversification to obtain a competitive advantage and stay ahead of its competitors.

» Ongoing efforts to strengthen the Group's intellectual capital through investments in research and development and leadership in global best practices.

Operations Risk	Risk Rating	
Aitken Spence PLC's operations are exposed to various industrial and operational risks relating to health, safety, security and environment (HSSE) incidents, emissions compliance, plant performance, human capital, data privacy, cyber-attacks, IT controls and extreme weather events caused by climate change.	2017/18	2016/17
	M	M

Mitigation Strategies

- Logistics segment carries out regular servicing of container handlers and continues yard rehabilitations to avoid hindrance caused to yard operations due to breakdowns, repairs and structural damages to container handlers.
- Apparel manufacturing and printing and packaging segments enter into collective agreements with the workforce to avoid disruption caused by unionised labour strikes.
- Planning and implementing operations and system reinforcements where necessary in order to maintain high operational and emissions performance.
- Enhancing operational efficiency and reliability by strengthening the manufactured capital.
- Business continuity planning, including emergency response and crisis management plans with regular drills.
- Implementing the Group health, safety, security and environment management system to enhance the awareness of both employees and contractors.
- Implementing the project management governance system to facilitate a consistently safe, timely and cost-effective delivery of high quality projects.
- Raising staff awareness through cyber security programmes and applying different technologies to mitigate cyber security risks, in particular to prevent cyber fraud and disruptions to operations.

Regulatory Risk	Risk Rating	
The country's legal framework has undergone considerable changes in the recent past, primarily due to the introduction of the new Inland Revenue and Foreign Exchange Acts.	2017/18	2016/17
	H	M

Mitigation Strategies

- 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.
- Appropriate control structures are in place, supported by skilled and experienced legal and corporate tax specialists.
- Implementing comprehensive stakeholder engagement plans to facilitate calculated and informed discussion on regulatory matters.
- Mobilizing internal resources to ensure timely response to regulatory changes and maintaining regulatory compliance.
- The strategic risk unit of the Group closely monitors the domestic and global economic environments, for adverse changes in the regulatory framework, which are promptly intimated to the management for appropriate action.

Legal risk

Risk Rating	
2017/18	2016/17
M	L

Given the Group's global presence and diverse business portfolio, Aitken Spence PLC is exposed to numerous legal risks, particularly in the areas of staff, competition and antitrust law, anti-corruption, tax assessments and environmental matters.

Mitigation Strategies

» A dedicated centralized in-house legal division assists and advices SBUs on legal matters and provides oversight to ensure all statutory and legal requirements are met in all transactions

» Periodic reviews are performed by the internal audit division in collaboration with the legal division to ensure that all business units conform to legal, regulatory and statutory requirements applicable to their respective businesses.

» The Group obtains the assistance of external professional counsel as and when required.

Financial Risk

Risk Rating	
2017/18	2016/17
M	M

The Group's investments and operations, which are long term in nature, are exposed to various financial risks including liquidity, counterparty, interest rate and foreign currency risks.

Mitigation Strategies

» A conservative business approach with long-term investment criteria focused on growth, sustainability and liquidity.

» Corporate actions aligned with the long-term strategy and responsible investment criteria.

» Prudent cash administration with appropriate internal controls, and well-managed and secure treasury environment.

» Soliciting adequate and cost-effective funding in advance of usage.

» Securing debt funding diversity (source, instrument, currency and tenor) and maintaining an appropriate mix of committed credit facilities.

» Maximizing the use of local funding options.

» Hedging most transactional foreign currency exposures (debt and payments) in line with Group's treasury policy.

» Pursuing "natural hedge" by matching currency of revenue, with cost and debt; and ensuring project level debt financing are in and /or swapped into currency of revenue where possible.

» Controlling financial counterparty exposure by transacting only with creditworthy and pre-approved financial institutions, allocating exposure limits based on bank's credit standing, and ensuring non-recourse wherever possible to Aitken Spence PLC's subsidiaries and affiliates.

» Maintaining strong, trustworthy relationships with lenders.

» Ensuring transparency in financial communications and disclosures.

High Risk H Medium Risk M Low Risk L

Reputation Risk

The Group renders its services and products to millions of customers and interacts with hundreds and thousands of stakeholders annually, exposing the Group to potential reputational risk. Reputational risk, if not properly managed can quickly escalate into a major strategic crisis.

Risk Rating	
2017/18	2016/17
M	M

Mitigation Strategies

- In order to minimize service failures, the destination management segment, arranges guest accommodation only at star class hotels managed by reputed hotel chains. In addition, frequent visits are made by sector operations teams to assess operating standards and service levels at partner hotels.
- All media communications are channeled through the corporate communication unit, to ensure consistency in communications.
- The Group maintains a high standard of ethics while conducting all forms of business activities. The Group has its own code of ethics and regularly conducts workshops on ethical behaviour and procedures on anti-corruption for its staff. A copy of the code of ethics is given to all new recruits.
- The growth of social media has resulted in a free expression of customer reviews and complaints. The corporate communication unit, manages the corporate social media accounts and monitors them constantly.
- An on-going brand monitoring and approval process is in place to mitigate potential brand threats and is monitored across media sources, while adequate safeguards in the form of brand guidelines ensure clear and consistent communication of the Group's brand image to the market.

Environmental and Social Risk

The Group's operations are exposed to various environmental risks arising from effluents, emissions, wastes, resource depletion etc. Social risks are associated with safety, health and welfare for all stakeholders within the Group's operational boundaries as well as resulting in adverse physical and psychological impacts. .

Risk Rating	
2017/18	2016/17
L	M

Mitigation Strategies

- The Group has an integrated approach to sustainability and a key element of that strategy is the commitment to protect the environment, especially the ecosystems the Group operates in. Adopting the precautionary approach, the Group's ethos is to proactively identify potential environmental impacts and minimise if not eliminate adverse impact through management systems. All Aitken Spence companies are required to;
  - identify potential adverse impacts (risks) on the environment,
  - evaluate the level of risk, control gaps and priorities, and
  - develop control measures and mitigation plans.
  - Companies are also required to evaluate the environmental impact from the use of the products and services we provide and benchmark operational activities to globally recognized industry practices to influence positive change.
- For example, the Group maintains over forty Environmental Management Systems (EMS's), aligned to ISO 14001 standards. In the plantation segment fourteen estates have Forestry Stewardship Council (FSC) systems standards, while the upcountry cluster estates are Rainforest Alliance (RA) certified.
- The Tourism sector aligns management practices to Travelife system standards. The printing segment and the inbound travel segment offset their carbon emissions year on year.
- The Heritance chain of hotels obtained the ISO 50001 certification for energy management systems and also monitors carbon emissions. It has the honour of being the first organisation to obtain this certification in Sri Lanka. The Group is working towards implementing systems to record carbon emissions and greenhouse gas emission data and improve the disclosure of such data across the Group in the near future.

Environmental and Social Risk Continued.

» Sustainability committees of the SBUs assign and train sustainability champions to monitor and maintain the above systems.

» The Group continues to ensure that its products, services or activities have minimum impact on areas of high bio-diverse value outside protected areas. Maps marking our locations against protected areas and areas of high biodiversity value can be perused online.

» The Group maintains compliance with applicable laws, regulations and industry best practice standards on environmental concerns where applicable.

» Occupational Health and Safety (OHS) officers are appointed throughout the Group and are provided with the necessary training and education (such as first aid and fire safety training) to handle this responsibility.

» All appointed OHS officers in the Group are expected to carry out hazard identification inspection measures, allocate risk levels and implement required control measures to ensure the workplace is safe and healthy for all stakeholders.

» As an extension to the capacity building efforts, peer forums for OHS officers were launched enabling them to interact and share their knowledge with other OHS officers across the Group.

» OHS practices of the plantations segment is certified under the rainforest alliance certification. The apparel manufacturing segment also maintains the above compliance standards that are platinum certified for compliance with the Worldwide Responsible Accredited Production (WRAP) system and the compliance+ certification of the Employers' Federation of Ceylon (EFC). The printing and packaging segment certified their OHS practices in the SBUs integrated management system (for EMS, QMS and OHS). The hotels and plantations segments also maintain food safety practices in line with the HACCP/ ISO 22000 certification and collectively maintain thirteen certified food safety management systems.

» 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. Accordingly, security personnel at Aitken Spence Towers and the officers in charge at several other operations have been educated on human rights at the workplace through ongoing capacity building programmes. Selected sustainability team members have also been educated on the Group's policies and procedures to support the Human Resource Partners to strengthen the systems in place to safeguard internationally proclaimed human rights at the workplace.

» During the last financial year, the Group commenced action to streamline processes to screen suppliers and service providers on social and environmental governance. The Group is currently working with several selected SBUs to evaluate possible methods to implement action and hopes to roll out standard mechanisms for Group level action within the next 2 years.

» While Aitken Spence companies have focused on climate change mitigation, adaptation to the effects of climate change is an area that is still in preliminary stages. The Group has taken example from SBUs such as the plantations segment that has proactively evaluated risks from the effects of climate change to the business and commenced action to work with SBUs to identify possible risks to respective industries. The action is still in the assessment stage and the Group hopes to roll out comprehensive frameworks for SBUs to assess risks from climate change and to implement mechanisms to plan action for adaptation as a medium-term target.

GRI 201 – 2

High Risk H Medium Risk M Low Risk L

RISK MANAGEMENT

Cyber Security Risk	Risk Rating	
Almost all processes in the Group are supported by one or many internet driven services. Internet driven services are currently going through an evolution, moving from reactive to proactive, as businesses understand the impact of a cyber-attack can have on their operational output or reputation.	2017/18	2016/17
	H	H

Mitigation Strategies

- Well-defined Group-wide cyber security incident response process.
- Group-wide staff awareness and cultural change programme on information security and sensitive information handling.
- Different protection technologies are implemented to manage network perimeter defence, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities.
- 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 2015 which the division continues to maintain. This would be the governing practice for the Group's IT services.
- IT governance policy supported by procedures over key activities such as business continuity, information security, document retention and user acceptable usage policies.

Principal Risk	Risk Rating	
Some of the Group's key businesses are linked to a foreign principal and hence the continuity of the particular business is heavily dependent on the periodic renewal of the agency agreement.	2017/18	2016/17
	M	M

Mitigation Strategies

- The Group always seeks to maintain sound relationships with principals and business partners.
- Frequent assessments on service levels are conducted to ensure that the required service standards of principal are met.
- The Group is always on the lookout to tie up with new principals, thus in the unlikely event of a discontinuation, the Group is in a position to secure a new agency without delay.

High Risk H Medium Risk M Low Risk L

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
MATERIAL TOPIC: ANTI-CORRUPTION		
205 – 1	Operations assessed for risks related to corruption	All operations
205 – 2	Communication and training about anti-corruption policies and procedures	100% All staff members are informed about the Group's policies on anti-corruption and the Code of Ethics
205 – 3	Confirmed incidents of corruption and actions taken	None

Refer to the Capital Reviews for more details about the management practices of the Group and the SBUs

To peruse more details of the Group's practices, please follow the link www.aitkenspence.com/annualreport/

UNGC

This section of the report contains information relevant to principle 1, 2, 3, 4, 5, and 10 of the United Global Compact on Human Rights, Labour Standards and Anti-Corruption

GRI

This section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

GRI 102 – 11 Precautionary Principle or approach

GRI 201 Economic Performance

GRI 205 Anti-Corruption

A comprehensive shareholder feedback form is available at the end of the report on pages 395 to 396 to obtain feedback about this report so that the disclosures in future reports can be improved to suit the reader's needs better. Please let us know if the information in this section on our risk management processes was useful to make decisions about Aitken Spence.

Priorities for operational sustainability (material topics)

An operational aspect is deemed to be a sustainability priority or 'a material topic' 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.

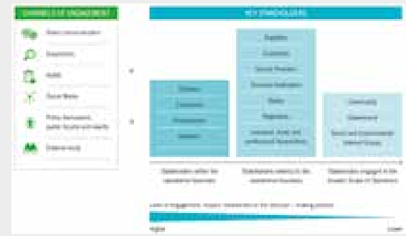
Monitoring "material topics' enables the Group to be more proactive rather than reactive in addressing the economic, social and environmental impacts that could put the Group at risk. It also enables a platform to enhance the value we add on social, environmental and economic scope through opportunities identified in responding to key sustainability priorities.

Reporting on material topics 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 and Prioritise Material Topics

The Group attempts to identify material topics 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.)



Further details such as our process to prioritise feedback from key stakeholders and the relative relevance of material topics to our sectors can be perused online. Please follow the link below to access this information;

www.aitkenspence.com/annualreport/

Voluntary Endorsements which guide our selection of priorities and action points are as follows;

UNGC **WEP**

Aitken Spence PLC became signatory to the United Nations Global Compact in 2002. The company was among the first entities in Sri Lanka to become signatory and are founding members of the UNGC's Steering Committee in Sri Lanka. Aitken Spence has also taken a leadership in the Board of the Global Compact's Local Network Sri Lanka. The Group is committed to internalise the Ten Principles of the UNGC on Human Rights, Labour Standards, Environment and Anti-Corruption and these principles are used to guide the operations to ensure sustainability.

Aitken Spence PLC is also signatory to the Women's Empowerment Principles and the 7 principles are used as guidance to plan action on equality, diversity and workplace sustainability for all key stakeholders.

GRI

The Global Reporting Initiative is the most recognised framework across the world to disclose information about a company's sustainability strategies and performance. Requirements of the GRI framework is used as a mechanism to guide Aitken Spence companies on sustainability priorities (material topics) and required action.

CERTIFICATIONS MAINTAINED BY THE SBU

In addition to the voluntary endorsements, management systems adopted by the companies are frameworks that guide SBUs on required control measures to implement action for operational sustainability. Some examples are given below;

ISO 14001 Environment — Requirements of Environmental Management Systems aligned to the ISO 14001 system standard

OHSAS 18001 OHS — Requirements for occupational health and safety in line with management systems such as OHSAS 18001

ISO 9001 Quality — Quality management systems in line with system standards such as the ISO 9001 system standard

ISO 22000 Food Safety — Food safety management systems in line with international benchmarks such as ISO 22000 system standards

Framework to Prioritise Action for Identified Material Topics is as follows;

	LEVEL OF PRIORITY FROM A GROUP PERSPECTIVE	DECIDING FACTORS	
ESSENTIAL	**Essential** i.e. High priority Action within each material topic that is specified as 'essential' (Action applicable to all SBUs)	Environmental or social impact is high Industry requirement for action Action has been highlighted by a key stakeholder as a requirement	Environmental or social impact is moderate or low but frequency of occurrence is high Action required in line with company policy of and/or voluntary standard Legally required action
EXPECTED	**Expected** Action within the topic is recommended to SBUs based on the nature and scale of the organization. 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 adds value to the business operation	Action highlighted by a key stakeholder as an expectation from the SBU Action is expected within a management system
EXEMPLARY	**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 SBU

More details about management systems adopted by the SBUs can be perused in the Sector Reviews.

A full list of certifications obtained by the SBUs can be perused online.

OPERATING CONTEXT

ACTIVITIES

Tourism

- Owns and manages hotel properties in Sri Lanka, Maldives, Oman and India
- Destination management operation
- Administering of conventions and exhibitions
- General sales agents for airlines

Maritime & Logistics

- Warehouse and mobile storage solutions
- Transport and distribution
- Container freight operation
- Container hiring, repairing and rigging operations
- Freight forwarding and cargo handling
- Port operations and management
- Shipping agents
- Maritime education

Strategic Investments

- Printing and packaging
- Owns and manages plantations
- Apparel manufacture
- Power generation (renewable/ non-renewable)
- Group services

Services

- Money transfer
- Elevator agency
- Property management
- Insurance brokerage

KEY INPUTS

13,533
Workforce - Direct Income generated for families

Rs. 56.3 Bn
Total Equity

» Strategically positioned locations of operation and iconic properties
» Management expertise
» Management systems and policy frameworks
» Strong partnerships and joint ventures
» Equipment and technology
» Fully fledged manufacturing facilities
» Brand values and positioning

KEY STAKEHOLDERS

Workforce

Customers/Clients /Guests

Regulators/lobby groups and activists/environment

Community/Society/ Suppliers/Service Providers

Shareholders/ JV Partners/ Business Partners/ Financial institutions/ Agents/ Principals

To read more about our process to identify material aspects, please refer the following links http://www.aitkenspence.com/annualreport/

Refer to the Capital reviews on **pages 110 to 173** and **Sector Reviews on pages 176 to 237** for more details

OUR "COSTS"

Rs. 8.0 Bn
Invested in manpower and talent management (2017/18)

Rs. 7.2 Bn
Capital expenditure invested (2017/18)

» Resources (energy, water etc.)
» Maintenance
» Regulatory fees/ payments
» Marketing and communications
» Sourcing
» Waste management

Rs. 108.6 Mn
invested in sustainability driven processes and management systems channeled in 2017/18

Rs. 128.2 Mn
Funds channeled in 2017/2018 towards social value creation

KEY OUTCOMES

✓ **Rs. 19.2 Bn**
Total value created for the stakeholders

✓ **Rs. 4.7 Bn**
Contribution to the countries government

✓ Development of skills and expertise
✓ Building sustainable relationships
✓ Brand loyalty
✓ Brand reflection
× Use of resources
× Generation of solid waste, effluents and emissions

✓ Positive Impacts
× Impacts to control

*Top 5 Risks**

1. Scarce penetration of the country as a destination within markets, and negative publicity stemming from internal conflicts
2. Insufficient infrastructure development in the country
3. Competition from new entrants, informal sectors and other emerging destinations
4. Impact on the environment
5. Risks from external suppliers

*Top 5 Risks**

1. Inconsistent policies and legislations
2. Competition from new entrants
3. Dependence on shipping lines and external service providers to deliver services
4. Safety of employees
5. Lack of skilled labour

*Top 5 Risks**

1. Shortage of skilled labour
2. Safety of employees
3. Volatility of the Sri Lankan currency
4. Inconsistent policies and legislations
5. Impacts of climate change

*Top 5 Risks**

1. Inconsistent policy framework
2. Risks from exchange rate fluctuations
3. Risks from external suppliers
4. Shortage of skilled workforce stemming due to migration to other countries
5. Safety and welfare of employees

****

Potential for differentiation:
Reliable products and services backed by long term partnerships

GRI 102-46

Defining report content and topic Boundaries

MATERIAL OPERATIONAL PRIORITIES

OPERATIONAL PRIORITIES (MATERIAL TOPICS)	*Tourism*		*Maritime & Logistics*
	• Economic Value Creation	FINANCIAL CAPITAL	• Economic Value Creation
	• Talent management • Labour standards • Occupational Health & Safety (OHS)	HUMAN CAPITAL	• Talent management • Labour standards • Occupational Health & Safety (OHS)
	• Local purchasing • Compliance	SOCIAL & RELATIONSHIP CAPITAL	
	• Quality • Process Control	INTELLECTUAL CAPITAL	• Quality • Process control
	• Energy • Water • Biodiversity • Solid waste, emissions, effluents	NATURAL CAPITAL	• Energy • Water • Solid waste, emissions • Compliance

	OUR RESPONSE	**OUR RESPONSE**
CURRENT STRATEGIC PRIORITIES	Energy management Waste resource management Alignment with Travelife certification to streamline ongoing action for social/ environmental governance Talent Management & Development Continuous improvement in offerings	Energy management Waste resource management Youth empowerment through maritime skills education OHS
ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS	5, 6, 8, 12, 15	4, 8, 12

Strategic Investments

FINANCIAL CAPITAL
- Economic Value Creation

HUMAN CAPITAL
- Talent management
- Labour standards
- Occupational Health & Safety (OHS)

SOCIAL & RELATIONSHIP CAPITAL
- Local purchasing
- Compliance

INTELLECTUAL CAPITAL
- Quality
- Process control

NATURAL CAPITAL
- Energy
- Water
- Biodiversity
- Compliance
- Solid waste, emissions, effluents

OUR RESPONSE

Ecosystem conservation
Energy
Waste resource management
Adaptation to and mitigation of climate change
Talent Management & Development
Innovation in process control and management

Services

FINANCIAL CAPITAL
- Economic Value Creation

HUMAN CAPITAL
- Talent management
- Labour standards
- Occupational Health & Safety (OHS)

INTELLECTUAL CAPITAL
- Quality

NATURAL CAPITAL
- Energy & water
- Solid waste, emissions, effluents
- Compliance

OUR RESPONSE

Energy management
Waste resource management
OHS
Talent Management & Development

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. These are the 7 goals the Aitken Spence group has aligned to and a summary of our contribution to achieve these goals. Refer to the Sector Reviews to observe other specific goals our SBUs have aligned with.

Quality education: Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.)

Gender equality: Enabling opportunities to encourage more female entrants in to the workforce

Clean water & sanitation: Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water

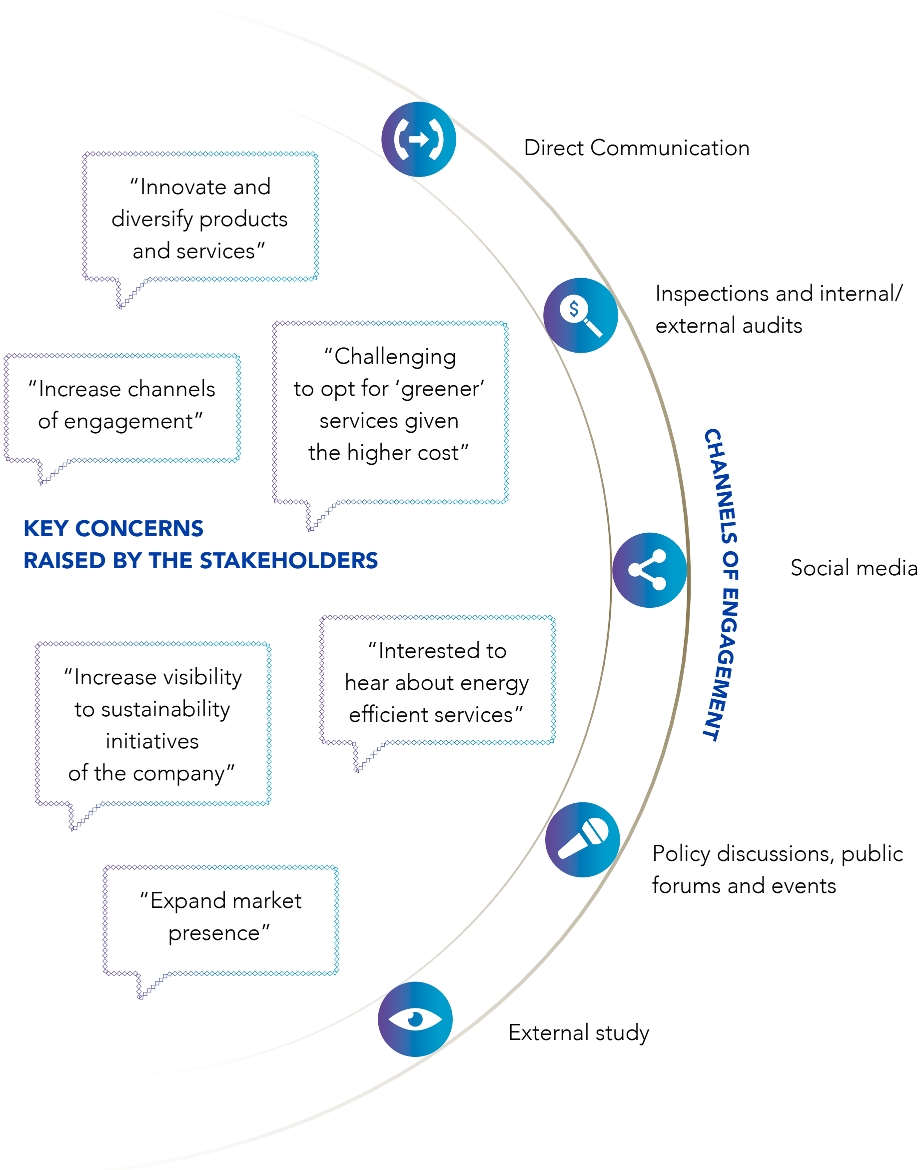
Decent work & economic growth: Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

Industry, innovation & infrastructure: Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability

Responsible construction & production: Influencing circular economy through our commitment to practice the 7R principle

Life on Land: Working towards contributing positively towards protecting our biodiversity and all ecosystems

KEY RESOURCES & STAKEHOLDER RELATIONSHIPS



GRI 102-40

List of stakeholder groups

GRI 102-44

Key topics & concerns raised

To read more about our process for stakeholder engagement (GRI 102 – 21, 42 and 43) please refer the following link **www.aitkenspence.com/annualreport/**

VALUE PROPOSITION TO KEY STAKEHOLDER GROUPS

VISION

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

Customers/Clients /Guests

Reliable service and value-added experience

Quality of service benchmarked to global standards

To Shareholders/ investors/ business partners/ financial institutions/ Agents/ Principals;

Sustainable ROI and creation of wealth

Ethical business conduct

To the Environment/ regulators/ activists;

Sustained development of natural capital

Environmentally conscientious workforce and customers

To the Workforce

Opportunities to learn through exposure to diversified industries

Supportive environment for professional development

Safe workplace and equal opportunity for career progression

To the Community/Society/ Suppliers/Service Providers

Opportunities for economic development, employment and contribution to national goals

BUSINESS MODEL

RISK MANAGEMENT

SUSTAINABILITY FRAMEWORK

GOVERNANCE

VISION

MISSION

VALUES

STRATEGY

INPUTS

Financial Capital

Rs. 44.8 billion Total equity attributable to equity holders

Rs. 11.5 billion Non-controlling interest

Rs. 51.6 billion Non-current and current liabilities

Human Capital

13,533 employees

Rs. 8.0 billion employee benefit expenses

209,947 Total training Hours

Rs. 47.0 million Investment in training and development

Social & Relationship Capital

Building long term stakeholder relationships

Channels of engagement enabled for direct and ongoing interaction

Social and environmental governance procedures

Focus on sustainable and inclusive socioeconomic development

Intellectual Capital

Aitken Spence brand

Proprietary knowledge

Thought leadership and knowledge sharing culture

Fostering partnerships with other reputed organisations

Exceeding 1,000 hours of R&D

Ethical business practices

Natural Capital

2,233,493 m^3 Water consumed and utilised

689,807 GJ Total energy consumed

Biodiversity and natural ecosystem

Manufactured Capital

Rs. 59.3 billion Property, plant and equipment

Rs. 1.6 billion Investment property

Rs. 47.3 million Biological assets

INPUTS

INPUTS

Financial Capital

Rs. 56.0 billion Revenue
Rs. 5.1 billion Profit for the year
Rs. 812.0 million Dividends to shareholders

Human Capital

42.0% 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. 128.2 million Funds channelled through Group's operations for community development

Intellectual Capital

Aitken Spence brand
52 owned trademarks
Brand association with global leaders
Proprietary knowledge expertise
Strengthened overall corporate image and reputation

Natural Capital

638,187 m³ Water treated for reuse or safe disposal
243,286 GJ Renewable energy generation
Conservation of natural ecosystems

Manufactured Capital

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

FINANCIAL CAPITAL REVIEW

OVERVIEW

One of the strategic strengths of Aitken Spence is the depth of the financial capital available to the Group and the acumen the Group possesses for the professional management of this resource. The Financial Capital Review details the structure of the financial capital of the Group, its management, the key outcomes and its movement as a result of the operations during the year.

Key Inputs		2017/2018	2016/2017
Total equity	(Rs. Mn)	56,284.7	50,793.4
Net working capital	(Rs. Mn)	5,814.8	6,736.3
Capital expenditure on property, plant and equipment	(Rs. Mn)	7,237.0	5,843.7
Non-current interest bearing liabilities	(Rs. Mn)	19,683.4	17,191.0
Current portion of interest bearing liabilities	(Rs. Mn)	5,780.9	4,829.7
Bank overdrafts and other short term borrowings	(Rs. Mn)	9,157.5	8,427.3
Cash & short-term deposits	(Rs. Mn)	9,636.4	6,032.6

VALUE DRIVERS

	Indicator	2017/2018	2016/2017	Significance
Profitability	Revenue growth	14.9%	76.7%	Generation of revenue is the primary source of ensuring the sustainable growth and wealth creation of the Group. Hence it is vital that the Group secures a continuous enhancement of its revenue streams. The unusually high increase in the previous year was due to the recommencement of the 100 MW thermal power plant which was non-operational in 2015/16.
Profitability	Operating profit margin	13.4%	12.5%	Cost leadership and efficient use of resources is vital in obtaining a competitive edge in dynamic industries. This coupled with high quality products and services, facilitate the Group in its achievement of operating profits.
Profitability	Return on equity accounted investments	4.9%	4.9%	This indicates the return obtained by the Group for its investments in joint ventures and associate companies. Due to some of these investments still being in their early stages and therefore not yielding positive returns, the net return received by the Group has not yet reached its full potential.
Asset Management	Enhancement of total asset base and its utilization	Total assets of Rs. 107.8 billion. Asset turnover ratio of 0.52 times	Total assets of Rs. 95.3 billion. Asset turnover ratio of 0.54 times	The asset base of the Group and its appropriate expansion is a direct reflection of its stability and strength while the maximum utilization of assets for the generation of revenue ensures the sustainability and viability of business operations.
Asset Management	Current ratio	1.21	1.27	Denotes effective working capital management, ensuring that Group's business has adequate liquidity for its day to day operations. The higher ratio in the previous year was due to the property, plant and equipment of the Group's thermal power plant being included under current assets. However, this was transferred to non-current assets as at end of the financial year 2017/18 due to the power purchase agreement extension received by the thermal power plant.
Asset Management	Debtors collection	94.5% of debtor balances less than 90 days	95.7% of debtor balances less than 90 days	An optimum debtors collection period ensures that the Group's cash is not unnecessarily tied up hampering the liquidity of the company. The quick conversion of revenue to cash enables a more beneficial operating cycle. The decline in the percentage of debtor balances less than 90 days is due to the delayed payments of the Group's single largest debtor had in the power generation segment, which is a Government institution.

Key Outcomes		2017/2018	2016/2017
Profit from operations	(Rs. Mn)	7,080.9	5,757.6
Cash generated from operating activities	(Rs. Mn)	7,140.5	15.8
Employee costs	(Rs. Mn)	8,044.4	7,474.2
Net finance expense	(Rs. Mn)	989.6	895.1
Net profit attributable to shareholders	(Rs. Mn)	3,560.3	2,890.0
Total dividends	(Rs. Mn)	812.0	710.5
Return on equity	(%)	8.4	7.6
Market capitalisation	(Rs. Mn)	20,543.4	22,817.0

FINANCIAL CAPITAL PHILOSOPHY

Effective and efficient management of the financial resources, leveraging on the best mix between debt and equity for future growth and expansion to ensure consistent positive economic value creation for all stakeholders.

VALUE DRIVERS

	Indicator	2017/2018	2016/2017	Significance
Financial Leverage	Interest cover	8.29 times	7.29 times	An indication of the Group recording an adequate operating profit to finance its net interest liabilities on long-term and short-term debt facilities.
Financial Leverage	Debt to equity	0.35	0.34	Highlights the mix between debt and equity, indicating the financial leverage of the Group and its ability to fund its future expansions through debt. The increase in the ratio for the current year was due to the loans obtained to fund the construction of Heritance Aárah.
Treasury Management	Net cash flow from operating activities	Rs. 7,140.5 million	Rs. 15.8 million	The most important indicator for the Group is the cash it generates through its business activities and its adequacy to meet the financing and investing activities. A positive net cash flow from operations is a clear gauge on the Group's ability to perform as a going concern.
Treasury Management	Foreign currency exposure management	Net gain of Rs. 138.8 million	Net gain of Rs. 46.8 million	The Group due to its many activities is exposed to the fluctuation of the Sri Lankan rupee vis-à-vis foreign currencies in terms of its revenue streams, its cost base and foreign exchange denominated borrowings. The effective management of this exposure and the matching of inflows to outflows enables the Group to record a positive impact through its foreign currency transactions.
Shareholder Returns	Return on equity	8.4%	7.6%	A key outcome of the wealth creation process of the Group is the return it generates for its shareholders. This being measured by the return on equity, provides shareholders with a basis for comparison between investment options.
Shareholder Returns	Market price per share	Rs. 50.60	Rs. 56.20	Increases in the market price per share directly contribute towards the enhancement of wealth of the shareholder and the increase of the enterprise value of the company. Positive market sentiments on the potential of earnings growth enhances the market value, however non-conducive external environmental factors had a negative impact on the share price at the end of the year.
Shareholder Returns	Dividends per Share	Rs. 2.00	Rs. 1.75	A healthy payout of dividends increases the return on investment for a shareholder while reducing the portfolio risk. An investor would most often always benefit more by investing in a company that has a consistent dividend declaration.
Shareholder Returns	Economic value addition	Rs. 19.2 billion. Growth of 12.1%	Rs. 17.1 billion. Growth of 32.0%	Highlights the total economic value addition created by the Group through all its activities during the year. The continuous improvement in the value added over the years depicts the growth in the Group's economic activity.

Details of each of the value drivers above are discussed at length in the financial capital review under the relevant headings.

FINANCIAL CAPITAL REVIEW

Material Topics (As per GRI)				
Revenue growth	High	High	High	High
Operating profit margin	High	High	High	High
Return on equity accounted investments	High	High	High	Medium
Interest cover	High	Low	High	Low
Debt to equity	High	Low	High	Low
Enhancement of total asset base and its utilization	High	High	High	Medium
Current ratio	High	High	High	High
Debtors collection	High	High	High	High
Net cash flow from operating activities	High	High	High	High
Foreign currency exposure management	High	Medium	High	High
Return on equity	High	High	High	High
Market price per share		High (Group)		
Dividends per Share		High (Group)		
Economic value addition	High	High	High	High

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

PROFITABILITY

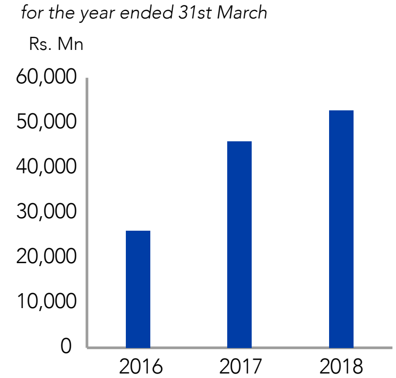
Group Revenue

Signifying the consistent increase in the economic operations of Aitken Spence, the financial year 2017/18 witnessed a 14.9% increase in the revenue generated by the Group. This increase is significant as it came on the back of a 76.7% increase in the revenue recorded during the previous year and highlights the consistency in the expansion of the Group's business. The unusual increase in 2016/17 was due to the recommencement of operations of the 100 MW thermal power plant which was non-operational in 2015/16.

The total revenue generated by the Group including inter segment and equity accounted investees revenue stood at Rs. 57.0 billion and the total revenue from external customers was Rs. 52.7 billion.

In keeping with the Group's distribution of its investments to the four main sectors, the largest contributor towards the Group revenue was from the Tourism sector. A revenue of Rs. 25.7 billion was recorded by the Tourism sector during financial year which was a 25.8% growth over the previous year. The first full year of operations of Hotel RIU, enhanced revenue generations from the premier Heritance branded properties of Heritance Kandalama and Heritance Tea Factory and the steady performance by the Maldivian resorts segment contributed towards this revenue growth. Despite still not reaching its full potential the Indian and Oman hotel segments also recorded healthy increases in revenue. The destination management segment which is a consistent performer in the sector recorded a year on year increase of 7.5% in revenue. The impact to the sector revenue from the growth in the destination management segment was higher as the decision to consolidate Aitken Spence Travels Ltd., due to the control demonstrated by the Group on the company, as opposed to treating it as an equity accounted investee was made mid last year.

Revenue
for the year ended 31st March



The second largest contributor towards the consolidated revenue, the Strategic Investments sector recorded a revenue of Rs. 16.8 billion accounting for 31.8% of the total Group's revenue. The apparel manufacturing segment witnessed the highest increase in revenue generation of 22.4% while the power generation, the largest segment in this sector recorded a marginal increase of 2.6% over the previous year. However, the printing and packaging segment had a disappointing year witnessing a 4.2% dip in revenue due to the slowdown of the volumes of the FMCG and tobacco industries.

The impressive growth in revenue of the elevators segment which witnessed a growth of over 30.3% resulted in the Services sector achieving a 18.2% higher revenue than the previous year. The insurance segment and MMBL Money Transfer (Pvt) Ltd., were also able to record healthy growth in revenue of 8.1% and 10.3% respectively.

Profit from Operations

The year under review saw the Group recording a total profit from operations of Rs. 7.1 billion which was a 23.0% increase over the previous year and amounted to an operating profit margin of 13.4%, up from 12.5% the previous year.

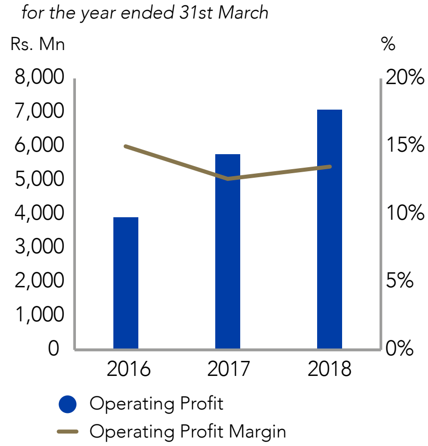
The highest profit from operations was generated by the Tourism sector, which also witnessed an improvement in the operating profit margin from 13.4% the previous year to 14.8%. Apart from the operational improvements recorded by all segments within the sector, the profit on the disposal of Hotel Hilltop amounting to Rs. 307.6 million boosted the sectors' performance. The Sri Lanka hotels segment recorded a substantial improvement in operating profit for the year as a result of improvements in the performances of the established Heritance brand properties, and the newly launched property Hotel RIU, although yet recording a net loss, achieving progress in its operations. A 4.2% and a 13.9% increase in the profit from operations was witnessed by the Maldivian resorts segment and the destination management segment respectively. The Indian hotels segment, although incurring losses, tabled an encouraging improvement in performance. The operational profitability of the Al Falaj hotel was negatively impacted due to the economic downturn and political unrest in the Middle Eastern region.

The sector also benefited from a higher net gain on foreign exchange derived by the destination management segment and a lower translation loss on the foreign currency borrowings in the sector as a result of the comparatively lower devaluation of the Rupee against the USD and Euro compared to last year.

The performance of the Maritime and Logistics sector during the year was dragged down by the poor performance of the brokerage and express courier divisions. A total operating profit of Rs. 1.5 billion was recorded by the sector which was a 0.5% decline over the previous year. The sector's operating profit margin also recorded a drop from 18.3% last year to 17.0% for the current year. However, both the maritime and integrated logistics segments had an impressive year recording 13.8% and 16.8% increases in operational profit respectively. Improved performances in

Operating Profit & Operating Profit Margin

for the year ended 31st March



Operating Profit Margin (%)		
	2017/2018	2016/2017
	13.4%	12.5%
	14.8%	13.4%
	17.0%	18.3%
	9.3%	8.2%
	15.7%	17.5%

the Fiji port operations due to increased volumes and operating efficiencies, and the increased volumes handled by the ship agency business in Sri Lanka contributed towards the growth recorded in the maritime segment. The integrated logistics segment's performance was led by the special operations, distribution services and mobile storage businesses.

An operational profit of Rs. 1.6 billion was recorded by the Strategic Investments sector compared to Rs. 1.3 billion recorded in the previous year. Its operating profit margin also recorded an improvement of 13.6% over the previous year. Operational efficiencies recorded by the power generation segment and the recovery in performance by the apparel manufacturing segments were the highlights in this performance. However, the printing and packaging segment reported a disappointing performance stemming from the decline in revenue witnessed during the year.

The operational profit of the Services sector stood at Rs. 256.7 million, an increase of 6.1%. Despite the revenue increases in the key segments of elevators, insurance and MMBL Money Transfer, the operational profits of these segments did not record similar increases. This was due to the higher operational costs in the elevators segment and lower foreign exchange gains recorded by MMBL Money Transfer and the insurance segments, coupled with a one-off gain of a profit on sale of fixed assets had by the insurance segment in the previous year. This resulted in the operating profit margin of the sector declining from 17.5% to 15.7%.

The year on year increase of 32.7% of the Group's direct operational expenses was mainly due to the impact of Aitken Spence Travels Ltd (ASTL) being consolidated for the entire year. The decision to treat ASTL as a subsidiary as opposed to an equity accounted investee, due to the control demonstrated by the Group in the company was made during the second half of the previous financial year. The current year being the first full year of operations of Hotel RIU was also a key factor in the increase seen in operating costs and depreciation. The Group's total depreciation, amortization and impairment expenses increased by 10.2% to Rs. 2.6 billion for the financial year under review. The total expenditure incurred by the Group on employee benefits stood at Rs. 8.0 billion for the year compared to Rs. 7.5 billion expended the previous year.

Share of Profits from Equity Accounted Investees

The Group's share of profits from equity accounted investees witnessed a decline of 20.3% to Rs. 306.5 million compared to Rs. 384.4 million achieved the previous year.

The decline in profit share from equity accounted investees was due to the deferred tax adjustment of Rs. 56.7 million in Elpitiya Plantations PLC which arose due to change in the tax rate for agriculture business with the enactment of Inland Revenue Act No. 24 of 2017. As per Sri Lanka Accounting Standards 12 – Income Taxes (LKAS 12) the deferred tax impact due to a change in the tax rate should be accounted in the current year's income statement even though the deferred tax component would comprise of a brought forward timing difference which has no relevance to the current year's profits. As the Accounting Standard specifies this tax treatment, the adjustment has been carried out as specified although the Group strongly believes this distorts the financial statements of a company.

The other main reason for this decline is that Aitken Spence Travels Ltd., had been treated as an equity accounted investee until mid last year when it was decided to consolidate the company due to the control demonstrated by the Group.

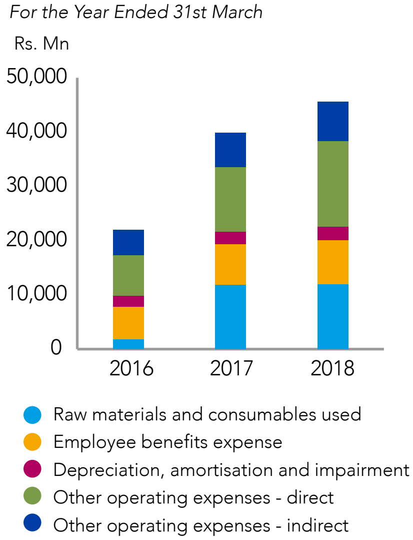
Excluding these two factors the share of profits of equity accounted investees increased by 36.8% during the year under review.

Similar to the previous financial year, the largest contributor towards the profits from equity accounted investees was the Maritime and Logistics sector although the level of profits recorded a comparative decline. This decline was due to the performance of CINEC being below expectations as a result of the difficulties faced by the campus in obtaining cadet placements for some of its maritime courses, a set-back which is being resolved at present. Elpitiya plantations which is an equity accounted investee in the Strategic Investments sector recorded an impressive performance before taxation. The share of profits before taxation of the plantations segment achieved a growth of 24.5% over the previous year.

The return on the total investment made in equity accounted investees remains below expectations primarily due to the investment made in the recently launched Heritance Negombo not yielding the expected returns although recording healthy improvements to its operational profit before interest during the year. The net profit of Heritance Negombo has been adversely impacted by the high interest cost which is linked to

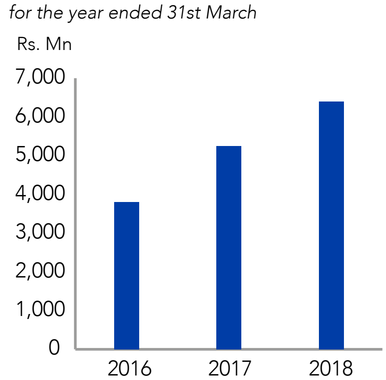
Operating Expenses

For the Year Ended 31st March



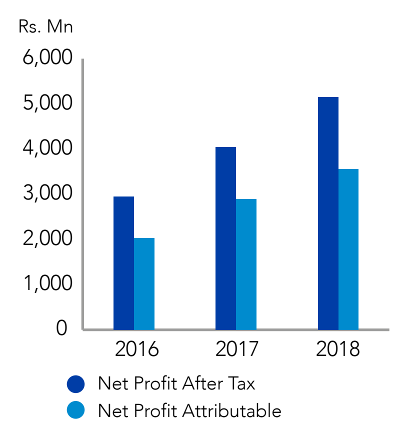
Profit Before Tax

for the year ended 31st March



Net Profit After Tax & Net Profit Attributable

for the year ended 31st March



market rates, on term loans taken to fund the construction of the hotel.

Earnings for the Year

The Group recorded its highest ever profit before tax of Rs. 6.4 billion during the year under review. This was a growth of 21.9% from the profit before tax of Rs. 5.2 billion reported in the previous year. The profit after tax recorded for the year under review of Rs. 5.1 billion was also the highest recorded in the history of the Group.

The Tourism sector contributed 46.2% of the Group's profit after tax while the second highest contributor, the Maritime and Logistics sector accounted for 26.7%. The Strategic Investments sector brought in 24.2% of the Group's profit after tax for the year with the Services sector's contribution being 2.9%.

The net profit attributable to equity holders of the company amounting to Rs 3.6 billion was 23.2% higher than the previous year. Although the Group was able to achieve its highest ever profit after tax, it was unable to extend this achievement to its net profit attributable to equity holders as the profit attributable to non-controlling interest increased substantially by 37.5% over the previous year to Rs. 1.6 billion.

Taxation

The profit before tax of the Group increased by 21.9% to Rs 6.4 billion. The income tax expense charge for the year was Rs 1.2 billion an increase of 3.9% which is lower than the growth reported in profit before tax. The net profit after tax increased to Rs 5.1 billion reflecting a growth of 27.3% resulting in the effective tax rate reducing from 22.9% to 19.5% despite the additional provisions being made for deferred taxes.

The income tax expense recorded in the income statement comprises of income tax on profits, the deferred tax provision, withholding tax from inter-company dividends and under or over provision of income tax for the previous years.

The effective tax rate on income tax on profits declined during the year because higher percentage of profits were contributed by Companies having brought forward losses for the year and due to the turnaround of loss making operations.

The deferred tax for the year is a reversal of Rs. 11.1 million, which is the net impact of the deferred tax asset of Rs. 44.3 million arising mainly from tax losses and the deferred tax liability of Rs. 33.2 million which is the impact of change in tax rates. With the introduction of the Inland Revenue Act No. 24 of 2017, the concessionary tax rates / exemptions enjoyed by the SBU's increased from 10% and 12% to 14%.

The Inland Revenue Act No. 24 of 2017 introduced a tax on capital assets (land and building) either used in business or held for investment purposes at the point of sale. With the introduction of tax on the disposal of capital assets Group after identifying business assets has adjusted for the deferred tax of Rs. 997.5 million arising on revalued land in the statement of other comprehensive income in accordance with the requirements of the Sri Lanka Accounting Standards.

	Net Profit before tax Rs. Mn	Tax recognized in the income statement Rs. Mn	Net profit after tax Rs. Mn
	6,397.8	1,248.3	5,149.5
	3,127.1	748.6	2,378.5
	1,758.9	382.1	1,376.8
	1,278.4	31.5	1,246.9
	233.4	86.0	147.3

Tax recognized in the income statement	2017/2018 Rs.Mn	2016/2017 Rs.Mn
Income Tax Provision	1,064.3	948.0
Deferred tax provision	(11.1)	61.7
Withholding tax on dividends paid by SBU's	25.2	27.0
Under /over provision in respect of previous years	169.9	164.8
Total	1,248.3	1,201.4

	Capital Expenditure (Rs. Million)					
	Freehold Buildings	Plant, Machinery & Equipment	Motor Vehicles	Furniture & Fittings	Capital Work-in-Progress	Total
	291.6	657.5	257.1	149.6	5,881.2	7,237.0
	252.7	509.4	204.6	130.6	4,232.4	5,329.7
	36.0	58.4	28.3	14.5	90.6	227.8
	1.2	74.2	24.1	1.9	1,558.1	1,659.5
	1.6	15.4	0.2	2.7	-	20.0

ASSET MANAGEMENT

Total Assets

The total asset base of the Group surpassed the Rs. 100 billion mark during the year to reach Rs. 107.8 billion as at the end of the financial year, an increase of Rs. 12.5 billion over the previous year. Rs. 73.9 billion of these assets were non-current assets while Rs. 33.8 billion were current assets.

The largest component of the non-current assets is property, plant and equipment which amounts to Rs. 59.3 billion, and 80.2% of the total. The total capital expenditure incurred by the Group under property, plant and equipment for the year was Rs. 7.2 billion, while the freehold land held by the Group was revalued at the end of the financial year in keeping with the Group policy resulting in a value increase of Rs. 2.9 billion. Trade and other receivables represented the largest portion of current assets amounting to Rs. 13.6 billion.

	Asset Turnover ratio (times)	
	2017/2018	2016/2017
	0.52	0.54
	0.43	0.45
	0.90	0.90
	0.62	0.73
	0.44	0.43

The Tourism sector held Rs. 64.0 billion of the total assets of the Group with an increase of Rs. 7.4 billion over the last year. The increase was mainly due to the investments made by the sector amounting to Rs. 4.2 billion for the construction of Heritance Aárah' in the Maldives. The Strategic Investments sector laid claim to Rs. 29.5 billion of the total assets recording a Rs. 4.9 billion increase over the previous year. Costs incurred during the year on the initial construction work of the waste-to-energy power plant amounting to Rs. 1.6 billion, the impact of the land revaluation of Rs. 1.5 billion and an increase of trade and other receivables of the power generation segment were the main contributors towards this increase.

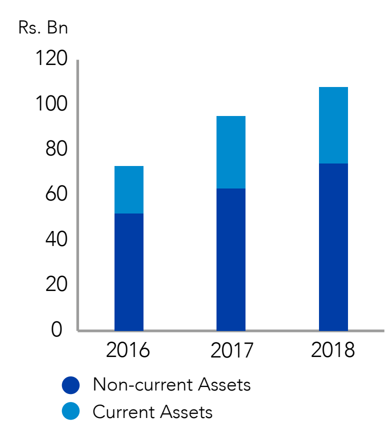
The Maritime and Logistics sector held Rs. 10.2 billion and the Services sector held Rs. 4.1 billion of the Group's total assets respectively as at year end.

Asset Turnover

The asset turnover ratio represents the degree of the utilization of the assets held in the generation of revenue. The Group asset turnover ratio for the year was 0.52 times, a slight decline from 0.54 achieved during the previous year. The decline was mainly the result of investments made on assets which have not yet reached the operational stage.

The Tourism sector asset turnover ratio marginally declined due to the investments made for the construction of Heritance Aárah' in the Maldives which is expected to come into operations in the winter of the following financial year. The asset turnover ratio of the Strategic Investments sector had a two-fold impact with the increase in the asset base due to the costs incurred on the preliminary work of the waste-to-energy power project, and due to the decline in the revenue of the printing and packaging segment. This resulted in a 14.9% dip in the asset turnover ratio of the sector which in turn negatively impacted the Group.

Total Assets
as at 31st March



	Current Ratio		Quick Asset Ratio	
	2017/2018	2016/2017	2017/2018	2016/2017
	1.21	1.27	1.15	1.20
	1.10	1.05	1.07	1.02
	1.41	1.33	1.35	1.29
	1.18	1.38	1.12	1.31
	1.26	1.31	1.14	1.13

Current Ratio

The total net working capital of the Group at the end of the current year stood at Rs. 5.8 billion, compared to Rs. 6.7 billion as at the end of the previous year. The current ratio declined marginally to 1.21 from 1.27 and the quick asset ratio to 1.15 from 1.20 at the year-end although remaining at very stable levels indicating the healthy liquidity position of the Group.

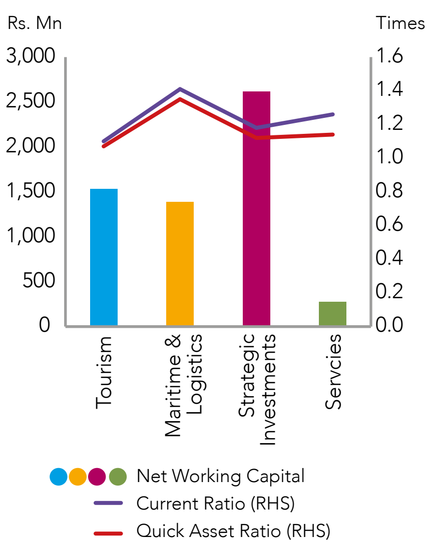
The Tourism sector recorded improvements in its working capital and its liquidity ratio for the year. However in the case of the Strategic Investments sector the working capital as at year end declined by Rs. 2.1 billion with the current ratio dropping from 1.38 to 1.18 times. This decline in the Strategic Investments sector which also had an impact on the Group ratio was due to the property, plant and equipment of the 100 MW thermal power plant which was reflected in current assets in 2016/2017 being transferred to non-current assets at the end of the financial year 2017/2018 consequent to the three year extension of the power purchase agreement entered into with the Ceylon Electricity Board.

The higher current ratio of the Maritime and Logistics sector is due to very low short-term borrowings of the sector, while the Tourism sector had the lowest liquidity ratios of the Group due to its high short-term borrowings and the current portion of interest bearing liabilities. The decline seen in the current ratio of the Services sector is due to an increase in the short term borrowings recorded in its elevators segment.

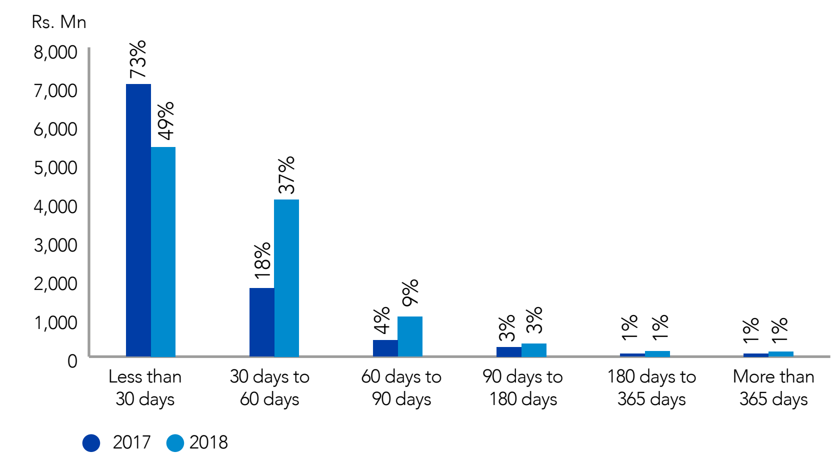
Debtors collection

The Group places strict emphasis on the timely collection of its trade receivables acknowledging that it is a vital part in the effective management of its working capital and liquidity. The total trade receivables of the Group stood at Rs. 11.1 billion as at the end of the financial year compared to Rs. 9.7 billion as at the end of the previous year. Rs. 10.5 billion of these trade receivables were due in less than 90 days indicating the effective collection policy practiced by the Group. The Group's exposure to a single customer is only from the power generation segment serving a state-owned enterprise thereby minimising the risk to the Group. As at end of the financial year 38.7% of the Group's total receivables amounting to Rs. 4.3 billion were from this state-owned enterprise.

Net Working Capital, Current Ratio & Quick Asset Ratio
as at 31st March



Trade Debtor Aging
as at 31st March



Non-current interest-bearing borrowings (Rs. Million)	2017/2018	2016/2017
	19,683.4	17,191.0
	18,154.1	14,275.7
	-	-
	1,529.3	2,915.3
	-	-

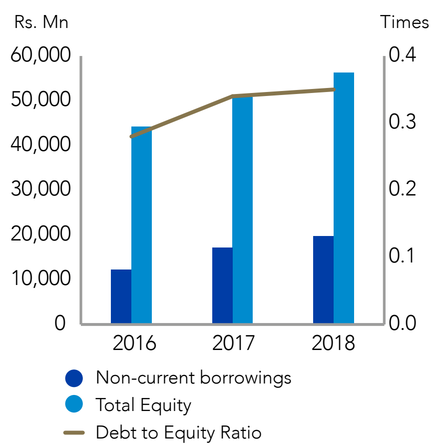
FINANCIAL LEVERAGE

Debt to equity

The Group constantly monitors its gearing position to ensure that a healthy mix of debt to equity is maintained, enabling the Group to maximize the return on shareholders' funds whilst maintaining financial flexibility in meeting its debt obligations. Although the Group has the options of raising debt and new equity capital, the Group has not opted for the latter in the recent past. As such, Group relies mainly on internally generated funds and debt to fund its investments.

The Group's non-current interest-bearing borrowings increased to Rs. 19.7 billion from Rs.17.2 billion in the previous year. Majority of the Group's debt was taken up by the Tourism sector, accounting for 92.2% of the total, whilst Strategic investments sector accounted for the balance 7.8%. New loans obtained during the year was entirely from the Tourism sector, and mainly accounted for the draw-downs in line with the project financing requirement of the 5-star resort under-construction in the Maldives, expected to be opened in winter 2018.

Debt to Equity Comparison
as at 31st March



The Group has opted to borrow mostly in foreign currency for the subsidiaries that has foreign exchange income to take advantage of relatively low interest rates while ensuring that there is a natural hedge against the currency devaluation. The Group has foreign currency denominated debt in the Tourism sector, the holding company and printing and packaging segments as the foreign currency revenue streams and dividend income from overseas provides a natural hedge against exchange fluctuations. Out of the total non-current borrowings of the Group 56.7% are in USD, 34.1% in Euro, 2.1% in Indian Rupees, whilst the balance 7.1% is in Sri Lankan Rupees.

The Group's total equity increased by 10.8% to Rs. 56.3 billion on the back of higher earnings during the year and increased reserves mainly due to the revaluation of freehold land.

The debt to equity ratio witnessed a marginal increase from 0.34 times in the previous year to 0.35 times. This was well within the acceptable level of the Group and highlights the flexibility to increase its leverage to fund future investments if required.

Interest cover

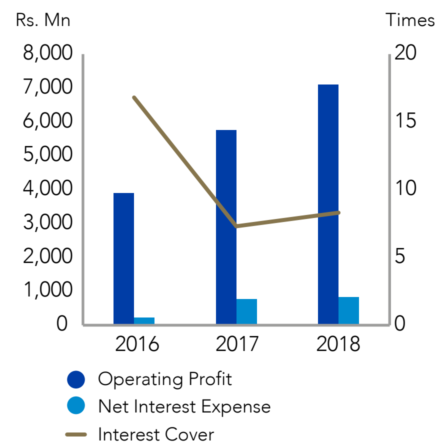
The Group's interest cover improved to 8.29 times for the year under review, from 7.29 times in the previous year. This is owing to the 23.0% increase in operating profit, despite the increase in net interest cost by 10.6%, indicating the Group's strong capability in meeting its debt servicing obligations to its lenders.

Finance income of the Group declined by 2.4% to Rs. 743.5 million whilst the finance cost increased by 4.6% to Rs.1.7 billion, resulting in net interest cost increasing to Rs. 989. 6 million.

The increase in net finance cost was driven by a 20.4% increase in Strategic Investments, mainly attributable to the increase in short-term borrowings. Further, the Maritime & Logistics sector saw an increase in its net interest cost mainly due to short-term facilities being utilized to fund the negative cash position of the brokerage and express segments as a result of its poor performance.

Local interest rate environment in 2017/2018 proved to be moderately volatile with a downward inclination. The Monetary Board of the Central Bank maintained its stance on a stable policy rate corridor while reiterating the importance of being data driven and allowing the market dynamics to adjust to their natural phase. Average Weighted Prime Lending Rate (AWPLR), an indicator of the cost of capital for the private sector, ended the period at 11.55% after ranging from a low of 10.82% to a high of 12.26% and in contrast the risk free one-year treasury bill rate was at 9.69%

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



at the end of the financial year 2017/2018 leaving a comfortable risk-reward premium of nearly two hundred basis points to work as a conservative catalyst.

The most commonly used benchmark for United States Dollar (USD) denominated debt, LIBOR, changed rapidly during the period under review. Federal Open Market Committee introduced three rate hikes at regular intervals from June 2017 to March 2018. Both EURIBOR and the interest rate environment in the United Kingdom remains bearish with no major threat of upward adjustment as at present.

The Group treasury continues to analyse current trends in both local and global financial spheres and will remain prepared to deploy risk mitigation strategies as and when required.

TREASURY MANAGEMENT

Cashflow

The Group's net cash generated from operations for the year under review was Rs. 7.1 billion, a significant increase compared to the previous year. The higher profits recorded for the year contributed to this increase, with the more effective management of the Group's working capital resulting in a significant increase in the net cash generated through operating activities for the year.

Net cash outflow from investing activities amounted to Rs. 5.5 billion mainly due to the capital expenditure incurred, negated to an extent by the proceeds from sale of an investment, interest income earned and liquidation of short term deposits. Net cash inflow from financing activities was Rs.1.2 billion for the year under review, which reflects the proceeds from long-term borrowing net of repayments and dividends to shareholders of the Company.

(Rs. Million)	2017/2018	2016/2017
Profit before tax	6,397.8	5,246.9
Non-cash adjustments	3,350.9	3,218.4
Changes in working capital	310.0	(5,502.4)
Payment of Interest, Income tax, retirement benefit obligations	(2,918.2)	(2,947.1)
Net cash generation from/(used in) operating activities	7,140.5	15.8
Net cash flow from/(used in) investing activities	(5,473.6)	(3,994.7)
Net cash flow from/(used in) financing activities	1,196.9	(1,640.7)
Net increase/(decrease) in cash & cash equivalents	2,863.8	(5,619.6)

As a result, the cash and cash equivalents of the Group which stood at a negative Rs. 2.4 billion as at the end of the previous year increased by Rs. 2.9 billion, to record Rs. 479.0 million as at the end of the current year. The Group's net cash position including short-term deposits over 90 days and investments in Government securities of Rs. 7.2 billion included under other current assets in the statement of financial position, amounted to Rs. 7.7 billion compared to Rs. 6.5 billion the previous year.

Liquidity management remains the primary function of the Group treasury owing to the large number of subsidiary companies and their diverse working capital requirements. Traditional risk elements such as interest rate volatility, settlement risk, counter party risk and more recent developments such as cyber-attacks and identity thefts make the process an ongoing challenge.

Interbank liquidity remained limited in supply with overnight market liquidity not surpassing Rs.60 billion throughout the period under review with selective participants intermittently gaining access to surplus funds at cheaper costs without an apparent pattern. The Group treasury was able to overcome these challenges by paying close attention to internal cash flows, working capital requirements and maintaining a continuous dialogue with market participants. The Group treasury has several short-term funding facilities available which are availed interchangeably to ensure competitive pricing.

Foreign Currency Exposure Management

The Group benefited from a significantly higher gain on foreign exchange for the year, with a net gain on foreign exchange of Rs. 138.8 million as opposed to the net gain of Rs. 46.8 million recorded for the previous year.

The highest gain was recorded from the Tourism sector mainly from the operations of the destination management segment and the lower unrealized loss on the conversion of foreign currency borrowings of the sector due to the comparatively lower devaluation of the Sri Lankan Rupee (LKR) during the year. This also positively impacted the Strategic Investment sector to record lower losses on the conversion of its foreign currency loans while it negatively impacted the Services sector with lower gains received through its operational activities.

Net Gain on Foreign Exchange (Rs. Million)	2017/2018	2016/2017
	138.8	46.8
	107.1	(11.0)
	(10.9)	7.9
	(8.4)	(21.5)
	51.0	71.4

FINANCIAL CAPITAL REVIEW

Financial year 2017/2018 witnessed a stronger local currency during the April new year holidays, a period during which there is an increased demand for the Rupee. Traditionally the LKR appreciates during this period due to the increase in worker remittances and exporter conversions, although the margin by which the currency appreciates has diminished over the last couple of years. Overall, the USD/LKR exchange rate moved very much in tandem with the interest rate environment other than in the last quarter of the financial year. USD/LKR rate peaked to 156.16 during March 2018 prior to closing the year at 155.97. During the first three quarters of the financial year the currency depreciated by only LKR 1.27 (approximately) against the USD while the last quarter saw a sharp decline of over LKR 2.50 averaging over LKR 0.80 a month. The lowest point of 151.60 for the pair was recorded during the month of April 2017. Compared to most regional currencies the LKR has fared well against a backdrop of almost no foreign direct investments and mediocre investor appetite. Qualitative more than quantitative factors contributed to this favourable outcome of the LKR with the Central Bank of Sri Lanka playing a lead role in directing the market to a more robust and fundamentally correct path.

The Group consists of several subsidiaries that generate a substantial amount of foreign exchange through their operations. Strategically building a foreign exchange reserve emancipates the Group from translation losses arising due to having foreign exchange denominated debt in its books to great extent. The Group has also been careful to limit foreign exchange borrowings to specific projects with future cash flows in foreign currencies to benefit from a natural currency hedge.

	Net Profit Margin		Asset Turnover		Financial Leverage		ROE
2017/2018	6.8%	x	0.52	x	2.41	=	8.4%
2016/2017	6.3%	x	0.54	x	2.22	=	7.6%

SHAREHOLDER RETURNS

Return on equity

The return on equity is a function of net profit margin, asset turnover and financial leverage. The Group closely monitors these ratios and management decisions are directed at improving them, with the intention of optimizing the use of shareholder funds to generate adequate returns.

The Group's return on equity for the year under review was 8.4%, a notable increase from the 7.6% recorded for the previous year. The increase was driven by the higher financial leverage ratio and net profit margin.

Investments made by the Group saw its total asset base grow by 13.2% to Rs. 107.8 billion at the end of the financial year. Although a marginal drop was witnessed in the asset turnover ratio from 0.54 times to 0.52 times, the Group's revenue grew by 14.9%, achieved through the utilization of the expanded asset base.

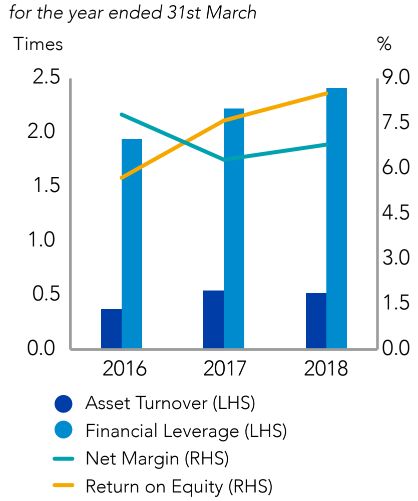
Financial leverage increased to 2.41 times compared to 2.22 times in the previous year, indicating that the increased average asset base has been funded through a higher mix of external financing.

The net profit margin for the Group for the year under review increased to 6.8% from 6.3%, despite the higher net finance cost stemming from the increased financial leverage. The improvement in the operating profit margin discussed in the profitability section, followed through to the net profit margin with the Tourism and Strategic Investment sectors showing improvements over the previous year.

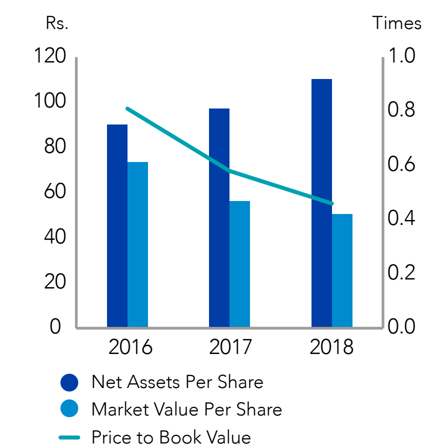
Market Price per share

The Company's market price closed 10.0% lower as at the end of the financial year at Rs. 50.60 compared to Rs. 56.20 recorded in the previous year. The share traded between a high of Rs.71.80 and a low of Rs. 49.80, with 34.6 million shares being traded during the year. The market capitalization of the Company stood at Rs. 20.5 billion, which accounted for 0.68% of the total

DuPont Analysis
for the year ended 31st March

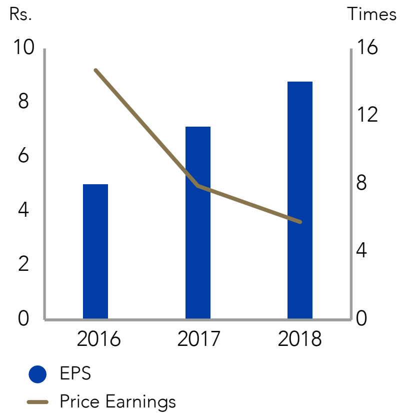


Net Assets Per Share, Market Value Per Share & Price to Book
as at 31st March



EPS & Price Earnings Ratio

as at 31st March



market capitalization of the Colombo Stock Exchange.

The Company's net asset value per share stood at Rs. 110.35, an increase of 13.5% over the previous years' net assets per share of Rs. 97.24. The price to book value dropped to 0.46 times compared to the 0.58 times recorded in the previous year, due to the increase in net assets per share and decline in market price.

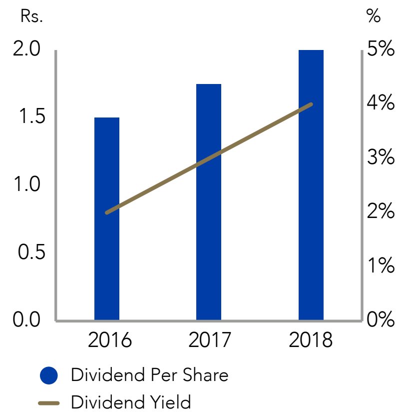
The earnings per share for the year under review was Rs. 8.77, an impressive 23.2% growth over last year. The price earnings multiple declined to 5.77 times from 7.90 times recorded in the previous year, with the increase in earnings per share and decline in market price.

Dividend per share

Company's dividend policy is aimed at striking a balance between providing a consistent return to its shareholders whilst maintaining adequate funds to meet future capital expenditure requirements. Following the exceptional results reported for the financial year 2017/2018, the Board has recommended a first and final dividend of Rs. 2.00 per share, keeping in line with the Company's commitment to provide strong shareholder returns. This is an increase of 14.3% over the dividend per share of Rs.1.75 declared in the previous year and amounts to a pay-out of 22.8%.

Dividend Per Share & Dividend Yield

for the year ended 31st March

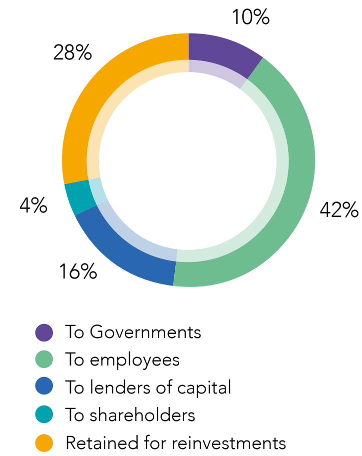


Economic Value Added Statement

Creation of positive economic value is a fundamental priority of the Group's operations. Over the years the Group has been consistent in achieving this objective.

During the year under review, a positive value creation of Rs. 19.2 billion was generated, which was a 12.1% increase

Distribution of wealth created - 2017/18



over the previous year. Of this economic value created the largest portion of 42.0% was distributed amongst the employees of the Group while 16.6% was incurred for servicing the lenders of capital. 9.6% was paid out as taxes to governments while 4.2% was declared as dividends to shareholders. The balance of 27.6% of the total value generated was retained by the Group for future investments.

The detail workings of the value added statement of the Group for the year 2017/2018 is provided on page 16.

GRI This section of the report contains disclosures for GRI 201 Economic Standards

To peruse more details of the Group's practices, please follow the link www.aitkenspence.com/annualreport/

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. Please let us know if the information in this section on how we manage social and relationship capital was useful to make decisions about Aitken Spence.

HUMAN CAPITAL REPORT

OVERVIEW

Providing direct income to approximately more than 13,500 families within four of the country's foremost industry sectors (Tourism, Maritime and Logistics, Services and Strategic Investments), our Human Capital is one of the main building blocks of the Group's foundation.

GROUP HUMAN CAPITAL PHILOSOPHY

Create a robust and inclusive work culture where every employee has access to a secure working environment coupled with opportunities for personal and professional growth.

Total Workforce
13,533

Male
7,957

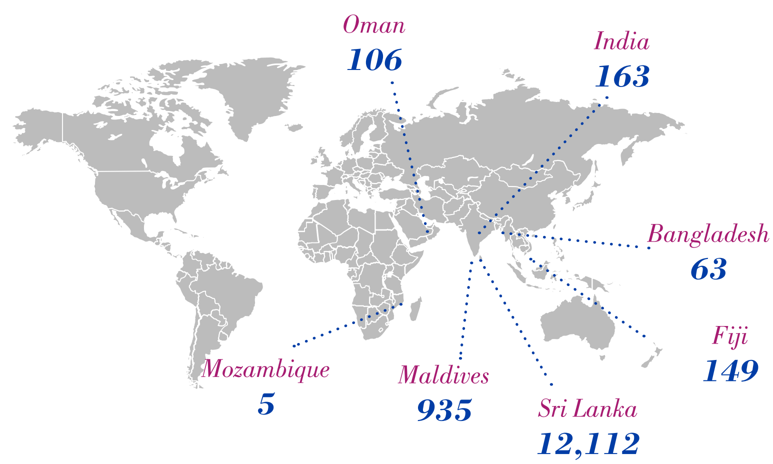
Female
5,576

TOTAL EMPLOYEE BREAKDOWN ON GENDER AND EMPLOYMENT

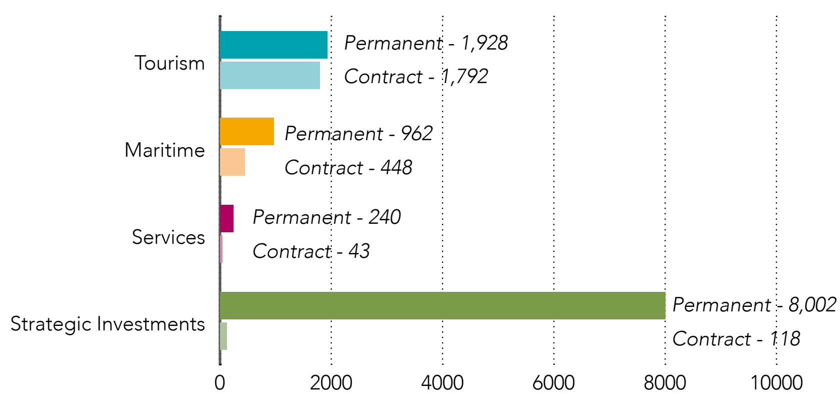
Employee Breakdown

	Executive		Non Executive	
	699	277	2,579	165
	536	158	656	60
	346	158	2,885	4,731
	131	27	125	0

EMPLOYEE DISTRIBUTION IN LOCATIONS



EMPLOYMENT DISTRIBUTION ON EMPLOYMENT TYPE



Group Permanent
11,132

Group Contract
2,401

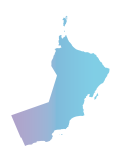
DETAILS ABOUT NEW RECRUITS

	Male	Female
Age 25 yrs - 35 yrs		
	529	83
	92	23
	259	423
	22	2
36 - 45 yrs		
	446	52
	117	13
	260	303
	23	4
46 - 55 yrs		
	141	13
	23	10
	206	96
	8	1
56 yrs and above		
	9	7
	7	-
	10	3
	1	-

RECRUITS AND RESIGNATION








Recruits	Country	Resignation
2,642	SRI LANKA	2,780
95	INDIA	80
397	MALDIVES	369
16	FIJI ISLANDS	7
36	OMAN	36
-	MOZAMBIQUE	1

RESIGNATION

	Male	Female
Age 25 yrs - 35 yrs		
	1071	51
	181	12
	146	731
	26	13
36 - 45 yrs		
	123	7
	77	4
	192	221
	19	-
46 - 55 yrs		
	71	8
	75	1
	52	79
	11	4
56 yrs and above		
	13	-
	4	2
	36	42
	1	-

Note: Above table reflects the age and gender breakdown of recruitments and resignations across the Group.

Approximated significance of material topics on Social Standards for the sectors

Material Topics (As per GRI)				
Labour practices and decent work	Medium	Medium	High	Medium
Employment	High	High	High	High
Labour/ Management Relations, Labour Practices and Grievance Mechanisms	Medium	Medium	High	Medium
Occupational Health and Safety	High	High	High	High
Training and Education	High	High	High	High
Diversity and Equal Opportunity	Low	Low	Low	Low
Human Rights Assessment	Medium	Medium	Medium	Medium
Supplier Social Assessment	Medium	Medium	Medium	Low

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

Special Note: Occupational Health and Safety has been considered as highly significant for Service Sector as more than 50% of the employees belong to Elevators segment.

2017/18

Value Drivers

- Strengthening HR Representation at a strategic level
- Building a leadership pipeline
- Training and Development
- Productivity Improvement
- Increasing Digital Access

Key Initiatives

- Introduction of "HR matters" at all levels of the business
- Roll out of "Leadership Journey at Aitken Spence"
- Investment Rs. 47 Mn
- Awarding best cost saving and waste elimination practices through the Group 7S Competition.
- Upgrade of the HRIS enabling desktop access to all required information through the Group's Office 360 initiative

Management Approach

Aitken Spence PLC's underlying approach to Human Capital Development is designed to inspire employees to take ownership of the Group's broader growth strategy. This means assisting employees to better adapt to their assigned roles and facilitating their growth by creating an environment where they can grow with the organizations they are part of. Accordingly, the Group follows an integrated strategy to imbue human capital development as an essential component of each business model, in turn enabling employees to meaningfully share in the Group's success.

Key Principles

Ethics and Integrity

The Group's core values work to develop a culture where all employees are committed to ethical business practices and to conduct business with honesty and integrity, in full compliance with all applicable laws. The Group's Code of Conduct sets out policies and clear ethical standards and guidelines to assist employees in conducting business and establishing accountability in a way that reflects good corporate citizenship. Strict monitoring mechanisms are in place to oversee and report on compliance with these directives.

Aside from the employee code of conduct, the Aitken Spence "Management Training Programme" (MTP) is the Group's key initiative to strengthen the concepts of ethics and integrity among employees. The MTP is rolled out as an ongoing refresher programme across all sectors. In the year under review, 138 employees from all four business sectors were selected to participate in the programme.

Recruitment and Promotion

All recruitments to Aitken Spence PLC are based on merit through fair and open competition without patronage, favouritism or discrimination. Recruitments are made based on the annual manpower plan prepared by the HR department based on the manpower requirements submitted by subsidiaries and with due consideration of proposed internal promotions, cross-functional re-assignments, secondments and overseas placements. In the event of a vacancy, the Group first considers internal placements and promotions to tap into suitable candidates to fill vacancies before sourcing external candidates. Aitken Spence PLC's official Facebook, Twitter and LinkedIn pages are used to communicate job vacancies that arise within the Group.

Meanwhile to meet the Groups' entry-level recruitment needs, corporate HR maintains links with a number of universities, providing their students with regular career guidance programmes and internships. For example the long standing partnerships with the Chartered Institute of Management Accountants and the Institute of Chartered Accountants of Sri Lanka, allows the Group to access suitable candidates to fill entry level vacancies.

Various sectors in the Group maintain long-standing partnerships with professional and educational institutes that give them direct access to a pool of suitably qualified candidates. The Tourism sector has ties with different universities (specializing in tourism) and institutes specializing in language studies (German, French, Russian etc.). The Tourism sector has also established ties with student bodies, such as AIESEC, to recruit locally in areas where the sector has hotels.

Joanna Roper - Special Envoy for Gender Equality Addressing Employees at a Special Event

Female Participation in the Workforce

41%

The Maritime and Logistics sector too has an internship programme, which gives them access to a ready pool of resources geared for their business needs.

Remuneration and Reward Management

GRI 401-2

As a matter of principle, Aitken Spence PLC supports multiple levels of remuneration and compensation necessary to attract, retain and motivate high quality people required to lead, manage and serve the Group in a competitive global environment. Accordingly, all Group employees are offered fair and equitable remuneration packages that reflect their position, individual duties and responsibilities. All Aitken Spence PLC employees receive a fixed remuneration in line with market rates applicable to their respective job role along with a number of ancillary benefits including medical insurance, reimbursement of medical bills, annual health screening, reimbursement of examination fees and the sponsorship of member fees of professional institutions.

Depending on their job role, certain employees are also entitled to an additional variable pay component linked to both individual and corporate performance as measured against business strategy and risk, objectives, values and long-term interests. The performance management process serves as the basis for the determination of the variable pay component.

The performance management process comprises of three main stages;

1) Goal Setting, 2) Midyear Review and 3) Annual Appraisal (Goal Evaluation, Competency Evaluation, Feedback and Development Plan, Rating Summary Information). Managers are required to have a face-to-face discussion with each employee under his/her purview during all three stages and record feedback on behavioural aspects and competencies. Certain subsidiaries, especially those in the service industry, such as hotels and courier segments have adopted the 360°-degree feedback system to ensure that the feedback from peers, customers etc. are also considered as part of the performance evaluation process.

100% 100% of female employees returned to work after maternity leave.

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
MATERIAL TOPIC: MANAGEMENT APPROACH		
103 – 2	Total number of grievances about labour practices filed through formal grievance mechanisms	3
MATERIAL TOPIC: DIVERSITY AND EQUAL OPPORTUNITY		
405 – 2	Ratio of basic salary and remuneration of men to women (across the Group)	1:1
MATERIAL TOPIC: NON DISCRIMINATION		
406 – 1	Total number of incidents of discrimination and corrective action taken	None identified currently based on general, internal assessments.
407 – 1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
408 – 1	Operations and suppliers at significant risk for incidents of child labour	
409 – 1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	

Human Rights

GRI 102 – 41, 403 – 1, 403 – 2, 405 - 1

Aitken Spence PLC acknowledges, respects and commits to operating its business in a manner consistent with the principles contained in the United Nations Universal Declaration of Human Rights and Global Compact. In line with these principles, the Group seeks to encourage a unique combination of talents, experiences and perspectives of each employee and as such is dedicated to creating a workplace that values and respects people from diverse backgrounds. The Group supports and upholds the elimination of discriminatory practices with respect to employment and occupation, and promotes and embraces diversity in all aspects of its business operations. Aitken Spence PLC is an equal opportunity employer and does not discriminate either directly or indirectly against employees or prospective employees on the basis of race, colour, religion, sex, sexual preference/orientation, marital status, age or disability, or any other status protected by law. The Group is keen to ensure that all new employees are made aware of the expectations of the Group regarding inclusion and the importance of managing diversity and with this in mind, conducts a comprehensive orientation programme where new employees are provided the opportunity to gain insight into the Group's policies with regard to such factors.

The Group acknowledges the human rights of its employees throughout the globe and supports their right to freedom of association and collective bargaining. Furthermore, the Group does not recruit child labour and is strongly against all forms of forced, bonded or compulsory labour. It is ensured that service providers also follow these regulations by monitoring the recruitment process of workers. Moreover, all employees of the Group are

100% Employees received performance and career development reviews during the reporting period.

expected to submit and are eligible to receive one month's notice during termination of employment.

Providing a safe and healthy working environment for all employees is an integral part of the Group's management framework. Regular programmes are conducted to create awareness and to refresh employee knowledge and skills in maintaining general health and safety.

Jayanthi Kuru-Utumpala Speaking at the Spensonian Convention to Manager & Above Employees

Age analysis and gender ratio in employee categories in the executive cadre including senior management:

Employee Grade	*Gender Ratio	Age Analysis (Percentage)		
		18 - 30	31- 50	51 - 70
Executive to Assistant Manager	3	35	57	8
Manager to General Manager	6	4	71	25
Assistant Vice President to Managing Director (Senior Management)	8	0	34	66
Executive to Assistant Manager	3	51	44	5
Manager to General Manager	6	5	75	20
Assistant Vice President to Managing Director (Senior Management)	22	0	44	56
Executive to Assistant Manager	6	18	71	11
Manager to General Manager	9	5	72	23
Assistant Vice President to Managing Director (Senior Management)	5	0	33	67
Executive to Assistant Manager	2	37	51	12
Manager to General Manager	4	2	79	19
Assistant Vice President to Managing Director (Senior Management)	3	0	33	67
Executive to Assistant Manager	3	39	51	10
Manager to General Manager	5	5	71	24
Assistant Vice President to Managing Director (Senior Management)	7	0	27	73

**Note: 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 population)*

ESSENTIAL

As stipulated in the Group, every SBU is required to have a process to identify OHS hazards, to assess level of in to health and safety of employees and to implement control measures. These processes are expected to be reviewed at least once a year with the top management team of the SBU.

OHS procedures of SBUs are also reviewed in the Group's annual inspections on site.

EXPECTED

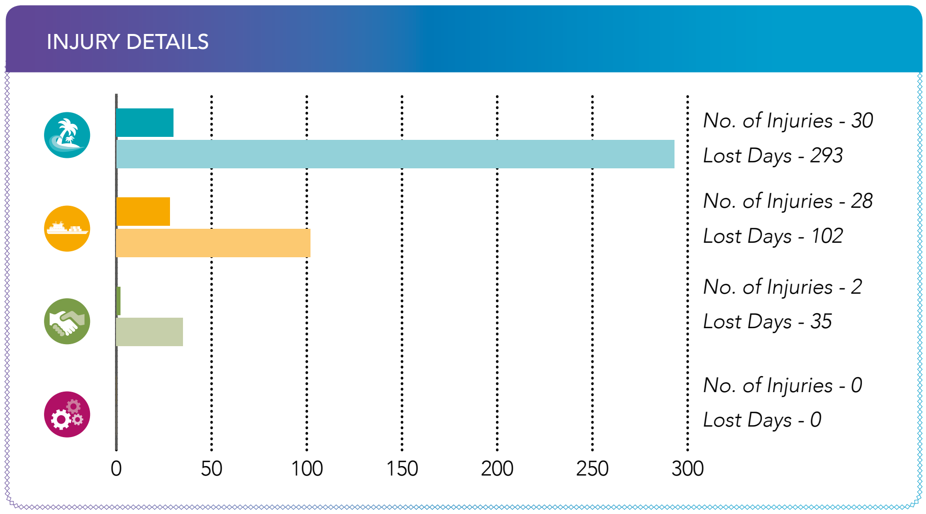
SBUs with higher level of risks to employee safety and health have implemented OHS management systems and specific practices adequate to meet the nature and scale of their operations.

Some SBUs have acquired certification for their OHS management systems in line with the international systems to which their systems are benchmarked.

EXEMPLARY

Aitken Spence Printing has acquired the OHSAS 18001:2007 certification while Elpitiya Plantations has certified their OHS systems within the Rainforest Alliance certification. The apparel manufacturing facilities in Mathugama and Koggala have implemented systems that are WRAP certified.

Further extending this commitment, many of the businesses have business-specific Occupational Health and Safety (OHS) plans in place, along with a strict monitoring mechanism to track and report injury rates. In the Strategic Investments Sector, the apparel, plantations and printing businesses have established specific OHS policies, operationalised under the guidance of an on-site safety committee. Moreover the Logistics sector has adopted the Safety and Health Policy of Hapag Lloyd Global.



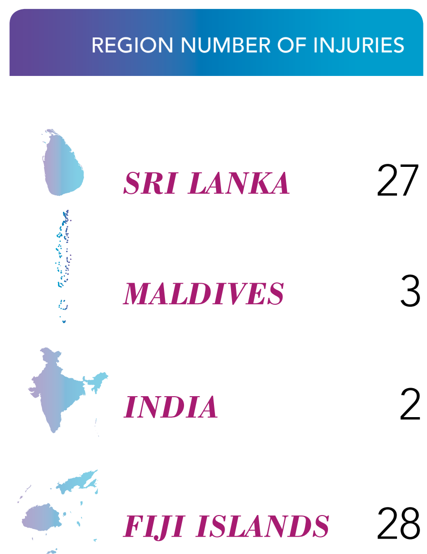
Note: Above graph depicts the injury rates and the number of lost days in the sectors.

Employee Relations

The Group believes that constructive dialogue plays a crucial role in the growth and sustainability of the business and has a well-developed employee relations mechanism, which includes sector specific models for certain businesses. For example in the plantations where 100% of the workers are covered by the plantation workers collective agreement, the Group manages its relationships with these employees through negotiation and broader discussions with representatives from the worker unions. Operational changes are also communicated in this way, with at least one-month prior notice being given regarding major changes. Across the group, over 50% of the workforce is covered by collective bargaining agreements.

In the apparel and printing businesses, employee relations are managed through regular discussions with designated employee representatives. For other employees, the Group maintains an open door policy to foster a strong communicative culture at all levels of the business. Employees are given the opportunity to directly network with the senior management of their respective subsidiary, giving them the opportunity to communicate their ideas and suggestions to the senior management.

However the sheer scale of the Group's operations necessitates the creation of forums where employees scattered among the various industries have the opportunity of network with each other, share in the Group's success and gain insights into Group strategy. The Spensonian convention is one such initiative, which creates a common platform for employees at middle management and senior levels to interact with each other. Held in the form of a tri - annual forum, the Spensonian Convention involves presentations and a panel discussion aimed at improving communication among peers. Internal communications such as the Ace Magazine published three times a year, the Athwela, monthly Sinhala newsletter and the Aitken Spence PLC's blog are also aimed at reaching out to employees. A new initiative was taken during the year to keep employees informed and engaged on the important days celebrated worldwide. Focus was mainly on sharing key information on days that are relevant to the Group's businesses, important for employee well-being and support the Group's status as a corporate citizen (e.g. World Tourism Day, World Maritime Day, International Women's Day, World Mental Health Day, World Safety & Health at Work, International Day of Happiness, etc.). Mini email competitions were also carried out on certain days to increase employee engagement in these awareness building programmes.



With communication and feedback regarded as essential elements for a productive work environment, the Group has established a formal grievance process to promote the efficient resolution of workplace issues.

Employees of all levels can visit HR division to share any grievance they have. Initially a two-member panel from HR will discuss the matter with the employee and relevant inquiries will be held based on what is gathered at the first discussion. Efforts are made to manage the situation internally, however relevant support is sourced externally when necessary.

Key Highlights - 2017/18

GRI 404-2

Strategic Focus – Cultivate Human Capital as a strategic business partner in order to lay the foundation for sustainable business growth. To achieve this objective, the Group focused on the following key drivers;

Strengthening HR Representation at Strategic Level

GRI 102-17

The concept of "HR Matters" was reinforced throughout the various levels of the business decision-making. To ensure HR input is incorporated as part of the Group Strategy at the top level, the Chief Human Resources Officer (CHRO), being a member of the Group Supervisory Board and the Management Board was provided the opportunity to raise HR concerns at the respective Board's monthly meetings and obtain feedback and input from the senior leaders.

» Through a work study analysis conducted internally, it was identified that a considerable amount of time was spent on processing various types of letters requested by employees such as salary confirmations, visa letters, letters to various institutes confirming employment etc. After analysing the results of the work study a streamlining of the activities carried out by the compensation function was implemented and board approval was obtained to outsource the non value adding activities.

» During the year certain business sectors faced business challenges that were primarily HR focused. It was identified that the current HR team strength of those sectors was not effective enough to proactively handle the business challenges. Therefore, management approval was obtained to recruit qualified HR Managers to strengthen the function.

At the Sector Committee, where the CHRO and the senior management team of each sector meet every quarter, "HR matters" was introduced as an integral part of the agenda to discuss people issues of that particular sector. In addition, the monthly HR Committee Meeting attended by the HR Partners of the business units was used as a platform to obtain business specific information and feedback to address sector-specific concerns.

» Information gathered through exit interviews is a key point that is discussed at these meetings. Several sector heads were advised on certain issues that seemed to resurface during exit interviews and were held responsible to report on the mitigation progress.

» Subsidiaries that had a low online performance appraisal completion status were highlighted during meetings and were advised to complete the appraisals. This practice ensured that the Group reaches a completion status of 80%.

Furthermore, the subsidiary visits conducted by the Group HR Team were used as an opportunity to identify HR issues and formulate appropriate strategic initiatives to facilitate growth and transformation.

Building a Leadership Pipeline

Given the scale of the Group's operations, a stable leadership pipeline is seen as a mission critical aspect for the future of the business. Presently, leaders holding critical positions in the respective sectors are required to identify and groom a successor to take over their positions. This approach however may not be adequate to support what is expected to be the next growth frontier for the Group, highlighting the need for a more structured approach towards building a leadership pipeline.

This year the succession planning process took a new direction with a focused approach towards developing potential leaders through individual coaching.

Following a decision by the Group Supervisory Board, this year the succession planning process took a new direction with a focused approach towards developing potential leaders through individual coaching. To spearhead the effort, a new programme termed the "Leadership Journey at Aitken Spence" was launched to groom the second tier of leaders for all sectors of the Group. Under the programme, potential candidates were earmarked and put through individual coaching sessions to increase their exposure and prepare them for their role as future leaders of their respective sectors. The services of a world-renowned training service provider, AON Hewitt, was obtained to provide one-on-one coaching sessions for a period of 6 months. The first batch of 15 candidates who commenced the programme in June 2017, received 3 weeks of face-to-face coaching followed by regular Skype sessions for a further period of 5 months.

Having identified the importance of leaders who are skilled negotiators, a special programme was conducted in collaboration with PwC to sharpen the negotiation skills of managers. A total of 35 senior managers from various sectors were selected for the two-day programme conducted by an internationally acclaimed trainer.

Subsidiary-level training and development activities during the financial year included a number of new programmes that were developed in- house in response to specific business requirements.

Investing in Learning and Development

Learning and development plays a vital role in the Group's intention to align Human Capital as a strategic business partner. Across the Group, training is operationalised vis-à-vis the annual training calendar, which is drawn up based on an analysis of the sector-wise training needs captured through the HRIS.

Subsidiary-level training and development activities during the financial year included a number of new programmes that were developed in- house in response to specific business requirements. The support of external resource persons was also obtained for certain programmes.

In the year under review, a total of Rs. 47 Mn was invested on training and development.

Identification of training needs take place at different levels

Level	Description
Performance Appraisal level	Joint discussions between the employee and their respective supervisor to identify training needs based on the performance gaps identified through the performance appraisal mechanism. Training needs identified in this way are fed into the HRIS and are then captured in the annual training plan.
Subsidiary level	Special training needs are identified from time to time by the subsidiaries based on the nature of business, new initiatives and special projects. These training requirements are approved by the leadership of the respective business and submitted to the HR department.
Individual level	Through their respective supervisors, employees have the freedom to suggest / recommend special training activities that they wish to participate in. These training requirements are approved by the leadership of the respective business and submitted to the HR department.
HR and Customer Service Audits/Surveys	Training needs identified based on the feedback of the HR and customer service audits/surveys.

Summary of activities carried out as per training plan for 2017/18

Sector	Soft(%)	Technical (%)	Technical Focus Areas
	18	82	Hotel operations and service knowledge
	39	61	Document handling and fire safety training
	58	42	Product knowledge ,OHS and ISO standards
	67	33	Product knowledge and new business trends.

Fire Safety Training Conducted for Chauffeur Guides

Special Customer Service Training

Training Investment

Area					
Training Hours	167,116	15,618	23,224	3,989	209,947
Participation	28,731	3,310	8,081	487	40,609
Investment(Rs. '000)	17,204	18,889	6,604	4,296	46,993

Driving Productivity Improvement

The Group is of the view that productivity improvement serves as a definite source of competitive advantage in today's highly charged and complex business environment. In an unconventional approach towards activating productivity improvement, the Group HR division has been empowered to conduct mystery customer, mystery caller and customer satisfaction surveys with a view to improving service orientation and productivity levels at subsidiaries. During the year several customer satisfaction surveys were conducted for the companies in the Maritime and Logistics sector which are currently facing a high level of competition in the market. A series of special training programmes were then designed to address shortcomings identified through the survey. The Proactive Customer Service ,programme outlined above is the direct result of this effort.

Meanwhile, the 2017/18 edition of the '7S & HR Excellence Competition', an inter-company competition held since 2002 to promote productivity improvements, saw the participation of 51 subsidiaries including all Maldivian resorts.

Training hours per employee category

Sector	Non Executive	Executives to Asst Mgr	Manager to GM	VP to MD
	179,128	25,414	4,948	457
	150,712	14,125	2,198	81
	12,255	2,649	590	124
	15,859	5,292	1,875	198
	302	3,348	285	54

New programmes developed during the year.

Service Hero – Supporting continuous skills development in the Travels sector a four day programme was designed for the Chauffeur Guides with an aim of building knowledge on customer service, business etiquette, fire safety, first aid and road safety and regulation.

Cruising for Excellence - A programme was developed for the National Guides who work in the Tourism Sector. The programme focused on increasing the level of motivation towards delivering.

Art of Customer Loyalty – A new programme conducted for 70 sales and marketing employees in the Tourism and Maritime & Logistics businesses.

Art of Customer Complaint Management – Target audience from the Tourism, Services and Maritime & Logistics sectors were trained on the habit of perceiving customer complaints as opportunities to improve.

Assertive Communication – This programme was aimed at improving communication skills of employees in the Tourism and Maritime & Logistics businesses.

Proactive Customer Service – A programme developed based on the results of a customer satisfaction survey was conducted in the maritime/cargo logistics sectors.

In the year under review, the Group took the first steps towards becoming a learning organization by investing in a cloud-based Learning Management System - as part of a long term plan to migrate all possible training activities to an e-learning platform.

	Excellent	Good	Average	Needs Improvement	Poor
Overall Service	59%	36%	5%	-	-
Knowledge of Staff	76%	24%	-	-	-
Courteousness	72%	18%	10%	-	-
Clarity of service	65%	31%	4%	-	-
Efficiency	70%	22%	2%	6%	-

Note: Summary of the result of a customer satisfaction survey conducted in the maritime segment.

Increasing Digital Access

It is believed that increased digital access is the key to ensuring that employees stay motivated and committed. Efforts to enhance digital accessibility saw the Human Resource Information System (HRIS) being upgraded in the year under review. The key change was the roll out of an iOS-based mobile app, enabling employees to access their profiles enabling them to monitor their leave entitlements etc. from anywhere at any time.

From an administrative perspective too, the HRIS upgrade supports the HR department's efforts to streamline processes and improve visibility to facilitate more effective decision-making.

Key Priorities, Moving Forward

The key focus moving forward would be to build a strategic workforce and ensure the Group is equipped with the right expertise in place in the right roles. This would mean systematically strengthening competencies of the Group's Human Capital in a way that each and every employee is able to engage their skills to fully contribute towards the Group's strategic journey in the years ahead.

Spensonians Participating in Tag Rugby at the Annual Sport-O-Rama

Tug-O-War in Progress Between Competing Subsidiaries

Spensonians Taking Part in the Thalassaemia Walk

Inter-Company Netball Championship at Sport-O-Rama

Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the world. Of the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of human capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 4 – Quality education:

Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.)

Targets that we hope to contribute towards;

Target 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (Indicator for guidance – 4.3.1 Participation rate of youth and adults in formal and non-formal education and training in the previous 12 months, by gender)

Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs and entrepreneurship (Indicator for guidance – 4.4.1 Proportion of youth and adults with information and communications technology (ICT) skills, by type of skill)

Target 4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development (Indicator for guidance – 4.7.1 Extent to which education for sustainable development, including gender equality and human rights, are mainstreamed at all levels)

Goal 5 – Gender equality:

Enabling opportunities to encourage more female entrants in to the workforce

Targets that we hope to contribute towards;

Target 5.1 End all forms of discrimination against all women and girls everywhere (Indicator for guidance – 5.1.1 Enforce and monitor equality and non-discrimination based on gender)

Target 5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life (Indicator for guidance – 5.5.2 Proportion of women in managerial positions)

Target 5.B Enhance the use of enabling technology, information and communications technology to promote the empowerment of women (Indicator for guidance – 5.B.1 Proportion of individuals with facilities provided for communication, by gender)

Goal 8 – Decent work & economic growth:

Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

Targets that we hope to contribute towards;

Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (Indicator for guidance – 8.5.1 Average hourly earnings of female and male employees, by occupation, age and persons with disabilities)

Target 8.8 Protect labour rights and promote safe and secure working environments for all workers (Indicator for guidance – 8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by gender and region)

HUMAN CAPITAL REPORT

UNGC

This section of the report contains information relevant to principles 1, 2, 3, 4, 5, and 6 of the United Global Compact on Human Rights and Labour Standards

WEP

The section also includes information relevant to principles 1, 2. 3. 4. And 7 of the Women's Empowerment Principles

GRI

The human capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

GRI 401 Employment
GRI 402 Labour/ Management Relations
GRI 403 Occupational Health and Safety
GRI 404 Training and Education
GRI 405 Diversity and Equal Opportunity
GRI 406 Non-discrimination
GRI 407 Freedom of Association and Collective Bargaining
GRI 408 Child Labour
GRI 409 Force or Compulsory Labour
GRI 412 Human Rights Assessment
GRI 102 – 17 Mechanisms for advice and concerns about ethics
GRI 103 – 2 Management approach of the material topic

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. Please let us know if the information in this section on how we manage human capital was useful to make decisions about Aitken Spence.

SOCIAL & RELATIONSHIP CAPITAL

OVERVIEW

Social and relationship capital is an essential asset for any organisation: Our ability to maintain long term viability, profitability and integrity of the organisation is dependent on our ability to foster strong, sustainable relationships with our stakeholders.

OUR PHILOSOPHY

Our vision to achieve excellence in all our activities, establish high growth businesses in Sri Lanka and across new frontiers, and become a globally competitive market leader in the region, is strengthened by the social and relationship capital of Aitken Spence PLC. Our focus is on;

» Building long term relationships with stakeholders that sustain our business

» Creating shared value for sustainable socioeconomic development through our social and relationship capital

» Working with our stakeholders to ensure sustainable product and service quality through social governance and compliance with international benchmarks

Our ethos over generations has not changed. We are driven by the same values and guiding principles. Our focus and value proposition to our key stakeholder have not changed; reliability, stability, and strength in our diversity.

Long term relationships with stakeholders that sustain our business;

9,000+

Network of direct suppliers and service providers

Over 200

international tour operators represented in Sri Lanka

Relationship with Singapore International Airlines spanning over 4 decades. Longest standing General Service Agents (GSAs) of Singapore International Airlines within all GSAs of SIA.

Over 140 Years

(since 1876)
As survey and claim settling agents for Lloyd's of London, covering the commercial ports in Sri Lanka and the Republic of Maldives

Signatory to the UN Global Compact and members of the Local Network Sri Lanka and the Steering Committee since its inception. Being members of the Board of UNGC Local Network Sri Lanka, Dr. Rohan Fernando held the position of Chairman of the Board through the 2017/18 financial year.

Part of the World's largest destination management company through our partnership with TUI

1st Sri Lankan resort operator to engage with a global hotel chain to introduce all-inclusive hotel experience to Sri Lanka

1st Sri Lankan company to enter into a Public Private Partnership overseas with our partnership with the Fiji Ports Corporation

2000+

sub-agent network over locations countrywide, including banks, financial institutions and retail outlets offering Western Union Money Transfer services in Sri Lanka

Joint venture with Mercantile Merchant Bank, Sri Lanka to offer Western Union Money Transfer services in Sri Lanka

One of the first corporates in the world to become signatory to the Women's Empowerment Principles (UN Women)

More than 130

diverse industry organisations and institutions associated through our memberships, affiliations and engagement

Partnerships and joint ventures with global leaders

Over 200

schools and community institutions and

Over 30,000

individuals that directly connect with Aitken Spence through diverse channels of engagement and development opportunities

Approximated significance of material topics on Social Standards for the sectors/

Material Topics (As per GRI)				
Customer Health and Safety	High	Medium	High	Medium
Customer Privacy	Low	Low	Low	Low
Local Communities	High	Low	High	Low
Supplier Social Assessment	Medium	Medium	Medium	Low
Marketing and Labelling	Low	Low	Low	Low
Socioeconomic Compliance	High	High	High	High
Human Rights Assessment	Medium	Medium	Medium	Medium
Security Practices	Low	Low	Low	High

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

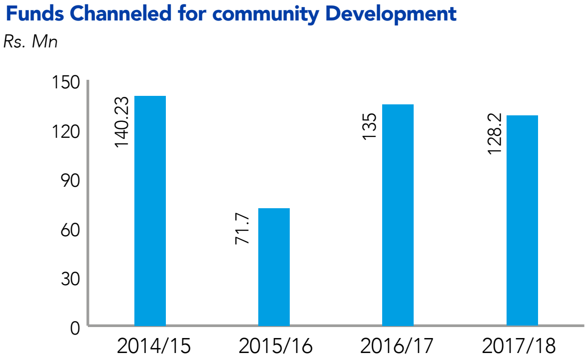
Low significance. Adequate measures are in place or the impact is outside our control

Sustainable socioeconomic development

GRI 203 –1, 204 –1, 413 –1

Our experience, expertise, and effort is cascaded through the network of schools and community institutions we engage with to empower communities to harness resilient social, environmental and economic development

Total funds channelled through Aitken Spence companies for community development;



Over 3 Mn

visitors including students and researchers educated on sustainable development and coexistence with natural ecosystems

Over 1500

migrant workers reached per annum with financial literacy education through the Sri Lanka Bureau of Foreign Employment (SLBFE)

Over 10,000

community members reached per annum across the Group through diverse programmes established to improve access to economic opportunities and quality of life

Tree planting programmes held at Mattakkuliya Aitken Spence Garage premises and Horana Forest Monastery as a reforestation project with participation of the Travels' staff members

Aitken Spence Travels joined the monthly beach cleaning programmes of Turyaa Kalutara, also engaging local community members and guests. This was followed by a skills development session for community members

Staff members of the apparel segment volunteering their time to bring some cheer to the cancer patients at Apeksha Cancer Hospital in Maharagama.

The apparel segment provided lunch and spent the day with the cancer patients enabling an opportunity for employees to volunteer through the company

Overview of community development initiatives carried out by the sectors during the 2017/18 financial year;

Type of projects				
Education and skills development	Ongoing programmes benefiting local youth, suppliers, service providers and community members	126 internships completed	Diverse, ongoing programmes focusing on advancing skills of local community members	1,774 migrant workers provided financial literacy education
Infrastructure development			Multiple ongoing projects to uplift quality of life benefiting over 7,000 immediate community members	
Social welfare	Ongoing engagement with local schools and community institutions to ensure welfare	Need based programmes focusing on immediate community	Ongoing programmes to develop the quality of life of community members	Routine programmes carried out to increase awareness among stakeholders
Employee volunteerism	Ongoing, periodic programmes in place with the participation of staff members	Need based initiatives at SBU level and support given to Group initiatives	Ongoing, periodic programmes in place with participation of staff members	Routine educational and skills development programmes with the contribution of staff members
Movements for industry level behaviour changes	Internal programmes and forums to influence positive trends and practices Participation in public forums to share experience	Multiple programmes launched to encourage maritime education and community development	Internal programmes and forums to influence positive trends and practices Participation in public forums to share experience	Internal programmes and forums to influence positive trends and practices

Carried out selectively across the sector

Extensive, structured programmes in place in most SBUs of the sector

Where our operations can contribute towards economic development in rural, less developed communities, priority is given to local recruitment and sourcing to channel benefits to local community members;

Disclosure	Description				
MATERIAL TOPIC: MARKET PRESENCE					
202 – 2	Proportion of senior management from the local community	Over 20%	Fiji – 70%	Over 20%	Not Applicable
	Proportion of employees from the local community	Over 60%	Fiji – 100%	Over 60%	Not Applicable
204 -1	Proportion of spending on local suppliers	Over 75% of the produce and other resources (hotel properties in Sri Lanka). Almost 100% of the safari vehicles and 30% of the tour guides (destination management operation).	N/A	Over 25% tea leaves sourced from local growers and planters	Not Applicable

The term 'Local' in reference to locations in Sri Lanka is an indication to the immediate community within 35 – 40km radius to our operations outside Colombo. This is incorporated into the implementation guidelines of clauses M (Partner in community development projects and ensure employee participation) and N (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 and professional 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.

Aitken Spence operations give priority to local suppliers and extend opportunities for local youth to seek employment within the Company;

» Recruitment and career progression within Aitken Spence operations are merit based. The SBUs work towards equipping local youth with the required skills through focused workshops and internships opportunities

» Purchasing schemes have been established at specific SBUs such as Aitken Spence Hotels and the plantations segment to support local suppliers.

» Local suppliers are educated about required quality standards so that they can maintain the working relationship with the Company.

To peruse details of our integrated sustainability policy framework, stakeholder engagement practices, supply chain management process, and other processes to prioritise and manage social and relationship capital, please follow the link www.aitkenspence.com/annualreport/

GRI 202 – 2, 204 – 1

Product responsibility and customer satisfaction

GRI 416 – 1, 417 – 1

ESSENTIAL

- At Group level, it is expected that SBU maintain minimum required standards in social and environmental governance in the provision of products and services
- Annual assessments and inspections on site take stock of social and environmental governance practices in place to ensure product responsibility and ethical provision of service to create sustainable value to our stakeholders.

EXPECTED

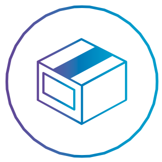
- SBUs have processes to evaluate products and services for improvement on criteria such as quality, possible health and safety risks, compliance with legal requirements and durability. As such, 100% of our products and services are subject to some level of assessment for improvement at some point.
- Moving beyond compliance, many of the SBUs have benchmarked their products and services to international best practices, and standards to enhance the value and to enrich the experience offered to our customers. Aitken Spence companies have implemented relevant management systems to establish and continually improve standard procedures to streamline the quality, safety, reliability and sustainability of the product/ service we offer.
  - For example, food safety management systems in line with the ISO 22000 food safety management system standard have been implemented at the hotel properties and the tea factories
  - Many operations maintain quality management systems in line with internationally recognized systems for quality management such as ISO 9001. The destination management operation, freight forwarding operation, maritime and shipping operation, the printing facility, and the garments manufacturing facility in Mathugama maintain certified quality management systems in line with the ISO 9001:2015 system standard.
  - The hotel properties align their management practices with the Travelife Gold certification while the destination management operation maintains procedures in line with the ISO 14001:2015. ISO 9001: 2015 and Travelife Partner system requirements to provide the best experience to their customers
  - To manage information security and data protection, the Group follows procedures established by the Group IT Department which is following system standards in line with the ISO 27001 standard
  - Although specific requirements have not been stipulated on product and service information and labelling, many of our SBUs use these benchmarks to communicate product details to key stakeholders. For example, the packaging on the tea produced from Rainforest Alliance certified estates carry the trademarked logo on the packaging as well as the estate name and the ISO 22000 logo assuring food safety. Communications to key suppliers and clients carry the ISO certification logos and the UN Global Compact logo to communicate commitments of the freight forwarding operation.
- Internal and external audits required to maintain these management systems ensure evaluation of products and services on risks to customer health and safety, improvement of quality and other process improvements at period intervals
- To ensure sustainability of our products and services in their lifespan, our SBUs are constantly looking at ways to influence sustainable consumer choices. For example, Aitken Spence Hotels have taken a decision to eliminate the use of plastic straws. The straws will be gradually replaced with biodegradable options and straws will only be provided to guests on request.
- Aitken Spence Travels has developed 'Green Travel Tips' to be given to guests to influence responsible tourism practices in the industry. The destination management operation will implement this practice by May 2018 and are also planning action to promote less visited national parks in Sri Lanka to reduce congestion in popular national parks that put a strain on the wildlife of these locations.

To peruse a detailed list of awards, certifications for management systems as well as a list of our memberships and affiliations within industry organisations and institutions, please follow the link www.aitkenspence.com/annualreport/

Supply chain management

Key links of the supply chain (summary)

Sourcing of equipment, materials, services



Provision of required services

Delivery of products/ services

Manufacturing

Distribution of products and services

Safe disposal of generated streams of waste

Key components of the supply chain

- Banks and financial institutions
- Container leasing companies
- Direct suppliers and passengers
- Freight forwarders
- Global distribution systems
- Global insurers
- Global and local suppliers for material, machinery and equipment
- Global and local service providers, consultants, agencies
- Local community
- Local suppliers of contracted staff
- Partners, agents and associates
- Shippers/ consignees
- Shipping lines/ feeder operators
- Tenant farmers
- Tour operators
- Travel and cargo agents

ESSENTIAL

- The Group's integrated sustainability policy implementation framework necessitates that SBUs evaluate potential risks of engaging with specific suppliers (i.e. essential action in the integrated sustainability policy framework of the company)
- Group level inspections have been carried out on recycling service providers for paper, cardboard and scheduled waste and the list of suppliers has been shared with Group companies
- Authorisation by the Central Environmental Authority to manage specific waste types is a minimum requirement for any waste management service provider at Group level

EXPECTED

- Certain tasks within the Group's integrated sustainability policy implementation framework are selectively applicable to SBUs based on the nature and scale of the operation and the potential risks involved (i.e. expected action)
- SBUs have established specific practices adequate to meet the nature and scale of their operations to screen suppliers on social and environmental governance concerns
  - For example, all service providers are screened in the garments segment to meet requirements of the compliance systems in place
  - Aitken Spence Hotels select local suppliers to ensure quality and freshness of the produce and to also provide development opportunities to key stakeholders. As an additional step in this process, the management engages with local suppliers to provide education and support services to improve the quality of produce and other services provided to the hotels
  - Aitken Spence Travels continues to educate tour guides and chauffeurs about biodiversity, wildlife conservation, responsible tourism, and minimum requirements to ensure customer health and safety
- Group level procedures are being developed to screen suppliers and service providers on social and environmental governance where the SBU is likely to face higher risks from the suppliers. This is a current priority for the Group and in this process, experiences of SBUs from existing practices to screen suppliers will be used as guidance to develop practicable screening practices.

Disclosure	Description	
414 – 1	New suppliers that were screened using social criteria	All suppliers are routinely checked on compliance and quality requirements. For example, in the apparel manufacturing segment, suppliers are screened in line with the industry requirements for social and environmental governance. At the port management operation in Fiji, about 20% of the suppliers are screened for social as well as environmental benchmarks. Services providers for scheduled waste management have been screened on environmental standards as well as compliance. Group level action is to be introduced to establish more concerted reviews on social and environmental governance concerns.

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
407 – 1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None identified currently based on general assessments. A more comprehensive supplier screening process is being developed to evaluate suppliers on these criteria.
408 – 1	Operations and suppliers at significant risk for incidents of child labour	
409 – 1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	
414 – 2	Negative social impacts in the supply chain and actions taken	

Social governance and the way forward

GRI 410 – 1, 412 – 2

ESSENTIAL

- The Group has developed a standard mechanism to identify and prioritise social concerns and to implement action. This mechanism includes legal requirements on environmental impact control, labour standards, and compliance and is 'calibrated' based on the lessons learnt and experience shared by the SBUs across the Group as well as guidelines provided within the frameworks which we have voluntarily endorsed; such as the 10 principles of the UN Global Compact and the 7 Women's Empowerment Principles. We have also perused additional resources such as the IFC Performance Standards and ISO 26000 guidelines to plan frameworks and to recommend action to our SBUs.
- In addition, the social and environmental governance due diligence evaluation process of the group is an annual 'performance review' mechanism for the SBUs to evaluate overall processes and mechanisms in place for social and environmental governance. This process is mandated for SBUs to be completed and the findings to be discussed with the senior management team at least once a year.
- At Group level, specific action is carried out for social governance with the guidance of the HR Partners of the companies. For example, action plans to ensure the protection of human rights at the workplace are discussed with the Chief Human Resource Officer and is planned within the HR Partners network which connects directly with all employees. Human Rights Support Givers have been appointed and trained on key topics of human rights at the workplace to assist the HR Partners where required.
- In addition, security personnel of the group are trained on different topics of human rights at the workplace in relevance to their scope of responsibility at our Companies. We have maintained our ongoing educational programmes and almost 100% of the security staff at Aitken Spence Towers were given a refresher training during the year with some participation from the security teams of other location of operation. These programmes will be continued as a quarterly engagement with improved participation from the security teams at other locations of operation included as well. We also hope to carry out on-site training for other locations of operation to improve participation.
- Group wide inspections are carried out once year where operational practices on environmental and social impact control are evaluated on site. We hope to improve this process by introducing an internal, cross subsidiary inspection process in between the Group inspections as well. The network of internal auditors will be strengthened with improved capacity and focus training on the social and environmental governance requirements to fulfil this objective.

EXPECTED

- Sharing our experience on public platforms and enabling platforms to voice ideas and thoughts on social governance is an expected area of action across the Group. Leading the way, Aitken Spence PLC has hosted many events with the same purpose.
- In October 2017, knowledge sharing forum convened by the United Nations Development Program and the United Nations Global Compact Network Sri Lanka under the theme 'UN Guiding Principles on Business and Human Rights' was hosted at the Aitken Spence Auditorium.
- Aitken Spence Travels conducted a 'Green Day' to translate the

company's commitments to achieve responsible tourism to knowledge about individual responsibility. A panel discussion was hosted by the SBU with industry experts to allow key decision makers of the SBU to enhance understanding.

» Members from our SBUs have also participated in similar events over the year in public platforms to share ideas and experience within our network of stakeholders and to compel action for social and environmental sustainability.

Challenges;

» Screening of suppliers and service providers on social and environmental governance is an ongoing process. While we can assess suppliers on available information, many local suppliers do not have certifications to credibly verify their claims of compliance with required standards. The efforts of SBUs to educate suppliers about expected standards is a crucial component to overcome this challenge

» There are limitations resources and time to educate employees and other key stakeholders on topics such as human rights at the workplace. Developing training and educational material in-house takes effort and time to research material available on other platforms and to develop content to fit the needs of our stakeholders

Disclosure	Description				
414 – 1	Operations with potential negative impacts on local communities	✓	✓	✓	✓

✓ Potential to create impacts exist to some extent. Management systems and channels of engagement are in place to proactively engage with community members and the SBU is planning action to reduce impacts

✓ Potential impacts exist theoretically. SBUs have proactively implemented action and reduced the risk of potential impacts to create adverse impacts

Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. Of the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of social and relationship capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 4 – Quality education:

Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.)

Targets that we hope to contribute towards;

Target 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship (Indicator for guidance – 4.4.1 Proportion of youth and adults with information and communications technology (ICT) skills, by type of skill)

Target 4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy (Indicator for guidance – 4.6.1 Percentage of population in a given age group achieving at least a fixed level of proficiency in functional (a) literacy and (b) numeracy skills, by sex)

Target 4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development (Indicator for guidance – 4.7.1 Extent to which (i) global citizenship education and (ii) education for sustainable development, including gender equality and human rights, are mainstreamed at all levels in: (a) national education policies, (b) curricula, (c) teacher education and (d) student assessment)

Goal 8 – Decent work & economic growth:

Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

Targets that we hope to contribute towards;

Target 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

Target 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

Target 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Disclosure	Description	Group 2017/2018
SUB-CATEGORY: SOCIAL STANDARDS		
MATERIAL TOPIC: ANTI COMPETITIVE BEHAVIOUR		
206 – 1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
MATERIAL TOPIC: CUSTOMER HEALTH AND SAFETY		
416 – 2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
MATERIAL TOPIC: MARKETING AND LABELLING		
417 – 2	Incidents of non-compliance concerning product and service information and labelling	None
417 – 3	Incidents of non-compliance concerning marketing communications	None
MATERIAL TOPIC: CUSTOMER PRIVACY		
418 – 1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	None
MATERIAL TOPIC: SOCIOECONOMIC COMPLIANCE		
419 – 1	Non-compliance with laws and regulations in the social and economic area	None

To peruse more details of the Group's practices to control environmental impacts, please follow the link www.aitkenspence.com/annualreport/

UNGC

This section of the report contains information relevant to principles 1, 2, 3, 4, and 5 of the United Global Compact on Human Rights and Labour Standards

GRI

The social and relationship capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

- GRI 206 – Anti Competitive Behaviour
- GRI 412 – Human Rights Assessment
- GRI 414 – Supplier Social Assessment
- GRI 417 – Marketing and Labelling
- GRI 419 – Socioeconomic Compliance
- GRI 410 – Security Practices
- GRI 413 – Local Communities
- GRI 416 – Customer Health and Safety
- GRI 418 – Customer Privacy
- GRI 102 – 12 Voluntary endorsement of policies/ charters

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. Please let us know if the information in this section on how we manage social and relationship capital was useful to make decisions about Aitken Spence.

NATURAL CAPITAL

OVERVIEW

Natural capital is a vital asset to any organization;

- » Any organization is inherently dependent on many ecosystem services as well as the opportunities stemming from the biodiversity and the natural environment. These opportunities make our operations possible
- » In addition to the more evident ecosystem services, the less visible services such as climate regulation, providing natural defence against events such as floods and landslides as well as providing carbon sinks through forests and other natural environs enable a sustainable environment in which businesses can thrive
- » There are many environment related risks that may arise. As such, there is need for businesses to identify its impacts and manage these risks and opportunities that could arise from our response to those risks
- » The cost of neglecting natural capital can result in loss of biodiversity, possible declining human ecosystem productivity and resilience over time, and could subject regions to adverse weather conditions such as floods and droughts which can in turn have drastic impacts on how we do business.

OUR PHILOSOPHY

Adopting the precautionary approach, the Group's ethos is to proactively identify potential adverse environmental impacts and establish control measures through 'Environmental Management Systems (EMS)'. Our purpose is to identify and reduce environmental risk and to enhance positive impact directly within our operational scope and our extended sphere of influence.

OVERVIEW

The stock of natural capital and ecosystem services that sustain our businesses include;

- » Energy
- » Water
- » Crops and forest cover
- » Natural environment and biodiversity

Breakdown of the Water Consumption Within the Operation

12.14% Municipal Water 17.74% Ground Water 70.08% Surface Water 0.04% Harvested Rainwater	51.8%	1.5%	44.9%	1.8%

Total energy consumed within the organisation

689,807 GJ	50%	16%	32%	2%

Scope 1 Emissions

CO_2 370,126 tCO_2 Green House Gas emissions from direct energy consumed	5%	2%	93%	Negligible

Scope 2 Emissions

CO_2 29,125 tCO_2 Green House Gas emissions from indirect energy consumed	62%	10%	21%	6%

Breakdown of Total Renewable Energy Generated

243,286 GJ	4.1%	0.3%	95.6%	-

NATURAL CAPITAL

Breakdown of Energy Consumed Within the Organisation

1.1%	47.7%	2.1%	1.8%	0.1%	27%	20.1%
Petrol (7,878 GJ)	Diesel (329,302 GJ)	Furnace Oil (14,674 GJ)	LPG (12,745 GJ)	Kerosene (504 GJ)	Renewable Energy (186,100)	Grid Electricity (138,605 GJ)

Diligence to Natural Environment and Ecosystems

8,000+ ha

Surveyed for biodiversity within the plantations segment

Heritance Kandalama hotel, 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 preserving;

128	183	19	64
Species of native flora	Species of birds	Species of reptiles and amphibians	Species of butterflies and dragonflies

Rs. 108.6 Mn

Total investment on sustainability driven processes and action plans in 2017/2018

Carbon Neutral Organization

ClimateSI

CLIMATE NEUTRAL NOW

MEASURE REDUCE OFFSET

Office operation and owned fleet of Aitken Spence Travels is carbon neutral

Aitken Spence Printing & Packaging is carbon neutral for the 4th consecutive year

POTENTIAL IMPACTS ON THE ENVIRONMENT (SUMMARY)

CO2

- Emission of greenhouse gases (GHG) and other toxic fumes
- Generation of solid waste
- Generation of effluents
- Depletion of natural resources
- Depletion of nonrenewal resources

To peruse our locations against protected areas and areas of high biodiversity value, please follow the link www.aitkenspence.com/annualreport/

Refer to the Manufactured Capital section for more details about our locations of operations.

The general process used to identify material topics for action (i.e. possible impacts of our operations on natural capital) and to prioritise action has bee described in previous reports. This information is available online for further reading. The process to plan action for environmental impact control is summarised in the following diagram.

PLAN

- Decide on the environmental policy of the Company
- Identify aspects causing most Impacts to the environment
- Identify legal requirements for the Company
- Identify requirements of voluntary standards endorsed
- Agree on qualitative objectives, quantitative targets
- Plan programmes to achieve the objectives and targets

DO

- Appoint an Environmental Management Representative
- Review programme plans with managements for approval/improvements
- Implement programmes and establish controls
- Document the system manual and procedure manual
- Provide training for appointed team members (e.g. internal auditors)
- Provide training for all employees on their responsibilities

CHECK

- Monitor and measure operational performance
- Manage records
- Conduct internal EMS Audits
- Evaluate compliance
- Analyse performance against objectives and targets

ACT

- Conduct Management Review
- Discuss areas for improvement
- Take corrective action
- Decide on future action

To peruse details of how our operations are evaluated for impacts and how priorities are selected for action, please follow the link www.aitkenspence.com/annualreport/

NATURAL CAPITAL

Approximated significance for the sectors based on the potential to have an impact and/ or the opportunity to create positive influence;

Material Topics (As per GRI)				
Energy	High	High	High	Medium
Water	High	Medium	High	Low
Biodiversity	High	Low	High	Not material
Emissions	High	High	High	Medium
Effluents & waste	High	High	High	Medium
Compliance	High	Medium	High	Low

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

Management of environmental impacts;

Systematic approach to identify impacts and implement action;

GRI 302, 303, 304, 305, 306 and 307

ESSENTIAL

- Every SBU is expected to use an environmental management system (EMS) to identify activities that cause impacts. Based on the findings of an evaluation to pinpoint impacts, the SBU is expected to conduct internal discussions and choose priorities for action. This is referred to as an 'Essential Action' in the integrated sustainability policy framework of Aitken Spence
- Most SBUs use EMS' in line with the ISO 14001 system standard. Some SBUs have opted for different management systems that meet the purpose in line with industry requirements.
- The social and environmental governance due diligence evaluation process of the group includes legal requirements of Sri Lanka for environmental impact control as well as guidelines extracted from the resources shared by the United Nations Global Compact (for Principles 7, 8 and 9) as well as the IFC Performance Standards on environment.

EXPECTED

- For identified impacts, SBUs are expected to implement action beyond the minimum requirements (i.e. essential action) that are stipulated at Group level
- For example, in addition to the environmental management systems, Aitken Spence hotels have implemented energy management systems in line with the ISO 50001 system standard to manage their energy use per guest night. This is because energy consumption is a material topic where the segment has the highest possible impact as can be seen from the energy consumption breakdown presented earlier in this section.
- The plantations segment has many impact areas due to the nature and scale of the operation and is vulnerable to risks from the environment as well. Hence, to control environmental impacts and risks, the segment utilizes the Rainforest Alliance certification system to implement action across the upcountry cluster of estates. The low country cluster of estates maintain action in line with the requirements of the Forestry Stewardship Council certification
- The garments segment implements action in line with the Worldwide Responsible Accredited Production (WRAP) certification requirements

Our goals and commitments to reduce environmental impacts

» Reducing our energy consumption from non-renewable sources and GHG emissions is a priority for the group. We hope to achieve this by reducing the consumption of energy through non-renewable sources, and by increasing resource efficiency. We are also committed to gradually increasing the proportion of energy used from renewable energy sources

» We are committed to control our water footprint and generation of effluents. We hope to achieve this by influencing best practices for water use, harvesting rainwater where possible, reusing treated effluents where possible and treating effluents for safe disposal where reuse is not an option.

» Aitken Spence is committed to reduce the generation of waste by improving resources efficiency and by identifying processes where the generation of waste itself can be eliminated. We use the '7R Principle' to manage our waste.

» The legacy of Aitken Spence is effulgent in the examples of co-existing successfully within the ecosystems with high biodiversity where we have operations. We remain committed to control our impacts and to enrich sensitive ecosystems

» While Aitken Spence companies have focused on climate change mitigation, adaptation to the effects of climate change is an area that is still in preliminary stages. The Group has taken example from SBUs such as the plantations segment that has proactively evaluated risks from the effects of climate change to the business and commenced action to work with SBUs to identify possible risks to respective industries. The action is still in the assessment stage and the Group hopes to roll out comprehensive frameworks for SBUs to assess risks from climate change and to implement mechanisms to plan action for adaptation as a medium term target.

Benchmarking our practices

EXEMPLARY

» Implementation of environmental management systems is a minimum requirement across the Group. However, certification of the management system is an 'exemplary action' that is optional to SBUs depending on the needs of the SBU

» For specific SBUs, certain material topics are considered as high priority and require communication of the action implemented to a wider audience. These SBUs opt for certification of their management systems in line with the system standards to which they have aligned their operational activities.

» Accordingly, 5 hotel properties, the destination management operation, the freight forwarding operation and our printing facility in Mawaramandiya are ISO 14001 certified for environmental impact control and management.

» In the Heritance hotel chain, 4 properties are ISO 50001 certified for energy management

» Of our manufactured capital, 3 properties are certified for Leadership in Energy and Environmental Design (LEED) which is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.

» Within the hotels sector, 8 properties are Travelife Gold certified and the destination management operation secured the Travelife Partner status in the last financial year

» In the plantations segment, 6 estates in the upcountry cluster are Rainforest Alliance certified

» In the Maldives, 3 of our hotel properties are Green Fins accredited members which shows compliance with environmental standards and code of conduct for the diving and snorkelling industry

» The garments segment is Platinum certified for WRAP

NATURAL CAPITAL

To peruse more details of the Group's practices to control environmental impacts, please follow the link www.aitkenspence.com/annualreport/

Refer to the Sector Reviews for more details about the specific measures for environmental impact control implemented by our SBUs.

Challenges;

» Services and specialised solutions required for environmental impact control are financially unviable due to the scarcity of required accredited skills in the country

» Many novel methods to reduce resource use and generation of solid waste face obstacles in implementation due to outdated regulatory requirements and red tape

» Aitken Spence has been the first to take action in several movements to reduce environmental impacts. For example, Heritance Kandalama opted for a LEED certification when the certification had not been used by any organization outside USA. Environmentally viable options require a higher cost of production. However, many markets we operate in are still not accustomed to seeking environmental friendly services or products at a higher cost and demand the lowest cost. Maintaining commitments to environmental impact control is a challenge in such operating environments.

What we have achieved;

Environmental governance

» Aitken Spence companies have implemented over 40 environmental management systems across our operations

» Over the years, we have trained employees to take on the role of internal environmental auditors in line with the requirements of the ISO 14001 system standard. This has resulted in a network of over 200 trained internal auditors across our SBUs.

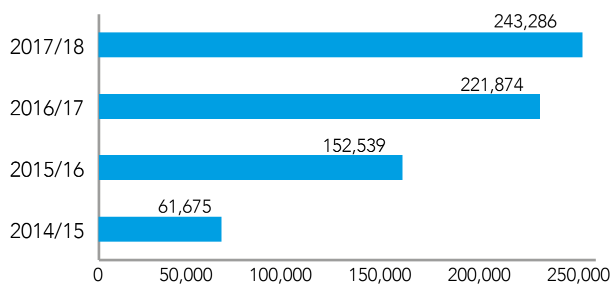
Disclosure	Description					
MATERIAL TOPIC: COMPLIANCE						
307 – 1	Total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None	None	None	None	None

27% Of our total energy consumption is from renewable energy sources

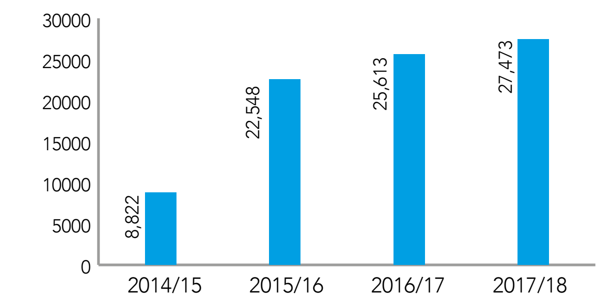
34% Of our direct energy consumption is from renewable energy sources

20% increase In direct energy consumption from renewable energy sources since 2016/17

Generation of Energy from Renewable Sources
(294% increase from 2014/15)



Quantified Amount of Emissions Reduced and/or Offset
(tonnes CO2)



Disclosure	Description					
MATERIAL TOPIC: ENERGY						
302 – 1	Total direct energy consumption from non-renewable sources (GJ) (Consumption of energy for Aitken Spence operations)	252,048	94,068	16,929	2,057	365,103
	Petrol (GJ)	2,251	1,719	2,332	1,576	7,878
	Diesel (GJ)	224,370	92,318-	12,133	481	329,302
	Furnace oil (GJ)	13,165	-	1,510	-	14,674
	LPG (GJ)	12,262	32	451	-	12,745
	Kerosene (GJ)	-	-	504	-	504
	Total direct energy consumption from renewable sources (GJ) (Consumption of energy for Aitken Spence operations)	10,082	686	175,331	-	186,099.56
	Biomass/ fuel wood (GJ)	9,503	-	170,184	-	179,687
	Briquettes (GJ)	-	-	4,521	-	4,521
	Hydropower (GJ)	-	-	333	-	333
	Biogas (GJ)	85	-	-	-	85
	Solar energy (GJ)	494	686	-	-	1,180
	Wind energy (GJ)	-	-	293	-	293
	Total Indirect Energy consumption – grid electricity (GJ)	82,125	17,591	30,047	8,842	138,605
	Total energy generated from non-renewable sources for external consumption (GJ)	-	-	83,065	-	83,065
	Total energy produced from renewable sources for external consumption (GJ)	-	-	57,186	-	57,186
302 – 4	Reductions achieved in energy consumption (GJ)	Reduction in energy consumption cannot be measured this year as the reporting boundary has changed.				

Disclosure	Description					
MATERIAL TOPIC: EMISSIONS						
305 – 1	Direct greenhouse gas (GHG) emissions (Scope 1) (tCO_2)	18,223	6,824	344,935	144	370,126
305 – 2	Energy indirect GHG emissions (Scope 2) (tCO_2)	18,189	2,942	6,176	1,817	29,125
305 – 5	Amount of emissions reduce and/ or offset (tCO_2)	1,842	146	25,467	17	27,473

211%

Increase in the quantified amount of GHG emissions reduced and/ or offset since 2014/2015

7.26%

Increase from 2016/17

Aitken Spence Printing and Packaging and Aitken Spence Travels offset the emissions through purchased carbon credits. The proportion of emissions offset includes the total emissions offset with carbon credits as well as emissions offset from the recycling of paper waste, potential emissions reduced by replacing diesel consumption with biomass, and replacing potential generation of energy from furnace oil with cleaner sources of energy.

35%

Of the total water withdrawn is treated for reuse or safe disposal

Zero

Significant impact on water bodies from our operations

Water and Effluents

GRI 306 – 2

» Effluents generated at all hotel properties, the printing facility, and the power plants are channeled to effluent treatment units. Hotel properties in Sri Lanka reuse the treated water to water the hotel gardens to eliminate the use of fresh water for the purpose.

» A water treatment unit has been implemented in the container yard in Mabola to ensure waste water generated from washing containers is treated to remove any possible contaminants. Treated water is reused in the container yard for dust control. During external audits, improvement areas were identified for the treatment unit and the team has developed standard operating procedures and action plans to implement improvements in the short term. The port management operation in Fiji has cemented the surface of the premises and implemented a primary level treatment unit to remove any oil from surface runoff.

» The plantations segment has implemented washing bays, septic tanks/ primary level treatment units to ensure effluents do not damage natural water bodies.

» The printing segment, and the plantations segment have invested in rainwater harvesting mechanisms. The logistics sector is also contemplating possibilities to harvest rainwater for yard operations.

Percentage of Total Water Withdrawn that is Treated for Reuse or Safe Disposal

51% *(100% of the waste water)*	***15%***	***4%***	*Not applicable*

Disclosure	Description					
ASPECT: WATER						
303 – 1	Total water withdrawal (m3)	1,156,598	34,503	1,002,004	40,388	2,233,493
303 – 2	Water sources significantly affected by withdrawal of water	None	N/A	None	Not applicable	None
303 – 3 306 – 1	Volume of waste water/ grey water that is treated for reuse or safe disposal (m3)	593,346	5,184	39,657	Not applicable	638,187
	Percentage of waste water recycled and reused	100% of the total waste water	15% of the total water withdrawn	4% of the total water withdrawn	Not applicable	35% of the total water withdrawn

Waste management

GRI 306 – 1

» Waste management practices across the Group strive to achieve zero waste dumping of waste to landfill by gradually channelling generated waste to recycling service providers or selling selected waste resource for reuse .

Disclosure	Description					
MATERIAL TOPIC: EFFLUENTS AND WASTE						
306 - 2	Total weight of waste					
	Sold for recycling/ reuse or handed over for reuse to authorized vendors;					
	Paper and cardboard (tons)	30.8	5.4	1,584.4	16.9	1,637.5
	Plastic/ plastic scrap (no. of units)	-	-	-	111	111
	Plastic/ plastic scrap (tons)	12.2	-	0.1	-	12.3
	Polythene (tons)	5	-	3.6	-	8.6
	Iron scrap/ scrap metal (tons)	23	54.9	-	-	77.9
	Composted biodegradable waste (tons)	-	-	1.2	--	1.2
	Food waste (Kg) - Handed for discarding; composted; or reused in biogas generator	2,376.5	35.60	42	8.9	2,463.0
	Waste/ burnt oil (Litres) -	5,776	12,150	-	-	17,926
	Used containers (tons)	-	-	1.3	-	1.3
	Foiling reels (tons)	-	-	13.1	-	13.1
	Handed over for recycling to an authorized vendor;					
	CFL Bulbs (no. of units)	788	432	711	270	2,201

Disclosure	Description					
	TFL Bulbs (no. of units)	-	-	-	940	940
	Glass (no. of units)	29,041	-	-	-	29,041
	Glass (tons)	9.9	-	-	-	9.9
	Handed over to an authorized vendor/ kept in storage for recycling; sold for reuse; exchanged for new units;					
	Lead acid batteries (no. of units)	-	90	-	1,962	2,052
	Lead acid batteries (Kg)	521	-	-	-	521
	Reused or sold for reuse;					
	Tires (no. of units)	20	422	-	-	442
	Tubes (no. of units)	-	240	-	-	240
	Flaps (no. of units)	-	214	-	-	214
	Non-biodegradable packing material (e.g. bubble wrap) - reused (Kg)	-	50.9	-	-	50.9
	Biodegradable packing material - (e.g. demi paper) - reused (Kg)	-	190.5	-	-	190.5
	Corrugated boxes (Kg)	-	-	9.8	-	9.8
	Used plywood (no. of units)	-	4	-	-	4
	Disposed in line with CEA requirements; or treated and handed over to an authorised recycling service provider;					
	ETP Sludge (tons)	-	-	0.6	-	0.6
	HFO Sludge (tons)	-	-	666.6	-	666.6
	E-waste (no. of units)	22	-	-	-	22
	E-waste (tons)	0.2	-	-	-	0.2
	Fabric waste (tons) - Handed over for incineration to a certified vendor	-	-	87	-	87
	Used cotton – handed over for incineration or kept in storage (tons)	0.7	2.2	28.8	1.3	33.0
306 – 3	Total number and volume of significant spills	None	N/A	None	N/A	None

Biodiversity

GRI 304 – 1, 304 – 2, 304 – 3, 304 – 4

- Locations of our operations marked against national parks, protected areas and areas of high biodiversity value can be perused on our resources published online. SBUs located within close proximity to areas of high biodiversity value take necessary action to minimise if not eliminate impacts on natural ecosystems.
- The plantations segment has conducted surveys of biodiversity across over 8,000 ha of land space and documented 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. The segment works to educate plantation communities about the commitments of the company and their role to achieve these commitments. Buffer zones have been identified and demarcated to separate estates from natural forests and to prevent disturbance to natural ecosystems as much as possible.
- The hotel operations work towards protecting over 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 destination management operation has taken their scope to create positive influence in the tourism industry and planned several programmes to increase awareness about individual responsibility to establish sustainable tourism practices in the country. Initiatives such as the Aitken Spence Travels Green Day, panel discussion with industry leaders and their move to promote nature based excursions to the clients are some examples of these programmes. The Aitken Spence Travels team actively promotes travellers to explore diverse national parks that offer equal opportunities to observe wildlife in their natural habitat to reduce the congestion in Yala National Park.

Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. Of the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of natural capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 6 – Clean water & sanitation:

Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water

Targets that we hope to contribute towards;

Target 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally (Indicator for guidance – 6.3.1 Proportion of wastewater safely treated)

Target 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity (Indicator for guidance – 6.4.1 Change in water-use efficiency over time)

Goal 8 – Decent work & economic growth:

Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

Targets that we hope to contribute towards;

Target 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead (Indicators for guidance – 8.4.1. Material footprint, material footprint per capita)

Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities (Indicator for guidance – 9.4.1 CO_2 emission per unit of value added)

Goal 12 – Responsible construction & production:

Influencing circular economy through our commitment to practice the 7R principle

Targets that we hope to contribute towards;

Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources (Indicator for guidance – 12.2.1 Material footprint, material footprint per capita)

Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (Indicator for guidance – 12.5.1 Recycling rate, tons of material recycled)

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Target 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature (Indicator for guidance 12.8.1 Extent to which (i) global citizenship education and (ii) education for sustainable development (including climate change education) are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment)

Target 12B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products (Indicator for guidance – 12B.1 Number of sustainable tourism strategies or policies and implemented action plans with agreed monitoring and evaluation tools)

15 LIFE ON LAND

Goal 15 – Life on land:
Working towards contributing positively towards protecting our biodiversity and all ecosystems

Targets that we hope to contribute towards;

Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally (Indicator for guidance – 15.2.1 Progress towards sustainable forest management)

Target 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species (Indicator for guidance – 15.5.1 IUCN Red List Index)

To peruse more details of the Group's practices to control environmental impacts, please follow the link www.aitkenspence.com/annualreport/

UNGC

This section of the report contains information relevant to principles 7, 8, and 9 of the United Global Compact on Environment

GRI

Natural capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;

GRI 302 – Energy	GRI 303 – Water
GRI 304 – Biodiversity	GRI 305 – Emissions
GRI 306 – Effluents and waste	GRI 307 – Compliance

GRI 102 – 12 Voluntary endorsement of policies/ charters

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. Please let us know if the information in this section on how we manage natural capital was useful to make decisions about Aitken Spence.

MANUFACTURED CAPITAL REPORT

OVERVIEW

The Group's Manufactured Capital consists of the physical assets that enable each of the diverse businesses to create value for their respective stakeholders.

Manufactured capital plays a vital role in many of the Group's businesses, namely hotels, printing and packaging, logistics and warehousing, port management, apparel manufacture, plantations and power generation. Comparatively the significance of Manufactured capital is less in service-related businesses such as destination management, airline GSA, freight forwarding, elevators, insurance and money transfer.

GROUP MANUFACTURED CAPITAL PHILOSOPHY

Develop a high-quality asset base that would provide a distinctive competitive advantage, which would in turn secure the long-term growth prospects of the Group and to ensure that all assets are maintained at optimal levels always to eliminate downtime or re -work.

KEY COMPONENTS

Segment	As at 31st March 2018 Rs.'000	Additions during the year Rs.'000
Hotels	41,504,626	5,469,601
Printing and Packaging	1,232,747	36,776
Logistics	4,525,075	145,851
Port Operations and Management	496,454	58,531
Power Generation	3,849,710	1,561,774
Apparel Manufacture	366,472	14,119
Plantations	828,626	110,020
Other	7,223,701	241,272

OUR MANUFACTURED CAPITAL PORTFOLIO

- The largest hotel room inventory owned by a Sri Lankan resort company
- 316 Fleet of transport vehicles used in business
- Warehouse capacity of 320,977 sqft
- Power plants (renewable/ non-renewable)
- Manufacturing facilities
- Office space of 195,784 sqft in the heart of Colombo's business hub
- Technology and equipment
- Green architecture and infrastructure

HOW WE HAVE MADE A MARK IN THE INDUSTRIES WE OPERATE IN THROUGH MANUFACTURED CAPITAL;

- 1st LEED certified building outside USA and the 1st hotel to obtain the certification
- Heritance Hotels was the 1st resort chain to obtain the ISO 50001:2011 certification for energy management
- 1st Carbon neutral, LEED Gold certified printing facility in South Asia
- Strategically positioned infrastructure to enhance our value addition to the economy

MANUFACTURED CAPITAL REPORT

Approximated significance of the manufactured capital for the sectors based on the potential to have an impact and/ or the opportunity to create positive influence is shown below;

Material Topics (As per GRI)				
Economic (value creation)	High	High	Medium	Low
Energy	High	High	High	Medium
Water	High	Medium	High	Low
Biodiversity	High	Low	High	Not material
Emissions	High	High	High	Medium
Effluents & waste	High	High	High	Medium
Local Communities	High	Low	High	Low

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

Impact from our manufactured capital on the natural environment, biodiversity and social systems

GRI 304 – 1, 304 – 2

Our commitment as a sustainable corporate citizen is to control possible adverse impacts on the natural environment and social systems because of our manufactured capital and to enhance the value we add through our operations.

ESSENTIAL

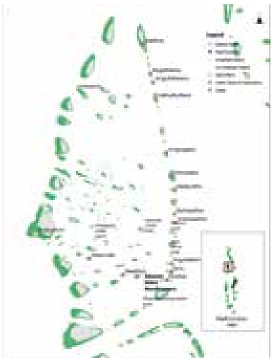
- Every SBU is required to identify potential social and environmental impacts from the operation (manufactured capital) and implement control measures to reduce if not eliminate risk of adverse impacts
- SBUs are required to evaluate potential adverse social and environmental risks from any new investments and/ or projects in keeping with our commitments to preserve sensitive ecosystems and social networks.

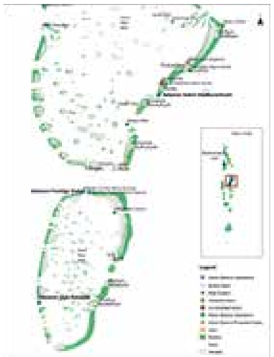
EXPECTED

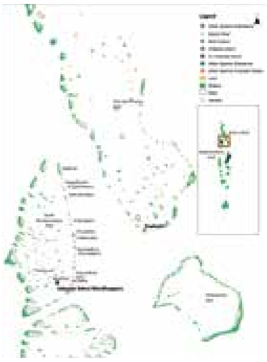
- SBUs are expected to benchmark operational practices and measures for social and environmental impact control with industry standards and international benchmarks/ best practices.

GRI 302, 303, 304, 305, 306 and 307

The locations of our operations mapped alongside the areas of high biodiversity value can be viewed online. This would show that we do not have any operations inside protected areas or areas of high biodiversity value that could have resulted in direct impact on sensitive ecosystems.







To peruse details of the Group's integrated sustainability policy framework, please follow the link www.aitkenspence.com/annualreport/

Refer to the Natural Capital and Social & Relationship Capital sections for more details about the specific measures for environmental and social impact control.

MANUFACTURED CAPITAL REPORT

Manufactured Capital – Value Drivers	Key Highlights / Activity	Investment Rs. Mn.
Strengthening brand leadership / Capacity Expansion	Construction of Heritance Aárah in the Maldives (Ongoing project due to be completed in 2018-2019)	4,164.2
	Renovation of 45 beach villas and public areas at Adaaran Select Hudhuranfushi (Completed in 2017-2018)	159.6
	Refurbishment of 95 beach rooms at Adaaran Club Rannalhi to upgrade core infrastructure nearing the end of its economically beneficial life span (Ongoing project due to be completed in 2018- 2019)	160.9
	Purchase of 13 brand new luxury vehicles for the transport fleet (Purchased in 2018-2019)	128.1
	Investment in 05 brand new prime movers to the Transport fleet (Installed in 2017-2018)	19.2
	Increasing warehouse capacity by 416 square metres warehouse space (Completed in 2017-2018)	10.8
	Investment in new container handling equipment (Installed in 2017-2018)	326.1
	Purchase of reefer containers for the Mobile Storage Division (Purchased in 2018-2019)	8.7
	Construction of a 10MW waste-to-energy plant in Muthurajawela, equipped to convert between 600 – 800 metric tonnes of daily waste to electricity (Ongoing project due to be completed in third quarter of 2019-2020)	1,214.4
	Investment in a new carton box sample machine (Installed in 2017-2018)	11.1
	Purchase of a carton-breaking machine to increase the speed of the carton breaking process (Purchased in 2017-2018)	5.4
	Purchase of a Konica Minolta Accurio Press C6100 allowing for better colour consistency and printing variety (Installed in 2017-2018)	16.5
	Cultivation of 1,497.46 acres of new oil palm extent (Completed in 2017-2018)	173.9
Business Process Improvements	Commissioning of a 150-kWp capacity Solar power generation facility at Turyaa Kalutara (Completed 2017-2018)	19.0
	Yard development activities at the CFS (Ongoing project due to be completed in 2018-2019)	51.2
	Investment in solar power generation in the integrated logistics segment (Installed in 2017-2018)	9.9
	Investments in a new digital drone support mechanism to move to precision agriculture (Ongoing project due to be completed in 2018-2019)	
	Setting up a monorail conveyor system to automate the movement of tea leaf to the lofts at the Nayapane factory (Ongoing project due to be completed in 2018-2019)	2.1
	Installing a CFU (Continuous fermenting unit) to automate the rolling process at Dunsinane estate (Ongoing Project due to be completed in 2018-2019)	3.7
	Under the Government's Suriya Bala Sangramaya programme two roof top Solar Power projects were commissioned (Completed in 2017-2018)	27.5
Business Diversification	Diversification to generate power by utilizing municipal waste. (Ongoing project due to be completed in 2019-2020)	

Management Approach

Investment in manufactured capital is a continuous and ongoing process that aims to safeguard the Group's ability to deliver on its strategy. The key-underpinning factor that determines any investment in manufactured capital is the value it offers towards achieving the strategic objectives of the specific business and also its synergy with the broader Group strategy. Therefore the Group's approach to developing manufactured capital is defined by the Aitken Spence PLC vision of "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"

Having understood that the quality of manufactured capital has a direct impact on the Group's ability to achieve its strategic objectives, a conscious thought process goes into all investments in manufactured capital, with the intention of creating a unique technologically superior asset base that also reflects the Group's commitment to be a responsible corporate steward.

Key Principles

Value addition to other Capitals

While strategic alignment remains the key-underpinning factor that determines all investments in manufactured capital, an equally important consideration is the value addition each investment brings to the Group's other capitals, such as natural capital. In this context, Aitken Spence PLC is committed to make investments that demonstrate superior capabilities derived through advanced technology and latest research to assist in minimizing the Group's carbon footprint. For example, in the Tourism sector, the Group has invested in building LEED certified properties that operate on a low-energy consumption model. Similarly, efforts by the plantations and integrated logistics segments to migrate to solar energy emphasize the commitment to reduce the dependency on non-renewable energy sources, while the recent investment in a carbon neutral printing machine supports the segment's intention to be a carbon neutral.

Contribution to broader economic growth

GRI 203 – 1

The Group strives to ensure that its manufactured capital is developed in such a manner that it not only meets the strategic intent of the business, but also represents broader action for the betterment of the country and its people. In capital-intensive sectors such as tourism, plantations, apparel manufacture, integrated logistics and power generation, the Groups' manufactured capital strategy is designed to take due cognizance of the impact on national progress and alignment with the UN Sustainability Development Goals (SDGs).

Goal 8
(Decent Work and Economic growth)

The Group's hotels, plantations and apparel manufacture contribute towards the above goal through the provision of employment to thousands of employees and thereby support a wider network of local communities.

Goal 9
(Industry Innovation and Infrastructure)

Investments in the integrated logistics contribute to the goal by strengthening the logistics infrastructure, in turn helping reposition the country as a fully-fledged shipping hub in the Asian subcontinent. Being one of the largest private contributors to the national power grid, the Group's power generation segment too makes a significant contribution towards the achievement of the above goal

Goal 7 (Clean and affordable energy)

The Group's investment in the first-ever waste-to-energy project signals the wholehearted commitment by providing a much-needed solution for the garbage crisis in the country and also contributing towards a low-carbon economy.

Key Priorities, Moving Forward

In order to satisfy the customer requirements of today as well as in the future the Group plans the investments in manufactured capital by taking into consideration its long term strategic objectives and goals.

Aitken Spence has a long term strategy for growth. Implementation of this strategy requires continuous investments in manufactured capital in the multitude of sectors in which the Group does business. The availability of funds being limited, the allocation of resources is carried out pursuant to careful evaluation of investment opportunities to determine expected returns. Our capital investment decisions are supported by complex financial modelling, thorough sensitivity analysis and legal, financial and technical due diligence. Hurdle rates for the rate of returns are consistently used to both identify and rank suitable investment opportunities. At the evaluation stage for capital investments, financial modelling, sensitivity analysis, and the calculation of internal rate of return (IRR) are carried out either by the Group's corporate finance unit, or the respective Strategic Business Unit (SBU) through which the investment will take place with the assistance of the former.

Board of Directors would review each capital investment against the expected rate of return, urgency and necessity of the investment at the given moment taking into consideration the impact it would have on all other types of capitals.

Once a decision is taken to make a capital investment the Group takes relevant steps to ensure that the investment decision is carried out in the optimum manner.

The Group is constantly surveying its strategic business landscape for new opportunities to ensure future growth. Consistent returns to all the stakeholders of the Group is a key priority and to ensure the continuity of its success investments in manufactured capital is identified and carried out regularly. The Group, over time, had progressively expanded its presence in global markets and, today has investments in manufactured capital overseas which continue to provide good returns to shareholders. The Group envisages that further expansions would take place in the future and remains committed to meeting its future challenges.

Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. Of the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of manufactured capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 6 – Clean water & sanitation:

Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water

Targets that we hope to contribute towards;

Target 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity (Indicator for guidance – 6.4.1 Change in water-use efficiency over time)

Goal 8 – Decent work & economic growth:

Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers

Targets that we hope to contribute towards;

Target 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead (Indicators for guidance – 8.4.1. Material footprint, material footprint per capita)

Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities (Indicator for guidance – 9.4.1 CO2 emission per unit of value added)

Goal 12 – Responsible construction & production:

Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 12.2 By 2030, achieve the sustainable management and efficient use of natural resources (Indicator for guidance – 12.2.1 Material footprint, material footprint per capita)

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Target 12B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products (Indicator for guidance – 12B.1 Number of sustainable tourism strategies or policies and implemented action plans with agreed monitoring and evaluation tools)

Goal 15 – Life on land:

Working towards contributing positively towards protecting our biodiversity and all ecosystems

Targets that we hope to contribute towards;

Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally (Indicator for guidance – 15.2.1 Progress towards sustainable forest management)

Target 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species (Indicator for guidance – 15.5.1 IUCN Red List Index)

UNGC

This section of the report contains information relevant to principle 8 of the United Global Compact on Environment

GRI

This section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting;
GRI 102 – 4 Locations of the organisation's operations
GRI 203 – 1 Infrastructure investments and services supported
GRI 304 – Biodiversity

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. Please let us know if the information in this section on how we manage social and relationship capital was useful to make decisions about Aitken Spence.

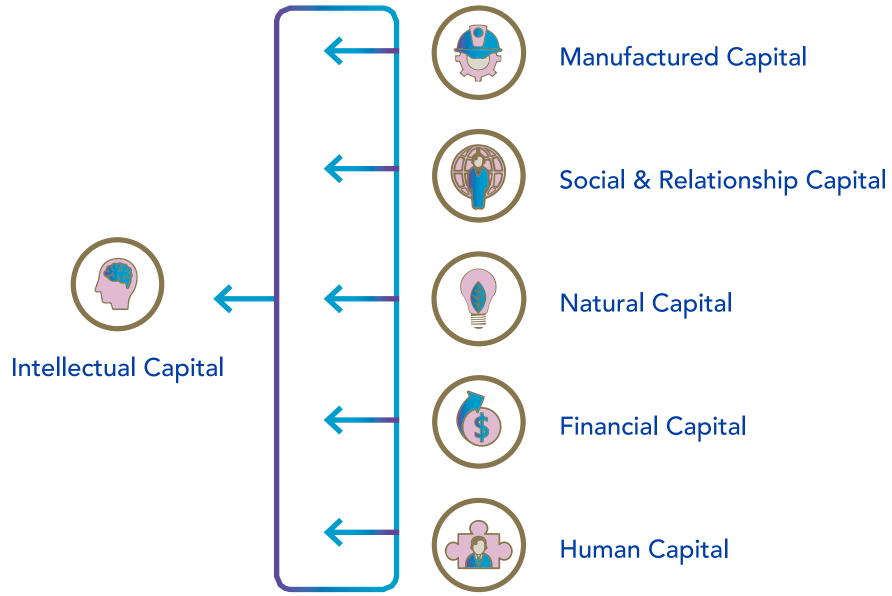
INTELLECTUAL CAPITAL

OVERVIEW

Intellectual capital is a collective outcome of our other capitals such as manufactured capital, social and relationship capital, natural capital, financial capital, and human capital. These capitals are mutually inclusive in contributing towards our intellectual capital and thereby strategically enhances its intangible value across the Company.

OUR PHILOSOPHY

To invest in our intellectual capital as it not only gives us a competitive edge but helps us strive to assimilate an integrated thinking into every level of the business by making it an integral part of our strategy. Our intellectual capital is derived from our other capitals as shown below.



Approximated significance of material topics with the potential to contribute to the intellectual capital of Aitken Spence

Material Topics (As per GRI)				
Economic value creation	High	High	Medium	Low
Environment	High	Medium	High	Low
Social standards	High	High	High	Medium

High significance. Considered a priority for action

Medium significance. Adequate action is required to control potential impacts

Low significance. Adequate measures are in place or the impact is outside our control

Refer to the Natural Capital and Social & Relationship Capital sections for more details about the specific measures for environmental and social impact control implemented by our SBUs.

What intellectual capital means to Aitken Spence

Aitken Spence values a broader set of resources and relationships, which IR (Integrated Reporting) classifies as 'capitals'. Our strategy was designed to leverage on all aspects of our business model that includes intellectual among the other capitals – financial, manufactured, human, social and relationship and natural.

Intellectual Capital is the group of knowledge assets that are attributed to an organisation and most significantly contribute to an improved competitive position of an organisation by adding value to defined stakeholders (Marr & Schiuma, 2001). Intellectual capital is distinct from human capital in that it can be reproduced and shared. Among the other capitals such as human, social and relationship, and natural; intellectual capital is also an integral part of the Group because we believe that our intellectual capital is a key driver of sustainable growth.

» It encompasses our brand, reputation and know-how that have helped us to differentiate and gain a competitive edge in the market. .

» In an ever-changing competitive environment intellectual capital remains most relevant and enables us to implement our strategy in the most effective and efficient way possible. This in turn translates into sustainable value creation for all our stakeholders such as gaining economic return relevant to our financial capital and creates value addition for other capitals as well.

» We recognise that our intellectual capital collectively with other capitals, function as a key value driver to our success for over a decade and a half. In this report we discuss four areas of intellectual capital, they are, distinctive brands, strategic partnerships, knowledge expertise and organisational culture.

Our goals and commitments to ensure we better manage our intellectual capital

What we plan to do for the year 2018/2019

» Harness the intellectual capital acquired through the expansion of our senior management structure

» Optimise information-sharing platforms

» Encourage a culture of innovation

» Evaluate the security, functionality and efficiency of business processes and systems

» Translate learnings from stakeholder engagement into sustainable business practices

» Cultivate a culture to actively drive innovation programs among employees and external stakeholders to ensure we remain relevant

» Optimise business processes and information-sharing platforms

INTELLECTUAL CAPITAL

- Distinctive brands
- Strategic partnerships
- Knowledge expertise
- Organisational culture

Distinctive Brands

Our parent brand "Aitken Spence" is cascaded across the Group as a unique differentiator to secure a competitive edge in their respective markets. Integrity is the core of what "Aitken Spence" stands for and in safeguarding its reputation, the Group takes a proactive approach to ensure all communications are aligned and consistent with the identity of the parent brand. We are meticulous and follow stringent measures in safeguarding our intellectual property. A total of 52 trademarks owned across the Group is frequently monitored by the Group Secretarial Division of Aitken Spence PLC.

» The Group's subsidiaries such as in hospitality, maritime and logistics, plantations sectors are pioneers in their respective industries, strengthened by the equity of the parent brand. In addition, each SBU strengthens their respective brand, such as in the hospitality industry, where popular brands such as "Heritance" and "Turyaa" maintains high customer loyalty.

» Another aspect that has contributed to upholding our parent and sub-brands are our accolades won during this financial year. We believe that this among others have further strengthened the overall brand perception and borne a compelling testimony to our vision. In keeping in line with our vision, Aitken Spence PLC and its companies continuously strive towards achieving excellence across all our industries. In that effort, we have received recognition that echoes the success of our management approach.

STING Corporate Accountability Index 2018

Aitken Spence was rated Platinum for its corporate accountability practices and performance in the STING Corporate Accountability Index 2018 for the 6th consecutive year. Moreover, as a leading conglomerate it has been ranked among the top three companies in the index since 2011.

Best Corporate Citizen Sustainability Award 2017

In 2017, Aitken Spence also won the prestigious "Best Corporate Citizen Sustainability Award" by the Ceylon Chamber of Commerce. We have been selected as a Top Ten Best Corporate Citizen for 11 years consecutively. Aitken Spence was also identified as one of the most iconic and respected brands in the Interbrand Best Sri Lankan Brands 2017. The awards speak boldly to show that collectively the parent brand "Aitken Spence" has excelled in bringing shared value to all its stakeholders.

Specific featured awards and certifications received are highlighted in the manufactured capital and natural capital. Collectively, these have contributed to strengthening the overall corporate image and reputation of our Company.

If we fail to uphold and enhance the reputation of the parent brand and its subsidiary brands it can negatively impact the Company that may cause disruption to business and growth. Therefore, it is important to protect the various aspects that contribute towards the overall reputation of the Company;

Systematic approach to identify impacts and implement action;

ESSENTIAL

» Across the Group, every SBU must follow the standard protocol in corporate communication.

» The company brand and trademarks must adhere to approved corporate identity specifications. In ensuring that these are represented correctly, all SBUs should seek guidance or report misuse to the Business Development Division.

» All requests, including the use of Aitken Spence's name or an employee endorsement in any business provider's advertising or literature must be co-ordinated and approved by authorised officials.

EXPECTED

Study industry specific reputational risks and establish continual action to effectively address prioritised risks.

Strategic Partnerships

GRI 102 – 2

It is noteworthy to highlight the Group's ability to establish and nurture relationships beneficial for business growth. From its inception, the various sectors of Aitken Spence such as tourism, maritime and logistics, services have formed strategic partnerships with organisations that have been instrumental in building the Group's legacy over the years (depicted in the table). These alliances foster formation and maintenance of our intellectual capital particularly through value creation for our shareholders that positively influences our financial capital. To illustrate, our maritime portfolio has been strengthened as we have ventured into conducting productive improvements to container terminals worldwide. Subsequent to operating in some of the busiest ports in the African continent, we have entered into a partnership with the Fiji Port Corporation, in the first Public-Private partnership overseas by a Sri Lankan Company to operate Fiji's major ports.

To peruse a detailed list of awards, certifications as well as a list of our memberships and affiliations within industry organisations and institutions, please follow the link www.aitkenspence.com/annualreport/

SERVICES	MARITIME & LOGISTICS	TOURISM

Among the numerous achievements, Aitken Spence is proudly known for its strategic partnerships. Fostering partnerships with other reputed organisations can positively impact the longevity of our business and enhance our reputation;

Systematic approach to identify impacts and implement action;

ESSENTIAL

SBUs should be mindful of partnerships overseas as the rules and regulations differ across countries and SBUs must act within both home and host country stipulations.

EXPECTED

SBUs are expected to establish and nurture relationships with key stakeholders beneficial for business growth.

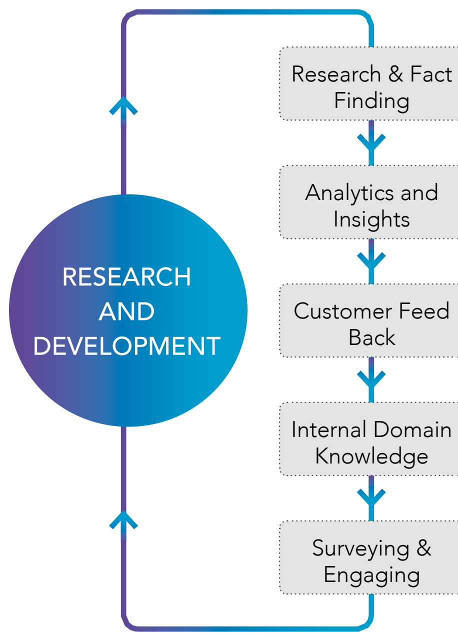
Knowledge expertise

The brain of the intellectual capital resides in our knowledge expertise. At Aitken Spence, we believe that our knowledge expertise gives us an added advantage in a fiercely competitive environment and that it is closely linked to the Human Capital. We have 13% of our employees with 15 or more years of experience which has inevitably contributed to the knowledge expertise across all our companies. This in turn has promoted industry thought leaders and experts that enable Aitken Spence to respond to the constantly changing environment. In addition to recognising our knowledge expertise that comes from employees' work experience, we classify knowledge expertise into two components, they are, research and development and new technologies.

Research and Development (R&D)

Intellectual Capital adopted at Aitken Spence is mainly focused on the recycling of knowledge. Creating, shaping and updating intellectual capital requires the formulation of a strategic vision. Hence, Research and Development is a part of Aitken Spence's strategic vision, where inter-company learning, and knowledge sharing is a key element.

Research and development is an ongoing practice at Aitken Spence as we continuously strive to improve the quality of



our services and products, understand the different and new trends while effectively managing resources and promoting innovation in all our companies. Across the Group over 1,000 hours are devoted towards research and development efforts.

Intellectual capital is divided into five main areas under research and development;

» Fact finding
» Analytics and insights
» Surveying and engaging
» Internal domain knowledge
» Customer feedback

INTELLECTUAL CAPITAL

Fact finding is the most commonly used method of research conducted at Aitken Spence. This is where facts are collected from all available sources be it government publications, online information, other books and magazines etc. Another example of fact finding is to understand the topic of search from experts such as our research and development team.

Once the information is collected, it is then analysed and compared against the industry standards. Thereafter, important insights are derived using a bottom-up approach in helping with the decision-making process that is enabled by the leadership in the company.

We believe that there are strong linkages between the Intellectual Capital and Human Capital at Aitken Spence. Human capital consists of the knowledge wealth possessed by our employees and they are the most significant aspect in knowledge sharing within the company (refer section on Human Capital). The work culture plays a vital role in the internal domain knowledge as Aitken Spence is diverse across 19 sectors there is vast amounts of knowledge each one can learn from the other when it comes to conducting new businesses and even in existing work procedures. Learning from each other through one's own mistakes and together making corrective decisions as one to be better is what Aitken Spence employees stand for (refer organisational culture -values driven culture).

As much as research and development is conducted internally to improve and share knowledge, as and when the need arises we conduct stakeholder surveys, solicit customer feedback and utilise analysed information to ensure a multi-perspective view is captured when decisions are being made.

For example, the stakeholder engagement study conducted in 2017 was done by a third-party service provider, STING Consultants. The study included a diverse sample of all stakeholders such as employees, customers, suppliers, regulators and activists. They were interviewed to obtain information on their awareness about Aitken Spence, how well the end-product/ service is delivered to the customer, verify material issues, areas for improvement, etc.

Furthermore, we have an ongoing survey carried out across all Aitken Spence companies to understand how our companies manage their suppliers in adopting sustainability. This is carried out to understand the varying challenges faced by each subsidiary in managing its suppliers while being sustainability consciousness. The data is currently in use to better analyse our value chain and to make improvements by encouraging our suppliers to adopt sustainability into their business practices. We use such an approach as we strive to continuously excel alongside ensuring that we are integrated in our efforts for sustainable value creation.

Technologies

In addition to research and development, technology is another aspect that contributes towards our knowledge expertise. The use of technology is the key factor that delivers productivity. The Company is enriched with a strong technology backbone whereby it operates through an Enterprise Resource Planning (ERP) system which covers all processes. This ERP platform is the foundation that connects across all our subsidiaries.

Having implemented an ERP 20 years ago, our data remains one of the most critical and valuable assets within the IT domain. Additionally, the Company uses globally renowned software applications such as Oracle®, Opera® and Shuttlework® which validates that the technology we use is agile and up-to-date in responding to the rapidly changing market conditions. We maintain the highest level of security while we continue to set high standards such as conforming to ISO 27001:2013.

As early adapters of technology we are able to derive a competitive advantage. Moreover, the strong information culture enables us to take proactive steps to improve, and implement the latest technology while safeguarding our systems. The credibility of these systems and processes in our technology, builds confidence among both our internal and external stakeholders.

The successful implementation of new technologies, is dependent on many factors including the efficient management of human resources systems and processes. The Human Resource Department is well positioned to ensure the success of knowledge management programs, which are directed at capturing and using employees' knowledge, and by meaningfully implementing an appreciation for preserving Intellectual Capital (refer section on Human Capital).

To elaborate, the SoFi Enterprise Sustainability Performance Software (SoFi is the leading corporate sustainability software for accurate and fast reporting plus integrated performance management for the value chain (SoFi Software, 2018) was introduced few years back and now implemented across all Aitken Spence companies to ensure sustainability data is systematically fed into an online system. This has made knowledge transferable and available to others in need of that information. Furthermore, the SoFi System enables knowledge repository that has translated into an invaluable resource database for the organisation and for better managing information relevant for the other capitals such as natural capital (e.g. energy, water and waste) and human capital (injuries and fatalities). We have been proactive in seeking opportunities to reduce our carbon and water footprint, efficient waste management and other environmental legislation ultimately benefiting natural capital. Using the SoFi software, these measurements are systematically monitored monthly. Thus, having implemented the SoFi Software, it has resulted to a more efficient system to transfer that knowledge across the organisation to gain maximum sustainable benefit for the business and all stakeholders, monitor and reduces unforeseen environmental and social risks that could be detrimental to the existence of the business.

The knowledge and experience of our employees has the potential to create opportunity to learn and grow further;

Systematic approach to identify impacts and implement action;

ESSENTIAL

SBUs should encourage and nurture a culture of sharing knowledge within their respective SBUs and wherever required within the broader Group.

EXPECTED

SBUs are expected to share their knowledge and expertise (i.e. new learnings) among other SBUs where information can be relevant in making improvements in existing systems and procedures.

SBUs are expected to conduct ongoing research and development to be aware of current trends, opportunities and risks relevant for the business.

Organisational Culture

Our organisational culture is central to the existence of intellectual capital. It is this organisation's culture that drives our employees to embrace creative thinking and innovation while conducting business ethically. The organisational culture provides an underpinning in promoting other aspects of intellectual capital (i.e. strategic partnerships, knowledge expertise). How the organisational culture reinforces other aspects of intellectual capital is explained in the following paragraphs. The two components in our organisational culture stand out as the dominant areas in shaping the intellectual capital are; ethical leadership and values driven culture.

Ethical Leadership

At Aitken Spence, ethical leadership is a fundamental aspect and it is engraved in our DNA. The Board approved Group Code of Ethics is central to how we operate and grow sustainably. Our code of ethics refutes unethical behaviour, fraud and corruption while it assists to eliminate dishonest practices and promote strong business relationships. In turn other aspects of the intellectual capital such as strategic relationships and distinctive brands are reinforced through ethical leadership. As such, ethical business practices supported by the top management is cascaded to other employees in carrying out day-to-day business and is also guided by our values driven culture discussed next.

Values driven culture

Our values at Aitken Spence bears witness to our organisational culture and knowledge-based intangible assets that are critical to our ability to sustain and excel in growing the business. Our values play an essential role in encouraging a knowledge sharing culture that seeks for continuous improvement in whichever aspect of our business. Best practices in a SBU are shared across the company for key learnings to be valued and understood by other SBUs. In other instances, best practices have set the benchmark for the industry. To illustrate, Heritance Kandalama was the first hotel in the world and the first property outside USA to receive the LEED certification (Leadership in Energy and Environmental Design – refer section on Natural Capital). Heritance Negombo followed suite to secure this LEED certification. While this is a testament to the environment performance of our properties, it also resonates how strongly we value the learnings to be applied from one company to another and to the industry at large. Moreover, such practices cultivate a culture of thought leadership, through continuous exposure to the latest trends.

Another aspect of our values driven culture is reflected in the mentoring system that is in place for every new employee that joins our Company. This type of mentor coaching ensures that all our employees grow both professionally and personally while instilling values driven work-culture that fosters knowledge sharing.

The skills, experience and expertise we have gathered over the years can be attributed to the work we do to manage the other capitals. At the same time, our intellectual capital has the potential to create positive influence on how we continue to manage the assets that make the business sustainable.

Systematic approach to identify impacts and implement action;

ESSENTIAL

All SBUs should continuously review operations to eliminate any unethical practices through a process involving employees and promote conduct in line with Group's Code of Ethics.

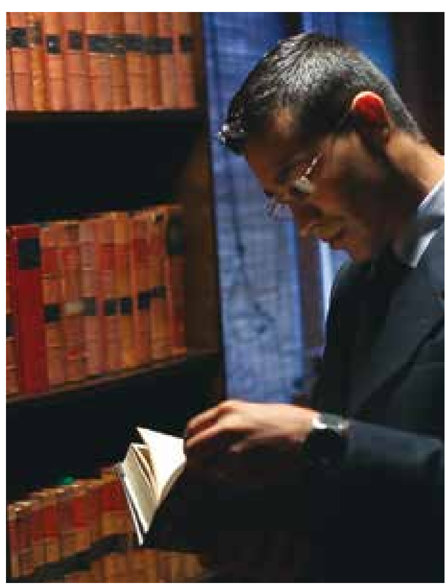
EXPECTED

SBUs to screen external suppliers and service providers, within the sphere of control of Aitken Spence operations, and educate them to elevate their operational practices to meet the ethical and values-based benchmarks maintained by Aitken Spence companies.

INTELLECTUAL CAPITAL

Reviewing our performance in the current financial year, the below table points out areas that were identified as challenges and our strategic responses to seek opportunity(ies) to create positive influence.

CHALLENGES	STRATEGIC RESPONSES
Cultivating a culture of thought leadership, through continuous exposure to the latest trends, not limited to our industry	Commenced work on periodically presenting industry related innovation programs and establishing a thought provoke culture among leaders
Driving new projects that are outside of the general scope of business timely and effectively with existing resources	Contracting of specialist, external business consultants and more efficient project management processes explored
Intellectual capital often resides in our human capital, that is knowledge gained not translated to systems and processes that exist in the organisation. Therefore, when employees leave, this knowledge leaves with them	We continue to focus on formalising our understanding of intellectual capital and ensuring it transfers across the organisation in such a way as to gain maximum sustainable benefit for the business and all stakeholders. We do so by cross training / job rotation within departments, so that knowledge is shared among many employees and the job functions can be replicated by another employee. This way the team can perform the activity done before similarly or in an even better manner.
Impact of disruptive technology on our business model	Our organisational learning capacity support leaders in responding to the changing environment and challenging current assumptions around our business and continuously drive innovative thinking
Negative impacts on natural reserves in the country	Aitken Spence gives strong emphasis on environmental and social aspects of business activities. Therefore, we take active measures to ensure that steps are taken to rectify the current issues we have in our country. For instance, congestion in natural reserves due to unsustainable numbers of tourists is causing a strain to biodiversity and natural ecosystems. Aitken Spence Travels is taking the initiative through the 'Travel Kindly' programme to establish proactive measures to promote new trends such as creating demand for other wildlife parks in the country and also to offset the carbon footprint of tourists.



Alignment with Sustainable Development Goals (SDGs)

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. From the 7 goals the Aitken Spence group has aligned to, these are the targets aligned with our management of intellectual capital. Refer to the remaining sections of this report to review our commitment to other goals.

Goal 9 – Industry, innovation & infrastructure:

Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability

Targets that we hope to contribute towards;

Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities (Indicator for guidance – 9.4.1 CO2 emission per unit of value added)

Goal 12 – Responsible construction & production:

Influencing circular economy through our commitment to practice the 7R principle

Targets that we hope to contribute towards;

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Target 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature (Indicator for guidance 12.8.1 Extent to which (i) global citizenship education and (ii) education for sustainable development (including climate change education) are mainstreamed in (a) national education policies; (b) curricula; (c) teacher education; and (d) student assessment)

Target 12B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products (Indicator for guidance – 12B.1 Number of sustainable tourism strategies or policies and implemented action plans with agreed monitoring and evaluation tools)

Goal 15 – Life on land:

Working towards contributing positively towards protecting our biodiversity and all ecosystems

Targets that we hope to contribute towards;

Target 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally (Indicator for guidance – 15.2.1 Progress towards sustainable forest management)

Target 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species (Indicator for guidance – 15.5.1 IUCN Red List Index)

To peruse more details of the Group's practices to control environmental impacts, please follow the link www.aitkenspence.com/annualreport/

GRI

Natural capital section of the report contains disclosures for the following material topics of the GRI Standard for sustainability reporting; GRI 102 – 2 Primary brands, products and services

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. Please let us know if the information in this section was useful to make decisions about Aitken Spence.

SYNOPSIS OF CAPITAL TRADE OFFS

Capital Inputs	Key Value Drivers
Financial Capital The pool of funds including funds reinvested in the Group, and a combination of long- and short-term loans from capital providers and equity shareholders	» Profitability » Asset management » Financial leverage » Treasury management » Shareholder returns
Human Capital The skills and experience of employees that enable the Group to implement its strategy, deliver products and services, thereby creating value for stakeholders.	» Strengthening HR Representation at a strategic level » Building a leadership pipeline » Training and Development.
Social and Relationship Capital The long-term relationships cultivated with customers, strategic business partners, suppliers, and other key stakeholders the communities in which the Group operates.	» Enabling opportunities for economic development through local purchasing policies and skills development » Investing in sustainable livelihoods » Enhancing living standards for community members
Intellectual Capital Intangibles comprises of the strength of the Aitken Spence brand and its other subsidiary brands coupled with the equity derived through key global partners along with the knowledge and expertise.	» Develop Strategic Partnerships » Knowledge and expertise
Natural Capital The natural resources used in the delivery of the Group's products and services.	» Environmental impact and risk control » Investment in clean energy » Management of the water footprint » Enhance positive impact directly within our operational scope and our extended sphere of influence
Manufactured Capital The tangible assets, including hotels, port infrastructure, container freight station, vehicle fleet, warehouses, manufacturing facilities and other general infrastructure that enable the Group to deliver its products and services and carry out day-to-day business activities	» Strengthening brand leadership » Business diversification » Capacity expansion » Business process improvement

Key Highlights	Trade Off
» Revenue generation of Rs. 56.0 billion » Net profit before tax of Rs. 6.4 billion » Total assets of Rs. 107.8 billion » Debt to equity ratio of 0.35 » Net cash generation of Rs. 2.9 billion » Return on equity of 8.4%	By applying financial capital, we have expanded into many business spheres. This has positively impacted on human, manufacturing, social and relationship capital with the creation of employment opportunities, expanding our asset base, touching the communities we operate in, whilst we have been cautious in minimising the impact on the natural capital.
» Reinforcing "HR Matters" » Roll out of the "Leadership Journey at Aitken Spence" Programme » Investment of Rs. 47 million in 2017/18	The significant increases in investment and employee participation in training and development has positively impacted intellectual capital in enhancing the knowledge expertise that has also contributed towards building the other capitals such as natural capital and social and relationship capital.
» Rs. 128.2 Mn funds channeled for community development » Diverse programmes across our communities benefiting over 10,000 immediate community members » Network of over 9000 suppliers with the potential to influence Aitken Spence and to be influenced by our values on social and environmental governance » Long term relationships with industry leaders and global brands	Investing in long-term relationships with customers, business partners, suppliers and other key stakeholders positively influences our corporate reputation and thereby intellectual capital and has benefited in strengthening the confidence placed in us by our investors. This makes our financial capital more resilient.
» Strategic Partnership with Websters - London » Oracle System Migration	By investing in intellectual capital, we increase the financial capital in the longer term as it strengthens the brand value. The knowledge expertise and organisational culture has a positive impact on developing the human capital. The link between intellectual capital and human capital appears to have the strongest link in reinforcing each other.
» 243,286 GJ total renewable energy generated » Over 200% increase in the renewable energy generated since 2014/2015 » 211% increase in the quantified amount of GHG emissions reduced and/ or offset » 35% of the total water withdrawn is treated for reuse or safe disposal » Over 40 environmental management systems maintained across the Group	In an effort to reduce the negative impact to our environment, we invest in our natural capital which reduces the financial capital in the short term. However, in the longer-term it benefits the financial capital as it sustains the business. While natural capital could be affected by other capitals such as human capital, and manufactured capital, we have minimised our negative impact through sustainable initiatives guided by the intellectual capital harnessed over the year through our experience and expertise.
» Proposed construction of a 10MW waste-to-energy plant in Muthurajawela » Construction of Heritance Aárah » Renovation of 45 beach villas at Adaaran Select Hudhuranfushi » Refurbishment of 95 beach rooms at Adaaran Club Rannalhi » Investments in a new digital drone support mechanism to move to precision agriculture	Our continuous focus in seeking growth opportunities in industries we operate in and in those that offer potential, increases the stock of manufactured capital. Whilst this creates a short-term strain on the financial capital, the return generated in the long-run would enhance the financial capital. The investments in renewable energy -positive impact on natural capital. The waste to energy project will have positive impact on social and relationship capital addressing a timely social issue. Creating employment opportunities results in positive impact on Human capital. High quality asset base strengthens brand and enhances intellectual capital.

- Hotels
- Inbound & Outbound Travel
- Airline GSA

SECTOR REVIEW

TOURISM

	2017/2018 Rs' 000	2016/2017 Rs' 000	%	2015/2016 Rs' 000
Revenue (with equity accounted investees and inter-segment)	26,130,482	22,122,985	18	17,159,728
Profit before tax	3,127,132	2,126,766	47	2,783,052
Profit after tax	2,378,517	1,452,516	64	2,288,445
Total taxes paid to Governments (Indirect and direct taxes)	3,466,992	2,923,687	19	2,213,299
Total assets	63,890,431	56,494,140	13	33,843,351
Total liabilities	35,887,427	29,240,667	23	15,268,945
Property plant and equipment	41,785,388	37,963,227	10	23,169,120
Capital expenditure	5,337,537	5,181,049	3	2,802,037
Employee numbers	3,720	3,598	3	3,320
Room Inventory (owned and managed)				
Sri Lanka	1,528	1,536	0	896
Maldives	620	617	0	617
Oman	386	354	9	454
India	140	140	0	140
Total	**2,674**	**2,647**	**1**	**2,107**
Number of pax handled in Sri Lanka by the destination management segment	178,071	153,167	16	128,896

HOTELS

LOCATION OF OPERATIONS

Sri Lanka *India*

Maldives *Oman*

HIGHLIGHTS

100%

Waste water recycled for reuse or safe disposal

4%

Of the total direct energy consumption from renewable energy sources

Individuals educated about sustainable coexistence with natural environment through the Eco Park, Green Banks, Green Pavilions and other similar initiatives at all hotels

3 Mn

1st

Female GM of an Aitken Spence hotel appointed at Turyaa Kalutara

Revenue Increase

13.4%

KEY STAKEHOLDERS

Employees, Shareholders/Investors, Suppliers/ Service Providers, JV Partners, Community Members/ Neighbours, Customers, Regulators, Activists

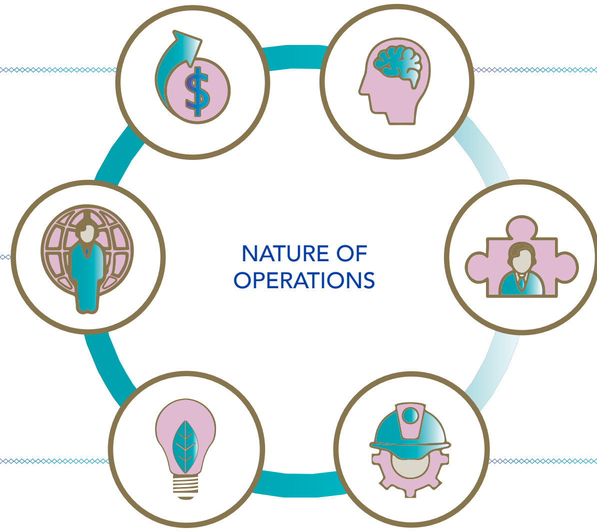
MANAGEMENT SYSTEMS IN PLACE

- Environmental management systems
- Food safety management systems
- Quality management systems
- OHS Management systems
- Energy Management systems
- Travelife certification

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Local suppliers
- Workforce from the local community

Natural Capital
- Biodiversity and ecosystems
- Renewable energy
- Treated waste water



Intellectual Capital
- Brand
- Knowledge and skills
- Management systems

Human Capital
- Socially inclusive, dynamic workforce

Manufactured Capital
- Hotel properties
- Equipment
- Green architecture and infrastructure (e.g. STPs)

CERTIFICATIONS MAINTAINED BY THE SBU

ISO 14001 Environment — 5 properties with ISO 14001: 2004 certified environmental management systems

ISO 50001 Energy — Heritance Hotels was the first resort chain in the World to obtain the ISO 50001: 2011 certification for energy management

ISO 22000 Food Safety — Management systems maintained for food safety and quality at all properties with 8 properties certified in line with the ISO 22000: 2005 certification

LEED Gold — Creating a movement for sustainable infrastructure development with the World's first LEED certified hotel property and with the addition of another LEED certified property to the portfolio

Gold Travelife / Travelife — Operational practices aligned to requirements of the Travelife certification with 8 properties securing the Travelife Gold certification

TARGETS

7%
Direct energy consumption from clean energy sources

100%
reuse or safe disposal of waste water

Zero
solid waste to landfill

360°
view of biodiversity we protect

20%
female representation in the workforce by 2020

TOURISM

Overview

The Tourism sector consists of three complementary businesses; hotels, destination management and the airline General Sales Agency (GSA). Under the hotels segment, the Group owns and manages a portfolio of world-renowned, iconic properties in Sri Lanka and the Maldives and is also the only company in Sri Lanka to own and operate hotels in both India and Oman.

The Sri Lankan hotel cluster comprises of a diverse range of properties under the Group's flagship brand – 'Heritance'. The legendary Heritance Kandalama, a 152 -room luxury resort is located in the heart of Sri Lanka's cultural triangle. World renowned for its unique concept and green building design, Heritance Kandalama was the first hotel in the world and the first property outside USA to receive the acclaimed LEED certification.

Other Heritance properties include, the Heritance Tea Factory in the cool climes of Nuwara Eliya, Heritance Ahungalla on the sandy beaches of the southern coast, Heritance Ayurveda Maha Gedara – a veritable oasis of healing and the latest addition; Heritance Negombo – a 139-room cosmopolitan offering located in close proximity to the airport.

In addition to the premier Heritance brand, the Sri Lankan hotel portfolio also consists of Turyaa Kalutara, a mainstream beach offering closer to Colombo and also includes the 501-room Hotel RIU - Ahungalla, the only international club concept proposition currently available in Sri Lanka.

The Group's overseas Hotels segment consists of interests in the Maldives, India and Oman. In the Maldives, the Group owns the Adaaran chain of resorts, and has the accreditation of being the first Sri Lankan company to invest in a resort in the Maldives. The Maldives portfolio includes the 202-room Adaaran Select Hudhuranfushi, 130-room Adaaran Club Rannalhi, the 238-room Adaaran Select Meedhupparu and the 50-room Adaaran Prestige Vadoo.

Expanding the Group's investments overseas, in 2015 the Group launched Turyaa Chennai, its first property owned in the Indian sub-continent. Turyaa Chennai is a fully-fledged 140-room city hotel located along Chennai's thriving IT corridor. In 2016 the Group acquired Al Falaj Hotel in Oman, a 150-room four-star property which had been under the management of the Group.

The Group's hotel management arm specializes in the management of hotels and resort properties. Backed by many years of expertise, the hotel management unit operates through a multi-country management model and currently manages a portfolio of 20 properties, in the four destinations it operates. Although the Group does not have a stake in few of the hotels under its management, the owners have consistently renewed the management contracts for each property, further testifying to the capability of the hotel management division.

Both the destination management and airline GSA segments are operated through highly successful long-standing partnerships with leading international partners. The destination management segment is operated as a joint venture with TUI, the largest integrated travel company in the world. In operation for the past forty years, today the travel business is ranked as Sri Lanka's No.1 inbound travel operator.

The other business under the Tourism umbrella is the General Sales Agency (GSA) for Singapore Airlines (SIA). Having maintained the partnership for over forty years, the Group holds the global record for the longest serving SIA agency to date.

The segment is also the General Sales Agent for Sri Lankan Airlines in the Maldives.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Political stability in Sri Lanka, Maldives, Oman and India. Tourism destinations need to be free of any political unrest to foster the safe environment required for the growth of the industry.
Economic	» Changes in the global economy has a significant impact on the industry as this directly impacts the disposable income of the prospective tourist.
Social	» Consumer preference in lodging has taken a shift with more clientele favouring a local experience. This has seen an increase of private accommodations. The rise of Air BnB and similar sites are a challenge for the formal sector.
Technological	» The technological advancements have become the biggest influencer in changing the way the industry operates in terms of marketing, hotel and airline bookings etc. Cloud technology and Internet of things will be the way forward for the industry.
Environmental	» Sustainable tourism is a key concern. The focus has now shifted to eco-tourism with priority on ensuring minimum negative impact to the environment the industry operates in.
Legal	» Effective legislation with regard to the tourism industry is essential for the regularization of the industry and the creation of a level playing field for all operators.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- Broad basing of investment amongst four destinations and strong regional presence
- Iconic properties in idyllic locations
- Professional management teams with many years of industry experience
- Expansion opportunities due to availability of land owned by the Company in the east coast and south coast of Sri Lanka and in the Maldives

Weaknesses

- High staff turnover and difficulty of retaining millennials
- High cost of finance
- Highly seasonal use of facilities

Opportunities

- Consistent robust growth experienced by the tourism industry
- Environmental diversity and cultural heritage in the destinations we operate in
- Increasing importance of environmentally friendly tourism
- Emerging tourist destinations

Threats

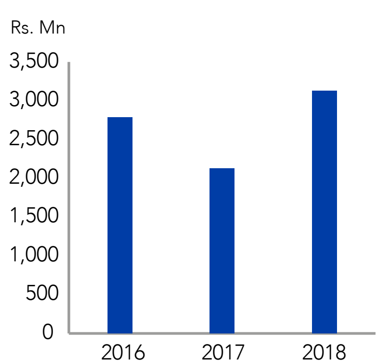
- Competition from emerging destinations in the regions
- Lack of skilled labour in the tourism industry
- Rise of the informal sector and the threat to beach properties from low cost unregulated operators

Operating Context

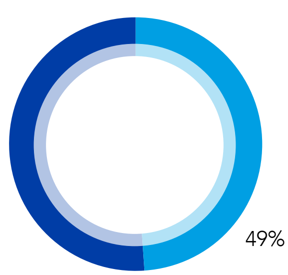
Global tourism industry recorded an impressive year – posting the best results since 2010 - as international tourist arrivals grew by a record 7% compared to a trend of around 4% during the last seven years. The latest World Tourism Organisation (UNWTO) World Tourism Barometer credits the growth in international travel to the ongoing recovery of the global economy, notably the Western economies that are emerging from recession, while the strong demand from emerging Asian markets supports growth from the region. While most popular destinations had strong growth this year, it was also noteworthy that several new destinations attracted the keen interest of visitors.

Mediterranean destinations led the growth; Europe showcased exceptional results with an 8% growth year on year. Africa rebounded posting an 8% growth over 2016 while Asia and the Pacific regions grew by 6%, the Middle East by 5% and the Americas by 3%. UNWTO statistics for the Asia Pacific Region indicate that South Asia returned the strongest performance reporting a 10% growth in arrivals. South-East Asia and Oceania recorded increases of 8% and 7% respectively while North-East Asia reported 3% growth.

Profit Before Taxation
for the year ended 31st March



Sector Contribution to Group Profit Before Tax
for the year ended 31st March 2018



Performance

The sector recorded a remarkable performance playing an important role in the overall profitability of the Group for the financial year 2017/2018. Contributing Rs. 26.1 billion to the Group revenue, and Rs. 3.1 billion to Group profit before tax, the sector was the highest profit generator to the Group contributing 48.9% of its profit before tax. Over the years, the Group's footprint in tourism has expanded significantly both in Sri Lanka and overseas, accounting for 59.4% of the Group's asset base.

Collectively, the sector directly employs over 3,700 people, while providing thousands more indirect employment opportunities in areas where the Group is present.

SECTOR REVIEW

TOURISM

Financial year 2017/2018 was a record breaking year for Heritance Tea Factory with the property recording a revenue increase of 11.5% and its highest ever net profit before tax which was an increase of 22.5%.

HOTELS

Sri Lanka

Overview

Sri Lanka's performance however was in stark contrast to the South Asian Region, as the country recorded an unimpressive 3.2% year-on-year growth from 2,050,832 visitors in 2016 to 2,116,407 in 2017. This was the slowest growth reported by Sri Lanka since the end of the war in 2009. India, China, UK, Germany and France accounting for 51.2% of arrivals for the year, were the top five source markets for 2017.

A further analysis reveals that the demand from key source markets, China and Germany, witnessed a sharp drop in the crucial June – September summer season following the negative travel advisories issued in the wake of floods and the threat of Dengue. The decision of the national carrier, Sri Lankan Airlines, to withdraw direct flights from key European destinations also proved to be a severe blow in attracting conventional travellers from traditional source markets in Europe, especially Germany, which has long since been a captive market for Sri Lanka.

Meanwhile stymied by the absence of a cohesive destination marketing strategy to promote the country, Sri Lanka's tourism industry continued to face the arduous task of penetrating new source markets. Further, the lack of commitment shown by the authorities to develop the country's tourism infrastructure placed the country at a disadvantage compared to other regional players whose continuous and ongoing development programmes give them an edge in the global market.

Business Review

Performance

The decline in tourist arrivals during the period June to September 2017 resulted in the segment returning a lacklustre performance for most part of the year until the fourth quarter. However, with the final quarter of the year recording a massive rebound in arrivals the segment was able to catch up the deficit accumulated during the first three quarters. The round-trip properties; Heritance Kandalama, and Heritance Tea Factory in particular benefited from the surge in the arrivals in the fourth quarter of the year.

During the year, the Group divested its entire stake in Hotel Hill Top Kandy at a profit of Rs. 307.6 million.

The revenue of the segment increased by 18.9% over the previous year; a creditable performance in comparison to the subdued arrivals growth to the country. Overall the Group occupancy grew from 68% to 70% whilst the average room rates also recording a marginal growth.

The operational profits of the segment increased by 37.5%, while the increase in profit before tax was 201.4% excluding the profit from the sale of Hotel Hill Top Kandy, as a result of significant contributions from Heritance Kandalama, Heritance Tea Factory and Heritance Ayurveda Maha Gedara.

The segment's flagship property – Heritance Kandalama despite being challenged by the ever-increasing number of new properties emerging in the area, continued to perform well and retained its position as the top contributor among the sector's premium brands.

Retaining their status as niche offerings, both Heritance Tea Factory and Heritance Ayurveda Maha Gedara did well to register improved year-on-year results. Financial year 2017/2018 was a record breaking year for Heritance Tea Factory with the property recording a revenue increase of 11.5% and its highest ever net profit before tax which was an increase of 22.5%. The strategy of differentiating the product offerings and managing yield through targeted marketing strategies were the main factors for the performance. Heritance Ayurveda Maha Gedara also had an impressive year with a revenue growth of 7.8% and a profit before tax growth of 28.2%.

Heritance Ahungalla embarked on a successful re-pricing strategy to attract a higher number of travellers in the face of increased room inventory in the industry as a result of large international hotel chains entering the coastal market. This flagship property recorded a significant improvement in performance leading to a turnaround in operating results from a deficit in the previous year to a profit in the year under review. Turyaa Kalutara, the mid-range offering of the segment, faced the full force of the price war among properties on the southern coastal belt and as a result performed below expectations. Hotel RIU the 501-room hotel property at Ahungalla, following a difficult period for the first 9 months of the year, recovered somewhat during the final quarter of the financial year. As a result, the property recording a revenue lower than projected coupled with the high depreciation charge on the capital investment and the interest cost incurred on loans obtained for construction resulted in a net loss position during the year.

Heritance Negombo, the newest addition to the premium basket remains popular among high-end travellers. Now in its second year of operation, the property performed exceedingly well in the year under review with a significant increase in operational profits compared to the previous year with the revenue per available room increasing by 61.1%. However, the property reported a net loss mainly due to the high interest cost on loans obtained for the construction of the property.

The property in the east coast; Amethyst Resort in Passikudah, continued to struggle as did most hotels in the area. The delays in improving accessibility and tourism infrastructure in the area by the Government is the main challenge along with a relatively short season during the year.

Strategy

Being the largest resort operator in Sri Lanka, the segment has a distinct advantage over many other resorts in the island, owing to its ability to cross-sell the entire portfolio by leveraging on the demand for iconic properties under the premium Heritance brand.

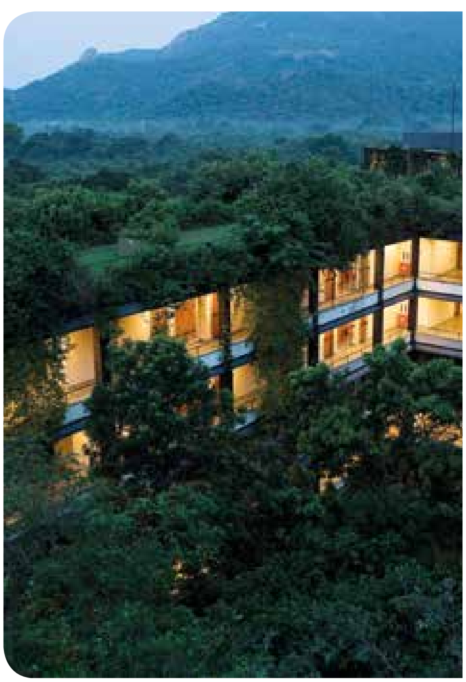
Given the increasing competition from international hotel chains along the southern coastal belt and for Heritance Kandalama from mushrooming properties springing up in the cultural triangle the segment is exploring opportunities at widening its reach across key source markets.

Hence the focus has now shifted towards enhancing the brand exposure through a fresh and cohesive strategy aimed at reinforcing the Heritance brand as a leading Sri Lankan hotel chain. In this context the emphasis was on deepening the penetration into the segment's traditional market strongholds in Europe and exploring new non-traditional markets. Shifting the focus from traditional sales channels also saw a stronger commitment to leverage on technology and online marketing platforms in order to tap into a broader cross section of the travel market. The move is also part of a broader yield management strategy aimed at realigning the product mix between the fixed rate

Heritance Negombo, the newest addition to the premium basket remains popular among high-end travellers. Now in its second year of operation, the property performed exceedingly well in the year under review with a significant increase in operational profits

model and the variable rate offering in order to optimize yields.

Going hand-in-hand with these measures, much emphasis was placed on quality of the Food and Beverage (F&B) proposition, guest services and technology-based efficiency improvements at all properties. Ongoing improvements to F&B offerings saw a number of changes being brought




in at most of the hotels while renewed focus on training and development activities saw a significant investment to raise the standard of guest servicing at all properties. Other notable developments included the commissioning of a 150-kW capacity solar power generation facility at Turyaa Kalutara in July 2017, while work also began on the construction of a fully equipped staff housing complex specifically for the female staff of Heritance Kandalama.

Outlook

Current indications suggest that Sri Lanka's tourism industry appears to be on track to deliver much improved results in the foreseeable future. However, for these signs to fully materialize as expected, it is imperative that urgent action be taken to address the underlying systemic issues that hinder the progress of the tourism industry. Crucially, the country's socio-political environment needs to be stable and more importantly safe for tourists. The recent civil unrest in Kandy and the sporadic incidents of harassment of tourists on the beaches of the South Coast are good examples of how socio-political issues are dampening the growth potential for Sri Lanka tourism. Nonetheless tourism authorities are predicting double-digit growth for the year ahead.

From a business perspective, the focus for the Group's local hotel segment would be centred on further consolidating the performance of the newer properties, while the goal for the mature offerings would be to strengthen the differentiating factors that would enable each property to continue to stay ahead of their immediate competition in all aspects of the business.

Maldives

Operating Context

A world-renowned luxury resort destination, the Maldives continues to witness robust growth in tourist arrivals. In 2017 arrivals grew by 8.0%, almost double the growth achieved in 2016, with large influxes from Europe specifically Central and Eastern Europe, including a considerable increase in numbers from Russia. At the same time traditional markets continue to show steady growth; arrivals from the UK and Germany were up slightly, while arrivals from Italy increased substantially in 2017 compared to the previous year. Much of this growth came during the April – December 2017 period, indicating the country's tourism industry was on a steady recovery path following a 2-year slump in arrival figures. Consequently, the earnings from the tourism industry to Maldives accelerated by 2.8% in 2017.

Steady progress was made towards completing Heritance Aárah, the newest addition to the portfolio of resorts in the Maldives. The product proposition of Heritance Aárah offers premium all-inclusive elegantly designed villas and star-class public areas.

However, the political uncertainty in the later part of January and February 2018 and the subsequent activation of the emergency regulations destabilized the situation resulting in several important source markets such as China imposing negative travel advisories. The immediate effect was felt by way of a sharp decline in Chinese arrivals along with a slump in demand caused by a wave of cancellations during the traditional Chinese new year period which generally is the peak for this market.

On the supply side, the ever-increasing room inventory caused by the government's liberal policy stance aimed at encouraging increased investment in the sector continues to impact the performance of the industry. In 2017 several new resorts were launched in the market along with the mushrooming of number of guesthouses. In fact, the increase in the supply of resort beds in 2017 outweighed the increase in demand, with supply increasing by 12.7% as at the end of December and demand falling, leading to a 1.8% fall in resort occupancy. Meanwhile, the number of beds across all segments increased by 14.5% as at the end December 2017 reaching 38,592, while overall occupancy for the period fell by 2.7%.

One other important factor that has determined the industry's performance, is the competing destinations such as Indonesia and Thailand, which have been growing in popularity in recent years, mainly in response to diversity of offerings.

Business Review

Performance

The four resorts of the Group in the Maldives comprising of 620 beach, garden and water villas surpassed the last year's performance with a revenue growth of 9.8%.

Adaaran Select Hudhuranfushi, a 202-villa property in 83 acres in the North Male Atoll is firmly on track to recovery with an impressive growth in its profit before tax, signalling an end to the woes experienced for the past two years. Occupancy levels at the resort remained consistently above 85% from November 2017 to March 2018 following the completion of the first phase of the refurbishment effort to renovate 100 beach villas, which enabled the property to scale up operations in time for the winter season. Bolstered by this strong performance in the third and fourth quarters, the property ended the year ahead of budgeted performance levels.

Adaaran Club Rannalhi which was one of the first investments made by the Group in the Maldives offers 34 water villas and 96 beach villas. The resort which is a popular choice among the Italian travellers was successful in increasing this captive market following the interior renovation of all 130 rooms.

Adaaran Select Meedhupparu located in Raa Atoll which is the largest resort property of the Group with 238 villas had a challenging year owing to severe competition which eroded the average daily room rate. In addition, high transport costs brought pressure on the resort's performance for the year which fell below budget.

Adaaran Prestige Vadoo comprising of 50 luxury water villas also continued to experience similar challenges, but nonetheless succeeded in meeting performance targets for the year under review mainly due to an aggressive online channel management strategy to broaden the reach in to key source markets. This strategic initiative resulted in more than 50% of the traffic originating from on-line channels resulting in growth in profits.

Revenue Growth in Maldivian Resorts

9.8%

Strategy

Given the growing competitive pressure in the Maldivian tourism industry, consolidating the position of Adaaran brand became the main strategic priority of the segment. This resulted in the segment securing a competitive edge by scaling up the operations through investments in hardware, processes and training in keeping to current global standards.

At Meedhupparu, plans are being drawn up to upgrade beach villas and public areas that would enable the resort to retain its competitive advantage.

In addition to upgrading the existing resorts, steady progress was made towards completing Heritance Aárah, the newest addition to the portfolio of resorts in the Maldives. The product proposition of Heritance Aárah offers premium all-inclusive elegantly designed villas and star-class public areas providing truly an island style experience with exquisite vistas of the lagoon and the open sea, combined with an authentic international culinary offering.

Heritance Aárah is scheduled to be launched in winter 2018. Heritance Aárah will be the first resort outside Sri Lanka to be branded as 'Heritance' and hence would be a significant milestone in the Company's endeavours to build an international brand.

Meanwhile to ensure that the new infrastructure investments continue to deliver the desired returns, a new marketing strategy was put in place to boost arrivals from key source markets. This included strengthening offline marketing channels to widen the reach in traditional captive markets in Germany, UK, Russia and the rest of Europe. In key emerging markets such as USA, South Africa and Australia, strategic partnerships were pursued in order to establish a ground presence that would enable the focused promotion of both Adaaran and Heritance branded resorts. At the same time, online marketing and the use of social media activity was intensified as a strategy to tap into new customer segments in both traditional and emerging markets.

Continuous service improvement through training and development was also a major component of the strategic focus for the year.

Outlook

Despite heading for an apparent slowdown in the summer months of 2018, the Maldivian tourism industry is expected to bounce back strongly, aided by the infrastructure development efforts by the tourism authorities in the country. This expected rebound will certainly augur well for the prospects of all Adaaran resorts in the year ahead.

The launch of Heritance Aárah in time for the winter season of 2018 is also a much looked forward to event that will further enhance the profile of the Group as a regional resort operator.

Oman

Operating Context

The collapse in global oil prices in 2016 had a cascading impact on the Omani economy, resulting in a progressive decline in the Country's GDP growth. In addition to the above, the announcement by OPEC in May 2017, declaring their intention to continue limiting oil production until March 2018, further dragged down economic growth to a six-year low. These factors severely impaired business activity in 2017 in the Omani capital Muscat as well as other major cities throughout the country, in turn adversely affecting the hotel segment.

The Oman hospitality industry was further hit by the impact of austerity measures introduced by the Government as a coping mechanism to deal with the steep contraction in fiscal revenues on the back of the oil price crisis. The Omani government's February 2017 decision to raise the corporate tax rate to 15% from 12%, and the removal of various tax exemptions had a further negative impact on the country's tourism sector.

Despite the current downturn in business and competition faced by the Sultanate from other regional tourist destinations, Oman continues to enjoy a unique position, as it embraces many environmental, cultural and heritage landmarks that attract tourists. These include four world heritage sites classified by the UNESCO. Due to the attraction of Oman as a tourist destination, the country and its capital Muscat, has witnessed an explosion in the room inventory in the past few years, with approximately 700 rooms added to the inventory in Muscat in 2017 alone. The pressure on average daily rates remains intense, bringing pressure on revenue per available room (RevPar), which has declined, from OMR 42.79 per room per night in 2016 to OMR 39.82 per room per night in 2017, equating to a 6.9% drop, as per data from STR Global, the hospitality industry's leading source for data and analytics.

Business Review

Performance

Al Falaj is a 150 room hotel in Muscat located in the heart of the city with easy access to both the business district as well as tourist attractions. The hotel performed below expectations as a direct result of the prevailing economic woes in Oman and the region, and the resultant lull in corporate sector business activities across Oman. Many of the newer properties, including 5-star hotels were found lowering their average daily rates to secure the required occupancy levels needed to cover costs and overheads.

Amidst stiff competition Al Falaj too was forced to follow suit and reduce its average daily rate. While this ensured occupancy levels at the property were maintained on par with the previous year, overall performance tabled by the property failed to match up to expectations as average daily rate dropped sharply causing the hotel to fall well short of its revenue targets. High labour costs and overheads brought pressure on margins and profits declined compared to the previous year.

Strategy

For Al Falaj, the key strategy for the year was to ride out the storm as best as possible. Accordingly, no major investments were undertaken during the year under review, and the focus was primarily centred on growing the volume of leisure travellers through aggressive marketing activities in Oman as well as across the region.

Outlook

It is expected that the Omani business outlook would improve gradually subsequent to the 2018 Ramadan season. To effectively respond to these changes, Al Falaj would look to improve performance by pursuing a limited refurbishment strategy targeting selected guest areas of the hotel on a priority basis to be completed within the forthcoming year. Improvements in the other areas of the hotel including the front façade would also be considered, depending on industry prospects towards the latter part of 2018.

India

Operating Context

Chennai city has emerged as an important hub for the software development industry in India. The IT Corridor, on Chennai's

Increase in Revenue at Turyaa Chennai

57.2%

Old Mahabalipuram Road (OMR), also called Rajiv Gandhi Salai or IT Expressway, is a fast-developing urban region that has attracted many global and Indian IT heavyweights. As the IT sector began to reshape the city's profile, hundreds of software and tech companies have since started operations along the OMR. To support the needs of several thousands of professionals, visitors and residents — the hospitality industry has jumped onboard making steady investments along the OMR. Today, the room inventory along the OMR stands at approximately 2,500 and with more properties being added on regularly, leading to supply fast outstripping demand along the OMR belt.

Business Review

Performance

Turyaa Chennai a five-star deluxe 140 room property facing many challenges as an unknown brand entering an already congested market has seen a steady growth since its launch in 2016. Strategically located along the OMR belt, the main IT corridor of Chennai, Turyaa Chennai caters primarily to corporate customers sourced through a network of links with IT corporations obtained through the submission of Request for Proposals (RFP). Successful efforts to expand the RFP network in 2017 enabled the property to increase average occupancy levels to 62%, leading to a 57.2% year-on-year increase in revenue in the year under review.

Strategy

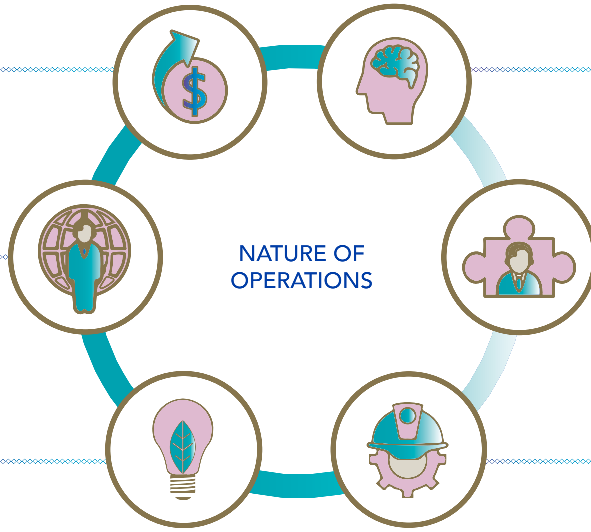
As a predominantly corporate offering the immediate priority for Turyaa Chennai is to consolidate its presence in the corporate segment, while at the same time pursuing opportunities to attract leisure travellers in order to improve weekend occupancy levels. In this context, the focus would be to invest in further improvements to facilities, service levels and food and beverage operations to appeal to both corporate and leisure travellers alike.

Outlook

Turyaa Chennai receiving the five-star deluxe classification and being accredited as the best five-star deluxe hotel in Chennai at the Tamil Nadu Tourism Awards 2018, are important milestones for a hotel in its infancy. Given the strategic location of the property, the hotel is likely to benefit from a number of new developments that are likely to materialize over the next one and half years. The construction of a new World Trade Centre and a leading hospital in the vicinity of the property offers considerable potential, while announcements made by the Government of India regarding plans for the Defence corridor, would also be likely to open out a number of opportunities that the property could exploit in the year ahead.

TOURISM

TRAVELS



Financial Capital
- Economic opportunities from all other capitals

Intellectual Capital
- Brand
- Knowledge and skills
- Management systems

Social & Relationships Capital
- Local suppliers
- Workforce from the local community

Human Capital
- Committed, dynamic workforce
- Socially inclusive network of suppliers and service providers

Natural Capital
- Natural environment
- Biodiversity and ecosystems

Manufactured Capital
- Fleet of owned vehicles

TYPES OF OPERATIONS

The Group's destination management arm handles inbound and outbound tour packages for groups, FIT and MICE segments as well as large scale conventions and exhibitions.

Total inbound volume of happy visitors to destination Sri Lanka exceeding

178,071

HIGHLIGHTS

ClimateSI

The office operation and owned fleet of Aitken Spence Travels is carbon neutral for the 2017/18 financial year

Travel Kindly initiative launched to educate travellers about sustainable tourism and to facilitate contribution through Aitken Spence Travels

Over 250

nature based excursions completed in 2017/18

100%

Employees reached about the sustainability commitments of the SBU through the Green Day initiative and panel discussion with industry experts

7.5%

Revenue Increase

KEY STAKEHOLDERS

Employees, Shareholders/Investors, Suppliers/ Service Providers, JV Partners, Community Members/ Neighbours, Customers, Regulators, Activists

SUSTAINABILITY PRIORITIES

- Talent management
- Biodiversity
- Occupational health & safety
- Local purchasing
- Labour standards
- Energy, water
- Emissions and solid waste
- Compliance

CERTIFICATIONS MAINTAINED BY THE SBU

ISO 14001 Environment

Aitken Spence Travels have recertified their environmental management system in line with the ISO 14001: 2015 system standard

ISO 9001 Quality

The destination management operation is also certified for quality management in line with the ISO 9001:2015 system standard

Travelife PARTNER Committed to sustainability

In line with the targets of the SBU, Aitken Spence Travels secured the Travelife Partner status during the financial year

TARGETS

100%
Emissions from the destination management operation to be offset

100%
Commitment to promote responsible travel options through the SBUs 'Travel Kindly' initiative

Increase presence in main source markets

Aitken Spence Travels (Pvt) Ltd reiterated its undisputed market leadership position in the inbound travel business in Sri Lanka by facilitating over 178,000 visitor arrivals to the country. This is the highest number of visitors facilitated by a Sri Lankan destination management company in a given year to-date.

TRAVELS

Business Review

Performance

In a fitting tribute to commemorate its 40th year, the Group's inbound travels segment registered its best-ever performance with all KPI's reporting robust year-on-year increases. Aitken Spence Travels (Pvt) Ltd (ASTL) reiterated its undisputed market leadership position in the inbound travel business in Sri Lanka by facilitating over 178,000 visitor arrivals to the country, surpassing the previous years' record of 153,000 visitors. This is the highest number of visitors facilitated by a Sri Lankan destination management company in a given year to-date. As a result of this healthy increase in volumes, revenue and profits for 2017/18 grew by 7.5% and 19.3% respectively over the figures reported in 2016/17. Meanwhile, the market share of ASTL taken as a percentage of tourist arrivals to the country rose from 7.4% in the previous year to 8.0% in the year under review.

Destination management companies/ tour operator channels contributed to the majority of the business and the increase in online bookings was also strengthened. However, testifying to the growing popularity of online tour operators and bed banks, a sharp increase in online volumes was seen in the year under review. Meanwhile volumes in the cruise segment too were higher than in the previous year.

UK, Germany, Russia, India and China made up the top 5 source markets that were responsible for the above growth numbers.

Strategy

The strong performance reported for the year was the result of a focused agenda to deepen the penetration in all main source markets. During the year, ASTL strengthened the ground presence in key source markets with the appointment of dedicated marketing representatives who would serve as the main point of contact for overseas travel agents in each of the respective markets. This strategy resulted in the forging of a closer relationship with tour operators in key markets thereby generating higher number of visitor arrivals to the country.

TOURISM

Following the successful resumption of European charter operations in the previous year, steps were taken to further expand the number of inbound charters from Eastern Europe. Leveraging on the long-standing partnership with a leading travel company in Russia, a total of 20 charter flights were secured from Russia for the winter season. During the winter of 2017/18 the Northern and Eastern Europe charter operation brought 15,841 passengers to the country and was a major step forward in improving the overall market share of the segment.

Cruise arrivals to the country handled by ASTL

50%

Meanwhile, the consistency in service and agility along with attractive pricing enabled the UK and Nordic charter operations to continue for the second successive year. Successful negotiations with TUI UK and Nordic charter operators helped secure a charter operation over a period of six months between November 2017 and April 2018.

Following another strategic tie-up with TUI, the world's largest integrated tourism company, a further 13 charter flights were secured from Poland in time for winter 2017/18 season.

The strong emphasis on growing the cruise business, enabled the segment to handled more than 50% of the cruise arrivals in 2017/18.

Other notable developments included the launch of "Cuurate", a new unit equipped with a dedicated website and specialized team to tap into the high-end luxury travel segment as the demand for luxury travel remains strong.

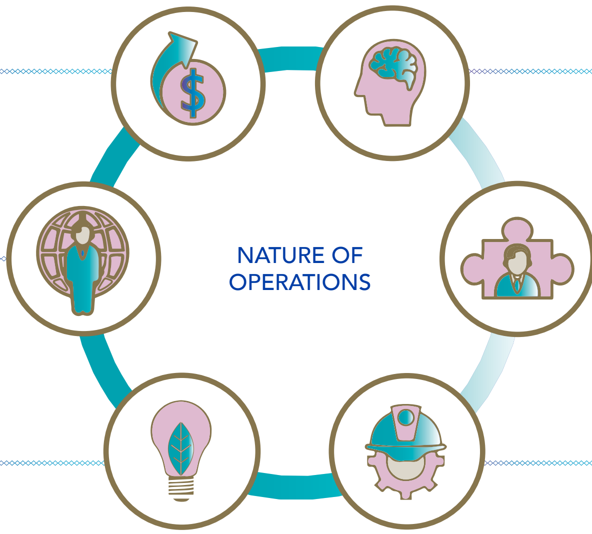
Hand-in-hand with these efforts to boost volumes, system and process enhancements were also expedited in order to improve the service model. Steps taken to enhance IT systems saw the integration of the 'Hotelbeds' reservations system directly with the 'Travel Assist' system. This process was extended to cover 'Excursions' as well where the TUI Asterix system was also integrated with the 'Travel Assist' system to improve response times and enhance overall efficiency.

Outlook

The key focus going forward would be to capitalize on the increase that is predicted to materialize in the coming years where the priority would be to grow volumes across all channels. This would mean strengthening ties with tour operators, charter partners as well as online bedbanks.

The key to sustaining the charter business would be to ensure that the operators continue to see value in coming to Sri Lanka, despite stiff competition from destinations in South and East Asia.

AIRLINE GSA



Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Long term partnership with global industry leaders and experts

Natural Capital
- Consumption of energy, water and other resources

Intellectual Capital
- Brand
- Knowledge and skills
- Management systems

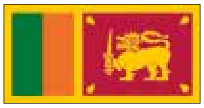
Human Capital
- Committed, dynamic workforce

Manufactured Capital
- Technology and operational systems

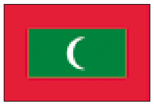
TYPES OF OPERATIONS

The General Sales Agent (GSA) in Sri Lanka for Singapore International Airlines (SIA) passenger and cargo segments. The GSA for Sri Lankan Airlines in the Maldives since 2011.

LOCATION OF OPERATIONS



Sri Lanka



Maldives

HIGHLIGHTS

Compliant

with SIA quality and sustainability standards

202,126

Passengers for the year through Sri Lankan Airlines - Maldives

KEY STAKEHOLDERS

Employees, Competitors, Customers, Regulators, Suppliers/ Service Providers

SUSTAINABILITY PRIORITIES

- Talent management
- Energy
- Water
- Solid waste
- Effluents
- Emissions
- Labour standards
- Occupational health and safety
- Compliance

Meanwhile efforts to develop online volumes would be centred on increasing the digital exposure on social media platforms to reach out to millennial travellers and also to tap into the niche market for experiential tourism.

AIRLINE GSA

Performance

Singapore International Airlines (SIA) GSA segment, had a good year compared to the past years with revenue up by 8.2%.

Revenue increase in Singapore Airlines GSA operations in Sri Lanka

8.2%

The strong results were attributed to a substantial increase in passenger numbers, with the average load factors for both the daytime and night-time operations consistently exceeding the previous year. This is a commendable achievement, even amidst the challenges arising as a result of the national carrier commencing operations to Melbourne during the latter part of last year, which led to some initial volume loss on the Colombo/Melbourne sector. The other key challenge facing the segment is the fierce competition caused by the growing number of international and regional carriers entering the market.

Encouraged by the high load factor reported for the year, SIA further increased its frequency of flights from Colombo. The addition of a new daytime flight with effect from 27th March 2018 increased the total flights per week out of Colombo to 11.

In contrast to the passenger segment, the performance of the cargo segment fell short of expectations particularly in the first six months of the year amidst the disturbing trend where cargo agents were seen bypassing regular airlines and directly negotiating with charter operators to move cargo to a number of key export destinations. A gradual rebound in the second half of the year, however, enabled the cargo segment to register an improved performance compared to the previous year.

Strategy

The strong performance reported by the passenger segment was the result of a multi-pronged strategy to drive volumes. With the leisure travel market becoming increasingly skewed towards western destinations as a result of the frequent and multiple promotions by the Gulf carriers, increased emphasis was placed on promoting SIA's strong network presence in the South East Asian and Trans Pacific regions to lock in numbers to these destinations.

Further, a widespread media campaign targeting the MICE / Group travel market was conducted highlighting the attractiveness of Sri Lanka as a group and




incentive travel destination. To further complement the effort, "SIA holidays" was re-introduced to the market, while a more competitive pricing structure was also rolled out through Silk Air.

Outlook

The increased frequency and capacity offered by SIA in Sri Lanka would provide the segment the opportunity to compete effectively using the airline's network connections throughout the world to increase the ex-Colombo passenger load factor.

The Free Trade Agreement signed between the Governments of Singapore and Sri Lanka recently is expected to generate higher cargo volumes in the years ahead thereby benefiting the cargo segment.

Ace Aviation Services Maldives

Performance

It was a good year for the Sri Lankan Airlines GSA operation in the Maldives. Maintaining a cabin factor of 65%, the segment reported a 25.3% increase in revenue along with an increase in profits compared to the previous year. Total ticket sales also increased by 9% year on year, led by higher sales numbers reported following the appointment of three new passenger sales agents in GAN Island Addu city, the second destination of Maldives, while the new sales office opened at the water front – jetty, in Male also contributed towards the increase.

Revenue increase in Sri Lankan Airlines GSA operations in the Maldives

25.3%

Outlook

Given the strong increase in numbers seen throughout the year, going forward the segment expects to open a new sales office in Hulu Male as well as other key Atolls. The GSA agreement with Sri Lankan Airlines was renewed in 2017 for a further period of 3 years.

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

SECTOR REVIEW

MARITIME AND LOGISTICS SECTOR

	2017/2018 Rs' 000	2016/2017 Rs' 000	%	2015/2016 Rs' 000
Revenue (with equity accounted investees and inter-segment)	10,356,853	9,612,944	8	8,039,586
Profit before tax	1,758,923	1,810,954	(3)	1,331,003
Profit after tax	1,376,820	1,435,396	(4)	1,041,841
Total taxes paid to Governments (Indirect and direct taxes)	630,136	653,550	(4)	495,135
Total assets	10,209,845	8,880,141	15	9,055,956
Total liabilities	4,400,504	3,670,963	20	3,814,904
Employee numbers	1,410	1,565	(10)	1,224
Number of TEUs moved in Fiji ports	171,190	167,018	2	141,013
Total supply chain fleet	254	252	1	249
Warehouse facilities (Sqft)	320,977	319,194	1	288,401
Annual student registration at CINEC	15,889	21,631	(27)	19,246

Overview

The Maritime and Logistics sector is the second largest sector of the Group in terms of profitability contributing 18.2% and 27.5% to the Group's revenue and net profit before tax.

The sector has multiple business lines which offers the full gamut of services in the maritime and logistics operations. The business of the sector is broadly categorized under three main segments; the integrated logistics, freight & courier segments and the maritime segment.

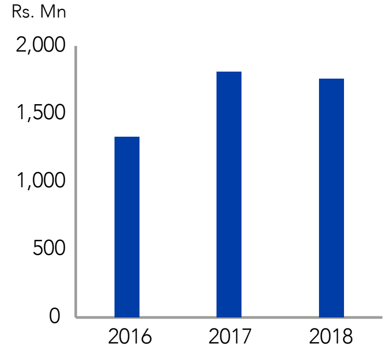
The Maritime and Logistics is a capital intensive sector and accounts for 9.5% of the Group's assets, including the inland container terminal (ICT) in Mabole, the container freight station (CFS) in Wattala, warehousing complex in Katunayake and Welisara.

The performance of the sector is driven by a number of key strategic partnerships such as the General Sales Agencies (GSA) for Qatar Airways Cargo and the Sri Lankan Airlines Cargo in the Maldives. The sector has partnered with leading ocean freight carriers in the world and is the agent for DB Schenker in Sri Lanka and Maldives one of the leading German supply chain and logistics management companies. The segment's express business is a partnership with DPD Group of France, the second largest international parcel delivery network in Europe.

The port management operation at present is involved in the management of the Suva and Lautoka ports in Fiji through Fiji Ports Terminals Ltd (FPTL) in which the Group has a 51% shareholding, and the management of the port of Nacala in Mozambique. The Group 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.

Profit Before Taxation

for the year ended 31st March

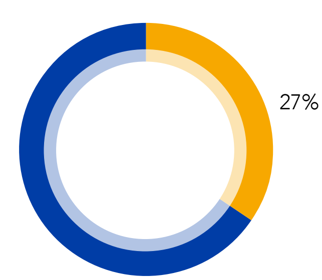


Operating Environment

After facing an exceptionally tough year in 2016, the fortunes of the global shipping industry were seen reversing slowly in 2017, with most shipping lines making profits on the back of higher global cargo volumes. According to industry sources, the global ocean freight cargo volumes grew by nearly 4% in 2017 as a result of sustained trade momentum led by a recovery in import demand from both advanced and emerging economies, and higher export volumes registered by most emerging economies.

Sector Contribution to Group Profit Before Tax

for the year ended 31st March 2018



The Port of Colombo saw an increase in volume throughput of 8.3% in 2017 as compared to 2016. Transshipment and import volumes for 2017 grew by 8.9% and 5.7% respectively while export volumes grew by 2.6% as compared to 2016. Significantly, volumes handled by the privately operated terminals SAGT and CICT grew by 10.9% and 19.3% respectively in 2017, while the SLPA operated JCT Terminal showed a decline of 4.3% compared to the previous year. Freight rates from Colombo were higher in 2017 compared to 2016.

The Mozambique economy grew by 4.3% in 2017 and the cargo volumes handled by the Port of Nacala also increased significantly compared to the previous year. The Fiji economy remained stable and the country achieved a GDP growth of 3.8% in 2017. The container throughput volumes and the general cargo volumes handled by the ports increased by 12.5% and 8.3% respectively during 2017.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Policy changes affecting industry prospects
Economic	» Limited investment in port infrastructure and facilities causing competitive challenges from other regional ports » High inflation leading to increased cost of material and labour
Social	» Negative social perceptions causing a shortage of skilled labour
Technological	» High cost of adoption needed to keep pace with technological advancements
Environmental	» Increased global awareness bringing pressure on compliance
Legal	» The directive by the Director General of Merchant Shipping to comply with the minimum recommended tariff for inland container terminal

The consolidation in the global shipping industry continued in 2017 bringing some degree of market stability. The merger of Hapag Lloyd and UASC was concluded in 2017, while the formal merger of the 3 Japanese lines also concluded within the year, paving the way for all three to operate under a single umbrella from April 2018.

As a result of these changes the makeup of the global shipping industry changed once again with the reduction in the number of major alliances to 3 from 5 in the previous year resulting in reduced industry competition. Owing to these developments freight rates rose compared to the previous year, while capacity also increased by 12%.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

» The reputation and the credibility of the Company and principals the sector represents

» Diversity of the operations as the sector provides the entire spectrum of the supply chain

» Professionalism and management expertise and the ability of retaining trained employees

» Expansion of the sector operations to different geographical locations

Weaknesses

» Risk of non renewal of agreements by principals

» Requirement to maintain high Aitken Spence standard in operations as opposed to competition and therefore increase in cost base

» Lower risk appetite compared to our competitors

Opportunities

» Potential for overseas expansions

» Expansion of global trade

» Regular inflow of transshipments from Bangladesh, Maldives and certain Asia Pacific origins to keep cargo volumes up through Colombo gateway

» Government focus on infrastructure development leading the way for higher cargo movement

Threats

» Low cost of entry in the freight forwarding business

» Port terminals offering free storage facilities for shipping lines

» Inconsistent government policy decisions and regulations

MARITIME AND LOGISTICS SECTOR

MARITIME

NATURE OF OPERATIONS

Financial Capital
- Economic opportunities from all other capitals

Intellectual Capital
- Brand strength
- Experience and expertise

Social & Relationships Capital
- Relationship with key stakeholders

Human Capital
- Committed, dynamic workforce

Natural Capital
- Use of energy, water and other resources

Manufactured Capital
- Technology and operational systems
- 51% stake in Fiji Ports Terminals Ltd.
- CINEC Maritime Campus

SUSTAINABILITY PRIORITIES

- Talent management
- Energy and Water
- Solid waste, effluents and emissions
- Labour standards
- Occupational health and safety
- Compliance

HIGHLIGHTS

126 Interns
Provided with on the job training on maritime education and skills

20%
Suppliers in Fiji screened on social and environmental concerns

4.4%
Revenue Increase

Over Rs. 2 Mn
Invested in sustainability processes

KEY STAKEHOLDERS

Employees, JV Partners/ Principals, Customers, Regulators, Suppliers/ Service providers

LOCATION OF OPERATIONS

Sri Lanka

Fiji

Mozambique

TARGETS

100%
Reach among employees about sustainability commitments such as OHS and emergency preparedness

Strive for 100%
Customer satisfaction through a high value experience

Zero
Solid waste to landfill

Youth empowerment
Through maritime educational and skills development

Meanwhile fuelled by the strong demand for manufacturing exports, the global airfreight industry recorded its best performance in seven years, as global cargo traffic grew 9% year-on-year in 2017, compared to only 3.6% in 2016. Worldwide air cargo capacity increased 3% in 2017, leading to a global freight load factor of 45.5%.

Performance

The strong demand for logistics services globally over the past few years has enabled the sector to increase its contribution to the Group's revenue. In the current financial year, the sector recorded a revenue of Rs 10.4 billion with a year on year growth of 7.7% although the net profit before tax declined marginally by 2.9% to Rs. 1.8 billion mainly due to the losses incurred in the courier and brokerage operations and the lower margins achieved in the freight forwarding and maritime education segments. The port management and integrated logistics segments had an exceptionally good year with an operational profit growth of 10.9% and 16.8% respectively. Operational performance in detail is further discussed in the segmental and financial capital sections of the report.

Maritime

Overview

The Maritime segment consists of three components; the shipping agency business, port operations and maritime education.

The shipping agency business provides import and export container handling services to some of the leading container carriers in the world, handling transshipment cargo, and the servicing of passenger cruise vessels, car carriers and casual callers.

The port management segment operates and manages the two main international ports in Fiji located at Suva and Lautoka under Fiji Ports Terminal Ltd, where the Group has a 51% shareholding. The Group also has a 20% equity stake in Fiji Ports Corporation Ltd (FPCL) who is the regulator of the ports sector in Fiji owning the infrastructure of all major ports in the country and offering navigation services in Fiji. The port management segment also has a contract for the management of cargo operations and equipment in the port of Nacala in Mozambique.

The maritime education segment consists of the Colombo International Nautical and Engineering College (CINEC) Campus, which specializes in fulfilling the training and education requirements of the maritime industry as well as in other fields of management. Located in Malabe, the CINEC Campus is Sri Lanka's largest private higher education institution. CINEC offers undergraduate, postgraduate, and doctoral degrees as well as vocational related courses in maritime-related disciplines and other areas such as engineering and management. CINEC also has branches in Colombo, Trincomalee and Jaffna. CINEC also manages the maritime academies in Fiji and Seychelles.

MARITIME AND LOGISTICS SECTOR

Business Review

Performance

The shipping agency business of the segment reported a 12% increase in volumes, marked by a significant increase in imports and transshipments. The joint venture partnership with Hapag Lloyd as well as strong ties with other leading international cargo carriers contributed significantly towards the increase. Transshipment volumes received a boost as a result of several new services being introduced in Asia by Hapag Lloyd following its merger with UASC. Meanwhile on the import front, the car carrier business increased significantly due to the higher demand for smaller vehicles following the reduction in Customs duties with effect from November 2017. Notably, the agency segment also handled a record number of passenger cruise vessels and causal callers in 2017. Increased volumes, supported by higher freight rates helped the shipping agency segment's revenue to grow by 19.0% year-on-year, with profits increasing by 33.5% year-on-year.

The performance of the port operations segment recorded growth during the year driven by higher volumes at all three port operations; Suva and Lautoka in Fiji and Nacala in Mozambique. Both Fiji ports reported strong results for the year, as improved operational efficiencies enabled the operator to handle higher container throughput and cargo volumes. Combined, volumes at both Fiji ports showed a 2.5% increase over the previous year, while total revenue and bottom line figures were up by 5.0% and 9.9% respectively, compared to the previous financial year. The Nacala port in Mozambique too showed an improved performance compared to the previous year.

The CINEC Campus witnessed a decline in student registrations for the year owing to practical delays in operationalising the cadet placement programme of the flagship maritime courses due to the slowdown in the global shipping industry as many carriers scaled back operations, making it difficult to secure adequate slots for cadet placements. The decline in the number of student registrations had a direct impact on the top and bottom line of the campus.

Strategy

The main thrust for the shipping agency business was to leverage on the improved prospects of the global shipping industry and encourage principals to increase transshipment volumes via Colombo. Taking advantage of the new services that have commenced operations within the region, the segment was able to load an increased volume of export cargo from Colombo. With the growing importance of the Indian Subcontinent region in the shipping industry, most shipping lines have opened regional offices in Mumbai so that quicker decision making, better focus and greater emphasis can be placed on the requirements of the ports in this region to increase volumes and coverage.

The port management segment focused primarily on strengthening core competencies in order to enhance throughput capacity at each location. Increased cargo volumes at the Fiji port required investments to be made in new container handling equipment to enhance the operational capacity, while special emphasis on efficiency improvements saw the roll out of the ISO 9001-2015 certification process together with new protocols to strengthen safety standards. This was accompanied by extensive training to improve efficiency and productivity of the workforce.

Increase in profit before tax in the maritime segment

9.5%

In Mozambique, following the renewal of the existing port management contract, discussions are being held with the Ports Authority to provide expertise to manage the newly built container terminal in Nacala.

The main priority in the Maritime education segment, was to ensure that the CINEC campus was able to obtain adequate onboard cadet placements for its students. This issue is being gradually resolved following the revival of the global shipping industry. The segment's activities received a further boost during the financial year following the permission granted by the University Grants Commission (UGC) to conduct its own degree programmes under the approval of UGC. This resulted in the CINEC launching several new degree courses in various disciplines, while a new post-graduate maritime degree programme was also introduced to strengthen the segments' dominance in Sri Lanka's maritime education sphere.

Outlook

The prospects for the maritime segment in the coming year appear robust, given the positive medium-term growth outlook for the global shipping industry. The industry growth prospects present a window of opportunity for the segment to expand both the shipping agency business as well as port operations as new markets open up in the global competitive sphere.

The focus of the shipping agency business would be to consolidate its competitive position in the sub-continent by attracting more transshipment volumes via Colombo, while the key thrust in the port management operation would be to expand the operational footprint in the South Pacific as well as in Africa.

Logistics

Overview

Aitken Spence Logistics, a leading integrated logistics service provider in Sri Lanka offers specialized services in inland container terminal services, container repair, rigging and container conversions, container freight stations, warehousing, 3PL/4PL logistics management, mobile storage solutions, distribution services and the handling of all types and sizes of cargo including containerized, heavy or over dimensional. The segment lays claim to a number of strategically located cargo storage complexes with a total floor area exceeding 300,000 sqft, located in Colombo, Wattala, Mabole and Katunayake Zone with a modern fleet of equipment and cargo handling machinery. These resources provide the segment with the capacity and capability to deliver professional and comprehensive logistics solutions tailor made to customer requirements enabling it to be a one- stop- shop solution to the customer for all their logistics requirements.

Business Review

Performance

Given the mixed performance of the various sub segments, the integrated logistics segment recorded a marginal increase in its revenue compared to the previous year but was able to achieve a 23.9% improvement in its profitability driven by improved performances in special operations, distribution services, mobile storage solutions and storage activities.

Despite the increased competitive pressure exerted from port terminals offering free storage to shipping lines, the performance of the Inland Container Terminal (ICT) operations remained in line with the previous year. The segment's ICT operations remain the market leader due to its pioneering efforts, commitment to ongoing infrastructure upgrade and reputation for service excellence.

Similarly, the segment was able to maintain the profitability of its Container Freight Station (CFS) operation amidst stiff competition faced during the year, with the segment's market share remaining unchanged at approximately 60%.

The repair and rigging segment experienced a difficult year, with the profitability of the segment declining as a result of lower rates being offered to shipping lines in order to maintain the segment's competitiveness in the market. Lately the prospects of the repair business have been challenged by the emergence of China as a low cost service provider in Asia.

The segment experienced a decline in its transportation business volumes as a result of lower vehicle utilizations due to the dearth of skilled drivers and assistants. Nonetheless the segment managed to table a positive growth in its profitability, despite the increased competitive pressure from the influx of small-scale low cost operators in the market.

Challenged by the overcapacity in the market, the performance of the warehouse segment fell short of expectations. In contrast, the special operations sub segment recorded an exceptional performance for the year under review, by capitalizing on the current infrastructure boom in the country. Notable performances were also reported by both the distribution services segment and the mobile storage solutions.

The segment was able to maintain the profitability of its Container Freight Station (CFS) operation amidst stiff competition faced during the year, with the segment's market share remaining unchanged at approximately 60%.

Strategy

Strengthening the captive market share was the main focus of the ICT segment, prompting aggressive efforts to broaden the customer base. At the CFS the emphasis was on capacity enhancement, which saw five brand new prime movers being added to the fleet, while re-fleeting of aged machinery continued as part of the ongoing capacity upgrades at both the ICT and the CFS. Yard development activities at the CFS were also completed during the year with the entire development costing over Rs. 300 million which includes the additions to the transport fleet.

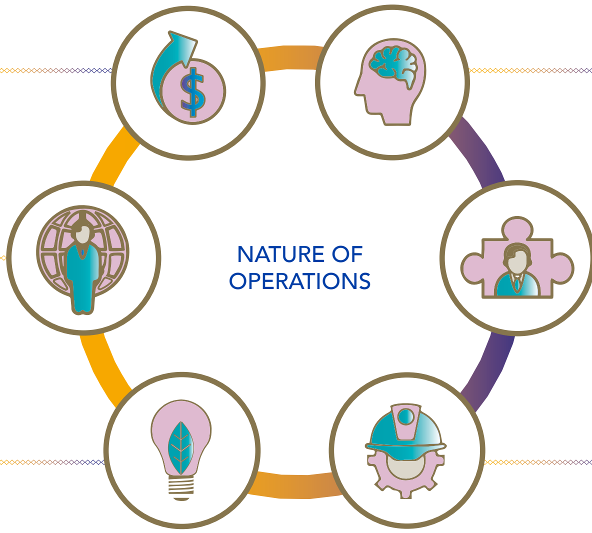
Meanwhile to manage the impact on the business arising due to the competitive pressures emerging from China, increased focus on business lines such as cabin conversions were introduced as a strategy to drive revenues in the container repair sub segment. The main priority for the transport business was to counter the issues surrounding the acute labour shortage of skilled drivers and assistants. The current remuneration policy for the drivers and the assistants was revised, and a more comprehensive structure was implemented to attract the necessary cadre.

Focused on tapping into the current construction boom, the special operations sub segment commissioned a 10 MT boom truck to boost project cargo logistics capabilities.

The warehousing operation pursued a scale optimization strategy to gain a competitive leverage in the market, adding a further 18,000 square feet of warehouse space to its portfolio and investing in an Oracle Enterprise Asset Management module to

MARITIME AND LOGISTICS SECTOR

LOGISTICS



Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Relationship with key stakeholders

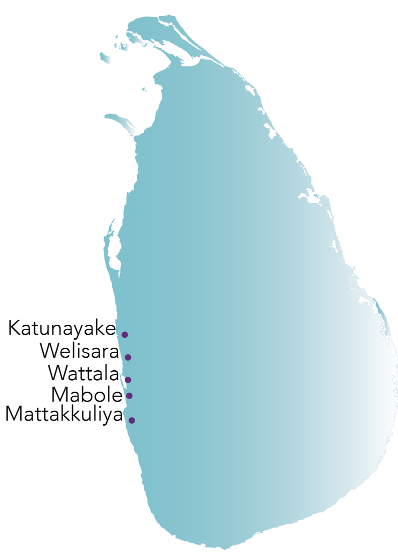
Natural Capital
- Use of energy, water and other resources
- Renewable energy
- Treated waste water

Intellectual Capital
- Brand strength
- Experience and expertise in project management, integrated logistics solutions

Human Capital
- Socially inclusive, dynamic workforce

Manufactured Capital
- Warehouse capacity of 320,977 sqft
- Fleet of vehicles
- Depot/ Yard
- Container Freight Station
- Mobile storage solutions
- Repairing and rigging facilities

LOCATION OF OPERATIONS



HIGHLIGHTS

686 GJ
Energy generated from solar energy

5,184 m^3
Waste water recycled and improvements identified to improve efficiency

Over 72 tonnes
and more than 1300 units of waste kept away from landfill

23.9%
PBT Increase

KEY STAKEHOLDERS

Employees, Competitors, Customers, Regulators, Suppliers/ Service Providers

SUSTAINABILITY PRIORITIES

- Talent management
- Energy and water
- Solid waste, effluents, and emissions
- Labour standards
- Occupational health and safety
- Compliance

TARGETS

Increase
Direct energy consumption from solar energy

100%
Reuse or safe disposal of waste water

Zero
Solid waste to landfill

Strive for 100%
Customer satisfaction through a high value experience

integrate the maintenance, procurement and inventory control processes across all warehouse operations. Efforts to improve efficiency of the distribution model were spearheaded by the installation of GPS tracking equipment for the fleet of vehicles. Seeking to increase market share, the mobile storage solutions segment adopted a market diversification strategy to drive organic growth, along with targeted software investments to enhance downstream capacity and strengthen competitive positioning.

Outlook

The directive issued for the first time by the Director General of Merchant Shipping to comply with the minimum recommended tariff for inland container terminals augurs well for the future performance of the segment. This would provide a leverage for the segment to commence negotiations with the shipping lines to bring in stability to the rates offered which has continuously been declining in the past. Further the reinstatement of the GSP+ concessions along with the removal of import tariffs on over 6,000 products will propel the growth of containerized cargo in the coming years.

Global expansion will also feature heavily in the segment's future plans, with negotiations underway to invest in a container freight station and transportation facility in South Africa during the forthcoming financial year.

Freight Forwarding, Courier and Airline GSA (Cargo)

Overview

The gamut of operations covered by the segment include air and sea freight operations in Sri Lanka, Maldives and Bangladesh, custom house agencies (brokerage), Airline Cargo GSA representation and courier /express business. The segment also represents DB Schenker, one of the leading global logistics solution providers in Sri Lanka and in the Maldives. The segment in courier and express also represents DPD Group and DTDC Express in Sri Lanka and Maldives and provides the clientele with state-of-the-art express delivery solutions. The segment represents the cargo GSA for Qatar airways in Sri Lanka and the cargo GSA for Sri Lankan Airlines in Maldives and Myanmar, and are the managing agents for cargo GSA for Sri Lankan Airlines in Bangladesh.

Business Review

Performance

The Freight segment experienced mixed fortunes with DB Schenker operation and the airline – cargo General Sales Agency (GSA) business reporting a strong growth for the year whilst the local freight and courier operation contributing negatively to the performance of the segment. Although there was a top-line growth, the segment reported a loss for the year due to the negative performance of the courier/ express division.

DB Schenker operation which operates independently, performed exceptionally well with network support to record a 46.6% growth in profit from operations. This operation which provides all freight and local brokerage services handles many networks nominated accounts and ensures that the local customers are given a high-end service.

The local air freight operation challenged by limited network nominations struggled to meet regular volume targets for the period but managed to conclude the year with an overall volume increase of 24% year-on-year. The volume increase was mainly due to the result of an increase in transshipments from Bangladesh in the third and the fourth quarter of the year. Local ocean freight volumes recorded an appreciable growth of 12% year-on-year, enabling the freight division to report a 30.4% increase in the revenue compared to the previous year. The brokerage business faced challenges in maintaining margins due to low cost operators penetrating the market in the first half of the year. The division recovered in the third and fourth quarter with rationalization of costs and review of low yield accounts but reported a loss for the year. The division is in the process of further re-engineering the operations to turnaround its operations.

The Qatar Airways GSA for Cargo carried an average of over 2,400 MT per month increasing its market share to 23% in-terms of cargo exports. The growth in volumes was primarily due to the reinstatement of GSP+ concessions on apparel exports as well as the lifting of the ban on fish exports by the European Union. The Qatar Cargo GSA, which performed excellently throughout the year despite intense competition, ended the year with a year on year profit from operations of 52.7%. The airline GSA operations in Bangladesh managed by the segment performed well in 2017/18 with a 90% cabin factor for passenger and a 97% load factor for cargo. While the high demand helped to maintain a healthy yield on the Dhaka – Colombo sector for the first nine months of the year, downgrading of aircraft by the carrier and the discontinuation of the freighter on this route had an adverse impact on fourth quarter results. The Sri Lankan airlines cargo GSA operation in the Maldives also performed well but faced a severe setback following the withdrawal of European flights by the Airline. The decision to discontinue flights to Europe saw competitors swiftly moving in to tap into the country's export sector to secure the large volume of fish heading to Europe. A steady increase in volumes and a notable improvement in margins was seen in the Maldives freight sub-segment following the establishment of two regular shipping trade lanes from Malaysia and Singapore to the Maldives. Transshipment of chilled fish via Colombo to Europe using synergies achieved in conjunction with the GSA's handled by the segment also helped to maintain a healthy yield for the Maldives operation.

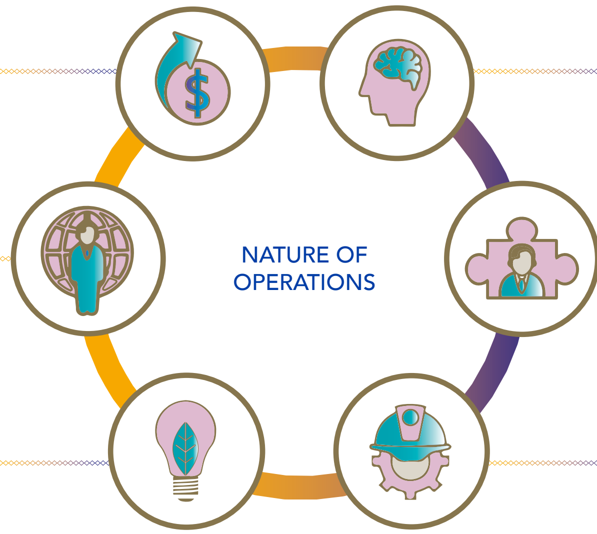
MARITIME AND LOGISTICS SECTOR

FREIGHT FORWARDING, COURIER AND AIRLINE GSA (CARGO)

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Relationship with key stakeholders

Natural Capital
- Use of energy, water and other resources



Intellectual Capital
- Brand strength
- Experience and expertise

Human Capital
- Committed, dynamic workforce

Manufactured Capital
- Technology and operational systems

SERVICE PORTFOLIO

- Customer clearing services
- Express courier business
- Air and sea freight logistics services
- Representing international logistics solution service providers in Sri Lanka, Bangladesh and the Maldives
- General Sales Agents (GSAs) for Qatar Airways Cargo and Sri Lankan Airlines Cargo in the Maldives, Bangladesh and Myanmar

HIGHLIGHTS

ISO 14001: 2015 for environment and ISO 9001: 2015 for quality management

Certified

Over 290 Kg

Packaging material reused and prevented from reaching landfill

14.1%

Revenue Increase

KEY STAKEHOLDERS

Employees, Competitors, Customers, Regulators, Suppliers/ Service Providers

SUSTAINABILITY PRIORITIES

- Talent management
- Energy and Water
- Solid waste and emissions
- Labour standards
- Occupational health and safety
- Compliance

TARGETS

100%
Reach within workforce and the supply chain on the company's sustainability commitments

Strive for 100%
customer satisfaction through a high value experience

Zero
solid waste to landfill

The margins of the Bangladesh freight operation were adversely affected due to the rate increase implemented by the airlines and shipping lines due to the congestion at the airport and the port. As a result, nominated freight accounts suffered due to the inability to change rates on long-term contracts.

With the change over from TNT to a new agency, the express courier business representing DPD Group and DTDC Express in Sri Lanka and Maldives had the first full year of operation. The courier business experienced a substantial drop in volumes both locally and in the Maldives as they were faced with the challenge of introducing a new brand to the market with a different service offering and network capabilities to the previous agency. The division which had excess resources after the changeover, is in the process of re aligning its costs and operations to the current volumes.

Strategy

The main strategic focus for the year under review was to strengthen core competencies to create fit-for-purpose business models capable of responding to market dynamics.

In local freight a critical review of operations was followed by efforts to rationalize the customer portfolio based on profitability and risk exposure. The objective of the exercise was to improve scalability vis-à-vis a more sustainable customer portfolio. The strategy for the Bangladesh freight operation remained the same, while in the Maldives the focus was to drive transshipment volumes of chilled fish to Europe via Colombo using synergies with the GSA's handled by the segment. Moves to further strengthen the freight segment's regional footprint saw a new operation being set up through a joint venture in Myanmar in December 2017.

In the Qatar airways cargo GSA operation, the main priority was to strike a balance between the commodity mix and the destination mix to boost revenue and yields. Stemming from this, the key strategic thrust for the year was to enhance transshipment cargo volumes to key European destinations by leveraging on strategic partnerships with freight companies and other reputed agents.

Remodelling of the Customs House Agency (CHA) operation was aimed at rationalizing the cost structure to boost competitive positioning in the market. Most notably, the strategy included the investment in new operational software aimed at improving downstream efficiency ultimately leading to faster turnaround times and a stronger customer service model.

The express business began working on rescaling its operations to improve the alignment between cost structures and current volumes.

Outlook

Going forward, the focus would be to offer total logistics solutions, combining air and sea freight, customs handling and last mile delivery. This would mean consolidating the regional freight presence and strengthening ties with strategic partners, while right sizing the brokerage and express businesses to optimize synergies to enable the creation of a distinctive integrated logistics value proposition.

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

STRATEGIC INVESTMENTS SECTOR

	2017/2018	2016/2017	%	2015/2016
	Rs' 000	Rs' 000		Rs' 000
Revenue (with equity accounted investees and inter-segment)	18,602,213	17,532,552	6	5,305,610
Profit before tax	1,278,396	1,112,803	15	(494,654)
Profit after tax	1,246,866	1,039,880	20	(510,148)
Total taxes paid to Governments (Indirect and direct taxes)	402,933	374,843	7	189,157
Total assets	29,483,972	24,613,100	20	19,314,505
Total liabilities	16,765,172	15,615,839	7	11,907,940
Employee numbers	8,120	8,176	(1)	8,193
Area Cultivated (Ha)				
Tea	2,296	2,400	(4)	2,436
Rubber	1,028	1,244	(17)	1,335
Palm Oil	1,767	1,578	12	1,447
Sundry	1,122	1,032	9	1,022
Total area cultivated	6,213	6,254		6,240
Power generated (MW)				
Thermal	511,681	511,290	0	6,329
Hydro	11,801	9,835	20	11,539
Wind	3,662	4,258	(14)	3,260
Solar energy	19	-		-
Garments manufactured (Number Pieces)	4,165,634	3,902,895	7	3,670,691

Overview

The Strategic Investments sector demonstrates the Aitken Spence commitment to seize opportunities in fast-growing sectors of the economy. The sector comprises of four main segments; power generation, plantations, printing and packaging and apparel manufacturing.

The power generation segment marks its presence in both renewable and non-renewable categories and one of the largest private sector contributors to the national electricity grid. The plantations segment with interests in tea, rubber, oil palm and hydro and solar-based renewable energy and provides direct employment to over 5,000 people and supports the larger estate community as well.

The printing and packaging segment is ranked among the top printers in the country and is also renowned in the industry for its pioneering efforts towards integration of sustainability processes across its across the value chain.

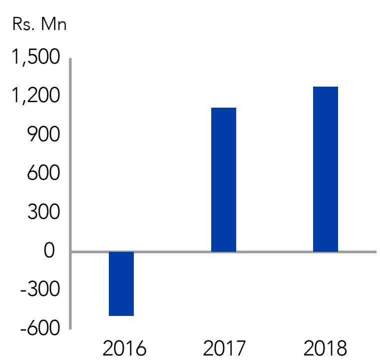
The apparel manufacturing operation is the fourth segment under the strategic investments, with factories in Mathugma and Koggala and a collective workforce of over 2,000 employees.

The total asset base of the Strategic Investments sector as at end of the financial year was Rs. 29.5 billion and the sector accounts for 27.4% of the total assets of the Group. The total borrowings in the sector as at the year end stood at Rs 8.8 billion.

During the year under review the revenue contribution to the Group by the sector was Rs 18.6 billion an increase of 6.1% over the previous year. The sector contributed 20.0% of the Group profit before tax recording an increase of 14.9% over the previous year. The growth in profits was mainly due to the excellent contribution

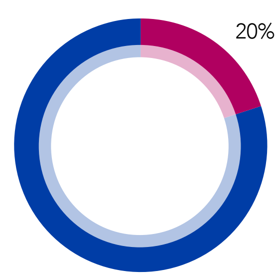
Profit Before Taxation

for the year ended 31st March



Sector Contribution to Group Profit Before Tax

for the year ended 31st March 2018



from the power generation segment and the contribution made from plantations which is accounted as an equity accounted investee and the recovery of the apparel manufacturing segment.

The strategic investments sector is the highest employment generator of the Group with a total workforce of 8,120 and the sector also accounts for the largest land bank within the Group.

Power Generation

Overview

The Group's power generation segment consists 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), which 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, a 2.5 MW hydro power plant and Ace Wind Power with a further 3 MW capacity also contributing to the national grid.

Operating Context

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» The Government policy towards encouraging independent power producers to take part in power generation is not clearly stated.
Economical	» Expected growth in demand for electricity is expected to be 6% per year. This will have to result in adding more generation capacity to the national grid. » Upfront taxes and levies on imported power plant equipment will result in higher capital expenditure for new power plants resulting in increasing cost of electricity generation.
Social	» Due to scarcity of land and high density of population, finding land for constructing power plants is a social challenge.
Technological	» New technologies help generate power with a minimal emission. » Such new technologies are expensive resulting in high electricity cost
Environmental	» Environmental standards for power plants are stringent and meeting such standards will result in increasing operation and maintenance (O&M) costs.
Legal	» The legal framework is an impediment for private sector participation for power generation over 25 MW installed capacity.

According to the statistics released by the Public Utilities Commission of Sri Lanka (PUCSL), at the end of the year 2016, 239 grid-connected power plants were operated in Sri Lanka, with a total installed capacity of 3,887 MW. The Ceylon Electricity Board (CEB) which owns and operates 17 hydro, 9 thermal and a single wind power plant has the largest generation capacity while a further 5 thermal power plants are owned and operated by Independent Power Producers (IPPs). Another 207 renewable power plants including mini hydro, solar, wind power and biomass power plants, are owned and operated by Small Power Producers (SPPs). IPP's and SPP's are mainly private sector operators.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- Domain expertise as one of the leading Independent power producers
- Capacity for investment and procuring external financing
- Long standing relationships with world renowned Engineering, Procurement and Construction (EPC) contractors

Weaknesses

- High cost of finance for future projects

Opportunities

- Investment opportunities in the region
- Growing demand for renewable energy sources

Threats

- Inconsistent Government policy towards Independent Power Producers and off-take agreements
- Impact of climate change on hydro and wind power

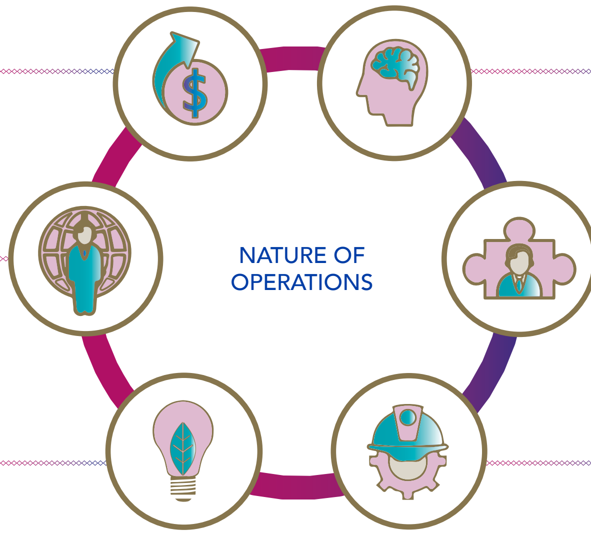
STRATEGIC INVESTMENTS SECTOR

POWER GENERATION

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Sustainable supply chain
- Relationship with key stakeholders

Natural Capital
- Use of energy, water and other resources
- Facilities that conserve natural ecosystems



Intellectual Capital
- Brand strength
- Skills, experience and expertise
- Management systems

Human Capital
- Committed, dynamic workforce

Manufactured Capital
- Power plants
- Equipment

TYPES OF OPERATIONS

The Group's power generation segment consists mainly of Ace Power Embilipitiya, Branford Hydro Power, Ace Wind Power and the recently approved Western Power Co. Ltd.

LOCATION OF OPERATIONS

HIGHLIGHTS

44 TJ
Clean energy produced

Over 670 tonnes
of waste safely disposed

700 tonnes/day
Of waste to be kept away from landfill through the proposed waste to energy project

2.6%
Revenue Increase

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Regulators

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health & safety
- Labour standards
- Process control
- Energy, water and biodiversity
- Emissions, effluents and solid waste
- Compliance

TARGETS

- Increase the green energy component of the country's energy profile
- **100%** safe disposal of effluents and solid waste
- **Zero** solid waste to landfill
- Safe workplace for all employees

The private sector contribution to Sri Lanka's power sector is facilitated through licenses issued by the government and operationalised through Power Purchase Agreements (PPA's) that ensure guaranteed buy back by the CEB.

In the past two years, the CEB has been steadily increasing the power purchased through PPA's, mainly to counteract the shortage in hydropower caused by the effects of prolonged drought conditions. As per PUCSL data, IPP thermal and renewable sources now contribute approximately 15% and 9% respectively, to the country's power generation mix.

POWER CAPACITY

100 MW
Ace Power Embilipitiya thermal power plant

3 MW
Ace Wind Power plant

2.5 MW
Branford Hydro Power plant

10 MW
Proposed Western Power waste to energy project

Business Review

Performance

The Group's power generation segment represents one of the largest IPP's present in the country. During the financial year 2017/18 the segment registered a strong performance with both the revenue and the profit reporting year-on-year growth bolstered by the higher utilization of the facility due to the lower hydro power generation in the country during this period. Following the renewal of the PPA for a second consecutive year, the segment's 100 MW thermal power plant at Embilipitiya remained in operation throughout the year.

The mini-hydro power plant located at Matale, remains heavily dependent on the water released by the Mahaweli Authority to feed the Suduganga. Its power generation peaked during the first nine months of 2017/18, due to the steady release of water by the authorities. Although the generation dropped in the final quarter amidst lower volumes being released by the authorities during January – March 2018, the overall results for 2017/18 showed a 16.8% increase in the power generated compared to the previous year, resulting in a revenue and profit growth of 16.7% and 116.9%.

The performance of the wind power operation fell short of expectations for the year due to the failure of the South West Monsoon, and the power generated during the year under review declined by 14.0% compared to the previous year which resulted in a decline in revenue and profit.

Strategy

The main strategic thrust of the sector remains the maximization of the energy dispatched to the national grid, prompting stringent application of operations and maintenance procedures to ensure equipment at all power plants operate at optimal levels of efficiency throughout the year. As part of a broad-based diversification strategy, the sector embarked on a landmark project in the country's waste to energy sphere. Seen as a vital and much needed solution for the waste disposal crisis within Colombo city limits, the proposed project involves the construction of a 10MW waste-to-energy plant at Muthurajawela. The plant will be fuelled by waste collected from the Colombo Municipal Area, which was previously dumped in Meethotamulla.

The plant is equipped to convert between 600 – 800 metric tonnes of municipal solid waste daily to electricity. Estimated to cost Rs. 13 billion on completion, the project is funded through a combination of equity and term loan funding. The construction work on the project commenced following the ground-breaking ceremony held in August 2017 with the participation of H.E. the President.

Outlook

Due to the authorities indicating no clear plan for IPP's, the future of thermal power generation opportunities in the country remain uncertain.

However, to build a more sustainable platform for growth, the sector focus would be centred on developing renewable energy sources. The new waste-to-energy project which is due to commence commercial operations in 2019, provides the emphasis for the medium-term to develop a strong renewable energy business model that would continue to deliver consistent results in the years ahead.

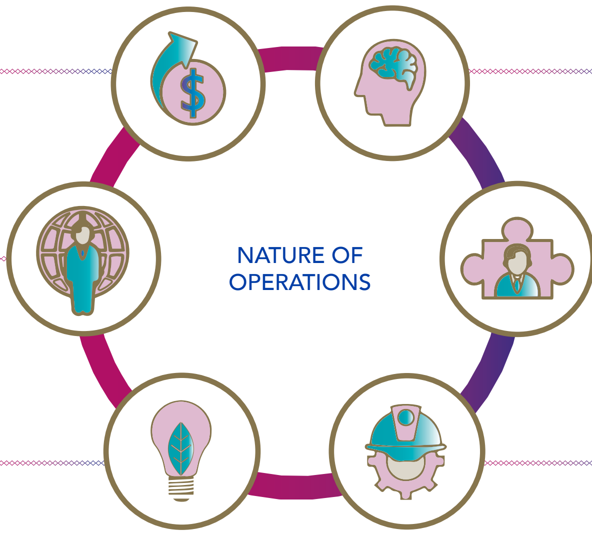
STRATEGIC INVESTMENTS SECTOR

PLANTATIONS

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Relationship with key stakeholders
- Sustainable supply chain

Natural Capital
- Estates that conserve natural ecosystems
- Use of energy, water and other resources



Intellectual Capital
- Brand strength
- Skills, experience and expertise
- Management systems

Human Capital
- Socially inclusive, dynamic workforce

Manufactured Capital
- Factories
- Equipment

TYPES OF OPERATIONS

The plantation segment consists of Elpitiya Plantations PLC which operates 13 estates in the up, mid and low country regions spanning over 8,000 ha of land

LOCATION OF OPERATIONS

HIGHLIGHTS

25%
Of all factories fixed with solar panels with the remaining 75% to be completed in the short to medium term

188,209 GJ
Energy generated through renewable energy sources

36
Differently abled children of workers being supported for inclusive development

Rs. 172 Mn
Funds channeled for sustainable environmental and social value creation

19.6%
Revenue Increase

KEY STAKEHOLDERS

Employees, Shareholders, JV Partners, Customers, Regulators, Suppliers/ Service providers

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health & safety
- Labour standards
- Food safety and process control
- Energy, water and biodiversity
- Emissions, effluents and solid waste
- Community development
- Compliance
- Climate change adaptation

DESIGN 2020 STRATEGY

The umbrella strategy being developed to elevate the business.
Pilot projects have been launched at Dunsinane and Talgaswella estates.

Economic Value Creation

- Use GIS applications to increase productive use of land
- Field and land mechanization to fill the shortage of skilled workers in the industry
- Investment in improving manufactured capital (e.g. boiler installation at New Peacock replacing a machine of 8% to 11% efficiency with 80% efficiency for fuel switching)

Leadership Value Creation

- Core teams being educated for out of the box thinking to elevate the business
- Studies to be carried out at plantations to enable socially inclusive development strategies
- Focus on skills development across the workforce

Social Value creation

- Improve literacy among the aged population within the plantation community
- Wage hike to be facilitated in 2018/19
- Continue to develop Child Development Centres, worker housing and other infrastructure to improve quality of life for workers (E.g. over 1,000 housing units developed over the years)

TARGETS

To be self-sufficient in energy use through investments in green energy

Irrigate 25%
Of the tea/ oil palm cultivated landscape and implement rainwater harvesting schemes

50%
Cultivated land area to be converted to compost within the next 2 years

Safe workplace for all employees

Plantations

Overview

The plantations segment consists of Elpitiya Plantations PLC (EPP) which is an equity accounted investee of the Group. EPP operates thirteen estates located in the up, mid and low country regions. The segment engages in the cultivation, manufacture, and marketing of black tea, rubber, oil palm and other crops including commercial forestry (timber). In order to reduce the dependency on the core products the segment continues to diversify into other related business activities and has ventured into hydropower, oil palm milling, eco tourism, and production of specialty teas.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Political decisions affecting the highly-unionised environment. » Sensitivity to government policy decisions such as the removal of Government subsidies and the ban had on Glyphosate. » Sensitivity to the political instability of the buying countries such as Russia and the Middle-East.
Economical	» Increase in interest rates. » High inflation leading to higher cost of production.
Social	» Low literacy level among estate communities leading to a resistance to accept new technologies. » Migration of the younger generation away from the plantation sector causing a severe labour shortage.
Technological	» Geographical barriers towards the introduction of technology
Environmental	» Impact of climate change.
Legal	» Managing changes in collective bargaining agreements. » Changes in tax policy affecting the profitability of the segment

STRATEGIC INVESTMENTS SECTOR

PLANTATIONS

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- Widely spread lands and crops in all three geographical elevations in the country
- Well trained labour force, staff and executives with a good mix of both experienced and young energetic personnel
- Diversification into successful forward integration projects

Weaknesses

- High labour intensive segment and aging workforce
- Politically influenced labour union

Opportunities

- Crop diversification to reduce the dependence on the traditional crops
- Exploit the natural resources which have not yet been tapped
- Cultivation of larger extents of timber and fuel wood for future

Threats

- Global warming and climate change
- Political influence on the sector
- Migration of labour force to other alternative industries

Operating environment

Tea

Sri Lanka's tea industry reached a significant milestone in 2017. Celebrating 150 years, Ceylon Tea has received widespread global acclaim for its consistent and unmatched quality. Acclaiming this achievement, the local tea industry, which has been under severe stress for the past two years, rebounded strongly in 2017 on the back of stronger demand and higher prices. The shortfall in global tea production due to lower supply from the African region and the revival of the Russian economy, all contributed towards higher demand for Ceylon tea, which in turn raised the prices at the Colombo auctions. Although the export volumes remained unchanged from the previous year, export earnings rose significantly due to the higher prices, which enabled the tea industry to regain its position as one of Sri Lanka's highest foreign exchange earner.

However, the industry did face its share of challenges, key among them was the ban on glyphosate, a weedicide that was widely used in this country. Due to this, the tea industry already beset by labour shortages had to incur additional cost to carry out manual weeding. Further the erratic weather patterns and the labour shortage led to higher cost of production.

Rubber

The country's rubber industry remained under stress due to the low global demand, which resulted in a steady decline in prices at the Colombo auctions. Affected by bad weather the country's rubber production fell for the third consecutive year. Export earnings from rubber declined yet again while cost of production continued to rise with yields affected by bad weather and the ban on Glyphosate, adding to the pressure on local rubber manufacturers.

Oil Palm

The oil palm industry had a good year with steady growth due to the stable prices as a result of the Government duty structure on imported palm oil resulting in stable prices in the domestic market. The stable prices resulted in the industry recording excellent results during the year. The oil palm industry was also negatively affected by the ban on Glyphosate which increased the operational cost of maintaining the plantation.

Energy

Over the years, the plantation company with an aim of diversifying using its natural resources ventured into mini hydro power generation plants which have been contributing positively towards the performance of the segment. However, the segment saw a shift in focus this year from hydro power generation, with the authorities discouraging investments in hydropower and promoting other renewable energy sources such as solar power. Action by authorities in this regard was led by the Surya Bala Sangramaya', launched in November 2017, indicating the government's intention to add 100MW of solar power capacity to the national grid.

Business Review

Performance

The tea segment reported strong results in the year under review. Both the top-line and the bottom line showed a year-on-year improvement, bolstered by higher prices at the Colombo auction. The segments' Net Sale Average (NSA) for bulk exports was significantly higher in 2017/18 recording a 18.6% increase over the previous year. The segment also reported a strong increase

Taking the first steps towards introducing precision agriculture, investments were made in a new digital drone support mechanism. The first phase of this project to create a digitized map of Nayapane estate in order to facilitate optimum fertilizer application was completed by February 2018

in the direct export of value-added teas, spearheaded by aggressive efforts to deepen the penetration into the Chinese market in partnership with a joint venture partner in China. Cost of production however remained high due to challenges arising as a result of the Glyphosate ban, inherent labour shortages and adverse weather. Commendably however there was an increase of 2.0% in tea crop in 2017/18 compared to the previous year despite lower yields in the low country region, where persistent adverse weather conditions had a negative impact on traditional harvesting patterns.

The rubber segment suffered another disappointing year, as subdued global demand for rubber failed to command higher prices at the Colombo auctions. Crops too declined significantly affected by bad weather during the peak tapping seasons. On a positive note however efforts by the segment to increase direct exports succeeded in generating a 7% increase in export revenue of sole crepe.

The oil palm segment continued to grow steadily throughout the year under review led by a year-on-year increase of 11.1% in crop volumes. The crop's top-line and bottom line tabled a robust performance assisted by greater price stability in the domestic market attributed to the government decision to continue with the existing duty structure to restrict the import of oil palm.

Strategy

In the tea segment the strategic focus for the year was centred on reducing cost of production through a concerted effort to increase the yield-per-hectare, which saw the introduction of mechanised pruning, plucking machines and heavy duty clearing equipment. Taking the first steps towards introducing precision agriculture, investments were made in a new digital drone support mechanism. The first phase of this project to create a digitized map of Nayapane estate in order to facilitate optimum fertilizer application was completed by February 2018, paving the way to begin the testing of drone-controlled aerial spraying.

There was also a renewed emphasis on good agricultural practices such as soil enrichment, rainwater harvesting, shade planting etc. as part of the ongoing effort to mitigate the effects of climate change on annual yields. New water management techniques discovered at the learning farm in Dambulla were also implemented.

In parallel, the factory mechanization plan was expedited, with major investments being made to commission a new energy efficient boiler at the New Peacock Estate and to set up a monorail conveyor system to automate the movement of tea leaf to the lofts at the Nayapane factory and install a CFU (Continuous Fermenting Unit) to automate the rolling process at Dunsinane estate.

In the rubber segment, efficiency improvement is the only possible way to reduce the pressure on the bottom line, prompting further expansion of the early tapping model to accelerate tapper intakes and thereby improve productivity at all plantations. The crop diversification programme to replant unviable rubber lands also gathered momentum during the year.

In the oil palm segment, the priority was to strengthen core competencies. Continuing with the programme to expand the geographical spread of oil palm under cultivation, a further 145 hectares of new extent was cultivated in 2017/18 alongside efforts to experiment with new pest and heat resistant, high yielding seed varieties.

Meanwhile, the increased focus on solar energy prompted the energy segment to increase the investments in the solar energy sphere. Leveraging on the government's Suriya Bala Sangramaya programme, two roof top solar power projects were commissioned during the year at an investment of approx. Rs. 28 million, with confirmed contracts signed for another two solar projects.

Outlook

Moving forward, efficiency improvement will remain the main strategic thrust for tea, rubber and oil palm, with specific focus on automated harvesting and production techniques.

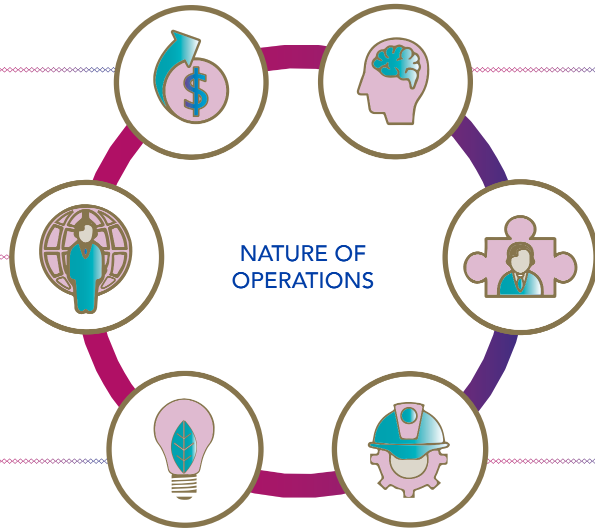
In the tea segment, added emphasis would be placed on expanding the investment in digital technology and precision agriculture to upstream activities to increase efficiency and productivity and thereby reduce the high dependency on labour.

In oil palm a scientific approach would be considered to ensure nutrient management coupled with soil and water conservation techniques aimed at optimizing yields and improving productivity.

Crop diversification would also continue to be pursued as part of the long-term strategy to build a more sustainable growth model for the future.

STRATEGIC INVESTMENTS SECTOR

PRINTING & PACKAGING



Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Sustainable supply chain
- Relationship with key stakeholders

Natural Capital
- Use of energy, water and other resources
- Harvested rainwater

Intellectual Capital
- Brand
- Skills, experience and expertise
- Management systems

Human Capital
- Committed, dynamic workforce
- Socially inclusive network of suppliers and service providers

Manufactured Capital
- 1st Carbon neutral, green printing facility in South Asia
- State of the art equipment

TYPES OF OPERATIONS

The Group's printing segment comprising of Aitken Spence Printing & Packaging (Pvt) Ltd. and Ace Exports (Pvt) Ltd. has over 60 years of experience in the industry.

LOCATION OF OPERATIONS

HIGHLIGHTS

CO_2

The printing facility in Mawaramandiya has been carbon neutral since inception

1,302 t CO2e

Emissions offset

1,609 tonnes

Waste resources kept away from landfill by channeling resources to recycling service providers or being sold for reuse

100%

Employees reached about the sustainability commitments of the SBU through ongoing capacity building programmes

4,762 t CO2e

Emissions offset to-date

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Regulators

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health & safety
- Labour standards
- Process control
- Quality
- Energy, water
- Emissions, effluents and solid waste
- Compliance

Printing and Packaging

Overview

The printing and packaging segment of Aitken Spence represented by Aitken Spence Printing & Packaging (Pvt) Ltd., and Ace Exports (Pvt) Ltd., is one of the country's leading printers, with a portfolio of products that include packaging, books and magazine publications, tags and labels, and seasonal products, using both offset and digital printing technologies. The segment's value proposition of providing innovative printing solutions with short lead-times with a focus on high quality has enabled the segment to secure a sustainable growth model for over 60 years.

Operating Context

The printing business in Sri Lanka remains highly competitive, characterized by a few large companies operating alongside numerous smaller players who cater to an extremely cost conscious market.

The prospects of the industry depend on the fortunes of several key sectors of the economy as the products primarily consist of packaging and labels for consumer items in both export and domestic segments. The scope and scale of the printing industry has grown considerably over the years, in direct correlation to the country's growth trajectory. The demand from the FMCG sector has seen a rapid growth with the rise in the disposable income of the population as manufacturers of consumer items have introduced innovative packaging for both brand building and product differentiation purposes.

The printing industry plays an important role in the promotion of the country's key exports; tea and apparels. Although bulk tea accounts for a majority of Sri Lanka's tea exports, with the increase in value addition to tea, the rising global demand for tea bags and specialty teas have driven the growth for world-class printing and packaging solutions. Over the years, the printing industry's contribution to

The segment's value proposition of providing innovative printing solutions with short lead-times with a focus on high quality has enabled the segment to secure a sustainable growth model for over 60 years.

the garments export sector has become invaluable with the local manufacturers competing on a global scale by becoming value added suppliers to popular retailers in developed countries. Not only do the packaging for export garments need to conform to international quality standards, but also the raw materials used are required to be in compliance with the environmental standards adhered to by the global brands.

Having witnessed a period of rapid growth in the recent past, the printing industry encountered a challenging period in the financial year under consideration due to the slowing down of the economy. Moreover, adverse weather conditions for the second consecutive year not only affected the agriculture sector but appeared to have a cascading effect on reducing the overall consumer buying power of the masses, in turn prompting businesses, especially in the FMCG sector to scale back on their operations, which had a bearing on the demand for printed products.

To compound the woes, the industry continues to face high raw material costs. With nearly 100% of the raw material sourced from overseas, the industry remains saddled with high duty levies and added pressure caused by the weakening Sri Lankan Rupee.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Inconsistent tax structure and policy instability resulting in fluctuations in customer demand
Economical	» Weak Rupee leading to higher raw material costs. During this financial year, a significant increase on raw material costs was experienced due to the increase in the world pulp prices by 25%-30% per metric ton. This created a significant pressure on the printing segment to seek price revisions from customers » China, one of the main suppliers of raw materials imposed strict slabs on environmental pollution that lead to most of the medium scale mills closing down their operations. This affected the demand for raw materials where a sudden shortfall was experienced in the market, that boosted the material prices
Social	» Invest in social compliance and align processes accordingly
Technological	» Risk of shifting conventional offset to the new value-added technology
Environmental	» Invest in environmental compliance and align processes accordingly
Legal	» Changes on minimum wage regulations leading to higher wage bills

STRATEGIC INVESTMENTS SECTOR

PRINTING & PACKAGING

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

» Brand reputation built on quality of output, timely delivery and superior service.

» Sri Lanka's only green printing facility.

» High capacity and efficiency due to modern technology.

» Management expertise.

Weaknesses

» High interest rates and exposure to foreign currency borrowings.

» Non-exposure to flexible packaging and gravio diversifications.

Opportunities

» Multinational corporations seeking long term outsource partners.

» Global trend shifting towards carbon-neutral, green printing options.

» Opportunities for regional expansions.

» Increasing demand for value added printing and packaging.

» Investing in flexible packaging.

Threats

» Sri Lanka's high duty rates on imported materials compared to other regional economies.

» Heightened competition from the region.

» Fast paced technological advances in equipment.

» Relatively low entry cost of the industry.

Business Review

Despite the challenges, the segment maintained its reputation as one of the highest quality suppliers of printed products throughout the year. Efficiency and productivity remained high ensuring that deliveries were completed on schedule.

Performance

In a challenging year for the printing and packaging segment, the business experienced a degree of volume loss from its main captive markets, in particular the FMCG and tobacco industries as the manufacturers faced reduced demands for their products in a flagging economy. Although the tea industry volumes registered increases and the demand from the apparel industry also showed growth while experiencing an intense competition, it did not compensate for the revenue loss from FMCG and tobacco industries resulting in a decline of 4.2% in revenue for the segment.

The segment's bottom line was affected due to the drop in revenue as well as the increase in operational and financial costs. Changes to the cost structure were mainly due to higher raw material costs and interest expenses. The FOB price of paper pulp, which had remained relatively stable for many years, rose significantly in 2017, further exacerbated by import duty levies and a weakening of the rupee, leading to substantial price increases of the key raw material of the industry. High interest expenses and the exchange loss incurred on Euro borrowings were the other main components responsible for the increase in costs.

Despite the challenges, the segment maintained its reputation as one of the highest quality suppliers of printed products throughout the year. Efficiency and productivity remained high ensuring that deliveries were completed on schedule.

Strategy

The main strategic thrust for the year was to build resilience for the future. Specific management initiatives undertaken to enhance efficiency and productivity included upgrading the ERP software (Shuttleworth) to focus on production planning, event management and quick estimation modules. A new chain of custody procedure was also put in place to strengthen compliance with the Forest Stewardship Council requirements, while the layout of the post manufacturing process was re-evaluated to enhance the quality and reduce cycle time.

CERTIFICATIONS MAINTAINED BY THE SBU

ISO 14001 Environment

Aitken Spence Printing & Packaging has recertified their environmental management system in line with the ISO 14001: 2015 system standard

ISO 9001 Quality

The printing facility is also certified for quality management in line with the ISO 9001:2015 system standard

OHSAS 18001 OHS

In line with the sustainability priorities of the SBU the facility is also OHSAS 18001:2007 certified.

The facility maintains an integrated management system for environment, quality and occupational health and safety.

TARGETS

100% emissions from the operation to be offset

100% safe disposal of waste water

Zero solid waste to landfill

Maintain leadership in the industry as one of the Top Ranked Printers and the Most Sustainable Printing Facility in the region

Pursuing its strategy to negotiate long-term partnerships, the segment took a proactive stance to leverage on its high-quality value proposition to capture low-volume and high value-driven niche markets. Measures taken in this regard helped the segment to secure the printing accounts with a number of leading global apparel brands. This was followed by major investments to enhance the service capacity including the purchase of the Heidelberg XL 75 Machine with extensive configuration options for the most demanding requirements in commercial, label and packaging.

In its efforts to capitalize on the growth in tea exports, the segment invested in a new carton box sample machine: Kongsberg, to expand the capabilities in value added box making. Using digital plotter technology, the machine is able to produce a customer sample within a few hours whereas previously the samples were requiring 3-4 days to complete. Further, investments were also made in a carton-breaking machine, aimed at increasing the speed of the work flow.

A Konica Minolta Accurio Press C6100 was installed for better colour consistency and printing variety, enabling the sector to increase its reach in the niche market for high end books, annual reports, catalogues and similar products.

Meanwhile a series of targeted cost containment strategies were also deployed to relieve the pressure on the bottom line. Key among them was the agreement with one of the leading ink suppliers in the country, to establish an in-house "Ink Kitchen" facility to recalibrate inks.

Outlook

Given the current operating context, the medium-term outlook for the printing segment appears stable, particularly with the tea and apparel industries expected to hit their growth stride in the year ahead. Consequently, the printing and packaging segment would strive to align its future expansion plans based on market and product development strategies in order to increase market share in these industries, while also looking to make inroads into direct export markets.

To diversify the business and as a long-term strategy, the printing segment will look to pursue acquisitions or suitable partnerships to establish a regional presence enabling access to the broader South Asian market.

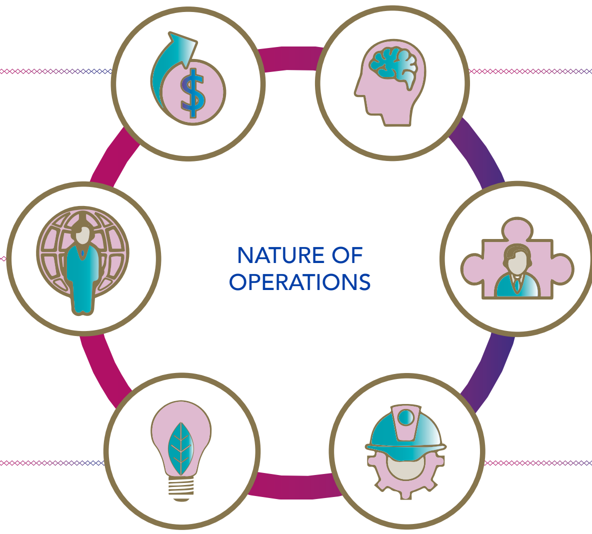
STRATEGIC INVESTMENTS SECTOR

APPAREL MANUFACTURING

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Sustainable supply chain
- Relationship with key stakeholders

Natural Capital
- Use of energy, water and other resources



Intellectual Capital
- Brand
- Skills, experience and expertise
- Management systems

Human Capital
- Socially inclusive workforce

Manufactured Capital
- Manufacturing facilities
- Equipment

TYPES OF OPERATIONS

The apparel manufacturing segment consists of 2 factories specializing in the manufacture of men's and children's garments for global apparel giants in the US and UK.

LOCATION OF OPERATIONS

HIGHLIGHTS

100%
Employees trained on first-aid and fire safety

113 tonnes
Waste resources kept away from landfill by channelling resources to recycling service providers or being sold for reuse

100%
Employees reached about the sustainability commitments of the SBU through ongoing capacity building programmes

22.4%
Revenue Increase

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Regulators

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health & safety
- Labour standards
- Process control
- Quality
- Energy, water
- Emissions, effluents and solid waste
- Compliance

CERTIFICATIONS MAINTAINED BY THE SBU

Awarded by the Employers Federation of Ceylon, the Compliance+ certification obtained by Aitken Spence Garments Ltd. is proof of exemplary standards in employment practices

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. Aitken Spence Garments (Mathugama) and Aitken Spence Apparels (Koggala) manufacturing facilities are Platinum certified for compliance with WRAP.

TARGETS

Improve efficiency of energy use

100% safe disposal of waste water

Zero solid waste to landfill

Safe workplace for all employees

Expand market presence

Apparel Manufacture

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 reputation 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.

Operating environment

Sri Lanka's apparel industry is a key contributor to the country's economy. Offering direct employment to over 300,000 employees and creating opportunities for a further 600,000 indirect employees. The apparel industry has been growing steadily over the past four decades, despite certain challenges from time to time. Among the most notable constraints in the recent past, was the temporary suspension of the Generalized System of Preferences or GSP+ System by the EU in August 2010, which had a bearing on Sri Lanka's apparel exports to the region. However, a reversal of the decision in May 2017 restored the GSP + status to the country, once again enabling Sri Lankan exporters to enjoy preferential tariff or concessionary rates to EU states. Following the move, a slow but steady increase in orders was seen coming through from the EU states leading to a 3% increase in the country's apparel exports compared to the previous year. Export earnings for 2017 reported a slight increase of 3% to USD 4.74 billion from USD 4.60 billion in the year before.

The USA remained as the Sri Lanka's main market for the year 2017 accounting for over 45% of the country's total export earnings from the apparel sector. Export earnings to the USA amounted to USD 2.14 billion in 2017, up by 28% from USD 1.67 billion in 2016.

Country	USD Bn.
USA	2. 14
UK	0.80
Italy	0.43
Belgium	0.21
Germany	0.20
Canada	0.10
Netherlands	0.10
France	0.07
Australia	0.06
China	0.06
Others	0.56

STRATEGIC INVESTMENTS SECTOR

APPAREL MANUFACTURING

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Exchange rate fluctuations that affect the long-term stability of the industry.
Economical	» Higher interest rates and high cost of labour resulting in high fixed overheads, and in turn affecting global competitiveness.
Social	» Social perceptions regarding females in apparel workforce had been a common negative factor. However, there is an improvement in this perspective
Technological	» The need for new technology to keep pace with global trends and overcome the issues surrounding labour shortage
Environmental	» Environment is a concern in the industry and there is an improvement in regulations and compliance.
Legal	» There hasn't been significant change in legal environment. Key impact areas are labour, health, environment and safety.

During the past forty years, Sri Lanka's apparel industry has been recognised as a critical link in the global apparel supply chain, mainly as a result of the higher value proposition offered by the industry against its competitors. Retaining this competitive advantage has become increasingly difficult amidst rising cost of production and the labour shortages within the country. There have been proposals to automate the manufacturing process of the apparel sector as a solution to the problem.

Business Review

Performance

The Group's apparel manufacturing segment recorded a satisfactory performance for the year under review from an operational perspective as renewed efforts to broaden the customer base led to a 6.7% increase in volumes over the previous year.

Revenue for the financial year 2017/18 was up by 22.4% over the figure reported in 2016/17, although the segments' bottom line remained a negative for the second consecutive year. However with a strong emphasis on cost containment and efficiency improvement, the segment was able to record an operational profit and reduce the net loss by 90.1%. Amongst a number of initiatives that were carried out during the year to improve the operational performance were improvements on the fabric consumption and enhancements made on production planning leading to better performance. The improved operational performance during this year signals a possible turnaround in the forthcoming year.

Strategy

The main focus for the year was to build a broader customer portfolio in order to reduce the stress on the order book caused by the over-dependence on a single buyer.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- Specialisation in manufacturing garments for a niche market of the customer base
- Well trained and long service workforce
- Strategic location of manufacturing plants
- Main buyers being well known global clothing brands

Weaknesses

- High reliance on a few buyers
- Over dependence on raw material suppliers with long lead times
- Increasing cost of labour and the availability of alternate employment in other industries and foreign employment opportunities
- Relatively low bargaining strength vis-à-vis buyers due to limited production capacity

Opportunities

- Customers placing higher value on socially responsible and compliant vendors
- Sri Lanka being reinstated with GSP+ status
- Development of upcoming local designers

Threats

- Intensifying competition from low cost apparel manufacturing countries
- Migration of skilled workers in search of better prospects overseas
- Rising labour cost

Successful negotiations in this regard helped secure a number of new contracts, which were also operationalised within the year.

In order to support this market diversification strategy, investments were made to enhance the segments' design capabilities, with a new design team being recruited and assigned to work with potential customers to develop new concepts more in tune with buyer's specifications.

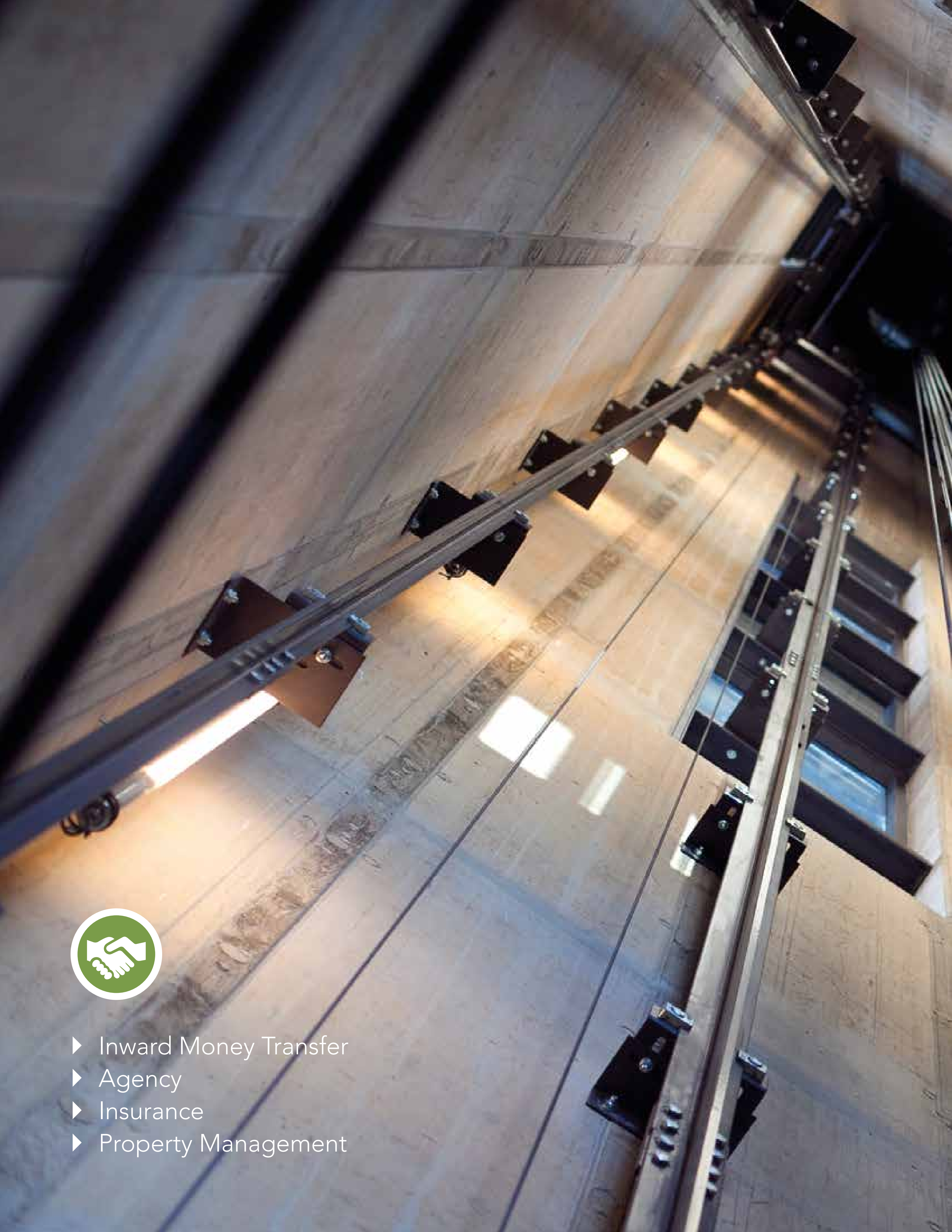
As part of the ongoing efficiency improvement programme, a dedicated industrial engineering team was recruited and tasked with the adoption of best practices for the achievement of manufacturing excellence. Moreover, to encourage the workforce to commit towards increased efficiency and productivity, a six-step positive reinforcement programme was rolled out to all factory employees, starting with a physical and mental well-being programme.

Outlook

With all signs pointing to strong growth potential for the country's apparel sector in the years ahead, the main priority for the segment would be to improve its competitive positioning in order to source new buyers. To achieve the desired results efforts would focus on three key areas; achieving manufacturing excellence in order to generate a significant reduction in the cost per minute (CPM); improve design capabilities to attract new buyers and secure the well-being of the workforce to ensure a sustainable framework for business growth.

Increase in volumes in the apparel manufacturing segment

6.7%



- Inward Money Transfer
- Agency
- Insurance
- Property Management

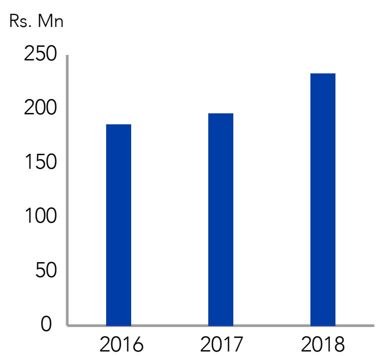
SERVICES SECTOR

	2017/2018 Rs' 000	2016/2017 Rs' 000	%	2015/2016 Rs' 000
Revenue (with equity accounted investees and inter-segment)	1,901,522	1,621,149	17	1,114,312
Profit before tax	233,365	196,349	19	186,107
Profit after tax	147,329	117,673	25	124,141
Total taxes paid to Governments (Indirect and direct taxes)	190,442	177,864	7	161,057
Total assets	4,062,292	3,330,551	22	3,127,619
Total liabilities	1,599,134	980,019	63	824,823
Employee numbers	283	354	(20)	328

Overview

The Group's Services sector is geared to offer specialised support towards the achievement of the country's economic growth objectives. The sectors' elevator segment, a collaboration with OTIS, the world's leading elevator manufacturer, has become a crucial component in the local construction industry value chain. The Insurance segment as the agents for the prestigious Lloyds of London, provide mandatory marine cargo insurance survey service for the country's export sector. As an authorized agents for Western Union money transfer services, the money transfer segment serves as a key artery in facilitating the smooth flow of foreign currency coming into the country by way of migrant worker remittances.

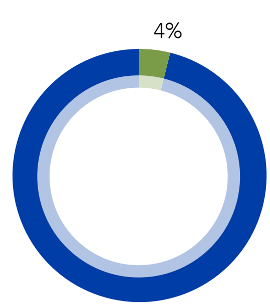
Profit Before Taxation
for the year ended 31st March



The elevators segment of the Group is the sole distributor for OTIS elevators and escalators in Sri Lanka and the Maldives and has enjoyed this accreditation for the past twenty-eight years.

All businesses operate on a relatively low manufactured capital model with the sectors' assets accounting for only 3.8% of the Group assets. However swift action to pursue opportunities for growth within their immediate operating environment has enabled all businesses to grow and consequently increase the sector's share of the contribution to Group revenue over the past few years.

Sector Contribution to Group Profit Before Tax
for the year ended 31st March 2018



Elevators

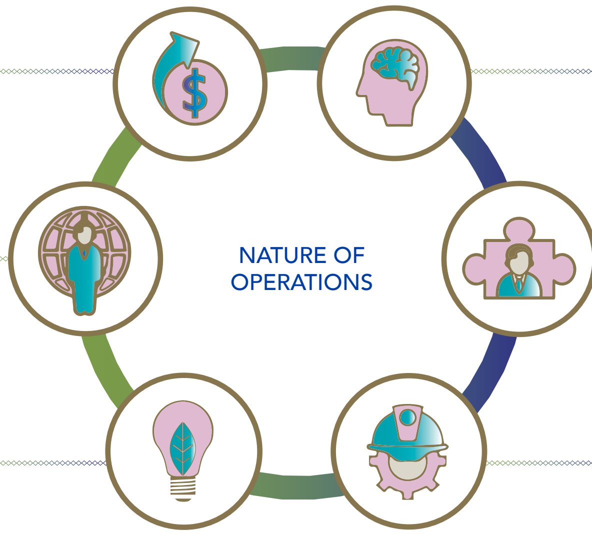
Overview

The elevators segment of the Group is the sole distributor for OTIS elevators and escalators in Sri Lanka and the Maldives and has enjoyed this accreditation for the past twenty-eight years. The representation of this world-renowned brand with its unprecedented track record of high quality products and safety standards coupled with the technical know-how and the dedication for superior customer service of the elevators segment of Aitken Spence has enabled the segment to secure its place as a reliable and competent service provider in the industry. With this reputation, the segment has been successful in benefiting immensely from the boom in the infrastructure industry witnessed in the country in the recent past.

Operating Context

The construction industry has been a major beneficiary of Sri Lanka's economic growth for the past decade or so. On an accelerated growth trajectory since the conclusion of the war in 2009, the

ELEVATORS



Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Long term partnership with global industry leaders and experts
- Exemplary relationship with key stakeholders

Natural Capital
- Consumption of energy and other resources

Intellectual Capital
- Brand
- Knowledge, skills and expertise
- Management systems

Human Capital
- Committed, dynamic workforce

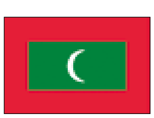
Manufactured Capital
- Technology and operational systems
- Equipment

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health and safety
- Labour standards
- Quality
- Compliance
- Energy and water
- Solid waste and emissions

LOCATION OF OPERATIONS

Sri Lanka



Maldives

HIGHLIGHTS

100%

Staff members educated on occupational health and safety through training, reports distributed and "Tool Box Talk" sessions

1,345 tonnes

and 40 units of waste resources kept away from landfill by being sold for reuse or being channeled for recycling

35%

OTIS volume based market share as at 31st march 2018

30.3%

Revenue Increase

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Competitors

TARGETS

- Safety first within all operations and sites
- Expand market presence

construction industry has been a pivotal contributor towards the country's GDP.

In recent years, the massive demand for housing as well as government incentives for new housing projects have fuelled a rapid growth in high-rise housing structures, in turn driving the demand for construction materials and heavy-duty building equipment such as elevators.

In the face of heightened demand in recent years, the local elevator market traditionally dominated by a few established brands now also consists of a multitude of lesser-known brands. Despite these competitive pressures, the reputed brands such as OTIS continue to maintain their stronghold in the market, thanks to their long-standing reputation and unmatched safety record.

Performance

It was an outstanding year for the Group's elevator segment, with total revenue recording a 30.3% year-on-year growth. Sales of OTIS elevators, registered a strong performance, with the order book growing by an impressive 39% in Sri Lanka and 136% in Maldives compared to the previous

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Government focus on infrastructure and industrial developments leading to many high-rise buildings in the country » Increasing in foreign direct investments in residential, hotels, mixed developments projects in the country through the creation of the proper investment climate by the Government. » Government intervention in bringing foreign aid to develop infrastructure, industrial zones, mega cities etc.
Economical	» Exchange fluctuation, high competition with low cost products » Tax concessions for special projects, construction industry related material
Social	» Change in people's life style of preferring condominium living. » Social awareness/expectations in life style options related to construction industry. » Social acceptance for higher education in construction industry related professions.
Technological	» Advanced equipment with economical, with high speed and capacity. » Growth in construction industry related technology, equipment, courses, etc. » OTIS elevators equipped with technology that offer higher levels of safety, speed, quality, reliability and energy-savings
Environmental	» Climate changes affecting construction completeness and agreed timelines » 'Green' OTIS Elevators with energy efficient technology. » Use of sustainable methodologies in elevator installation and maintenance and disposal of waste such as lesser use of oils, lubricants, energy, etc.
Legal	» Regulations and laws applicable for high rise buildings » Governing bodies to regulate companies, products, methods & workers

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- OTIS brand image and the backing given by the principal for business development
- Installations across the country that are being efficiently maintained and serviced
- Advanced technology enabling a more compact elevator system which offers architects and designers greater flexibility in building designs

Weaknesses

- High finance cost
- Lack of skilled manpower

Opportunities

- Expansion of business opportunities that would arise with the development of the Colombo Port City project
- The need for environmental friendly solutions to support green constructions
- The entry of top international hotel chains and property development companies to Sri Lanka

Threats

- The volatility of the Rupee against major international currencies
- Highly competitive price driven market

year. Notably the highest-ever number of confirmed orders for OTIS elevators was also recorded in the current financial year. These numbers helped boost OTIS's volume-base market share to 35% as at March 2018 from 22% a year ago and 10% at the end of 2016.

The effect of the increase in new equipment sales, was felt in the maintenance and installation business as well, where a year-on-year increase of 46.5% in revenue was reported.

However, despite the increase in the order book and the growth in revenue in maintenance and installation business, profits declined by 8.3%. This was due to higher operational costs and other factors such as the delays in completing certain large projects owing to uncontrollable factors, affected the cash flows which in-turn negatively impacted the profitability of the segment.

Strategy

The underlying priorities for the business remain unchanged from the previous year, namely to grow the sale of new equipment, strengthen the service proposition and improve margins generated from all ancillary business lines.

Renewed efforts to grow new equipment sales saw additional resources being allocated to focus on managing large accounts and to gain inroads into the future construction projects.

In a move aimed at improving service response times, new software was rolled out to better understand customer service requirements, track call backs and record customer feedback as the first step towards digitization of the business. This move gives OTIS an edge in the market as the first Sri Lankan elevator service provider to implement an online service portal.

To keep pace with the growing number of installations in provinces across Sri Lanka and in the Maldives, resident sales engineers were appointed to Jaffna, Kandy and Malé. These representatives will handle the servicing and maintenance needs of clients in these areas.

Meanwhile efforts to further widen the business scope saw the launch of a new product line to undertake the installation and maintenance of air-conditioners for large scale property development projects.

Increase in revenue in maintenance and installation

46.5%

Outlook

With the expansion of the country's infrastructure development programme, including the ambitious plan for the development of the Colombo Port city and the growing number of residential high-risers, the demand for commercial elevators is set to grow exponentially in the coming years. The outlook for the elevator business therefore remains positive for the foreseeable future. In order to fully benefit from these prospects, the segment would be taking efforts to further enhance its market share while ensuring that strict cost containment and cash flow management strategies are implemented in order to grow the future profitability.

Money Transfer Services

Overview

MMBL Money Transfer (Pvt) Ltd., (MMBL) is the largest principal agent in Sri Lanka for Western Union money transfer services, a partnership that has thrived since its establishment in 1995. MMBL operates branches across the country to provide fast, reliable, and convenient service with the sub-agency network expanded to 2000 plus locations during the year, including banks, financial institutions and retail outlets.

Operating Context

According to CBSL data the inward remittance market for calendar year 2017 declined by 7% year-on-year, with a particularly sharp drop observed in the last quarter of the year

With over 60% of the inward remittances originating from the Middle East, the geopolitical uncertainty in the region was seen as the main reason for the decline. Further the stricter regulations put in place by the Sri Lanka Bureau of Foreign Employment (SLBFE) on female workers has also lowered worker migration rates in recent years, which is now beginning to have a cascading effect on the volume of inward remittances to the country.

From a serviceability angle, the inward remittance sector is dominated by the major commercial banks in Sri Lanka who not only have their own proprietary money transfer services but also act as agents for many other competitor products.

Moreover, having invested heavily to establish a strong physical presence in key corridors especially in the Middle East, most banks are at an advantage in their ability to directly tap into key source markets. Approximately 80% of the inward remittance market is through direct bank transfers whilst the remaining approximately 20% is the cash to cash market operated by money transfer services such as Western Union.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Uncertain political climate in the global markets can play a negative role for the industry. Anti- immigrant sentiments in European countries will also impact negatively
Economical	» Economic recession or slowdown in the Middle East also has a negative impact on the business
Social	» The social awareness of the legitimate money transfer business will positively impact the business.
Technological	» Mobile applications and ease of transaction technologies will have a positive effect on the industry
Environmental	» Adverse weather conditions in a region of the sender or receiver
Legal	» Changes in exchange control laws and enhanced worldwide anti money laundering action will impact positively.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- The largest and most wide spread retail network of over 2,000 distribution agents in Sri Lanka
- Strategic presence and activities in selected market corridors
- The principal Western Union Global network, being the largest and the most recognized global network in the world

Weaknesses

- Limitations in competing with the formal banking segment
- Limitations in working exclusively with one principal

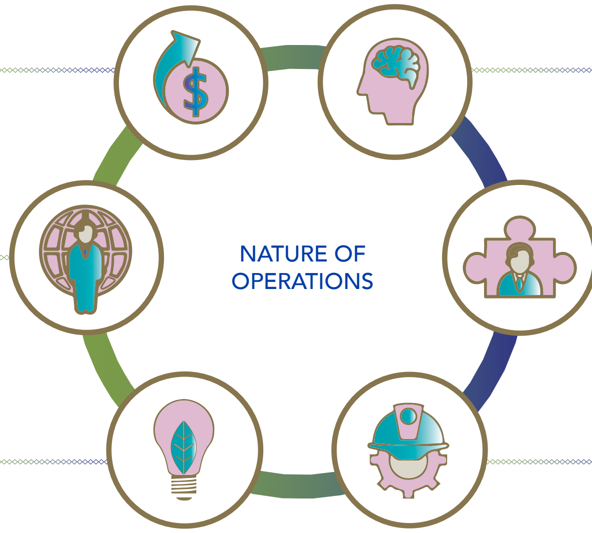
Opportunities

- Growing population of skilled migrant workers with higher earnings
- Emergence of new labour markets for Sri Lankan migrant workers
- Innovation of new direct to bank cash transfer solutions

Threats

- Low entry barriers resulting in increased number of players in the market
- Competition posed by established banks with wide networks of branches
- Political uncertainties in key source markets of the Middle East
- Overall decline in inward remittances to Sri Lanka due to a variety of global factors

MONEY TRANSFER SERVICES



Financial Capital
- Economic opportunities from all other capitals
- Access to capital and financial literacy for local communities

Social & Relationships Capital
- Long term partnership with global industry leaders and experts
- Exemplary relationship with principals and agents

Natural Capital
- Consumption of energy, water and other resources

Intellectual Capital
- Brand
- Knowledge, skills and expertise
- Management systems
- Island-wide reach

Human Capital
- Committed, dynamic workforce
- Network of Business Development Officers

Manufactured Capital
- Technology and operational systems
- Over 600 retail outlets

SUSTAINABILITY PRIORITIES

- Talent management
- Occupational health and safety
- Quality
- Compliance
- Energy and water
- Solid waste and emissions

HIGHLIGHTS

Over 2,000

Sub-agents from local communities cascaded across the country

Over 1,000

Community members trained on financial literacy with Rs. 0.7 Mn funds channeled

65%

Share of the Western Union business in Sri Lanka

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Regulators, Business Development Officers, Competitors

TARGETS

- Increase financial literacy among migrant worker community
- Expand market presence

LOCATION OF OPERATIONS

Sri Lanka

SERVICES SECTOR

MONEY TRANSFER SERVICES

Meanwhile to increase the segment's product portfolio, the direct-to-bank service was activated in January 2017 which took momentum in the current period. This service allows MMBL to tap in to the 80% of the inward remittance market in Sri Lanka.

Performance

As an authorized agent for Western Union in Sri Lanka, the Group's money transfer services business has a commanding 65% share of the Western Union business in Sri Lanka.

While the money transfer business reported an approximately 5.0% year-on-year reduction in transaction numbers for 2017/18 in direct correlation to the drop in inward remittances, no noticeable impact was felt on the market share. However, the segment's total revenue rose by 10.3% compared to the previous year and 2.6% ahead of target for the year due to various internal and external factors. However, profitability took a dip due to lower gains on foreign exchange recorded by the company.

Strategy

Challenged by declining inward remittances, activities for the year were aimed at strengthening the cash-to-cash service proposition, with a strong focus on distribution and customer convenience. As part of a long-term effort to strengthen the overall distribution model, a network rationalization strategy was implemented to weed out non-performing and dormant agents, while 239 new service providers were added, bringing the island-wide payout network to over 2,000 as at 31st March 2018.

In parallel, a series of marketing and awareness programmes were conducted to increase visibility and promote the Western Union proposition in selected global source markets.

Meanwhile to increase the segment's product portfolio, the direct-to-bank service was activated in January 2017 and opened another source of revenue which took momentum in the current period. This service which has a great potential allows MMBL to tap in to the 80% of the inward remittance market in Sri Lanka which up to now was not accessible to the company.

Outlook

With the imminent increase in oil prices set to restore the fortunes of the Middle East region, inward remittance volumes are more likely to remain stable in the year ahead. In order to fully benefit from this expected level of stability, the money transfer business would look to focus proactively on widening the product basket with additional services and by increasing its alliances, world-wide. Technology and innovations would be another key priority area, going forward.

Insurance

Overview

The Insurance segment has the distinction of serving as Lloyd's of London Agents since 1876, representing the insurance giants network as survey and claims settlement agents in Sri Lanka and the Maldives. The segment's association with Lloyds together with its reputation for the quality of reporting, reliability and efficiency has enabled Aitken Spence to become the gold standard in its field in both countries. Over the years, Aitken Spence has also been appointed as Marine Survey and Claim Settling Agents by several other leaders in the global insurance industry. The segment's key clients also include shipping lines as well as importers and exporters of air and sea cargo in both Sri Lanka and the Maldives for whom it offers services ranging from marine cargo surveys and claims settlements for pre-shipment inspections. The segment also offers services such as insurance brokerage, risk management and other ancillary insurance consulting services.

PESTEL (Political, Economic, Social, Technological, Environmental, Legal) Analysis

Key Concerns	
Political	» Political stability is an important factor in promoting external trade and foreign direct investments to projects and infrastructure development which generate the volumes handled by the business.
Economical	» Taxes, import duties and related factors have an influence on the volume of external trade. Taxes imposed by other countries on remittances received by the segment has a direct impact on the funds of the segment.
Social	» The society values of inter dependency and expectation of state welfare has been a strong underlying factor for a low-level awareness/ penetration of using insurance.
Technological	» Improved, multi-faceted software with highly versatile features has given the opportunity to make great strides in operational efficiency. Advancements in transmission of information has made areas of operation highly competitive.
Environmental	» Natural disasters and adverse weather conditions result in higher number of claims and survey volumes
Legal	» Insurance Regulatory Council is expected to impose legislation requiring consistency and registration conformity of all Insurance ancillary services as well as restrictions on certain entities from carrying out specific services. This is expected to create specialized service units as against the existing all-purpose Insurance service providers.

SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis

Strengths

- Capability to offer the entire gamut of insurance related services
- The backing of international partners such as Lloyd's of London, with a relationship of over 150 years
- Management expertise

Weaknesses

- Limited scope for business expansion

Opportunities

- Business opportunities arising from the expansion of global trade as well as the local industry
- Infrastructure development undertaken by the Government
- Increasing awareness among countries in the region to have standardised inspection procedures

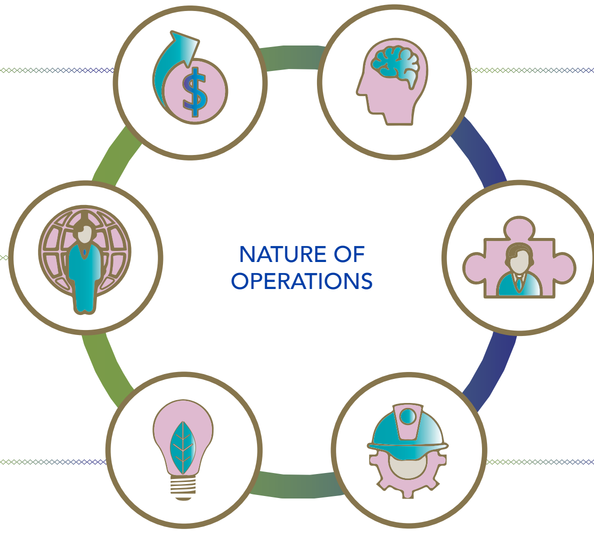
Threats

- The competition from numerous individual surveying entities who compete through price at the cost of quality and professionalism

SECTOR REVIEW

SERVICES SECTOR

INSURANCE



Financial Capital
- Economic opportunities from all other capitals

Intellectual Capital
- Brand strength
- Experience and expertise

Social & Relationships Capital
- Long term partnership with global industry leaders and experts

Human Capital
- Committed, dynamic workforce

Natural Capital
- Consumption of energy, water and other resources

Manufactured Capital
- Technology and operational systems

SUSTAINABILITY PRIORITIES

- Talent management
- Solid waste
- Occupational Health & Safety
- Compliance
- Labour standards
- Consumption of energy, water

HIGHLIGHTS

Long standing association with

LLOYD'S

WFP World Food Programme wfp.org

KEY STAKEHOLDERS

Employees, Principal Agent, Customers, Regulators, Suppliers/ Service Providers

LOCATION OF OPERATIONS

Sri Lanka

Maldives

TARGETS

Zero solid waste to landfill

Gold Standards to be maintained in the markets served

Strengthening core competencies was also a key priority, prompting investments in a new ERP module to create an integrated operational framework that would facilitate parallel visibility among processes

Operating Context

Heavily dependent on external trade, Sri Lanka's marine insurance market has witnessed strong growth over the past decade. While cargo and hull are the two main classes which generate a high volume of marine insurance in Sri Lanka, the cargo insurance market is more active accounting for higher volumes than the hull market. However, with recent introduction of hull and machinery insurance for fishing vessels by Sri Lankan insurers, there has been a significant upsurge in this area.

Performance

The Group's insurance segment reported good results for the year under review, denoted by healthy 8.1% growth in revenue compared to the previous year. However, due to the previous year's results including a sizable gain on the sale of fixed assets and a comparatively higher gain on foreign exchange the profitability of the segment was only 4.1% higher compared to the previous year. Further the segment incurred higher costs during the current year for the development of its networks. The segment's core business, marine cargo survey services, which relies significantly on the recommendations by overseas principals reported higher volumes. A notable increase was seen in the hull class as well, thanks to aggressive efforts to secure hull and machinery assessment work from the Maldives, as well as multi-day fishing vessels locally.

Strategy

With the objective of improving the prospects of the core business the segment focused its efforts on growing the marine cargo survey services during the year. A broad based direct marketing campaign that leverages on the credentials of the principals was initiated. Moreover, capitalizing on the long-standing relationship with the World Food Programme (WFP), several contracts were secured to provide cargo superintendence services for the WFP's new long-term aid effort to Sri Lanka.

Steps were also taken to set up a scalable platform from which to build the life insurance business.

Strengthening core competencies was also a key priority, prompting investments in a new ERP module to create an integrated operational framework that would facilitate parallel visibility among processes, ultimately leading to faster and more efficient service delivery to the customer. All industry standards, including claim certifications and industry proficiency requirements were also fully complied with, further reinforcing the segment's position in the market.

Outlook

In tandem with the positive country outlook, the prospects for the insurance segment appears encouraging. The key priority for the future would be to scale up operations and increase market share of the core marine cargo survey services operation. In this context the segment would look for strategic tie ups with other prestigious global agencies in order to sustainably increase the reach and cement its position as the leading marine cargo survey services provider in Sri Lanka.

SERVICES SECTOR

PROPERTY MANAGEMENT

NATURE OF OPERATIONS

Financial Capital
- Economic opportunities from all other capitals

Social & Relationships Capital
- Relationship with key stakeholders

Natural Capital
- Consumption of energy, water and other resources

Intellectual Capital
- Brand
- Experience and expertise
- Building management systems

Human Capital
- Committed workforce

Manufactured Capital
- 195,784 sqft office space managed
- Technology and operational systems

SUSTAINABILITY PRIORITIES

- Talent management
- Energy
- Water
- Solid waste
- Emissions
- Occupational health and safety
- Quality
- Compliance

LOCATION OF OPERATIONS

Sri Lanka

HIGHLIGHTS

~ 36 tonnes

of solid waste kept away from landfill

Safety Audits

Conducted on routine basis within the premises

16,000 kg CO2e

Emissions offset

100%

Security personnel on site provided refresher training on human rights at the workplace

KEY STAKEHOLDERS

Employees, Suppliers/ Service Providers, Customers, Regulators, Business Development Officers, Competitors

TARGETS

Zero
solid waste to landfill

Reach 100% tenants and visitors on ASPDL's commitments to increase resource efficiency

Provide all tenants and visitors a Safe & Productive Workplace

Property Management

The property management segment are the owners and the managers of the Aitken Spence Towers situated at Vauxhall Street, Colombo. A total rentable space of 195,784 square feet under the management of the segment had an occupancy of almost 100% throughout the year. Approximately 75% of the premises are rented to house the Aitken Spence Group companies with the rest being occupied by prestigious corporate entities.

The Aitken Spence Towers is one of the best planned office spaces situated in the heart of the capital, with a perfect blend of modern architecture and advanced environmental management systems.

Performance

The revenue of the segment increased by 2.7% while the profitability of the segment declined marginally by 0.2%. The segment continuously monitors the energy and the water consumption of the office complex and attempts to reduce consumption by continuously improving on the technology in the building management system.

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

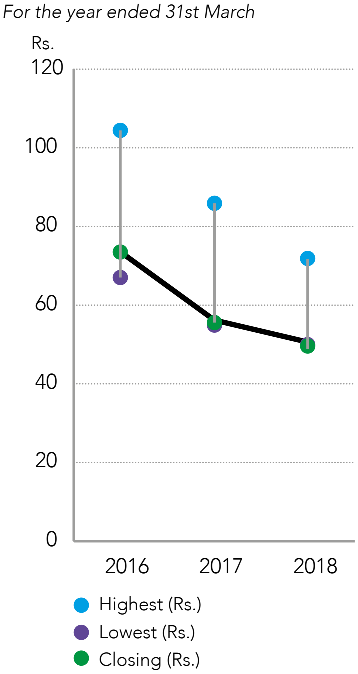
Share Performance

Market Information

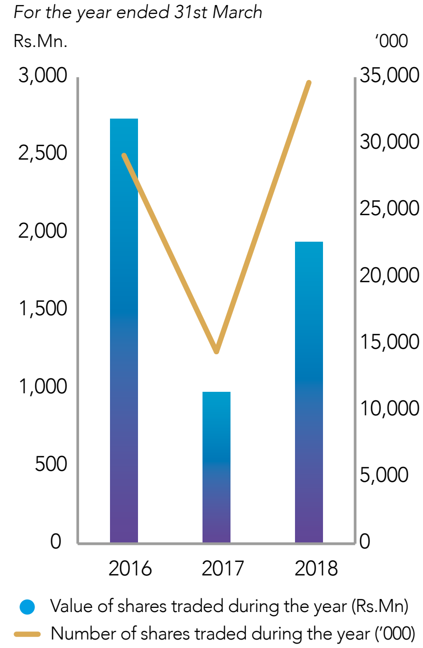
For the year ended 31st March	2018	2017	2016
Market Value Per Share			
Highest (Rs.)	**71.80**	86.00	104.50
Lowest (Rs.)	**49.80**	55.00	67.10
Closing (Rs.)	**50.60**	56.20	73.50
Share Trading Information			
Number of transactions	**5,681**	3,675	4,363
Number of shares traded during the year	**34,598,911**	14,410,018	29,133,437
Value of shares traded during the year (Rs.)	**1,939,507,689**	976,456,739	2,733,241,825
Percentage of total value transacted (%)	**0.79**	0.55	1.18

The market value of the ordinary share as at 25th May 2018 was Rs. 55.20.

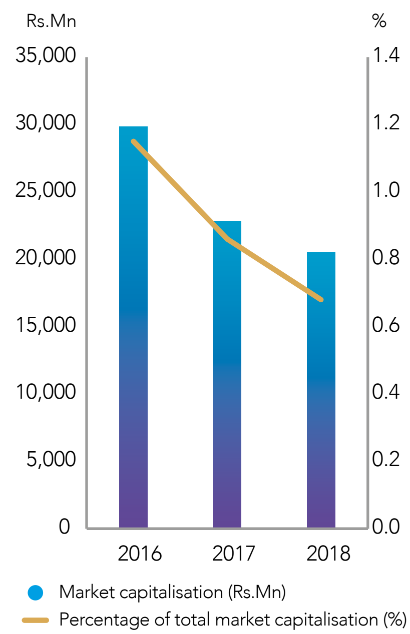
Market Value Per Share
For the year ended 31st March



Value of Shares Traded vs Volume
For the year ended 31st March



Market Capitalisation
As at 31st March



Market Capitalisation

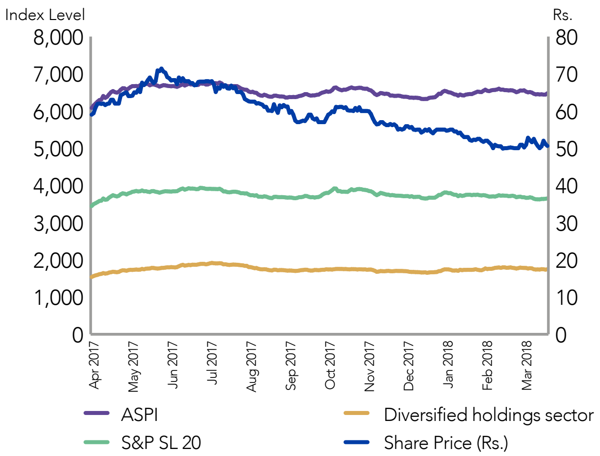
As at 31st March	2018	2017	2016
Market capitalisation on 31st March (Rs. Bn)	**20.5**	22.8	29.8
Total Market Capitalisation (Rs. Bn)	**3,032.7**	2,662.9	2,586.2
Percentage of total market capitalisation (%)	**0.68**	0.86	1.15

The float adjusted market capitalisation as at 31st March 2018 was Rs. 9,647,653,080 with reference to the rule no.7.6 (iv) of the listing rules of the Colombo stock exchange.

As the float adjusted market capitalisation is over 7.5 Bn Aitken Spence PLC complies under option 2 with the minimum public holding requirement.

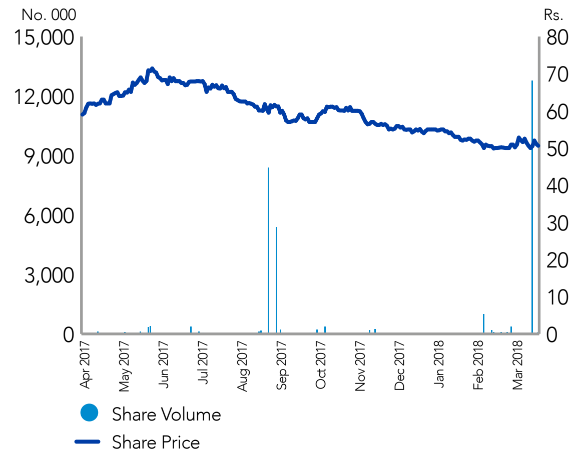
Share Price vs Indices - 2017/2018

12 Months Trend



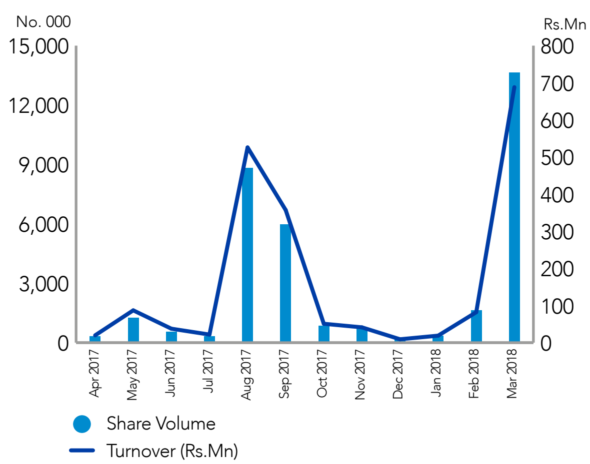
Share Price vs Share Volume 2017/2018

12 Months Trend



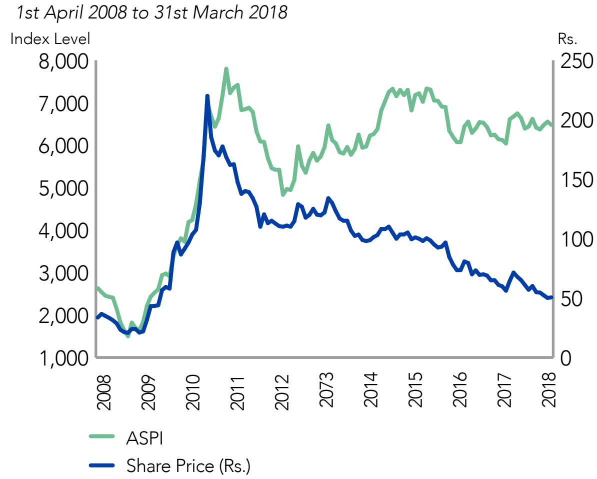
Share Volume vs Turnover 2017/2018

12 Months Trend



Share Price vs ASPI - 10 Year Trend

1st April 2008 to 31st March 2018



INVESTOR INFORMATION

Earnings

For the year ended 31st March	2018	2017	2016
Earnings per share - Basic/Diluted (Rs.)	**8.77**	7.12	4.99
Price earnings ratio (P/E) (Times)	**5.77**	7.90	14.72

Net Asset Per Share

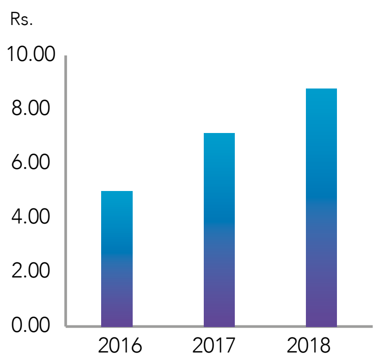
As at 31st March	2018	2017	2016
The Group (Rs.)	**110.35**	97.24	90.26
The Company (Rs.)	**37.13**	33.03	32.72

Earnings per share

Rs. 8.77

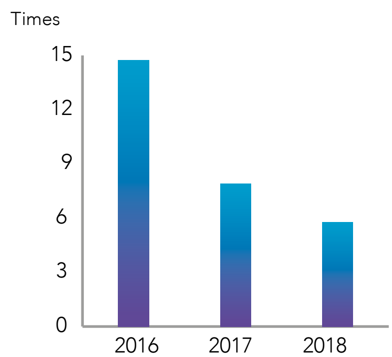
Earnings Per Share

For the Year Ended 31st March



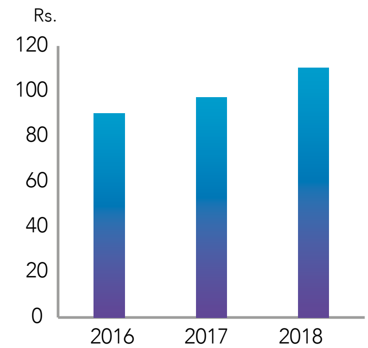
Price Earning Ratio

As at 31st March



Net Asset Per Share

As at 31st March



Return On Equity

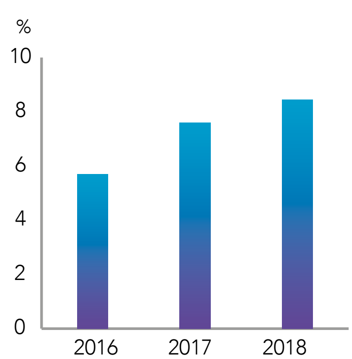
For the year ended 31st March	2018	2017	2016
Return on Equity (%)	8.45	7.59	5.66

Return on Equity

8.45%

Return On Equity

For the Year Ended 31st March



Dividends

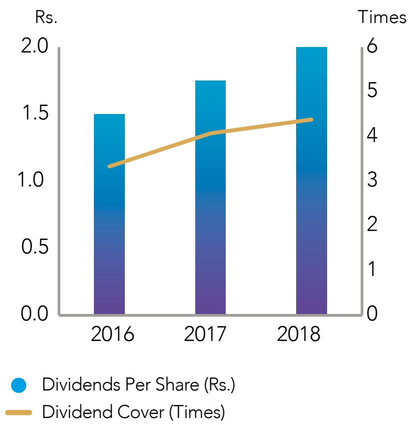
For the year ended 31st March	2018	2017	2016
Dividend per share (Rs.)	2.00	1.75	1.50
Dividend cover (Times)	4.38	4.07	3.33
Dividend-payout ratio	0.23	0.25	0.30

Dividends per share increased by

14.3%

Dividends Per Share and Dividend Cover

For the Year Ended 31st March



History of dividend per share, dividend cover and dividend-payout ratio for the past 10 years

Year	Dividends per share (Rs.)	Dividends cover (Times)	Dividends-payout ratio
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
2017/2018	2.00	4.38	0.23

** The Above figures are restated taking into consideration the subdivision of shares*

INVESTOR INFORMATION

Shareholder Composition

Distribution of shares

Share Holder Category			31st March 2018			31st March 2017		
			No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1	-	1,000	2,787	873,684	0.22	2,704	841,224	0.21
1.001	-	10,000	1,429	5,241,240	1.29	1,378	5,026,706	1.24
10,001	-	100,000	460	14,034,954	3.46	401	12,223,827	3.01
100,001	-	1,000,000	88	24,419,795	6.01	84	24,848,116	6.12
1,000,001	-	above	23	361,426,372	89.02	26	363,056,172	89.42
Total			4,787	405,996,045	100.00	4,593	405,996,045	100.00

There were 4,787 registered shareholders as at 31st March 2018 and they are entitled for one vote per share. (31st March 2017 – 4,593)

Residents/Non Residents

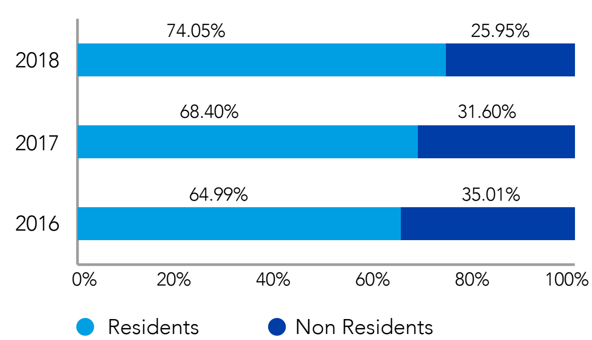
As at 31st March	2018		2017	
	No of Shares	%	No of Shares	%
Residents	300,643,376	74.05	277,685,423	68.40
Non Residents	105,352,669	25.95	128,310,622	31.60
Total	405,996,045	100.00	405,996,045	100.00

Individuals/Institutions

As at 31st March	2018		2017	
	No of Shares	%	No of Shares	%
Institutions	361,491,854	89.04	363,576,599	89.55
Individuals	44,504,191	10.96	42,419,446	10.45
Total	405,996,045	100.00	405,996,045	100.00

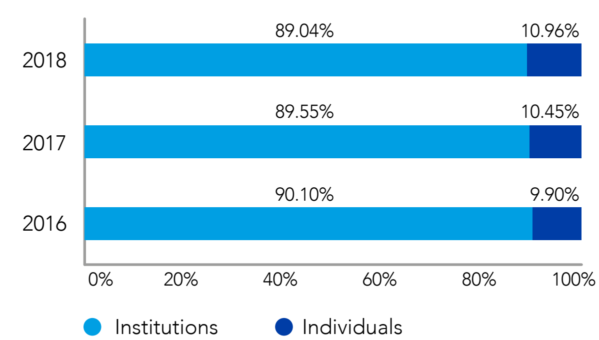
Residents/Non Residents

As at 31st March



Individuals/Institutions

As at 31st March



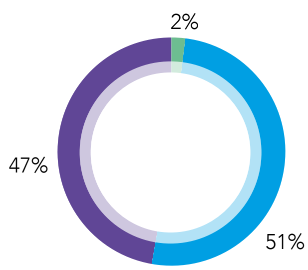
Public Holding

The percentage of public holding as at 31st March 2018 was 46.96% with reference to the rule no. 7.6 (iv) of the Colombo Stock Exchange.

	%	No of Shares
Shareholding of Directors & Spouses	1.93%	7,842,574
Indirect holding by the Directors	51.11%	207,488,447
Public holding	46.96%	190,665,024
Total Shares Issued	**100.00%**	**405,996,045**

Ownership Structure

As at 31st March 2018



Twenty Largest Shareholders as at 31st March 2018

	Name	No of Shares	%
1	Melstacorp PLC	199,623,617	49.17
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	17,915,873	4.41
5	Mr. G.C. Wickremasinghe	7,308,240	1.80
6	Placidrange Holdings Limited	5,521,500	1.36
7	Renuka Hotels Limited	5,479,990	1.35
8	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
9	HSBC Intl Nominees Ltd - BP2S - London - Aberdeen Asia Pacific Equity Fund	3,400,000	0.84
10	Stassen Exports (Pvt) Limited	3,244,500	0.80
11	Miss. A.T. Wickremasinghe	3,211,975	0.79
12	Mrs. K. Fernando	3,135,070	0.77
13	Mr. G. Wickremasinghe	3,019,090	0.74
14	Northern Trust Company S/A Hosking Global Fund PLC	2,883,313	0.71
15	Employees Trust Fund Board	2,621,870	0.65
16	Bank of Ceylon No.1 Account	2,596,230	0.64
17	National Savings Bank	2,593,516	0.64
18	The Ceylon Investment PLC A/C 02	1,674,000	0.41
19	The Ceylon Guardian Investment Trust PLC A/C 02	1,674,000	0.41
20	Mr. A.B. Rodrigo	1,284,720	0.32
	Total	**358,090,127**	**88.20**

INVESTOR INFORMATION

Composition of Shareholding

Shareholding of Directors together with their spouses in Aitken Spence PLC

As at 31st March	2018	2017
Mr. J.M.S. Brito	**505,495**	309,495
Mr. G.C. Wickremasinghe	**7,308,240**	7,308,240
Mr. R.N. Asirwatham	**1,000**	1,000
Ms. D.S.T. Jayawardena	**27,839**	27,839
Total	7,842,574	7,646,574

Indirect holding by Directors

As at 31st March		2018	2017
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	**199,623,617**	183,190,790
	- Distilleries Company of Sri Lanka PLC	**-**	186,500
	- Periceyl (Pvt) Ltd	**-**	21,200
Total		207,488,447	191,263,320

Shareholding in Group Companies

As at 31st March		2018	2017
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	**314,346**	278,023
	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

FINANCIAL INFORMATION

FINANCIAL INFORMATION

Financial calendar 2017/2018

Interim Financial Statements	
Interim financial statements for the three months ended on 30th June 2017	Approved on 10th August 2017
Interim financial statements for the six months ended on 30th September 2017	Approved on 06th November 2017
Interim financial statements for the nine months ended on 31st December 2017	Approved on 08th February 2018
Interim financial statements for the year ended 31st March 2018	Approved on 22nd May 2018

Audited Financial Statements	
Audited financial statements for year ended on 31st March 2018	Approved on 28th May 2018

Dividends	
Final dividend for the year ended on 31st March 2017	Paid on 11th July 2017
Final dividend for the year ended on 31st March 2018	Proposed on 22nd May 2018

Annual General Meeting	
66th Annual General Meeting	29th June 2018

Quarterly financial highlights 2017/2018

Q1 - 2017/2018	Rs. Mn
Revenue	11,635
Profit from operations	911
Profit for the year	487
Profit Attributable to Equity holders	355
Earnings per share (Rs.)	0.87
Net assets per share (Rs.)	97.80

Q2 - 2017/2018	Rs. Mn
Revenue	12,264
Profit from operations	1,302
Profit for the year	839
Profit Attributable to Equity holders	584
Earnings per share (Rs.)	1.44
Net assets per share (Rs.)	98.56

Q3 - 2017/2018	Rs. Mn
Revenue	12,253
Profit from operations	1,630
Profit for the year	1,175
Profit Attributable to Equity holders	812
Earnings per share (Rs.)	2.00
Net assets per share (Rs.)	100.67

Q4 - 2017/2018	Rs. Mn
Revenue	16,583
Profit from operations	3,239
Profit for the year	2,648
Profit Attributable to Equity holders	1,809
Earnings per share (Rs.)	4.46
Net assets per share (Rs.)	110.35

Year - 2017/2018	Rs. Mn
Revenue	52,735
Profit from operations	7,081
Profit for the year	5,150
Profit Attributable to Equity holders	3,560
Earnings per share (Rs.)	8.77
Net assets per share (Rs.)	110.35

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 2018 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 to and its impact to the Company.

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

The Financial Statements presented in this Annual Report for the year ended 31st March 2018, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka. 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 2018 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2018 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 Auditor's 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
Aitken Spence Corporate Finance (Pvt) Ltd.
Company Secretaries

Colombo
28th May 2018

INDEPENDENT AUDITOR'S REPORT

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

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+94 - 11 244 6058
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To the Shareholders of Aitken Spence PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aitken Spence PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2018, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 253 to 358.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Freehold Land	
Refer note 15 to the consolidated financial statements	
Nature and area of focus	**Our response**
The group has recorded a net gain on revaluation of Freehold Land amounting to Rs. 2,858 Mn as at 31 March 2018 by revaluing the land during the year. Freehold land are measured at revalued amounts in the statement of financial position. The group has engaged independent professional valuers with appropriate expertise in valuing properties, in locations of properties being valued to determine the revalued amounts of the land in accordance with recognized industry standards. We identified this as a key audit matter because of the significant judgment and estimates involved in assessing the fair value of the Land.	Our audit procedures included, » Assessing the objectivity, independence, competence and qualifications of the external valuers. » Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal specialist. » Assessing the adequacy of disclosures in relation to fair value of Land in the financial statements.

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Carrying amount of Goodwill	
Refer note 17 to the consolidated financial statements	
Nature and area of focus	**Our response**
The group has goodwill amounting to Rs. 853 Mn as at 31 March 2018. The carrying amount of goodwill could be materially misstated if inappropriate judgments and estimates were used by the management in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. The recoverable amount of the goodwill is determined based on value in use calculation. These calculations used cash flows projected using judgments and estimates based on the financial budgets approved by the management. We have identified the carrying amount of the Goodwill as a key audit matter since that is based on forecasted and discounted cash flows, which are inherently judgemental.	Our audit procedures included, » Evaluating the reasonableness of the group's key assumptions for its cash flow projection such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including group budgetary process and reasonableness of historical forecasts. » Considering the adequacy of the group disclosures in the financial statements in respect of impairment testing.

Impairment of investments in subsidiaries and investments in equity- accounted investees	
Refer note 21 and 22 to the consolidated financial statements	
Nature and area of focus	**Our response**
The company hold investments in subsidiaries and investments in equity-accounted investees amounting to Rs. 7,996 Mn and Rs. 2,711 Mn respectively as at 31 March 2018. Further, the group holds investments in equity-accounted investees amounting to Rs. 6,334 Mn. The carrying amount of each investments in subsidiary and investments in equity- accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated if inappropriate judgments and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. Investments which does not generate adequate returns may be an indication of impairment. Due to the investments being material it will have a significant impact on financial performance of the company/ group. We have identified the impairment of investments in subsidiaries and investments in equity- accounted investees as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgemental.	Our audit procedures included, » Assessing the impairment indications of investments made in subsidiaries and associates and assessing the reasonableness of the discounted cash flow models, principles and accuracy of the forecasts. » Reviewing of Value in Use computations for investments with impairment indications and discussion with management of group/ component. » Assessing the adequacy of disclosures in the financial statements.

Recoverability of Deferred Tax Assets	
Refer note 23 to the consolidated financial statements	
Nature and area of focus	**Our response**
The group has recognized deferred tax assets amounting to Rs. 563 Mn as at 31 March 2018. Group had recognized significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses which management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the group entities or by set-off against deferred tax liabilities. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences.	Our audit procedures included, » Assessing the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This includes challenging the key assumptions in future taxable profits forecasts for each Group entity with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entities, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures.

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We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and significant management judgment and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.	» Assessing adequacy of the disclosures in the financial statements.
Financial Instruments	
Refer note 36.3 to the consolidated financial statements	
Nature and area of focus	**Our response**
The effective portion of a Cash flow hedge has been recognized under other comprehensive income amounting to Rs. 960 Mn as at 31 March 2018. Group is exposed to financial risks arising from exchange rates. A subsidiary company has hedged its Euro currency revenue against the contractual future loan repayments. Rules on hedge accounting requirements and documentation can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. Hedge relationships are formally documented and designated at inception. The documentation includes identification of the hedged item and the hedging instrument and details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. We identified this as a key audit matter due to the complexities and high level of judgment involved in determining the hedging item, Hedge instrument and the effectiveness testing as required by the accounting standards.	Our audit procedures included, » Assessing the nature of the hedge relationships and testing compliance with specific hedge accounting requirements for foreign currency hedging. » Examining the accounting treatment applied for Hedge, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item. » Assessing the adequacy of the disclosure in financial instruments by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

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and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

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CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

28 May 2018

INCOME STATEMENTS

For the year ended 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Revenue	7	52,734,969	45,892,179	775,534	652,260
Revenue taxes		(581,848)	(515,589)	(13,635)	(11,421)
Net revenue		52,153,121	45,376,590	761,899	640,839
Other operating income	8	543,493	145,245	1,942,968	1,767,232
Changes in inventories of finished goods and work-in-progress		(20,969)	111,852	-	-
Raw materials and consumables used		(11,963,449)	(11,816,151)	-	-
Employee benefits expense		(8,044,419)	(7,474,224)	(497,413)	(468,004)
Depreciation, amortisation and impairment (losses) / reversals of non-financial assets	9	(2,569,596)	(2,330,861)	58,254	(178,363)
Other operating expenses - direct	10	(15,747,595)	(11,871,505)	-	-
Other operating expenses - indirect		(7,269,651)	(6,383,333)	(324,929)	(491,653)
Profit from operations	9	7,080,935	5,757,613	1,940,779	1,270,051
Finance income	11	743,519	761,496	786,067	725,000
Finance expenses	11	(1,733,095)	(1,656,633)	(950,477)	(808,664)
Net finance expense		(989,576)	(895,137)	(164,410)	(83,664)
Share of profit of equity-accounted investees (net of tax)	22	306,457	384,396	-	-
Profit before tax		6,397,816	5,246,872	1,776,369	1,186,387
Income tax expense	12	(1,248,284)	(1,201,407)	97,542	49,693
Profit for the year		5,149,532	4,045,465	1,873,911	1,236,080
Attributable to:					
Equity holders of the company		3,560,348	2,890,032	1,873,911	1,236,080
Non-controlling interests		1,589,184	1,155,433	-	-
Profit for the year		5,149,532	4,045,465	1,873,911	1,236,080
Earnings per share - basic/diluted (Rs.)	13	8.77	7.12	4.62	3.04

The notes on pages 262 through 358 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31st March		2018	2017	2018	2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		5,149,532	4,045,465	1,873,911	1,236,080
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of freehold land	15	2,858,132	207,671	-	-
Actuarial gains / (losses) on defined benefit obligations	33	(116,004)	76,155	(8,814)	9,242
Share of other comprehensive income of equity-accounted investees (net of tax)	22	163,063	85,832	-	-
Income tax on other comprehensive income	12.7	(972,808)	(15,348)	2,468	(2,588)
		1,932,383	354,310	(6,346)	6,654
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		417,045	862,425	-	-
Net change in fair value of available-for-sale financial assets		1,614	(71,215)	(148)	(367)
Net movement on cash flow hedges	36.3	(960,398)	-	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	22	62,743	163,738	-	-
Income tax on other comprehensive income	12.7	(82)	-	(40)	-
		(479,078)	954,948	(188)	(367)
Other comprehensive income/(expense) for the year, (net of tax)		1,453,305	1,309,258	(6,534)	6,287
Total comprehensive income for the year		6,602,837	5,354,723	1,867,377	1,242,367
Attributable to:					
Equity holders of the company		5,475,598	3,898,189	1,867,377	1,242,367
Non-controlling interests		1,127,239	1,456,534	-	-
Total comprehensive income for the year		6,602,837	5,354,723	1,867,377	1,242,367

The notes on pages 262 through 358 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

		Group		Company	
As at		31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	59,274,780	50,048,523	134,565	141,198
Investment properties	16	1,632,360	1,630,801	3,428,933	3,431,687
Intangible assets	17	890,378	886,103	5,592	11,036
Biological assets	18	47,293	43,583	-	-
Leasehold properties	19	2,023,903	2,042,459	-	-
Pre-paid operating leases	20.1	2,241,358	1,978,348	-	-
Investments in subsidiaries	21	-	-	7,995,933	7,252,083
Investments in equity-accounted investees	22	6,334,455	6,060,842	2,711,379	2,755,184
Deferred tax assets	23	563,391	434,794	303,115	195,421
Other financial assets	24	873,340	285,629	95,194	145,412
		73,881,258	63,411,082	14,674,711	13,932,021
Current assets					
Inventories	25	1,526,162	1,655,875	2,179	2,183
Pre-paid operating leases	20.1	67,466	72,819	-	-
Trade and other receivables	26	13,557,531	11,664,152	4,786,472	3,212,249
Current tax receivable		243,352	210,095	213,054	171,103
Deposits and prepayments		1,480,413	1,781,102	100,169	62,801
Other current assets	27	7,300,814	10,318,598	6,459,242	6,182,392
Cash and short-term deposits	28	9,636,419	6,032,612	1,094,468	1,400,611
		33,812,157	31,735,253	12,655,584	11,031,339
Assets classified as held for sale	29	149,125	149,125	57,237	57,237
Total assets		107,842,540	95,295,460	27,387,532	25,020,597
EQUITY AND LIABILITIES					
Equity					
Stated capital	30.1	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	30.2	20,500,926	16,849,379	9,627,127	7,937,490
Retained earnings		22,163,669	20,492,912	3,313,384	3,338,642
Total equity attributable to equity holders of the company		44,799,735	39,477,431	15,075,651	13,411,272
Non-controlling interests		11,484,969	11,315,985	-	-
Total equity		56,284,704	50,793,416	15,075,651	13,411,272
Non-current Liabilities					
Interest-bearing liabilities	31	19,683,396	17,191,011	1,254,628	2,489,974
Deferred tax liabilities	32	1,949,193	863,958	-	-
Employee benefits	33	1,046,605	850,247	134,999	105,246
Other liabilities	34	881,272	597,833	-	-
		23,560,466	19,503,049	1,389,627	2,595,220
Current liabilities					
Interest-bearing liabilities	31	5,780,868	4,829,650	1,287,811	1,350,941
Trade and other payables	35	12,604,616	11,370,334	5,842,265	4,402,232
Current tax payable		454,427	371,693	-	-
Bank overdrafts and other short-term borrowings	28	9,157,459	8,427,318	3,792,178	3,260,932
		27,997,370	24,998,995	10,922,254	9,014,105
Total equity and liabilities		107,842,540	95,295,460	27,387,532	25,020,597

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 262 to 358.

I certify that the financial statements for the year ended 31st March 2018 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

28th May 2018.
Colombo, Sri Lanka

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018	Attributable to equity holders of the company			
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2016	2,135,140	6,387,900	148,440	7,298,726
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	192,637	-	-
Total comprehensive income for the year	-	192,637	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Amount vested on business combinations	-	-	-	-
Acquisition and changes in non-controlling interest	-	-	-	-
Transfer to general reserve	-	-	-	677,949
Final dividends for 2015/2016	-	-	-	-
Interim dividends for 2016/2017 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	-	-	677,949
Balance as at 31st March 2017	2,135,140	6,580,537	148,440	7,976,675
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	2,073,939	-	-
Total comprehensive income for the year	-	2,073,939	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Transfer on disposal of subsidiary	-	(44,190)	-	-
Acquisition and changes in non-controlling interest	-	66	-	-
Purchase of own shares by subsidiary companies	-	-	-	-
Transfer to reserves	-	-	-	1,692,747
Final dividends for 2016/2017 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	(44,124)	-	1,692,747
Balance as at 31st March 2018	2,135,140	8,610,352	148,440	9,669,422

The notes on pages 262 through 358 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Attributable to equity holders of the company						
Exchange fluctuation reserve	Available for sale reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1,318,925	94,432	-	19,262,056	36,645,619	7,554,724	44,200,343
-	-	-	2,890,032	2,890,032	1,155,433	4,045,465
791,863	(61,360)	-	85,017	1,008,157	301,101	1,309,258
791,863	(61,360)	-	2,975,049	3,898,189	1,456,534	5,354,723
-	-	-	64,858	64,858	(4,043)	60,815
-	-	-	-	-	3,055,607	3,055,607
(133)	-	-	(14,613)	(14,746)	(2,590)	(17,336)
-	-	-	(677,949)	-	-	-
-	-	-	(608,994)	(608,994)	-	(608,994)
-	-	-	(507,495)	(507,495)	-	(507,495)
-	-	-	-	-	(744,247)	(744,247)
(133)	-	-	(1,744,193)	(1,066,377)	2,304,727	1,238,350
2,110,655	33,072	-	20,492,912	39,477,431	11,315,985	50,793,416
-	-	-	3,560,348	3,560,348	1,589,184	5,149,532
357,991	1,532	(429,240)	(88,972)	1,915,250	(461,945)	1,453,305
357,991	1,532	(429,240)	3,471,376	5,475,598	1,127,239	6,602,837
-	-	-	78,903	78,903	-	78,903
-	-	-	44,190	-	-	-
(1,298)	-	-	64,548	63,316	(63,316)	-
-	-	-	(92,515)	(92,515)	(38,428)	(130,943)
-	-	-	(1,692,747)	-	-	-
-	-	-	(202,998)	(202,998)	-	(202,998)
-	-	-	-	-	(856,511)	(856,511)
(1,298)	-	-	(1,800,619)	(153,294)	(958,255)	(1,111,549)
2,467,348	34,604	(429,240)	22,163,669	44,799,735	11,484,969	56,284,704

Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2018	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 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	-	-	-	(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
Profit for the year	-	-	-	1,873,911	1,873,911
Other comprehensive expense for the year (note 30.3.2)	-	-	(188)	(6,346)	(6,534)
Total comprehensive income for the period	-	-	(188)	1,867,565	1,867,377
Transfer to general reserve	-	1,689,825	-	(1,689,825)	-
Final dividends for 2016/2017 (note 14)	-	-	-	(202,998)	(202,998)
Total contributions and distributions recognised directly in equity	-	1,689,825	-	(1,892,823)	(202,998)
Balance as at 31st March 2018	2,135,140	9,639,788	(12,661)	3,313,384	15,075,651

The notes on pages 262 through 358 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 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Cash flows from operating activities					
Profit before tax		6,397,816	5,246,872	1,776,369	1,186,387
Adjustments for					
Depreciation and amortisation		2,614,764	2,330,031	47,941	48,300
Finance expense	11	1,579,151	1,535,125	948,016	806,791
Gain on disposal of property, plant and equipment	8	(18,615)	(28,205)	(8,119)	(2,568)
Gain on disposal of group investments	8	(309,202)	(18,573)	(14,350)	(3,256)
Loss on disposal of equity securities classified as available-for-sale financial assets		315	-	-	-
Finance income	11	(743,519)	(761,496)	(786,067)	(725,000)
Share of profit of equity-accounted investees (net of tax)	22	(306,457)	(384,396)	-	-
Impairment losses / (reversals) of investments in subsidiaries and equity-accounted investees		26,712	-	(106,195)	130,063
Impairment losses/(reversals) of inventories		(71,880)	830	-	-
Impairment losses/(reversals) and write offs of trade and other receivables		35,390	20,062	(416)	198,785
Net foreign exchange loss		324,979	357,342	61,821	176,414
Provision for retirement benefit obligations	33	219,275	167,650	23,954	19,781
		3,350,913	3,218,370	166,585	649,310
Operating profit before working capital changes		9,748,729	8,465,242	1,942,954	1,835,697
(Increase)/decrease in trade and other receivables		(1,963,516)	(3,403,838)	(1,573,807)	(221,595)
(Increase)/decrease in inventories		195,288	(457,239)	4	139
(Increase)/decrease in deposits and prepayments		298,238	(197,532)	(37,368)	(24,452)
Increase/(decrease) in trade and other payables		1,779,948	(1,443,745)	1,942,360	(939,724)
		309,958	(5,502,354)	331,189	(1,185,632)
Cash generated from operations		10,058,687	2,962,888	2,274,143	650,065
Interest paid		(1,573,961)	(1,524,997)	(942,825)	(799,468)
Income tax paid		(1,212,006)	(1,336,415)	(49,676)	(34,287)
Retirement benefit obligations paid	33	(132,262)	(85,662)	(3,015)	(5,707)
		(2,918,229)	(2,947,074)	(995,516)	(839,462)
Net cash generated from/(used in) operating activities		7,140,458	15,814	1,278,627	(189,397)

(carried forward to next page)

The notes on pages 262 through 358 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 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
(brought forward from previous page)					
Cash flows from investing activities					
Interest received		743,492	761,496	786,067	725,000
Cash and cash equivalents vested on business combination		-	3,110,578	-	-
Investment in subsidiaries and equity accounted investees		-	(75,095)	(594,500)	(52)
Investment in equity securities and debt		(688,752)	(150,000)	-	(150,000)
Net cash flows on divestment of subsidiaries	A	737,712	(10,846)	15,000	-
Acquisition of property, plant and equipment	15	(7,236,958)	(5,843,687)	(41,934)	(67,036)
Acquisition of intangible assets	17	(18,568)	(23,696)	(821)	(1,767)
Acquisition of biological assets	18	(8,172)	(18,159)	-	-
Operating leases pre-paid	20	(281,771)	(37,666)	-	-
Proceeds from disposal of property, plant and equipment		53,593	88,190	17,764	14,169
Proceeds from disposal of intangible assets		10	-	-	-
Proceeds from retirement of equity securities and debt		73,330	45,711	48,570	45,711
Proceeds/(purchase) of other financial assets and liabilities (net)		1,698,172	(1,305,109)	(275,351)	(1,049,876)
Final liquidation proceeds of subsidiary		-	3,356	-	3,356
Dividends paid to non-controlling interests		(856,511)	(744,247)	-	-
Dividends received from equity accounted investees		310,841	204,454	-	-
Net cash used in investing activities		(5,473,582)	(3,994,720)	(45,205)	(480,495)
Cash flows from financing activities					
Proceeds from interest-bearing liabilities	31	8,440,895	3,624,754	-	-
Repayment of interest-bearing liabilities	31	(6,407,690)	(4,659,051)	(1,366,917)	(1,799,587)
Purchase of own shares by subsidiary companies		(130,943)	-	-	-
Dividends paid to equity holders of the parent		(705,325)	(606,364)	(705,325)	(606,364)
Net cash generated from / (used in) financing activities		1,196,937	(1,640,661)	(2,072,242)	(2,405,951)
Net increase/(decrease) in cash and cash equivalents		2,863,813	(5,619,567)	(838,820)	(3,075,843)
Cash and cash equivalents at the beginning of the year		(2,394,706)	3,214,104	(1,860,321)	1,214,254
Effect of movements in exchange rates		9,853	10,757	1,431	1,268
Cash and cash equivalents at the end of the year	28	478,960	(2,394,706)	(2,697,710)	(1,860,321)

The notes on pages 262 through 358 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the statements of cash flows

A. Divestment of subsidiaries

During the period under review the Group divested its investments in the former subsidiaries M.P.S.Hotels (Pvt) Ltd., Vauxhall Cargo Logistics (Pvt) Ltd., and Spence Logistics (Pvt) Ltd., by sale or liquidation of the companies. The fair values of assets and liabilities thus divested by the group are as follows;

	Group Rs.'000
Property, plant and equipment	444,877
Inventories	4,486
Trade and other receivables	34,747
Deposits and prepayments	2,451
Deferred taxation	(6,873)
Income taxation	1,655
Employee benefits	(9,494)
Trade and other payables	(43,339)
Cash and cash equivalents	(5,006)
Total identifiable net assets disposed	423,504
Profit on disposal attributable to:	
Equity holders of the company	230,729
Non-controlling interests	78,473
Purchase consideration received	732,706
Cash and cash equivalents disposed	5,006
Net cash inflow on divestment of subsidiaries	737,712

Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

GRI 201-1, 201-3

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 2018 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 378 to 387 of this report.

Melstacorp PLC is deemed to be the parent of Aitken Spence PLC due to its 49. 16% holding in the company and as such Milford Exports (Ceylon) (Private) Limited is the ultimate holding company of Aitken Spence PLC.

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) 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 2018 were approved and authorised for issue by the Board of Directors on the 28th of May 2018.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 253 and 254;
- 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 255;
- 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 256 to 258;
- 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 utilisation of those cash flows. Refer pages 259 to 261;
- notes to the financial statements comprising significant accounting policies and other explanatory information. Refer pages 262 to 358.

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
Derivative financial instruments	Measured at fair Value	3.3.4 and 27.1

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. All financial information presented in rupees 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.

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 Private Limited	Maldives	United States Dollar
Unique Resorts Private Limited	Maldives	United States Dollar
Jetan Travel Services Company Private Limited	Maldives	United States Dollar
Ace Resorts Private Limited	Maldives	United States Dollar
Cowrie Investment Private Limited	Maldives	United States Dollar
Aitken Spence Resorts (Middle East) LLC	Oman	Oman Riyal
Aitken Spence Hotel Managements (South India) Limited	India	Indian Rupee
Aitken Spence Hotel Services Private Limited	India	Indian Rupee
PR Holiday Homes Private Limited	India	Indian Rupee
Perumbalam Resorts Private Limited	India	Indian Rupee
Crest Star Limited	Hong Kong	United States Dollar
Crest Star (B.V.I) Limited	British Virgin Islands	United States Dollar
Fiji Ports Terminal Limited	Fiji	Fiji Dollars
Fiji Ports Corporation Limited	Fiji	Fiji Dollars
Ace Bangladesh Limited	Bangladesh	Taka
Ace Aviation Services Maldives Private Limited	Maldives	United States Dollar
Interlifts International Private Limited	Maldives	United States Dollar

There was no change in the Group's presentation and functional currency during the year under review.

2.6 Current versus 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 expected to be realised within twelve months after the reporting period.

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

All other liabilities are classified as non-current liabilities.

The Group classifies deferred tax assets and liabilities under non-current assets and liabilities.

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 accounting judgements, estimates and assumptions

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 accompanying disclosures including contingent liabilities. Estimates and judgements which management has assessed to have the most significant effect on the amounts recognised in the 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 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, or else subsequent changes in the fair value of the contingent consideration is recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31 March or when circumstances indicate that the carrying value of the goodwill may be impaired. For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an investee if, and only if, the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

Exposure, or rights to variable returns from its involvement with the investee

The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

The 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 and each component in the other comprehensive income applicable to outside shareholders of subsidiary companies is included under the heading "Non – controlling interests "in the consolidated income statement and the statement of profit or loss and other comprehensive income. Losses and negative balances 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 a loss of control of a subsidiary, the Group immediately derecognises the assets including goodwill, liabilities, 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 more than 20% 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 other comprehensive income or equity of the entity, the Group recognises its share of such changes, when applicable, in the statement of profit or loss and other comprehensive income or 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 an 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 and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at the rate of exchange approximating to the actual rate at the dates of the transactions. For practical purposes this is presumed to be the average rate during each month.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity except to the extent the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of in a manner that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in the subsidiary but retains control, the relevant portion of the translation reserve is transferred to non-controlling interest. When the Group disposes of only part of its interest in an equity accounted investee that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount of the translation reserve is reclassified to the income statement.

3.3 Financial instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.3.1 Non-derivative financial assets

3.3.1.1 Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets including assets designated at fair value through profit or loss are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

Attributable transaction costs of fair value through profit or loss financial assets are recognised in the income statement when incurred.

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds. The Group has not designated any equity instruments in this category.

3.3.1.1.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction costs are significant. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise cash and cash equivalents trade and other receivables.

3.3.1.1.3 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to–maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

3.3.1.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the 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 the asset 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 of loans and receivables could include; significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors, assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping 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

a) The entity has transferred substantially all the risks and rewards of the asset, or

b) 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 and hedging activities

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks arising from operational, financing and investing activities..

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.

Any gains or losses arising from changes in the fair value of derivatives other than of cash flow hedges are recognised directly in the Income Statement.

3.3.4.1 Hedge accounting and cash flow hedge

'Hedging' is a process of using a financial instrument to mitigate all or some of the risk associated to a hedged item. 'Hedge accounting' changes the timing of recognising the gains and losses on either the hedged item or the hedging instrument so that both are recognised in profit or loss or Other Comprehensive Income in the same accounting period in order to record the economic substance of the relationship between the hedged item and instrument.

Cash flow hedge

A hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset, liability or a highly probable forecast transaction that could affect the profit or loss is classified as a cash flow hedge.

Group formally designate and document a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge; and both at inception and on an ongoing basis, demonstrate that the hedge is highly effective.

The documentation includes identification of the hedge or transaction, hedging instrument, nature of the risk that is being hedge and the way in which effectiveness of the hedge will be assessed at inception and during the period of the hedge.

The Group makes an assessment, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instrument is expected to be highly effective in offsetting the changes in cash flows derived from the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge is highly effective.

The effective portion of the gain or losses on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve while any ineffective portion is recognised immediately in profit or loss. The amount recognised in the other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and is recognised under the same line item in the income statement.

If the forecast transactions is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, hedge accounting is discontinued prospectively and the amount accumulated in equity is reclassified to profit or loss.

3.3.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.4. Property, plant and equipment

3.4.1 Recognition and measurement

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition for its intended use, and borrowing costs if the recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

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
Freehold Buildings	20 - 50 years
Plant and Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years or over the period of the power purchase agreement
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 and assessed for impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.7.4 Intangible assets recognised by the Group.

3.7.4.1 Computer software

All computer software costs incurred and licensed for use by the Group, which do not form an integral part of related hardware, and can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

In accordance with 3.7.3 above, the Group companies assess the useful life of each computer software that has a finite useful life. Based on this assessment the Group companies amortise computer software over approximately 3 to 5 years.

3.7.4.2 Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

In accordance with 3.7.3 above, the Group companies assess the useful life of website costs that has a finite useful life. Based on this assessment the Group companies amortise website costs over approximately 3 to 5 years.

3.7.4.3 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 3.1.1.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.8 Plantations

The plantation companies in the Group adopt certain accounting policies, which differ from that of the rest of the Group, since their nature of operations is significantly different from that of the rest of the Group. The accounting policies adopted are in accordance with LKAS 41 Agriculture and the guideline issued by the Institute of Chartered Accountants of Sri Lanka on bearer biological assets.

3.8.1 Biological assets

The Group manages the biological transformation of certain fruit plants for harvesting of agricultural produce from such plants and includes those and the respective nursery plants under biological assets. In addition, Elpitiya Plantations PLC., an equity accounted investee recognises tea, rubber, oil palm, coconut and cinnamon plantations managed by them as biological assets in their financial statements

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber, fruit and other trees, that are not intended to be sold or harvested, but grown for harvesting of agricultural produce from such biological assets. Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.1.1 Immature plantations

The Group measures immature plantations at cost. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting ie: when the planted area attains maturity, are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on such plantations are transferred to mature plantations when it attains maturity.

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 Produce on Bearer Biological Assets

In accordance with LKAS 41, group recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the group use the following price formulas.

Tea	– Bought Leaf rate (current month) less cost of harvesting & transport
Rubber	– Latex Price (95% of current RSS1 Price) less cost of tapping & transport
Oil Palm	– Bought Mill NSA less cost of harvesting & transport

3.8.1.4 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	3 years
Papaya	4 years
Soursop	20 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 no 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 other than for land carried at revaluation are recognised in the income statement. Reversal of impairment loss on a revalued land, other than for a land where impairment loss has been previously recognised in the income statement, is recognised in the other comprehensive income and increases the revaluation surplus for that land. For a land where previous impairment loss has been recognised in the income statement the reversal of that impairment loss is also 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 Employee 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.

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 the appointment date until retirement at 60 years.

3.12.3.4 Retiring Gratuity – Oman

Gratuity is provided 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, adjusted to account for the expected forfeiture rate. 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 power generation sector is recognised at the fair value of the consideration received or receivable based on the actual amount of electricity generated and supplied to the national grid as the variable component and a fixed component referred to as capacity charge calculated based on the minimum guaranteed energy amount as specified in each power purchase agreement.

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. 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.

3.18.3 Economic service charge

As per the provisions of the Economic Service Charge Act No 13 of 2006, economic service charge is payable on the liable turnover at specified rates. Economic service charge is deductible from the income tax liability. Any unclaimed liability 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 378 to 387.

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 Flow has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flow', whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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 41 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 has made arrangements to adopt the new standard on the required effective date. Having performed a high-level impact assessment of all three aspects of SLFRS 9 on the Group companies, the Group expects no significant impact to its income statement or statement of financial position due to this standard.

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 1 January 2018. Early adoption is permitted. The Group has made necessary arrangements to adopt the new standard on the required effective date using the full retrospective method. The Group performed a preliminary assessment of SLFRS 15 and determined that its impact on the financial statements would be insignificant.

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 re-measurement 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 1 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.

The Group is currently in the process of assessing the potential effect of SLFRS 16 on its consolidated financial statements.

6 Operating segments

6.1 Business segments

The Group operates in four business segments namely tourism, maritime & logistics, strategic investments and services segregated based on the nature of the products or services provided and risk and returns of each segment. Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All transactions between group companies whether inter-segmental or intra-segmental are on an arms length basis and in a manner similar to transactions with third parties.

6.1.1 Business segment analysis of group revenue and profit

	Tourism Sector		Maritime & Logistics Sector		Strategic Investments		Services Sector		Total	
	2017/ 2018 Rs.'000	2016/ 2017 Rs.'000	2017/ 2018 Rs.'000	2016/ 2017 Rs.'000	2017/ 2018 Rs.'000	2016/ 2017 Rs.'000	2017/ 2018 Rs.'000	2016/ 2017 Rs.'000	2017/ 2018 Rs.'000	2016/ 2017 Rs.'000
Total revenue generated	28,468,218	24,083,360	10,701,001	9,933,383	19,350,600	18,196,279	1,973,690	1,689,148	60,493,509	53,902,170
Intra-segmental revenue	(2,337,736)	(1,960,375)	(344,148)	(320,439)	(748,387)	(663,727)	(72,168)	(67,999)	(3,502,439)	(3,012,540)
Total revenue with inter - segmental revenue	26,130,482	22,122,985	10,356,853	9,612,944	18,602,213	17,532,552	1,901,522	1,621,149	56,991,070	50,889,630
Inter - segmental revenue	(18,854)	(10,846)	(333,892)	(315,074)	(396,737)	(321,508)	(210,417)	(228,875)	(959,900)	(876,303)
Total revenue with equity-accounted investees	26,111,628	22,112,139	10,022,961	9,297,870	18,205,476	17,211,044	1,691,105	1,392,274	56,031,170	50,013,327
Share of equity-accounted investees' revenue	(371,124)	(1,658,664)	(1,437,602)	(1,256,735)	(1,433,662)	(1,198,893)	(53,813)	(6,856)	(3,296,201)	(4,121,148)
Revenue from external customers	25,740,504	20,453,475	8,585,359	8,041,135	16,771,814	16,012,151	1,637,292	1,385,418	52,734,969	45,892,179
Profit from operations	3,801,155	2,734,385	1,462,713	1,469,409	1,560,367	1,311,847	256,700	241,972	7,080,935	5,757,613
Finance income	627,452	454,573	52,078	61,747	53,629	234,990	10,360	10,186	743,519	761,496
Finance expenses	(1,163,099)	(999,733)	(112,235)	(87,750)	(440,856)	(556,499)	(16,905)	(12,651)	(1,733,095)	(1,656,633)
Share of profit of equity-accounted investees (net of tax)	(138,376)	(62,459)	356,367	367,548	105,256	122,465	(16,790)	(43,158)	306,457	384,396
Profit before tax	3,127,132	2,126,766	1,758,923	1,810,954	1,278,396	1,112,803	233,365	196,349	6,397,816	5,246,872
Income tax expense	(748,615)	(674,250)	(382,103)	(375,558)	(31,530)	(72,923)	(86,036)	(78,676)	(1,248,284)	(1,201,407)
Profit for the year	2,378,517	1,452,516	1,376,820	1,435,396	1,246,866	1,039,880	147,329	117,673	5,149,532	4,045,465
Depreciation and amortisation	1,884,979	1,625,057	299,565	276,497	338,245	340,006	91,975	88,471	2,614,764	2,330,031
Impairment losses / (reversals) and write offs	5,601	8,843	12,151	7,078	(63,682)	(665)	36,152	5,636	(9,778)	20,892
Other non-cash expenses	85,004	62,324	69,445	49,507	54,349	44,303	10,476	11,516	219,274	167,650

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 12.5 billion of revenue, which amounts to 24% 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

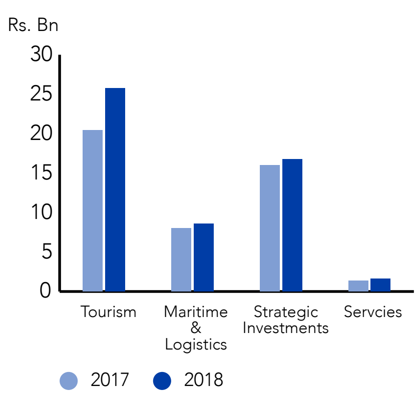
6.1.2.1 Segment assets

	Tourism Sector		Maritime & Logistics Sector		Strategic Investments		Services Sector		Total	
As at	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Non-current assets										
Property, plant and equipment	41,785,388	37,963,227	5,340,012	4,427,570	9,459,871	5,310,582	2,689,509	2,347,144	59,274,780	50,048,523
Investment properties	72,001	72,001	-	-	1,558,800	1,558,800	1,559	-	1,632,360	1,630,801
Intangible assets other than goodwill	14,380	13,988	12,385	8,963	10,553	19,682	-	-	37,318	42,633
Biological assets	-	-	-	-	47,293	43,583	-	-	47,293	43,583
Leasehold properties	2,023,903	2,042,459	-	-	-	-	-	-	2,023,903	2,042,459
Pre-paid operating leases	1,736,171	1,753,670	3,380	3,429	501,807	221,249	-	-	2,241,358	1,978,348
Deferred tax assets	169,242	168,335	52,912	43,207	324,536	209,184	16,701	14,068	563,391	434,794
Other financial assets	763,780	126,651	13,349	12,549	96,211	146,429	-	-	873,340	285,629
Segment non-current assets	46,564,865	42,140,331	5,422,038	4,495,718	11,999,071	7,509,509	2,707,769	2,361,212	66,693,743	56,506,770
Investments in equity-accounted investees	1,161,000	1,297,164	3,988,331	3,625,941	1,087,587	996,697	97,537	141,040	6,334,455	6,060,842
Intangible assets - goodwill on consolidation	-	-	-	-	-	-	-	-	853,060	843,470
Total non-current assets	47,725,865	43,437,495	9,410,369	8,121,659	13,086,658	8,506,206	2,805,306	2,502,252	73,881,258	63,411,082
Current assets										
Inventories	434,301	480,996	183,116	125,123	782,513	917,912	126,232	131,844	1,526,162	1,655,875
Pre-paid operating leases	66,203	71,556	50	50	1,213	1,213	-	-	67,466	72,819
Trade and other receivables	8,834,216	7,027,376	2,494,395	2,405,816	8,359,297	6,678,159	1,010,263	628,710	20,698,171	16,740,061
Current tax receivable	10,646	18,495	11,199	12,045	218,976	177,024	2,531	2,531	243,352	210,095
Deposits and prepayments	1,004,020	1,296,844	242,671	287,461	185,492	153,302	48,230	43,495	1,480,413	1,781,102
Other current assets	616,945	2,552,280	83,039	110,308	6,589,817	7,650,319	11,013	5,691	7,300,814	10,318,598
Cash and short-term deposits	6,359,235	2,906,262	1,773,337	1,443,620	1,347,593	1,525,662	156,254	157,068	9,636,419	6,032,612
Segment current assets	17,325,566	14,353,809	4,787,807	4,384,423	17,484,901	17,103,591	1,354,523	969,339	40,952,797	36,811,162
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,140,640)	(5,075,909)
Total current assets	17,325,566	14,353,809	4,787,807	4,384,423	17,484,901	17,103,591	1,354,523	969,339	33,812,157	31,735,253
Assets classified as held for sale	-	-	-	-	-	-	-	-	149,125	149,125
Total assets	65,051,431	57,791,304	14,198,176	12,506,082	30,571,559	25,609,797	4,159,829	3,471,591	107,842,540	95,295,460
Total segment assets	63,890,431	56,494,140	10,209,845	8,880,141	29,483,972	24,613,100	4,062,292	3,330,551	107,646,540	93,317,932
Additions to non-current assets	5,337,537	5,181,049	237,846	374,002	1,950,116	321,463	19,970	46,694	7,545,469	5,923,208

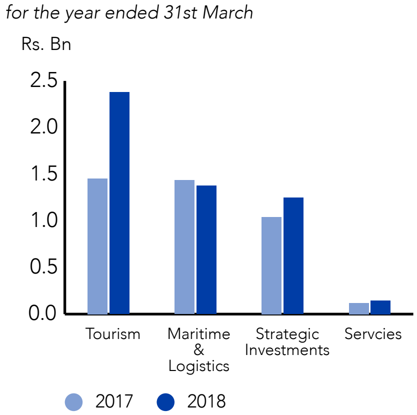
6.1.2.2 Segment liabilities

As at	Tourism Sector 31.03.2018 Rs.'000	Tourism Sector 31.03.2017 Rs.'000	Maritime & Logistics Sector 31.03.2018 Rs.'000	Maritime & Logistics Sector 31.03.2017 Rs.'000	Strategic Investments 31.03.2018 Rs.'000	Strategic Investments 31.03.2017 Rs.'000	Services Sector 31.03.2018 Rs.'000	Services Sector 31.03.2017 Rs.'000	Total 31.03.2018 Rs.'000	Total 31.03.2017 Rs.'000
Non-current Liabilities										
Interest-bearing liabilities	18,154,051	14,275,708	-	-	1,529,345	2,915,303	-	-	19,683,396	17,191,011
Deferred tax liabilities	646,390	368,993	689,470	140,749	100,128	95,928	466,966	187,823	1,902,954	793,493
Employee benefits	413,270	357,607	312,292	238,465	265,287	204,317	55,756	49,858	1,046,605	850,247
Other liabilities	881,272	597,833	-	-	-	-	-	-	881,272	597,833
Segment non-current liabilities	20,094,983	15,600,141	1,001,762	379,214	1,894,760	3,215,548	522,722	237,681	23,514,227	19,432,584
Eliminations / adjustments	-	-	-	-	-	-	-	-	46,239	70,465
Total non-current liabilities	20,094,983	15,600,141	1,001,762	379,214	1,894,760	3,215,548	522,722	237,681	23,560,466	19,503,049
Current liabilities										
Interest-bearing liabilities	4,320,375	3,311,163	-	-	1,460,493	1,518,487	-	-	5,780,868	4,829,650
Trade and other payables	8,511,549	7,599,375	2,994,446	2,788,978	7,483,743	5,451,937	755,518	605,953	19,745,256	16,446,243
Current tax payable	254,500	165,273	111,867	145,666	69,498	33,491	18,562	27,263	454,427	371,693
Bank overdrafts and other short-term borrowings	2,706,020	2,564,715	292,429	357,105	5,856,678	5,396,376	302,332	109,122	9,157,459	8,427,318
Segment current liabilities	15,792,444	13,640,526	3,398,742	3,291,749	14,870,412	12,400,291	1,076,412	742,338	35,138,010	30,074,904
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,140,640)	(5,075,909)
Total current liabilities	15,792,444	13,640,526	3,398,742	3,291,749	14,870,412	12,400,291	1,076,412	742,338	27,997,370	24,998,995
Total liabilities	35,887,427	29,240,667	4,400,504	3,670,963	16,765,172	15,615,839	1,599,134	980,019	51,557,836	44,502,044
Total segment liabilities	35,887,427	29,240,667	4,400,504	3,670,963	16,765,172	15,615,839	1,599,134	980,019	58,652,237	49,507,488

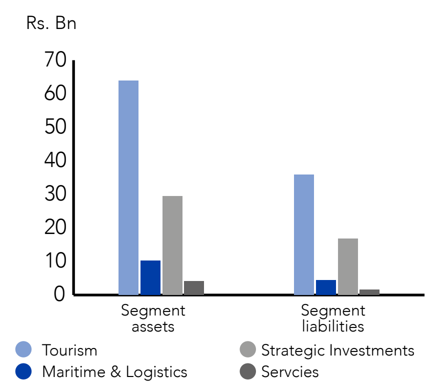
Revenue from external customers
for the year ended 31st March



Profit for the year
for the year ended 31st March



Segment assets and liabilities
as at 31st March 2018



6.2 Geographical information

Geographical information is stated based on the country where the sale occurs or the service rendered and/or the location where assets and liabilities are held.

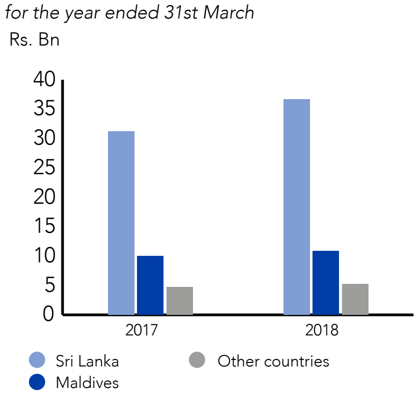
6.2.1 Geographical analysis of Group revenue and profit

	Sri Lanka		Maldives		Other countries		Total	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Revenue	36,698,836	31,186,466	10,832,550	9,995,479	5,203,583	4,710,234	52,734,969	45,892,179
Profit for the year	2,597,790	1,753,532	1,853,451	1,859,643	698,291	432,290	5,149,532	4,045,465
Depreciation and amortisation	1,528,799	1,318,077	737,203	690,840	348,762	321,114	2,614,764	2,330,031
Impairment losses / (reversals) and write offs	(12,340)	15,591	4,324	4,971	(1,762)	330	(9,778)	20,892
Other non-cash expenses	177,586	138,003	3,294	2,591	38,394	27,056	219,274	167,650

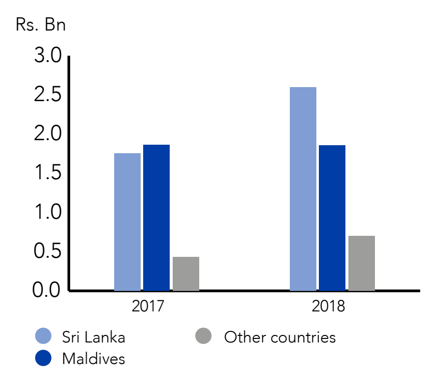
6.2.2 Geographical analysis of Group assets and liabilities

	Sri Lanka		Maldives		Other countries		Total	
As at	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Segment non-current assets	41,965,043	36,034,908	17,812,085	13,379,799	6,916,615	7,092,063	66,693,743	56,506,770
Segment current assets	28,687,021	26,396,572	3,420,930	4,390,007	2,201,055	1,409,759	34,309,006	32,196,338
	70,652,064	62,431,480	21,233,015	17,769,806	9,117,670	8,501,822	101,002,749	88,703,108
Investments in equity-accounted investees	-	-	-	-	-	-	6,334,455	6,060,842
Goodwill on consolidation	-	-	-	-	-	-	853,060	843,470
Assets classified as held for sale	-	-	-	-	-	-	149,125	149,125
Eliminations / adjustments	-	-	-	-	-	-	(496,849)	(461,085)
Total assets	70,652,064	62,431,480	21,233,015	17,769,806	9,117,670	8,501,822	107,842,540	95,295,460
Segment non-current liabilities	11,989,260	10,977,397	9,098,769	5,391,544	2,426,198	3,063,643	23,514,227	19,432,584
Segment current liabilities	22,327,157	18,645,096	3,938,442	4,539,840	2,030,619	1,992,241	28,296,218	25,177,177
	34,316,417	29,622,493	13,037,211	9,931,384	4,456,817	5,055,884	51,810,445	44,609,761
Eliminations / adjustments	-	-	-	-	-	-	(252,609)	(107,717)
Total liabilities	34,316,417	29,622,493	13,037,211	9,931,384	4,456,817	5,055,884	51,557,836	44,502,044
Additions to non-current assets	2,795,959	3,641,500	4,607,147	2,145,387	142,363	136,321	7,545,469	5,923,208

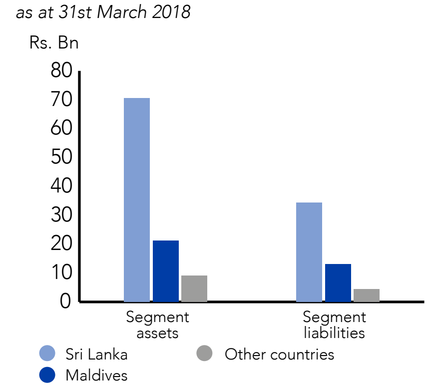
Geographical Analysis
- Revenue from external customers
for the year ended 31st March



Geographical Analysis
- Profit for the year
for the year ended 31st March



Geographical Analysis
- Assets & Liabilities
as at 31st March 2018



7 Revenue

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Rendering of services	48,490,171	42,116,086	720,152	595,229
Sale of goods	4,244,798	3,776,093	-	-
Royalty income	-	-	55,382	57,031
	52,734,969	45,892,179	775,534	652,260

7.1 Business segment analysis of Group revenue

	2017/2018			2016/2017		
	Rendering of services	Sale of goods	Total revenue	Rendering of services	Sale of goods	Total revenue
Tourism sector	25,740,504	-	25,740,504	20,453,475	-	20,453,475
Maritime & logistics sector	8,585,359	-	8,585,359	8,041,135	-	8,041,135
Strategic investments	12,527,245	4,244,569	16,771,814	12,240,164	3,771,987	16,012,151
Services sector	1,637,063	229	1,637,292	1,381,312	4,106	1,385,418
	48,490,171	4,244,798	52,734,969	42,116,086	3,776,093	45,892,179

7.2 Geographical segment analysis of Group revenue

	2017/2018			2016/2017		
	Rendering of services	Sale of goods	Total revenue	Rendering of services	Sale of goods	Total revenue
Sri Lanka	32,454,038	4,244,798	36,698,836	27,410,373	3,776,093	31,186,466
Maldives	10,832,550	-	10,832,550	9,995,479	-	9,995,479
Other countries	5,203,583	-	5,203,583	4,710,234	-	4,710,234
	48,490,171	4,244,798	52,734,969	42,116,086	3,776,093	45,892,179

8 Other operating income

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	1,892,689	1,794,439
Dividends from available-for-sale financial assets	2,532	3,938	134	135
Gain on disposal of subsidiaries *	309,202	18,573	14,350	3,256
Loss on disposal of equity securities classified as available-for-sale financial assets	(315)	-	-	-
Gain on disposal of property, plant and equipment	18,615	28,205	8,119	2,568
Insurance claims received	15,680	10,477	-	-
Net foreign exchange gain / (loss)	138,780	46,849	22,073	(40,756)
Sundry income	58,999	37,203	5,603	7,590
	543,493	145,245	1,942,968	1,767,232

* Gain on disposal of subsidiaries includes the net profit on divestment of M.P.S. Hotels (Pvt) Ltd, Vauxhall Cargo Logistics (Pvt) Ltd & Spence Logistics (Pvt) Ltd.

9 Profit from operations

Profit from operations is stated after charging the following:

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Cost of inventories and services	36,316,343	31,789,321	474,708	450,273
Directors' remuneration and fees	452,313	445,676	114,123	98,806
Auditors' remuneration				
- KPMG	18,173	16,541	1,300	1,225
- Other auditors	6,898	6,460	-	-
Fees paid to auditors for non-audit services				
- KPMG	5,665	9,275	2,632	1,663
- Other auditors	4,492	7,350	-	-
Depreciation, amortisation and impairment (losses) / reversals of non-financial assets				
- Depreciation of property, plant and equipment, investment property and biological assets	2,484,601	2,194,153	41,676	35,693
- Amortisation of intangible assets, leasehold properties and operating leases	130,163	135,878	6,265	12,607
- Impairment losses / (reversals) of inventories	(71,880)	830	-	-
- Impairment losses / (reversals) of investments in subsidiaries and equity-accounted investees	26,712	-	(106,195)	130,063
Total of depreciation, amortisation and impairment losses / (reversals) of non-financial assets	2,569,596	2,330,861	(58,254)	178,363
Impairment losses / (reversals) and write offs of trade & other receivables	35,390	20,062	(416)	198,785
Operating lease payments	588,499	565,331	-	-
Legal Expenses	13,276	13,989	160	875
Defined contribution plan cost - Sri Lanka	474,716	464,559	46,042	43,822
Defined contribution plan cost - Overseas (Maldives, South India, Fiji and Oman)	92,592	94,481	-	-
Defined benefit plan cost - Retirement benefits	219,275	167,650	23,954	19,781

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	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Finance income				
Interest income and net change in fair value of government securities classified as fair value through profit or loss	3,893	28,301	3,893	28,301
Interest income on loans and receivables	739,599	733,195	770,361	684,886
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	27	-	-	-
	743,519	761,496	786,067	725,000
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(1,579,151)	(1,532,320)	(948,016)	(806,791)
Net change in fair value of derivative financial assets classified as fair value through profit or loss	-	(2,805)	-	-
Other finance charges	(153,944)	(121,508)	(2,461)	(1,873)
	(1,733,095)	(1,656,633)	(950,477)	(808,664)

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 185.1 million. (2016/2017 - 59.9 million). (Company-nil). The average rate of borrowing costs eligible for capitalisation for the US dollar and LKR denominated borrowings are 6.83% and 12.55% respectively.

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 as follows:

» 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

With the introduction of the Inland Revenue Act No. 24 of 2017, which is effective from 1st April 2018. Significant changes have been introduced to the income tax law of Sri Lanka. No further income tax exemptions are to be granted under the Inland Revenue Act No. 24 of 2017 and the present concessionary tax rates enjoyed by the Companies are also amended by the above Act. The Companies which are entitled to concessionary tax rates are based on business operation and would need to ensure they meet the criteria specified in the above Act. Accordingly note 12.5 provides a list of significant changes applicable to companies in the Group under the Inland Revenue Act No. 24 of 2017. Further the Department of Inland Revenue has issued a Gazette notification (No. 2064/53) on the transitional provisions that would be applicable in implementing the above Act. The significant changes introduced by the Act and the Gazette notification issued in relation to the transitional provisions are detailed in the paragraphs below.

Deferred tax expense on companies resident in Sri Lanka are calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017, which are expected to be applied to the temporary differences when they reverse. As per provisions of Inland Revenue Act No. 24 of 2017, deferred tax is recognized on the following new items.

Revaluation surplus on freehold land.

As per section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, freehold lands used for business or investment purpose would be liable to tax at the time of realisation. Accordingly deferred tax is recognised on the revaluation surplus of freehold lands which are treated as capital assets used in the business for tax purpose.

Freehold lands which are treated as investment assets for tax purpose would not be considered for deferred tax, since the Act requires deemed cost of the asset to be equal to market value as at 30th September 2017.

Available for sale financial assets

Deferred tax is provided on the gain or loss of unquoted shares held as investments by companies in the Group. For the purpose of the Act, cost of the investment is equal to market value as at 30th September 2017.

Tax losses carried forward

As per the Gazette notification issued in relation to the transitional provisions, any unclaimed loss as at 31st March 2018, is deemed to be a loss incurred for the year of assessment commencing on or after April 1, 2018 and shall be carried forward up to 6 years. Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly.

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.*

The Gazette notification issued in relation to the transitional provisions specifies that the income tax exemptions granted under the BOI law which were entered prior to 1st April 2018 would continue to apply under Inland Revenue Act No. 24 of 2017.

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 ending 2029/2030
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 ending 2029/2030
Turyaa 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 2026/2027
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

The Gazette notification issued in relation to the transitional provisions specifies that unexpired income tax exemptions as at 31st March 2018 granted under section 16C & 17A of Inland Revenue Act No. 10 of 2006 and amended there to would continue to apply under Inland Revenue Act No. 24 of 2017.

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	20%
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.*

The Gazette notification issued in relation to the transitional provisions specifies that concessionary income tax rates granted after the initial tax exemption period under the BOI law which were entered prior to 1st April 2018 would continue to apply under Inland Revenue Act No. 24 of 2017.

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 (disposed during the year)	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	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 Agriculture (Pvt) Ltd	Profits from agricultural undertaking	Section 48A of Inland Revenue Act No. 10 of 2006	10%
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 Profits from operation of a mini hydro power project	Section 48A of Inland Revenue Act No. 10 of 2006 Section 59E of Inland Revenue (Amendment) Act No. 18 of 2013	10% 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 April 1, 2011 but prior to April 1, 2014 on investments specified in section 16C or section 17A. The Companies in the Group have claimed the total investment relief available in the year ended 31st March 2017. There was no further investment relief claimed during the year.

Please refer note 12.5 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

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 15% 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.

Please refer note 12.5 for the impact of Inland Revenue Act No. 24 of 2017 on above activities

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	15%
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	25.75%
	PR Holiday Homes Pvt Ltd	25.75%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	25.75%
Bangladesh	Ace Bangladesh Ltd	35%

12.5 Impact of Inland Revenue Act No. 24 of 2017 (New Act) on the income tax exemptions and tax concessions enjoyed under Inland Revenue Act No. 10 of 2006 and amendments thereto (Old Act).

Statute Reference Under Old Act	Statute Reference Under New Act	Rate Impact
Profits from operation and maintenance of facilities for storage under fifth schedule » Ace Containers (Pvt) Ltd » Ace Container Terminals (Pvt) Ltd » Ace Distriparks (Pvt) Ltd » Ace Freight Management (Pvt) Ltd	Specified undertaking predominantly* providing logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka	Rate increased from 10% to 14% (if the predominant criteria is not met, liable for tax at 28%)
Profits from provision of educational services under fifth schedule » Colombo International Nautical and Engineering College (Pvt) Ltd	Company predominantly* providing educational services	Rate increased from 10% to 14% .(if the predominant criteria is not met, liable for tax at 28%)
Profits from qualified exports under Section 52 » Ace Container Repair (Pvt) Ltd	Specified undertaking predominantly* providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers	Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%)
Profits from transshipment agency fees and provision of service to a foreign ship operator under Section 59 » Hapag-Lloyd Lanka (Pvt) Ltd » Shipping and Cargo Logistics (Pvt) Ltd	Specified undertaking predominantly* proving transshipment operations or provision of service to a foreign ship operator	Rate increased from 12% to 14% (if the predominant criteria is not met liable for tax at 28%)
Profits from promotion of tourism under Section 46 » Aitken Spence Hotel Holdings PLC » Aitken Spence Hotels Ltd » Hethersett Hotels Ltd » Kandalama Hotels (Pvt) Ltd » Paradise Resorts Pasikudah (Pvt) Ltd » Turyaa (Pvt) Ltd	Company predominantly* engaged in undertaking for the promotion of tourism	Rate increased from 12% to 14%.(if the predominant criteria is not met, liable for tax at 28%)
Profits from qualified exports/ deemed exports under Section 52 & 56 » Ace Exports (Pvt) Ltd » Aitken Spence Apparels (Pvt) Ltd	Specified undertaking predominantly* supplying services to any exporter of goods or services	Rate increased from 12% to 14%.
Profits from qualified exports under Section 52 » Aitken Spence (Garments) Ltd	Company predominantly* conducting a business of exporting goods and services	Rate increased from 12% to 14%
Profits from agricultural undertaking under Section 48A » Aitken Spence Agriculture (Pvt) Ltd » Elpitiya Plantations PLC	Company predominantly* conducting an agricultural business	Rate increased from 10% to 14%
Interest income earned on foreign currency denominated instruments specified under section 09	No exemption on interest income and subject to 5% withholding tax	Interest is liable for income tax and credit available on the WHT deducted
Profits and income exempt under 13 ddd	Company predominantly* conducting a business of exporting goods and services	Liable for tax at 14%

Statute Reference Under Old Act	Statute Reference Under New Act	Rate Impact
Profits and income exempt under Section 13 (b) – Note 12.3 on Companies incorporated in Sri Lanka and operating outside Sri Lanka	Company predominantly* conducting a business of exporting goods and services	Liable for tax at 14% and tax credits are available for taxes paid in foreign jurisdictions

** Predominantly under the Inland Revenue Act No. 24 of 2017 means 80% or more calculated based on gross income.*

The carried forward Notional Tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019.

12.6 Tax recognised in income statements

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Current tax expense				
Tax on current year profits (note 12.8)	1,064,346	948,020	7,724	6,908
Under / (over) provision in respect of previous years	25,162	26,960	-	63,023
Withholding tax on dividends paid by subsidiaries	169,918	164,777	-	-
	1,259,426	1,139,757	7,724	69,931
Deferred tax expense / (income)				
Impact of changes in tax rates	33,201	-	-	-
Origination / (reversal) of temporary differences	(44,343)	61,650	(105,266)	(119,624)
Deferred tax expense / (income) (note 12.9)	(11,142)	61,650	(105,266)	(119,624)
	1,248,284	1,201,407	(97,542)	(49,693)
Effective tax rate (including deferred tax)	19.5%	22.9%	-	-
Effective tax rate (excluding deferred tax)	19.7%	21.7%	0.4%	5.9%

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 169.4 million (2016/2017 - Rs. 122.1 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.7 Tax recognised in other comprehensive income

12.7.1 Group

	2017/2018			2016/2017		
	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000
Items that will not be reclassified to profit or loss						
Revaluation of freehold land	2,858,132	(997,483)	1,860,649	207,671	-	207,671
Actuarial gains / (losses) on defined benefit obligations	(116,004)	24,675	(91,329)	76,155	(15,348)	60,807
Share of other comprehensive income of equity-accounted investees (net of tax)	163,063	-	163,063	85,832	-	85,832
	2,905,191	(972,808)	1,932,383	369,658	(15,348)	354,310
Items that are or may be reclassified to profit or loss						
Exchange differences on translation of foreign operations	417,045	-	417,045	862,425	-	862,425
Net change in fair value of available-for-sale financial assets	1,614	(82)	1,532	(71,215)	-	(71,215)
Net movement on cash flow hedges	(960,398)	-	(960,398)	-	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	62,743	-	62,743	163,738	-	163,738
	(478,996)	(82)	(479,078)	954,948	-	954,948
Other comprehensive income for the year	2,426,195	(972,890)	1,453,305	1,324,606	(15,348)	1,309,258

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. 42.8 million (2016/2017 - Rs. 6.3 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.7.2 Company

	2017/2018			2016/2017		
	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000
Items that will not be reclassified to profit or loss						
Actuarial gains / (losses) on defined benefit obligations	(8,814)	2,468	(6,346)	9,242	(2,588)	6,654
	(8,814)	2,468	(6,346)	9,242	(2,588)	6,654
Items that are or may be reclassified to profit or loss						
Net change in fair value of available-for-sale financial assets	(148)	(40)	(188)	(367)	-	(367)
	(148)	(40)	(188)	(367)	-	(367)
Other comprehensive income /(expense) for the year	(8,962)	2,428	(6,534)	8,875	(2,588)	6,287

12.8 Reconciliation of the accounting profits and current year tax

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Profit before tax	6,397,816	5,246,872	1,776,369	1,186,387
Consolidation adjustments	(279,745)	(398,641)	-	-
Profit after adjustments	6,118,071	4,848,231	1,776,369	1,186,387
Income not liable for income tax	(244,376)	896,242	(111,788)	(100,967)
Effect of revenue subject to tax at source	852,960	793,023	77,243	69,078
Adjusted profit	6,726,655	6,537,496	1,741,824	1,154,498
Non - taxable receipts / gains	(73,502)	(134,588)	(1,904,636)	(1,806,386)
Aggregate disallowed expenses	4,566,406	4,232,412	309,864	615,962
Capital allowances	(5,030,269)	(5,261,951)	(19,224)	(17,766)
Aggregate allowable deductions	(1,136,566)	(870,663)	(454,951)	(147,825)
Utilisation of tax losses	(529,988)	(441,094)	(55,382)	(57,030)
Qualifying payment deductions	-	(6,848)	-	-
Current year tax losses not utilised	1,786,055	1,678,266	459,747	327,625
Taxable income	6,308,791	5,733,030	77,242	69,078
Income tax charged at;				
Standard rate of 28%	253,862	180,697	-	-
Concessionary rates	231,181	211,523	-	-
Other rates	896	936	-	-
Varying rates on off - shore profits	578,407	554,864	7,724	6,908
	1,064,346	948,020	7,724	6,908
Under provision in respect of previous years	25,162	26,960	-	63,023
Withholding tax on dividends paid by subsidiaries	169,918	164,777	-	-
	1,259,426	1,139,757	7,724	69,931

12.9 Deferred tax expense/ (income)

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Origination / (reversal) of temporary differences arising from ;				
Accelerated depreciation for tax purposes on property, plant and equipment	286,078	217,389	5,450	(4,068)
Defined benefit obligations	(24,035)	(15,003)	(5,863)	(3,941)
Tax losses carried forward	(249,288)	(140,598)	(104,853)	(111,615)
Undistributed profits of consolidated entities	(24,226)	-	-	-
Other items	329	(138)	-	-
	(11,142)	61,650	(105,266)	(119,624)

12.10 Tax losses carried forward

	Group		Company	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Tax losses brought forward	5,965,535	3,816,943	652,507	253,881
Adjustments to tax loss brought forward and tax losses arising during the year	2,138,760	2,589,686	429,859	455,656
Utilisation of tax losses	(529,988)	(441,094)	(55,382)	(57,030)
	7,574,307	5,965,535	1,026,984	652,507

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. 751.7 million (2016/2017 - Rs. 501.9 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 31.03.2018 (2016/2017 - 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	
	2017/2018	2016/2017	2017/2018	2016/2017
Net profit attributable to equity holders of the company (Rs.)	3,560,347,543	2,890,031,998	1,873,911,404	1,236,079,796
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	8.77	7.12	4.62	3.04

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

14 Dividends per share

	2017/2018 Rs.'000	2016/2017 Rs.'000
Interim ordinary dividend of Rs.1.25 per share for 2016/2017	-	507,495
Final ordinary dividend recommended Rs.2.00 per share (2016/2017 - Rs.0.50 per share)	811,992	202,998
	811,992	710,493

The Directors have recommended a final dividend payment of Rs.2.00 per share for the year ended 31st March 2018 to be approved at the Annual General Meeting on 29th June 2018.

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 2018.

15 Property, plant and equipment

15.1 Group

	Freehold Land	Freehold buildings	Plant machinery and equipment	Motor vehicles	Furniture and fittings	Capital work-in-progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or revaluation							
Balance as at 01st April 2017							
- Recognised under non-current assets	12,087,961	31,603,715	12,240,032	3,623,269	2,965,282	2,587,553	65,107,812
- Recognised under current assets	-	304,769	1,482,970	30,714	4,647	-	1,823,100
Surplus on revaluation	2,858,132	-	-	-	-	-	2,858,132
Companies disposed during the year	(300,500)	(174,759)	(52,385)	(14,376)	(28,677)	(772)	(571,469)
Exchange difference	81,161	335,294	151,821	11,858	17,824	61,908	659,866
Additions	-	291,575	657,487	257,139	149,604	5,881,153	7,236,958
Capitalisation of lease amortised / accrued note 19, 20 & 34)	-	-	-	-	-	295,844	295,844
Other transfers	-	216,579	(10,831)	23,539	-	(229,287)	-
Disposals / write-offs	-	-	(83,450)	(104,777)	(4,748)	(2,355)	(195,330)
Balance as at 31st March 2018	14,726,754	32,577,173	14,385,644	3,827,366	3,103,932	8,594,044	77,214,913
Accumulated depreciation / impairment							
Balance as at 01st April 2017							
- Recognised under non-current assets	-	5,761,049	5,411,723	2,442,093	1,444,424	-	15,059,289
- Recognised under current assets	-	176,580	268,127	25,983	3,763	-	474,453
Companies disposed during the year	-	(63,960)	(36,881)	(6,090)	(19,661)	-	(126,592)
Exchange difference	-	91,695	100,431	10,009	11,321	-	213,456
Charge for the year	-	920,996	1,176,076	156,889	225,918	-	2,479,879
Disposals / write-offs	-	-	(72,791)	(83,414)	(4,147)	-	(160,352)
Balance as at 31st March 2018	-	6,886,360	6,846,685	2,545,470	1,661,618	-	17,940,133
Carrying amount as at 31st March 2018	14,726,754	25,690,813	7,538,959	1,281,896	1,442,314	8,594,044	59,274,780
Carrying amount as at 31st March 2017							
- Recognised under non-current assets	12,087,961	25,842,666	6,828,309	1,181,176	1,520,858	2,587,553	50,048,523
- Recognised under current assets (note 27)	-	128,189	1,214,843	4,731	884	-	1,348,647

The value of property, plant and equipment pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 11,790.4 million (2016/2017- Rs. 13,463.7 million).

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

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations which are accounted for in foreign currencies and translated to the reporting currency at the 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. Tax impact on revaluation of land is given in note 12 to the financial statements.

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 2018 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 3,286.8 million that are still in use (2016/2017 - Rs. 3,389.7 million).

15.2 Company

	Plant machinery and equipment	Motor vehicles	Furniture and fittings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or revaluation				
Balance as at 01st April 2017	157,621	146,401	82,949	386,971
Additions	17,607	24,060	267	41,934
Disposals	(4,844)	(39,005)	(2)	(43,851)
Balance as at 31st March 2018	170,384	131,456	83,214	385,054
Accumulated depreciation / impairment				
Balance as at 01st April 2017	128,120	65,595	52,058	245,773
Charge for the year	12,957	17,642	8,323	38,922
Disposals	(4,664)	(29,540)	(2)	(34,206)
Balance as at 31st March 2018	136,413	53,697	60,379	250,489
Carrying amount as at 31st March 2018	33,971	77,759	22,835	134,565
Carrying amount as at 31st March 2017	29,501	80,806	30,891	141,198

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 2018 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 123.9 million that are still in use (2016/2017 - Rs. 104.6 million).

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2018 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence PLC (a)	315, Vauxhall Street, Colombo 02	30.09.2017	1 A 0 R 12.78 P	1,468,630	1,467,473	1,157
	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	1 A 0 R 20.37 P	717,147	712,156	4,991
	170, Sri Wickrema Mw., Colombo 15	30.09.2017	3 A 3 R 31.00 P	625,500	582,539	42,961
	Moragalla, Beruwala	30.09.2017	10 A 1 R 23.97 P	707,000	706,046	954
	290/1, Inner Harbour Road, Trincomalee	30.09.2017	0 A 1 R 4.95 P	19,000	19,000	-
Ace Containers (Pvt) Ltd (a)	775/5, Negombo Road, Wattala	30.09.2017	22 A 0 R 24.88 P	1,772,440	1,677,049	95,391
	385, Colombo Road, Welisara	30.09.2017	8 A 3 R 12.23 P	706,000	619,327	86,673
	No.377, Negombo Road, Welisara, Ragama	30.09.2017	1 A 1 R 17.80 P	98,000	10,935	87,065
Ace Distriparks (Pvt) Ltd (a)	80, Negombo Road, Wattala	30.09.2017	2 A 2 R 17.03 P	625,550	255,988	369,562
Ahungalla Resorts Ltd (a)	"Ahungalla Resorts", Galle Road, Ahungalla	30.09.2017	12 A 3 R 35.21 P	942,650	42,773	899,877
Aitken Spence (Garments) Ltd (a)	222, Agalawatte Road, Matugama	30.09.2017	2 A 3 R 0 P	35,200	30,040	5,160
Aitken Spence Hotel Holdings PLC (a)	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	11 A 3 R 34.02 P	695,600	677,398	18,202
	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	0 A 0 R 39.26 P	14,700	9,493	5,207
Aitken Spence Property Developments Ltd (a)	90, St.Rita's Estate, Mawaramandiya	30.09.2017	3 A 0 R 25.08 P	126,270	101,842	24,428
Branford Hydropower (Pvt) Ltd (a)	225, Gangabada Road, Kaludawela, Matale	30.09.2017	2 A 0 R 14.00 P	18,370	7,837	10,533
Clark Spence and Co., Ltd (a)	24-24/1, Church Street, Galle	30.09.2017	0 A 1 R 27.90 P	186,725	186,690	35
Heritance (Pvt) Ltd (a)	Moragalla, Beruwala	30.09.2017	5 A 3 R 6.80 P	324,250	313,170	11,080
Kandalama Hotels Ltd (a)	Kandalama, Dambulla	30.09.2017	169 A 2 R 22.00 P	9,300	1,916	7,384
Logilink (Pvt) Ltd (a)	309/4 a, Negombo Road, Welisara	30.09.2017	2 A 1 R 9.50 P	166,275	83,784	82,491
Meeraladuwa (Pvt) Ltd (a)	Meeraladuwa Island, Balapitiya	30.09.2017	29 A 2 R 9.00 P	217,020	116,758	100,262
Neptune Ayurvedic Village (Pvt) Ltd (a)	Ayurvedic village - Moragalla, Beruwala	30.09.2017	0 A 0 R 19.30 P	4,500	437	4,063
Perumbalam Resorts (Pvt) Ltd (b)	Cochin - Kerala, India	07.02.2017	4 A 0 R 9.00 P	52,411	42,478	9,933
PR Holiday Homes (Pvt) Ltd (b)	Cochin - Kerala, India	07.02.2017	14 A 0 R 7.52 P	205,573	66,708	138,865

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2018 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Turyaa (Pvt) Ltd (a)	418, Parallel Road, Kudawaskaduwa, Kalutara	30.09.2017	5 A 1R 37.90 P	384,160	364,395	19,765
	49, Sea Beach Road, Kalutara	30.09.2017	0 A 1R 30.32 P	23,000	21,512	1,488
Turyaa Resorts (Pvt) Ltd (a)	Kudawaskaduwa, Kalutara	30.09.2017	1 A 3 R 33.20 P	150,336	93,557	56,779
	Kudawaskaduwa, Kalutara	30.09.2017	0 A 1 R 33.50 P	20,000	10,826	9,174
Vauxhall Investments Ltd (a)	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	0 A 1 R 21.08 P	242,853	221,014	21,839
Vauxhall Property Developments Ltd (a)	305, Vauxhall Street, Colombo 02	30.09.2017	0 A 2 R 24.73 P	890,205	875,474	14,731
				11,448,665	9,318,615	2,130,050

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. T.T. Kripananda Singh, B.S.C.(Eng.) Civil, MICA, FIE, FIV, C.(Eng.) 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 31.03.2018 Rs.'000
Aitken Spence Hotel Managements (South India) Ltd	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	09.06 2014	0 A 3 R 15.14 P	560,678
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	2,717,411
				3,278,089

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 31.03.2018 Rs.'000
Land carried at revalued amount	11,448,665
Land carried at cost (fair value)	3,278,089
	14,726,754

16 Investment properties

16.1 Movement during the year

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Cost				
Balance as at 01st April	1,630,801	1,630,801	3,494,039	3,494,039
Transferred from inventories	2,599	-	-	-
Balance as at 31st March	1,633,400	1,630,801	3,494,039	3,494,039
Accumulated depreciation / impairment				
Balance as at 01st April	-	-	62,352	59,598
Charge for the year	260	-	2,754	2,754
Transferred from inventories	780	-	-	-
Balance as at 31st March	1,040	-	65,106	62,352
Carrying amount as at 31st March	1,632,360	1,630,801	3,428,933	3,431,687

16.2 Details of land classified as investment property

Location	Extent	Carrying value of investment property Group Rs.'000	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	-	190,804	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	542,978	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 4.95 P	-	12,700	1
58/1, Park Road Kerawalapitiya,Wattala	0 A 0 R 18.75 P	1,559	-	1
Irakkakandi Village, VC Road, Nilaweli	113 A 1 R 1.00 P	1,630,801	1,558,801	-
		1,632,360	3,428,933	

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 these properties as at 31st March 2018 based on valuation carried out by an independent, qualified valuer who has recent experience in the location and category of investment property being valued, are for the Group, Rs. 2,569 million (2016/2017 - Rs.2,446 million)., and for the company, Rs. 6,023 million (2016/2017 - Rs. 4,565 million).

16.4 Income earned from investment property

Total rent income earned by the company from the investment properties during the year was Rs. 41.1 million (2016/2017 - Rs. 42.3 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 2017	1,042,239	391,507	4,017	1,437,763
Exchange difference	9,590	477	258	10,325
Additions	-	17,926	642	18,568
Disposals	-	(661)	(499)	(1,160)
Balance as at 31st March 2018	1,051,829	409,249	4,418	1,465,496
Accumulated amortisation / impairment				
Balance as at 01st April 2017	198,769	349,341	3,550	551,660
Exchange difference	-	453	258	711
Amortisation for the year	-	23,670	227	23,897
Disposals	-	(661)	(489)	(1,150)
Balance as at 31st March 2018	198,769	372,803	3,546	575,118
Carrying amount as at 31st March 2018	853,060	36,446	872	890,378
Carrying amount as at 31st March 2017	843,470	42,166	467	886,103

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2016/2017- nil).

Intangible assets as at 31st March 2018 includes fully amortised assets having a gross carrying amount (cost) of Rs. 284.9 million that are still in use (2016/2017 - Rs. 246.9 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).

	31.03.2018 Rs.'000
Tourism sector	404,369
Maritime & logistics sector	378,637
Strategic investments	50,000
Services sector	20,054
	853,060

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.

17.2 Company

	Software	
	2017/2018 Rs.'000	2016/2017 Rs.'000
Cost or valuation		
Balance as at 01st April	169,002	167,235
Additions	821	1,767
Balance as at 31st March	169,823	169,002
Accumulated amortisation / impairment		
Balance as at 01st April	157,966	145,359
Charge for the year	6,265	12,607
Balance as at 31st March	164,231	157,966
Carrying amount as at 31st March	5,592	11,036

There were no intangible assets pledged by the Company as security for facilities obtained from the banks (2016/2017 - nil).

Intangible assets as at 31st March 2018 includes fully amortised assets having a gross carrying amount (cost) of Rs. 158.7 million that are still in use (2016/2017 - Rs. 110.3 million).

18 Biological assets

	Group		
	Immature plantations	Mature plantations	Total
	Rs.'000	Rs.'000	Rs.'000
Cost			
Balance as at 01st April 2017	24,281	19,945	44,226
Additions	8,172	-	8,172
Balance as at 31st March 2018	32,453	19,945	52,398
Accumulated depreciation			
Balance as at 01st April 2017	-	643	643
Charge for the year	-	4,462	4,462
Balance as at 31st March 2018	-	5,105	5,105
Carrying amount as at 31st March 2018	32,453	14,840	47,293
Carrying amount as at 31st March 2017	24,281	19,302	43,583

19 Leasehold properties

	Group	
	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Cost		
Balance as at 01st April	2,663,625	2,535,692
Exchange difference	63,265	127,933
Balance as at 31st March	2,726,890	2,663,625
Accumulated amortisation		
Balance as at 01st April	621,166	528,964
Exchange difference	15,699	29,247
Amortisation for the period	55,307	55,173
Capitalisation of lease amortised	10,815	7,782
Balance as at 31st March	702,987	621,166
Carrying amount as at 31st March	2,023,903	2,042,459

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	
	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Balance as at 01st April	2,051,167	1,861,592
Additions during the period	281,771	37,666
Transferred from property, plant and equipment	-	132,533
Amortisation for the period		
- Charged to the income statement	(50,959)	(52,903)
- Capitalised under property, plant and equipment	(15,789)	(15,199)
- Capitalised under biological assets	-	(229)
Exchange difference	42,634	87,707
Balance as at 31st March	2,308,824	2,051,167
Current portion of pre-paid operating leases	67,466	72,819
Non-current portion of pre-paid operating leases	2,241,358	1,978,348

20.2 Operating lease payments

	Group	
	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Recognised under income statement	588,499	565,331
Recognised under pre-paid operating leases	281,771	37,666
	870,270	602,997

20.3 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	Group	
As at	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Lease rentals payable within one year	594,549	729,212
Lease rentals payable between one and five years	2,760,924	3,359,996
Lease rentals payable after five years	6,478,870	6,910,508
	9,834,343	10,999,716

20.4 Details of leases under operating lease

Company	Location of the leased property		Unexpired lease periods as at 31.03.2018
Ace Apparels (Pvt) Ltd *	Koggala	- Sri Lanka	46 years
Ace Container Terminals (Pvt) Ltd *	Biyagama	- Sri Lanka	69 years
Ace Container Terminals (Pvt) Ltd *	Katunayake	- Sri Lanka	69 years
Ace Distriparks (Pvt) Ltd	Mihinthale	- Sri Lanka	25 years
Ace Power Embilipitiya (Pvt) Ltd	Embilipitiya	- Sri Lanka	15 years
Ace Windpower (Pvt) Ltd	Ambewela	- Sri Lanka	15 years
Aitken Spence Agriculture (Pvt) Ltd *	Dambulla	- Sri Lanka	26 years
Branford Hydropower (Pvt) Ltd	Matale	- Sri Lanka	09 years
Hethersett Hotels Ltd	Nuwara Eliya	- Sri Lanka	76 years
Kandalama Hotels (Pvt) Ltd	Dambulla	- Sri Lanka	24 years
Western Power Company (Pvt) Ltd *	Muthurajawela	- Sri Lanka	28 years
Ace Resorts (Pvt) Ltd *	Noonu Atoll	- Maldives	47 years
ADS Resorts (Pvt) Ltd *	North Male' Atoll	- Maldives	08 years
Cowrie Investments (Pvt) Ltd *	Raa Atoll	- Maldives	30 years
Cowrie Investments (Pvt) Ltd *	Raa Atoll	- Maldives	47 years
Jetan Travel Services Company (Pvt) Ltd *	South Male' Atoll	- Maldives	23 years
Unique Resorts (Pvt) Ltd *	South Male' Atoll	- Maldives	27 years
Fiji Ports Terminal Ltd	Suva	- Fiji	09 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	31.03.2018	31.03.2017
			%	%	%	Rs.'000	Rs.'000
a) Ordinary Shares							
Ace Apparels (Pvt) Ltd (a) (c)	Sri Lanka	13,100,000	100.00	100.00	-	131,000	131,000
Ace Cargo (Pvt) Ltd (a)	Sri Lanka	990,000	100.00	100.00	-	245,173	245,173
Ace Container Repair (Pvt) Ltd (a)	Sri Lanka	2,250,000	100.00	100.00	-	22,500	22,500
Ace Container Terminals (Pvt) Ltd (a)	Sri Lanka	1,550,002	100.00	100.00	-	15,500	15,500
Ace Containers (Pvt) Ltd (a)	Sri Lanka	4,010,000	100.00	100.00	-	40,100	40,100
Ace Distriparks (Pvt) Ltd (a)	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 (a)	Sri Lanka	5,222,500	100.00	100.00	-	36,307	36,307
Ace International Express (Pvt) Ltd	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) (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000

21.1 Investments in subsidiaries - unquoted (contd.)

	Country of Incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Aitken Spence Cargo (Pvt) Ltd (a)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd (a) (c)	Sri Lanka	52,500	100.00	100.00	-	514	514
Aitken Spence Group Ltd (a) (b)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	4,020,000	100.00	100.00	-	40,200	40,200
Aitken Spence Insurance Brokers (Pvt) Ltd	Sri Lanka	152,740	100.00	100.00	-	1,500	1,500
Aitken Spence International Consulting (Pvt) Ltd (formerly known as Aitken Spence Insurance (Pvt) Ltd)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Maritime Ltd (a)	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 (a)	Sri Lanka	2,038,072	100.00	100.00	-	132,717	132,717
Aitken Spence Shipping Services Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	20,200	-
Aitken Spence Technologies (Pvt) Ltd	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
Clark Spence and Company (Pvt) Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	74,300	-
Logilink (Pvt) Ltd (a)	Sri Lanka	30,000,000	100.00	100.00	-	222,690	222,690
Royal Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	50,000	100.00	100.00	-	500	500
Spence International (Pvt) Ltd (a)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
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
Western Power Holdings (Pvt) Ltd (a)	Sri Lanka	10,000,000	100.00	100.00	-	500,000	-
Aitken Spence Developments (Pvt) Ltd (a)	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	94.30	99.98	0.02	748,650	748,650
Western Power Company (Pvt) Ltd (a) (b)	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd (a)	Sri Lanka	154,800	77.40	77.40	22.60	11,594	11,594
Aitken Spence Moscow (Pvt) Ltd	Sri Lanka	37,500	75.00	75.00	25.00	375	375
Ace Power Embilipitiya (Pvt) Ltd (a)	Sri Lanka	124,033,413	74.00	74.00	26.00	703,626	703,626
Ace Aviation Services (Pvt) Ltd (a)	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd (c)	Sri Lanka	998,750	50.00	50.00	50.00	26,257	26,257
Aitken Spence Travels (Pvt) Ltd (a)	Sri Lanka	1,704,000	50.00	50.00	50.00	60,875	60,875
MMBL Money Transfer (Pvt) Ltd (a) (b)	Sri Lanka	3,000,000	50.00	50.00	50.00	35,566	35,566
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (c)	Sri Lanka	4,924,500	49.00	86.99	13.01	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	10,323,225	49.00	86.99	13.01	99,000	99,000
Kandalama Hotels (Pvt) Ltd (c)	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050
Interlifts International Pvt Ltd	Maldives	38,550	65.00	65.00	35.00	3,258	3,258
Ace Aviation Services Maldives Pvt Ltd	Maldives	490	49.00	49.00	51.00	639	639
Fiji Ports Terminal Ltd (a)	Fiji	1,572,993	51.00	60.80	39.20	749,242	749,242
Aitken Spence Agriculture (Pvt) Ltd (a) (b)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Ports International Ltd (a)	Sri Lanka	10,000	10.00	100.00	-	-	-

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21.1 Investments in subsidiaries - unquoted (contd.)

	Country of Incorporation	Number of shares	Company holding	Group holding	Non-controlling holding	31.03.2018	31.03.2017
			%	%	%	Rs.'000	Rs.'000
Global Parcel Delivery (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Spence Logistics (Pvt) Ltd	Sri Lanka	-	-	-	-	-	650
Vauxhall Cargo Logistics (Pvt) Ltd	Sri Lanka	-	-	-	-	-	50,000
						5,424,675	4,880,825
b) Preference Shares							
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	500,000	100.00	100.00	-	5,000	5,000
Aitken Spence Hotel Holdings PLC (a) (c)	Sri Lanka	16,500,000	100.00	100.00	-	165,000	165,000
Aitken Spence (Garments) Ltd (c)	Sri Lanka	4,000,000	72.73	72.73	27.27	40,000	40,000
						210,000	210,000
Provision for impairment of investments						(97,029)	(297,029)
						5,537,646	4,793,796

During the period under review the Company reassessed the impairment made in an investment in the renewable power generation sector and reversed the previously recognised impairment loss of Rs. 150.0 million based on the current level of operations of the company. The impairment loss reversal is recognised in the income statement under depreciation, amortisation and impairment losses / (reversals) of non-financial assets. Further Rs. 50.0 million impairment made for the investment in Vauxhall Cargo Logistics (Pvt) Ltd was written off during the year due to the liquidation of the company.

a,b,c,d - refer note 43

21.2 Investment in subsidiaries - quoted

	Country of Incorporation	Number of shares	Company holding	Group holding	Non-controlling holding	31.03.2018	31.03.2017
			%	%	%	Rs.'000	Rs.'000
Aitken Spence Hotel Holdings PLC (a) (c) (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						8,022,334	8,429,438

a,c - refer note 43

21.3 Total carrying amount

	31.03.2018	31.03.2017
	Rs.'000	Rs.'000
Investment in subsidiaries - unquoted	5,537,646	4,793,796
Investment in subsidiaries - quoted	2,458,287	2,458,287
	7,995,933	7,252,083

21.4 Inter-company shareholdings - unquoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2018	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
A E Lanka (Pvt) Ltd	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	200	100.00	100.00	-
Ace Aviation Services (Pvt) Ltd (a)	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) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	78,369,024	60.00	44.69	55.31
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	Vauxhall Investments (Pvt) Ltd	5,000	100.00	100.00	-
Aitken Spence Corporate Finance (Pvt) Ltd (a) (b) (c)	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) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	5,125,500	51.00	86.99	13.01
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	10,744,582	51.00	86.99	13.01
Aitken Spence Hotels Ltd (a) (c)	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 (a)	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	2,805,000	3.53	99.98	0.02
		Ace Cargo (Pvt) Ltd	1,100,000	1.39		
		Aitken Spence Aviation (Pvt) Ltd	412,500	0.52		
		Aitken Spence Developments (Pvt) Ltd	211,750	0.26		
Aitken Spence Resources (Pvt) Ltd (c)	Sri Lanka	Aitken Spence Hotel Management (Pvt) Ltd	10,000	100.00	100.00	-
D.B.S. Logistics Ltd (a)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	200,000	100.00	100.00	-
Hapag-Lloyd Lanka (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	120,000	60.00	60.00	40.00
Heritance (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	2,125,627	100.00	73.01	26.99
Hethersett Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	24,542,000	94.44	70.35	29.65
Kandalama Hotels (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	10,216,216	63.00	82.99	17.01
Meeraladuwa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	20,227,801	100.00	74.49	25.51
Neptune Ayurvedic Village (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	500,000	100.00	74.49	25.51
Shipping and Cargo Logistics (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Shipping Ltd	25,000	50.00	50.00	50.00
Turyaa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	219,812,322	100.00	74.49	25.51
Turyaa Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	104,600,001	100.00	74.49	25.51
Aitken Spence Resorts (Middle East) LLC (a) (c)	Oman	Aitken Spence Hotels International (Pvt) Ltd	10,371,180	99.90	86.98	13.02
		Aitken Spence Hotel Holdings PLC	10,000	0.10		

21.4 Inter-company shareholdings - unquoted (contd.)

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2018	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Ace Resorts Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	8,480,999	100.00	86.99	13.01
A.D.S Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	1,275,000	100.00	86.99	13.01
Cowrie Investments Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotel Holdings PLC	52,740	60.00	44.69	55.31
Jetan Travel Services Company Pvt Ltd (c)	Maldives	Crest Star (B.V.I) Ltd	47,500	95.00	70.77	29.23
Spence Maldives Pvt Ltd (a)	Maldives	Ace Cargo (Pvt) Ltd	42,000	60.00	60.00	40.00
Unique Resorts Pvt Ltd (c)	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	142,799,286	91.73	85.96	14.04
		Aitken Spence Hotel Holdings PLC	12,874,000	8.27		
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)	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

a,b,c - refer note 43

21.5 Inter-company shareholdings - quoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2018	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Aitken Spence Hotel Holdings PLC (a) (c) (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		

a,b,c - refer note 43

21.6 The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs. 392.5 million (2016/2017 - Rs.112.5 million)

Principal activities of the Group subsidiaries are described on pages 378 to 387.

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.

	31.03.2018				31.03.2017			
	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	47,683,183				43,504,238			
Current assets	10,910,214				8,673,749			
Non - current liabilities	(19,876,906)				(15,595,025)			
Current liabilities	(10,822,488)				(9,150,274)			
Net assets	27,894,003				27,432,688			
Carrying amount of non-controlling interests	9,057,385	2,427,584	-	11,484,969	9,205,447	2,110,538	-	11,315,985
Revenue	18,250,581				16,055,386			
Profit for the year	1,583,395				1,013,739			
Other comprehensive income for the year, net of tax	(864,167)				974,116			
Total comprehensive income for the year	719,228				1,987,855			
Profit for the year allocated to non-controlling interests	455,632	1,133,552	-	1,589,184	302,991	852,442	-	1,155,433
Other comprehensive income for the year, net of tax allocated to non-controlling interests	(466,508)	4,563	-	(461,945)	260,517	40,584	-	301,101
Total comprehensive income for the year allocated to non-controlling interests	(10,876)	1,138,115	-	1,127,239	563,508	893,026	-	1,456,534
Cash flows from operating activities	2,801,992				2,587,485			
Cash flows from investing activities	(3,050,809)				(2,279,588)			
Cash flows from financing activities	3,266,138				120,782			
Net increase in cash and cash equivalents	3,017,321				428,679			
Dividends paid to non-controlling interests	35,384	821,127	-	856,511	186,866	557,381	-	744,247

22 Investments in equity-accounted investees

		Group		Company	
	Note	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	22.1.1	984,818	871,190	195,124	238,929
Interest in associates	22.2.1	5,349,637	5,189,652	2,516,255	2,516,255
Carrying amount as at 31st March		6,334,455	6,060,842	2,711,379	2,755,184
Recognised in the income statement					
Interest in joint ventures	22.1.2	37,639	175,923	-	-
Interest in associates	22.2.2	268,818	208,473	-	-
Share of profit of equity-accounted investees (net of tax)		306,457	384,396	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	22.1.2	174,702	2,116	-	-
Interest in associates	22.2.2	51,104	247,454	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		225,806	249,570	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as ;

	Group	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Items that will not be reclassified to profit or loss	163,063	85,832
Items that are or may be reclassified to profit or loss	62,743	163,738
	225,806	249,570

22.1.1 Investment in joint ventures

	Country of incorporation	Group				Company			
		No. of shares	Holding %	31.03.2018 Rs.'000	31.03.2017 Rs.'000	No. of shares	Holding %	31.03.2018 Rs.'000	31.03.2017 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) (c) (Ordinary shares - Unquoted)	Sri Lanka	125,100	50.00	131,404	131,404	125,100	50.00	131,404	131,404
Aitken Spence Engineering Solutions (Pvt) Ltd (a) (Ordinary shares - Unquoted)	Sri Lanka	1	50.00	-	-	1	50.00	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd (a) (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			-	-
Carrying amount as at 31st March				784,454	784,454			273,104	273,104
Provision for impairment of investments				(26,712)	-			(77,980)	(34,175)
Share of movement in equity value				227,076	86,736			-	-
Equity value of investments				984,818	871,190			195,124	238,929

During the period under review the Group and Company impaired one of its investments in the services sector and recognised an impairment loss of Rs. 26.7 million and Rs. 43.8 million respectively in the income statement under Depreciation, amortisation and impairment (losses) / reversals of non-financial assets.

22.1.2 Summarised financial information of joint ventures - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial joint ventures.

	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Carrying amount of interest in joint ventures	984,818	871,190
Group's share of :		
- Profit for the year (net of tax)	37,639	175,923
- Other comprehensive income for the year (net of tax)	174,702	2,116
Total comprehensive income for the year	212,341	178,039

22.1.3 *Inter-company shareholdings - investment in joint ventures*

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2018	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Colombo International Nautical and Engineering College (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Ports International Ltd	253,334	40.00	40.00	60.00
Ace Bangladesh Ltd (a)	Bangladesh	Ace Cargo (Pvt) Ltd	39,200	49.00	49.00	51.00

Principal activities of the Group's joint ventures are described on pages 378 to 387.

a,b,c - refer note 43

22.2.1 *Investment in associates*

	Country of incorporation	Group No. of shares	Holding %	31.03.2018 Rs.'000	31.03.2017 Rs.'000	Company No. of shares	Holding %	31.03.2018 Rs.'000	31.03.2017 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) (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) (c) (consolidated with Negombo Beach Resorts (Pvt) Ltd (c)) (Ordinary shares - Quoted)	Sri Lanka	48,627,103	27.96	928,077	928,077	-	-	-	-
Amethyst Leisure Ltd (c) (consolidated with Paradise Resort Pasikudah (Pvt) Ltd (c)) (Ordinary shares - Unquoted)	Sri Lanka	134,666,055	20.78	249,169	249,169	-	-	-	-
Carrying amount as at 31st March				3,693,501	3,693,501			2,516,255	2,516,255
Share of movement in equity value				1,656,136	1,496,151			-	-
Equity value of investments				5,349,637	5,189,652			2,516,255	2,516,255
Market value of quoted investments as at 31st March				1,087,418	1,413,219			377,462	377,462

22.2.2 Summarised financial information of associates - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial associates.

	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Carrying amount of interest in associates	5,349,637	5,189,652
Group's share of :		
- Profit for the year (net of tax)	268,818	208,473
- Other comprehensive income for the year (net of tax)	51,104	247,454
Total comprehensive income for the year	319,922	455,927

22.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2018	Investor holding %	Percentage holding (%) Group holding %	Non-controlling holding %
Amethyst Leisure Ltd (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	134,666,055	27.89	20.78	79.22
Browns Beach Hotels PLC (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	47,455,750	36.62	27.96	72.04
		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 associates are described on pages 378 to 387.

a,b,c - refer note 43

23 Deferred tax assets

23.1 Movement in deferred tax assets

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	434,794	328,140	195,421	78,385
Assets vested on business combination	-	560	-	-
Exchange difference	3,011	6,768	-	-
Reversal of temporary differences				
Recognised in profit / (loss)	111,754	108,844	105,266	119,624
Recognised in other comprehensive income	13,832	(9,518)	2,428	(2,588)
Balance as at 31st March	563,391	434,794	303,115	195,421

23.2 Composition of deferred tax assets

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Deferred tax assets attributable to;				
Defined benefit obligations	143,485	98,008	37,800	29,469
Tax losses carried forward	565,908	535,962	287,555	182,702
Accelerated depreciation for tax purposes on property, plant and equipment	(141,592)	(199,176)	(22,200)	(16,750)
Revaluation surplus on freehold land	(4,328)	-	-	-
Available for sale financial assets	(82)	-	(40)	-
Net deferred tax assets	563,391	434,794	303,115	195,421

23.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2018 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	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 01.04.2016 Rs.'000
Deferred tax assets										
Defined benefit obligations	143,485	27,216	18,242	19	98,008	10,330	(9,518)	28	-	97,168
Tax losses carried forward	565,908	26,512	-	3,434	535,962	74,221	-	10,295	658	450,788
	709,393	53,728	18,242	3,453	633,970	84,551	(9,518)	10,323	658	547,956
Deferred tax liability										
Accelerated depreciation for tax purposes on property, plant and equipment	(141,592)	58,026	-	(442)	(199,176)	24,293	-	(3,555)	(98)	(219,816)
Revaluation surplus on freehold land	(4,328)	-	(4,328)	-	-	-	-	-	-	-
Available for sale financial assets	(82)	-	(82)	-	-	-	-	-	-	-
	(146,002)	58,026	(4,410)	(442)	(199,176)	24,293	-	(3,555)	(98)	(219,816)
Net deferred tax assets	563,391	111,754	13,832	3,011	434,794	108,844	(9,518)	6,768	560	328,140

23.4 Movement in tax effect of temporary differences - Company

	As at 31.03.2018 Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 31.03.2017 Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2016 Rs.'000
Deferred tax assets							
Defined benefit obligations	37,800	5,863	2,468	29,469	3,941	(2,588)	28,116
Tax losses carried forward	287,555	104,853	-	182,702	111,615	-	71,087
	325,355	110,716	2,468	212,171	115,556	(2,588)	99,203
Deferred tax liability							
Accelerated depreciation for tax purposes on property, plant and equipment	(22,200)	(5,450)	-	(16,750)	4,068	-	(20,818)
Available for sale financial assets	(40)	-	(40)	-	-	-	-
	(22,240)	(5,450)	(40)	(16,750)	4,068	-	(20,818)
Net deferred tax assets	303,115	105,266	2,428	195,421	119,624	(2,588)	78,385

24 Other financial assets - non-current

24.1 Unquoted equity securities and debt

	Notes	Group 31.03.2018 Rs.'000	Group 31.03.2017 Rs.'000	Company 31.03.2018 Rs.'000	Company 31.03.2017 Rs.'000
Available-for-sale financial assets					
- Unquoted equity securities	24.1.1	146,254	168,961	28,526	28,744
Loans and receivables					
- Unquoted debt securities	24.1.2	214,880	165,238	116,668	165,238
- Amounts due from equity-accounted investees		588,752	-	-	-
Carrying amount as at 31st March		949,886	334,199	145,194	193,982
Current unquoted debt and equity securities	24.1.2	(76,546)	(48,570)	(50,000)	(48,570)
Non-current unquoted debt and equity securities		873,340	285,629	95,194	145,412

24.1.1 Unquoted equity securities

	Group			Company		
	No. of shares	31.03.2018 Rs.'000	31.03.2017 Rs.'000	No. of shares	31.03.2018 Rs.'000	31.03.2017 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	103,361	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	-	-	-
		147,924	171,213		43,640	43,640
Change in fair value of investments		(1,670)	(2,252)		(15,114)	(14,896)
Carrying amount as at 31st March		146,254	168,961		28,526	28,744

24.1.2 Unquoted debt securities

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd (Redeemable Debentures)	214,880	165,238	116,668	165,238
	214,880	165,238	116,668	165,238
Current portion of unquoted debt securities	(76,546)	(48,570)	(50,000)	(48,570)
Non-current portion of unquoted debt securities	138,334	116,668	66,668	116,668

25 Inventories

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Raw materials	833,996	973,876	-	-
Work-in-progress and finished goods	215,408	339,772	-	-
Consumables	715,406	652,755	2,179	2,183
	1,764,810	1,966,403	2,179	2,183
Impairment of inventories *	(238,648)	(310,528)	-	-
	1,526,162	1,655,875	2,179	2,183

* Subsequent to the extension of the short-term power purchase agreement between Ace Power Embilipitiya (Pvt) Ltd a subsidiary company, and the Ceylon Electricity Board (PPA) on 6th April 2018, for a further period of three years the management of the Company re-assessed the net realisable value of the inventory as at 31st March 2018. As a result, a reversal of the excess provision of Rs. 72.3 million was made against the inventory provision created by the company in the previous years when there was no indication that the one year PPA would be extended further. The above reversal is recognised in the income statement under depreciation, amortisation and impairment (losses) / reversals of non-financial assets in the strategic investments sector.

There were no inventories pledged as security for facilities obtained by the Group from banks as at 31st March 2018. (2016/2017-Rs. 342.5 million) (Company-nil).

26 Trade and other receivables

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Trade receivables	11,126,385	9,652,970	3,454	3,332
Other receivables	2,134,394	1,870,985	379,387	207,279
Amounts due from subsidiaries	-	-	4,362,845	3,033,935
Amounts due from equity-accounted investees	377,397	201,039	232,686	157,672
Loans to employees	30,954	32,797	6,222	10,454
	13,669,130	11,757,791	4,984,594	3,412,672
Impairment of trade and other receivables	(111,599)	(93,639)	(198,122)	(200,423)
	13,557,531	11,664,152	4,786,472	3,212,249

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

	Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	10,454	16,691
Recoveries during the period	(4,232)	(6,237)
Balance as at 31st March	6,222	10,454

27 Other current assets

	Notes	Group		Company	
		31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Other financial assets - current	27.1	7,300,814	8,969,951	6,459,242	6,182,392
Property, plant and equipment *		-	1,348,647	-	-
		7,300,814	10,318,598	6,459,242	6,182,392

* Due to the extension of the short-term power purchase agreement between Ace Power Embilipitiya (Pvt) Ltd a subsidiary company, and the Ceylon Electricity Board (PPA) for a further period of three years from 6th April 2018 the property plant and equipment of the company which was classified under other current assets during the last two financial years is now classified under non-current assets.

27.1 Other financial assets - current

		Group		Company	
	Notes	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Available-for-sale financial assets					
- Quoted equity securities	27.1.1	41,941	40,909	2,894	2,824
Loans and receivables					
- Unquoted debt securities	24.1.2	76,546	48,570	50,000	48,570
- Bank deposits	27.1.2	7,001,350	8,856,168	6,225,371	6,106,694
- Government securities	27.1.3	155,600	-	155,600	-
Financial assets at fair value through profit or loss					
- Government securities	27.1.3	25,377	24,304	25,377	24,304
		7,300,814	8,969,951	6,459,242	6,182,392

27.1.1 Quoted equity securities

	Group			Company		
	No. of shares	31.03.2018 Rs.'000	31.03.2017 Rs.'000	No. of shares	31.03.2018 Rs.'000	31.03.2017 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		37,359	36,327		2,495	2,425
Carrying amount as at 31st March		41,941	40,909		2,894	2,824

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 consist of treasury bills and treasury bonds held for trading purposes which are measured at fair value through profit or loss and Sri Lanka development bonds which are measured at amortised cost using the effective interest rate.

28 Cash and cash equivalents

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Cash at bank and in hand	8,655,562	5,098,313	1,094,468	1,400,611
Short-term deposits	980,857	934,299	-	-
Cash and short-term deposits in the statements of financial position	9,636,419	6,032,612	1,094,468	1,400,611
Bank overdrafts and other short-term borrowings	(9,157,459)	(8,427,318)	(3,792,178)	(3,260,932)
Cash and cash equivalents in the statements of cash flows	478,960	(2,394,706)	(2,697,710)	(1,860,321)

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	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 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 year other than those disclosed under note - A to the statements of cash flows.

30 Stated capital and reserves

30.1 Stated capital

	31.03.2018	31.03.2017
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 de-recognised or impaired.

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

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	Cash flow hedge reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2018								
Revaluation of freehold land	2,842,913	-	-	-	-	2,842,913	15,219	2,858,132
Acturial gains / (losses) on defined benefit obligations	-	-	-	-	(94,389)	(94,389)	(21,615)	(116,004)
Exchange differences on translation of foreign operations	-	295,248	-	-	-	295,248	121,797	417,045
Net change in fair value of available-for-sale financial assets	-	-	1,614	-	-	1,614	-	1,614
Net movement on cash flow hedges	-	-	-	(429,240)	-	(429,240)	(531,158)	(960,398)
Share of other comprehensive income of equity-accounted investees (net of tax)	178,234	62,743	-	-	(15,734)	225,243	563	225,806
Income tax on other comprehensive income	(947,208)	-	(82)	-	21,151	(926,139)	(46,751)	(972,890)
Total	2,073,939	357,991	1,532	(429,240)	(88,972)	1,915,250	(461,945)	1,453,305
For the year ended 31st March 2017								
Revaluation of freehold land	154,262	-	-	-	-	154,262	53,409	207,671
Actuarial gains / (losses) 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

30.3.2 Company

	Available for sale reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
For the year ended 31st March 2018			
Actuarial gains / (losses) on defined benefit obligations	-	(8,814)	(8,814)
Net change in fair value of available-for-sale financial assets	(148)	-	(148)
Income tax on other comprehensive income	(40)	2,468	2,428
Total	(188)	(6,346)	(6,534)
For the year ended 31st March 2017			
Actuarial gains / (losses) 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

31 Interest-bearing liabilities

31.1 Movement in interest-bearing liabilities

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	22,020,661	15,979,088	3,840,915	5,455,546
Liabilities assumed on business combination	-	6,509,164	-	-
Exchange difference	1,405,208	559,383	63,251	177,633
New loans obtained	8,440,895	3,624,754	-	-
Capital repayment	(6,407,690)	(4,659,051)	(1,366,917)	(1,799,587)
Transaction cost amortised	5,190	7,323	5,190	7,323
Balance as at 31st March	25,464,264	22,020,661	2,542,439	3,840,915
Current portion of interest-bearing liabilities	5,780,868	4,829,650	1,287,811	1,350,941
Non-current portion interest-bearing liabilities	19,683,396	17,191,011	1,254,628	2,489,974

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31.2 Repayment terms and security details

Bank / financial institution		Sector	Currency	Interest rate basis	Secured
HSBC Bank	Loan 1	Tourism	EUR	Fixed rate	Yes
	Loan 2	Tourism	USD	Linked to LIBOR	Yes
	Loan 3	Strategic Investments	USD	Linked to LIBOR	No
	Loan 4	Tourism	INR	Linked to MCLR	Yes
	Loan 5	Tourism	USD	Linked to LIBOR	Yes
	Loan 6	Tourism	INR	Linked to MCLR	Yes
	Loan 7	Strategic Investments	EUR	Linked to EURIBOR	Yes
	Loan 8	Tourism	USD	Linked to LIBOR	Yes
	Loan 9	Strategic Investments	USD	Linked to LIBOR	Yes
	Loan 10	Tourism	USD	Linked to LIBOR	Yes
	Loan 11	Tourism	USD	Linked to LIBOR	Yes
	Loan 12	Tourism	USD	Linked to LIBOR	Yes
	Loan 13	Tourism	USD	Linked to LIBOR	Yes
	Loan 14	Strategic Investments	USD	Linked to LIBOR	Yes
Hatton National Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
	Loan 2	Tourism	USD	Linked to LIBOR	Yes
	Loan 3	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 4	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 5	Strategic Investments	LKR	Linked to AWPLR	No
	Loan 6	Tourism	LKR	Linked to AWDR	Yes
	Loan 7	Tourism	LKR	Linked to AWDR	Yes
ABANCA Corporación Bancaria	Loan 1	Tourism	EUR	Linked to EURIBOR	Yes
People's Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
DFCC Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
	Loan 2	Tourism	LKR	Linked to AWPLR	Yes
	Loan 3	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 4	Strategic Investments	USD	Linked to LIBOR	Yes
	Loan 5	Strategic Investments	USD	Linked to LIBOR	Yes
	Loan 6	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 7	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 8	Strategic Investments	LKR	Linked to AWPLR	No
DEG - German Investment Corporation	Loan 1	Strategic Investments	USD	Linked to LIBOR	No
Habib Bank	Loan 1	Tourism	LKR	Linked to AWPLR	Yes
Commercial Bank of Ceylon	Loan 1	Strategic Investments	LKR	Linked to AWPLR	No
	Loan 2	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 3	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 4	Strategic Investments	LKR	Linked to AWPLR	No
Sampath Bank	Loan 1	Tourism	LKR	Fixed rate	Yes
Transaction cost to be amortised					

Repayment terms	Maturity	LKR equivalent 31.03.2018 Rs.'000	LKR equivalent 31.03.2017 Rs.'000
40% of outstanding loan balance to be paid in April 2018. Remaining balance to be paid in 61 monthly installments and a 60% final bullet repayment at maturity	May-2023	6,248,359	6,353,412
59 monthly installments and a 7.2Mn final bullet repayment at maturity	Jan-2021	2,302,153	2,662,490
48 monthly installments commencing from August 2016	Jul-2020	907,667	1,266,581
46 quarterly installments commencing from February 2016	Jul-2020	506,919	657,036
48 monthly installments commencing from January 2017	Dec-2020	427,900	569,963
46 quarterly installments commencing from June 2016	Feb-2020	182,357	198,000
48 monthly installments commencing from October 2016	Oct-2020	118,378	138,260
55 monthly installments commencing from February 2015	Aug-2019	110,217	183,655
60 monthly installments commencing from November 2013	Oct-2018	3,762	9,978
72 monthly installments commencing from June 2014	Jul-2017	-	2,121,527
60 monthly installments commencing from December 2012	Nov-2017	-	273,582
48 monthly installments commencing from December 2013	Nov-2017	-	101,327
60 quarterly installments commencing from September 2012	Aug-2017	-	32,813
60 monthly installments commencing from August 2012	Jul-2017	-	3,183
		10,807,712	14,571,807
60 monthly installments commencing from November 2020	Oct-2025	2,112,603	-
84 monthly installments commencing from September 2017	Aug-2024	1,371,303	1,367,910
24 quarterly installments commencing from March 2015	Dec-2020	27,820	37,936
24 quarterly installments commencing from March 2015	Dec-2020	2,240	3,056
16 quarterly installments commencing from June 2013	Jun-2017	-	70,000
60 monthly installments commencing from October 2012	Oct-2017	-	20,000
60 monthly installments commencing from October 2012	Sep-2017	-	15,000
		3,513,966	1,513,902
20 quarterly installments commencing from March 2019 and 60% final bullet repayment at maturity.	Mar-2024	3,259,680	-
		3,259,680	-
24 quarterly installments commencing from August 2019	May-2025	2,800,800	-
		2,800,800	-
60 monthly installments commencing from November 2020	Oct-2025	1,542,848	1,215,920
72 monthly installments commencing from November 2016	Sep-2022	668,403	814,236
96 monthly installments commencing from September 2013	Sep-2021	123,854	160,104
84 monthly installments commencing from January 2013	Dec-2019	66,121	101,501
48 monthly installments commencing from July 2017	Jul-2021	37,110	43,500
23 quarterly installments commencing from January 2015	Jul-2020	17,405	24,367
23 quarterly installments commencing from January 2015	Jul-2020	15,746	22,044
16 quarterly installments commencing from June 2013	Jun-2017	-	70,000
		2,471,487	2,451,672
10 semi-annual installments commencing from July 2015	Sep-2020	1,353,720	1,983,470
		1,353,720	1,983,470
15 quarterly installments commencing from January 2018	Jul-2021	933,400	1,000,000
		933,400	1,000,000
16 quarterly installments commencing from September 2015	Jun-2019	285,000	450,000
23 quarterly installments commencing from January 2015	Jul-2020	17,958	25,141
23 quarterly installments commencing from January 2015	Jul-2020	17,004	23,806
16 quarterly installments commencing from June 2013	Jun-2017	-	10,000
		319,962	508,947
72 monthly installments commencing from December 2017	Oct-2023	7,484	-
		7,484	-
		(3,947)	(9,137)
		25,464,264	22,020,661

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31.3 Analysed by capital repayment

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Payable in less than 3 months	3,067,864	1,144,007	141,264	273,474
Payable within 3 - 12 months	2,713,004	3,685,643	1,146,547	1,077,467
Payable within 1 - 2 years	3,628,197	4,932,209	1,124,962	1,263,082
Payable within 2 - 5 years	9,203,866	11,042,927	129,666	1,226,892
Payable after 5 years	6,851,333	1,215,875	-	-
	25,464,264	22,020,661	2,542,439	3,840,915

31.4 Analysed by interest rate

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Linked to LIBOR	13,036,204	11,937,400	2,261,386	3,250,052
Fixed rate	6,255,843	7,208,448	-	-
Linked to EURIBOR	3,378,058	138,260	-	-
Linked to AWPLR	2,046,601	2,624,581	285,000	600,000
Linked to MCLR	689,276	-	-	-
Linked to AWDR	62,229	121,109	-	-
Transaction cost to be amortised	(3,947)	(9,137)	(3,947)	(9,137)
	25,464,264	22,020,661	2,542,439	3,840,915

31.5 Analysed by currency equivalent in Rupees

		Group			Company	
	%	31.03.2018 Rs. Equivalent Rs.'000	31.03.2017 Rs. Equivalent Rs.'000	%	31.03.2018 Rs. Equivalent Rs.'000	31.03.2017 Rs. Equivalent Rs.'000
United States dollars	51	13,036,204	11,937,401	89	2,261,386	3,250,052
Euro	38	9,626,417	6,491,671	-	-	-
Sri Lankan rupees	8	2,116,314	2,745,690	11	285,000	600,000
Indian rupees	3	689,276	855,036	-	-	-
Transaction cost to be amortised		(3,947)	(9,137)		(3,947)	(9,137)
	100	25,464,264	22,020,661	100	2,542,439	3,840,915

32 Deferred tax liabilities

32.1 Movement in deferred tax liabilities

	Group	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	863,958	678,010
Liabilities assumed on business combination	-	75
Companies disposed during the year	(6,873)	-
Exchange difference	4,774	9,549
Origination of temporary differences		
Recognised in profit / (loss)	100,612	170,494
Recognised in other comprehensive income	986,722	5,830
Balance as at 31st March	1,949,193	863,958

32.2 Composition of deferred tax liabilities

	Group	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Deferred tax liabilities attributable to;		
Accelerated depreciation for tax purposes on property, plant and equipment	1,421,687	1,082,690
Revaluation surplus on freehold land	993,155	-
Undistributed profits of consolidated entities	46,240	70,466
Defined benefit obligations	(58,645)	(56,691)
Tax losses carried forward	(452,825)	(231,730)
Other items	(419)	(777)
Net deferred tax liabilities	1,949,193	863,958

32.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2018	Recognised in profit / (loss)	Recognised in other comprehensive income	Exchange difference	Companies Exchange Disposed during the year	As at 31st March 2017	Recognised in profit / (loss)	Recognised in other comprehensive income	Exchange difference	Liabilities assumed on business combination	As at 1st April 2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax liabilities											
Accelerated depreciation for tax purposes on property, plant and equipment	1,421,687	344,104	-	4,010	(9,117)	1,082,690	241,682	-	8,890	16,241	815,877
Revaluation surplus on freehold land	993,155	-	993,155	-	-	-	-	-	-	-	-
Undistributed profits of consolidated entities	46,240	(24,226)	-	-	-	70,466	-	-	-	-	70,466
	2,461,082	319,878	993,155	4,010	(9,117)	1,153,156	241,682	-	8,890	16,241	886,343
Deferred tax assets											
Defined benefit obligations	(58,645)	3,181	(6,433)	436	862	(56,691)	(4,673)	5,830	521	(16,166)	(42,203)
Tax losses carried forward	(452,825)	(222,776)		299	1,382	(231,730)	(66,377)	-	88	-	(165,441)
Other items	(419)	329		29		(777)	(138)	-	50	-	(689)
	(511,889)	(219,266)	(6,433)	764	2,244	(289,198)	(71,188)	5,830	659	(16,166)	(208,333)
Net deferred tax liabilities	1,949,193	100,612	986,722	4,774	(6,873)	863,958	170,494	5,830	9,549	75	678,010

33 Employee benefits

33.1 Retirement benefits obligations

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded obligations	1,046,605	850,247	134,999	105,246
Total present value of the obligation	1,046,605	850,247	134,999	105,246

33.2 Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	850,247	718,654	105,246	100,414
Expenses recognised in profit or loss				
Current service cost	113,892	84,530	10,798	8,735
Interest cost	105,383	83,120	13,156	11,046
	219,275	167,650	23,954	19,781
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	28,743	(72,539)	2,766	(6,562)
- demographic assumptions	-	-	-	-
- experience adjustment	87,261	(3,616)	6,048	(2,680)
	116,004	(76,155)	8,814	(9,242)
Exchange difference	2,835	5,649	-	-
Others				
Benefits paid	(132,262)	(85,662)	(3,015)	(5,707)
Companies disposed during the year	(9,494)	-	-	-
Liabilities assumed on business combination	-	120,111	-	-
Balance as at 31st March	1,046,605	850,247	134,999	105,246

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 2018. The actuarial present value of the promised retirement benefits as at 31st March 2018 amounted to Rs. 1,046,604,934/- (Company - Rs. 134,999,020/-). 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

	2017/2018	2016/2017
- Discount rate	10.5% p.a.	12.5% p.a.
- Salary increments		
* Executive staff	11.0% p.a.	11.0% p.a.
* Non Executive and other staff	7.50% p.a.	7.50% p.a.

It is also assumed that the company will continue in business as a going concern.

33.3.2 *Demographic assumptions*

	2017/2018	2016/2017
- Mortality & Disability	A 67/70 mortality table, issued by the Institute of Actuaries, London	
- 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.

	31.03.2018		31.03.2017	
	Increase	Decrease	Increase	Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount rate (1% movement)	(63,785)	72,710	(46,920)	53,518
Salary increments (1% movement)	74,558	(66,511)	55,988	(49,835)

33.5 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within next 12 months	155,457	111,392	61,843	42,500
Between 1 - 2 years	126,147	143,278	11,887	15,761
Between 2 - 5 years	201,469	147,221	16,424	16,234
Beyond 5 years	563,532	448,356	44,845	30,751
	1,046,605	850,247	134,999	105,246
Weighted average duration (years) of define benefit obligation	8.06	7.50	5.21	4.76

34 Other liabilities

34.1 Lease accruals

	Group	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance as at 01st April	597,833	-
Exchange difference	14,199	-
Accrued during the year	269,240	597,833
Balance as at 31st March	881,272	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	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Trade payables	3,851,298	3,570,631	-	-
Other payables	8,499,792	7,077,123	321,109	278,248
Amounts due to subsidiaries	-	-	5,395,615	3,559,833
Amounts due to equity-accounted investees	231,751	198,478	103,766	40,049
Unclaimed dividends	21,775	524,102	21,775	524,102
	12,604,616	11,370,334	5,842,265	4,402,232

36 Financial instruments - accounting classifications, fair values and cash flow hedge

36.1 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.

36.1.1 Accounting classifications and fair values of financial instruments - Group

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non - financial instruments	Total carrying amount	Fair value	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
As at 31st March 2018									
Financial assets									
Trade and other receivables	26	-	13,275,743	-	-	281,788	13,557,531	13,557,531	*(a)*
Deposits and prepayments		-	120,298	-	-	1,360,115	1,480,413	1,480,413	*(a)*
Other financial assets	24 & 27								
- Unquoted debt securities and equity securities		-	214,880	146,254	-	-	361,134	361,134	
- Quoted equity securities		-	-	41,941	-	-	41,941	41,941	
- Bank deposits		-	7,001,350	-	-	-	7,001,350	7,001,350	
- Government securities		25,377	155,600	-	-	-	180,977	180,977	
- Amounts due from equity-accounted investees		-	588,752	-	-	-	588,752	588,752	
Cash and short-term deposits	28	-	9,636,419	-	-	-	9,636,419	9,636,419	*(a)*
		25,377	30,993,042	188,195	-	1,641,903	32,848,517	32,848,517	
Financial liabilities									
Interest-bearing liabilities	31	-	-	-	25,464,264	-	25,464,264	25,464,264	
Trade and other payables	35	-	-	-	9,780,291	2,824,325	12,604,616	12,604,616	*(a)*
Bank overdrafts and other short-term borrowings	28	-	-	-	9,157,459	-	9,157,459	9,157,459	*(a)*
		-	-	-	44,402,014	2,824,325	47,226,339	47,226,339	

36.1.1 *Accounting classifications and fair values of financial instruments - Group (contd.)*

	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	
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	

36.1.2 Accounting classifications and fair values of financial instruments - Company

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non - financial instruments	Total carrying amount	Fair value	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
As at 31st March 2018									
Financial assets									
Trade and other receivables	26	-	4,784,505	-	-	1,967	4,786,472	4,786,472	(a)
Deposits and prepayments		-	254	-	-	99,915	100,169	100,169	(a)
Other financial assets	24 & 27								
- Unquoted debt securities & equity securities		-	116,668	28,526	-	-	145,194	145,194	
- Quoted equity securities		-	-	2,894	-	-	2,894	2,894	
- Bank deposits		-	6,225,371	-	-	-	6,225,371	6,225,371	
- Government securities		25,377	155,600	-	-	-	180,977	180,977	
Cash and short-term deposits	28	-	1,094,468	-	-	-	1,094,468	1,094,468	(a)
		25,377	12,376,866	31,420	-	101,882	12,535,545	12,535,545	
Financial liabilities									
Interest-bearing liabilities	31	-	-	-	2,542,439	-	2,542,439	2,542,439	
Trade and other payables	35	-	-	-	5,562,544	279,721	5,842,265	5,842,265	(a)
Bank overdrafts and other short-term borrowings	28	-	-	-	3,792,178	-	3,792,178	3,792,178	(a)
		-	-	-	11,897,161	279,721	12,176,882	12,176,882	

36.1.2 Accounting classifications and fair values of financial instruments - Company (contd.)

	Notes	Trading at fair value	Loans and receivables	Available for sale	Other financial liabilities	Non - financial instruments	Total carrying amount	Fair value	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
As at 31st March 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 & 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	

36.2 (a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

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 2018.

None of the financial assets are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2018. (Group & Company 2016/2017-nil).

36.3 Cash Flow Hedge

During the year under review a subsidiary company in the Tourism sector designated a hedge relationship between its highly probable Euro denominated sales and its foreign currency denominated borrowings.

The risk management objective of the cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with Euro currency denominated forecast sales.

The risk management strategy is to use the foreign currency variability (gains /losses) arising from revaluation of the foreign currency borrowing attributable to change in the spot foreign exchange rates to off-set the variability, due to foreign exchange rate movements, on LKR conversion of Euro denominated forecast sales.

The effective portion of the gain or loss on the hedging instrument is recognised in the Other Comprehensive Income Statement (OCI) and any ineffective portion is recognised immediately in the Income Statement.

The amount recognised in Other Comprehensive Income is transferred to the Income Statement when the hedge transaction occurs (when the forecaste revenue is realised). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement.

Cash flow hedge reserve reflects the effective portion of the gain or loss on the hedging instrument. The cash flow hedging reserve as at 31 March 2018 represents the foreign currency variability arising from revaluation of the foreign currency borrowings attributable to change in the spot LKR/EUR rate that is expected be set of from the variability of exchange rates form highly probable Euro denominated sales (Named "All Inclusive" apartment revenue) expected to occur from 1st Quarter of 2018/2019 up to the tenor of refinanced borrowings.

Hedging instrument - Foreign currency borrowing of EUR 40 million in January 2017 out of which EURO 34.1 million has been designated for the hedge from April 2017.

Further, outstanding balance of EUR 32.6 million as at 31 March 2018 has been refinanced effective from the 1st quarter of 2018/2019 for an extended tenor.

Hedged item – Highly probable Euro denominated sales (Named "All Inclusive" apartment revenue) expected to occur from April 2017 to March 2029.

The effective portion of the gain or loss on the hedging instrument of Rs. 960 million is recognised in the Other Comprehensive Income Statement (OCI) and any ineffective portion is recognised immediately in the Income Statement (2017/18 – LKR 1.7 million) under net foreign exchange gain/ (loss) in other operating income.

In respect of the cash flow hedge instrument, Group recognized Rs. 429.2 million under cash flow hedge reserve being the Group's portion of the fair value loss recognised by the subsidiary.

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 2018				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	11,448,665	11,448,665
Other financial assets				
- Unquoted equity securities	-	103,361	42,893	146,254
- Quoted equity shares	41,941	-	-	41,941
- Government securities	25,377	-	-	25,377
	67,318	103,361	11,491,558	11,662,237
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,632,360	1,632,360
Other financial assets				
- Unquoted debt securities	-	214,880	-	214,880
- Bank deposits	-	7,001,350	-	7,001,350
	-	7,216,230	1,632,360	8,848,590
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	25,464,264	-	25,464,264
	-	25,464,264	-	25,464,264
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	149,125	149,125
	-	-	149,125	149,125
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
	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

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 2018				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,526	28,526
- Quoted equity securities	2,894	-	-	2,894
- Government securities	25,377	-	-	25,377
	28,271	-	28,526	56,797
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	5,973,714	5,973,714
Other financial assets				
- Unquoted debt securities	-	116,668	-	116,668
- Bank deposits	-	6,225,371	-	6,225,371
	-	6,342,039	5,973,714	12,315,753
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	2,542,439	-	2,542,439
	-	2,542,439	-	2,542,439
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	57,237	57,237
	-	-	57,237	57,237
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

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	Freehold land	Unquoted equity securities
	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 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 freehold land (unrealised)	-	207,671	-
Balance as at 31st March 2017	42,311	12,087,961	28,744
Exchange difference	-	81,161	-
Disposed during the year	-	(300,500)	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	582	-	(218)
- Revaluation of freehold land (unrealised)	-	2,858,132	-
Balance as at 31st March 2018	42,893	14,726,754	28,526

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

38 Financial risk management objectives and policies

Please refer the comprehensive risk management report on pages 89 to 99 of the annual report for a detailed description of the Group's risk management structure, process and procedures.

Financial instruments used by the Group in its business activities contain multiple variables that are affected by various market and environmental conditions. Such variations are generally not within the control of the users, and therefore cause fluctuations in values of financial instruments. Fluctuations in value could result in a situation undesirable to the Group and thereby 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 several 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 those market driven variables that affect cashflows arising from financial instruments can result in the actual outcome being different to expected cashflows thereby creating the 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. 22.7 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 the 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.

The Group actively evaluates the possibility of employing hedge accounting to mitigate the exposure to currency risk by designating an effective relationship between foreign currency denominated transaction with assets or liabilities. Hedge accounting enables to minimise the timing differences in recognizing foreign currency translation impact to the income statement or other comprehensive income statement and to effectively capture the economic substance of the transaction.

Significant movement in exchange rates during the year ended 31st March 2018

	Lowest Level		Highest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	151.83	05.04.2017	156.00	26.03.2018	4.17	155.60
EUR/LKR	161.05	11.04.2017	196.35	19.03.2018	35.30	191.74
EUR/USD	1.0590	07.04.2017	1.2515	01.02.2018	0.1925	1.2323

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 the calculation of this risk, it is assumed that all other variables are held constant. The sensitivity analysis relates only to assets and liabilities depicted in Financial Statements as at the end of the financial year.

Group

	31.03.2018				31.03.2017			
	Effect on profit before tax			Effect on equity	Effect on profit before tax			Effect on equity
	USD net financial assets / (liabilities)	USD forward contracts	EUR net financial assets / (liabilities)		USD net financial assets / (liabilities)	USD forward contracts	EUR net financial assets / (liabilities)	
	USD'000	USD'000	EUR'000	USD'000	USD'000	USD'000	EUR'000	USD'000
Net exposure	19,431	-	4,602	128,491	4,100	950	(33,742)	112,567
LKR depreciates by 5% (Rs.)	151,169	-	44,121	999,658	31,160	(7,229)	(273,921)	855,450
LKR appreciates by 5% (Rs.)	(151,169)	-	(44,121)	(999,658)	(31,160)	7,229	273,921	(855,450)

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

	31.03.2018	31.03.2017
	Effect on profit before tax	
	USD net financial assets / (liabilities)	USD net financial assets / (liabilities)
	USD'000	USD'000
Net exposure	10,157	(1,120)
LKR depreciates by 5% (Rs.)	79,023	(8,511)
LKR appreciates by 5% (Rs.)	(79,023)	8,511

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. Value fluctuations in 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 the changes in 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 2018

	Lowest Level		Highest Level		Spread (basis points)	Year end rate %
	Rate %	Period	Rate %	Period		
LKR Interest rate *	11.10	Mar-18	11.88	Jul-17	78	11.10
USD Interest rate **	1.39	Apr-17	2.45	Mar-18	106	2.45

** One month AWPLR*
*** Six months USD LIBOR*

Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of the Group's interest bearing financial instruments is as follows.

Group

	31.03.2018			31.03.2017		
	LKR financial assets	LKR financial liabilities	USD financial liabilities Rs. Equivalent	LKR financial assets	LKR financial liabilities	USD financial liabilities Rs. Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure	25,377	2,108,830	13,036,204	24,304	2,745,690	11,937,400
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	314	21,088	N/A	496	27,457	N/A
Increase of 100 basis points in LKR interest rates	(309)	(21,088)	N/A	(483)	(27,457)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	13,036	N/A	N/A	11,937
Increase of 10 basis points in USD interest rates	N/A	N/A	(13,036)	N/A	N/A	(11,937)

At the reporting date the interest rate sensitivity analysis of the Company's interest bearing financial instruments is as follows.

Company

	31.03.2018			31.03.2017		
	LKR financial assets	LKR financial liabilities	USD financial liabilities	LKR financial assets	LKR financial liabilities	USD financial liabilities
			Rs. Equivalent			Rs. Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure	25,377	285,000	2,261,386	24,304	600,000	3,250,052
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	314	2,850	N/A	496	6,000	N/A
Increase of 100 basis points in LKR interest rates	(309)	(2,850)	N/A	(483)	(6,000)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	2,261	N/A	N/A	3,250
Increase of 10 basis points in USD interest rates	N/A	N/A	(2,261)	N/A	N/A	(3,250)

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. 41.9 million (as at 31.03.2017; Rs. 40.9 million)

» Unquoted equity securities: Rs. 146.3 million (as at 31.03.2017; Rs. 168.9 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 hampers its operations. The Group has ensured that it maintains sufficient liquidity reserves to meet all its operational and investment 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 practises preferred 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 favourable credit periods 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 and 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 2018	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	3,067,864	2,713,004	3,628,197	9,203,866	6,851,333	25,464,264
Bank overdrafts and other short term borrowings	9,157,459	-	-	-	-	-	9,157,459
Trade payables	3,106,250	433,629	311,419	-	-	-	3,851,298
Other Payables	3,976,966	455,387	1,264,889	-	-	-	5,697,242
	16,240,675	3,956,880	4,289,312	3,628,197	9,203,866	6,851,333	44,170,263

As at 31st March 2017	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2018	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	141,264	1,146,547	1,124,962	129,666	-	2,542,439
Bank overdrafts and other short term borrowings	3,792,178	-	-	-	-	-	3,792,178
Other Payables	5,494,345	18,195	50,005	-	-	-	5,562,544
	9,286,523	159,459	1,196,552	1,124,962	129,666	-	11,897,161

As at 31st March 2017	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	273,474	1,077,467	1,263,082	1,226,892	-	3,840,915
Bank overdrafts 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

Liquidity position

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Cash and short-term deposits	9,636,419	6,032,612	1,094,468	1,400,611
Trade and other receivable within 30 days	5,423,153	7,045,190	4,222,083	3,176,596
Bank deposits and Government securities	7,182,327	8,880,472	6,406,348	6,130,998
Total Liquid assets	22,241,899	21,958,274	11,722,899	10,708,205
Less:				
Bank overdraft and other short term borrowing	9,157,459	8,427,318	3,792,178	3,260,932
Trade payable on demand	3,106,250	2,442,693	-	-
Other payable on demand	3,976,966	2,112,699	5,494,345	3,629,016
Total on demand liabilities	16,240,675	12,982,710	9,286,523	6,889,948
Excess liquidity through operating cycle	6,001,224	8,975,564	2,436,376	3,818,257
Undrawn approved bank facilities	8,805,838	6,942,728	4,812,300	4,283,500
Market value of discounted securities	25,377	24,304	25,377	24,304
Liquidity available on demand	8,831,215	6,967,032	4,837,677	4,307,804

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			
	31.03.2018		31.03.2017		31.03.2018		31.03.2017	
	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %
Trade and other receivables	13,275,743	42.54	11,227,955	42.14	4,784,505	38.48	3,212,110	29.36
Deposits and prepayments	120,298	0.39	130,399	0.49	254	0.00	260	0.00
Other financial assets								
- Unquoted debt securities and equity securities	361,134	1.16	334,199	1.25	145,194	1.17	193,982	1.77
- Quoted equity securities	41,941	0.13	40,909	0.15	2,894	0.02	2,824	0.03
- Bank deposits	7,001,350	22.44	8,856,168	33.24	6,225,371	50.07	6,106,694	55.82
- Government securities	180,977	0.58	24,304	0.09	180,977	1.46	24,304	0.22
- Amounts due from equity-accounted investees	588,752	1.89	-	-	-	-	-	-
Cash and short-term deposits	9,636,419	30.88	6,032,612	22.64	1,094,468	8.80	1,400,611	12.80
	31,206,614	100.00	26,646,546	100.00	12,433,663	100.00	10,940,785	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 geographies. 94.5% 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 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 38.7% of total trade receivables of the Group as at 31st March 2018.

Trade receivable settlement profile

	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Less than 30 days	5,423,153	7,045,190
More than 30 days but less than 60 days	4,061,709	1,768,428
More than 60 days but less than 90 days	1,033,947	424,968
More than 90 days but less than 180 days	339,498	254,248
More than 180 days but less than 365 days	143,532	75,216
More than 365 days	124,546	84,919
Total gross trade receivables	11,126,385	9,652,970
Impairment provision for trade receivables	(105,169)	(93,639)
Total net trade receivables	11,021,216	9,559,331

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. 218.8 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 Sri Lankan rupees and other currencies. 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			
		31.03.2018		31.03.2017		31.03.2018		31.03.2017	
		Amount of deposits	Concentration	Amount of deposits	Concentration	Amount of deposits	Concentration	Amount of deposits	Concentration
		Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Credit Rating									
Fitch ratings (Global);	AA-	-	-	167,987	1.90	-	-	-	-
Fitch ratings;	AA+(lka)	2,133,085	30.47	3,125,336	35.29	1,920,182	30.84	2,706,005	44.31
	AA(lka)	4,798	0.07	-	-	-	-	-	-
	AA-(lka)	3,730,166	53.28	4,538,508	51.25	3,260,019	52.37	2,508,604	41.08
	A+(lka)	1,051,386	15.02	897,776	10.14	1,045,171	16.79	892,085	14.61
JCR-VIS (Pakistan);	AAA	-	-	49,283	0.56	-	-	-	-
Rating not available		81,915	1.17	77,278	0.87	-	-	-	-
Total bank deposits (note 27.1.2)		7,001,349	100.00	8,856,168	100.00	6,225,372	100.00	6,106,694	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 for 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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Debt to equity ratio	0.35	0.34	0.08	0.19

The debt to equity ratio of the Group has marginally increased from 0.34 in the previous financial year to 0.35 in the financial year under review, 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 consideration 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, Euro and Indian rupees. 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 takes 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.

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

	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Approximate amount approved but not contracted for	4,495,646	2,877,728
Approximate amount contracted for but not incurred	14,400,184	9,411,197
	18,895,830	12,288,925

The above includes Rs. 18,704.6 million (2016/2017 - Rs. 12,154.6 million) for the acquisition of property, plant and equipment and Rs. 191.2 million (2016/2017 - Rs. 134.3 million) for the acquisition of intangible assets.

40.2 Commitments for capital expenditure for joint ventures

	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Approximate amount approved but not contracted for	55,595	97,757
Approximate amount contracted for but not incurred	1,794	375
	57,389	98,132

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 56.6 million (2016/2017 - Rs. 95.2 million) for the acquisition of property, plant and equipment and Rs. 0.8 million (2016/2017 - Rs. 2.9 million) for the acquisition of intangible assets.

41 Contingent liabilities

Contingent liabilities as at 31.03.2018 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the group and equity-accounted investees amounted to Rs. 1,673 million and Rs. 10.8 million respectively. Contingent liabilities as at 31.03.2018 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 24,906.8 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 43.6 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 Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Court of Appeal the company has appealed against the determination to the Supreme Court. 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.

42 Directors' fees

The Directors of the Company have received fees amounting to Rs. 122,400 from subsidiaries for the year ended 31st March 2018.

43 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. 43.2 - 43.9.

43.1 Parent and ultimate controlling party

Subsequent to the purchase of additional shares of the Company by Melstacorp PLC during the latter part of the financial year, it is deemed to be the parent of Aitken Spence PLC due to its 49.16% share holding as at 31 March 2018 and as such Milford Exports (Ceylon) (Pvt) Ltd is the ultimate holding company of Aitken Spence PLC. .

43.2 Transactions with key management personnel

43.2.1 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.

43.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

43.2.3 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	114,123	711,594
Post employment benefits	-	26,538

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.

43.2.4 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 43.6.

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 (Resigned w.e.f. 31.03.2018) and Sri Lankan Catering Ltd (Resigned w.e.f. 31.03.2018).

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.

Miss. D.S.T. Jayawardena a Director of the company is also the Chairperson or a Director of the companies marked by "c" 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.

Mr. C. H. Gomez a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group.

Mr. N. J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Distilleries Company of Sri Lanka PLC, Melstacorp PLC, SriLankan Airlines Ltd (Resigned w.e.f. 31.03.2018) and The Kingsbury PLC.

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Dankotuwa Porcelain PLC, Mercantile Merchant Bank Ltd, and Royal Ceramics Lanka PLC.

43.3 Transactions and balances with ultimate parent, parent and group companies of the parent.

	Balances with Aitken Spence PLC	Balances with Group companies
	31.03.2018	31.03.2018
	Rs.'000	Rs.'000
Amount due from group companies of the parent	-	35,885

Balances due from Bell Solutions Pvt Ltd, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Periceyl (Pvt) Ltd, Splendor Media (Pvt) Ltd, Telecom Frontier (Pvt) Ltd, Texpro Industries Ltd, are reflected under amount due from group companies of the parent, above.

	Balances with Aitken Spence PLC	Balances with Group companies
	31.03.2018	31.03.2018
	Rs.'000	Rs.'000
Amount due to group companies of the parent	4	5,951

Balances due to Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Melsta Logistics (Pvt) Ltd, Periceyl (Pvt) Ltd, Splendor Media (Pvt) Ltd, Telecom Frontier (Pvt) Ltd, Texpro Industries Ltd, are reflected under amount due to group companies of the parent, above.

Transactions with Melstcorp PLC and its group companies prior to the company being treated as the parent, are reflected under transactions with other related companies in note 43.6 to the financial statements.

There were no transactions or balances with Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

43.4 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC	
	2017/2018	2016/2017
	Rs.'000	Rs.'000
Income from services rendered	756,300	592,851
Rent income received	40,774	40,717
Allocation of common personnel and administration expenses	33,199	32,112
Purchase of goods and services	98,420	105,378
Net transfers under finance arrangements	(59,098)	(1,036,987)
Interest income received	175,210	102,828
Interest paid	373,221	140,361

Transactions with A E Lanka (Pvt) Ltd, Ace Apparels (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 International Consulting (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 Resources (Pvt) Ltd, Aitken Spence Resorts (Middle East) LLC, 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, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Heritance (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 (up to 21.09.2017) , 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, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd, Vauxhall Property Developments Ltd, Western Power Company (Pvt) Ltd, Western Power Holdings (Pvt) Ltd are reflected under transactions with subsidiary companies above.

43.5 Transactions with equity-accounted investees

43.5.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Sale of goods and services	1,000	30,532	21,768	40,573
Rent income received	300	1,847	300	1,847
Allocation of common personnel and administration expenses	-	3,624	-	3,624
Purchase of goods and services	-	-	1,354	-
Net transfers under finance arrangements	(54,000)	(48,163)	(54,000)	(48,163)
Interest paid	839	70,395	839	70,395

Transactions with Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Skills (Pvt) Ltd, Colombo International Nautical & Engineering College (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd are reflected under transactions with joint ventures above.

43.5.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Sale of goods and services	27,066	26,654	44,061	54,703
Allocation of common personnel and administration expenses	231	225	5,209	225
Purchase of goods and services	5,140	3,514	282,387	284,405
Net transfers under finance arrangements	79,000	24,000	(479,887)	50,889
Interest income received	-	-	58,935	-
Interest paid	2,528	1,107	7,634	6,993

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, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Tea Country Homes (Pvt) Ltd, are reflected under transactions with associates above.

43.6 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Sale of goods and services	-	-	420,662	530,398
Purchase of goods and services	15,029	25,990	1,196,755	1,153,804
Sale of property, plant and equipment	5,200	-	8,400	-
Net transfers under finance arrangements	(38,175)	(317,014)	(38,175)	(317,014)
Interest income received	42,576	23,533	42,576	23,533
Interest paid	-	-	574	564

Transactions with Ambewela Livestock (Co.) Ltd*, Ambewela Products (Pvt) Ltd*, Balangoda Plantations PLC*(a), Bell Solutions Pvt Ltd*(a),, Bellvantage (Pvt) Ltd*(a), Ceylon Garden Coir (Pvt) Ltd*, Continental Insurance Lanka Ltd(a), Dankotuwa Porcelain PLC, Distilleries Company of Sri Lanka PLC*(a), Lanka Bell (Pvt) Ltd*(a), Lanka Diaries (Pvt) Ltd*, Lanka Milk Foods (Cwe) PLC*, Melstacorp PLC*(a), Melsta Logistics (Pvt) Ltd(a), Melsta Regal Finance Ltd(a), Mercantile Merchant Bank Ltd, Pattipola Livestock Co Ltd*, Periceyl (Pvt) Ltd*(a), Royal Ceramics PLC, Splendor Media (Pvt) Ltd(a), 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*(a), Texpro Industries Ltd*(a), The Kingsbury PLC are reflected under transactions with other related companies, above. ((a) indicates transactions up to 26.03.2018).

43.7 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2017/2018 Rs.'000	2016/2017 Rs.'000	2017/2018 Rs.'000	2016/2017 Rs.'000
Contributions to the provident fund	268,995	257,685	37,592	35,759

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.

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43.8 Amounts due from related parties

43.8.1 Amount due from subsidiaries

	Balances with Aitken Spence PLC	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Fully owned subsidiaries	2,482,805	2,192,897
Partly owned subsidiaries	1,880,040	841,038
	4,362,845	3,033,935
Provision for doubtful debts	195,122	196,759

Balances due from A E Lanka (Pvt) Ltd, Ace Apparels (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 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 International Consulting (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Moscow (Pvt) Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Resources (Pvt) Ltd, Aitken Spence Resorts (Middle East) LLC, 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, Global Parcel Delivery (Pvt) Ltd, Heritance (Pvt) Ltd, Hethersett Hotels Ltd, Interlifts International (Pvt) Ltd, Jetan Travel Services Company (Pvt) Ltd, Kandalama Hotels Ltd, Meeraladuwa (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd, Western Power Company (Pvt) Ltd, are reflected under amount due from subsidiaries above.

43.8.2 Amount due from equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Joint ventures	208,819	151,773	232,158	153,791
Associates	23,867	5,899	733,991	47,248
	232,686	157,672	966,149	201,039

Balances due from Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Skills (Pvt) Ltd, Colombo International Nautical & Engineering College (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd are reflected under amount due from joint ventures and balances due from AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Browns Beach Hotels PLC, Elpitiya Lifestyle Solutions (Pvt) Ltd, Elpitiya Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, are reflected under amount due from associates above.

43.8.3 Amount due from other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Other related companies	-	321,643	14,509	364,648

Balances due from Ambewela Livestock (Co.) Ltd, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (Cwe) PLC, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd, The Kingsbury PLC are reflected under amount due from other related companies, above.

43.9 Amounts due to related parties

43.9.1 Amount due to subsidiaries

	Balances with Aitken Spence PLC	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Fully owned subsidiaries	1,336,463	608,549
Partly owned subsidiaries	4,059,152	2,951,284
	5,395,615	3,559,833

Balances due to A E Lanka (Pvt) Ltd, Ace Apparels (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, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Group Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotels Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Ports International Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments Ltd, Aitken Spence Shipping Ltd , Aitken Spence Shipping Services (Pvt) Ltd , Aitken Spence Technologies (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Clark Spence and Company Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Hethersett Hotels Ltd, Kandalama Hotels Ltd, Logilink (Pvt) Ltd, Neptune Ayurvedic (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Vauxhall Property Developments Ltd, Western Power Holdings (Pvt) Ltd are reflected under amount due to subsidiaries above.

43.9.2 Amount due to equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Joint ventures	611	7,344	9,412	26,529
Associates	103,155	32,705	222,339	171,949
	103,766	40,049	231,751	198,478

Balances due to Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, are reflected under amount due to joint ventures and balances due to Aitken Spence Plantation Management PLC, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd are reflected under amount due to associates above.

43.9.3 Amount due to other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Other related companies	-	840	29,677	55,493

Balances due to Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (Cwe) PLC, Pattipola Livestock Co Ltd, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd are reflected under amount due to other related companies, above.

43.10 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 unrelated 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 43 to the financial statements.

44 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2018	31.03.2017
United States Dollar	155.60	151.99
British Pound	219.07	189.96
Euro	191.74	162.36
Oman Rial	404.37	394.11
Fiji Dollar	77.33	74.53
South African Rand	13.22	11.29
Indian Rupee	2.39	2.34
Maldivian Rufiyaa	10.10	9.82
Bangladesh Taka	1.87	1.89

45 Number of employees

The number of employees of the Group (excluding equity-accounted investees) at the end of the year was 7,413 (2016/2017 - 7,360) The number of employees of the Company at the end of the year was 192 (2016/2017 - 189).

46 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs.2.00 per share for the year 2017/2018 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.

47 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

CONSOLIDATED FINANCIAL STATEMENTS IN USD

For the year ended 31st March		2018 USD '000	2017 USD '000
Revenue		338,914	301,942
Revenue taxes		(3,739)	(3,392)
Net revenue		335,175	298,550
Other operating income		3,493	956
Changes in inventories of finished goods and work-in-progress		(135)	736
Raw materials and consumables used		(76,886)	(77,743)
Employee benefits expense		(51,699)	(49,176)
Depreciation, amortisation and impairment (losses) / reversals of non-financial assets		(16,514)	(15,336)
Other operating expenses - direct		(101,208)	(78,107)
Other operating expenses - indirect		(46,720)	(41,998)
Profit from operations		45,506	37,882
Finance income		4,778	5,010
Finance expenses		(11,138)	(10,900)
Net finance expense		(6,360)	(5,890)
Share of profit of equity-accounted investees (net of tax)		1,970	2,529
Profit before tax		41,116	34,521
Income tax expense		(8,022)	(7,904)
Profit for the year		33,094	26,617
Attributable to:			
Equity holders of the company		22,881	19,015
Non-controlling interests		10,213	7,602
Profit for the year		33,094	26,617
Earnings per share - Basic/Diluted (Rs.)	USD cents =	5.64	4.68
Exchange rate	USD =	155.60	151.99

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

For the year ended 31st March		2018 USD '000	2017 USD '000
Profit for the year		33,095	26,617
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of freehold land		18,368	1,366
Actuarial gains / (losses) on defined benefit obligations		(746)	501
Share of other comprehensive income of equity-accounted investees (net of tax)		1,048	565
Income tax on other comprehensive income		(6,252)	(101)
		12,418	2,331
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		2,680	5,674
Net change in fair value of available-for-sale financial assets		10	(469)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	-
Net movement on cash flow hedges		(6,172)	-
Share of other comprehensive income of equity-accounted investees (net of tax)		403	1,077
Income tax on other comprehensive income		(1)	-
		(3,080)	6,282
Other comprehensive income for the year, (net of tax)		9,338	8,613
Total comprehensive income for the year		42,433	35,230
Attributable to:			
Equity holders of the parent		35,190	25,648
Non-controlling interests		7,243	9,582
Total comprehensive income for the year		42,433	35,230
Exchange rate	USD =	155.60	151.99

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN USD

As at		31.03.2018 USD '000	31.03.2017 USD '000
ASSETS			
Non-Current Assets			
Property, plant and equipment		380,943	329,288
Investment property		10,491	10,730
Intangible assets		5,722	5,830
Biological assets		304	287
Leasehold property		13,007	13,438
Pre-paid operating leases		14,405	13,016
Investments in equity-accounted investees		40,710	39,877
Deferred tax assets		3,621	2,861
Other financial assets		5,613	1,879
		474,816	417,206
Current Assets			
Inventories		9,808	10,895
Pre-paid operating leases		434	479
Trade and other receivables		87,131	76,743
Current tax receivable		1,564	1,382
Deposits and prepayments		9,514	11,719
Other current assets		46,920	67,890
Cash and short-term deposits		61,931	39,691
		217,302	208,799
Assets classified as held for sale		958	980
Total Assets		693,076	626,985
EQUITY AND LIABILITIES			
Equity			
Stated capital		13,722	14,048
Reserves		131,754	110,858
Retained earnings		142,440	134,831
Total equity attributable to equity holders of the company		287,916	259,737
Non-controlling interests		73,811	74,452
Total Equity		361,727	334,189
Non-Current Liabilities			
Interest-bearing liabilities		126,500	113,106
Deferred tax liabilities		12,527	5,684
Employee benefits		6,726	5,594
Other liabilities		5,664	3,933
		151,417	128,317
Current Liabilities			
Interest-bearing liabilities		37,152	31,776
Trade and other payables		81,007	74,810
Current tax payable		2,920	2,446
Bank overdrafts and other short-term borrowings		58,853	55,447
		179,932	164,479
Total Equity and Liabilities		693,076	626,985
Exchange rate	USD =	155.60	151.99

TEN YEAR SUMMARY

Year ended 31st March	2018 Rs. '000	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
Operating Results										
Revenue	52,734,969	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
Profit before taxation	6,397,816	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
Taxation	1,248,284	1,201,407	861,229	826,323	865,457	713,755	746,090	387,335	366,193	328,385
Profit after taxation	5,149,532	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
Profit attributable to Aitken Spence PLC	3,560,348	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
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	20,500,926	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
Retained earnings	22,163,669	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
Non-controlling interest	11,484,969	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
Non-current liabilities	23,560,466	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
Current liabilities	27,997,370	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
	107,842,540	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
Assets										
Property, plant and equipment	59,274,780	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
Investment property	1,632,360	1,630,801	1,630,801	1,648,301	1,648,301	1,661,596	1,662,349	102,799	28,936	28,936
Intangible assets	890,378	886,103	867,223	558,040	651,796	350,368	643,600	134,026	154,185	109,164
Biological assets	47,293	43,583	25,838	-	-	-	-	-	-	-
Leasehold property	2,023,903	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
Pre paid operating leases	2,241,358	1,978,348	1,828,797	1,072,370	1,010,199	980,681	1,028,164	5,455	5,546	5,637
Finance lease receivables	-	-	-	-	2,245,884	2,325,091	2,512,923	-	-	-
Investments in equity-accounted investees	6,334,455	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
Deferred tax assets	563,391	434,794	328,140	215,907	224,495	225,749	209,769	138,314	56,823	74,008
Other financial assets	873,340	285,629	257,799	279,346	339,540	414,409	392,737	473,945	483,580	404,946
Current assets	33,812,157	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
Assets classified as held for sale	149,125	149,125	149,125	226,923	149,125	149,125	149,125	181,489	161,663	149,124
	107,842,540	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
Share Information										
Earnings per share (Rs.)	8.77	7.12	4.99	8.82	9.04	8.10	8.59	6.25	* 5.07	* 5.02
Market value per share (Rs.) - post share sub division	50.60	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
Market capitalisation on 31st March (Rs. Mn)	20,543	22,817	29,841	40,397	39,747	48,557	45,756	65,893	37,182	8,526
Price earnings ratio	5.77	7.90	14.72	11.29	10.82	14.77	13.12	25.97	18.05	4.18
Net assets per share (Rs.)	110.35	97.24	90.26	86.27	79.45	69.10	61.96	53.00	* 46.54	* 42.06
Employees Information										
No. of employees	7,413	7,360	7,342	7,131	6,797	6,207	5,791	5,328	5,042	5,045
Value added per employee (Rs. '000)	2,586	2,324	1,765	2,031	1,941	1,979	1,915	1,884	1,770	1,635
Ratios & Statistics										
Ordinary dividend (Rs. '000)	811,992	710,493	608,994	811,992	811,992	608,994	568,394	405,996	270,664	257,131
Dividend per share (Rs.)	2.00	1.75	1.50	2.00	2.00	1.50	1.40	1.00	* 0.67	* 0.63
Dividend cover (times covered)	4.38	4.07	3.33	4.41	4.52	5.40	6.14	6.25	7.61	7.93
Dividend - payout ratio	0.23	0.25	0.30	0.23	0.22	0.19	0.16	0.16	0.13	0.13
Current ratio (times covered)	1.21	1.27	1.37	2.04	1.84	1.43	1.27	1.43	1.33	1.33
Debt-equity ratio	0.35	0.34	0.28	0.22	0.19	0.18	0.19	0.16	0.22	0.29
ROE (%)	8.45	7.59	5.66	10.64	12.18	12.36	15.01	12.55	11.45	14.08
Interest cover ratio	8.29	7.29	16.80	30.47	13.97	8.72	23.08	23.48	6.44	6.54

*Note: * The above figures are restated taking into consideration the sub division of shares in October 2010.*

GRI CONTENT INDEX

Aitken Spence PLC uses the Global Reporting Framework's GRI Standard 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 implement for the integrated sustainability policy and its implementation framework.

Navigation to locate disclosures within the report

Information for specific material topics within sections of this report can be found in the information map given at the end of the section. The following icons will indicate;

GRI — Disclosures for material topics from the GRI Standard. The places within this report where information required by the GRI framework can be found are marked on the specific sections and pages.

WEP — Information relevant to the Women's Empowerment Principles

UNGC — Information relevant to the UNGC Principles

Information that is published online which can be perused through the following link www.aitkenspence.com/annualreport/

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 icons given below to show the applicable sector in which the information can be found.

Disclosures applicable to the tourism sector

Disclosures applicable to the maritime and logistics sector

Disclosures applicable to the strategic investments sector

Disclosures applicable to the services sector

The following icons represent these sections within the report;

Mapping GRI G4 to GRI Standard

Economic

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Economic performance (EC1, 3) » Market presence (EC6) » Indirect economic impacts (EC7) » Procurement practices (EC9)	» 201: Economic Performance » 202: Market Presence » 203: Indirect Economic Impacts » 204: Procurement Practices » 205: Anti - Corruption » 206: Anti - Competitive Behaviour	» Economic value generated » Financial sustainability	
The SDG to Which the Outcome is Expected to Contribute			

Environment

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Energy (EN3, 6) » Effluents and waste (EN23, 24, 26) » Water (EN8, 9, 10) » Biodiversity (EN11, 12, 13) » Emissions (EN15, 16, 19) » Compliance (EN29) » Overall (EN31)	» 302: Energy » 303: Water » 304: Biodiversity » 305: Emissions » 306: Effluents and Waste » 307: Environmental Compliance » Supplier Environmental Assessment	» 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			

Social – Labour practices and decent work;

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Employment (LA1, 2) » Labour/ Management relations (LA4) » Occupational health and safety (LA5, 6) » Training and education (LA9, 10, 11) » Equal remuneration for men and women (LA13) » Labour practices grievance mechanisms (LA16)	» 401: Employment » 402: Labour/ Management Relations » 403: Occupational Health and Safety » 404: Training and Education » 405: Diversity and Equal Opportunity » 406: Non-Discrimination » 407: Freedom of Association and Collective Bargaining » 408: Child Labour » 409: Force or Compulsory Labour	» 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			

Society

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Local communities (SO1) » Anti-corruption (SO3,4,5) » Compliance (SO8)	» 205: Anti - Corruption » 413: Local Communities » 419: Socioeconomic Compliance	» 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	4, 6, 8, 15		

Product Responsibility

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Customer health & safety (PR1,2) » Product and service labelling (PR5) » Marketing communications (PR7) » Customer privacy (PR8) » Compliance (PR9)	» 416: Customer Health & Safety » 417: Marketing & Labelling » 418: Customer Privacy	» Impact on customers » Reputational risk » Compliance with laws, regulations and voluntary standards endorsed	
The SDG to Which the Outcome is Expected to Contribute	8, 9, 12, 15		

Human Rights

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Investment (HR2) » Non-discrimination (HR3) » Security practices (HR7)	» 410: Security Practices » 412: Human Rights Assessment	» 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	5, 9, 12		

Identified for Future Action

Identified Material Aspect in GRI G4	Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
» Supplier assessment for labour practices (LA14, 15) » Supplier assessment for impacts on society (SO9, 10) » Supplier human rights assessment (HR 10, 11) » Human rights grievance mechanisms (HR 12)	» 414: Supplier Social Assessment	» Potential to disrupt the business » Reputation risk » Compliance with laws, regulations and voluntary standards endorsed	
The SDG to Which the Outcome is Expected to Contribute	8, 9, 12		

GRI CONTENT INDEX

Detailed outline of GRI Disclosures

General Disclosures

GRI Disclosure	Description of the Disclosure	Locate the disclosure	External Assurance
1. Organisational profile			
102-1	Name of the organization	391	Yes
102-2	Activities, brands, products and services	166-173	Yes
102-3	Location of headquarters	391	Yes
102-4	Location of operations	8	Yes
102-5	Ownership and legal form	391	Yes
102-6	Markets served	8	Yes
102-7	Scale of the organization	8-7	Yes
102-8	Information on employees and other workers	122-134	Yes
102-9	Supply chain	141	Yes
102-10	Significant changes to the organization and its supply chain	4	Yes
102-11	Precautionary Principle of approach	96, 147	Yes
102-12	External initiatives	100,371-373	Yes
102-13	Membership of associations	140-141	Yes
2. Strategy			
102-14	Statement from senior decision-maker	18-27	Yes
102-15	Key impacts, risks and opportunities	100-109	Yes
3. Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	100-109	Yes
102-17	Mechanisms for advice and concerns about ethics	50-88	Yes
4. Governance			
102-18	Governance structure	55-88	Yes
102-19	Delegating authority	55-88	Yes
102-20	Executive-level responsibility for economic, environmental and social topics	55-88	Yes
102-21	Consulting stakeholders on economic, environmental and social topics	55-88	Yes
102-22	Composition of the highest governance body and its committees	55-88	Yes
102-23	Chair of the highest governance body	55-88	Yes
102-24	Nominating and selecting the highest governance body	55-88	Yes
102-25	Conflicts of interest	55-88	Yes
102-26	Role of highest governance body in setting purpose, values and strategy	55-88	Yes
102-27	Collective knowledge of highest governance body in setting purpose, values and strategy	55-88	Yes
102-28	Evaluating the highest governance body	55-88	Yes
102-29	Identifying and managing economic, environmental and social impacts	55-88	Yes
102-30	Effectiveness of risk management processes	55-88	Yes
102-31	Review of economic, environmental and social topics	55-88	Yes
102-32	Highest governance body's role in sustainability reporting	55-88	Yes
102-33	Communicating critical concerns	55-88	Yes
102-34	Nature and total number of critical concerns	55-88	Yes

GRI Disclosure	Description of the Disclosure	Locate the disclosure	External Assurance
102-35	Remuneration policies	55-88	Yes
102-36	Process for determining remuneration	55-88	Yes
102-37	Stakeholders' involvement in remuneration	55-88	Yes
102-38	Annual total compensation ratio	55-88	Yes
102-39	Percentage increase in annual total compensation ratio	55-88	Yes
5. Stakeholder Engagement			
102-40	List of stakeholder groups	102-107	Yes
102-41	Collective bargaining agreements	126-128	Yes
102-42	Identifying and selecting stakeholders	100-107	Yes
102-43	Approach to stakeholder engagement	100-107	Yes
102-44	Key topics and concerns raised	106	Yes
6. Reporting Practices			
102-45	Entities included in the consolidated financial statements	4-5	Yes
102-46	Defining report content and topic boundaries	4-5	Yes
102-47	List of material topics	4-5	Yes
102-48	Restatement of information	4-5	Yes
102-49	Changes in reporting	4-5	Yes
102-50	Reporting period	4-5	Yes
102-51	Date of the most recent report	4-5	Yes
102-52	Reporting cycle	4-5	Yes
102-53	Contact point for questions regarding the report	391, 395-396	Yes
102-54	Claims of reporting in accordance with GRI Standards	4-5	Yes
102-55	GRI content index	363-370	Yes
102-56	External assurance	374-377	Yes
Omissions: None			

GRI CONTENT INDEX

Disclosures on Topic Specific Standards

GRI Disclosure	Description of the Disclosure	Locate the disclosure	External Assurance
200. Economic Standards			
103	Management Approach Disclosures	110-121	Yes
201. Economic Performance			
201-1	Direct economic value generated and distributed	14-16	Yes
201-2	Financial implications and other risks and opportunities due to climate change	97	Yes
201-3	Defined benefit plan obligations and other retirement plans	254-360	Yes
202. Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	122-134	Yes
202-2	Proportion of senior management hired from the local community	122-134	Yes
203. Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	135-146	Yes
203-2	Significant indirect economic impacts	135-146	Yes
204. Procurement Practices			
204-1	Proportion of spending on local suppliers	135-146	Yes
205. Anti – Corruption			
205-1	Operations assessed for risks related to corruption	50-80	Yes
205-2	Communication and training about anti-corruption policies and procedures	50-80	Yes
205-3	Confirmed incidents of corruption and actions taken	50-80	Yes
206. Anti – Competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	135-146	Yes
300. Environmental Standards			
103	Management Approach Disclosures	147-158	Yes
302. Energy			
302-1	Energy consumption within the organization	147-154	Yes
302-4	Reduction of energy consumption	147-154	Yes
302-5	Reductions in energy requirements of products and services	147-154	Yes
303. Water			
303-1	Water withdrawal by source	147-155	Yes
303-2	Water sources significantly affected by withdrawal of water	147-155	Yes
303-3	Water recycled and reused	147-155	Yes
304. Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	147-158	Yes
304-2	Significant impacts of activities, products and services on biodiversity	147-158	Yes
304-3	Habitats protected or restored	147-158	Yes
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	147-158	Yes
305. Emissions			
305-1	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	147, 154	Yes
305-2	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	147, 154	Yes
305-5	Reductions of GHG emissions	147, 154	Yes

GRI Disclosure	Description of the Disclosure	Locate the disclosure	External Assurance
306. Effluents and Waste			
306-1	Water discharge by quality and destination	155-156	Yes
306-2	Waste by type and disposal method	155-156	Yes
306-3	Significant spills	155-156	Yes
306-5	Water bodies affected by water discharges and/or runoff	155-156	Yes
307. Environmental Compliance			
307-1	Non-compliance with environmental laws or regulations	152	Yes
308. Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	141-143	Yes
308-2	Negative environmental impacts in the supply chain and actions taken	141-144	Yes
400. Social Standards			
103	Management Approach Disclosures	135-146	Yes
401. Employment			
401-1	New employee hires and employee turnover	135-146	Yes
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	135-146	Yes
402. Labour/ Management Relations			
402-1	Minimum notice periods regarding operational changes	135-146	Yes
403. Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	135-146	Yes
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities.	135-146	Yes
404. Training and Education			
404-1	Average hours of training per year per employee	135-146	Yes
404-2	Programs for upgrading employee skills and transition assistance programs	135-146	Yes
404-3	Percentage of employees receiving regular performance and career development reviews	135-146	Yes
405. Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	135-146	Yes
405-2	Ratio of the basic salary and remuneration of women to men	135-146	Yes
406. Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	135-146	Yes
407. Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	126	Yes
408. Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	126	Yes
409. Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	126	Yes
410. Security Practices			
410-1	Security personnel trained in human rights policies or procedures	135-146	Yes
412. Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impacts assessments	135-146	Yes

GRI CONTENT INDEX

GRI Disclosure	Description of the Disclosure	Locate the disclosure	External Assurance
412-2	Employee training on human rights policies or procedures	135-146	Yes
413. Local Communities			
413-1	Operations with local community engagement, impact assessments and development programs	135-146	Yes
413-2	Operations with significant actual and potential negative impacts on local communities	135-146	Yes
414. Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	135-146	Yes
414-2	Negative social impacts in the supply chain and actions taken	135-146	Yes
416. Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	166-175	Yes
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	166-175	Yes
417. Marketing and Labelling			
417-1	Requirements for product and service information and labelling	135-146	Yes
417-2	Incidents of non-compliance concerning product and service information and labelling	146	Yes
417-3	Incidents of non-compliance concerning marketing communications	146	Yes
418. Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	146	Yes
419. Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	146	Yes

Omissions and assumptions:

We currently report on Scope 1 and Scope 2 emissions. According to credible sources, the contribution from CH4 and N2O to global warming potential from energy is rather small, being about 0.4% only. Hence, our current focus is on the CO2 emissions arising from energy consumption and CH4 and N2O emissions are not included in the calculations. We hope to include these emissions as well as Scope 3 emissions in due course.

We estimate the emissions reduced by the generation and/ or use of renewable energy by considering the equivalent amount of emissions to produce and/ or use the same quantity of energy from the alternative, non-renewable source we may otherwise have used.

PROGRESS ON THE IMPLEMENTATION OF ACTION FOR VOLUNTARY ENDORSEMENTS

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

UNGC

Related GRI Guidance to Disclose Progress on the Ten Principles of the UN Global Compact

Reported	Partially Reported	Not Reported
Principle 1: Human Rights Businesses should support and respect the protection of internationally proclaimed human rights		
GRI 404-1, 410-1	GRI 412-1 Human rights concerns included within the social and environmental governance assessments of the Group	GRI 411-1 Indigenous rights are not material to our operation at present. However, all operations follow a merit based approach to offer opportunities for employment and career progression. More details about the Group's practices can be perused within the Human Capital section of this report.
Principle 2: Human Rights Business should make sure they are not complicit in human rights abuses.		
	GRI 413, 414: Supplier screening is an ongoing process and we have introduced social and environmental governance to the Group's supplier assessment processes during the last year.	
Principle 3: Labour Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.		
GRI 407-1, 402-1	GRI 414: As above	
Principle 4: Labour Businesses should uphold the elimination of all forms of forced and compulsory labour.		
	GRI 409-1: Concerns raised in these principles are included in the Group's social and environmental governance assessments and were introduced to the Group's supplier assessment process during the year.	
Principle 5: Labour Businesses should uphold the effective abolition of child labour.		
	GRI 408 – 1: Concerns raised in these principles are included in the Group's social and environmental governance assessments and were introduced to the Group's supplier assessment process during the year.	

PROGRESS ON THE IMPLEMENTATION OF ACTION FOR VOLUNTARY ENDORSEMENTS

Reported	Partially Reported	Not Reported
Principle 6: Labour Businesses should uphold the elimination of discrimination in respect of employment and occupation.		
GRI 102-8, 202-2, 401-1, 404-1, 404-3, 405-2, 406-1	GRI 401-3: 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 405-12: While we report on gender breakdown and the number of differently abled persons employed within the Company 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 405-2: 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 302-1, 303-1, 305-1, 305-2, G4 – EN31	GRI 201-2: While we discuss the risks of climate change to our operations briefly in our Risk report and in the Natural Capital section, 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 301-1: We report on the total quantity of fuel consumed to generate electricity. However, this is currently not identified as material to our operation. GRI 305-7: Partially reported for power generation segment.	GRI 305-3, 305-6
Principle 8: Environment Businesses should undertake initiatives to promote greater environmental responsibility.		
GRI 302-1, 302-4, 303-1, 303-2, 303-3, 304-2, 304-3, 305-1, 305-2, 305-5, 306-2, 306-3, 306-5, 307-1 GRI G4 – EN31	GRI 301-1: Disclosure is not material. Total fuel consumption is reported. GRI 301-2: Disclosure is not material. Reused waste material is reported. GRI 302-5 GRI 305-7: Partially reported for power generation segment.	GRI 302-2, 302-3, 304-4, 305-3, 305-4, 305-6, 306-1, 306-4, 301-3, 308-1, 308-2
Principle 9: Environment Businesses should encourage the development and diffusion of environmentally friendly technologies.		
GRI 302-4 GRI 305-5 GRI G4 – EN31	GRI 302-5	
Principle 10: Anti-corruption Businesses should work against corruption in all its forms, including extortion and bribery.		
GRI 102-16, 102-17, 205-1, 205-2, 205-3		GRI 415-1

WEP	Related GRI Guidance to Disclose Progress on the 7 Principles of the UN Women's Empowerment Principles Reported	Partially Reported	Not Reported
Principle 1: Establish high-level corporate leadership for gender equality	GRI 102-22, 102-25		
Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination	GRI 401-1 GRI 405-1b Reported. GRI 405-2 GRI 406-1	GRI 401-3	GRI 405-1a: not reported. Positions in governance structures are awarded on basis of performance and not on gender basis. GRI 405-2: Not material
Principle 3: Ensure the health, safety and well-being of all women and men workers	GRI 406-1 GRI 403-2		
Principle 4: Promote education, training and professional development for women	GRI 404-1 GRI 404-3		
Principle 5: Implement enterprise development, supply chain and marketing practices that empower women	GRI 204 – 1	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. Priority is given to suppliers based on proximity from the property, quality of the product and availability of resources.	
Principle 6: Promote equality through community initiatives and advocacy	GRI 413-1 (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.		

DRAFT 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 2017/18 ('the Report') in its printed format for the financial year ending 31st March 2018. 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) Standard 2016.

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 November 2017 – May 2018.

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, Oman 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, 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 Sector i.e. (i) Heritance Negombo, Negombo (ii) Turyaa, Chennai, India (iii) Al-falaj, Musket, Oman, (iv) the Head Office of Aitken Spence Hotel Managements (Pvt) Ltd. (v) Aitken Spence Logistics Facility, Mabole (v) Aitken Spence Travels, Colombo, (vi) Aitken Spence Printing, Mawaramandiya, (vii) Head Office of Aitken Spence PLC., Colombo 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) Standard 2016 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 has come to our attention to suggest that the Report does not properly describe Aitken Spence PLC's adherence to the GRI Standards: Core option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by Aitken Spence PLC to bring out its performance against its identified material topics:

Economic

- GRI 201: Economic Performance 2016 – 201-1, 201-2; 201-3;
- GRI 202; Market presence 2016 – 202-1; 202-2
- GRI 203: Indirect Economic Impacts 2016 – 203-1, 203-2;
- GRI 204; Procurement Practices 2016 – 204-1;
- GRI 205: Anti-corruption 2016 – 205-1; 205-2; 205-3;
- GRI 206: Anti-competitive behavior 2016 – 206-1;

Environment

- GRI 302: Energy 2016 – 302-1, 302-4; 302-5;
- GRI 303: Water 2016 – 303-1; 303-2; 303-3;
- GRI 304: Biodiversity 2016 – 304-1; 304-2; 304-3; 304-4;
- GRI 305: Emissions 2016 – 305-1; 305-2; 305-5;
- GRI 306: Effluents and waste 2016 – 306-1; 306-2; 306-3; 306-5
- GRI 307: Environmental compliance 2016 – 307-1
- GRI 308: Supplier environmental assessment 2016 – 308-1; 308-2;

Social

- GRI 401: Employment 2016 – 401-1, 401-2;
- GRI 402: Labor/Management Relations 2016 – 402-1;
- GRI 403: Occupational Health and Safety 2016 – 403-1; 403-2
- GRI 404: Training and education 2016 – 404-1; 404-2; 404-3;
- GRI 405: Diversity and equal opportunity 2016 – 405-1; 405-2
- GRI 406: Non-discrimination 2016 – 406-1
- GRI 407: Freedom of association and collective bargaining 2016 – 407-1
- GRI 408: Child labor 2016 – 408-1;
- GRI 409: Forced or compulsory labor 2016 – 409-1
- GRI 410: Security practices 2016 – 410-1;
- GRI 412: Human rights assessment 2016 – 412-1; 412-2;
- GRI 413: Local communities 2016 – 413-1; 413-2;
- GRI 414: Supplier social assessment 2016 – 414-1; 414-2;
- GRI 416: Customer health and safety 2016 – 416-1; 416-2;
- GRI 417: Marketing and labeling 2016 – 417-1; 417-2; 417-3;
- GRI 418: Customer privacy 2016 – 418-1;
- GRI 419: Socioeconomic compliance 2016 – 419-1;

Observations

Without affecting our assurance opinion, we also provide the following observations evaluating the Report's adherence to the AA1000AS principles:

DNV·GL

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.

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.

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.

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 in line with the GRI Standard 2016 performance disclosures requirements.

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 Stadnard – 'in accordance' – Core option of reporting within the chosen reporting boundary.

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.

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;

DNV·GL

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
DNV GL Business Assurance Lanka (Private) Limited,
Colombo, Sri Lanka

28th May 2018, 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.

AA1000
Licensed Assurance Provider
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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

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

INBOUND & 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,
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),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 03.07.2017),
S.K.R.B. Jayaweera (Managing Director) (Resigned w.e.f. 31.03.2018).

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.

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),
S.T.B. Ellepola (Alternate Director to J.M.S. Brito),
D.C. Schelp,
J.P.F. Ulwahn.

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

Managing agent for airline ticketing operation in Maldives.

Directors:
J.M.S. Brito (Chairman),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 02.03.2018),
S.K.R.B. Jayaweera (Resigned w.e.f. 31.03.2018).

HOTELS

Ace Resort 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. Wijesekera,
M. Mahdy.

A.D.S Resorts Private Limited *
Owns and operates Adaaran Select Hudhuranfushi – Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M. Mahdy,
A.K.M.P. Wijesekera.

Aitken Spence Hotel Holdings PLC *
The holding company of the group's hotel interests. Owns and operates the Heritance Ahungalla Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito (Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
G.P.J. Goonewardena (Appointed w.e.f. 30.03.2018),
R.N. Asirwatham,
C.H. Gomez,
N.J. de Silva Deva Aditya.

Aitken Spence Hotel Managements (Private) Limited *
Manages resorts in Sri Lanka.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Joint Managing Director),
D.T.R. de Silva (Joint Managing Director).

Aitken Spence Hotel Managements (South India) Private Limited
Owns and operates a 143 room hotel property "Turyaa" in Chennai.

Directors:
J.M.S. Brito (Chairman),
C.M.S. Jayawickrama,
T.K. Dewanarayana,
A. Durairaj.

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 (Resigned w.e.f. 31.03.2018).

Aitken Spence Hotels International (Private) Limited *
Overseas investment company of the Hotels' sector and provides international marketing services to the resorts in the Republic of Maldives and the Sultanate of Oman.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

Aitken Spence Hotel Services Private Limited
Local marketing company of hotels in India.

Directors:
R.S. Rajaratne,
A.K.M.P. Wijesekera.

Aitken Spence Hotels Limited *
Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns and operates Heritance Ayurveda Maha Gedara.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Aitken Spence Resorts (Middle East) LLC*
Owning company of the Al Falaj Hotel in Muscat, Sultanate of Oman.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
A. Perera,
A.K.M.P. Wijesekera,
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,
A.K.M.P. Wijesekera (Appointed w.e.f. 15.03.2018).

Ahungalla Resorts Limited *
A joint venture company with RIUSA NED BV and owns and operates the RIU Hotel Sri Lanka at Ahungalla.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
L. Riu Guell,
J.T. Riu (Appointed w.e.f. 12.01.2018),
C.L.M. Riu Guell (Resigned w.e.f. 12.01.2018).

Cowrie Investment Private Limited *
Owns and operates Adaaran Select Meedhupparu – Maldives.

Directors:
J.M.S. Brito (Chairman and Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

** The companies' financial statements are audited by KPMG*

GROUP COMPANIES AND DIRECTORATE

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.

Crest Star Limited

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama.

Heritance (Private) Limited *
Owns a land in Beruwala for a proposed hotel project.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Hethersett Hotels Limited *
Owns and operates Heritance Tea Factory - Kandapola.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Jetan Travel Services Company Private Limited *
Owns and operates 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. Wijesekera.

Kandalama Hotels (Private) Limited *
Owns and operates Heritance Kandalama.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Meeraladuwa (Private) Limited *
Owns the island of Meeraladuwa.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Neptune Ayurvedic Village (Private) Limited *
Leases company owned land and building to Aitken Spence Hotels Limited.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Nilaveli Holidays (Private) Limited *
To operate a future hotel project.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Nilaveli Resorts (Private) Limited *
To operate a future hotel project.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

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,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Turyaa (Private) Limited *
Owns and operates "Turyaa" resorts in Kalutara.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Turyaa Resorts (Private) Limited *
Owns and operates a 90 room hotel property "Turyaa" in Kalutara.

Directors:
J.M.S. Brito,
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Unique Resorts Private Limited *
Owns and operates Adaaran Prestige Vaadhoo – Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
A.K.M.P. Wijesekera,
M.D.B.J. Gunatilake.

MARITIME & LOGISTICS SECTOR

FREIGHT FORWARDING AND COURIER

Ace Aviation Services (Private) Limited
Operates as General Sales Agent for airline cargo.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
J.E. Brohier,
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017).

Ace Cargo (Private) Limited
Provides international freight forwarding services.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
J.E. Brohier,
Ms. T.D.M.N. Anthony (Appointed w.e.f. 01.06.2017),
D. P. Dissanayake (Chairman) (Resigned w.e.f. 01.06.2017).

Ace International Express (Private) Limited
Provides international air express, domestic delivery, international mailing, supply chain solutions and record management.

Directors:
J.E. Brohier,
Ms. T.D.M.N. Anthony.

Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agent for airline cargo.

Directors:
J.M.S. Brito (Chairman),
J.E. Brohier,
Ms. T.D.M.N. Anthony (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017).

D B S Logistics Limited
International Freight Forwarder - Network Partner for DB Schenker.

Directors:
J.M.S. Brito (Chairman),
J.E. Brohier,
M.A.M. Isfahan (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 23.05.2017).

Global Parcel Delivery (Private) Limited
Provides international air express, domestic delivery, international mailing, supply chain solutions and record management services.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 20.09.2017),
J.E. Brohier (Appointed w.e.f. 20.09.2017),
A. Jayasekera,
Ms. B.D.C. Cooke (Resigned w.e.f. 20.09.2017).

Spence International (Private) Limited
Regional operating headquarters to manage operation overseas.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
J.E. Brohier,
M.A.M. Isfahan (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f 01.06.2017).

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 (Chairman),
M. Firaq,
J.E. Brohier (Managing Director),
A. Ghiyas,
M.A.M. Isfahan (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

INTEGRATED LOGISTICS

Ace Containers (Private) Limited *
Operates an inland container terminal, container freight station and haulage management.

Directors:
J.M.S. Brito (Chairman),
A. Jayasekera,
A.U. Kodagoda,
A.J. Gunawardena (Appointed w.e.f. 10.10.2017),
C.A.S. Anthony (Appointed w.e.f. 10.10.2017),
Dr. P. Dissanayake (Dept. Chairman) (Resigned w.e.f. 01.06.2017),
I.S. Cuttilan (Resigned w.e.f. 10.10.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

Ace Container Repair (Private) Limited *
Undertakes container repairs, conversions for garments on hangers and other purpose built solutions.

Directors:
J.M.S. Brito (Appointed w.e.f. 01.06.2017),
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 10.10.2017),
C.A.S. Anthony (Appointed w.e.f. 10.10.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

Ace Container Terminals (Private) Limited *
Provides container storage, custom brokerage, transport and warehousing services.

Directors:
J.M.S. Brito (Appointed w.e.f. 01.06.2017),
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 10.10.2017),

** The companies' financial statements are audited by KPMG*

GROUP COMPANIES AND DIRECTORATE

C.A.S. Anthony (Appointed w.e.f. 10.10.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

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:
J.M.S. Brito (Appointed w.e.f. 01.06.2017),
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 10.10.2017),
C.A.S. Anthony (Appointed w.e.f. 10.10.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

Ace Freight Management (Private) Limited

Undertakes clearing, forwarding and operates an inland container terminal.

Directors:
J.M.S. Brito (Appointed w.e.f. 01.06.2017),
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 10.10.2017),
C.A.S. Anthony (Appointed w.e.f. 10.10.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

Aitken Spence Developments (Private) Limited *

Property development company.

Directors:
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 22.09.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

Logilink (Private) Limited *

Provides container freight station services and de-consolidation of imports, storing, distribution and consolidation for exports.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
A. Jayasekera,
A.J. Gunawardena (Appointed w.e.f. 22.09.2017),
C.A.S. Anthony (Appointed w.e.f. 22.09.2017),
Dr. P. Dissanayake (Deputy Chairman) (Resigned w.e.f. 01.06.2017),
A.M.M. Amir (Resigned w.e.f. 22.09.2017).

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 (Chairman),
I.S. Cuttilan,
A. Jayasekera (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

Aitken Spence Ports International Limited *

Port management services which includes managing ports, operations and productivity enhancement management in ports.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
I.S. Cuttilan,
M.A.M. Isfahan (Appointed w.e.f. 01.06.2017),
W.L.P. Wijewardena (Resigned w.e.f. 16.03.2018),
Dr. P. Dissanayake (MD) (Resigned w.e.f. 01.06.2017).

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:
J.M.S. Brito (Chairman) (Appointed w.e.f. 30.06.2017),
A. Jayasekera,
I.S. Cuttilan,
Ms. T.D.M.N. Anthony,
Dr. P. Dissanayake (Chairman) (Resigned w.e.f. 30.06.2017).

Aitken Spence Shipping Services Limited *

Shipping Agency activities in all ports in Sri Lanka and an international freight forwarder.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
I.S. Cuttilan,
A. Jayasekera,
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

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 (Chairman),
I.S. Cuttilan,
Ms. T.D.M.N. Anthony (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Managing Director) (Resigned w.e.f. 01.06.2017).

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),
V. Chand,
J.M.S. Brito,
Ms. N. Sivapragasam,
I.S. Cuttilan,
J. Moore (Appointed w.e.f. 09.10.2017),
M.A.M. Isfahan (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

Hapag-Lloyd Lanka (Private) Limited *

Liner agency representation.

Directors:
J.M.S. Brito,
I.S. Cuttilan (Appointed w.e.f. 26.06.2017),
D. Bhatia (Appointed w.e.f. 26.06.2017),
L. Christiansen (Appointed w.e.f. 26.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017),
J. Schlotfeldt (Chairman) (Resigned w.e.f. 18.10.2017),
F.R. Coutinho (Resigned w.e.f. 18.10.2017).

Shipping and Cargo Logistics (Private) Limited *

Liner agency representation.

Directors:
V.M. Fernando (Chairman),
J.M.S. Brito (Managing Director),
K.M.A.T.B. Tittawella,
K.M. Fernando,
A. Jayasekera (Appointed w.e.f. 01.06.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017),
I.S. Cuttilan (Resigned w.e.f. 23.06.2017).

Spence Logistics (Private) Limited *

NVOCC freight forwarding operator.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 01.06.2017),
I.S. Cuttilan,
A. Jayasekera,
A.M.M. Amir (Resigned w.e.f. 22.09.2017),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

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,
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Printing & Packaging (Private) Limited *

Provides printing and packaging services to the local market.

Directors:
J.M.S. Brito,
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,
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.D.C.N. Gunawardana (Appointed w.e.f. 02.01.2018),
P.C.J. Fernando (Resigned w.e.f. 31.12.2017).

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,
R.G. Pandithakorralage,
P.D.C.N. Gunawardana (Appointed w.e.f. 02.01.2018),
P.C.J. Fernando (Resigned w.e.f. 31.12.2017).

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,
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.D.C.N. Gunawardana (Appointed w.e.f. 02.01.2018),
P.C.J. Fernando (Resigned w.e.f. 31.12.2017).

** The companies' financial statements are audited by KPMG*

GROUP COMPANIES AND DIRECTORATE

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,
Mrs. A.M. Fernando,
Ms. M. Spoelgen (Resigned w.e.f. 31.03.2018).

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,
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,
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, (Resigned w.e.f. 24.05.2018)
Ms. N.W. de A. Guneratne,
Dr. R.M. Fernando (Alternate to Mr. J.M.S.Brito),
K.D. Abeysinghe (Alternate to Mr. S.R.S.L. Karunanayake) (Appointed w.e.f. 01.04.2017) (Ceased w.e.f. 24.05.2018).

Western Power Holdings (Private) Limited

Has the approval to construct, commission and operate a 10MW Waste to Energy Power Project to supply energy to the national grid by using municipal solid waste collected by the Colombo Municipal Council.

Directors:
J.M.S. Brito (Appointed w.e.f. 04.09.2017),
L. Wickremarachchi (Appointed w.e.f. 04.09.2017),
Ms. N. Sivapragasam (Appointed w.e.f. 04.09.2017).

CORPORATE ADVISORY

Aitken Spence Corporate Finance (Private) Limited *

Provides corporate services including that of corporate finance, treasury, legal, secretarial, human resources, business development, sustainability, information technology, financial shared services and security services to the group companies.

Directors:
J.M.S. Brito,
Dr. R.M. Fernando (Appointed w.e.f. 07.07.2017),
Ms. N. Sivapragasam (Managing Director),
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
Ms. D.S.T. Jayawardena (Appointed w.e.f. 07.07.2017).

Aitken Spence Group Limited *

Overall management of the Aitken Spence Group of Companies.

Directors:
J.M.S. Brito,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
D.S. Mendis,
P. Karunatilake,
D.T.R. de Silva,
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017).

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,
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

Vauxhall Investments (Private) Limited
Owns buildings and land in Bloemendhal Street.

Directors:
J.M.S. Brito,
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,
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

INSURANCE SURVEY AND CLAIM SETTLING AGENCY

Aitken Spence International Consulting (Private) Limited *
(Name changed from Aitken Spence Insurance (Private) Limited w.e.f. 28.03.2018)

Survey and claim settling agents for several reputed insurance companies and organisations worldwide. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

Directors:
Ms. N.W. de A. Guneratne (Managing Director),
A.N. Seneviratne,
R.G. Pandithakorralage.

INSURANCE BROKERING

Aitken Spence Insurance Brokers (Private) Limited *
Placement of life insurance and general insurance business with insurance companies in Sri Lanka.

Directors:
Ms. N.W. de A. Guneratne,
A.N. Seneviratne,
R.G. Pandithakorralage.

ELEVATOR AGENCY

Aitken Spence Engineering Solutions (Private) Limited *
Joint Venture between Aitken Spence PLC and Mr. Balamurugan Kaliamoorthy incorporated to supply, install, test, commission and maintain equipment of any kind in the field of Air-Conditioning, fire and security.

Directors:
J.M.S. Brito (Appointed w.e.f. 12.07.2017),
S. Mariappan (Appointed w.e.f. 12.07.2017),
B Kaliyamoorthy (Appointed w.e.f. 12.07.2017),
Ms. N. Balamurugan (Appointed w.e.f. 12.07.2017).

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),
S. Joseph.

Interlifts International Private Limited *
Marketing, installing, commissioning and maintaining OTIS elevators, escalators and other people moving equipment.

Directors:
A.K.M.P. Wijesekera,
M.M. Ahamed,
B.D.S. Mendis (Managing Director),
S. Mariappan.

** The companies' financial statements are audited by KPMG*

GROUP COMPANIES AND DIRECTORATE

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. J. Moragoda (Appointed w.e.f. 26.07.2017).

PLANTATIONS

Aitken Spence 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,
C.D.D. Perera (Resigned w.e.f. 11.11.2017).

EQUITY ACCOUNTED INVESTEES

TOURISM SECTOR

Amethyst Leisure Limited *
Holding company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
V.J. Senaratne,
A. Mahir,
J.C. Weerakone,
M.Z.H. Hashim (Resigned w.e.f. 01.04.2018).

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,
A.L. Gooneratne,
Ms. D.S.T. Jayawardena,
R.N. Asirwatham,
N.J. de Silva Deva Aditya,
C.R. Stanislaus.

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.

Paradise Resort Pasikudah (Private) Limited *
Owning Company of Amethyst Resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
V.J. Senaratne,
A. Mahir,
J.C. Weerakone,
M.Z.H. Hashim (Resigned w.e.f. 01.04.2018).

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,
J.E. Brohier,
Ms. F.R. Ahmed,
A. Rahman,
C. Jirasinha.

Colombo International Nautical and Engineering College (Private) Limited*

Sri Lanka's largest private maritime and higher education campus.

Directors:
Capt. P.A.P. Peiris,
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),
I.S. Cuttilan (Appointed w.e.f. 01.06.2017),
R.S. Egodage (Appointed w.e.f. 19.02.2018),
P.S.R. Casie Chitty (Appointed w.e.f. 19.02.2018),
D.T.K.C. Lakindu (Appointed w.e.f. 19.02.2018),
Dr. P. Dissanayake (Resigned w.e.f. 01.06.2017),
H.K. Jayanetti (Resigned w.e.f. 19.02.2018).

Fiji Ports Corporation Limited

Owns and operates all the major ports in Fiji in addition to providing navigational services.

Directors:
S. Ali (Chairman),
V.P. Maharaj,
V. Chand,
J.M.S. Brito,
T. Kuruvakadua,
S.S. Singh,
S. Kaba,
I.S. Cuttilan (Appointed w.e.f. 01.06.2017),
T. Baravilala (Appointed w.e.f. 28.04.2017),
Dr. P. Dissanayake Resigned w.e.f. 01.06.2017),
M. Konrote (Resigned w.e.f. April 2017).

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,
A.L.W. Goonewardena,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
L.N. de S. Wijeyerathne,
B. Bulumulla,
Dr. R.A. Fernando,
A.T.S. Sosa (Alternate Director to Merrill J. Fernando).

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,
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),
D.A. de S. Wickremanayake (Appointed w.e.f. 02.10.2017).

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,
Dr. R.M. Fernando,
A.W.S.N. Gunathilake,
Ms. E.D.P.D. Senadeera.

SERVICES SECTOR

Aitken Spence C & T Investments (Private) Limited *

The Corporate 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 borrowings 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 financial year.

Employee Attrition Rate
Number of resignations/Average number of employees *100

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.

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.

MCLR
Marginal Cost of funds based Lending Rate.

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 attributable to equity holders 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 financial year.

Return on Equity Accounted Investments
Share of profit of equity-accounted investees (net of tax) divided by the average investment in equity-accounted investees at the beginning and end of the financial 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.

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

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)
D.S.T Jayawardena
G.C. Wickremasinghe
C.H. Gomez
N.J. de Silva Deva Aditya
R.N. Asirwatham
FCA
M.P. Dissanayake
MBA, Ph.D., D. Prof. Sh (Oslo), FCIM, FICS, FCILT(UK), Harvard Business School (E.EP), University of Oxford-Business Alumni (Resigned w.e.f. 01.06.2017)

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

Nomination Committee
G.C. Wickremasinghe - *Chairman*
D.H.S. Jayawardena
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)

Secretaries
Aitken Spence Corporate Finance (Private) Limited
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

Tel: (94 11) 2308308
Fax:(94 11) 2308099

Registrars
P W Corporate Secretarial (Private) Limited
3/17, Kynsey Road,
Colombo 08.

T: (94 11) 4640360-3
F: (94 11) 4740588

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamad Macan Marker Mawatha,
P.O. Box 186,
Colombo 03.

Contact Details
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

T: (94 11) 2308308
F: (94 11) 2445406
www.aitkenspence.com

NOTICE OF MEETING

Notice is hereby given that the Sixty Sixth Annual General Meeting of Aitken Spence PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 10.00 a.m. on Friday, June 29, 2018, 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 2018 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 75 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 84 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 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. R.N. Asirwatham who is 75 years of age and that he be re-appointed a Director of the Company."

6. To re-appoint Mr. J.M.S. Brito 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. J.M.S. Brito who is 71 years of age and that he be re-appointed a Director of the Company."

7. To re-appoint Mr. N.J. de S. Deva Aditya who attained the age of 70 years on 11th May 2018 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. N.J. de S. Deva Aditya who attained the age of 70 years on 11th May 2018 and that he be re-appointed a Director of the Company."

8. To re-elect Ms. D.S.T. Jayawardena who retires in terms of Article 83 of the Articles of Association, as a Director.

9. To authorise the Directors to determine contributions to charities.

10. To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

11. To consider any other business of which due notice has been given.

By Order of the Board

Aitken Spence PLC

Aitken Spence Corporate Finance (Private) Limited

Secretaries

28th May 2018

Colombo

Note:

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 2, 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 July 10, 2018 and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex-dividend with effect from July 02, 2018.

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)
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 29th day of June 2018, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Eighteen.

……………………………………………..…

Signature

Note : Instructions as to completion are noted on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. 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.

2. 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.

3. 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.

4. 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 27, 2018.

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.

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