

ALCHEMY OF ENTERPRISE



Aitken Spence

Aitken Spence PLC | Annual Report 2019 - 2020

SHAREHOLDERS

Rs. 5.86

Earnings per share

Rs. 1.25

Dividends per share

4.74%

Return on equity

Rs. 125.49

Net asset value
per share

EMPLOYEES

13,758

Total employees

Rs. 26 Mn

Investment in
employee training

8

Average hours of
training per employee

PLANET

Rs. 70 Mn

Investment in sustainability
processes and action plans

753,544 m³

Waste water treated for
reuse or safe disposal

25,419 tonnes

CO2 emissions reduced and/ or offset



PARTNERS

26

Equity partnerships
in investments
across the globe

Rs. 866.2 Mn

Dividends paid to
equity partners



STATE

Rs. 38.1 Bn

Forex generation

Rs. 3.9 Bn

Total taxes paid

ZERO

Significant fines and non-monetary sanctions
for non-compliance with laws and regulations



COMMUNITY

Over 9,000

Direct supplier relationships

Over 10,000

Community members
reached per annum across
the Group through diverse
programmes

Rs. 127.8 Mn

Funds channelled for
community development



Scan to View this Report Online

ALCHEMY OF ENTERPRISE

Adversity into opportunity. Challenges into victories. Set-backs into stepping stones. Losses into gains.

At Aitken Spence PLC, we hold the secret to the alchemy of a successful business. In over 150 years of operations, we have perfected the art of transformative enterprise; relying on our vast repository of skills and resources to weather any storm. Renowned for our visionary, committed, unwavering leadership in major industries in Sri Lanka and beyond, ours is a time-tested fusion of elements proven to achieve wealth and perpetuity.

The COVID-19 pandemic has left us facing one of the most daunting challenges in the history of our existence; and as the world collectively faces the harsh socio-economic realities it poses, today your company is preparing a unique formula for survival. We are reimagining the future of our operations, realigning our priorities and reinventing our offerings to emerge anew, ready to take on a new world of opportunity.

Even through grim and uncertain times, what remains certain is that we shall continue to deliver excellence, push our boundaries, and redefine the alchemy of corporate enterprise.

Spanning four millennia and three continents, alchemy is the age-old philosophical tradition concerned with purification, perfection and transformation. Skilfully blending the right proportions of elements and materials under the right conditions, alchemists were said to hold the secrets to wealth, vigour and immortality. This report follows the seven stages of transformation as passed down through the ages.

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ABOUT THE REPORT



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

This 9th Integrated Annual Report of Aitken Spence PLC sets out the performance of the Group during the financial year ended 31st March 2020. The report adopts a structure that enables readers to understand the value derived by the organisation and the value created for its key stakeholder groups, continuing its pursuit of excellence in corporate reporting. Our aim is to provide a balanced review of our performance, communicating relevant material information in a concise but comprehensive manner.

Frameworks Applied

We have applied the following frameworks in preparing this report. Collectively, they form the scope of this report, providing guidance on matters to be disclosed.



Statutory Frameworks

- » Companies Act No. 7 of 2007
- » Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- » Listing Rules of the Colombo Stock Exchange



Voluntary Frameworks

- » IR Framework issued by the International Reporting Council
- » GRI Standards "In Accordance – Core"
- » UN Global Compact
- » Women's Empowerment Principles
- » Communicating Sustainability issued by the Colombo Stock Exchange



Assurance

- » Assurance has been provided by KPMG on the Financial Statements including the Notes to the Accounts

The report has been made more concise and relevant to the unprecedented times we are experiencing. While we have made the narrative more concise, we have not compromised the level of financial and non-financial information provided as we believe that it is relevant to our investors. We have not obtained assurance on non-financial information due to the constraints under which we are operating at present, but plan to revert to this practice in the next report.

Scope and Boundary

Financial information is presented in accordance with regulatory requirements and present a view of the entire Group including all subsidiaries and equity accounted investees.

Non-financial information covers the operations in Sri Lanka and Maldives as the sustainability information gathering has been implemented fully only in these two geographical territories. During this financial year, we have expanded our reporting boundary for non-financial information to include the RIU Hotel in Ahungalla, Sri Lanka and Heritance Aarah in the Maldives. Changes to our resource profiles are attributed to this increase in the reporting boundary.

Data for crucial, non-financial indicators such as energy and water are disclosed for our port operation in Fiji and our hotels in Oman and India where we have established fundamental control measures in line with the Group's sustainability strategy. Consequently, our port operations in Mozambique and South Africa, printing operations in Fiji and destination management operations in Myanmar are excluded from non-financial information as these operations are still being introduced to our sustainability strategy. Our goal is to include information relating to these entities and report the same when the Group's sustainability strategies are implemented at these properties.

Forward Looking Statements

Forward looking statements in this report are based on opinions, forecasts and judgements which have varying degrees of uncertainty as they relate to future events, outcomes and impacts which are beyond our control. This information has been provided as we believe they are valuable to assess the future potential of the Group. We have provided the information using reliable sources wherever possible which are indicated where relevant. The Board and other preparers of the Annual Report provide this information without recourse or any liability whatsoever due to the relatively high levels of uncertainty regarding the complex matrices of variables and assumptions used to forecast the same and the uncertainties related to forecast external information used in internal forecasts.

Navigation to locate disclosures

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;



Disclosures for material topics from the GRI Standard



Page numbers of other sections within the report with more detail on specific topics



Information relevant to the UNGC Principles



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 Tourism sector



Disclosures applicable to the Maritime and Freight Logistics sector



Disclosures applicable to the Strategic Investments sector



Disclosures applicable to the Services sector



Feedback and Inquiries

We value your feedback and will use the same in improving the Annual Report in the year that has commenced. A comprehensive shareholder feedback form is available at the end of the report on page 347 to obtain feedback about this report so that the disclosures in future reports can be improved to suit the reader's needs better. Further our social media could also be used to communicate with us for feedback and comments. Please visit our website at www.aitkenspence.com for more information.

GRI 102-46

In this section;

GRI 102-46: Defining report content and topic boundaries.



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.

OPERATIONAL HIGHLIGHTS

"The Aitken Spence passion for excellence has stood us in good stead prompting us to achieve excellence in everything we do. It is this passion that defines our people and the way our businesses are run, driving our strategies and our commitment to being a good corporate citizen."

TOTAL EMPLOYEES



13,758

Human Resources are at the core of Aitken Spence. The Company derives the highest value from the collective skills and expertise of our team.

4

SECTORS

16

BUSINESSES

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



**TRAINING HOURS
FOR THE YEAR**

107,014

The Group's learning and development strategy is focused primarily on bridging the identified competency gaps and to address business specific training needs.

TOTAL ASSETS

Rs. 143 Bn

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



56%



9%



32%



3%



9

COUNTRIES

Our entrepreneurial and pioneering spirit has enabled us to explore new ground and establish our presence in vital sectors of the economy, both in Sri Lanka and overseas.

EXEMPLARY LEADERSHIP IN SUSTAINABILITY



Ranked among the Top 10 Most Admired Companies of Sri Lanka 2019 for the second consecutive year by the International Chamber of Commerce, Sri Lanka (ICCSL) and The Chartered Institute of Management Accountants (CIMA) Sri Lanka.

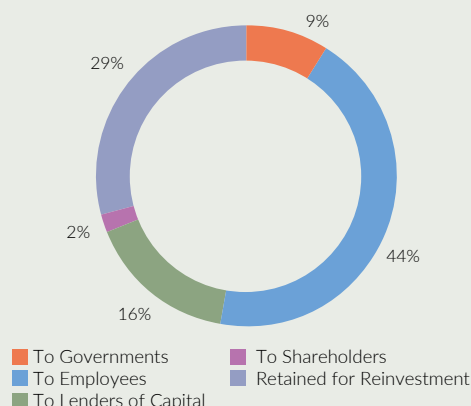
ONLY COMPANY IN SRI LANKA

to have been ranked among the Top Ten

Best Corporate Citizens of Sri Lanka

for 14 consecutive years.

DISTRIBUTION OF WEALTH CREATED - 2019/2020



Rs. 20.9 Bn

VALUE ADDED BY THE GROUP

As one of the most admired companies in Sri Lanka, we are proud of our sustainable business practices that have enabled us to invest in our employees and our global partners and specially improve the communities where we operate.

REVENUE

Rs. 53.5 Bn

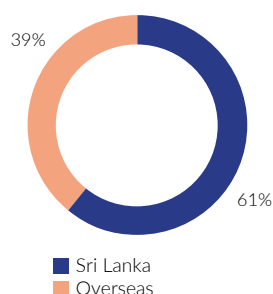
The diversity of our businesses has ensured a sustainable generation of revenue despite the unprecedented challenges faced during the year.

SHAREHOLDERS' WEALTH

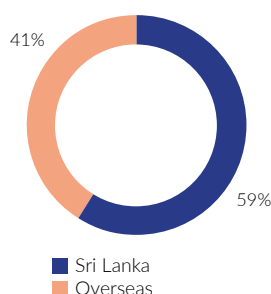
Rs. 50.9 Bn

The success of our Group is the strong foundation we lay, looking at long term sustainable growth over the immediate short term.

PROFIT BEFORE TAX for the year ended 31st March 2020



SEGMENT ASSETS As at 31st March 2020



Rs. 3.9 Bn

PAID AS DIRECT AND INDIRECT TAXES

We are proud of our contribution to foster economic growth and development in the countries we operate. Our contribution in the form of taxes provides a source of funding to the Governments to improve the economic and social well being of society.

AITKEN SPENCE TODAY

1868

THOMAS CLARK
AND PATRICK
GORDON SIGNED
A PARTNERSHIP

Aitken Spence



Commencing operations in 1868, Aitken Spence PLC has been a catalyst in the country's socioeconomic progress with pioneering ventures in key sectors of the economy. We have grown to become a stable, diversified conglomerate operating in 9 countries supported by strong partnerships with multinational corporates and governments. Our heritage nurtured over 150 years includes trusted relationships, a culture of professionalism, efficient processes and systems that are fit for purpose and a reputation for fair play. Our businesses are industry leaders in their respective fields as a passionate team of 13,758 employees drive our growth supported by strong balance sheets, cash flows and Group infrastructure.

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

A STRONG REPUTATION

- Consistently ranked among the Top 10 Best Corporate Citizens for an unprecedented 14 years.
- Recipient of the Best Corporate Citizen of Sri Lanka Award 2019, the fourth time overall
- that the Company has been recognised with this accolade.
- Adjudged amongst the Top 10 Most Admired Companies of Sri Lanka 2019.

4

 SECTORS


TOURISM



MARITIME &
FREIGHT
LOGISTICS



STRATEGIC
INVESTMENTS



SERVICES



16
BUSINESSES

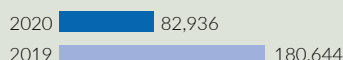
13,758
TOTAL EMPLOYEES

- Hotels
- Destination Management
- Airline GSA

Revenue
Rs. 24.8 Bn

3,133 | 488

Training Hours



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

Revenue
Rs. 11.4 Bn

1,516 | 258

Training Hours



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

Revenue
Rs. 20.1 Bn

3,275 | 4,800

Training Hours



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



















Revenue
Rs. 1.8 Bn

255 | 33

Training Hours



9 COUNTRIES
WE OPERATE IN

	BUSINESS SECTORS	EMPLOYEES
	SRI LANKA 	11,534
	MALDIVES 	1,313
	FIJI ISLANDS 	581
	BANGLADESH 	48
	OMAN 	102
	INDIA 	167
	MOZAMBIQUE 	9
	MYANMAR 	4
	SOUTH AFRICA 	37**

** Employed on short term basis for a special assignment

PIONEERING SUSTAINABLE INVESTMENTS

Having interwoven sustainability into our strategy for over a decade, we have made a mark of raising the bar for the country's corporate sector. We are the winner of the Best Corporate Citizen Sustainability Award for three successive years, while being the only company in Sri Lanka to be ranked among the Top 10 Best Corporate Citizens for an unprecedented 14 consecutive years. Awarded by the Ceylon Chamber of Commerce and reviewed by an eminent panel of judges representing local and global institutions working toward achieving sustainable development goals, this award is testament to the successful strategic efforts of organisations to synchronise economic, social and environmental sustainability.

We have been at the forefront of pioneering investment in the country, using our expertise, investment capacity, access to technology and strong partnerships to be a catalyst for socio-economic progress.



First Sri Lankan company to invest in resorts in Maldives in 1993. Today we are one of the largest hotel operators in Maldives with an inventory of 750 rooms in 5 islands.



First Sri Lankan Company to commence hotel management operations overseas and becoming the first Sri Lankan hospitality company to enter the Middle East by acquiring Al Falaj Hotel, a 150 room four star property.

First Sri Lankan Company to enter in to a Public-Private Partnership overseas and becomes the first Sri Lankan international port management company to operate in the Fiji islands.



First Sri Lankan Company to invest in a waste to energy project. The plant is 88% complete and is expected to commence operations during 2020-2021, solving two national crises with one effective solution.



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 thermal power plant.**

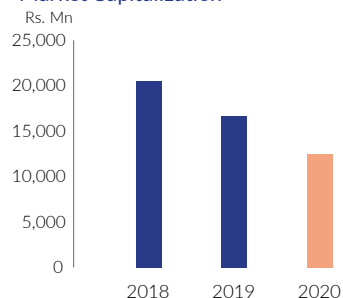
ECONOMIC PERFORMANCE

	2019/2020	2018/2019	2017/2018
Total value added by the Group (Rs. Mn)	20,899	21,243	19,173
Foreign exchange generation (Rs. Mn)	38,090	48,163	44,554
Employment generation by the Group	13,758	14,133	13,908
Contribution through taxes (Rs. Mn)	3,899	5,186	4,691
Tourism Sector			
Room inventory owned and managed	2,840	2,857	2,674
Tourist arrivals handled	135,138	200,307	178,071
Guest nights in owned or managed hotels	1,007,258	1,243,646	1,123,087
Maritime & Freight Logistics Sector			
Total TEU's handled	832,390	894,869	847,371
Youth capacity building at CINEC Campus	16,627	14,196	14,942
Strategic Investments Sector			
Power generated (MWh)	470,919	396,745	527,240
Apparel exports (pieces in millions)	4,945	5,254	4,166
Tea produced (Kgs '000)	4,174	4,518	4,555
Rubber produced (Kgs '000)	552	660	563
Oil palm produced (Kgs '000)	17,323	17,087	15,956
Services Sector			
Number of inward remittance transactions	474,571	487,865	536,556
Commercial office space (sq.ft..)	195,784	195,784	195,784
Number of elevators maintained	1,653	1,487	1,436

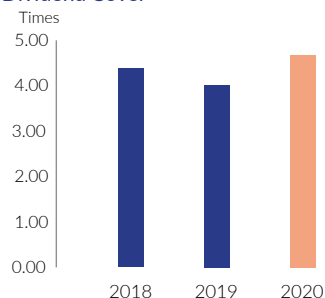
MARKET POSITION

	2019/2020	2018/2019	2017/2018
Market price per share as at 31st March (Rs.)	30.80	41.00	50.60
Earnings per share (Rs.)	5.86	10.04	8.77
Dividends per share (Rs.)	1.25	2.50	2.00
Net asset value per share as at 31st March (Rs.)	125.49	121.80	110.35
Price earnings ratio (Times)	5.26	4.08	5.77

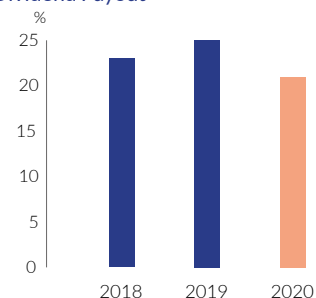
Market Capitalization



Dividend Cover



Dividend Payout

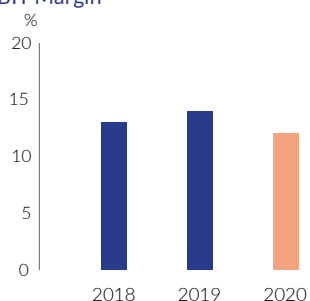


PERFORMANCE HIGHLIGHTS

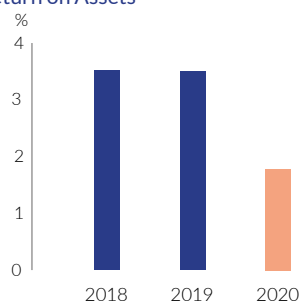
FINANCIAL INDICATORS

Financial Performance	2019/2020 Rs. Mn	2018/2019 Rs. Mn	Change %	2017/2018 Rs. Mn
Group revenue with equity accounted investees	56,990	59,287	(4)	56,031
Group revenue	53,471	55,681	(4)	52,735
Profit from operations	6,201	8,016	(23)	7,081
Profit before tax	4,198	7,283	(42)	6,398
Profit after tax	2,887	5,771	(50)	5,150
Profit attributable to equity holders of the company	2,378	4,077	(42)	3,560

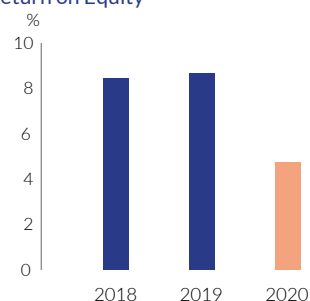
EBIT Margin



Return on Assets

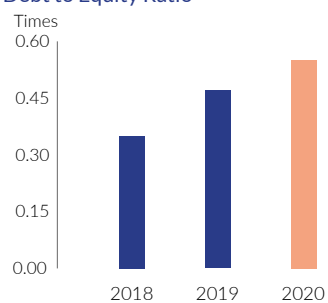


Return on Equity

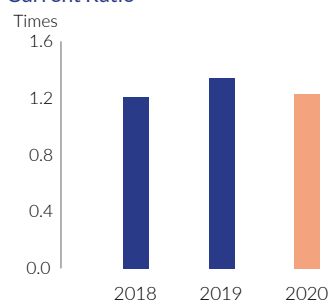


Financial Position	2019/2020 Rs. Mn	2018/2019 Rs. Mn	Change %	2017/2018 Rs. Mn
Non-current assets	103,663	86,758	20	73,881
Current assets	37,811	38,075	(1)	33,812
Total assets	142,664	124,997	14	107,843
Total equity	63,304	62,086	2	56,285
Non-current liabilities	48,690	34,526	41	23,560
Current liabilities	30,670	28,385	8	27,997
Total liabilities	79,360	62,911	26	51,558

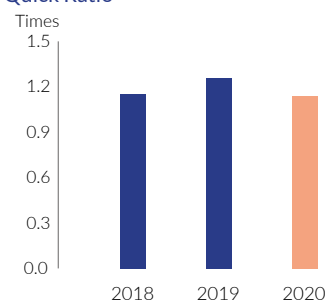
Debt to Equity Ratio



Current Ratio



Quick Ratio



NON-FINANCIAL INDICATORS

Environmental Performance	2019/2020	2018/2019	2017/ 2018	2016/2017
Energy				
Direct energy consumption (GJ)	770,839	553,112	551,202	597,687
Indirect energy consumption (GJ)	155,514	142,613	138,605	151,429
Total energy produced from non-renewable sources (GJ)	128,568	305,420	320,149	277,010
Total energy produced from renewable sources (GJ)	228,182	246,927	243,286	221,873
Water				
Total volume of water withdrawn (m ³)	1,326,434	1,412,388	1,338,389	1,310,967
Total number of water sources significantly affected by withdrawal	None	None	None	None
Total volume of water recycled for use or safe disposal (m ³)	753,544	1,042,195	638,309	598,120
Emissions				
Direct (Scope 1) greenhouse gas emissions (tCO ₂)	357,646	279,588	370,126	375,351
Indirect (Scope 2) greenhouse gas emissions (tCO ₂)	32,448	29,885	29,125	31,583
Quantified amount of greenhouse gas emissions reduced and/or offset (tCO ₂)	25,419	28,575	27,473	25,613
Total investment on sustainability processes and action plans (Rs. Mn)	70	153	109	88
Social Performance	2019/2020	2018/2019	2017/ 2018	2016/2017
Human Capital				
Total Employees (including employees of equity accounted investees)	13,758	14,133	13,908	13,693
Attrition rate (%)	28	29	23	33
Gender Composition				
Females (%)	41	40	41	41
Males (%)	59	60	59	59
Return to work after maternity leave (%)	58	84	100	92
Total investment in employee training (Rs. Mn)	26	47	47	22
Average hours of training per employee (No of hours)	8	15	16	6
Social and Relationship Performance				
Total funds channelled for community development (Rs. Mn)	128	124	128	135
Grievances about labour practices filed through formal grievance mechanisms	3	2	3	7
Significant fines and non-monetary sanctions for non-compliance with laws and regulations	None	None	None	None



22%
Direct energy
consumed from
renewable sources



57%
Of the total water
withdrawn treated for
reuse or safe disposal



25,419
tonnes CO_{2e}
Emissions reduced
and/or offset



Rs. 70 Mn
Invested towards
sustainability processes
and action plans

KEY EVENTS 2019/2020



**2020
MARCH**

Aitken Spence Maritime & Freight Logistics emerges as Integrated Port & Terminal Logistics Operator of 2020

Aitken Spence Maritime & Freight Logistics was adjudged the Integrated Port & Terminal Logistics Operator of the Year 2020 at the prestigious Global Ports Forum Awards held in Dubai.



2020 FEBRUARY

Heritage Aarah brings Gold from Culinary Olympics 2020

Eight-member team from Heritage Aarah brought home four gold, seven silver and two bronze medals; marking their third win in the culinary sphere. Heritage Aarah is Aitken Spence Hotels' latest resort in the Maldives.

2020 JANUARY

Hapag-Lloyd Lanka (Pvt) Ltd., sets industry benchmark for effective Environmental Management System (EMS)

Hapag-Lloyd Lanka (Pvt) Ltd., is the first liner agency company in Sri Lanka to receive both ISO 9001:2015 and ISO 14001:2015 accreditations.



Aitken Spence PLC, Aitken Spence Hotel Holdings PLC and Elpitiya Plantations PLC shine at the ACCA Sustainability Reporting Awards

Aitken Spence PLC was adjudged Runner-Up in the 'Conglomerates & Diversified Category' while Aitken Spence Hotel Holdings PLC emerged winner in the 'Leisure & Connected Services Category'.

Elpitiya Plantations PLC clinched the Runner – Up award in the Retail and Trading Category.

**2020
MARCH**



**2020
FEBRUARY**

ESCAPE theme parks to Sri Lanka in partnership with Elpitiya Plantations PLC

Sim Leisure Group Ltd, a leading theme park developer and operator based in Penang, Malaysia, entered into a non-binding memorandum of understanding (MoU) with Elpitiya Plantations PLC, to set up a world-class ESCAPE theme park in the Galle district.



2020 JANUARY

Launch of TUI Academy Sri Lanka

As part of the ongoing development of the Aitken Spence Institute of Hotel Management, in 2019, Aitken Spence, together with the TUI Care Foundation launched the TUI Academy Sri Lanka in a bid to extend the scope of coverage in assisting underprivileged youth in Sri Lanka with hospitality training.



**2020
FEBRUARY**



Aitken Spence partners with GoAir

GoAir announced Colombo as its first international destination for 2020, and 10th in its network. The airline is working in partnership with Aitken Spence PLC as its General Sales Agent (GSA) in Colombo.

**2020
JANUARY**

Chairman of Aitken Spence PLC ranked No. 1 in the Top 10 Leadership

Deshamanya Harry Jayawardena was ranked No. 1 in LMD 100's longest serving chairmen. Mr. Harry Jayawardena, Chairman of Aitken Spence PLC, was also recognised in The 100 Club A- List of 2019 as the 'Seasoned tycoon'.

Dr. Parakrama Dissanayake, Deputy Chairman and Managing Director of Aitken Spence PLC was recognised in The 100 Club A- List of 2019 as the 'Maritime anchor'. The 2019 A-List highlights Sri Lankan business people who continue to drive the nation's engine of growth.

**2019
DECEMBER**



Aitken Spence wins Best Corporate Citizen Sustainability Award for 3rd consecutive year

Aitken Spence walked away winning the BCCS Award 2019 along with 12 other awards in diverse categories and sectors – the highest number of awards received by a single company at the ceremony organised by the Ceylon Chamber of Commerce. The company has been ranked among the Top 10 Corporate Citizens for an unprecedented 14 consecutive years.

2019 NOVEMBER



Aitken Spence Printing, carbon neutral for 7 consecutive years

The company was the first carbon neutral printing facility operator in South Asia. The company also renewed its ISO 14064-1 certification for greenhouse gas (GHG) emission quantification, reporting and verification for the third year running reaffirming their commitment to quality and continual improvement.

Aitken Spence invests in state-of-the art machinery in Integrated Logistics

The integrated logistics segment of Aitken Spence Group invested in a state-of-the-art brand new 180-ton capacity multi axle trailer, filling a long-awaited need in handling and transporting heavy over dimensional cargo in the logistics industry.



2019 NOVEMBER



2019 OCTOBER

Singapore Airlines' A350-900 medium haul aircraft comes to Colombo

Singapore International Airlines (SIA) introduced the new Airbus A350-900 medium haul aircraft to Colombo for the first time on the 1st of October 2019.

2019 OCTOBER



Aitken Spence PLC consistently ranked among the Top 10 Most Respected Entities in Sri Lanka

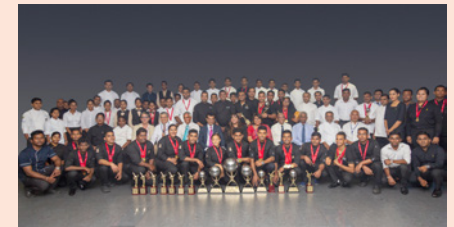
Inspired by the heritage and entrepreneurial journey for over 150 years, Aitken Spence PLC shines among the top 10 of LMD's Most Respected entities hall of fame 2019.



2019 OCTOBER

Aitken Spence Hotels celebrated 14 awards at the South Asian Travel Awards 2019

Aitken Spence Hotels achieved the highest number of wins at the South Asian Travel Awards (SATA) 2019 – winning six regional awards and eight country awards.



2019 OCTOBER

Aitken Spence Hotels victorious with Heritance Hotels sweeping the Culinary Art Expo 2019

Aitken Spence Hotels walked away with the championship trophy and an impressive 130 medals. Heritance branded Hotels & Resorts were the stars of the show clinching 126 medals. Over 2,000 chefs from Sri Lanka competed at this event which is organised by the Chefs Guild of Lanka.



2019 SEPTEMBER

Aitken Spence introduces LEED certified architecture to Maldives with Heritance Aarah

Heritance Aarah is the first property in the Maldives to receive the Leadership in Energy and Environmental Design (LEED) Gold certification.



2019 SEPTEMBER

Aitken Spence PLC and its Chairman receive awards at the Most Admired Companies and Leaders of Sri Lanka 2019

Aitken Spence PLC was ranked among the Top 10 Most Admired Companies of Sri Lanka 2019 for the second consecutive year by the International Chamber of Commerce, Sri Lanka (ICCSL) and The Chartered Institute of Management Accountants (CIMA) Sri Lanka. A special award under the category of 'Business Accomplishments – Entrepreneurship' was presented to Deshamanya Harry Jayawardena to pay tribute to a business leader in Sri Lanka for unparalleled success over many years.



2019 JULY

Aitken Spence Hotels invests Rs. 70 Mn in ladies' accommodation facility at Heritance Kandalama

In their efforts to create and promote a conducive work environment as an equal opportunity employer, Aitken Spence Hotel Holdings PLC opened a well-equipped ladies' accommodation facility at its most iconic property, Heritance Kandalama. This iconic property marked 25 years of operation in 2019.

Aitken Spence Maritime facilitates the first cruise ship to call on Sri Lankan ports following the April aftermath

The luxury cruise ship "MS EUROPA 2", owned by German operator Hapag-Lloyd Kreuzfahrten Hamburg, called on the Ports of Hambantota and Colombo with 309 passengers and 356 crew onboard.

2019 JUNE



FLOWING INTO THE FUTURE

Our creativity and innovative spirit has kept us fluid, dynamic and resilient; over the years we have demonstrated flexibility and inspired change, cultivating growth and prosperity in every area we operate.



EXECUTIVE REVIEWS

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CHAIRMAN'S MESSAGE



The historical chronicles of Aitken Spence, arguably the richest part of our intellectual capital, have etched learnings and traditions into the company's DNA, which to this day strengthen our resolve and propel us forward.

The abundance of pioneering ventures which have shaped the growth and performance of the Group stand testimony to this.

Aitken Spence PLC has delivered a profit before tax of Rs. 4.2 billion and a net profit attributable to equity holders of Rs. 2.4 billion in a year marked by unprecedented challenges. The 41.7% decline over the previous year was a considerable achievement given the severe setbacks arising from the April terror attacks and the COVID-19 pandemic. 2019/2020 saw the Group make considerable progress in engineering a recovery of the Sri Lankan Tourism sector, demonstrating our resilience and determination. Our strengths are considerable, and with professionals at the helm of our businesses, trusted partnerships, excellent infrastructure, and exceptional service, we will emerge a stronger, more sustainable and leaner organisation, partnering the country's next growth phase.

Partnering Economic Progress

Aitken Spence has historically been a partner in the socio-economic progress of Sri Lanka, investing in key growth sectors of the economy to support the nation's aspirations. The Group is a vital foreign exchange generator to Sri Lanka through its interests in tourism, maritime and exports and plays a vital role in facilitating worker remittances through our island-wide remittance network. Repatriation of dividends from our growing presence in overseas markets supports the balance of payments of Sri Lanka. We are one of the largest Sri Lankan resort operators overseas and the only Sri Lankan company engaged in port operations outside Sri Lanka.

We have created over 13,750 direct employment opportunities as at the close of the year while the indirect employment we generate is much greater. The Group's investments in maritime and hospitality education extend support to build capacity of Sri Lanka's youth, paving the way for globally mobile careers including opportunities at our own overseas locations.

We continue to leverage our considerable investment capacity and expertise to invest in areas vital for the country's development. Our waste to energy plant under construction is a clear example of a strategic investment made with a view of being a key partner in the sustainable economic progress of our

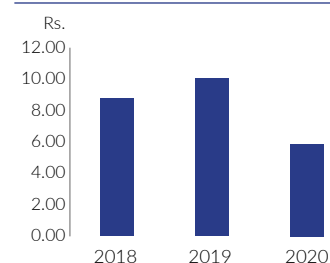
country. This investment of Rs.13 billion has been designed to provide twin solutions to the country's problems of energy demand and waste disposal. The plant, the first and only waste to energy project in Sri Lanka to date will become operational in the second quarter of 2020/2021. The plant would have been commissioned much earlier if not for the lockdown and restrictions imposed due to COVID-19.

Uncertainty & Opportunity

Global growth was moderate due to trade tensions, lower productivity and geopolitical tension and signs of recovery observed in the last quarter of 2019 remained fragile. Growth was already lagging in Sri Lanka as its recovery from the April 2019 terror attacks needed more time to stabilise. Consequently, 2020 is certain to be a challenging year. The COVID-19 pandemic was a significant shock to global systems as the dual economic and healthcare crises unfolded. Impacts included the disruption of supply chains and border closures while lockdown of varying degrees generated shifts in demand and consumption patterns.

The International Monetary Fund forecasts a recession with global output declining by 3% in 2020 followed by growth of 5.8% in 2021, while for Sri Lanka, the Central Bank of Sri Lanka has forecast a moderate growth of 1.5% in 2020 followed by growth of

Earnings Per Share



CHAIRMAN'S MESSAGE

4.5% in 2021. Both forecasts draw attention to potential downside risks centred on the duration of lockdown and the pace of recovery, which are dependent on several related factors. Across the world, industries such as automobile and leisure are the hardest hit with governments in advanced economies coming forward to assist them financially. Meanwhile cash rich countries such as China are looking for opportunities to further their reach globally.

Sri Lanka's post COVID-19 growth strategy will have to be driven by the state with the private sector as a catalyst and facilitator. Consumption is necessary to spur economic growth, which can only be driven by policies that support continued employment and job security. Extended relief measures including greater tax concessions would in turn enable businesses, especially those in the worst affected industries, to create much needed confidence among the stakeholders to retain their workforces.

We also see seismic shifts in supply chains as policy changes in key markets and exporting countries lead to the relocation of places of manufacture due to near-shoring and on-shoring. Sri Lanka must use its strategic location to seize these opportunities through investment friendly policies and ease of doing business. This is also a time for renewed focus on facilitating unhindered international trade so that our exports remain competitive in key markets. Labour regulations must also be amended to allow greater flexibility as current regulations deter employers from recruiting during periods of uncertainty, delaying economic recovery.

The Government must pursue development of large-scale infrastructure projects with concessionary financing terms including longer grace periods to attract foreign direct investment (FDI). Sri Lankan companies should be given preferential terms to provide services for these contracts to maximise the flow of benefits to the country from such projects. Consistent fiscal policies are also a prerequisite for FDI inflows.

Crisis is a Catalyst

For Aitken Spence, our Tourism sector was the hardest hit by the COVID-19 pandemic as nearly all properties were compelled to close, except Turyaa Chennai and Al Falaj Hotel in Oman, which remained open throughout with limited operations. Maritime, ports, logistics, power, plantations, printing and money transfer operations continued throughout the lockdown, reflecting their resilience and relevance to sustaining vital supply chains.

Aitken Spence will seize this opportunity to realign, reinvent and relaunch our businesses, making them future fit for the next decade.

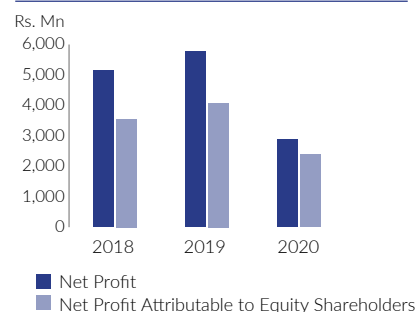
Our Heritage

As analysts compare the current crisis to be of the magnitude of the Great Depression of the 1930s, it is worthwhile to dwell on our own history of 150 years, dating well past current reference points. Aitken Spence has survived the Spanish flu of 1918, the Great Depression of 1930s and World War II to name the most transformational crises during those times. The company even pre-dates the second industrial revolution which introduced mass production assembly lines; today, it is transforming to competitively harness the opportunities of the 4th industrial revolution. The historical chronicles of Aitken Spence, arguably the richest part of our intellectual capital, have etched learnings and traditions into the company's DNA, which to this day strengthen our resolve and propel us forward. The abundance of pioneering ventures which have shaped the growth and performance of the Group stand testimony to this. COVID-19 is widely expected to drive the consolidation of industries that yield opportunities for acquisition. A strong balance sheet supports our transformation as we gear up for a new direction in growth.

Value to Shareholders

Aitken Spence PLC has been creating value to shareholders for over 150 years, and despite recent setbacks in the stock market, we are on track to deliver sustainable value in the future. Even during these extremely

Net Profit After Tax & Net Profit Attributable to Equity Shareholders



challenging times, in keeping with our policy of providing attractive returns to the shareholders, the Board recommends a final dividend of Rs.1.25 per share to be approved by the shareholders at the Annual General Meeting in June 2020.

Unfortunately, the share price is clearly not reflective of the value of this Group which is diversified across 16 economic segments. Our net asset value stands at Rs.125.49 per share with a strong debt equity ratio of 0.55 and a current ratio of 1.23 reflecting our ability to withstand the impact of black swan events such as the COVID-19 pandemic. More importantly, we have the necessary foresight and business agility to overcome the present challenges, transforming to future-ready businesses that will continue to lead and shape the industries in which we operate.

Board Priorities

The Board has worked together through many challenges and provided leadership to overcome the crises of the past. Seeking out new markets and new strategies remains a Board priority to further expand the diversity of the Group. This is pivotal in the present circumstances where such diversity softens the adverse impacts that would be felt in one or more of the industries of presence.

As always, we are committed to strong corporate governance which provides the foundation for the strategic framework within which the Group creates value for shareholders. Our governance agenda is continuously enhanced with emphasis on globally accepted best practices in Board leadership and effectiveness.

Sustainability

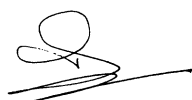
Aitken Spence has been an early champion of sustainability and our commitment has grown with greater understanding of its potential to transform businesses to compete more effectively. Emerging as the Best Corporate Citizen in Sri Lanka for the third consecutive year is testimony to our sustained commitment and leadership in sustainability.

Our commitments to the UN Global Compact, the Women's Empowerment Principles and other global benchmarks continue to support our progress in sustainability. We are pleased that our efforts have enabled Aitken Spence to differentiate itself as one of the most sustainable and respected corporates within the business segments where we operate.

Acknowledgements

It has been a challenging year for us as we crafted a recovery from one black swan event to be challenged by another of enormous impact at the end of the year. Even through the uncertainty, we are eyeing the future with an optimism grounded in realism, as we roll out our plans to realign, reinvent and relaunch. Our teams worked hard to make the recovery possible, some even risking their health to work during the lockdown. I am deeply appreciative of their efforts and look to their continued support in the year ahead. The cooperation of our joint venture partners, lenders and other business partners has been invaluable, and I take this opportunity to thank them. Many of our shareholders have been part of our story and I trust they will continue to be with us.

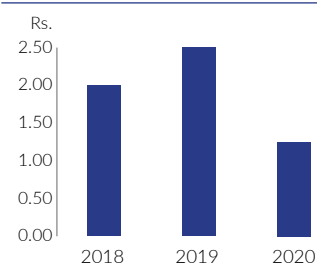
I wish to express my heartfelt gratitude to the management team and all 'Sponsorians' around the world for their commitment and performance, particularly during this challenging period. I wish to thank the Deputy Chairman and my fellow Directors on the Board for their support and guidance to position the Company to achieve success in the years to come.



Deshamanya D.H.S Jayawardena
 Chairman

Colombo
 29th May 2020

Dividend Per Share



DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE



The Group will focus on its 3R strategy of “Realigning, Reinventing and Relaunching” our businesses to respond to the challenges of the present crisis. Our ability to grasp opportunities will also support the architecture of the Group’s portfolio which has evolved throughout our history spanning over 150 years.

Unprecedented uncertainty marked the year under review as we experienced two black swan events with their characteristic severe impacts within the space of one year. Aitken Spence PLC delivered a profit before tax of Rs. 4.2 billion despite these challenges, reflecting the Group's multi-industrial diversity carefully crafted over 150 years of existence which supports our overall buoyancy and resilience. As we emerge from lockdown to a world that has changed significantly, it is necessary that we drive a paradigm change within the Group to seize new opportunities by responding to changing demand dynamics. Plans are taking shape to “Realign, Reinvent and Relaunch” our businesses to be even more relevant to society's changing needs to deliver sustainable growth in earnings to our shareholders, upholding the Spensonian legacy of adapting to thrive.

Resilient and Agile

Our operations are diversified regionally and globally demonstrating our agile strategy which has enabled the Group to benefit from the global market whilst remaining resilient to the many challenges we faced this year. The Group's footprint increased to nine countries worldwide as the maritime segment reestablished its operations in South Africa. The Tourism sector commenced operations in Myanmar during the year, adding to our Group's presence in Maldives, Fiji, India, Bangladesh, Oman and Mozambique.

Overseas

Tourism sector

The launch of Heritance Aarah was a key milestone in the tourism portfolio as it was the first time that the Heritance brand was launched overseas. This resort is the first LEEDS certified building in the Maldives which is a reflection of our commitment to sustainable and energy efficient design. The operational performance of this new venture has been excellent, earning exceptional reviews on social media in its first year. It has also set the bar for culinary excellence in this popular tourist destination by emerging as gold medallists in the World Culinary Olympics in Germany, having also won the Maldivian and Sri Lankan competitions during the year. All Adaaran properties in Maldives were awarded Certificates of Excellence by TripAdvisor during

the year based on the excellence of guest reviews, reflecting the attractive customer value proposition of the brand.

The destination management segment commenced commercial operations in Myanmar during the year. However, the overall performance of the overseas Tourism sector was dampened by the increased depreciation and interest costs related to Heritance Aarah which is inevitable due to the capital intense nature of the investment. We expect the property to yield exceptional returns in the long term.

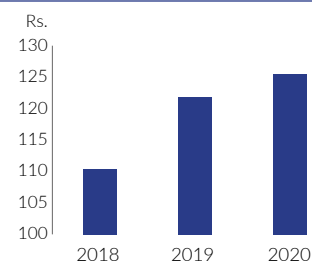
Maritime & Freight Logistics sector

The Maritime and Freight Logistics sector was the largest contributor to the Group's profit before tax and the overseas businesses in this portfolio which includes the port management operations in Fiji and Mozambique contributed significantly, with the assignment undertaken in South Africa also making a noteworthy contribution to the sector's performance.

Strategic Investments sector

Our joint venture Serendib Investments, which acquired the printing and stationery department of the Government of Fiji is nearing completion of refurbishment and is expected to commence full scale operations soon. With refurbishment of the facilities and our technical expertise, this venture is expected to become a market leader in the South Pacific region.

Net Assets Per Share



DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Local

Tourism sector

The Tourism sector was the worst affected by the Easter Sunday terror attacks at the beginning of the financial year with dramatic declines in tourist arrivals in the subsequent months. Our strong presence across the value chain was leveraged to deploy a differentiated marketing strategy to mitigate losses, carving out a niche that could be fine-tuned to enhance yields over time. Our signature properties Heritance Kandalama and Heritance Tea Factory continued to make significant profits despite these setbacks. Heritance Kandalama, Ahungalla, Negombo, Tea Factory and Hotel Riu won TripAdvisor's Travel Choice awards while Heritance Ayurveda was awarded a Certificate of Excellence reflecting improved guest reviews as we redoubled our efforts to exceed our customer's expectations.

Aitken Spence Travels handled around 14% of organised tourist arrivals to the country providing a healthy contribution to the Group profitability whilst accelerating and strengthening the recovery of this important economic sector. Intensive marketing efforts with tour operators was key to recovery as we were able to reassure them of the safety of the destination and attract them back to the country. This reflects the confidence the tour operators had in Aitken Spence due to the care taken to ensure the safety and well-being of guests during the crisis and the trust developed through longstanding relationships. Additionally, Airline General Sales Agency (GSA) business added another regional passenger carrier to its portfolio which is expected to commence operations in the new financial year.

Maritime & Freight Logistics sector

The Sri Lankan operations of the Maritime and Freight Logistics sector delivered an increase in profit before tax despite substantial declines in trade volumes due to trade tensions and import restrictions. Integrated logistics performed exceptionally well by securing new multinational clients through service excellence. We have continued to expand our fleet capacity to cater to new demand from large scale infrastructure

projects while the investment in a multi axle trailer enhanced operational capabilities. The sector has embarked on a commercial hub project in the Katunayake EPZ to set up a logistics hub/free trade zone providing Multi Country Consolidation, regional distribution and value-added services to attract a global clientele. The Cargo General Sales Agency segment suffered from a capacity reduction in airlines and the freight and courier business segments are being re-engineered to improve their performance.

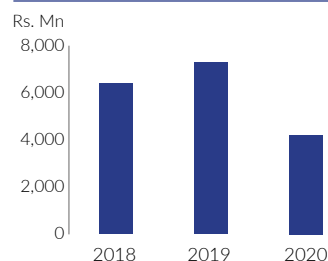
Strategic Investments sector

Steady progress has been made in the construction of the country's first waste to energy power plant which is nearing completion, although the final commissioning is likely to be delayed due to the restrictions faced during the lockdown. The apparel manufacture segment had a good year with improved efficiencies but witnessed a setback in March 2020 due to the impact of COVID-19 as many overseas customers cancelled and delayed orders. Performance of the plantations segment was commendable due to its aggressive agri and non-agri business diversification strategy despite the lower prices of tea experienced throughout the financial year. The segment signed a memorandum of understanding with SIM Leisure Group, Malaysia for the construction of an ESCAPE theme park at Diviturai estate, making Elpitiya Plantations the first regional plantation company to embark on a non-agri diversification project of this scale. Printing and packaging continued to differentiate itself in the market, leveraging on its sustainable printing agenda but was adversely impacted due to higher production costs leading to narrower margins.

Services sector

The insurance segment performed exceptionally well and no major impact is foreseen for this segment as a result of the COVID-19 pandemic. Elevators segment secured a large number of contracts during the year but may experience delays in implementation of these projects due to the lockdown which prevailed. Although the inward remittances from migrant

Profit Before Tax



workers declined during the year, the money transfer segment of the Group performed better than the previous year due to cost management strategies implemented.

Financial Performance

Profitability

Group profit before tax amounted to Rs. 4.2 billion, a decline of 42.4% over the previous year due to the severe impact of the two black swan events in a single financial year as well as the investments in the hotels segment which are yet to come into fruition. Profit attributable to shareholders also followed suit, declining by 41.7% to Rs. 2.4 billion. Finance expenses increased by 62.0% compared to the previous year which is mainly due to the investments made in overseas hotel projects primarily funded through debt and the impact of the recognition of interest on operating leases as required by the new Sri Lanka Accounting Standard, SLFRS 16 - Leases.

Earnings from the Sri Lankan businesses accounted for 61.2% of the Group's profit before tax for 2019/2020 compared to 57.5% in the previous year while the overseas businesses contributed 38.8% compared to 42.5% last year. The decline in profits from the overseas portfolio was mainly the result of the reduced profitability of the overseas hotels segment which was impacted by the high finance cost and depreciation at Heritance Aarah.

The Sri Lankan Rupee devalued by 8.3% to Rs.189.91 against the US Dollar during the financial year. However, the impact of this was a net positive to the Group due to many of our businesses being net foreign exchange generators.

Stability and Liquidity

Total assets of the Group increased by 14.1% to Rs.142.7 billion supported by total equity of Rs. 63.3 billion indicating the strength of the balance sheet. Investments in property and manufactured capital across diversified industries accounted for approximately

Rs. 80 billion. The Group invested nearly Rs.10 billion in capital expenditure across the sectors with the highest expenditure being incurred in the power generation segment to fund the construction of the waste to energy power plant. These investments are a clear reflection of our confidence in the future earnings potential of our diversified sectors.

COVID-19 Impact

The effects of COVID-19 have been severe although its full impact will be reflected in the financial statements of the year that has just commenced. Tourist arrivals and earnings declined by 31.5% year on year in the first quarter of 2020 in Sri Lanka. The country is emerging from a nationwide lockdown into a new working culture with social distancing which has a significant impact on productivity. All 213 countries affected by the virus have some travel restrictions in place while 72% of them have completely closed their borders to international tourists.

The Group's Maritime and Freight Logistics sector has continued to operate throughout the lockdown supporting the supply chains in their countries of operations. Operations of the power generation segment continued uninterrupted supporting the country's energy requirement. The plantations segment also continued to operate while ensuring the health and safety of its employees. Printing has recommenced operations to support their clients. All hotel properties remain closed except for Hotel Turyaa in India and Al Falaj Hotel in Oman which are operating on a limited scale with necessary health and safety measures in place. We have scaled down the operations of the apparel manufacture segment and inbound/outbound travel operations at present. All staff who could work from home have continued to do so throughout the lockdown and are resuming work according to a roster in smaller teams. State-of-the-art information technology platforms supported collaboration during this period with adequate safeguards. We will continue to maintain these effective practices during the recovery phase as well.

Total assets of the Group increased by 14.1% to Rs.142.7 billion supported by total equity of Rs. 63.3 billion indicating the strength of the balance sheet. Investments in property and manufactured capital across diversified industries accounted for approximately Rs. 80 billion.

DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

The Group has reviewed its cash flow forecasts and implemented prudent measures to ensure sufficient liquidity during the recovery period. Fixed overheads have been reduced across all businesses with voluntary salary reductions undertaken to avoid potential job losses in the future.

Future Outlook Post COVID-19

While the IMF forecasts a recession with global GDP growth declining by 3% in 2020 recovering to 5.8% in 2021, it warns of significant downside risks to the forecast due to uncertainty regarding the duration of lockdown, lost working days and numerous other factors. UNWTO estimates declines of 58% to 78% in tourist arrivals worldwide depending on whether easing of travel restrictions commence in July or December 2020 resulting in revenue losses of USD 0.9 trillion and USD 1.2 trillion respectively putting 100 to 120 million direct tourism jobs at risk as tourism is the hardest hit of all major sectors. On the positive side, experts foresee recovery in 2021 with domestic tourism leading the way. World merchandise trade is forecast to decline between 13% and 32% in 2020 with all regions experiencing double digit declines. The demand for electricity is also expected to decline by 5% while renewable energy is expected to hold up with a widely forecast shift in the world's energy mix towards renewable leading to a reduction in CO2 emissions.

Sri Lanka's economic growth is expected to be a negative of 0.5% as per IMF, however the Central Bank of Sri Lanka forecasts an economic growth of 1.5% for 2020. Sri Lankan export earnings fell by 42% in March, but the Export Development Board forecasts a rebound for Sri Lanka due to our high levels of compliance with social and environmental sustainability criteria.

Crafting Our Future

Aitken Spence PLC's approach to the current situation is one of cautious optimism combined with realism and I believe this will be a test of survival for businesses globally. Our diversity, strong partnerships with principals of global

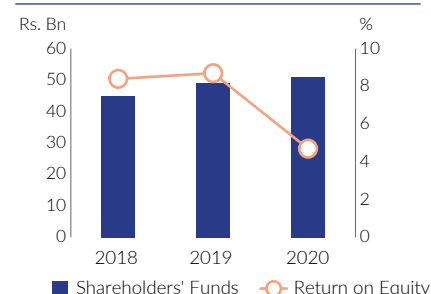
repute, investments in manufactured capital and an experienced and professional team are key strengths that will support our recovery from this crisis. Every crisis gives rise to positive transformations, and the Group will focus on its 3R strategy of "Realigning, Reinventing and Relaunching" our businesses to respond to the challenges of the present crisis. Our ability to grasp opportunities will also support the architecture of the Group's portfolio which has evolved throughout our history spanning over 150 years.

In the realignment process, through a transformation of organisational behaviour and mindset, we will look to a paradigm shift in the organizational culture in order to face the evolving business dynamics. Overall, we will continue to look at opportunities that will emerge from acquisitions as we believe there will be many that will bring in synergies within our multi-sector portfolio. Digital acceleration across the Group will be a key focus to drive collaboration, efficiencies and connectivity across diverse geographies and to empower customers to access our services. Customer privacy and cyber security are key concerns which will continue to be strengthened on a priority basis.

We expect the Tourism sector to recover from its current crisis in approximately eighteen months and note the efforts of the UNWTO to secure the cooperation required at international level in this regard to restore vital components of the supply chain. We will also avail ourselves of government support schemes to maintain sufficient liquidity during this time. The Maritime and Freight Logistics sector is also likely to experience a decline, but we expect this to pick up in the medium to long term. Enhancement of capacity at CINEC Campus will support its growth with higher levels of course content delivered online. The waste to energy power project is expected to commence operations in the second quarter of 2020/2021 enhancing the Group's earning capacity. The ESCAPE theme park is expected to commence construction in 2020 supporting diversification in the plantations segment. We also believe that the construction industry will recover with

Aitken Spence PLC emerged as the Best Corporate Citizen for the third consecutive year with an unbroken record of 14 years in the Top 10 rankings of Best Corporate Citizens of Sri Lanka, bearing testimony to the Group's commitment and integration of sustainability principles across all its businesses.

Shareholders' Funds & Return on Equity



new opportunities for installation of elevators and travelators and the new partnerships for money transfers will support a rebounding of the Services sector.

People

Aitken Spence has a geographically diverse team of 13,758 employees who drive our growth. We have also built a Group Human Resources function that supports their development to realize their individual career goals and aspirations. The average tenure of service of 8 years is testimony to the mutual appreciation of the working environment, opportunities for growth, remuneration and benefits and the organisation culture which supports the dignity and appreciation of each person's contribution. Voluntary pay cuts have been undertaken by staff across the Group and we hope to ride the lean period with this and other cost control measures as we understand that our team is our greatest asset. We will focus on training and development with emphasis on technology to ensure our employees have the new skills and competencies required for the post COVID-19 era and we have already launched programmes to reshape the new working environment.

Sustainability

Aitken Spence PLC emerged as the Best Corporate Citizen for the third consecutive year with an unbroken record of 14 years in the Top 10 rankings of Best Corporate Citizens of Sri Lanka conducted by the prestigious Ceylon Chamber of Commerce. It bears testimony to the Group's commitment and integration of sustainability principles across all its businesses to drive positive, systemic change in the social and environmental aspects of our operations. During the year, we increased focus on our Processes, the all-encompassing fourth "P" of our sustainability strategy, connecting every policy and procedure to protect the triple bottom line; Planet, People and Profits. Our investment in the waste to energy power plant is perhaps the best example of this as we address twin problems of garbage disposal and increasing demand for sustainable energy. As signatories to UN Global Compact (UNGC)

since May 2002, we remain committed to the Ten Principles of the UNGC and strive to contribute positively towards local and global development goals to achieve social and environmental sustainability. An early champion of the UN Women's Empowerment Principles, we have also ensured a corporate environment that enables women to reach the highest positions within the organisation with equal opportunities for growth and equal remuneration.

Appreciation

The resilient performance and the many accolades received by the Group are the result of the yeoman contribution of the family of Sponsonians and I thank them for their untiring efforts to drive the performance of the Group during the year. We have a greater challenge to face in the months ahead and request their unstinting support in creating an even more resilient and sustainable Group that will endure to create greater value for its stakeholders. I take this opportunity to thank the Board for their guidance through unprecedented challenges and thank the Chairman for his visionary foresight.

We are appreciative of the debt moratoriums extended to us by our bankers and count on their continued support in the years ahead as well. Our business partners have been a key strength in managing our recovery and we are eager to collaborate to drive the revival of the affected sectors. In closing, I thank the shareholders for their confidence, and trust they will be a part of our transformation journey in the coming year.



Dr. Parakrama Dissanayake

Deputy Chairman and Managing Director

Colombo
29th May 2020

BOARD OF DIRECTORS



Mr. D.H.S. Jayawardena
Chairman



Dr. M.P. Dissanayake
Deputy Chairman & Managing Director



Dr. R.M. Fernando
Executive Director



Ms. D.S.T. Jayawardena
Executive Director



Mr. J.M.S. Brito
Non-Executive Director



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



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



Mr. N.J. de Silva Deva Aditya
Non-Executive Director



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 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.

Dr. M.P. Dissanayake **Deputy Chairman & Managing Director**

Appointed in March 2019

Dr. Parakrama Dissanayake is the Deputy Chairman and Managing Director of Aitken Spence PLC, with effect from 15th March 2019.

Prior to this appointment he was Secretary to the Ministry of Ports, Shipping and Southern Development.

He was appointed as the first non-British International President of the Institute of Chartered Shipbrokers U.K. founded in 1911 and Royal Charter conferred in 1920.

Dr. Dissanayake has also held positions in the past that include, Chairman – Sri Lanka Ports Authority (two stints), Chairman – Chartered Institute of Logistics and Transport (Sri Lanka), Board Director of the Urban Development Authority and Board Director of the Ceylon Shipping Corporation.

During the period June 2004 to May 2017, he served as a Director of Aitken Spence PLC and the Chairman & CEO of its Maritime and Freight Logistics Sector.

Dr. Dissanayake is an Alumni of the University of Sri Jayewardenepura, NORAD, JICA, Business Alumni of the University of Oxford (UK) and a Fellow of Harvard Business School (EEP).

He is also Chairman of Elpitiya Plantations PLC, Hon. Consul General of Fiji Islands and serves as a Professor in Maritime Studies (visiting) at Shanghai Maritime University and Dalian Maritime University.

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 privatization programme. He was the first Chairman of United Nations Global Compact Network, Sri Lanka, a former President of the Chartered Institute of Marketing Sri Lanka Chapter. He serves on the Executive and Finance Committee of the Planters Association of Ceylon and was one of its past Chairman's. He is currently the President of the newly formed Palm Oil Industry Association which comprises growers, processors and refiners in the palm oil industry.

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.

She is also a Director of Stassen Group and Lanka Milk Foods (CWE) PLC, Chairperson of Splendor Media (Private) Limited (Subsidiary of Melstacorp PLC).

Ms. Jayawardena is also a member of the Executive Board of The Hotel Association of Sri Lanka (THASL) and was appointed to represent THASL at the Ceylon Chamber of Commerce committee meetings 2019/2020 (Hotel Sector).

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 was the Sri Lankan Ambassador for EY NextGen Club for 2017 to 2019.

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. In 2017, Ms. Jayawardena was recognized with the Hotel & Hospitality Sector Gold Award at the Top 50 Professional & Career Women Awards in Sri Lanka.

Mr. J.M.S. Brito
Non-Executive 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 organizations. He was then appointed as the Managing Director of Aitken Spence PLC, in December 2001 and Deputy Chairman in April 2003 which position he held until his retirement on 15th March 2019. After retirement, Mr. Brito continues to be a Non-Executive Director of Aitken Spence PLC.

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 Sri Lanka Insurance Corporation. He holds a LLB degree from the University of London, an MBA degree from London City Business School and is a Fellow of the Institute of Chartered Accountants of both Sri Lanka and England and Wales.

BOARD OF DIRECTORS

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

Appointed in April 1972

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

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

He also spearheaded the construction of Triton Hotel, now Heritage 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 in 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 worldwide.

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. N.J. de Silva Deva Aditya (Nirj Deva) DL FRSA, MP and MEP joined the Board of Directors in 2006/07. He was the first Post War Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office after which he was elected as the first Asian born British Member of the European Parliament, representing over 8 million people, British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years.

He was the Vice President of the International Development Committee for 15 years, overseeing the Euro 25 billion European Aid Budget. He was the Chairman of the EU Korean Peninsula Delegation working towards a lasting Peace with North Korea, Chairman of the EU China, EU Bangladesh, EU Indonesia, EU Myanmar and EU India Friendship Groups in the EU Parliament and was nominated by his political group ECR to be the President of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka.

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 a member of the Board of Management of the Post Graduate Institute of Management. 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



Dr. M.P. Dissanayake



Dr. R.M. Fernando



Ms. D.S.T. Jayawardena



Ms. N. Sivapragasam



Mr. R.G. Pandithakorralage

Dr. M.P. Dissanayake

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 Sector after completing her articles at Ernst & Young, Colombo.

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

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

She is currently a Board Member of the Taxation Steering Committee and the Accounting Standards and Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce and also serves on the Tax Faculty and Financial Reporting Standards Implementation and Interpretation Committee of CA Sri Lanka. She is also a Board Member of Global Compact Network Ceylon (Guarantee) Ltd.

She was formerly on the Board of CIMA Sri Lanka Division, the Statutory Accounting and Auditing Standards Committees of CA Sri Lanka and a Council Member of the Sri Lanka Institute of Directors. She also served as a Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board, until 2019.

She is currently a Director of Women and Media Collective, a non-governmental organization involved in the empowerment of women.

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 Business Management 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 CINEC Campus (Pvt) Ltd. He is also a member of the National Labour Advisory Council (NLAC), the Council of the Employers Federation of Ceylon (EFC), a member of governing council of Sri Lanka Institute of Development Administration (SLIDA) and a member of The Board of Governors of National Institute of Labour Studies (NILS). He is a former Director of CSR Lanka (Guarantee) Ltd.

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) 2007/2008 and was recognized under the global HR excellence category, for the contribution made to HR for the economic development of the country.

MANAGEMENT COUNCIL



Ms. N.W. De A. Guneratne



Mr. C.M.S. Jayawickrama



Mr. D.S. Mendis



Mr. P. Karunathilake



Mr. L. Wickremarachchi



Mr. N.A.N. Jayasundera



Mr. I.S. Cuttilan



Mr. A.J. Gunawardena



Mr. J.E. Brohier



Mr. V.P. Kudaliyanage



Mr. P.C.J. Fernando



Mr. D.R.C. Hindurangala



Mr. J.C. Weerakone

MANAGEMENT COUNCIL

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. She took her oaths as an Attorney-at-Law in 1987. 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 Council Director of Aitken Spence Group.

Ms. Guneratne is on the panel of visiting lecturers for the Institute of Advanced Legal Studies of the Incorporated Council of Legal Education. She lectures for the Post-Attorney Diploma in International Trade, Carriage of Goods and Marine Insurance Law.

A Fellow of the Chartered Insurance Institute of UK, a Chartered Insurance Practitioner, a lecturer and examiner of the Sri Lanka Insurance Institute, she also serves as a visiting Lecturer/Course Director at CINEC Campus (Private) Ltd., and is also a Director of the Campus.

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 30 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 division

counting three 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 Council. Additionally, Mr. Mendis is the Joint Managing Director of Elevators (Pvt) Ltd., and is also overlooking the integrated logistics segment of the Group.

Mr. Mendis has a wealth of experience ranging from logistics, ICT, real estate and 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 SLFFA Cargo Services Ltd and the American Chamber of Commerce.

Mr. Mendis has graduated Magna cum Laude in Business Administration specializing in Marketing and Economics from Slippery Rock University of Pennsylvania USA. In his senior year, he was adjudged the outstanding student in both streams. He has obtained his MBA from 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 rejoined the Company as the Managing Director of Aitken Spence Printing (Pvt) Ltd. In September 2012, he was promoted as a Director of the Aitken Spence Group.

He is 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 PLC in February 2013 as the Managing Director of all subsidiary companies in the power generation segment. He also functions as CEO/Managing Director of Western Power Company (Pvt) Ltd, a subsidiary of Aitken Spence PLC, which is constructing the country's first waste to energy power plant.

Mr. Wickremarachchi has held senior positions in both public and private sector organizations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a consultant to the Government of Liberia, in West Africa, under a USAID funded project, in the renewable energy sector. He was Director General of the Public Enterprises Reform Commission (PERC) from 2004 to 2006. He also did a consultancy assignment in 2004 for the Ministry of Privatization of the Government of Pakistan,

funded by the Asian Development Bank, in establishing a Public-Private Infrastructure Financing Facility for Pakistan. He had also worked at USAID/Sri Lanka, from 1992 to 1998, managing its project on establishing a market for private sector infrastructure in Sri Lanka, which resulted in the Government of Sri Lanka approving the private sector to invest in thermal power projects, as Independent Power Producers (IPPs).

Mr. Wickremarachchi holds an MSc in Engineering from the People's Friendship University of Moscow, Russia and has obtained his MBA from the Post Graduate Institute of Management of the University of Sri Jayawardenepura. He has attended many Executive Development Programs including the programs conducted by the JFK School of Government of Harvard University, USA and the National University of Singapore.

Mr. N.A.N. Jayasundera

Mr. Nalin Jayasundera has had a career spanning over 3 decades with Aitken Spence, joining initially in 1983 and then re-joining the company 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 35 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 six years.

Mr. Jayasundera is currently a Committee Member of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and he

has held the positions of Secretary and Vice President in the past. He was a member of the Sri Lanka Tourism Advisory Council and currently he serves as a Board member of the Sri Lanka Tourism Promotion Bureau.

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. He was designated as the Chief Operating Officer in 2014 and as the Managing Director of the maritime segment in 2017.

He was involved in the setting up of the port management activities in Africa and Fiji and serves as a Director of Fiji Ports Terminal Limited and Fiji Ports Corporation Ltd. With a career spanning over 35 years, Mr. Cuttilan currently serves as the Chairman of the Ceylon Association of Shipping Agents (CASA) and is a member of the Advisory Committee on Logistics of the Export Development Board. He is also the Immediate Past President of the Sri Lanka Malaysia Business Council of the Ceylon Chamber of Commerce and Immediate Past President of the Sri Lanka Indonesia Friendship Association (SLIFA).

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 and the Open University of Sri Lanka.

Mr. A.J. Gunawardena

Mr. Janaka Gunawardena joined the Aitken Spence Group in 2016, bringing with him over 32 years of diverse management experience across multiple industry verticals including Integrated logistics, supply chain management, FMCG & real estate.

Having commenced his professional career with Unilever Sri Lanka, he possesses extensive cross cultural exposure and experience in leadership positions spanning international geographies. He has also served

as a Director of Mack International Freight (Private) Limited (previously local agents for D B Schenker) and as General Manager Trans-Ware Logistics, both subsidiaries of the John Keells Group. He has also served as Country Manager - DHL Nepal, General Manager - AICT, GAC Pakistan (the largest dry port in Pakistan) 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 and he is also a Chartered Member of The Institute of Logistics & Transport UK.

Mr. J.E. Brohier

Mr. Jerome Brohier heads the courier and cargo aviation segment in the Maritime and Freight 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, majority 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 the Vice President of the freight and courier segment. Today, he heads this segment with responsibility for freight, express and cargo aviation in Sri Lanka, Bangladesh, Myanmar and Maldives. The segment represents leading global brands such as Qatar Airways Cargo, DB Schenker, DPD Group, DTDC, Asendia and Sri Lankan Airlines Cargo.

Mr. Brohier holds an MBA from the 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 –

MANAGEMENT COUNCIL

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. V.P. Kudaliyanage

Mr. Vasantha Kudaliyanage, an accomplished multifaceted leader in the aviation industry with comprehensive in-depth experience and knowledge of the aviation business, is the Managing Director of the General Sales Agency for Singapore Airlines.

Counting 33 years of service, Mr. Kudaliyanage's professionalism and systematic approach continues to ensure excellent service delivery for project completion. His outstanding services have been recognised by SIA and he was awarded, 2010 – CEO Award and many regional awards.

Joining Aitken Spence, he counts 34 years of service, marked by exemplary loyalty, dedication and reliability. With the current position, a rapid growth was shown, striking a balance between increased productivity and cost minimisation.

Mr. P.C.J. Fernando

Mr. Claude Jayantha Fernando who currently holds the position of Managing Director in the Aitken Spence Garments segment, first commenced his career in the apparel industry in the 1981 joining as a management trainee attached to predominant apparel company in Sri Lanka.

Over a successful career span of 35 years in the trade, Mr. Fernando has earned a plethora of experience and has held many vital positions. Prior to joining the Aitken Spence Group, he has functioned as an Executive Vice President for over 16 years where he was responsible for the entire operation of seven manufacturing plants of a well reputed, Sri Lankan based US owned group of companies.

Mr. D.R.C. Hindurangala

Mr. Chaminda Hindurangala has been with the Aitken Spence Group for over 19 years, joining initially in 1996 and then re-joining in 2018. Having successfully played significant roles within the power generation segment and the maritime segment, he took over the leadership of the elevators segment in 2018. Elevators (Pvt) Ltd is a joint venture with OTIS Company (Singapore). OTIS is the leading elevator brand in the world.

In the maritime segment, he was head of operations of the port management business in Africa. He is well experienced in business development and business process re-engineering to improve processes and increase productivity.

He is a Fellow of the Institute of Chartered Accountants (CA) Sri Lanka, member of CPA Australia, holds a Diploma in Marketing from CIM (UK), an MBA from the University of Wales (UK) and a Certified Lean Six Sigma Black Belt.

Mr. J.C. Weerakone

Mr. Jeevaka Weerakone, is the Chief Operating Officer/Vice President for Aitken Spence Hotels in Sri Lanka.

Counting over 28 years of expertise in the hospitality industry in Sri Lanka and overseas, he has extensive knowledge about the industry, property operations and human resources. Prior to taking over his current role, he held the positions of Director Operations for Aitken Spence Hotels – Sri Lanka sector, Vice President - Operations for the Sri Lankan Hotels - Northern Sector, Assistant Vice President - Human Resources, Learning and Development for the entire hotel sector, Executive General Manager for Heritage Kandalama and General Manager for Earl's Regency.

He holds a MBA and is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM); and a Fellow of the Ceylon Hotel School Graduates Association (FCHSGA). He is also a qualified consultant for ISO 9000 quality system.

Mr. Weerakone has served as an Executive Committee Member of the Regional Economic Development Agency (REDA) under the Central Provincial Council and was a committee member of the CHSGA in 2010.

SENIOR MANAGEMENT COMMITTEE

- TOURISM SECTOR

In alphabetical order



Ms. D.R. Alexander
 Assistant Vice President
 - Hotels Segment



Mr. D.J. De Cruz
 Vice President
 - Hotels Segment



Mr. S.N. De Silva
 Assistant Vice President
 - Hotels Segment



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



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



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



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



Mr. M.T. Hapuarachchi
 Assistant Vice President
 - Destination Management
 Segment



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

SENIOR MANAGEMENT COMMITTEE - TOURISM SECTOR

In alphabetical order



Mr. K.D.D.P. Kumarasinghe
Assistant Vice President
- Hotels Segment



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



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



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



Mr. L.B. Sumanasinghe
Assistant Vice President
- Destination Management
Segment



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



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



Ms. I. Wijegunawardane
Assistant Vice President
- Hotels Segment

SENIOR MANAGEMENT COMMITTEE

- MARITIME AND FREIGHT LOGISTICS SECTOR

In alphabetical order



Mr. C.A.S. Anthony

Vice President
- Integrated Logistics Segment



Mr. M. Balasooriya

Assistant Vice President
- Freight Segment



Mr. H. Dela Bandara

Assistant Vice President
- Maritime Segment



Mr. M.A.M. Isfahan

Assistant Vice President
- Maritime, Freight & Integrated
Logistics Segments



Mr. C.J. Jirasinha

Assistant Vice President
- Freight Segment



Ms. D.D.T.S. Karunaratne

Assistant Vice President
- Maritime, Freight & Integrated
Logistics Segments



Mr. L.I. Witanachchi

Assistant Vice President
- Maritime Segment

SENIOR MANAGEMENT COMMITTEE - STRATEGIC INVESTMENTS SECTOR

In alphabetical order



Mr. S. Buhar

Assistant Vice President
- Corporate Services



Mr. B. Bulumulla

Chief Executive Officer
- Plantations Segment



Mr. T.M.S. Fonseka

Assistant Vice President
- Corporate Services



Ms. R.I.D. Katippearachchi

Vice President
- Corporate Services



Ms. R.D. Nicholas

Assistant Vice President
- Corporate Services



Mr. N.L.T. Perera

Assistant Vice President
- Corporate Services



Mr. B.Y. Poopalapillai

Assistant Vice President
- Corporate Services



Mr. V.S. Premawardhana

Assistant Vice President
- Corporate Services



Mr. H.K.A. Rathnaweera

Assistant Vice President
- Corporate Services



Ms. W.A.D.L. Silva

Assistant Vice President
- Corporate Services

SENIOR MANAGEMENT COMMITTEE

- SERVICES SECTOR

In alphabetical order



Mr. S.D. De Silva

Assistant Vice President
- MMBL Money Transfer



Mr. A.N. Seneviratne

Assistant Vice President
- Insurance Segment

OUR STAKEHOLDERS



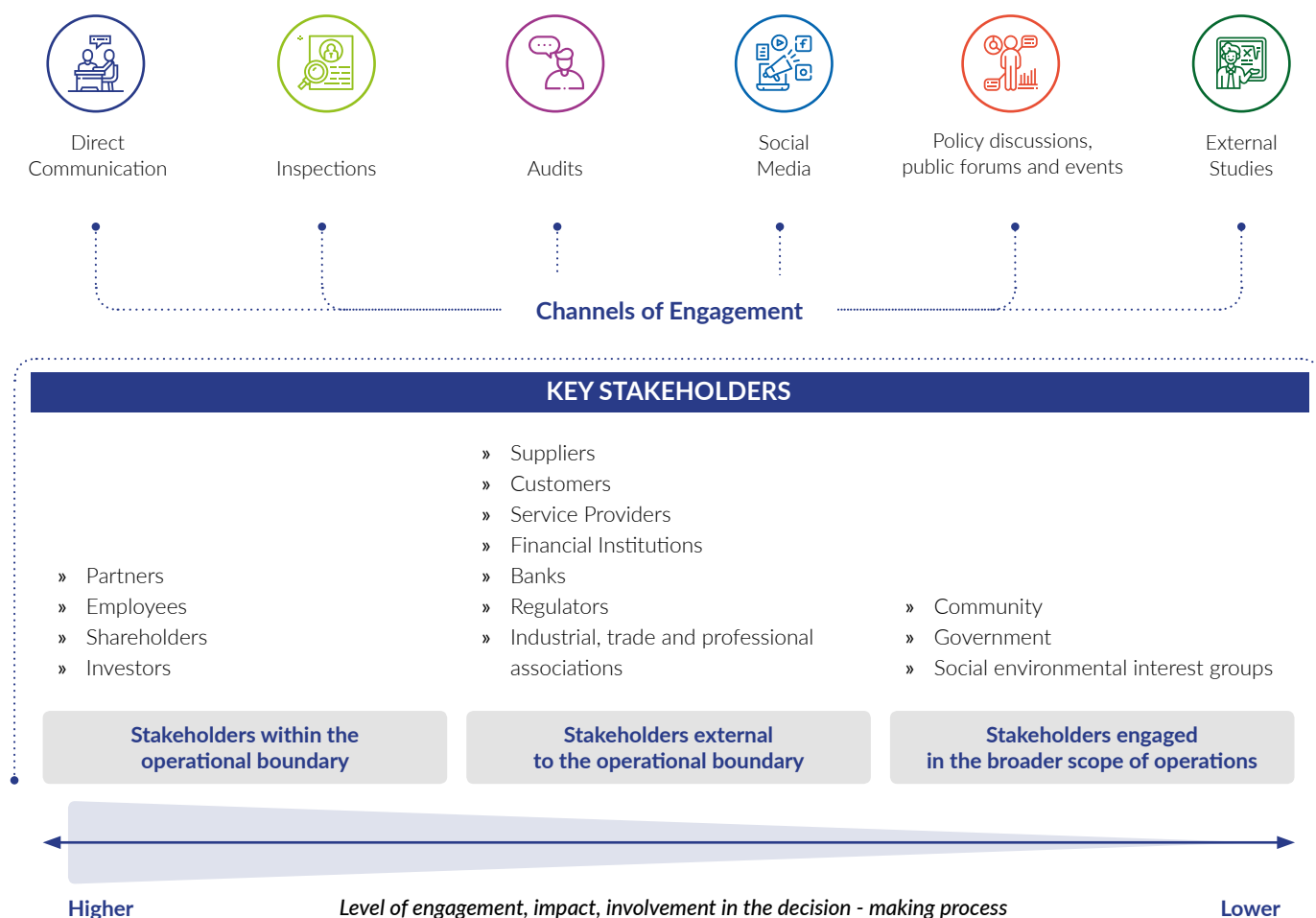
Equitable balancing of stakeholder interests is vital for the sustainable growth of the Group and our performance over the years is testimony to the attention paid to maintaining the equilibrium. Never has this been more relevant than at present when the actions of each and everyone at Government, corporate and individual level has the

potential to have a profound impact on the well-being of the entire community. Strong processes for engaging with stakeholders to understand their perspectives and concerns have been institutionalized within the Group over 150 years and considerable effort goes in to maintaining an equilibrium that is appropriate.

OUR STAKEHOLDER ENGAGEMENT MODEL





Our Stakeholder Engagement Model

Stakeholder concerns are a key input to the Group's strategic planning process and having reliable information in this regard is vital to the effective implementation of the same. Consequently, we invest in both disseminating reliable information to stakeholders and strengthening our own processes of receiving their feedback. Feedback we receive from stakeholders enables us to identify potential areas for improvement, opportunities for differentiation and necessary changes to our strategy/business model. We also obtain third party assistance as and when required to verify concerns identified through our internal mechanisms enhancing the objectivity of our findings. We conducted an independent external stakeholder engagement study in 2016/2017 and their findings and observations have contributed towards further improving stakeholder relationships. We continue to engage with key stakeholders through regular channels.



OUR STAKEHOLDER ENGAGEMENT MODEL

Stakeholder Group	Channels of engagement	Key areas of interest for stakeholders and the organization	Our commitment
 Employees	<ul style="list-style-type: none"> » Employee satisfaction surveys » Internal newsletters and intranet » Performance reviews » Open door policy » Grievance handling procedures » Small group meetings with the Managing Director » Group and SBU level events » Staff conventions 	<ul style="list-style-type: none"> » Occupational health and safety » Remuneration and benefits » Career progression » Skills development » Human Rights at the workplace » Work life balance 	<p>Provide a safe and inspiring working environment supporting personal and professional growth through fair remuneration and talent development.</p> <p> <i>Our Employees on page 79</i></p>
 Investors, Shareholders, Banks and Financial Institutions	<ul style="list-style-type: none"> » Annual General Meeting and other meetings » Financial reporting » Website and social media » Media » Investor forums and discussions 	<ul style="list-style-type: none"> » Return on Investment/ ROE » Ethical conduct » Environmental and social governance » Resilient balance sheet » Sustainable profitability » Corporate communication 	<p>We work with our investors, shareholders, banks and financial institutions to deliver returns commensurate with the risks undertaken and keep them apprised of our progress and challenges in a timely and transparent manner.</p> <p> <i>The entire annual report provides information necessary for a holistic assessment of our progress.</i></p>
 Customers	<ul style="list-style-type: none"> » Customer satisfaction surveys » Buyer inspections/ audits » Continuous dialogue with customers » Customer service and support points-of-contact 	<ul style="list-style-type: none"> » Quality and reliability of products and services » Ethical production » Value for given price » Data security and privacy of information disclosed to the organisation » Innovation of products and services to meet new trends in markets and customer needs 	<p>Work towards innovating our processes to provide best in class products & services to customers as a responsible corporate citizen.</p> <p> <i>Our Customers on page 75</i></p>
 Suppliers / Services Providers	<ul style="list-style-type: none"> » Continuous dialogue with the suppliers » Participation in seminars on quality and efficiency » Supplier appraisals 	<ul style="list-style-type: none"> » Ethical conduct and production » Profitability » Assurance for service requirements, concerns, solutions » Professionalism and on time service » Efficiency and effectiveness of operations » Competitive advantage 	<p>Support mutual growth with reliable and sustainable supply chains</p> <p> <i>Our Business Partners on page 66</i></p>

Stakeholder Group	Channels of engagement	Key areas of interest for stakeholders and the organization	Our commitment
 Community	<ul style="list-style-type: none"> » Direct communication » Local purchasing engagements » Dialogues with community groups » Media and annual reports 	<ul style="list-style-type: none"> » Development of infrastructure » Employment generation and extending opportunities for local entrepreneurs/ students » Environmental conservation » Building sustainable social relationships » Safety, health and welfare 	<p>Engage in industry collaborations to strengthen economic development, enhance social sustainability and ensure environmental protection within our communities.</p> <p> <i>Our Communities on page 87</i></p>
 Government & Regulatory Authorities	<ul style="list-style-type: none"> » Dialogue with policymakers, regulatory authorities and experts » Reports and meetings » Participation in industry/ national level events » Compliance reviews » Media 	<ul style="list-style-type: none"> » Compliance » Generation of employment » Foreign income generation » Payment of taxes/ fees/ levies due to Government/ regulatory bodies » Prevention of corruption 	<p>Continue to establish and maintain governance structures that meet best practices in legal and other regulatory requirements necessary in the industries we operate in for the sustainable operation and development of our company</p> <p> <i>Value Creation on page 65</i></p>

OPERATING ENVIRONMENT

While the year under review was extremely challenging, its relevance to the present is minimal as the world rebooted and reset during the great lockdown of our time due to the COVID-19 pandemic. It serves merely to provide context to performance and as a point of reference for assessing the ability to withstand enormous shocks to the system and for measuring the impacts.

For Sri Lanka, it was a year of extraordinary challenges as we commenced the year with the Easter Sunday terrorist attacks in April 2019 and closed the year under lockdown due to the COVID-19 pandemic. Climate change, presidential elections and policy changes which also impacted economic growth have been overshadowed by the severe impact of these two black swans.

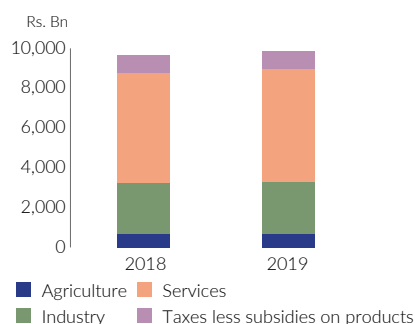
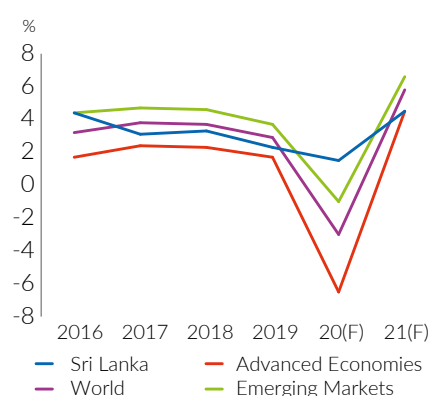
Economic Growth

At the close of 2019, global growth moderated due to trade tensions, geopolitical tensions and lower productivity but reflected a fragile recovery. IMF forecasts included in the graph, factor the impacts of COVID-19 and assumes a recovery in the 2nd half of 2020 tighter financial conditions and lower commodity prices with a sharp decline in oil prices.

Sri Lanka's growth also moderated due to impacts of the terror attacks and drought.

The Government directed banks to extend loan moratoriums for the tourism and SME sectors to support recovery. Twin budget and trade deficits gave rise to a slew of fiscal and monetary policy changes to stimulate economic growth resulting in higher levels of uncertainty for businesses.

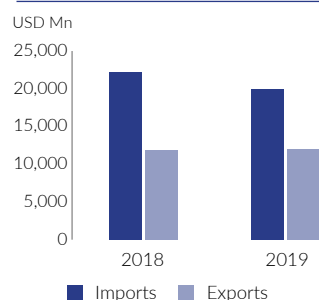
Sri Lanka has forecasted a moderation in growth to 1.5% for 2020 in view of the COVID-19 pandemic.



Sri Lanka: Sector Analysis of GDP

Sectoral contribution remained similar to that of the previous year as Industries and Services sectors recorded modest growth of 2.7% and 2.3% while Agriculture was relatively flat recording a 0.6% growth due to a long drought followed by heavy rain. Taxes less subsidies grew by 2.6% during the year.

Imports & Exports

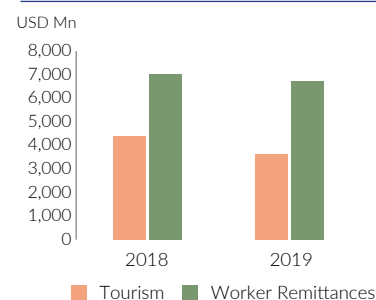


External Trade including Services

The trade deficit decreased to US\$. 7,997 million in 2019 as imports of motor vehicles and non-essential consumer goods were curtailed in 2019. These measures were re-imposed in April 2020 due to economic impacts of COVID-19 in anticipation of pressure on the trade balance due to declining exports.

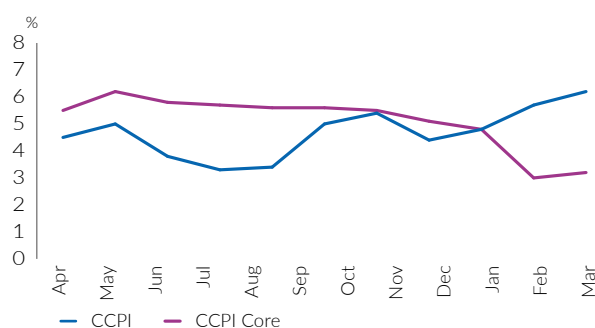
The decline in earnings from tourism is visible while worker remittances declined marginally.

Trade in Services



Inflation

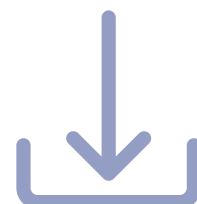
Inflation increased during the year driven by food inflation resulting in reduced purchasing power of consumers. Year-on-Year inflation was 5.4% at the end of March 2020. Inflation peaked at 6.2% in February 2020 maintaining an increasing trend since its lowest point for the financial year in July 2019 of 3.3% except for a dip to 4.4% in November 2019 indicating persistent inflationary pressures.



Exchange Rates

The Sri Lankan rupee appreciated by 0.6% against the US dollar in 2019, compared to the significant depreciation of 16.4% in 2018 due to favourable liquidity in the domestic foreign exchange market and remained relatively stable up to the 2nd week of March 2020. The currency depreciated significantly in March 2020 stressed by capital market outflows from emerging markets as the COVID-19 pandemic sparked fears over prospects in emerging markets, declining to Rs.187.44 as at 15th May 2020.

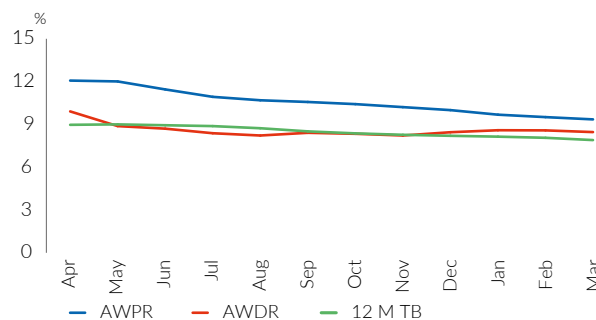
March 2019:
Rs. 179.73



March 2020:
Rs. 189.91

Interest Rates

Interest rates declined as monetary policy measures focused on reducing interest rates due to low private sector credit and relatively stable inflation reflecting a relatively relaxed monetary stance to promote economic growth. CBSL continues to adopt a relaxed monetary stance, reducing interest rates in April to support recovery from the COVID-19 pandemic.



COVID-19 Impacts on Sri Lanka

Sharp decline in GDP due to lockdown and staggered recovery. Impacts on an estimated 1.9 million daily wage earners is severe.

Capital market flow reversals in line with other emerging markets exerting pressure on exchange rate

Sharp decline in earnings from exports, tourism and worker remittances

Lower commodity prices will be favourable to the trade balance. However, this is likely to be offset by lower forex earnings and capital reversals

Lower interest rates due to accommodative monetary policy measures implemented globally and in Sri Lanka

OUR BUSINESS MODEL

OUR CAPITALS (INPUTS)



Human Capital

A team of 13,758 employees work to drive our success, striving for excellence in various aspects of our operations.



Financial Capital

Financial capital in the form of equity and debt, supports formation of other capitals necessary for sustainable growth.



Social & Relationship Capital

Our supply chains are built on trusted partnerships and their performance plays a key role in ours. Additionally, our social "license" to operate is dependent on relationships with the communities we operate in.



Natural Capital

Our businesses are reliant on the availability of materials, energy and water and we are also custodians of natural resources. This vital capital is managed with awareness of our dependence and impacts on the planet.



Manufactured Capital

Investments in manufactured capital have been key to industry leadership in several business sectors and our capacity to invest in manufactured capital has been a key strength.

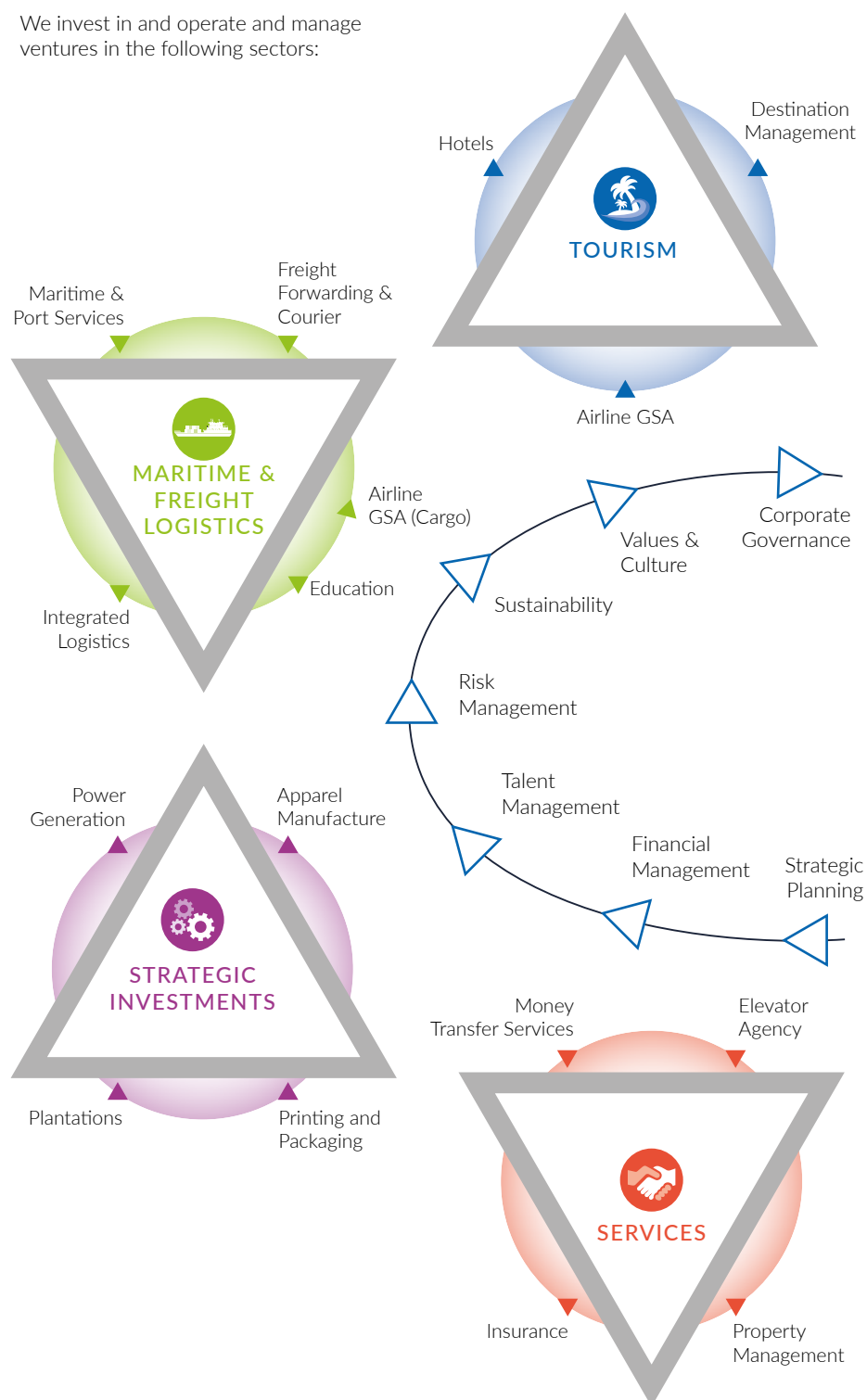


Intellectual Capital

Our reputation as an enduring and successful blue chip is supported by strong systems and processes, tacit knowledge of a large team and a diverse portfolio of products and services.

WHAT WE DO & HOW WE DO IT

We invest in and operate and manage ventures in the following sectors:



SYNOPSIS OF VALUE CREATED

OUTPUTS

OUTCOMES



Customers



TOURISM:

1,007,258 Guest nights | 110,174 Tours and excursions



MARITIME & FREIGHT LOGISTICS:

TEU's handled 832,390 | Warehouse space 405,000 sq.ft.



STRATEGIC INVESTMENTS:

Power generated 470.9 GwH | Tea produced (MT) 4,174 | Apparel pieces 4.9 Mn



SERVICES:

Elevators maintained 1,653 | Inward remittance transactions 474,571 | Commercial office space 195,784 sq.ft.



Employees

Employee Benefits Rs. 9.3 Bn | Training hours 107,014 | Recruitments 4,042



Business Partners

Dividends to equity partners: Rs. 866.2 Mn | Hotel properties managed: 6 | On time payments to suppliers



Governments

Foreign exchange generation Rs. 38.1 Bn | Direct taxes paid Rs. 1.3 Bn | Indirect taxes paid Rs. 2.6 Bn



Communities

Direct supplier relationships over 9,000 | Funds channelled towards community development Rs. 128 Mn | Community members reached through development initiatives Over 10,000 per annum

Investments

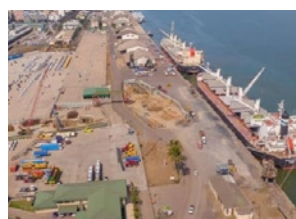
» Employment created within the Group 13,758
» Investments in manufactured capital Rs. 9.8 Bn
» Total training hours 107,014
» Globally mobile careers



- First waste to energy project in Sri Lanka



- Training of port personnel in South Africa



- Management of ports in Fiji and Mozambique

Controlling our impacts on the natural environment

22%
Out of the total direct energy consumed and 18.4% of the total energy consumed within our operations is from renewable sources

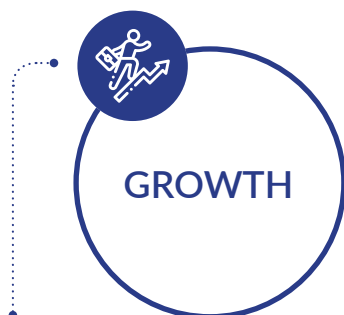
25,419 tonnesCO_{2e}
emissions offset and/or reduced from our operations

8,224 tonnes, 11,053 units
of solid waste kept away from landfills and 549,728 litres of waste oil safely disposed to control environmental impacts

753,544 m³
which is 57% of the total water withdrawn is treated for consumption or safe disposal

A STRATEGY FOR GROWTH

As a diversified conglomerate with a proven track record of delivering innovative solutions successfully across industrial sectors and countries, our success is driven through a core strategy which is summarised below. Strong oversight at the centre facilitates the growth, resilience, risk management and optimisation of resources across all sectors through implementation of these key strategic pillars.



Goals

- » Diversify earnings across industries and geographies through investments and partnerships
- » Invest in businesses that generate foreign currency and employment opportunities
- » Increase the diversity to mitigate external shocks and risk exposure

Opportunities

- » Strong business partnerships
- » Illustrious track record
- » Resilient balance sheet
- » Multi-disciplinary and geographically diverse skills

Challenges

- » Business interruptions due to COVID-19.
- » Policy inconsistency
- » Talent pipeline leakages
- » Uncertainties in the global business environment
- » Supply chain disruptions

Strategy

- » Re-invent, re-align and re-launch the business operations to face the new world
- » Leverage on Group synergies Expand geographic footprint
- » Inorganic expansion into new business lines



Goals

- » Contingency planning
- » Strengthening the balance sheet
- » Further diversification of business interests
- » Building financial strategies to derive maximum leverage from debt and equity markets for the future expansion of the Group

Opportunities

- » Invest in renewable energy
- » Geographical diversification providing our expertise to markets requiring them/ knowledge transfer
- » New opportunities that would arise with new business parameters

Challenges

- » Unexpected and uncertain business interruptions
- » Licensing processes/regulatory impediments for cross border businesses

Strategy

- » Diversified portfolio
- » Stronger balance sheet
- » Adopting risk management strategies in the evolving global environment



AN INSPIRED TEAM

Goals

- » Inculcating the future readiness of the workforce by ensuring that all employees are up to date in technical skills
- » Motivation and retention of employees
- » Provision of a safe and healthy work place and environment which is conducive to personal and professional growth

Opportunities

- » Relevant skills development
- » Fair remuneration
- » Performance management
- » Career progression
- » Health, safety and well-being
- » Increase female representation

Challenges

- » Attraction and retention of a skilled talent pool
- » Resistance to change within the ever-evolving business environment
- » Managing the career aspirations of employees

Strategy

- » Relevant skills development
- » Fair remuneration
- » Performance management
- » Career progression
- » Cross industry exposure
- » Health, safety and well-being
- » Increase gender representation
- » Caring for our people during industry downturns



EXCELLENCE IN WHAT WE DO

Goals

- » Quality, service excellence and productivity
- » Using Intelligent Automation (AI, RPA, IoT, AR)
- » Innovative solutioning to enrich communities we operate in
- » Enabling access to globally benchmarked services

Opportunities

- » Leveraging skills, experience and exposure
- » Technology advancements
- » Investment capability
- » Future focus
- » Multi-disciplinary and geographically diverse skills

Challenges

- » Business interruptions
- » Political instability
- » Policy inconsistency
- » Keeping abreast of the rapidly changing advancements in technology
- » Skill retention/talent leakages
- » Job enrichment

Strategy

- » Realign and relaunch the business processes
- » Reduce cost efficiency ratio
- » Enhance productivity through streamlined processes and automation
- » Benchmark business processes
- » Continuous training and development of employees



CHAMPION SUSTAINABILITY

Goals

- » Reduction/control of harmful emissions
- » Increase renewable energy
- » Responsible consumption and production
- » Establish management systems to monitor impacts
- » Zero waste to landfills
- » Biodiversity conservation
- » Equitable returns to all stakeholders
- » Safe and healthy working environment for all employees

Opportunities

- » Investments in renewable energy
- » Strategic differentiation
- » Risk management
- » Developing innovative solutions
- » Engaging stakeholders in our sustainability journey

Challenges

- » Regulatory bureaucracy
- » Competing with unsustainable businesses with lower price points
- » Societal perceptions and consumer behaviour
- » Practical difficulties in accessing technology and required support services in Sri Lanka

Strategy

- » Enhance positive impacts
- » Control possible adverse impacts
- » Enhance product and service quality
- » Optimise resource utilization

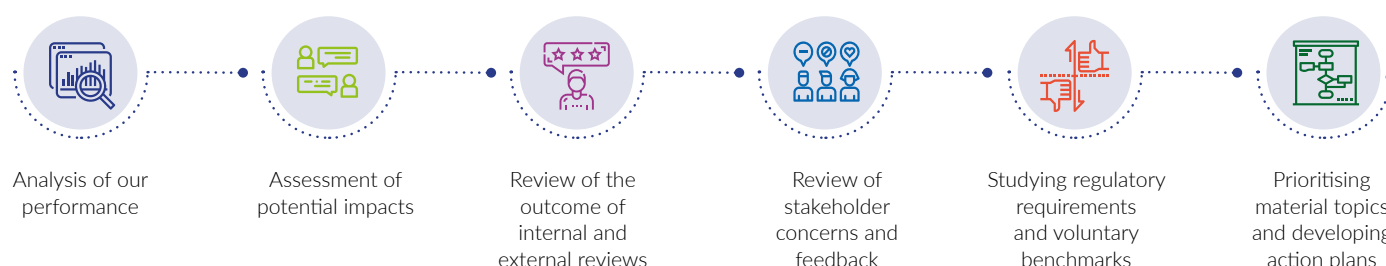
INTEGRATING SUSTAINABILITY

Championing sustainability has been part of our heritage and we have been at the forefront of the sustainability initiatives adopted in the country. The initiatives have been headed by a dedicated Sustainability Department under the watchful guidance of an Executive Director. It is a proactive effort to ensure the long term viability, profitability and integrity of the Company. In a nutshell, we want to identify where we may have disruptions to the operation or to our key stakeholders and take proactive measure to maintain our ability to sustain the business and our stakeholders.

Aitken Spence is amongst the first companies in Sri Lanka to become signatory to the UN Global Compact and to institutionalise its 10 principles. We are also among the first companies in the world to become signatory to the Women's Empowerment Principles and are committed to establish its 7 principles within our operations.

We have also identified 7 SDGs that the Group collectively contributes towards. At the same time, each sector and each SBU will also align to specific SDGs depending on their operational priorities.

Process for Determining Materiality



Material topics and key targets of the Group are determined using internal assessment mechanisms that include studying the requirements of local and global benchmarks such as the GRI Standards and the Sustainable Development Goals using this process.

We first take stock of our operations to identify our impacts. Priorities and material topics are primarily dependent on our impacts i.e. how we may affect social, environmental and economic outcomes through our operations. More details can be viewed in the Sector Reviews.



Tourism



Maritime & Freight Logistics

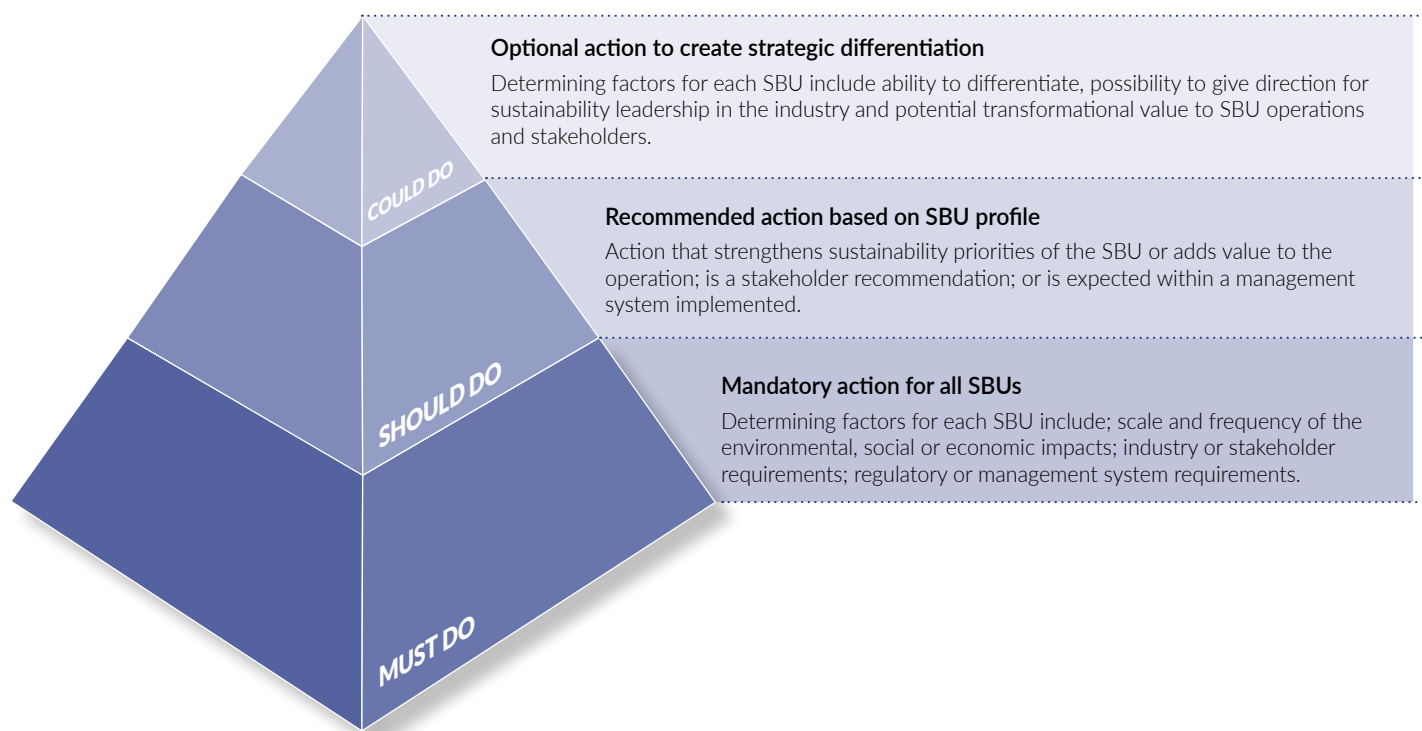


Strategic Investments



Services

These identified topics and targets are then mapped into action plans for the respective SBUs using a 3-tiered approach. The foundation of this approach is what we call “Must do” action (i.e. Essential action points); these are priorities that apply to all our SBUs. Next level is what we call “Should do” action (i.e. Expected action points) that are specific to SBUs based on the nature of their operations. The third tier of this approach is called “Could do” action (i.e. Exemplary action points) that are optional to create strategic differentiation. These action points guide our SBUs on their operational priorities. We have explained how this process works in this diagram.



INTEGRATING SUSTAINABILITY

KEY TARGETS OF THE GROUP

Using internal reviews and external feedback from key stakeholders, we identify key targets for the Group.	Uphold compliance & ethics	●	●	●	●
	Create economic value	●	●	●	●
	Ensure occupational health & safety	●	●	●	●
	Uphold exemplary labour standards	●	●	●	●
	Efficient use of energy, water & other resources	●	●	●	●
	Reduction and safe management of emissions and solid waste	●	●	●	●
	Reduction and safe management of effluents	●	●	●	
	Increase female representation in the workforce	●	●	●	●
	Biodiversity conservation	●	●	●	
	These targets are further mapped according to the relevance to each sector.				

SDGS ALIGNED AT GROUP LEVEL



(Note: Refer to the Sector Reviews for sector specific commitments)

WE ARE COMMITTED TO



MATERIAL TOPICS

(as per the GRI Standards)

Topic specific disclosures; 200 – Economic Standards

- » Economic performance (201-1, 2, 3),
- » Market presence (202 – 1, 2),
- » Indirect economic impacts (203 – 1, 2)
- » Procurement practices (204 – 1)
- » Anti – corruption (205 – 1, 2, 3)
- » Anti – competitive behaviour (206 – 1)

Reasons for materiality;

- » Economic value generation
- » Financial sustainability
- » Social and environmental governance

SDGs to which the outcome of action is expected to contribute;



Topic specific disclosures; 300 – Environmental Standards

- » Energy (302 – 1, 4)
- » Water (303 – 1, 2, 3)
- » Biodiversity (304 – 1, 2, 3, 4)
- » Emissions (305 – 1, 2, 5)
- » Effluents & waste (306 – 1, 2, 3, 5)
- » Environmental compliance (307 – 1)
- » Supplier environmental assessment (308 – 1, 2)

Reasons for materiality;

- » Environmental impact control
- » Local and global commitments
- » Stakeholder expectations
- » Potential to create positive influence

SDGs to which the outcome of action is expected to contribute;



Topic specific disclosures; 400 – Social Standards

Labour Practices & Decent Work

- » Employment (401 – 1, 2)
- » Labour/ management relations (402 – 1)
- » Occupational health & safety (403 – 1, 2)
- » Training & education (404 – 1, 2, 3)
- » Diversity & equal opportunity (405 – 1, 2)
- » Non-discrimination (406 – 1)
- » Freedom of association & collective bargaining (407 – 1)
- » Child labour (408 – 1)
- » Forced or compulsory labour (409-1)

Reasons for materiality;

- » OHS, risk management and compliance
- » Talent retention and management
- » Business sustainability

Human Rights

- » Security practices (410 – 1)
- » Human rights assessment (412 – 1, 2)

Reasons for materiality;

- » Business sustainability
- » Risk management and compliance

Society

- » Local communities (413 – 1, 2)
- » Supplier social assessment (414 – 1, 2)

Reasons for materiality;

- » Building stakeholder relationships
- » Potential to create sustainable value
- » Business sustainability

Product Responsibility

- » Customer health & safety (416 – 1, 2)
- » Marketing & labelling (417 – 1, 2, 3)
- » Customer privacy (418 – 1)
- » Socioeconomic compliance (419 – 1)

Reasons for materiality;

- » Impact on customers
- » Risk management and compliance

SDGs to which the outcome of action is expected to contribute;

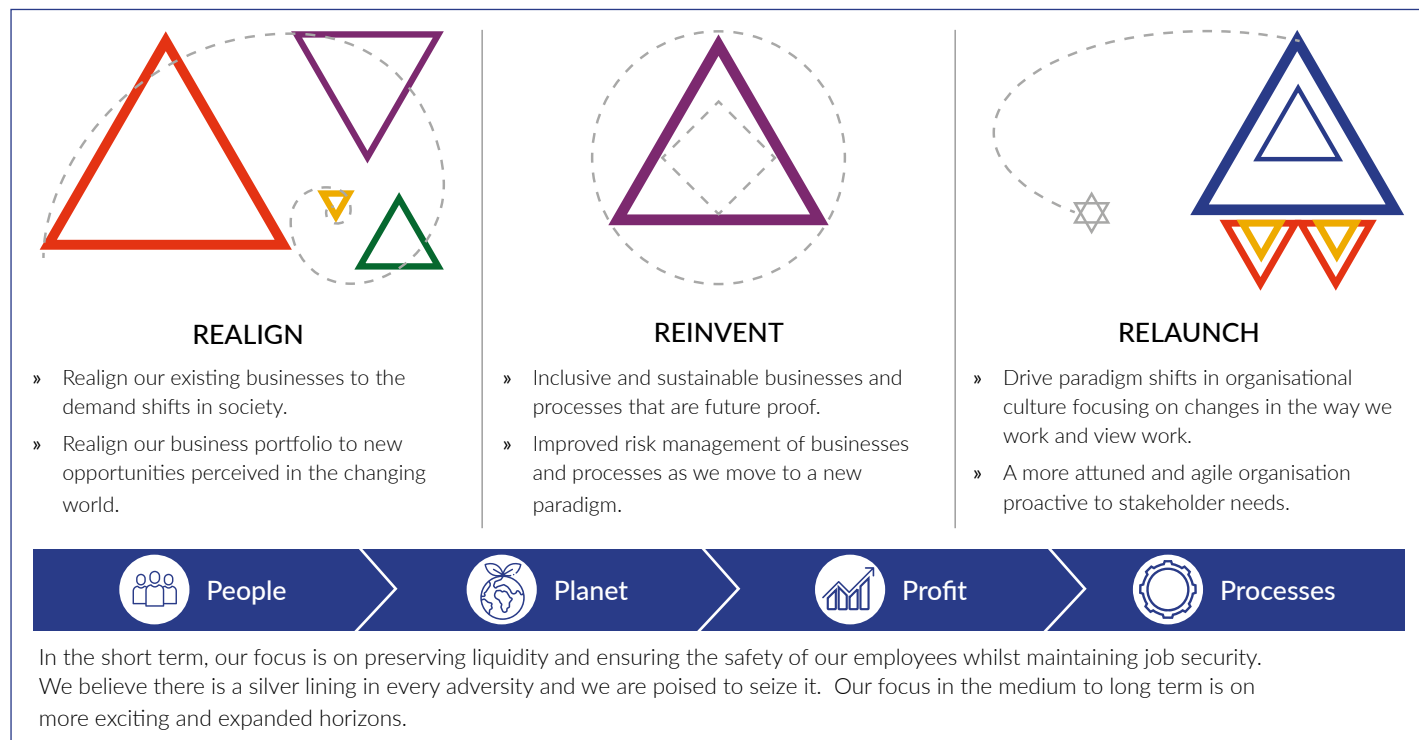


FUTURE OUTLOOK

Emerging from the lockdown caused by the COVID-19 pandemic, the uncertainties surrounding our businesses are significantly elevated and we are aware of the resulting risks which affect the most reliable forecasts. Our plans for the year that have commenced reflect our mindset that is grounded in reality

and resonates cautious optimism about our future. We are diversified across 16 industry segments with a presence in 9 countries that enables stability in the performance of our Group. Our infrastructure and intellectual capital combined with a committed family of Sponsonians ensures that we overcome the

challenges and emerge stronger as we have done in the past. The situation has propelled us to revisit the blueprints of our business segments to Realign, Reinvent and Relaunch an even more resilient business model that pivots on sustainability, carefully balancing the interests of all our key stakeholders.



Our Operating Landscape

IMF forecasts a 3% contraction in world output in its April 2020 update in sharp contrast to a forecast of 3.3% growth in its January 2020 update reflecting the profound impact of COVID-19. Advanced economies are expected to have the highest impact contracting by 6% as emerging and developing economies contract by 1% in contrast. It forecasts a rebound in 2021 of 5.8% with emerging and developing economies growing by 6.6% while advanced economies grow by 4.5%. The forecasts are based on a recovery in the second half of 2020, low commodity prices and the tight financial conditions in the first half of 2020 easing towards the second half.

The Central Bank of Sri Lanka forecasts the country's GDP growth to moderate to 1.5% while IMF has forecast this at a negative 0.5% for 2020, with both forecasting a rebound to 4.5% and 4.2% in 2021 respectively.

	2020	2019
World Output (%)	(3)	5.8
- Advanced Economies (%)	(6.1)	4.5
- Emerging Market & Developing Economies (%)	(1)	6.6
World Trade (%)	(11)	8.4
Commodity Prices		
- Oil (%)	(42)	6.3
- Non-fuel (%)	1.1	(0.6)
Consumer Prices		
- Advanced Economies (%)	0.5	1.5
- Emerging Market & Developing Economies (%)	4.6	4.5
Sri Lanka		
GDP Growth (%)	1.5	4.5
Imports (US\$ Mn)	15,415	20,135
Exports (US\$ Mn)	8,740	11,117
Per Capita Income (US\$)	3,940	4,166
Inflation (%)	4.5	5.0

Outlook for Current Business Portfolio

Since mid-May, calls for re-opening of economies are gaining momentum and this trend is likely to continue. The tourism industry which saw 100% of destinations having travel restrictions by end April is now witnessing cautious opening of borders. Three Baltic states created a 'travel bubble' and opened borders to each other facilitating tourism. EU has issued guidelines for commencing tourism to member states and Italy has announced the reopening of borders for tourism for Europeans from June. There is likelihood that Sri Lanka and Maldives may re-open their borders during the second quarter of 2020/2021.

World trade which declined in 2019 is expected to decline further as estimated by the World Trade Organisation in April 2020 due to COVID-19 impacts. The recovery from the pandemic and the policy choices of governments will be key determinants of the impact. They stress on the need for fiscal, monetary and trade policy to work in unison, keeping markets open and working together for better outcomes and faster recovery.



TOURISM

- » At the time of writing this report all our hotels in Sri Lanka and Maldives have temporarily closed operations due to the evolving situation of the global pandemic. The Tourism sector opened its hotels in Oman by end April and with Sri Lanka containing the spread of COVID-19 we are optimistic that domestic tourism would kick start in July 2020. Destination management operations will resume to drive numbers and also relaunch its activities in regional destinations. GSA operations are adding another regional carrier to their portfolio which is expected to commence this year. We expect the recovery to be gradual in this sector with past experience being domestic tourism picking up prior to international tourism.



MARITIME & FREIGHT LOGISTICS

- » The Maritime & Freight Logistics sector continued to work throughout the lockdown both in Sri Lanka and overseas ports. We expect trade to gather momentum as countries ease lockdown measures and people return to work with social distancing measures in place. Sri Lanka's strategic location is a key point to be capitalised in the relaunch of this sector which is the lifeline for many essential goods and services. As with many forecasts, the recovery of trade is expected to continue in to 2021.



STRATEGIC INVESTMENTS

- » This sector is expected to commission Sri Lanka's first ever waste to energy power plant in the second quarter of 2020/2021. The power segment being an essential service provider has worked at full capacity during the lockdown to ensure uninterrupted electricity supply to the country. The plantations segment has also continued to work with stringent safeguards in place as tea auctions transitioned to an online platform. The printing segment recommenced operations after obtaining required approvals and is exploring new avenues of growth emerging from initiatives to localise supply chains. The apparel manufacture segment witnessed a slowdown in the demand for its products and has temporarily reduced its production capacity. As a future strategy the segment is broad basing its customer portfolio.



SERVICES

- » Money transfer and insurance businesses have continued to operate throughout. New partnerships in money transfer are expected to support growth of this vital service. Elevators continued to provide maintenance services during the lockdown and is expected to recover as construction projects recommence work. With the commencement of the construction of the Port City we expect the reputed brand OTIS would be well positioned to increase its market share.

FORGED IN THE FLAMES

From great adversity comes great strength. At Aitken Spence, we have come through challenging circumstances unscathed, fully-formed, refined and strengthened; prepared to face the future.



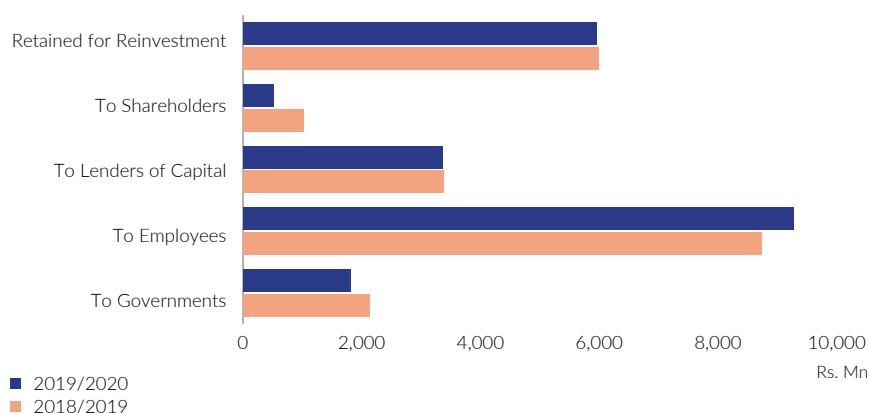
MANAGEMENT DISCUSSION AND ANALYSIS

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Our Customers 75 - Our Employees 79 - Our Communities 87 - Sector Overview 94 - Tourism 96
Maritime & Freight Logistics 112 - Strategic Investments 124 - Services 138

CREATING VALUE TO OUR STAKEHOLDERS

In this report, we highlight the value our operations create for the company's stakeholders. The ability to create value is our greatest strength both during economic expansion and recession. With substantial capacity within the Group in terms of infrastructure, finely honed expertise, talent pools, strong relationships and systems and processes, our ability to create value for stakeholders is immense.

Distribution of Wealth Created - 2019/2020



- » Total value added by the Group decreased due to the two black swan events during the year.
- » Distribution to Governments has decreased by 15.3% due to the decline in profitability of the Tourism sector.
- » Value distributed among the employees grew by 6.1% owing to the commencement of operations in Heritance Aarah during the third quarter of the year in review.
- » Amount distributed to business partners reduced while the interest cost on borrowings increased; leading to a stagnant value distributed to lenders of capital.
- » Amount retained for reinvestment remained at a similar level as last year which will enable the company to maintain adequate liquidity during present crisis.

Value Added Statement

	2019/2020 Rs. '000	%	2018/2019 Rs. '000	%
Total Revenue	53,471,257		55,680,903	
Purchase of goods and services	(34,465,977)		(36,287,253)	
	19,005,280		19,393,650	
Other operating and interest income	1,642,564		1,460,474	
Share of profits of equity accounted investees	251,484		389,241	
Total Value added by the Group	20,899,328		21,243,365	
Distributed as follows:				
To Governments	1,803,355	8.6	2,129,091	10.0
To Employees	9,269,129	44.4	8,739,856	41.1
To Lenders of Capital	3,358,416	16.1	3,379,249	15.9
To Shareholders	507,495	2.4	1,014,990	4.8
Retained for reinvestment and future growth	5,960,933	28.5	5,980,179	28.2
	20,899,328	100.0	21,243,365	100.0

>> For Our Customers Page 75

>> For Our Business Partners Page 66

>> For Our Economy Page 65

>> For Our Employees Page 79

>> For Our Providers of Capital Page 69

>> For Our Providers of Capital Page 69

Through Foreign Currency Generation

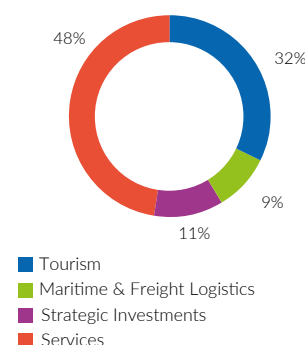
The Group has recorded a decline of 20.9% in foreign currency generation to the country compared to last year due to the challenging environment created post Easter Sunday attacks and the present crisis faced due to the pandemic. This situation has been mainly caused by the adverse impact on Tourism sector which saw a 34.5% reduction in its foreign currency generation to Rs. 12.2 billion during the year.

Similar to past years, Services sector has shown the highest contribution of Rs. 18.1 billion towards foreign exchange generation, owing to its operations in inward money transfer business.

Strategic Investments and Maritime & Freight Logistics sectors recorded a foreign currency generation which was in line with last year.

	2019/2020 Rs. '000	%
Tourism Sector	12,189,084	32
Maritime & Freight Logistics	3,481,043	9
Strategic Investments	4,329,746	11
Services	18,089,604	48
Total	38,089,478	100

Foreign Currency Generation to the Country



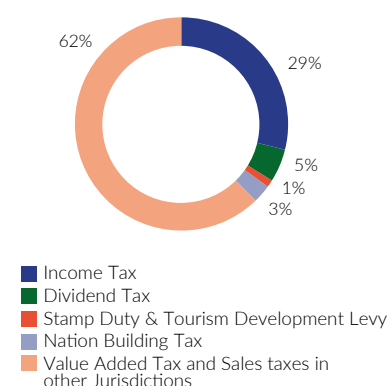
Through Taxes

We contribute substantially to the GDP growth, social stability and improvement of the standard of living in the countries where we operate, through the creation of economic value addition, generation of employment and by payment of taxes to Governments. The taxes paid by the Group contributes to the enhancement of economic prosperity and social stability in the regions we operate as they provide essential revenues for Governments to meet economic and social objectives. The Aitken Spence Group as a conscientious corporate citizen, stringently complies with all statutory provisions and payments. Thus, the Group during the financial year 2019/2020 contributed Rs. 3.9 billion as indirect and direct taxes to the Governments of the countries in which the Group operates.

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

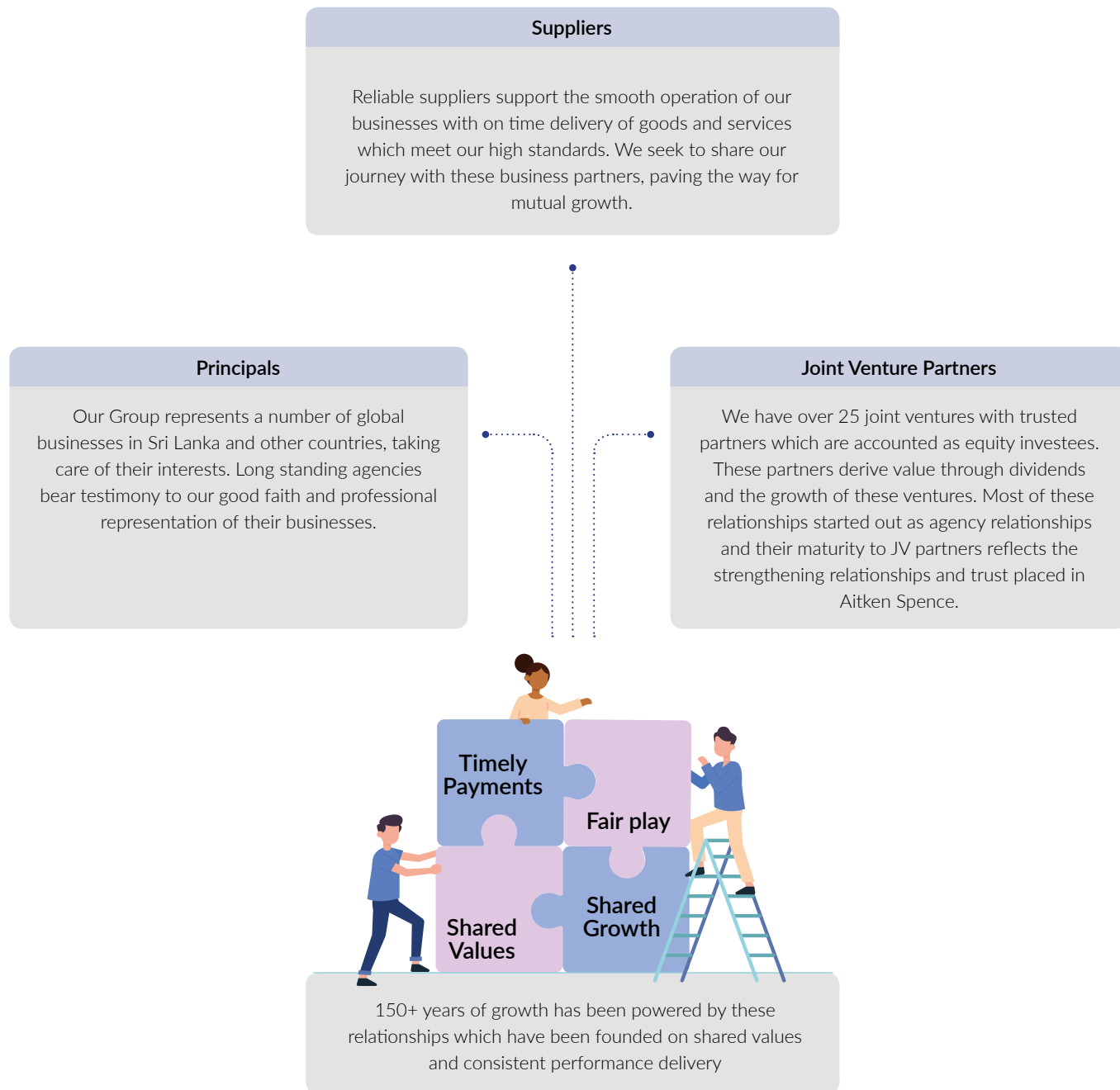
Tax Type	2019/2020 Rs. '000	%
Value Added Tax and Sales taxes in other jurisdictions	2,400,164	62
Nation Building Tax	126,248	3
Stamp Duty and Tourism Development Levy	53,689	1
Income Tax	1,127,632	29
Dividend Tax	191,536	5
Total	3,899,269	100

Taxes Paid to Government



OUR BUSINESS PARTNERS

Our business partners include joint venture partners, principals and suppliers. These vital relationships have supported our growth over the years, as we continue to nurture them as they play a key role in our sustained growth. The value we derive and the value delivered to these partners in our progress is immeasurable. The trust built is invaluable.





Value added to
**Business
Partners**



Rs. 34.5 billion
paid to our suppliers of
goods and services.



Rs. 866.2 Mn
paid to our joint venture
partners as dividends.



Public private partnership with
the Government of Fiji through
the equity holding in Fiji Ports
Corporation Ltd.

- » Becomes the first liner agency
company in Sri Lanka to receive both
ISO 9001:2015 and ISO 14001:2015
accreditations.
- » Recognised for its contribution towards
the hub aspirations of Port of Colombo
(POC) Awards in August 2019.



Agents for
Lloyds of London
For over **140 Years**



GSA for Singapore Airlines
for over 50 years: the longest
standing GSA representation in the
Singapore Airlines network.



Sri Lankan Airlines
becomes the leading transshipment cargo
carrier from the airport of Male.



Representing
Emirates Holidays
Since 2014



Representing TUI
Over 40 Years
and joint venture partners
since 2004



GSA for
Qatar Airways (Cargo)
Since 2011

OTIS
**30 + Years of
Partnership**



Representing Western Union
Money Transfer in Sri Lanka.

OUR BUSINESS PARTNERS

Our Suppliers

We are committed to nurturing mutually beneficial, long-term relationships with our suppliers that strengthen local economies whilst also providing sustainable products and services to our customers. Our efforts strive to support and encourage suppliers to also commit to the same core values of Aitken Spence, thereby creating a partnership of shared responsibility and commitment to doing good business with integrity and accountability.

Policy driven procedures are in place to screen suppliers on social, environmental and compliance requirements while also extending

them the support to develop capabilities to meet our requirements and customer expectations. We do this by cascading our screening process and engaging with suppliers for training and awareness building. For example, while we screen suppliers on accepted behaviours for ecosystem conservation, we also engage with jeep drivers in all national parks in Sri Lanka as well as our tour guides and chauffeur guides to educate them on accepted behaviours for ecosystem conservation.

				
Number of suppliers screened on social and environmental priorities in 2019/20	1,200	300	778	69
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% of tea leaves sourced from local growers and planters	N/A

Managing Supply Chains

We engage with more than 130 diverse industry organisations and institutions associated through our memberships, and affiliations. Our relationships also include 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. We use these engagements to inculcate a culture of social, environmental and economic sustainability through our communities that become our partners in business through our local purchasing policies.

Over the years our subsidiaries, especially segments with local purchasing policies, have worked with their supply chain to develop suppliers and service providers to meet Group requirements for both quality and environmental governance.

Group level mechanisms are being rolled out gradually to increase screening and educating suppliers on social and environmental governance. Several segments have already incorporated social and governance clauses in supplier contracts going beyond Group benchmarks, while other segments are still in the process of educating suppliers and service providers on Group sustainability priorities.

OUR PROVIDERS OF CAPITAL FINANCIAL REVIEW

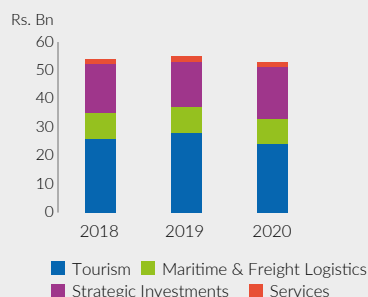
Aitken Spence has delivered Rs. 2,887.0 million as profit after tax for the financial year ended 31st March 2020 which was marked by major risk events and volatility in both the domestic and global economy. Our geographical and multi-industry diversity played a key role in stabilizing earnings and cash flows. An agile strategy and reliable partnerships enabled us to drive a strong recovery of the Tourism sector in Sri Lanka after the April 2019 terror attacks within 6-8 months which was subsequently impacted again by the COVID-19 pandemic. As we closed the financial year under lockdown, our business segments in essential services and in segments pivotal to the smooth running of the country's supply chain continued to operate throughout. Investments in digital platforms enabled our businesses to continue functioning remotely, albeit with limited functionality in certain instances. Value created to shareholders reflects the challenges during the year as earnings attributable to equity holders dipped by 41.7% with earnings per share moving from Rs. 10.04 last year to Rs. 5.86.



OUR PROVIDERS OF CAPITAL FINANCIAL REVIEW

EARNINGS

Revenue

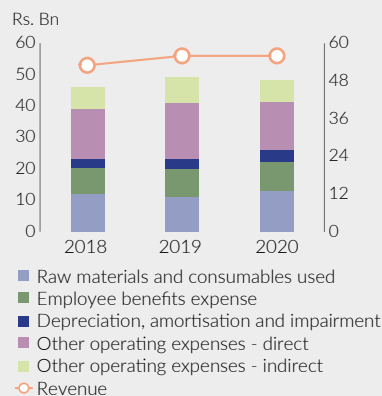


Revenue, which had grown at a compound annual growth rate (CAGR) of nearly 10% steadily for the 5 years up to 2019, dipped by 4.0% in 2020. The Easter Sunday terror attacks, declining trade volumes and moderating global and domestic economic growth combined with

worldwide market stress impacted our businesses. Overseas revenue growth bolstered the dip in Sri Lankan revenues as Heritance Aarah commenced commercial operations during the year. Strategic Investments revenues grew by 14.3% due to the increase and uninterrupted volumes of operations of the segments vital to the economy within this sector. This sector accounted for 34.6% of revenue compared to 29.2% in the previous year. The Tourism sector made a strong recovery across the value chain as we worked together with partners to attract tourists back to the country. Maritime & Freight Logistics revenues were relatively flat due to the lower trade volumes though compensated to a greater degree by new customer acquisitions. Services sector recorded a revenue dip mainly due to the lower revenues recorded by the elevators segment.

Year ended 31st March	2019/2020 Rs. Mn	2018/2019 Rs. Mn
Revenue	53,471	55,681
Revenue taxes	(492)	(618)
Net revenue	52,979	55,063
Other operating income	850	702
Operating expenses	47,626	47,749
Profit from operations	6,201	8,016
Finance income	792	758
Finance expenses	(3,047)	(1,881)
Net finance expense	(2,255)	(1,123)
Share of profit / (loss) of equity-accounted investees (net of tax)	251	389
Profit before tax	4,198	7,282
Income tax expense	(1,311)	(1,511)
Profit for the period	2,887	5,771
Earnings per share	5.86	10.04

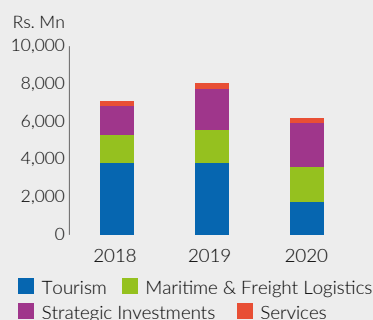
Operating Expenses



Other direct operating expenses declined by 19.1% due to the lower volumes recorded in the Tourism sector. This cushioned the 19.1% increase in raw materials and consumables due to increased consumption in the Strategic Investments sector. The commencement of commercial operations of Heritance Aarah and the amortization of the right of use assets under

SLFRS 16 resulted in the higher depreciation and amortization for the year.

Operating Profit

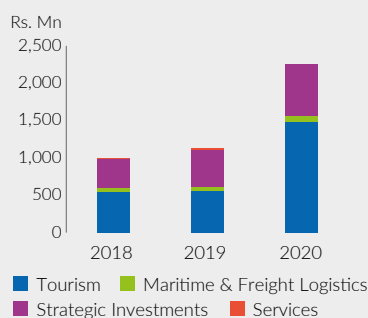


Operating profits declined by 22.6% due to the 53.9% decline suffered by the Tourism sector. All sectors other than tourism recorded operational profit growths, reflecting improved margins, capacity utilization and productivity. Tourism operating profits were weighed down by the

lower occupancy rates, lower margins and increased depreciation of Heritance Aarah. The overseas portfolio accounted for 48.0% of the Group operational profits compared to 42.8% in the previous year.

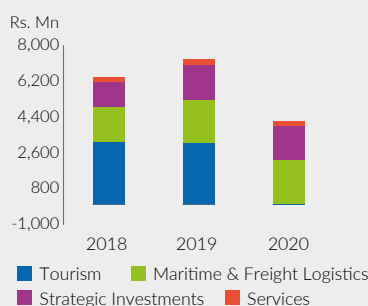
Net Finance Costs

Finance costs doubled due to increased interest charges from Heritance Aarah and the recognition of the finance cost portion in amortization of the right of use assets. This was the first year where the Group accounted lease assets as right of use assets as per SLFRS 16.



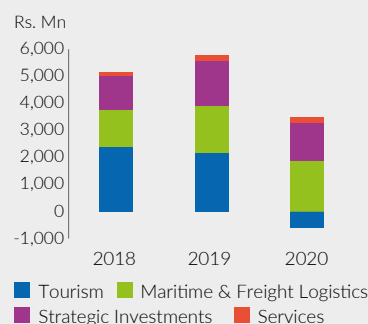
Profit Before Tax

Profit before tax declined by 42.4% as the Tourism sector recorded a marginal loss before tax of Rs.15.3 million. The industry sector diversity of the Group supported profitability recording an overall profit before tax of Rs.4.2 billion for the year, as Maritime & Freight Logistics and Services sectors recorded profitability growth. Profit before tax for Strategic Investments sector declined marginally by 7.2% due to the increase in finance costs across various segments.



Profit After Tax

Profit after tax declined by 50.0% due to losses of the Tourism sector. The Maritime & Freight Logistics and Services sectors recorded profit growth of 8.0% and 21.8% respectively while the Strategic Investments sector declined by 18.3% due to the higher finance cost and the lower performance of the sector's equity accounted investments.

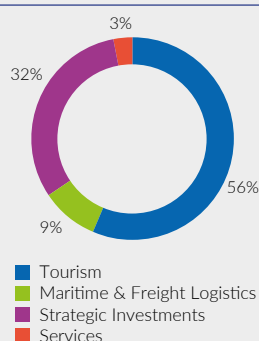


OUR PROVIDERS OF CAPITAL FINANCIAL REVIEW

GROWTH & RESILIENCE

Growth

Total Assets



The Group maintained growth momentum in its total assets with the past 5 years recording a CAGR of 16.9%. This has expanded our earnings capacity through smart investment solutioning, as we continuously seek solutions for modern day challenges.

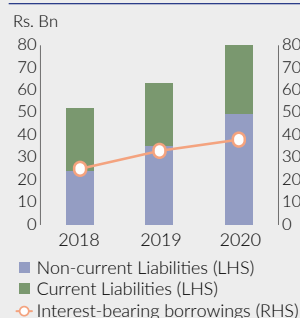
The Group's investments in infrastructure grew considerably over the past years increasing the geographical footprint and presence across diverse sectors. Implementation of SLFRS 16: Leases added Rs.13.2 billion to non-current assets, appropriately reflecting the value of our right of use assets.

Current asset growth has been curtailed to a more moderate CAGR of 8.8% due to efficient working capital management. The largest component of current assets is trade and other receivables.

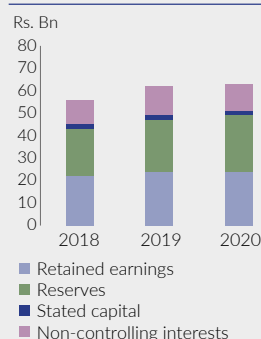
Net assets per share increased at a 7.8% CAGR over the past 5 years to Rs.125.49 as investments were largely funded through debt and retained earnings.

The funding mix was recalibrated to optimize the cost of funding. Consequently, recent projects were funded by debt financed at attractive rates which has enabled a faster growth trajectory and a more efficient funding structure. Current levels of leverage remain within the Group's risk appetite with room for further infusion of debt if deemed necessary.

Liabilities



Total Equity



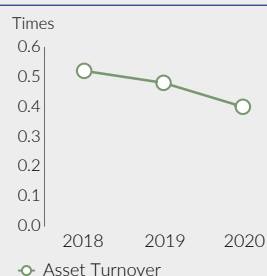
As at	31.03.2020 Rs. Mn	31.03.2019 Rs. Mn
Non-current assets	103,663	86,758
Property, plant and equipment	79,400	71,590
Right-of-use assets	13,250	-
Investments in equity-accounted investees	6,689	6,434
Current assets	37,811	38,075
Inventories	2,835	2,202
Trade and other receivables	15,696	15,143
Other financial assets	10,851	10,516
Cash and short-term deposits	6,594	7,932
Assets classified as held for sale	1,190	164
Total assets	142,664	124,997
Total equity attributable to equity holders of the company	50,949	49,451
Non-controlling interests	12,355	12,635
Total equity	63,304	62,086
Non-current liabilities	48,690	34,526
Interest-bearing loans and borrowings	34,700	29,380
Lease liabilities	10,360	-
Current liabilities	30,670	28,385
Interest-bearing loans and borrowings	3,357	3,583
Lease liabilities	764	-
Trade and other payables	13,281	13,307
Bank overdrafts and other short-term borrowings	12,866	11,058
Total equity and liabilities	142,664	124,997
Net assets per share	125.49	121.80
Debt: Equity ratio	0.55	0.47

Resilience

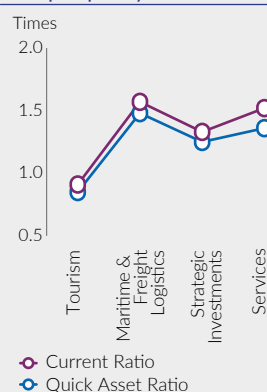
Resilience of the Group lies in its industry and geographic diversity. The Group's portfolio tilt to the Tourism sector is backed with a long-standing relationship with TUI, the world's largest integrated tour operator who is also a joint venture partner on some investments in this sector. The Group continues to move into emerging areas of growth even within its key sectors, ensuring that the Group transforms as a future fit organisation.

Our funding is also diverse with equity accounting for 44.4% of all funding sources. While the debt equity ratio increased during the year, it remains at a comfortable level of 0.55. The increase in borrowings was largely due to investments in Heritage Aarah and the waste to energy project which are expected to increase the future earnings capacity of the Group significantly.

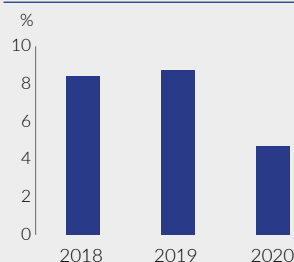
Asset Turnover



Group Liquidity



Return on Equity



OUR PROVIDERS OF CAPITAL FINANCIAL REVIEW

NURTURING OUR CAPITALS

Financial capital is key to our transformation as it supports capital formation of our other monetized and non-monetized capitals. Given below is a summary of how we transformed our capitals this year trading financial capital to optimize resource allocation.

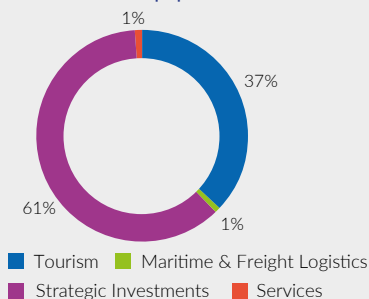


Net cash outflow
from
investment activities

**Rs.10.2
billion**

Manufactured Capital

Investments in Property Plant & Equipments

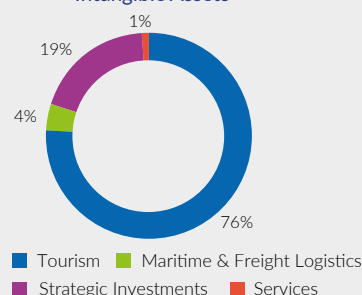


We invested Rs.9.8 billion expanding our manufactured capital in the following projects:

- » Construction of the waste to energy power plant
- » Construction of Heritage Aarah
- » Refurbishment of 150 rooms at Meedhupparu island resort
- » Acquisition of a multi-axle trailer in integrated logistics segment

Intellectual Capital

Investments in Intangible Assets



- » The Group is transforming to operate in a digital era, and we continue to invest in new software to enhance the efficiency of our systems. During the year we invested Rs.125 million in software which is a component of our intellectual capital.

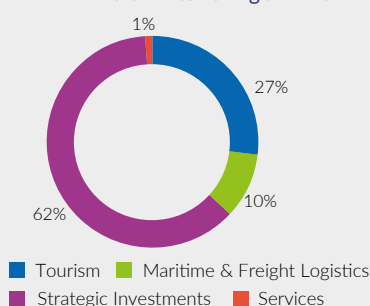


Net cash inflow
from
operating activities

**Rs.5.6
billion**

Human Capital

Recruitments during the Year



We invested Rs. 26 million in training our team of 13,758 employees who are collectively the critical success factor underlying our performance. The following indicators reflect strengthening of our workforce:

- » Attrition rate at 28%
- » Training of 107,014 hours
- » Refer "Our Employees" of this report

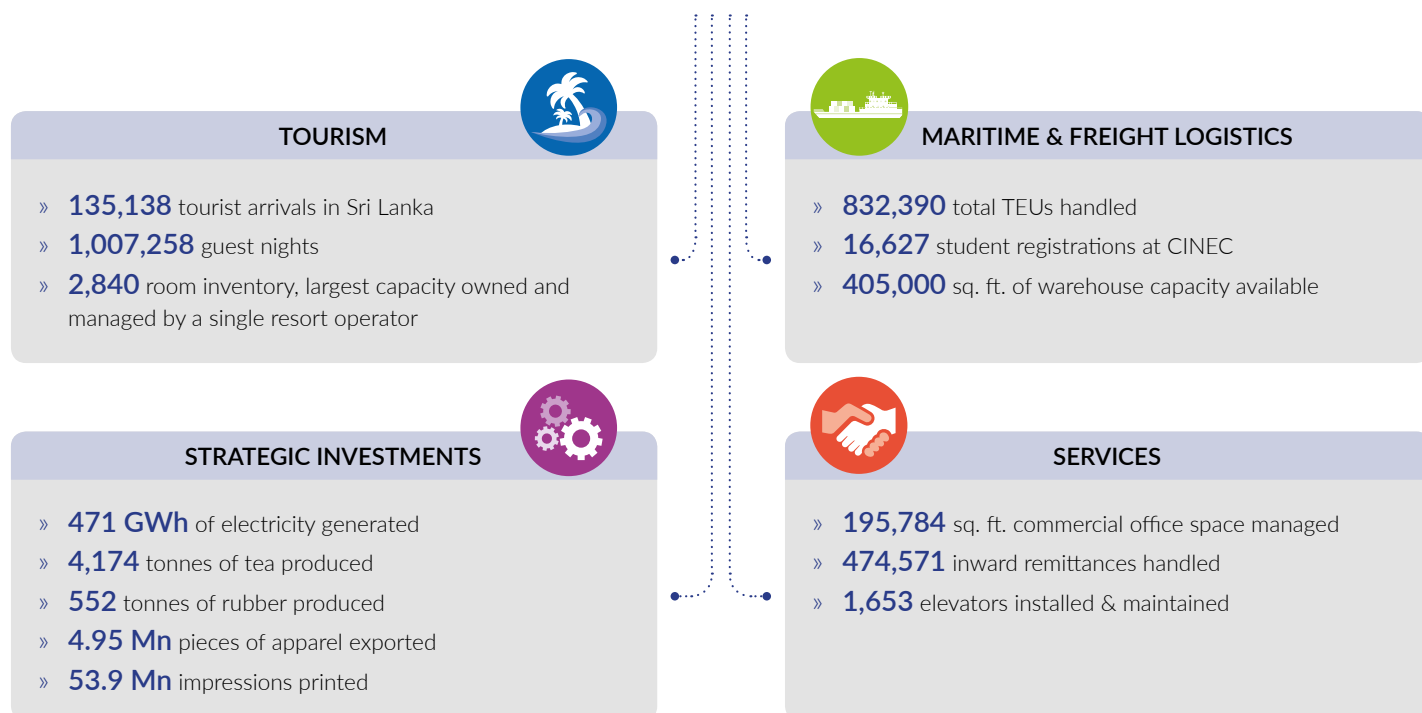
Our social & relationship capital has been nurtured through the provision of positive customer experiences and shared growth with our business partners. Our investments in communities are directed towards changing lives of families while fulfilling essential requirements of the society in which they live.

OUR CUSTOMERS

The cycle of value creation starts with customers and our customers range from individuals to governments. Customers must not only receive value but also perceive value in order for us to grow and we know that these can be very different propositions. The common thread that binds the diverse group that is Aitken Spence is the extra mile that we go to ensure that our customers are satisfied with the Group's products and services. It means that we engage with them, capture their feedback systematically and analyse it to understand potential concerns and issues which we address as a matter of priority. This is a snapshot of the value we created for them in 2019/2020.



Delivering positive customer experiences through relentless commitment to detail and efficient systems drawing on 150+ years of insights



OUR CUSTOMERS

Delighting Customers

Aitken Spence has always given priority to delighting our customers and ensuring their safety and security. During the year under review, the Group faced two distinctly challenging situations. Although the two situations were very different, our commitment to protect and safeguard our customers was steadfast and was a priority at all operations. The Tourism sector set the benchmark for the safety of our tourists both in the aftermath of the Easter Sunday terror attacks and the outbreak of the COVID-19 pandemic. Understanding customer needs and going the extra mile to delight them is a core value proposition of the Group. The recognition we received and the direct feedback from our customers are testimony to our continued commitment towards our customers.

RECOGNISED FOR OUR COMMITMENT

Consistent Commitment & Continuous Improvement Awards presented by the Ceylon Chamber of Commerce at the Best Corporate Citizen Sustainability Award 2019 in the areas of:

- » Customer Relations
- » Community Relations
- » Employee Relations
- » Environmental Commitment
- » Environmental Integration
- » Environment Beyond the Business

Aitken Spence PLC was **ranked among the Top 10 Most Admired Companies of Sri Lanka in 2019** for the second consecutive year by International Chamber of Commerce, Sri Lanka (ICCSL) and The Chartered Institute of Management Accountants (CIMA) Sri Lanka.

HERITANCE AARAH



Next level of excellence - hospitality and all-inclusive at its best

We have been travelling the world quite extensively and enjoyed many first-class hotels, islands, beaches etc. over the last many years. This year it was the Maldives turn again to provide a relaxing and inspiring vacation experience.

We stayed in a beach bungalow 2nd and 3rd week in March and enjoyed a marvellous stay. Not only the infrastructure (5 restaurants and 5 bars) and the rooms were exceptional but the staff in general was very attentive, always friendly and helpful - simply outstanding!

*Gabriela Markus
April 2020*

TRIPADVISOR TRAVELLERS' CHOICE AWARD 2019



Awarded to the top 1% of businesses across selected categories

- » Heritance Kandalama
- » Heritance Negombo
- » Heritance Tea Factory
- » Heritance Ahungalla

Aitken Spence Printing

is carbon neutral for the seventh consecutive year. The company was the first carbon neutral printing facility operator in Southeast Asia, responding to customer needs and environmental priorities.

Aitken Spence Maritime & Freight Logistics was adjudged the Integrated Port & Terminal Logistics **Operator of the Year 2020** at the prestigious Global Ports Forum Awards ceremony held in Dubai on 26th February 2020.

Vielen Dank für Ihren Einsatz. Ganz besonders möchten wir auch den Reiseleitern vor Ort, insbesondere Sunil der uns auf der ganzen Reise begleitet hat und Susil der uns im Hotel Auskunft gegeben hat, ein grosses Lob aussprechen, wir konnten bis am Schluss trotz den struben Nachrichten von zu Hause die Ferien geniessen.

(Thanks for your effort. We particularly want to thank the tour guides on site, especially Sunil who accompanied us on the whole trip and Susil who gave us information at the hotel. We were able to enjoy the vacation until the end, despite the urgent news from home.)

*Tour group from Germany
23.03.2020*

"Everything was so perfect beyond expectation. If we had more time to do shopping, it would be nice. The best pilgrimage I ever had in my life. Thumbs up."

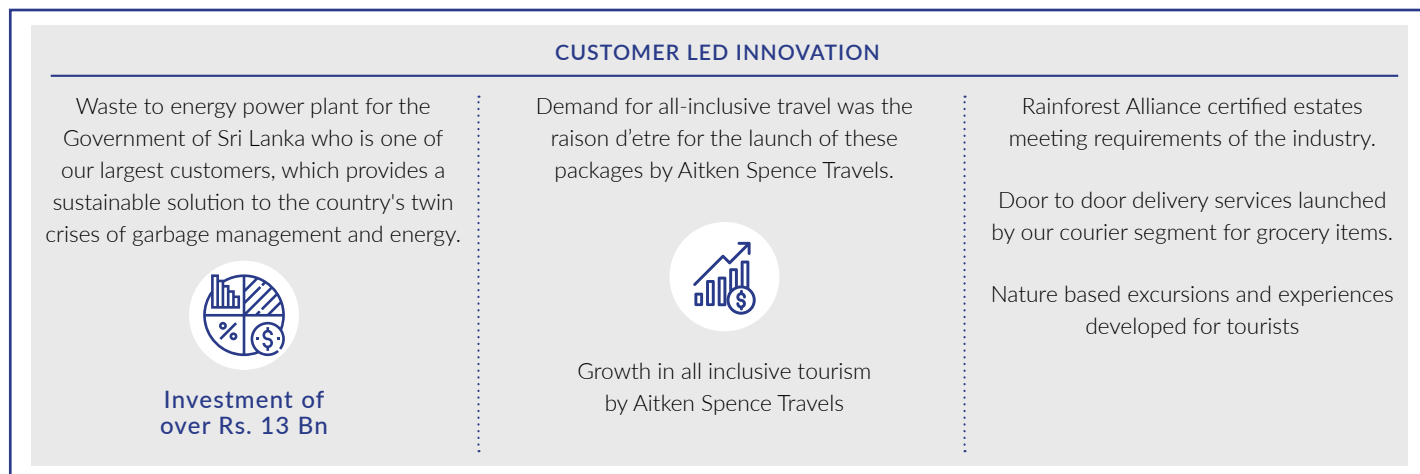
*Customer Testimonial for Aitken
Spence Travels
G G Damayanathi Kumari
Wijerathna
25.02.2019*

Overall, service delivery was punctual and provided a reliable service.

Specially, I personally felt that service was more personalized and warmer. After service is great.

I would like to take this to offer my gratitude to Mr. Imran Jainudeen - Executive, Aitken Spence Travels (Pvt) Ltd on behalf of our organization as well for the great service experience given.

*Chaminda Munasinghe
11.05.18*



Health & Safety

Customer health and safety is a key priority in every sector. A plethora of certifications affirm our adherence to world class standards. Both black swan events serve to demonstrate that our Group standards exceed even these world class standards in ensuring the safety of our guests evidenced by grateful testimonials from them.

Safety Measures Implemented After Easter Sunday Terror Attacks

- » Assistance to reschedule flights
- » Free cancellations for guests who had commenced their stay and bookings
- » Safe conveyance of guests to the airport
- » Awareness training for guests and staff on security measures and levels of alert required
- » Installation of scanning equipment at Sri Lankan properties

Safety Measures for COVID-19

- » Implementation of safety measures with expert guidance in full compliance with WHO safety protocols
- » Guest and staff awareness programmes conducted to educate on necessary safety measures
- » Placement of free hand sanitizers
- » Safe conveyance to airport in properly sanitized vehicles
- » Used of recommended personal protective equipment (PPE) for staff and guests

Compliance

During the year, we ensured compliance with laws, regulations as well as performance in line with benchmarks and standards we have endorsed voluntarily.

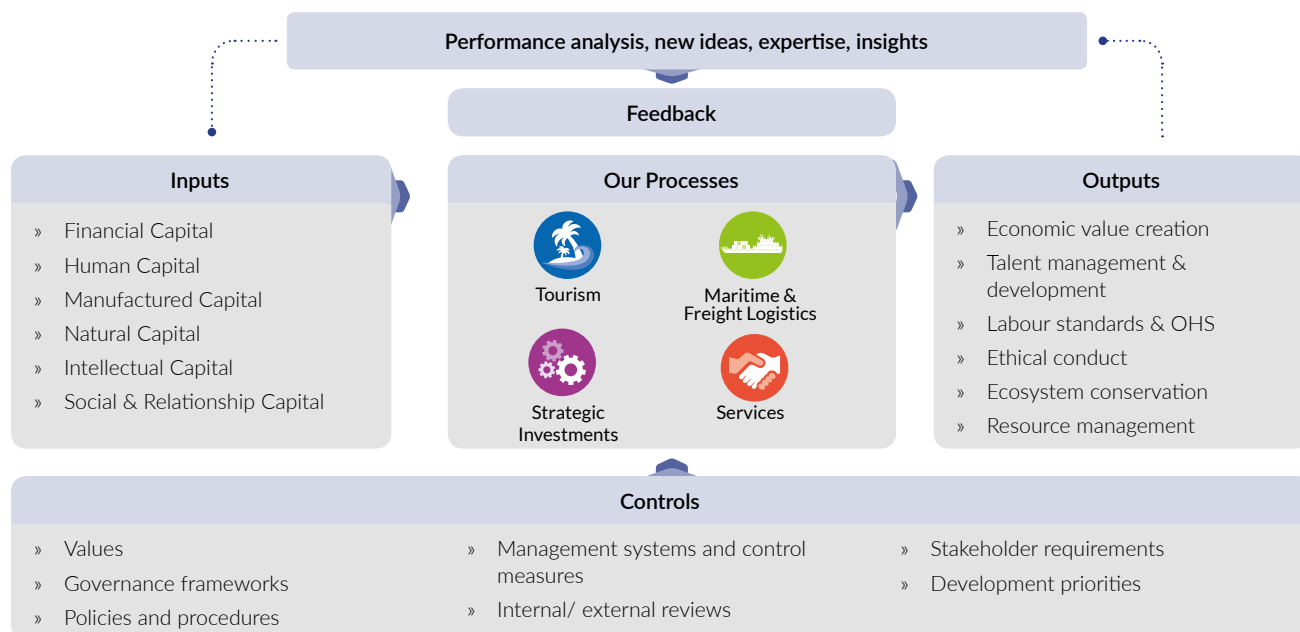
GRI Standard	Requirement	2019/2020
GRI 416 - 2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
GRI 417 - 2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	None
GRI 417 - 3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	None
GRI 418 - 1	Total number of substantiated complaints received concerning breaches of customer privacy	None
G4-PR9	Total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

GRI 416 - 1, 2; 417 - 1, 2, 3; 418 - 1

OUR CUSTOMERS

Benchmarked to Global Standards

Aitken Spence takes a proactive approach to identify our potential to create impacts; we implement control measures to enhance favourable outcomes and to control possible adverse outcomes.



We make it a point to align our operations to international benchmarks to ensure our customers receive the best possible service, while also enabling the most sustainable outcome for the environment and communities we work in. The Group has maintained 73 certifications for these management systems. Please refer to the website for a full list of certifications as well as industry affiliations and memberships maintained by the Group and our subsidiaries.

AN OVERVIEW OF THE MANAGEMENT SYSTEMS MAINTAINED BY OUR OPERATIONS

Food safety systems meeting **ISO 22000/ HACCP: 2005** requirements implemented at our hotel properties and tea factories.



OHS procedures aligned to meet **OHSAS 18001: 2007** requirements with several systems certified.



Quality management systems meeting **ISO 9001: 2015** requirements are established at many of our service operations.



Energy management systems implemented in line with the **ISO 50001:2011** standard.

Environmental impact control through 40+ environmental management systems.



Rainforest Alliance certified management systems adopted in the upcountry estates.

Integrated systems implemented to manage compliance, quality, as well as social & environmental governance across multiple operations.



Forest Stewardship Council (FSC) standards applied in the management of low country estates. FSC Chain of Custody Certification obtained by the printing segment.

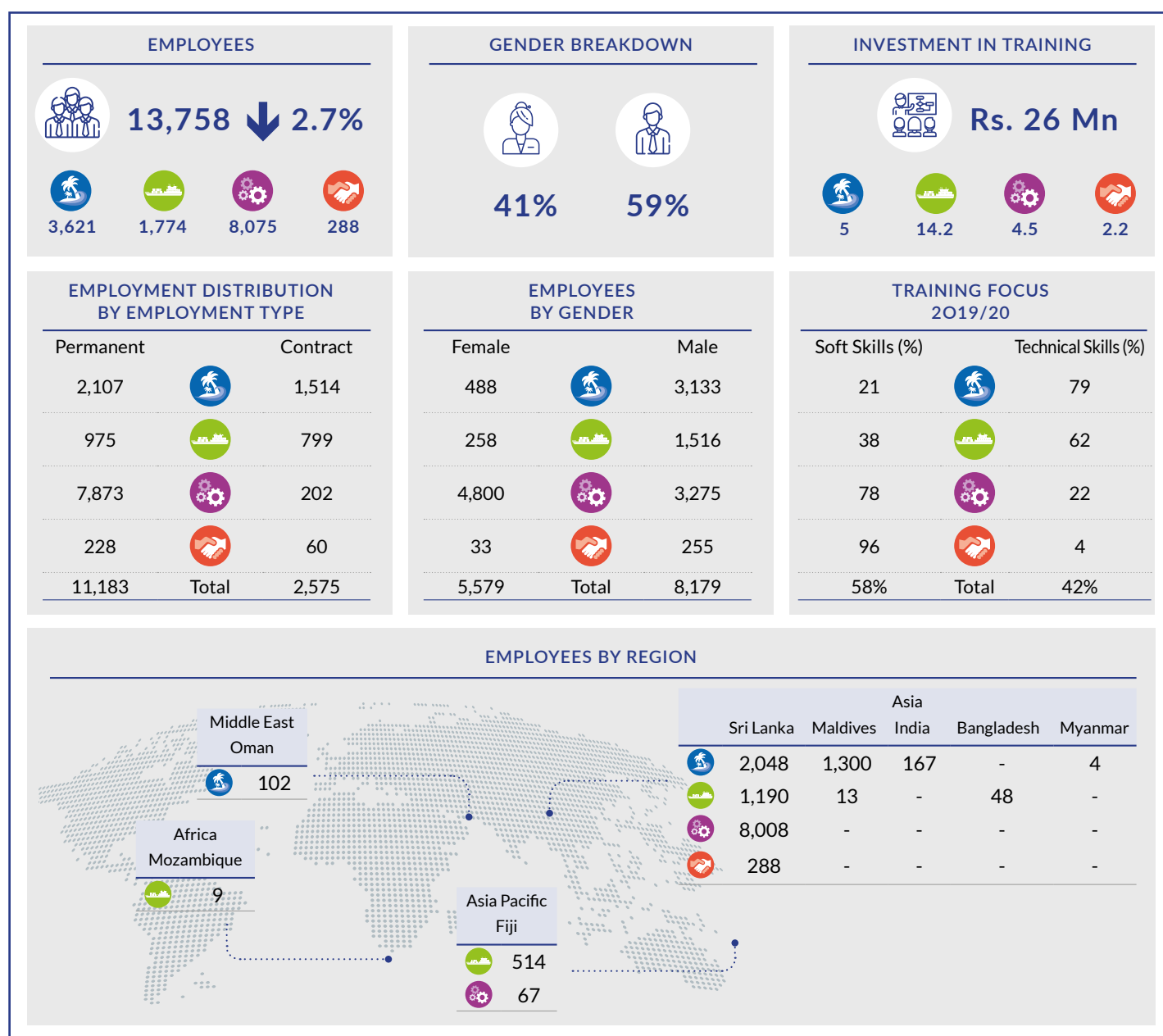
OUR EMPLOYEES

Our Human Capital of 13,758 Sponsonians have always been our strength.
We have weathered many storms for over 150 years and this year proved to be no exception.

With many external challenges that included the Easter Sunday attack and COVID-19 pandemic, the Group Human Resources (HR) team continued to provide leadership in effective stakeholder communications, continuous employee engagement programmes and delivery in commercially

aligned HR services. Core HR functions including learning and development, employee engagement, talent acquisition and compensation & benefits continued to add value with the same vigour adopting new mechanics to adapt to the new dynamics and unprecedented challenges presented during

the period. Group HR also played a pivotal role in calibrating the business continuity plan and establishing health and safety task forces during the year, guiding management of Group segments, on impacts to human capital and business activities.



OUR EMPLOYEES

Our Team

With 13,758 employees the Spensonian family is spread across 9 countries in Asia, Asia Pacific, Middle East and Africa. Diversity in our workforce is important to us and we have strived to maintain a mix of multinational employees, that includes 41% females, with varied capabilities and experience.



Group HR "centre of excellence" actively collaborated with subsidiary HR Partners to continuously create value through HR governance, talent management, people analytics and service delivery best practices.



SpenceLab, a Group-wide initiative was launched to cultivate a culture of innovation by enhancing efficiency, effectiveness and overall productivity of the Group. Spensonians were encouraged to submit ideas on new products/services, new business ventures or significant process improvements. Quarterly awards rewarded such innovation.



Re launched Aitken Spence School of Management with the intention of streamlining employee life cycle driven training interventions.

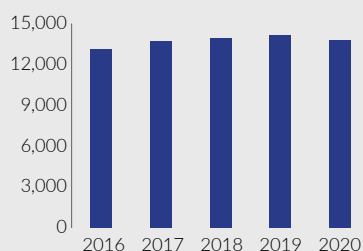


Over 1,900 employees given access to digital learning facility on TARTAN

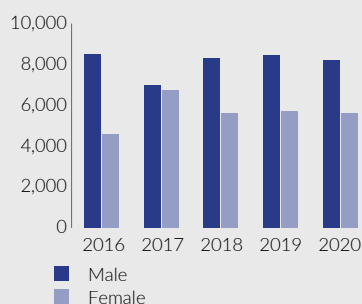


Recognition for employee relations
– Best Corporate Citizen Sustainability Award 2019

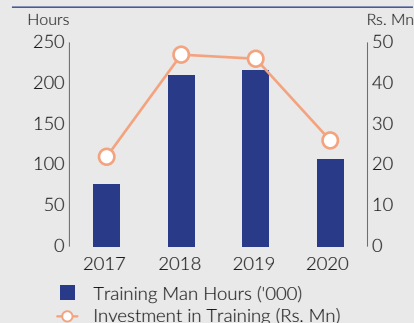
Total Employees



Female Representation



Investment in Training and Training Hours



A Trusted Partner

Strategy

Human Capital is a key component of the Group's strategy. Our goals of a future ready, motivated and efficiently engaged talent pool are achieved through leadership development, change management, organizational capability development, and strengthening HR governance strategies.

Leadership Development
(Coaching, mentoring & succession planning)

Strategic Governance
(Group-wide policy formulation, audit & compliance)

Human Capital Strategy

Change Management
(Manpower optimization & process re-engineering & automation)

Group's Capability Development
(Learning interventions and talent acquisition & management)

Governance

Our Chief Human Resources Officer (CHRO) is a member of both the Group Supervisory Board and the Group Management Council. Matters pertaining to HR are tabled for discussion at the monthly meetings of these two Boards.

HR deliverables are also a key agenda item at the quarterly Sector Committee meetings with the heads of each of the Sectors.

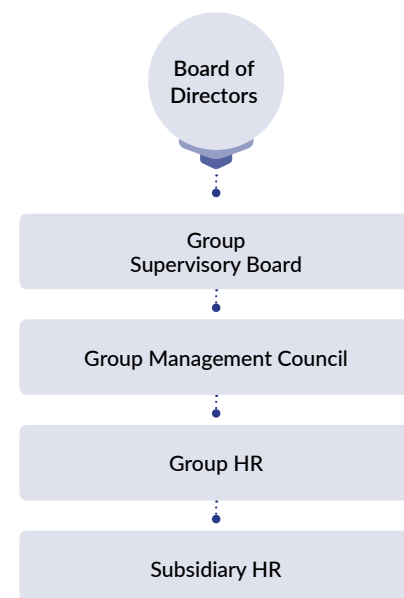
Group HR is the centre of excellence in talent acquisition, talent management, learning & development, employee engagement, compensation & benefits, and HR administration for all sectors.

Subsidiary HR Partners meet monthly with CHRO to discuss the overall HR strategy

Key HR Policies
» Talent acquisition
» Talent management
» Learning & development
» Rewards & recognition
» Remuneration & benefits
» Professional conduct

execution and the HR issues faced by the different sectors.

Periodical subsidiary visits are conducted by the Group HR team for functional consultations, technical advice and to ensure compliance and governance at the subsidiary level to deliver customized HR solutions.

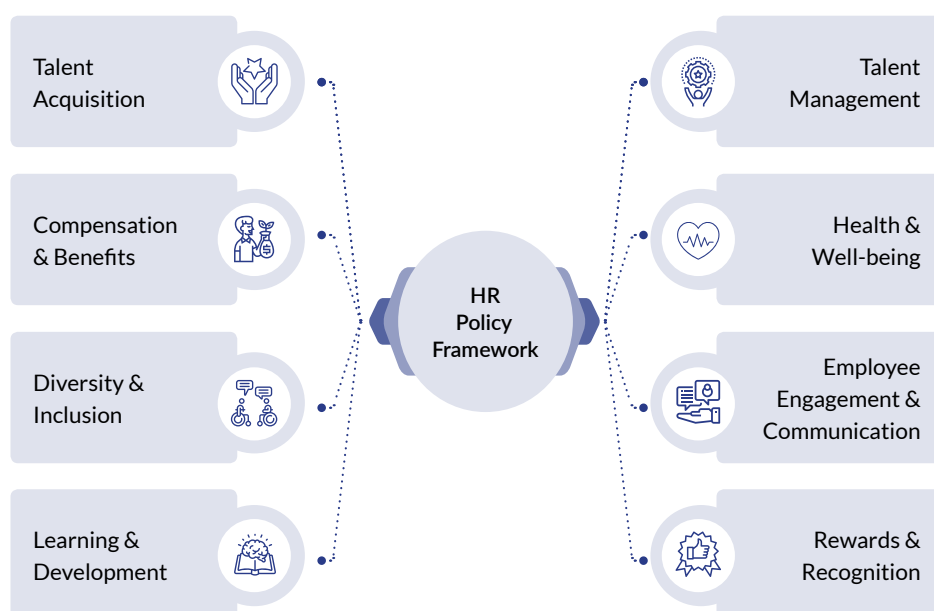


HR Governance

Policy Framework

Group HR policy framework sets the benchmark for employee conduct & work ethics as well as legal & regulatory compliance which aids the smooth functioning of operations whilst protecting the organizational reputation. This governing framework further outlines uniform standards for procedures pertaining to key result areas in HR such as talent acquisition, development, management and reward in creating consistency and integrity in our employees agenda.

Group HR, as the centre of excellence, takes a multifaceted approach in implementing and continuously reviewing the Group-wide people policies in consultation with subsidiary HR Partners, educating and creating awareness among employees through seminars, online mandatory policy programmes and communication on digital platforms.



OUR EMPLOYEES

A Preferred Employer























An inclusive, performance based organizational culture that values work life balance together with a reputation for training excellence are the key determining factors of our preferred employer status. We offer our employees stability and growth; stability in their jobs and the opportunity to grow as individuals to achieve their career aspirations.

During the year, we strengthened our talent acquisition process by building a potential candidate portfolio through various sources including employee referrals, preliminary screening of candidates via digital channels and advertising vacancies through social media to reach a wider and more diverse audience. We consistently strive to provide growth opportunities within the organization

and external candidates are considered only if the required talent is not found from within the Group. Recruitments are non-discriminatory and based on individual merit. All new recruits undergo a mandatory orientation programme 'Roots to Excellence' that includes a history of the Group, overview of each sector and the businesses, management structure, 7S⁺ standards, employee benefits, values and code of ethics, performance appraisal process, information security and sustainability.

All employees are given membership to the Aitken Spence Sports & Welfare Society which provides access to a host of benefits. Spensonians took part in Mercantile sporting events during the year and claimed many victories representing the company.



RECRUITMENTS			RECRUITMENTS & RESIGNATIONS			RESIGNATIONS		
								
934		138	3,019		3,493	1,195		147
367		53	702		597			
			76		82	385		38
617		1,876	163		81			
			40		39	611		1,888
51		6	20		17			
			18		10	51		4
1,969	Total	2,073	4		0	2,242	Total	2,077

Investing in Our Employees

Performance appraisals are conducted bi-annually for all employees. High performers are formally identified through the performance management system and rewarded through variable pay linked to both individual and corporate performance.

Succession planning is a vital component of the Group's long-term growth aspirations. Potential successors are identified and groomed proactively for critical leadership positions.

The 7S⁺ concept has also been used by the Group as a key driver to develop individual and organizational productivity improvements and efficiencies.

The Group also provides mentoring programme, career guidance and internship opportunities for students to build skills and attitude required for the corporate world.

Learning & Development (L&D) objectives are based on business strategy and employee capability development priorities as determined by the senior management of the Group. Our L&D strategy comprises of:

- » Learning journeys that address career development needs
- » Collaborative learning methodologies combining digital learning, on-the-job and off-the-job training
- » Training needs analysis to assess capability gaps
- » 70:20:10 learning model to enhance our learning culture

TARTAN, our online learning platform, launched last year, has now become an integral part of the Group's Learning and Development. During the year, the Board approved to extend the reach of digital learning that resulted in all employees at Junior Executive level & above (approx. 1,900 employees) being granted access to TARTAN.

The Aitken Spence School of Management (ASSM) was relaunched in January 2020. ASSM has strengthened its partnerships with both local and international firms including global consultancy firms.

The main L&D activities carried out by ASSM during the year are:

- » Increased use of experiential learning methodologies
- » Expanding digital learning by converting conventional training programmes to digital learning modules
- » Encouraging self-learning for which guided content and resources are provided freely
- » Leadership development programme

The investment in learning and development activities amounted to Rs. 26 million during the year translating into 107,014 hours of learning for 52,530 participants. The average training hours per employee was 8 hours.

Significant Training Programmes Conducted During the Year

- » **Management Training Programme (MTP)** – Two batches underwent the flagship management development programme of Aitken Spence, MTP, considered as the "License to Manage" at Aitken Spence.
- » **Cruising for Excellence** - A group of national tour guide lecturers and chauffeur guides providing services to Aitken Spence Travels were taken through a special programme on rebuilding the Sri Lanka Tourism brand.
- » **Security Awareness** - As a preventive measure taken to enhance the awareness on security and personal responsibility, ASSM organized a series of programmes with the support of Sri Lanka police and other security service providers, that covered identifying suspicious behavior, how to act in an emergency, exercising vigilance, etc.
- » **Leadership & Team Management** - ASSM delivered a special programme for the middle-management of Elevators (Pvt) Ltd. on enhancing team management capabilities that included many activities, business simulations and role plays.
- » **Increase Productivity with O365** - ASSM partnered with the Microsoft training service provider in Sri Lanka to organize a series of programmes on the O365 package in different stages to increase workplace efficiency and productivity of users.
- » **DR & BCP For Aitken Spence** – To enhance business continuity planning, ASSM in collaboration with the Group Sustainability division and Asia Pacific Alliance for Disaster Recovery Management (APAD) organized a special 2-day workshop on Disaster Recovery (DR) and Business Continuity Planning (BCP).





OUR EMPLOYEES

Distribution of Learning Interventions

	Non-Executive	Executive to Asst Mgr	Manager to GM	AVP to MD
Tourism	61,507	16,486	4,855	88
Maritime & Logistics	7,646	3,387	474	36
Strategic Investments	2,010	6,020	1,910	110
Services	246	1,851	334	54
Group	71,409	27,744	7,573	288

Parental Leave

	 *	
Total number of employees entitled to parental leave	1,540	5,579
Total number of employees that took parental leave during the year	23	48
Number of employees that returned to work after parental leave during the period	22	28
Number of employees that returned after parental leave still employed after 12 months of their return	22	26
Return to work rate	96%	58%
Retention rate	96%	54%

* For males paternal leave is granted only for employees in Maldives and Fiji where it is a requirement by law.

Holistic Wellness

At office or beyond, our employees' health, safety & overall well-being is paramount to us. The Group invests significantly to promote physical, psychological and holistic well-being of our employees, especially in sectors that are with a higher risk exposure.

Subsidiaries have business specific "Occupational Health and Safety" (OHS) plans established together with robust monitoring mechanisms to track and report occupational injuries. In the Strategic Investment sector has implemented specific OHS systems under the guidance of on-site safety committees. Some sectors such as Logistics have additionally adopted the OHS policies of principle partners.

Due to the Easter attack and COVID-19 pandemic in the particular year in review, special well-being task forces were formed by each subsidiary under the patronage of senior management. Health and safety challenges were proactively addressed by these committees and task forces in accordance with the standards stipulated by the Government and regulators.

In supporting the Group's business strategy, the following employee attraction and retention initiatives are in place.

Rewards & Recognition

- » Performance based incentives component linked to both individual and corporate performance
- » Awards for best performers
- » 25 years service award
- » SpenceLab – awards for innovative ideas
- » Recognising special achievements at the Spensonian Convention





Employee Benefits

- » Reimbursement of medical bills
- » Health insurance
- » Free telemedicine & consultancy facility
- » Sponsoring continuous professional development
- » Annual subscriptions for professional memberships
- » Housing loans at concessionary rates
- » Holiday bungalows for Executives
- » Free Holiday Vouchers at Aitken Spence Hotels
- » Creche facility for plantation workers
- » Membership in the Aitken Spence Sports & Welfare Society
- » Access to sporting and recreational activities (e.g. gym, swimming, badminton, yoga, etc.)

Employee Engagement

- » Spensonian Convention
- » Aitken Spence Sports and Welfare society
- » Celebrating the 150th anniversary of the Group
- » Blood Donation Campaign
- » Aitken Spence Toastmasters Club
- » Virtual engagement platforms
- » Lunch hour programme to increase awareness on mental and physical wellbeing
- » "Green Wish" initiatives
- » Spensonian Avurudu Pola & Christmas Fair
- » Chillax Evening
- » Spensonian Mastermind online quiz
- » Mercantile sporting events

Injury Rate 2019-2020

	No. of Injuries	Lost Days
	51	257
	19	188
	23	8
	2	11

Celebrating Diversity & Championing Human Rights





As emphasized and outlined in our Diversity and Inclusion Policy, we are a non-discriminatory and equal opportunity employer. Our recruitments strive for gender neutrality although we do face challenges for certain job roles where restriction in laws and a cultural bias towards women remains. For the Group, unbiasedness encompasses race, gender, colour, religion, sexual orientation, age and disability. Our policies to create a supportive environment with work-life balance has led to 41% of the corporate team being females while female representation

increased by 1% during the year. The ratio of the basic salary and remuneration of women to men for all employees remained 1:1.



There were no incidents of discrimination reported during the year. We do however have in place policies to address, mediate and manage incidents related to grievances and discrimination.

We do not condone or engage child labour or forced/compulsory labour. It is ensured that service providers also follow these regulations by monitoring the recruitment process of workers.

Diversity by Employment Category (GRI 405-1b)

	Gender Ratio M:F	Non Executive	Executive to Asst Mgr	Manager to GM	AVP to MD
	6:1	2,664	711	221	25
	6:1	1,144	501	119	10
	0.7:1	7,577	378	102	18
	8:1	139	120	24	5

Diversity within the Group's Governing Bodies (GRI 405-1a)

		
Main Board	8	1
Group Supervisory Board	3	2
Management Council	15	3



GRI 202 - 1; 403 - 2; 405 - 1, 2; 406 - 1; 408 - 1; 409 - 1

OUR EMPLOYEES

GRI 407-1, 410-1

- » The Group acknowledges the human rights of its employees globally and actively advocates their right to freedom of association and collective bargaining. The Group believes that constructive dialog and well-developed employee relations mechanisms, especially when developed specifically for sectors and business models, play a crucial role in the growth and sustainability of the 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 in collaboration with the representatives from the worker unions. Across the Group, over 50% of the workforce is covered by collective agreements. In addition, the Group-wide contracts of employment stipulates to ensure minimum "one month's notice" to both parties, employee and the Group, in the event of "termination of employment" initiated from either party. In line with this standard, major operational changes pertaining to individuals are also communicated with a minimum of one-month prior notice.
- » All security personnel at Aitken Spence Towers and those responsible for security (so that they in turn can train security personnel) in other locations are trained on the Group's human rights policies and procedures.

Green HR Initiatives

Paperless Training

The ASSM has initiated a project on paperless training for the Group where standard programme material such as handouts, participant notes, activity charts, etc. were made available online. This has resulted in a reduction of the Group's carbon footprint while facilitating and encouraging eLearning/online learning.

'Green Wish - Together We Conserve'

The very first green club of the Group, "Green Wish", dedicated to building employee awareness and engagement on green practices was initiated during the year.

"Green Wish" will be responsible for organizing various activities and events on green practices and building awareness

through creative employee engagement.

The club also participated in its first project organized by the Sri Lanka Land Development Corporation (SLLDC) in commemoration of World Wetlands Day 2020. The project was carried out to clean polluted urban wetlands and water bodies in Colombo.

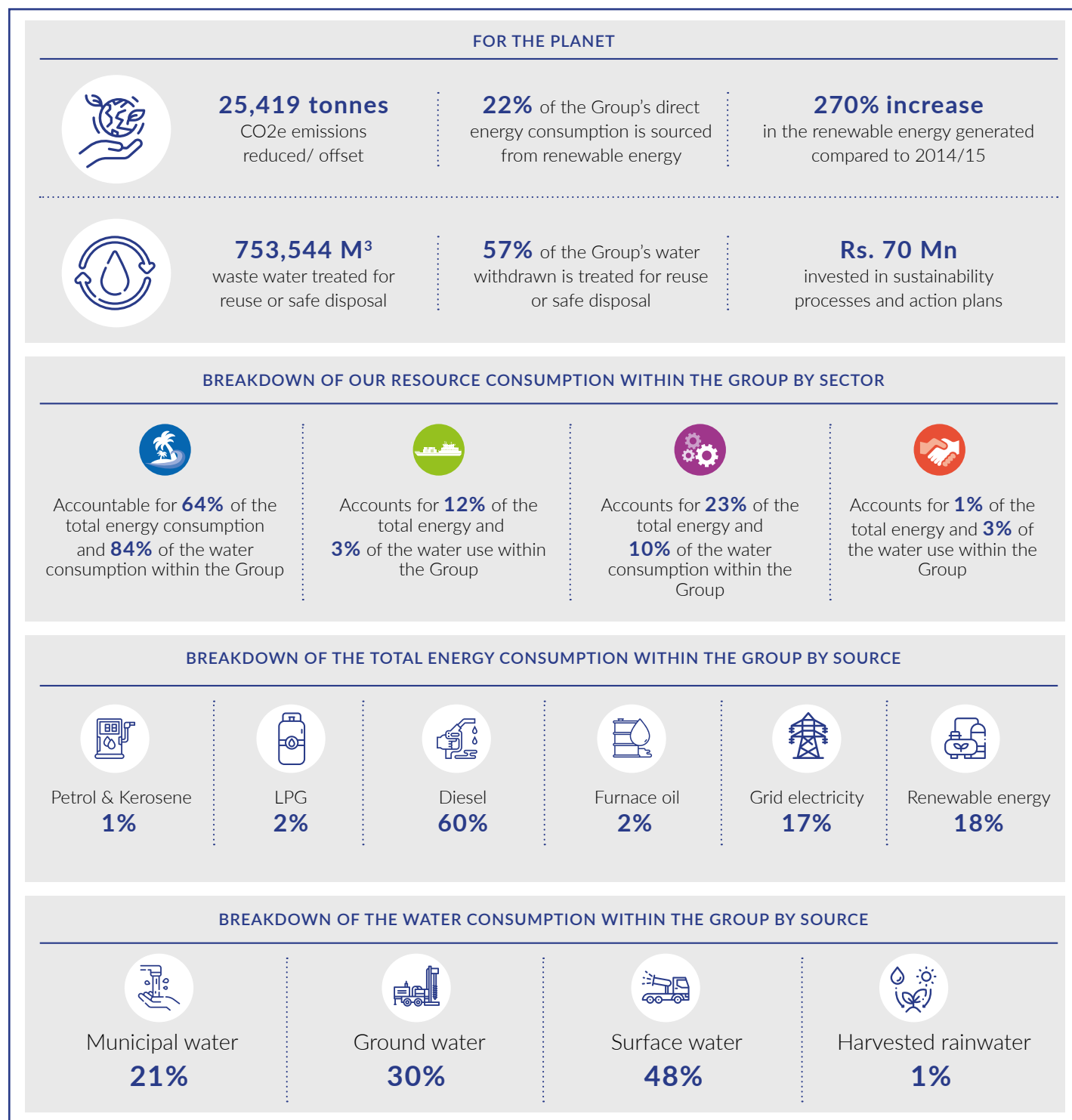
A Few Highlights from the Year in Review



GRI 102 - 41; 402 - 1; 403 - 1; 407 - 1; 410 - 1; 412 - 2

OUR COMMUNITIES

An ethical and sustainable conglomerate, the Group has always taken a 360-degree view of its operations considering social, environmental as well as economic aspects. The Group's 'social license' to operate has been the result of the many steps taken to co-exist in harmony with nature and people.



OUR COMMUNITIES

Tourism and Strategic Investments sectors together account for over 87% of the Group's total energy consumption within the organisation. Maritime & Freight Logistics sector accounts for 12% of the total energy consumption. Out of the Group's direct energy consumption, 22% is sourced from renewable sources which accounts for 18% of the Group's total energy consumption within the organisation. This has dropped down from the annual average of 24.67% between 2017/18 and 2018/19 as the reporting boundary has increased in 2019/20 to include RIU Hotel and Heritance Aarah. Out of the total energy consumed, 17% is energy purchased from the national grid while 65% is direct energy sourced from non-renewable sources.

Accordingly, the processes we have in place to protect the environment are reflective of the consumption patterns and the scale of the sectors.



Aitken Spence Printing & Packaging achieved "Carbon Neutral" status for 2018/2019.



A tree planting program was initiated by the power generation segment that targeted to plant 10,000 trees in owned land, roadsides and other public places in addition to the tree belt maintained within the power plant in Embilipitiya.



Several hotels in the Tourism sector were awarded the 'National Sustainability Tourism Certification' with special awards for environmental preservation and effective sustainability management.



Understanding the impact of tourism on biodiversity, Aitken Spence Travels actively promotes nature reserves that provide alternate options to congested national parks such as Yala. Keeping the commitment to provide economic benefits to local suppliers, the SBU annually educates around 200 tour guides and chauffeur guides to increase their knowledge on the importance of conservation, compliance, safety and quality. In September 2019, Aitken Spence Travels educated all jeep drivers in 5 national parks (Minneriya, Kaudulla, Udawalawa, Wilpattu and Yala).

Keeping the commitment to environmental sustainability, Hapag-Lloyd Lanka, a subsidiary of Aitken Spence PLC and the local representation of Hapag-Lloyd AG- Hamburg obtained the ISO 14001:2015 certification from ALCUMUS ISOQAR Manchester, United Kingdom during the year.

Over 40



» Environmental Management Systems maintained across the Group

4



» LEED certified properties
» ISO 50001 certified systems for energy management

10



» Travelife certified operations
» ISO 14001 certified operations for environmental impact control

Over 400



» Network of trained internal auditors, EMRs, first aid officers, fire wardens and HR partners

6



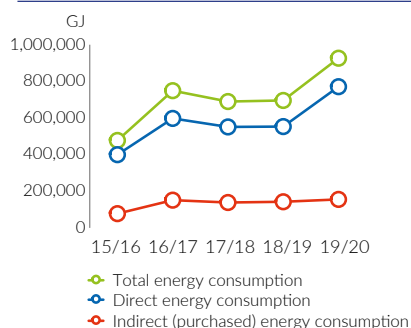
» Rainforest Alliance certified management systems and 7 systems aligned to the FSC certification

14

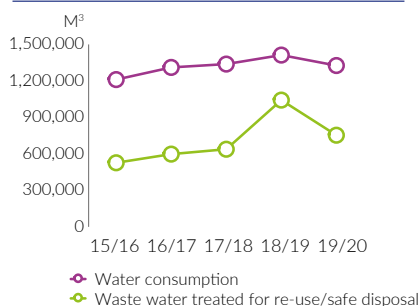


» Operations certified for food safety (ISO 22000)

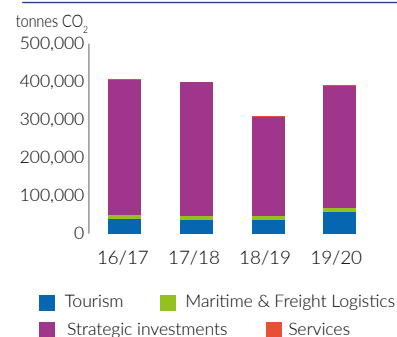
Energy Consumption



Water Consumption



Total Emissions by Sector (Scope 1 & 2)

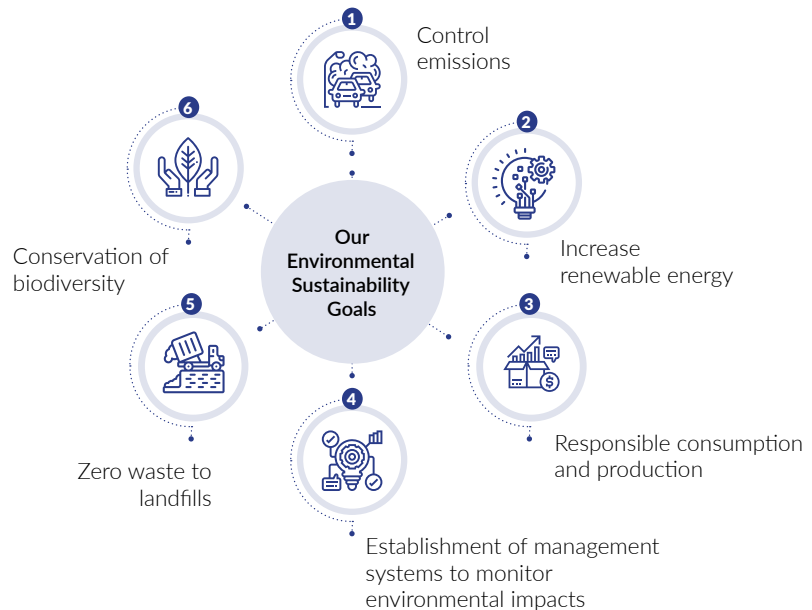


Environmental Sustainability

Championing sustainability is the strategic driver through which we uncompromisingly focused on achieving our environmental sustainability goals; by enhancing product quality, optimizing resource allocation and reducing our environmental footprint.

The precautionary approach underlies the Group's approach to environmental management. 'Environmental Management Systems (EMS) are 'essential' for all segments. These structured EMSs are vital to identify and address potential adverse environmental impacts. We aim to identify and reduce environmental risk resulting in positive impacts on our direct operations extended to those in our sphere of influence.

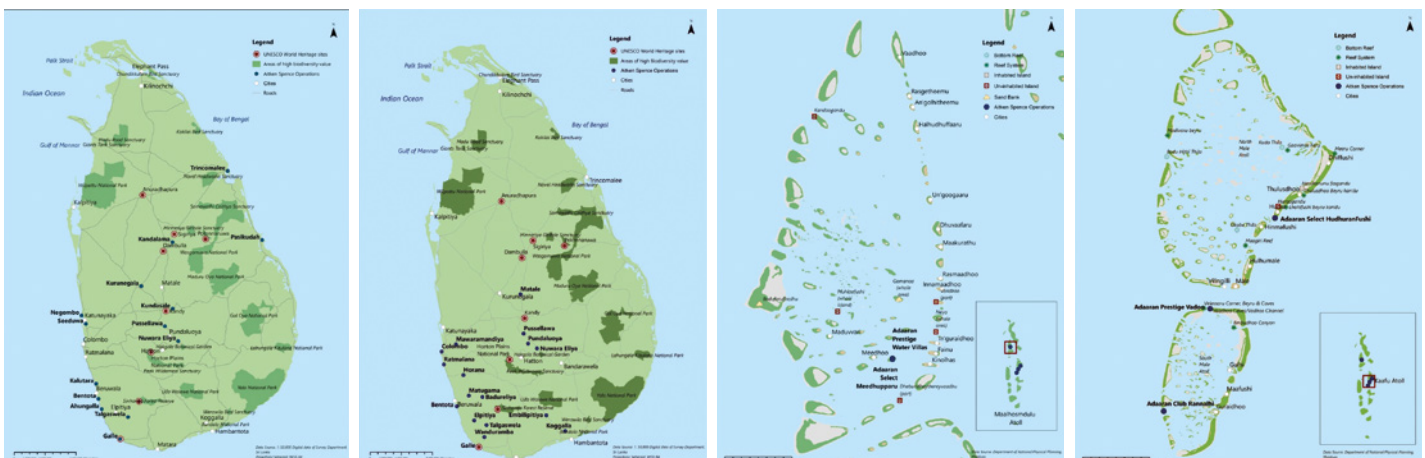
The Group has been compliant with all laws and regulations during the year with no fines and/or non-monetary sanctions imposed for non-compliance.



Land and Ecosystem Conservation

Aitken Spence is conscious of the ecosystems we operate in and the importance of managing our operations such that the environment is protected systemically.

Locations of our operations marked against national parks, protected areas and areas of high biodiversity value are depicted below. Segments located within close proximity to areas of high biodiversity value had taken necessary action to minimize if not eliminate impacts on natural ecosystems. Further information available on www.aitkenspence.com/annualreport







OUR COMMUNITIES

Energy

Increasing energy efficiency, eliminating waste and steadfastly working towards reducing energy consumption through non-renewable sources were the Group's energy goals. Our consistent effort is to increase our renewable energy usage, while increasing the efficiency of our energy usage while also aiming to reduce our reliance on non-renewable energy.





Energy Consumption within the Organisation

	Unit of Measure	Group				
Total Direct Energy Consumption within the Organisation						
Non-renewable sources						
Petrol	(GJ)	6,930	2,693	1,398	1,613	1,226
Diesel	(GJ)	559,032	453,476	90,706	14,185	664
Furnace Oil	(GJ)	15,599	12,687	-	2,912	-
LPG	(GJ)	18,685	18,324	30	332	-
Kerosene	(GJ)	534	-	-	534	-
Total energy consumed from non-renewable sources	(GJ)	600,780	487,180	92,134	19,575	1,891
Renewable sources						
Biomass/fuel wood	(GJ)	168,814	7,68	-	161,131	-
Hydropower	(GJ)	320	-	-	320	-
Biogas	(GJ)	33	33	-	-	-
Solar energy	(GJ)	683	683	-	-	-
Wind energy	(GJ)	209	-	-	209	-
Total energy consumed from renewable sources	(GJ)	170,059	8,399	-	161,660	-
Total indirect energy consumed	(GJ)	155,514	97,655	16,725	31,727	9,407
Total energy consumption within the organisation	(GJ)	926,354	593,234	108,859	212,963	11,298
Total energy generated from non-renewable sources for external consumption	(GJ)	74,366	-	-	74,366	-
Total energy generated from renewable sources for external consumption	(GJ)	58,122	-	744.86	57,378	-
Reductions achieved in energy consumption	Reductions in energy consumption cannot be measured as the reporting boundary has changed. Efforts to reduce energy consumption in products and services can be perused within the sector reviews. It should be noted that the reporting boundary has increased during the year and hence the proportion of energy consumed from difference sources has also changed.					

Water and Effluents

We control our water footprint and discharge of effluents by advocating best practices on water usage, harvesting rainwater, reusing treated effluents and treating effluents for safe disposal where reuse is not possible.

Water Usage





	Unit of Measure	Group				
Total water withdrawn	(m ³)	1,326,434	1,111,118	43,054	136,879	35,383
Water recycled and re-used/ safely disposed	(m ³)	753,544	711,466	5,184	36,773	122
% of water recycled and re-used/ disposed	%	57	64	12	27	0

There have not been any significant spills or water sources significantly affected by withdrawal of water or from discharge/ runoff in any sector of the Group. It should be noted that consumption of water for the Maritime & Freight Logistics sector was assumed to be similar to the consumption of water in 2018/19 as data was not accessible at the time of preparing this report due to the lockdown of operations. Any changes will be restated in the 2020/21 annual report.

Emissions

The Group's efforts to reduce its emissions includes efforts to increase energy efficiency, investing in reforestation, offsetting emissions by investing in renewable energy and purchasing carbon credits. The total emissions offset include the quantified emissions reduced and/ or offset with carbon credits, recycling waste, potential emissions reduced by replacing diesel consumption with biomass and potential energy generation reduced by replacing furnace oil with cleaner sources of energy.





Total Emissions and Reductions of Emissions

	Unit of Measure	Group				
Direct (Scope 1) GHG emissions	Tonnes CO ₂	357,646	35,260	6,684	315,569	133
Energy indirect (Scope 2) GHG emissions	Tonnes CO ₂	32,448	21,148	2,845	6,522	1,934
Emissions reduced and/ or offset	Tonnes CO ₂	25,419	731	158	24,523	7

Waste

Aitken Spence is committed to reduce waste by improving resource efficiency and identifying processes from which waste can be eliminated. We use the '7R Principle' to manage waste. Standard procedures and general practices are established across the Group in our effort to achieve zero waste sent to landfills by gradually diverting waste for recycling or selling selected waste for reuse.

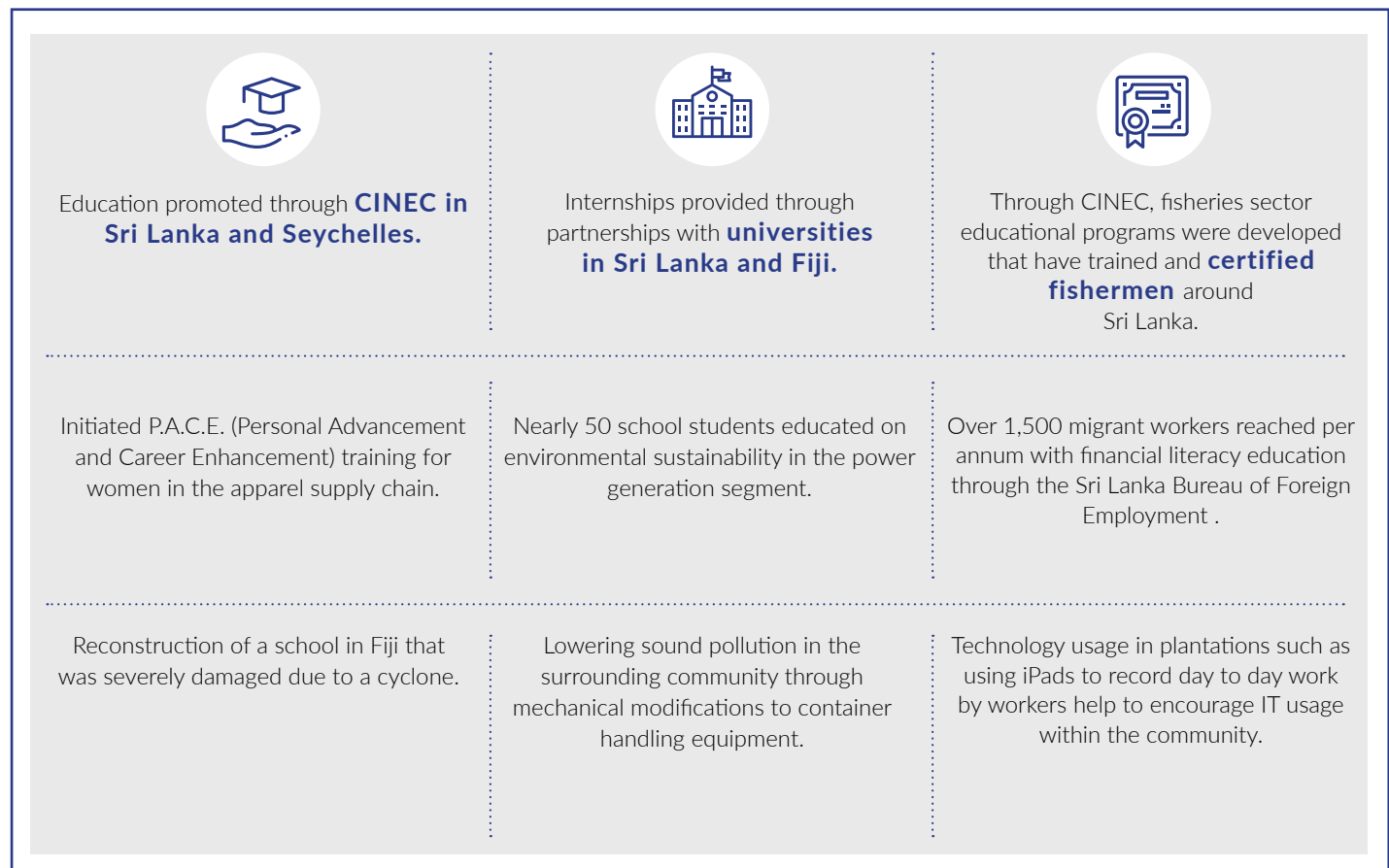
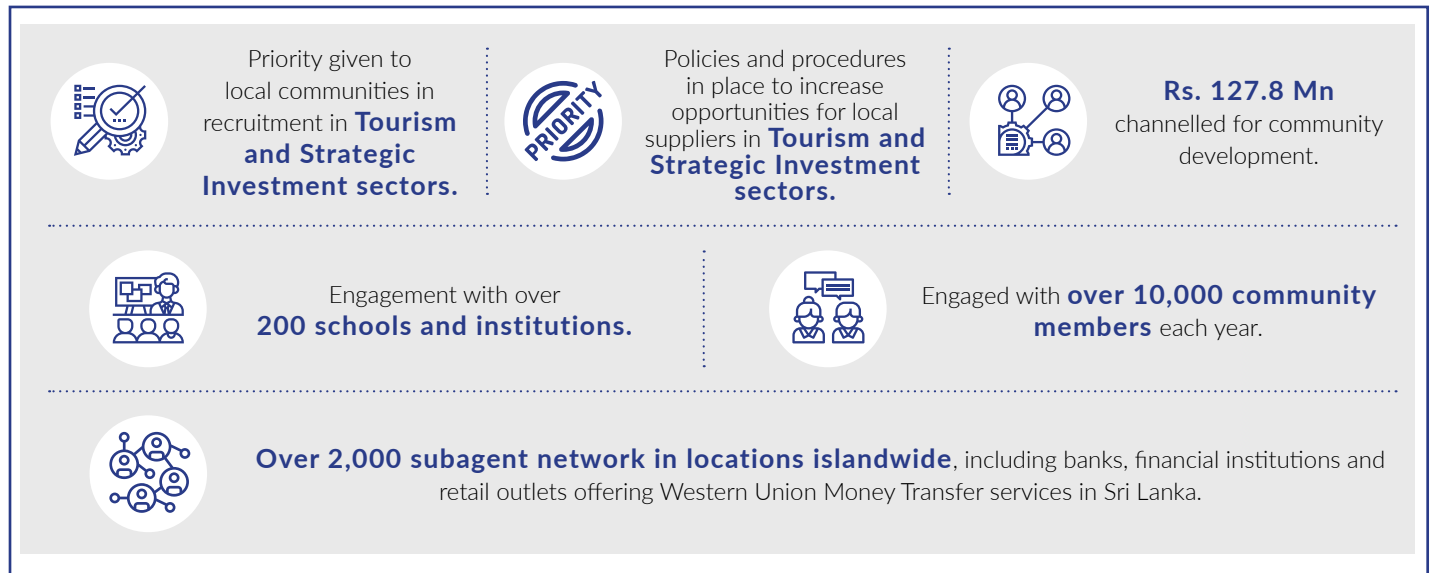
Waste by Type and Disposal Method

	Unit of Measure	Group				
Sold for recycling/ reuse or handed over for reuse to authorised service providers	Tonnes	8,224	2,476	12	5,612	16
	Units	11,053	10,147	805	7	94
	Litres	549,728	5,663	16,669	527,396	-
	(waste oil, ETP/ STP sludge)					

OUR COMMUNITIES

For the People

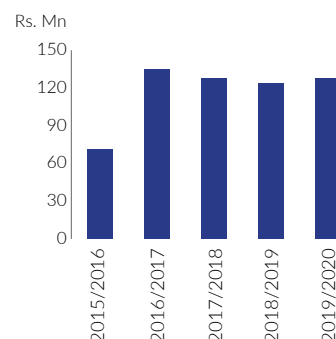
We consciously engage with the communities in the locality of our businesses by creating employment opportunities and engaging the services of local entrepreneurs, thereby building economic resilience.



'Local' is defined as the immediate community within a 35 to 40 km radius of our operations outside Colombo. For operations outside Sri Lanka, 'local' would refer to the local community of that country. As integrated within our framework, we are committed to support local communities by enabling employment opportunities and ensuring opportunities to be part of our value chain. Within the city limits of Colombo, we also focus on working with underprivileged community members within a 5 to 7 km radius of our corporate head office to facilitate social development and equal opportunity.

Further details of our management practices and mechanisms for social development can be perused in previous reports through www.aitkenspence.com/annual-report or www.aitkenspence.com/sustainability.

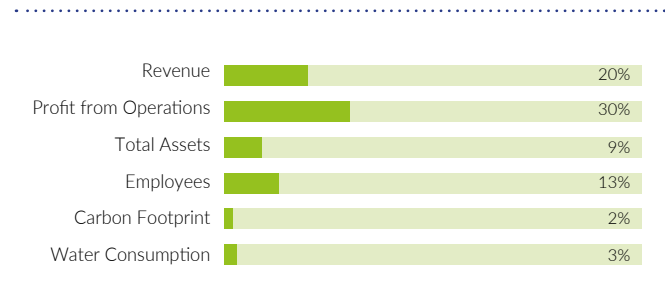
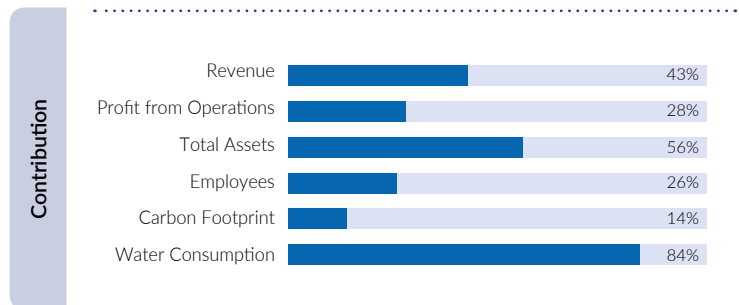
Investment in Community Development



GRI Standard	Requirement	2019/2020	2018/2019
GRI 103-2	Total number of grievances filed through formal grievance mechanisms during the reporting period	03	02
GRI 205-3	Total number and nature of confirmed incidents of corruption and action taken	None	None
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None	None
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	None	None
GRI 406-1	Total number of incidents of discrimination and corrective action taken	None	None



SECTOR OVERVIEW



Manufactured Capital

A pioneer in the tourism sector of Sri Lanka, the Group's operations now span the entire value chain from inbound travels to hotel operation and management and outbound travel. This sector includes Sri Lanka's largest destination management operation, GSA operations and its own hotels and manages hotels in 4 countries with a total of 2,840 keys. Investments in this sector include:

- » 6 Heritage properties in Sri Lanka and the Maldives
- » 6 Adaaran properties in the Maldives
- » 2 Turyaa properties in Sri Lanka and India
- » Land in Trincomalee and Beruwala for future projects

Our destination management operation consists of a fleet of 42 vehicles comprising luxury tour buses, mini coaches and cars for the transport of tourists

The Maritime & Freight Logistics sector has a presence across 7 countries and is the only Sri Lankan company to have overseas operations in all spectrums of the supply chain. Key investments are:

- » Fleet of trailers, fuel bowlers and container moving equipment with a multi-axle trailer in Sri Lanka
- » Three container yards
- » Total logistics support area consisting of 45 acres of owned and leased properties
- » 405,000 sq. ft of industry specific warehouse facilities
- » Crane Amigo, shore crane, mobile harbour cranes and other specialised equipment for port operations
- » Jetties, wharfs and buildings
- » Most advanced marine simulator in South Asia
- » Fully fledged campus spanning approximately 10 acres

PPE at Cost	CAPITAL EXPENDITURE 2019/2020	PPE AT NBV As at 31st March 2020
Rs. 70.2 Bn	Rs. 3.6 Bn	Rs. 52.9 Bn

PPE at Cost	CAPITAL EXPENDITURE 2019/2020	PPE AT NBV As at 31st March 2020
Rs. 9.9 Bn	Rs. 0.1 Bn	Rs. 5.9 Bn



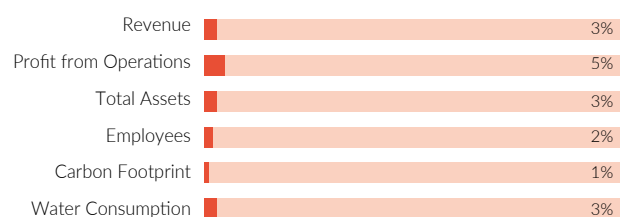


The Strategic Investments sector has a diverse portfolio of manufactured assets that generate value which are as follows:

- » Printing - State-of-the-art LEED certified printing facility including a six colour machine with a digital printing press fully equipped to cater to diverse customer requirements
- » Power - 100 MW thermal power plant, 3 MW wind power plant, 2.5 MW hydro power plant and a 10 MW waste to energy power plant which is nearing completion
- » Plantations - 14 tea factories, 4 rubber factories, 2 hydro power plants with a capacity to generate 1,460 kW
- » Apparel manufacturing facilities located at Koggala and Mathugama which are equipped to produce high quality fashion garments for export

PPE at Cost	CAPITAL EXPENDITURE 2019/2020	PPE AT NBV As at 31st March 2020
Rs. 20.5 Bn	Rs. 6.0 Bn	Rs. 17.6 Bn

Aitken Spence



Investments in manufactured capital in the Services sector are minimal due to the nature of its business segments. The sector's main assets are the two iconic luxury office complexes covering a total area exceeding 194,000 sq.ft. of smart building space in the heart of Colombo's business hub

PPE at Cost	CAPITAL EXPENDITURE 2019/2020	PPE AT NBV As at 31st March 2020
Rs. 3.7 Bn	Rs. 0.1 Bn	Rs. 3.0 Bn

Aitken Spence





TOURISM

We are a leading player in the Tourism sector with operations spanning 4 countries. A broad presence across the value chain drives group synergies. Strong relationships with the world's leading tour operators connect us to source markets, industry insights and world class systems supporting our leadership of this key economic sector. The combined impacts of terror attacks in April 2019 and COVID-19 have been severe, resulting in a loss before tax of Rs.15.3 million for the reporting year. We are well positioned to lead the recovery of the sector which supports an estimated over 900,000 jobs in Sri Lanka and 10% of global employment.

Hotels



Destination Management



Airline GSA





TOURISM

KEY STAKEHOLDERS

Feedback received from stakeholders is a key deciding factor to identify operational priorities.



3,621
Employees



Network of over
4,000
direct suppliers



Over **135,000**
tourist arrivals and more than 1 million
guest nights handled



Rs. 2.8 Bn
of Taxes paid
to the Governments

INDUSTRY BENCHMARKS



ISO 22000
for food safety



ISO 9001
for quality



ISO 14001 for
environmental management



ISO 50001 for energy
management

SDGS THE SECTOR ALIGNS WITH



RELEVANCE TO GROUP



42.7%
of Group Revenue



28.1%
of Group Profit from Operations



56.4%
of Group Assets



66.7%
of Manufactured Capital



26.3%
of the Employees



84%
of the Water Consumption



64%
of the Direct Energy
Consumption in the Group

Our Presence Along the Value Chain

Aitken Spence Hotel Holdings PLC is one of the largest Sri Lankan hospitality companies owning and operating a portfolio of 17 properties and managing a further 6 properties. Aitken Spence Travels continued to be the undisputed leader in destination management handling over 135,000 tourist arrivals in a year that saw many misfortunes impact the industry. Our joint venture partner TUI is the world's largest integrated tourism operator connecting the Group to many source markets. Outbound travels and the General Sales Agency for Singapore Airlines support the travel desire of Sri Lankans and Maldivians as leading players in the developing outbound travel sector. Singapore Airlines also supports outbound cargo. Together, these segments provide a significant potential for Group synergies and make a broad and noteworthy impact towards the nationally significant value chain which accounts for approximately 4.9% of the country's GDP.

Destination Management

- » Market leader in the inbound travel business in the country accounting for approximately 14% of organised tourist arrivals

Hotels

- » The largest Sri Lankan resort chain owning and/or managing a portfolio of 23 properties across 4 countries

Hotel Management

- » Only Sri Lankan company to manage hotels across 4 countries
- » Manages 6 properties in addition to managing all owned properties

Airline General Sales Agent

- » GSA for Singapore Airlines in Sri Lanka
- » GSA for Sri Lankan Airlines in Maldives



TOURISM

STRATEGY

Hotels & Hotel Management

- » Increase promotions with tour operators
- » Increase promotions in the domestic market
- » Culinary and service excellence
- » Operational efficiencies and cost minimisation
- » Leverage group synergies



Destination Management

- » Promote Sri Lanka and reassure tour operators of safety measures
- » Explore new source markets
- » Revive and grow existing markets
- » Increased customisation to specific markets with travel partners
- » Grow luxury cruise segment

Airline GSA

- » Work with principals to increase capacity
- » Aggressive promotions of outbound travel
- » Enhance corporate and principal relationships

Operating Context

2019 Global Tourism Review

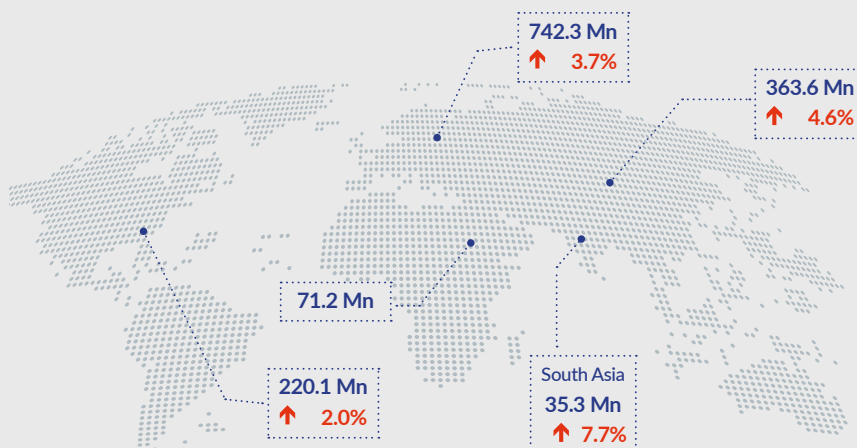
As we write this report, there is significant volatility regarding the outlook for the sector. We are presently witnessing COVID -19 effectively being contained in Sri Lanka with no signs of community spread. If it continues to be controlled and managed in this manner, we are certain that domestic tourism would commence soon. The tourism industry is one of the most resilient industries and it is inevitable that the industry will bounce back sooner than later.

EU has already issued guidance for its member states to resume tourism while Latvia, Lithuania and Estonia have created a travel bubble which is expected to be extended to other Baltic countries as well. More countries are eager to announce dates for relaxing border restrictions as summer approaches and Iceland and Greece have also announced dates for opening their borders. Domestic airlines have or are planning to commence flights supporting domestic tourism. International airlines are also adding flights. All stakeholders resuming operations have put in place extensive measures to facilitate safety of travel as the world will be monitoring the success of these initial efforts.

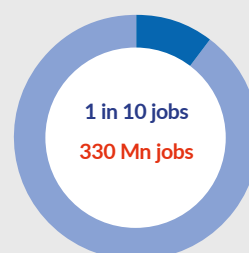
Challenges in 2019

- » Geopolitical and trade tensions
- » Moderating economic growth
- » Collapse of Thomas Cook and other low-cost airlines
- » Impact of COVID-19 during the fourth quarter of financial year 2019/2020
- » Brexit

International tourist arrivals in 2019



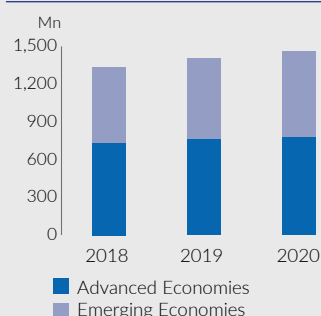
Relevance to Global Economy in 2019



US\$ 948 Bn
capital investment in 2019

4.8% of total investments

Global international Tourist Arrivals reached 1.46 Bn growing by 4% in 2019



TOURISM

Our Destinations

Sri Lanka: Travels & Tourism

Key Drivers	2019	2018	% Change
Tourist Arrivals (Mn)	1.9	2.3	-18.0
Expenditure (US\$ Mn)	3,592	4,381	-18.0
Graded Rooms (Nos)	24,831	24,757	0.3
Occupancy Rate (%)	57.1	72.8	-21.6
Average Duration of Stay (days)	10.4	10.8	-3.7
Key Markets ('000)			
- India	355	425	-16.4
- UK	199	254	-21.8
- China	168	266	-36.9

The Easter Sunday terror attacks at the beginning of the financial year was a major blow to the industry which was already struggling with the pace of supply outstripping demand growth. GOSL extended moratoriums for key players in the sector in view of its economic significance which are in place till June 2020. Coordinated efforts to stimulate demand resulted in a resurgence in demand with monthly arrivals and earnings in January 2020 reflecting a gap of just 6.5% compared with 2019. Sri Lanka was one of the top 20 fastest growing destinations and included in top spots by prestigious influencers such as CNN with its cuisine being ranked as #1 by the BBC Good Food team. COVID-19 has dealt a body blow to the global tourism industry

Oman: Hotels only

Key Drivers	2019	2018	% Change
Tourist Arrivals (Mn)	3.6	3.3	9.2
Expenditure (US\$ Mn)	202.8	197.4	2.8
Graded Rooms (Nos)	23,582	22,182	6.3
Occupancy Rate (%)	54	57	-5.3
Average Duration of Stay (days)	8.9	8.8	0.1
Key Markets ('000)			
- GCC	1,474	1,472	0.1
- India	437	358	22.1
- United Kingdom	157	135	16.3

Oman seeks to diversify its luxury tourism offering to other avenues including MICE, eco tourism and adventure travel. Recent investments have been directed to strengthen infrastructure and capacity resulting in doubling of bed capacity over the past decade. The country caters to approximately 3.5 million tourists a year, with Europe being the main source market followed by domestic travellers and GCC countries. Hotel occupancy rates average over 50%.

Maldives: Travels & Tourism

Key Drivers	2019	2018	% Change
Tourist Arrivals (Mn)	1.7	1.5	14.7
Bed Capacity (Nos)	33,440	29,400	13.7
Occupancy Rate (%)	74.1	74.6	-0.7
Bed Nights (Mn)	9.0	8.0	12.5
Average Duration of Stay (days)	6.3	6.4	-1.6
Key Markets ('000)			
- China	284	283	0.3
- India	166	90	83.5
- Italy	136	105	29.5

but positive testimonials from returning tourists on the country's handling of the situation together with encomiums in 2019 will support revival on return to normalcy.





Tourist arrivals kept pace with the increase in room inventory in 2019. Price competition remained intense during the year as the number of players increased during the year. As tourism is the largest contributor to the country's GDP accounting for around 25%, we believe there will be swift action taken to revive the industry by the Government on control of the pandemic. Sri Lanka's eternal charm and the presence of leading players will also woo tourists back to its islands.

India: Hotels only



Key Drivers	2019	2018	% Change
Tourist Arrivals (Mn)	11.8	11.5	2.2
Expenditure (US\$ Mn)	51,600	44,387	16.3
Graded Rooms (Nos)	137,513	128,163	7.3
Occupancy Rate (%)	67	67	0.0
Average Duration of Stay (days)	3	3	0.0
Key Markets (Mn)			
- Bangladesh	2.5	2.5	0.4
- USA	1.7	1.6	10.1
- United Kingdom	1.2	1.1	8.0

Our positioning in India as a business hotel for the IT industry cushions the volatility of the tourism sector.

Managing Our Capitals

Capital Description & Relevance		What We Did	Impact
 <p>Manufactured Capital</p>	<ul style="list-style-type: none"> » Comprises 23 hotel properties owned/ managed by the Group Sri Lanka - 11 Resorts – 1,564 keys Maldives - 7 Resorts- 750 keys India - 1 Hotel - 140 keys Oman - 4 Hotels - 386 keys 	<ul style="list-style-type: none"> » Continuous maintenance programmes to keep infrastructure in good condition » Controlled shutdown of facilities by end of the financial year with minimal resident staff to maintain properties 	<ul style="list-style-type: none"> » Readiness for recovery » Cost minimisation
 <p>Social & Relationship Capital</p>	<ul style="list-style-type: none"> » Joint venture partnerships with TUI and RIU » The Group holds the global record for the longest serving GSA for Singapore Airlines; a partnership maintained for over 50 years » Strong relationships with the world's leading tour operators connect us to source markets 	<ul style="list-style-type: none"> » Prioritizing smooth conveyance of guests during both crises experienced during the year » Special promotions in India & Australia with tour operators during the year » Forged new relationships in new source markets » Leveraged relationships with regulators and tour operators to accelerate recovery of Sri Lanka's Tourism sector post terror attacks of April 2019 » Ensured safety of guests during the black swan events during the year » Skills development to local service providers 	<ul style="list-style-type: none"> » Safety of guests during both the terror attacks and the COVID-19 pandemic » Strong linkages in source markets facilitating recovery » Portfolio of attractive promotional packages to drive growth » Supported recovery of tourist arrivals to the country and owned hotels post Easter Sunday terror attacks » Online reviews on owned properties are rated 91.5% supporting growth of our franchise
 <p>Human Capital</p>	<ul style="list-style-type: none"> » 3,621 total number of employees » 2,107 permanent employees » 1,514 contract workers » 13.5% female representation 	<ul style="list-style-type: none"> » Retained workforce during this difficult year despite industrywide layoffs » Implemented targets to increase female participation in the Tourism sector workforce to 20% 	<ul style="list-style-type: none"> » Employee turnover of 36% » Average length of employment is 6 years » 82,936 training hours » Readiness for recovery with trained talent pools » Diversity of Group activities enables re-deployment of employees to economically active sectors
 <p>Intellectual Capital</p>	<ul style="list-style-type: none"> » Brand » Over 50 certifications and operating licenses » An experienced and knowledgeable management team » Well-developed systems supporting core activities 	<ul style="list-style-type: none"> » Enhanced social media interactions to support recovery » Reinforcing Spensonian values through responsible actions across the Group in handling crises during the year 	<ul style="list-style-type: none"> » Strong ratings across properties with favourable guest reviews » Strong brand recognition associated with positive experiences » Group synergies across the value chain

TOURISM

Capital Description & Relevance		What We Did	Impact
<div></div> <div>Financial Capital</div>	<ul style="list-style-type: none">» Rs. 29.1 billion equity» Rs. 30.4 billion long term interest bearing borrowing	<ul style="list-style-type: none">» Secured moratoriums for Rs. 8.7 billion debt, for interest and capital post Easter Sunday attacks for a period of 9 to 12 months» Received Rs.151 million as low interest working capital loans as mandated by the GOSL in support for revival of the tourism industry» Invested Rs. 3.7 billion in manufactured capital	<ul style="list-style-type: none">» Liquidity and capital management to manage recovery of the Tourism sector» Revenue of Rs. 24.8 billion» Profit from operations Rs. 1.7 billion
<div></div> <div>Natural Capital</div>	<ul style="list-style-type: none">» Hotel properties located in ecosystems with high biodiversity value» Destination management operation connecting guests with diverse ecosystems» Conservation of 58 acres of forest area within the Heritance Kandalama hotel and an additional 198 acres of forest cover maintained in its pristine state	<ul style="list-style-type: none">» Maintained operations through management systems and frameworks implemented such as the 7R mechanism to minimise or eliminate impacts on the environment» Education provided to tour guides/ chauffeur guides/ jeep drivers in national parks on their role to preserve the natural environment» Suppliers screened on environmental due diligence» Aitken Spence Travels engages with the Pinnawala Elephant Orphanage to develop and promote responsible and ethical tourism practices» In the process of eliminating non-biodegradable items used in our processes, Aitken Spence Hotels has rolled out action to eliminate the use of single use plastics such as plastic straws at all our hotel properties» A community-based initiative undertaken by Aitken Spence Travels “Travel Kindly” which is involved in a cluster of projects. One such project is the role of being a “foster parent” to an orphaned baby elephant named “Bhanu” at the Elephant Transit Home.	<ul style="list-style-type: none">» At least 128 species of native flora,183 species of birds,19 species of reptiles, and 64 species of butterflies and dragonflies preserved» 64% of the total water withdrawn was treated for reuse» 100% of the waste water generated at our hotels is treated and reused» 731 tonnes CO₂e emissions reduced and/ or offset» Segregating and managing over 20 diverse types of waste resources» More than 3 million students, visitors and key stakeholders educated on ecosystem sustainability to date through the eco parks and green pavilions maintained at our hotels and programmes conducted by the destination management team

Sector Performance

		2019/2020	2018/2019	Change (%)
Financial	Revenue (Rs. million)	24,848.7	28,769.0	(13.6)
	Profit before tax (Rs. million)	(15.3)	3,096.4	(100.5)
	Profit after tax (Rs. million)	(597.1)	2,159.8	(127.6)
	Total Assets (Rs. million)	79,834.0	71,754.0	11.3
	Total Liabilities (Rs. million)	50,742.2	40,567.0	25.1
Economic	New jobs created	49	70	(30.0)
	Taxes paid (Rs. million)	2,803.9	3,989.1	(29.7)
	Employee benefits (Rs. million)	4,989.3	4,585.6	8.8
	Foreign currency generated to the country (Rs. billion)	12.2	18.6	(34.5)
Social	Average occupancy (%)			
	Sri Lanka	48.0	64.0	(25.0)
	Overseas	63.0	74.0	(14.9)
	Guest Nights	1,007,258	1,051,679	(4.2)
	Tourist arrivals to Sri Lanka facilitated	135,138	200,307	(32.5)
	Number of Employees	3,621	3,863	(6.3)
	Female representation as percentage	13.5	15.2	(11.2)
	Training hours	82,936	180,644	(54.1)
	Investment in training (Rs. '000)	5,053.2	26,101.0	(80.6)
	Proportion of employees from within 35 – 45m radius	Over 20% of the senior management and over 60% of the non-managerial employees		
	Percentage of local suppliers from within 35 – 45m radius	Over 75% of the produce and other resources (hotel properties in Sri Lanka).		
	Number of suppliers	Over 4,000 direct suppliers		
	Number of joint venture partnerships	7	7	-
	Funds channelled for community development (Rs. Billion)	1.0	7.3	(87.1)
Environmental	Reach of sustainability commitments among employees	100%	100%	-
	Total Energy consumption (GJ)	593,234	347,121	70.9
	Total energy consumed from non-renewable sources (GJ)	487,180	256,992	89.6
	Total energy consumed from renewable sources (GJ)	8,399	8,189	2.6
	Scope 1 emissions (tonnes CO2e)	35,260	18,581	89.8
	Scope 2 emissions (tonnes CO2e)	21,148	17,972	17.7
	Emissions offset or reduced (tonnes CO2e)	731	1,861	(60.7)
	Total water withdrawn (m3)	1,111,118	1,217,337	(8.7)
	Total volume of water treated for reuse or safe disposal (m³)	711,466	991,376	(28.2)
	Total amount of solid waste kept away from landfills (tonnes)	2,476.3	2,520.0	(1.7)
	(Units)	10,147	11,649	(12.9)
	(Litres, waste oil)	5,663	5,879	(3.7)
	Total investment in sustainability driven processes (Rs. million)	12.7	14.7	(13.6)

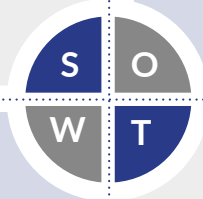
TOURISM

STRENGTHS

- » Partnership with TUI AG, the world's largest tour operator
- » Trusted long term relationships with other leading tour operators
- » Strong ratings on online platforms supported by positive guest reviews
- » Broad based presence across the value chain
- » Leadership position paves way for a voice at the table for development of the sector

OPPORTUNITIES

- » Significant economic impact due to foreign exchange earnings and livelihoods supported making recovery of the sector a key priority for the Government
- » Unleashing of pent up demand for travel on return to normalcy
- » Domestic tourism opportunities on return to normalcy in Sri Lanka



- » Dependency on airlines
- » Seasonality of demand
- » Capital intensive industry
- » Relatively high fixed overheads
- » Large workforce requirement
- » High levels of competency and soft skills required at all levels for positive guest experiences

WEAKNESSES

- » Scaling down by airline industry reducing connectivity with source markets
- » Immigration control policies of Governments
- » Reduced disposable income of individuals due to economic woes

THREATS

OUR SUSTAINABILITY PRIORITIES

- | | | | |
|-------------------------|----------------------|-----------------------------|--------------------------|
| » Compliance and ethics | » Quality | » Biodiversity conservation | » Solid waste management |
| » Economic performance | » Energy consumption | » Labour standards | » Effluent management |
| » OHS | » Water consumption | » Emission management | |

OUR CONTRIBUTIONS TO SDGS



TARGETS 4.3, 4.4, 4.6, & 4.7

Creating new avenues for employment through an industry specific education and working to reduce the gender disparity in youth seeking education in tourism.

Over 20% of the senior management and over 60% of the managerial employees at our hotels in Sri Lanka are from the local community

Investment towards skills training

Rs.5.05 million



TARGETS 12.2, 12.5, 12.6, 12.8 & 12B

Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability.

Influencing circular economy through our commitment to practice the 7R principle with the goal of zero waste to landfill
Policies implemented and action plans rolled out to eliminate the use of single use plastics at all properties

Total waste safely disposed or repurposed

2,476.3 tonnes

10,147 units

5,663 litres of waste oil



TARGETS 5.1, 5.5 & 5.B

Enabling opportunities to encourage more female entrants into the workforce.

Investment in staff accommodation to enable female participation

Rs. 70 million

Female representation in the sector

13.5%



TARGETS 6.3 & 6.4

Decreasing demand for fresh water by managing consumption effectively and by using harvested rain water and treated water.

Proportion of waste water treated for reuse or safe disposal

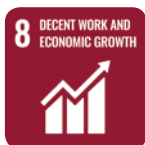
100%

Water consumption per guest night

886.4 m³, 7.7% less than 2018/19

TOURISM

OUR CONTRIBUTIONS TO SDGS



TARGETS 8.4, 8.5, 8.6, 8.8, 8.9 & 8.10

Ensuring a safe and conducive workplace for employees and facilitating economic growth for local suppliers and service providers.

All employees and contractors are provided with written contracts prior to beginning work

H&S systems in place to ensure safety at work at all levels

Career paths identified for of employees at all levels with short, medium and long-term career paths mapped out



TARGETS 13.1 & 13.3

Combat climate change and its impacts by controlling adverse impacts on the environment and enhancing positive influence through institutionalized, strategic action.

- » Certified ISO 14001 management systems for environmental management
- » ISO 50001 for energy management
- » Travelife certified hotels and destination management operation
- » Carbon neutral destination management operation



TARGETS 9.1 & 9.4

Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability.

- » First LEED certified property in the Maldives
- » 3 LEED certified properties in the sector, including the 1st LEED certified hotel in the world.



TARGETS 14.1 & 14.5

Conserve our coastal and marine resources by managing effluents and engaging with key stakeholders for combined efforts to clean our beaches

- » Weekly beach cleaning programmes and safe disposal of collected debris conducted at all coastal properties and engaging with key stakeholders to increase awareness
- » Reef cleaning operations at Vadoo & Heritance Aarah in the Maldives
- » Coral planting and nurturing programs
- » Responsible dive centre certification (Green Fins)



TARGETS 15.2 & 15.5

Working towards contributing positively towards protecting our biodiversity and all ecosystems.

- » Architectural integrity, operational practices and employee behaviour inspiring ecosystem coexistence as well as economic sustainability as an ethos of our operations
- » 198 acres of forest cover maintained in its pristine condition to protect ecosystems and biodiversity
- » More than 250 chauffeur guides, tour guides and jeep drivers as well as over 100 direct suppliers are educated on protecting biodiversity every year
- » Desert cleaning campaign in Oman

Performance

Unprecedented challenges during the reporting year resulted in a decline of sector revenue by 13.6% which resulted in a loss of Rs. 15.3 million before tax. Hotel revenues recorded from Maldives reflected an increase of 9.9% with Heritance Aarah adding 150 keys to the portfolio.

The year under review was to be one of the best years for the Sri Lankan tourism industry with the country gaining recognition as one of the safest destinations in the world for tourism. Unfortunately, with the Easter Sunday attacks in April 2019, tourist arrivals to the country declined by 18.0% for the calendar year 2019, and 29.0% for the financial year 2019/2020, whilst the revenues of the Sri Lankan hotels in our Group also witnessed a decline of 26.4%. Enhanced marketing efforts as well as improved operational efficiencies steered the Sri Lankan hotels to a stronger recovery than expected in the last two quarters of the financial year until the industry was affected

by the global pandemic which is presently adversely affecting tourism worldwide. Our signature properties, Heritance Kandalama and Heritance Tea Factory recorded good profits for the year despite the drawbacks faced during the first quarter of the year.

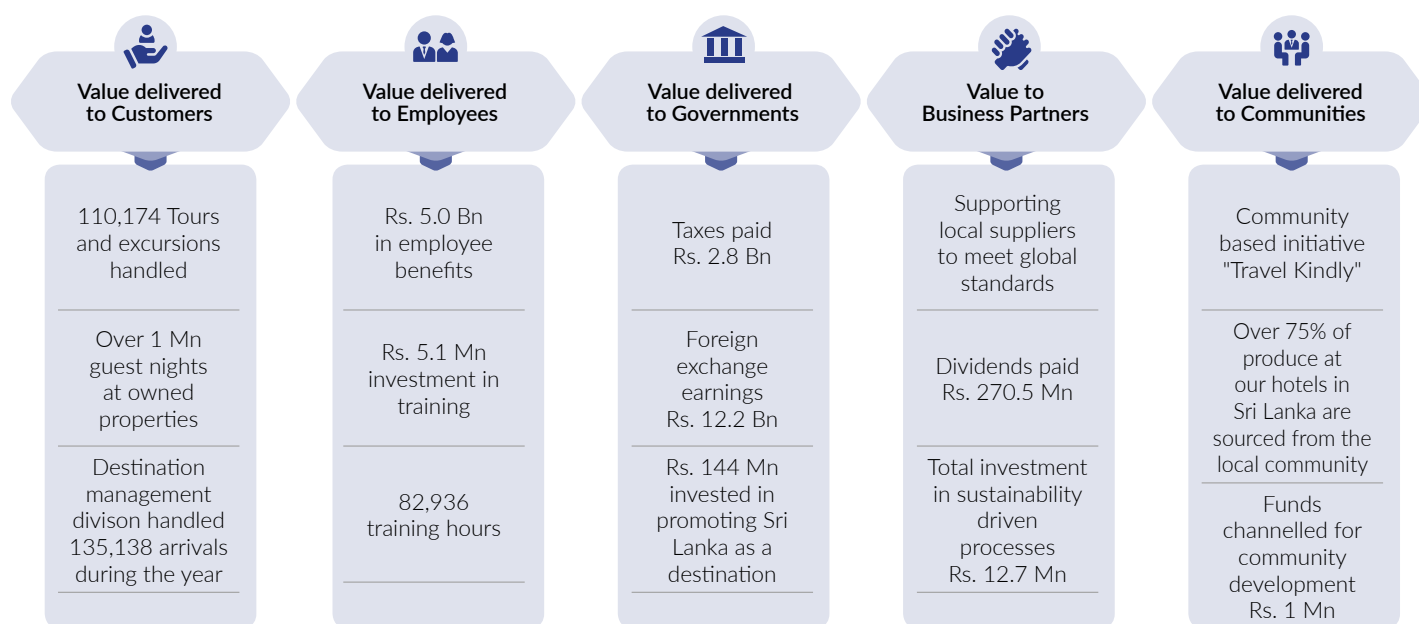
Our resorts in the Maldives were adversely impacted with the segment reporting a decline in its profit before tax for the period owing to the operational losses of Heritance Aarah which commenced commercial operations during the year. In addition, the other four resorts of the Group did not perform as per expectations due to the decline in occupancies as well as severe price competition in this market. Turyaa Chennai performed marginally better than the previous year. However, Turyaa Chennai and Al Falaj in Oman are still to contribute positively to profits of the Group.

Safety of guests remained a key concern during the year and we believe our Tourism sector set the benchmark for safety of

SECTOR HIGHLIGHTS

- » Aitken Spence Hotels introduces LEED certified architecture to Maldives. Heritance Aarah is the first property in the Maldives to receive the Leadership in Energy and Environmental Design (LEED) Gold certification.
- » Aitken Spence's eight-member team from Heritance Aarah brought home four gold, seven silver and two bronze medals; marking their third win in the culinary sphere. Heritance Aarah is Aitken Spence Hotels' latest resort in the Maldives.
- » Aitken Spence Travels was once again awarded the Travelife Certified sustainability award. The Travelife Certified Award is a recognition for the company's long-term efforts and leading position regarding sustainability and corporate social responsibility.
- » Aitken Spence Turyaa Chennai was awarded 'Best City Hotel' at India Travel Awards 2019

Value to Stakeholders



TOURISM

tourists and employees during both the Easter Sunday terror attacks and the COVID-19 pandemic. Scanners were installed in the Heritance properties in Sri Lanka alongside awareness campaigns conducted with the frontline staff to improve safety of our guests. Our response to the COVID-19 pandemic was swift and comprehensive with the safe conveyance of guests to the airport in March in full compliance with Government measures.

The travels segment retained its leadership position as the market leader and accounted for bringing the highest number of visitors to the country this year as well, supporting Sri Lanka's recovery from the terror attacks by leveraging its strong connections in the market and collaborating to design innovative tours and packages for customers. It also worked with Sri Lankan Airlines in Australia, India and the Middle East to offer combined packages which had an encouraging response. Staff training was prioritized to enable them to understand tour operator requirements and varying needs of guests in different markets which resulted in more customized offerings for specific markets as they became more empowered.

Singapore Airline GSA revenue also grew by 13.2% supported by increased passenger capacity with a 33% increase in business class capacity, offsetting the decline in cargo as we focused on maximizing yield versus revenue. Singapore Airlines celebrates 50 years of

services between Sri Lanka and Singapore in 2020 and we are proud to be part of the celebrations as the longest serving GSA in the world for Singapore Airlines.

We represent Sri Lankan Airlines in the Maldives as the GSA for passenger and cargo since 2011 and we were honoured to be selected as the Best General Sales Agent in Maldives at the South Asia Travel Awards conducted in 2019. The destination management company we manage in the Maldives is the General Sales Agent for passengers for Cathay Pacific Airways and passenger sales agent for many airlines in the Maldives. The segment reported a decline in profits during the year under review largely due to capacity constraints.

Despite the many downturns witnessed during the year, the sector recorded an EBITDA of Rs. 4.7 billion supported by the performance of the Group's overseas portfolio as discussed above. We are pleased that this was achieved without staff layoffs in the Sri Lankan sector in both travels and hotels segments as we were confident of a strong recovery post terror attacks as evinced by our progress up to February 2020. Increased finance costs stemming from loans taken for expansion of the overseas portfolio with the completion of Heritance Aarah and refurbishment of 150 rooms at Meedhupparu as well as decreased revenue from Sri Lankan operations resulted in a loss before tax of Rs. 15.3 million for the Tourism sector. The loss



after taxation amounted to Rs. 597.1 million for the reporting year reflecting the nature and scale of challenges impacting the sector.

Sector assets increased by 11.3 % to Rs. 79.8 billion as Heritance Aarah was fully commissioned during the year. Sector liabilities increased by 25.1% to Rs. 50.7 billion mainly due to the recognition of the lease liability on the right of use assets and additional funding procured through bank borrowings.

The unpredictability surrounding the outlook for this sector is high due to unprecedented restrictions on mobility imposed by countries to curtail the spread of COVID-19. These restrictions have resulted in the global tourism industry grinding to a near halt for more than two months endangering an estimated 10% of the world's workforce amounting to nearly 330 million jobs worldwide at risk from both direct and indirect employment. We believe that there will be coordinated efforts for a renaissance of the sector due to its massive socioeconomic impact on both advanced and emerging economies, as soon as it is safe to do so. Safety of travel, connectivity to markets and affordability will be key determinants for regaining lost ground. We are well poised to respond to the earliest sign of recovery and continue to be involved in developing dialogues for the future of tourism with key stakeholders to be ready to compete effectively in a post COVID-19 world.





MARITIME & FREIGHT LOGISTICS

The Group's Maritime and Freight Logistics operation spans across seven countries as we leverage more than a century of leadership in this vital economic sector to drive cross border partnerships. Innovative and customized solutions underpinned by our experience, service excellence, widespread facilities and brand held us in good stead as we weathered the many challenges that tested us during the year. This enabled the Maritime and Freight Logistics sector to record a pretax profit of Rs. 2.3 billion becoming the highest contributor to the Group's profits before tax.

Maritime & Port Services



Freight Forwarding & Courier



Integrated Logistics



Airline GSA (Cargo)



Education





MARITIME & FREIGHT LOGISTICS

KEY STAKEHOLDERS

Feedback received from stakeholders, is a key deciding factor to identify operational priorities.



1,774
Employees



75+
Global partners



1,250+
Direct
Suppliers



16,627
Students reached
with education

INDUSTRY BENCHMARKS



ISO 9001
for quality



ISO 14001 for
environmental management



ISO 45001 for occupational
health and safety

SDGS THE SECTOR ALIGNS WITH



RELEVANCE TO GROUP



19.6%
of Group Revenue



29.6%
of Group Profit from Operations



9.3%
of Group Assets



7.5%
of Manufactured Capital



12.9%
of the Employees



3.2%
of the Water Consumption



11.8%
of the Total Energy
Consumption in the Group

Our Presence Along the Value Chain

The Maritime and Freight Logistics sector provides a complete range of maritime and logistics services across the value chain. For customers, it is a one-stop-shop for customised and comprehensive solutions based on Group synergies. Sri Lanka's pioneering and leading integrated logistics provider, Aitken Spence Logistics provides customers with one-stop-shop solutions specialising in inland container terminal services, container repair, rigging and conversions, container freight stations, warehousing, third party logistics management, mobile storage solutions, distribution services and handling all types and sizes of cargo. It is also a renowned multi user facility with the largest fleet of prime movers, trailers, tankers, low beds, a multi axle trailer as well as container handling equipment.

Freight forwarding, courier and airline GSA for cargo operations comprises air and sea freight forwarding in Sri Lanka, Maldives, and Bangladesh, custom house agencies, courier/ express business and airline cargo GSA representation for Qatar Airways in Sri Lanka and Sri Lankan Airlines in Maldives. Maritime and port services, a founding segment of the

Company, encompasses import and export container handling services to leading global container carriers, handling transshipment cargo and servicing of passenger cruise vessels, petroleum tankers, car carriers and casual callers. We also operate and manage the two international ports of Suva and Lautoka in Fiji and have a 20% equity stake in Fiji Ports Corporation Ltd which owns and regulates all ports in Fiji. In Mozambique, we manage cargo operations and equipment maintenance in the port of Nacala on contract. This year we re-established our presence in South Africa, setting up a branch office and completed a short term assignment for provision of skills improvement and efficiency enhancement which was successfully completed.

Education is represented by the CINEC campus which is the most diversified private higher education institution in Sri Lanka. Courses ranging from vocational to post-graduate levels are offered in maritime-related disciplines, Aviation, Engineering, IT and Computing, Health Science and Management. CINEC Campus also manages the maritime academies in both Fiji and Seychelles and is recognized as a degree awarding institution by the Ministry of Higher Education and the University Grants Commission of Sri Lanka.

Aitken Spence Logistics

- » Leading integrated logistics provider in Sri Lanka
- » Total logistics area of 45 acres
- » Preferred multi-user facility
- » Largest equipment fleet.

Freight Forwarding, Courier & Airline GSA

- » Has air and sea freight operations in Sri Lanka, Maldives, Bangladesh including custom house agencies.
- » Representatives for international delivery networks and General Sales Agent for cargo for international airlines.

Maritime & Port Services

- » Shipping agents for leading container carriers handling imports, exports and transshipment cargo, passenger cruise vessels, car carriers and casual callers
- » Manages international port operations in Fiji and Mozambique

CINEC Campus

- » CINEC Campus is the most diversified private higher education institution in Sri Lanka and presently conducts programmes in affiliation with some of the largest maritime academies in the world.
- » CINEC also manages the maritime academies in Fiji and Seychelles



MARITIME & FREIGHT LOGISTICS

STRATEGY

INTEGRATED LOGISTICS

- » Market penetration
- » Investments in building capacity
- » Cost controls
- » Productivity improvements
- » Diversified service offering

MARITIME & PORT SERVICES

- » Attracting more transshipment volumes
- » Focused market penetration
- » Improved processes/productivity

EDUCATION

- » Increase number of courses/student intake
- » Develop local degree courses accredited by MHE/UGC
- » Expand overseas by setting up/managing maritime academies
- » Penetrate further into area of aircraft maintenance training by collaborating with airlines



FREIGHT FORWARDING

- » Increasing customer base
- » Creating value addition to our customers in the supply chain
- » Focus on high yield cargo/profitable trade lanes
- » Securing global customers

COURIER

- » Performance growth
- » Cost reductions
- » Expand e-commerce solutions locally and globally

AIRLINE GSA (CARGO)

- » Expand market share
- » Transshipment cargo

Operating Context

Global Environment

Persisting trade tensions and sluggish GDP growth resulted in a slowdown in the maritime and logistics industry in 2019. Air freight demand contracted by 3.3% while capacity rose 2.1%, the worst performance since the 2008-2009 financial crisis (IATA). Cargo traffic in total turned negative for the first time since 2012. The container industry grew by a mere 1%. Liner shipping was affected by protectionism between states,

environmental regulations, low consumerism and adverse weather patterns. The global outlook for the first quarter of 2020, which relied heavily on consumerism, was negatively impacted by COVID-19 impacting the largest consumer markets and producers alike.

Sri Lankan Environment

Maritime and logistics services forms part of the services sector under the category 'transportation of goods and passengers including warehousing'; the 2nd largest contributor to Sri Lanka's GDP at 10.6%.

concessions for 2019/2020 for warehousing, storage and the renewable energy sector.

Maritime Education

Key Drivers	2019	2018
Number of Non-State Higher Education Institutions (NSHEI)	19	17
Accredited local degree programmes offered by NSHEI	160	120

The demand for private sector tertiary and vocational education remains high in Sri Lanka where only 19.25% of the total students who passed the GCE Advanced Level examination (academic years 2017/18) gained admission to state universities. During the year, the number of accredited local degree programs offered by NSHEI's increased by 40, a 33% growth.

Maritime & Logistics

Key Drivers	2019	2018	%
Sea Containers			
- Imports (TEUs)- Laden	607,868	648,478	(6)
- Imports (TEUs)- Empty	28,342	19,924	42
- Exports (TEUs) - Laden	303,070	290,223	4
- Exports (TEUs) - Empty	334,052	384,624	(13)
- Transshipments (TEUs)	5,955,303	5,704,237	4
Colombo Port			
- Container handling (TEU '000)	7,228	7,047	3
- Transshipments (TEU '000)	5,955	5,704	4
- Cargo handling (MT '000)	101,926	100,151	2
Air			
- Imports (tons '000)	49,684	59,271	(16)
- Exports (tons '000)	110,423	171,995	(36)
- Transshipments (tons '000)	38,541	47,476	(19)

Port related activities further expanded with enhanced commercial operations of major container terminals of the Colombo Port. The Port of Colombo with a connectivity ranking of 11 in the world and throughput ranking of 22 grew at a modest 2.6%, with transshipments growing at 4.4% and domestic container handling declining by 5.2%.

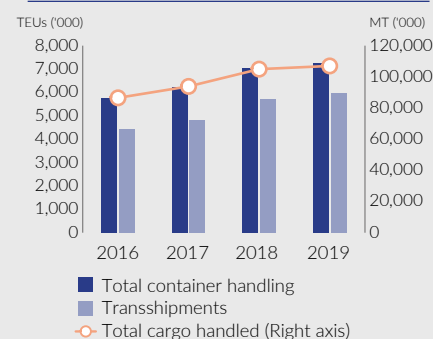
The Port of Hambantota recorded a growth of 127.1% in cargo handling and 61.4% in vehicle handling, the latter supported by increased transshipment vehicle handling as domestic vehicle handling decreased due to policy measures taken to curtail imports.

The Government and port related institutions continued in their endeavours to improve connectivity through sea transportation and developing required infrastructure in major ports of the country. However, port capacity remains challenged with inadequate berthing facilities and congestions as development activities are deferred.

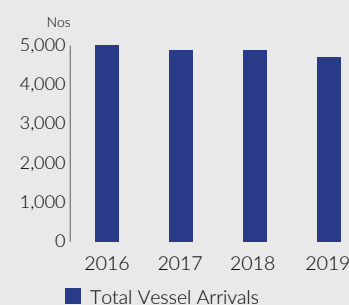
Fiji Environment

Fiji's GDP growth for 2019 is estimated at 1% as a result of the global economic downturn impacting port volumes which reduced by 13% compared to the previous year. The Fiji Government also introduced several budget

Performance of Port Services





Vessel Arrivals



MARITIME & FREIGHT LOGISTICS

Managing Our Capitals

Capital Description & Relevance	What we did	Impact
 <p>Manufactured Capital</p> <ul style="list-style-type: none"> » Comprises mainly of freehold land and buildings and plant, machinery and equipment » NBV Rs. 5.9 billion » Depreciation Rs. 605.9 million 	<ul style="list-style-type: none"> » Investment of Rs. 35.0 million in a multi axle trailer » Investment in yard development and resurfacing at a cost of Rs. 12.0 million » Commenced construction of a new building to enhance student accommodation capacity at CINEC 	<ul style="list-style-type: none"> » Increased container storage space enabling handling of higher business volumes » Ability to provide over dimensional transportation needs » Facilities provided for over 16,000 students registered in 2019/2020
 <p>Social & Relationship Capital</p> <ul style="list-style-type: none"> » GSA relationships » Agents for leading shipping lines » JV partnerships for port operations » Corporate customers » Students at CINEC » Suppliers 	<ul style="list-style-type: none"> » Relationships strengthened and built through securing new business and projects » Nurtured existing relationships » Rebranding CINEC Campus 'Beyond a graduate' » Conducting routine checks on suppliers' social and environmental governance 	<ul style="list-style-type: none"> » 6.1% of the sector's revenue generated by GSA's and principals » 16,627 student registrations during the financial year 2019/2020
 <p>Human Capital</p> <ul style="list-style-type: none"> » 1,774 total number of employees » 975 permanent employees » 799 contract workers » 15% female representation 	<ul style="list-style-type: none"> » 7 jobs created » Investment in training Rs. 14.2 million » Investment and employee engagement to ensure a workplace through OHS management systems » Employee engagement initiatives » Streamlined operations » Selected staff covering all operations/ functions trained and certified as fire fighters and first aid officers » Training employees on each subsector's sustainability commitments 	<ul style="list-style-type: none"> » Employee turnover of 24% » Average length of employment is 8 years » 11,543 training hours » 100% reach on sustainability commitments among employees » Network of more than 20 certified first aid officers » Zero serious accidents or workplace injuries in 2019/20 » In Fiji, 70% of the non-managerial employees and almost 100% of the senior management are from the local community
 <p>Intellectual Capital</p> <ul style="list-style-type: none"> » Tacit knowledge of team » Efficient processes with state-of-the-art systems 	<ul style="list-style-type: none"> » Real time fleet tracking system » An IOT enabled mobile storage solution management system » Improvements made to the transport management system 	<ul style="list-style-type: none"> » Fleet tracking system ensures the security of vehicles and cargo » Real time temperature monitoring of cold storage facilities » Increased customer satisfaction through optimized planning and execution of operations
 <p>Financial Capital</p> <ul style="list-style-type: none"> » Rs. 6.6 billion equity » Rs. 297.7 million debt 	<ul style="list-style-type: none"> » Invested Rs. 125.0 million in manufactured capital 	<ul style="list-style-type: none"> » Revenue Rs. 11.4 billion » Profit after tax Rs. 1.9 billion

Capital Description & Relevance		What we did	Impact
 Natural Capital	» Total consumption of 108,859 GJ of energy	» Investment in solar energy	» 744.9 GJ renewable energy produced
	» Consumed 43,054 m3 of water	» Environmental management systems implemented at all operations	» 158 tonnes CO2 emissions offset or reduced
	» Generation of solid waste, emissions and effluents	» Water treatment units positioned to catch effluents	» 5,184 m3 of water recycled/safely disposed
		» Route planning for efficient fuel usage	» 120 tonnes and 805 units of solid waste repurposed and/or recycled and kept away from landfills
		» Employees educated and engaged to manage environmental priorities	

Sector Performance

		2019/2020	2018/2019	Change (%)
Financial	Revenue (Rs. million)	11,439.8	11,502.1	(0.5)
	Profit before tax (Rs. million)	2,253.4	2,125.8	6.0
	Profit after tax (Rs. million)	1,864.3	1,726.2	8.0
	Total Assets (Rs. million)	13,104.2	11,160.4	17.4
	Total Liabilities (Rs. million)	6,503.7	4,670.4	39.3
Economic	New jobs created	7	51	(86.3)
	Taxes paid (Rs. million)	651.9	659.9	(1.2)
	Employee benefits (Rs. million)	1,823.8	1,733.2	5.2
	Foreign currency generated to the country (Rs. Billion)	3.5	3.5	(0.5)
Social	Number of employees	1,774	1,755	1.1
	Female representation as percentage	14.5	7.0	107.1
	Training hours	11,543	9,724	18.7
	Investment in training (Rs. '000)	14,155.2	14,374.0	(1.5)
	Number of joint venture partnerships	9	9	-
	Number of student registrations at CINEC	16,627	14,196	14.6
	Funds channelled for community development (Rs. Million)	1.0	1.9	(49.5)
Environmental	Total energy consumption (GJ)	108,859	103,878	4.8
	Renewable energy generated(GJ)	745	623	19.6
	Scope 1 emissions (tonnesCO2e)	6,684	6,362	5.1
	Scope 2 emissions (tonnesCO2e)	2,845	2,770	2.7
	Emissions offset or reduced (tonnesCO2e)	158	129	22.5
	Total water used (m3)	43,054	43,054	-
	Total waste water treated and reused or safely disposed (m3)	5,184	5,184	-
	Total amount of solid waste kept away from landfills (tonnes)	120	386	(68.9)
	(Units)	805	1,759	(54.2)
	(Litres, waste water/ oil)	16,669	6,814	144.6
	Total investment in sustainability driven processes (Rs. million)	1.5	1.7	(10.0)

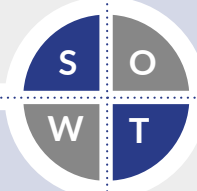
MARITIME & FREIGHT LOGISTICS

STRENGTHS

- » 'Aitken Spence' brand
- » Strong long-term relationships with our business partners
- » Represents world renowned principals
- » A comprehensive portfolio of logistics services that can be tailored to meet the demands of our customers
- » Synergies with Group companies
- » A global network that reaches almost all countries
- » Expertise that is sought in the management of ports and maritime academies abroad

OPPORTUNITIES

- » Development of the Southern seaport and airport.
- » Development of the East and West Terminal in the Port of Colombo.
- » Expansion in the bunker supply facility in Hambantota
- » Private/government infrastructure development projects
- » Promotion of Sri Lanka as a transportation hub
- » New products launched by our principals that further strengthened Port of Colombo's connectivity
- » Resumption of the GSP+ certification
- » Increased demand for 3PL services and MCC operations outside the port
- » Limited capacity for tertiary education in the Government sector
- » Requirement for state-of-the-art warehousing facilities to cater to the everchanging demands of the industry



- » Lack of skilled labour
- » Reliance on principals and their service networks
- » Adapting the IT system to encompass customised solutions offered to customers

- » Local and global impact of the COVID-19 pandemic
 - » Backward integration of service providers
- » Overcapacity resulting in lower margins
- » Price competition
- » Competitors mimicking our product innovations
- » Port terminal operators offering free storage
- » Delayed infrastructure development in the port of Colombo
- » Greater number of freight forwarders providing logistics solutions

WEAKNESSES

THREATS

OUR SUSTAINABILITY PRIORITIES

- » Compliance and ethics
- » Energy consumption
- » Water use
- » Labour standards
- » Economic performance
- » Emission management
- » Effluent management
- » OHS
- » Solid waste management
- » Quality

OUR CONTRIBUTIONS TO SDGS



TARGETS 4.3, 4.4 & 4.6

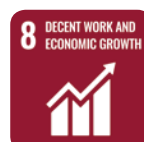
CINEC Campus offers access to both vocational and tertiary education facilitating personal development, leading to managerial grade jobs and entrepreneurship

Tertiary Education Enrolments

15,849

Vocational Education Enrolments

778



TARGETS 8.5, 8.6 & 8.8

Enabling economic growth, resource efficiency and environmental sustainability by establishing process controls to protect the triple bottom line.

Direct employment

1,774

Over 20 Management systems implemented for environmental protection, OHS and quality with **10** systems certified.



TARGETS 5.1, 5.5 & 5.B

Created an enabling workplace for women with flexi hours and work from home arrangements. We are committed to increasing overall female representation in the sector and the number of women in managerial positions.

Female Representation

15%



TARGETS 9.1 & 9.4

Investments in expanding capacity, new building at CINEC & equipment required for development of the logistics and maritime industry.

Our contribution to adopt clean and environmentally sound technologies and industrial processes; for example, generation of solar energy, treatment of effluents, daylight harvesting and use of electric forklifts.



TARGET 6.3, 14.1



The sector has implemented waste water treatment units at the yards to prevent pollution from surface runoff.

Particularly at the Fiji ports, treatment units separate oil and solids from waste water to conserve coastal and marine resources by managing effluents.

Wastewater treated

5,184 m³

16,669 litres of waste oil



TARGETS 12.5, 12.6, & 12.8

The sector has targeted reducing waste through reduction, recycling and reuse. Employees are educated on EMS

Waste recycled or reused

120 MT

805 units

MARITIME & FREIGHT LOGISTICS

Performance

The largest contributor to the Group's profits, the Maritime and Freight Logistics sector's profit before tax was Rs. 2.3 billion, a growth of 6.0%. Profit after tax was Rs. 1.9 billion, contributing 64.6% to the Group profitability.

In the integrated logistics segment, the strength of our relationships, experience and knowledge set us apart from our competitors as we gained several new accounts that opened new revenue streams and strengthened profitability. Investment in a multi axle trailer to handle 'out of gauge' transportation requirements that facilitated the Government's major infrastructure development projects, increasing warehouse capacity to meet the demand for warehousing and 3rd party logistics (3PL) management services provided to the telecommunication industry together with competitive pricing and uncompromising service standards helped us increase revenue and improve profitability of the segment. Our market leadership in the export consolidation services was also

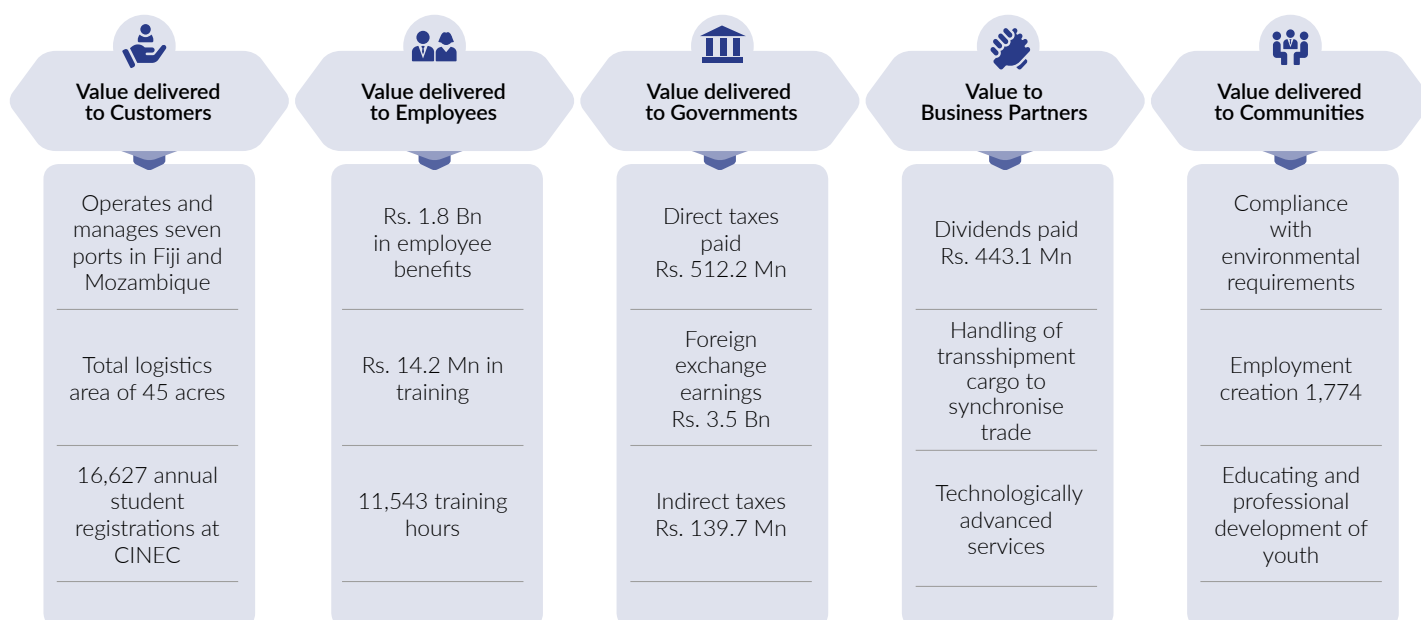
re-emphasized with the sector winning the leading consolidation account which facilitates major exports to Europe and US for world renowned brands. During the year, the segment commenced operations at its third inland container depot in Welisara, to fulfil the demands of container and project cargo storage. We plan to continuously invest in this facility to ensure its future readiness. Container and bulk liquid transportation continued to form an integral part of the business providing much needed capacity to the market and servicing critical national requirements.

Freight forwarding and courier revenues decreased by 8.6% with profit before tax declining over the previous year. Local freight performed modestly in a very price competitive and challenging environment and operations slowed down during the early part of the year due to the Easter Sunday attacks. The global economic slowdown in 2020 with the outbreak of COVID-19 also adversely affected the segment. Overseas freight segment fared well by securing new high-

SECTOR HIGHLIGHTS

- » Aitken Spence Maritime & Freight Logistics was adjudged the Integrated Port & Terminal Logistics Operator of the Year 2020 at the prestigious Global Ports Forum Awards ceremony held in Dubai, March 2020.
- » Aitken Spence Maritime facilitated the first passenger cruise vessel to the Port of Colombo after the Easter Sunday incident assisting in the revival of tourism in Sri Lanka.
- » Sri Lankan Airlines represented by Ace Aviation Services Maldives (Pvt) Ltd., in the Republic of Maldives, became the leading transshipment cargo carrier from the airport of Male'.
- » Aitken Spence Logistics, invested in a state-of-the-art brand new 180-ton capacity multi axle trailer, filling a long-awaited need in handling and transporting heavy over dimensional cargo in the logistics industry.

Value to Stakeholders





volume customers and focusing on value added services. The courier segment was able to record significant improvements in performance during the year but is yet to break-even. Market growth has been stagnant leading to greater competition and eroding margins. Qatar GSA (Cargo) although negatively impacted at the beginning of the year by the Easter Sunday terrorist attacks, came back strongly by operating cargo freighters on demand, that made it possible to sustain 20% of the market share even though the segment reported a decline in profits over the previous year.

Increase in TEU's handled, additional cruise passengers and casual callers and trading of lubricants contributed to an improved performance of the shipping agency segment. Port management services in Fiji had an overall positive performance although a slowdown of the Fiji economic growth saw a corresponding dip in import and export volumes. However, larger ships coming into the Fiji ports contributed positively to profitability. The lockdown in Fiji due to COVID-19 that impacted its port operations led to a decrease in revenue and profitability from March 2020.

Offering additional courses coupled with an increased number of students, CINEC revenues and profits increased by 27% and 50% respectively. Demand for courses was high during the year, with CINEC also introducing new courses in the fields of health science, management and social sciences.

Total assets of the sector amounted to Rs. 13.1 billion with investments of Rs. 125.0 million during the year. Total liabilities amounted to Rs. 6.5 billion. Gearing remained at moderate levels with net finance costs increasing by 50.9% during the year.

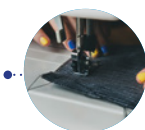
The broad presence across the full spectrum of maritime services and the cohesive operation of the various segments drives significant Group synergies, facilitating operational excellence in all key aspects of maritime operations. Integration of sustainability in key aspects of operations supports significant operational efficiencies and a strong record for compliance and safety. Attention to detail and the behavioural changes required to drive change in the right direction will undoubtedly stand the sector in good stead as it moves to re-energise growth and recover from the economic and social impacts of COVID-19.



STRATEGIC INVESTMENTS

A diverse cluster of investments in economically significant areas make up this sector encompassing plantations, printing and packaging, power generation and apparel manufacture. Positioned as leaders in the country's industry sectors with a smart strategy firmly rooted in sustainability, these key players are in a growth phase to drive change within their respective spheres and to broaden their horizons. The Strategic Investments sector recorded a pre tax profit of Rs. 1.7 billion contributing 39.6% to the Group's profits before tax.

Apparel Manufacture



Plantations



Power Generation



Printing and Packaging





STRATEGIC INVESTMENTS

KEY STAKEHOLDERS

Feedback received from stakeholders, is a key deciding factor to identify operational priorities.



8,075
Employees



Rs. 302.4 Mn
Taxes paid
to the Government



2,500+
Suppliers



6,000+
community
members reached

INDUSTRY BENCHMARKS



ISO 14001 for
environmental management



ISO 9001 for quality



OHSAS 18001 for OHS



ISO 22000 for food safety



SDGS THE SECTOR ALIGNS WITH



RELEVANCE TO GROUP



34.6%
of Group Revenue



37.4%
of Group Profit from operation



31.3%
of Group Assets



22.1%
of Manufactured Capital



58.7%
of the Employees



10.3%
of the Water Consumption



23.0%
of the Total Energy
Consumption in the Group

Our Presence

The Strategic Investments sector reflects the Group's commitment to providing investment solutions aligned to the country's development goals, leveraging our expertise and considerable investment capacity. Typically, these investments require specialized skills and knowledge and are capital intensive in nature.

Elpitiya Plantations, acquired in 1997 is one of the most profitable regional plantations companies in the country due to its successfully implemented strategy of transforming from a commodity oriented business model to one that gives the company greater control of its operations thus optimizing its resources while also indirectly nurturing a community of over 10,000 people.

Its three pronged management strategy combines a strong agriculture and processing strategy focusing on the core business, coupled with the "Design 2020" strategy covering both leadership development and economic and social value creation, thus moving to new businesses such as cinnamon value creation, berry cultivation, renewable energy and entertainment business relating to a theme park. Embracing all these areas is the company's sustainability strategy focusing on the Sustainable Development Goals (SDGs) that are relevant to the business. This will lead to a complete corporate transformation and a new vision for the future.

The power generation segment is a leading player in the sector with a reputation for investing in pioneering technologies to support Sri Lanka's demand for energy. Its diverse portfolio includes investments in hydro, wind, thermal and waste to energy, having pioneered the latter two technologies in Sri Lanka.

The printing and packaging segment is one of the premier operators of the industry with a rich heritage in printing services that spans over 60 years. The segment caters to the

Plantations

- » Elpitiya Plantations owns 13 estates and 18 factories in low, mid and high elevations, all managed ethically in line with global benchmarks and best practices
- » Cultivation and manufacture of tea, rubber, oil palm and other crops
- » Investments in mini hydro power, leisure and nature tourism
- » Proposed joint venture with SIM Leisure Group to develop and construct an adventure theme park

Power

- » Operates thermal, hydro and wind power plants which contribute power to the national grid.
- » 100 MW Thermal power capacity
- » 2.5 MW Hydro power capacity
- » 3 MW Wind power capacity
- » The construction of the first ever waste to energy power plant in Sri Lanka is expected to commence operations in 2020/2021

needs of a variety of strong global and local brands. The Group's dedication to producing printed materials in an environmentally friendly facility resulted in the first purpose-built LEED Gold Certified Printing complex in South East Asia. The segment is continuously striving to find sustainable resources, more efficient technology, new processes and procedures and takes part in a variety of environmental initiatives in order to promote and support sustainability in the printing industry in partnership with its suppliers, customers, and employees. In the beginning of 2019, the segment ventured overseas investing in a joint venture to take over the printing and stationery department of the Government of Fiji. Most of the financial year 2019-2020 was taken for the refurbishment, installation of new machinery and extensive

Printing & Packaging

- » Leading printer providing innovative and high quality solutions in a carbon neutral, LEED certified, green printing facility; the first of its kind in South East Asia
- » Comprehensive portfolio encompassing packaging, books and magazine publications, tags and labels and seasonal products
- » Digital and offset printing facilities
- » The joint venture in Fiji is in the final stage of upgrading its facilities and training of staff

Apparel Manufacture

- » Comprises three companies engaging in the manufacture of children's and men's apparel for global brands in the USA and UK
- » Ethically and sustainably managed manufacturing processes following global benchmarks
- » Operating since 1977 with a reputation for on-time delivery, high quality and compliance

training of the staff, with the factory being ready at present for full scale operation.

The apparel segment has a strong reputation nurtured over four decades as an environmentally and socially responsible manufacturer of high-quality garments with a sound track record for on-time delivery.

STRATEGIC INVESTMENTS

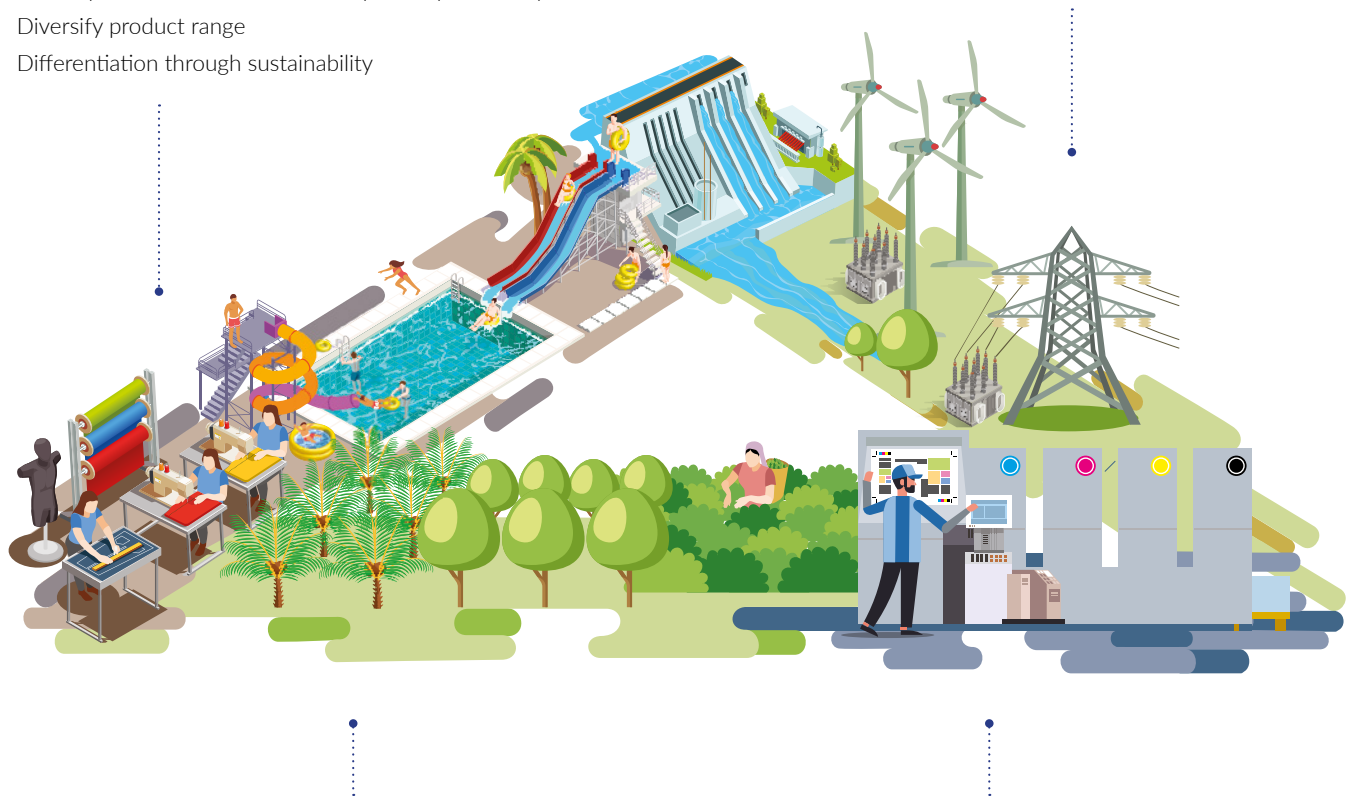
STRATEGY

APPAREL MANUFACTURE

- » New customer acquisition through targeted marketing
- » Drive operational efficiencies for improved profitability
- » Diversify product range
- » Differentiation through sustainability

POWER GENERATION

- » Investment solutions in power sector for sustainable power generation and cleaner production practices
- » Implementation of the first waste to energy plant in Sri Lanka



PLANTATIONS

- » Agriculture and processing strategy (Core Strategy)
- » Design 2020 strategy (Transformation Strategy)
- » Sustainability Strategy

PRINTING & PACKAGING

- » Focused growth of Fiji operations
- » Maintain leadership of Sri Lankan market
- » Differentiation through sustainable printing processes

Operating Context

Plantations

Key Drivers	2019	2018	% Change
Production Kg Mn			
- Tea	300.1	303.9	-1.3
- Rubber	74.8	82.6	-9.5
Prices average Rs/kg			
- Tea	546.67	581.58	-6
- Rubber	288.51	281.36	2.5
Cost of production average Rs/kg			
- Tea	483.79	475.29	1.8
- Rubber	210.0	205.0	2.4

Tea prices declined for the second consecutive year mainly due to wage negotiations and dry weather in the first half of the year followed by heavy rains. It is noteworthy that tea auctions have been automated in April 2020 and are continuing during the lockdown, reflecting some gains due to demand growth while the immunity building properties of tea auguring well for prospects if actively promoted. Cost of production increased due to the bi-annual wage increase through collective agreement. Global market conditions are likely to create lucrative opportunities for sustainable oil palm producers in Sri Lanka.

Rubber prices continued a downward trend as demand was low due to the global economic slowdown. Production declined to the lowest level in history due to the combined effect of rainy days and abandonment of tapping due to low prices. Palm oil prices declined during the year while expansion also was restricted due to a ban on new planting of this key import substitution crop. The industrywide wage increase of 40% in 2018 and alternate drought and heavy rain impacted overall growth of the sector.

Apparel

Key Drivers	2019	2018	% Change
Exports (US\$ Mn)	5,205.5	4,960.8	5.1
- US	2,338.0	2,269.0	3.31
- EU	2,215.3	2,053.0	5.0
- Other	714.0	639.0	11.6
- Capacity utilisation in wearing apparel industry	83%	84%	1.0

The apparel sector in Sri Lanka grew during 2019 despite the slowdown in global manufacturing, competing as an ethical and innovative destination for apparel sourcing reinforced by the use of advanced technology and certifications. However, the industry has been crippled by the COVID-19 pandemic due to social distancing protocols resulting in mall closures in key markets, leading to cancellation of orders. A few players have switched to manufacturing personal protective equipment to cater to the current acute shortage of these items for use in domestic and overseas markets.

Market capitalisation of global fashion brands declined more steeply than the stock markets as a result of the pandemic reflecting the vulnerability of fashion due to its discretionary nature. McKinsey forecasts a 20%-30% contraction of global fashion revenues in 2020 and a growth of 2-4% in 2021. The same report forecasts financial distress and bankruptcies in the next 12-18 months for many of these companies. Supply chain impacts are expected to be severe as demand remains subdued. The industry is expected to transform significantly once the dust settles.

STRATEGIC INVESTMENTS

Power Generation

Key Drivers	2019	2018	% Change
Installed Capacity of Private Companies (MW)			
- Hydro	406	394	3.0
- Fuel oil	628	533	17.8
- Other	226	217	4.1
Electricity Generated by Private Companies (GWh)			
- Hydro	1,011	1,232	(18)
- Fuel oil	2,875	1,740	65.2
- Other	707	510	38.6

The number of consumers increased from 6.354 Mn to 6.501 Mn while the sales by CEB increased by 3.7%. Power generation increased by 3.8% to 15,879 GWh in 2019 with private power producers accounting for 28.9% of total generation, an increase from 22.7% in 2018. Hydro power generation accounted for 30% reflecting a decline of 11.7% compared to 2018 due to decreased rainfall in the catchment areas. Consequently, fuel oil and coal-based power generation accounted for an increased share of 32% and 34% respectively.

CEB's Least Cost Long-Term Generation Expansion Plan (LCLTGEP) covering the period from 2020 to 2039 proposes an energy mix to be achieved comprising 30% natural gas, 30% coal power, 25% large hydro and 15% from both other renewable energy sources and furnace oil. A project pipeline of over 900MW reflects the urgency of the investments required for this sector to meet the growing demands for electricity in the country.

Printing

Key Drivers	2019	2018	% Change
Gross National Income from manufacture of paper products, printing and reproduction of media products (Rs. Mn)	63,176	54,631	15.6
Printing & reproduction of recorded media			
- Capacity utilization (%)	92	96	(4)
- Index of Industrial Production	102.9	106.5	(3.5)
Import of paper & paperboards (US\$ Mn)	457	529	(15.7)

The printing sector reflected dampened growth for the second consecutive year as demand decreased due to subdued economic conditions exacerbated by the Easter Sunday terror attacks. Rapid technological advances and demand for increasingly higher quality of output was at variance with intense price competition due to overcrowding in the industry.



The demand for printing and packaging is a derived demand. Demand from the fashion industry and other non-essential industries are expected to decline significantly exerting pressure on margins as these industries' requirement was in high end products. Demand from essential industries is also likely to be affected by manufacturing and supply chain disruptions. The rise of e-commerce in a post COVID-19 world may point to growth potential and these opportunities need to be pursued aggressively to build top lines amongst the players.

Source: Central Bank of Sri Lanka Annual Report unless otherwise stated

Managing Our Capitals

Capital Description & Relevance		What we did	Impact
 Manufactured Capital	<ul style="list-style-type: none">» 18 tea and rubber factories» Printing facility with digital and offset technologies» Thermal, wind and hydro power plants» 2 apparel factories in Mathugama and Koggala	<ul style="list-style-type: none">» Factory mechanisation» Installation of solar panels on factory roofs» Construction of a 10 MW waste to energy power plant which would commence operations in the second quarter of 2020/2021	<ul style="list-style-type: none">» Improve profitability» Increase in power generation with the diversification of sources of energy
 Social & Relationship Capital	<ul style="list-style-type: none">» Government is a key partner as the golden shareholder and lessor of plantations, the sole purchaser of power and issuer of licenses for the power sector» Customers in this segment include overseas buyers, multinationals operating in Sri Lanka, local corporates and SMEs» Business partners include JV partners, brokers who support tea and rubber auctions and local and overseas suppliers» The communities of this segment form a significant component of the workforce for plantations and apparel segments.	<ul style="list-style-type: none">» Continuous engagement with key stakeholders to balance stakeholder interests» Structured relationship management to increase share of business from customers» Regular meetings to obtain/provide feedback» Supplier assessments for principal suppliers» Investments made towards improving quality of life for resident workers in the plantation segment	<ul style="list-style-type: none">» Orders from new customers supported capacity utilization in the wake of dropped orders» Developed new product lines with customers supporting margins» Diversity of products and services» Sustainable, ethically manufactured products for customers» Improved quality of life for employees» Income generation for local communities
 Human Capital	<ul style="list-style-type: none">» 8,075 total number of employees» 7,873 permanent employees» 202 contract workers» 59.4% female representation	<ul style="list-style-type: none">» Continuous training and development of employees to drive productivity and satisfaction» Provided P.A.C.E. (Personal Advancement & Career Enhancement) training for women working in the apparel segment» Investments made towards implementing OHS procedures for employee health and welfare» Creche facilities provided to female workers in the plantation segment	<ul style="list-style-type: none">» Commitment from all teams to improve productivity to maximise earnings despite significant business interruptions during the year» Improved working environment for employees» Over 60% of the non-managerial employees and over 20% of the senior management is from the local community
 Intellectual Capital	<ul style="list-style-type: none">» Comprises licenses to operate, certifications, software, systems and processes, tacit knowledge	<ul style="list-style-type: none">» Modernisation/streamlining of processes in all factories» Renewed certifications to differentiate and gain access to markets» First in the printing industry to move into green printing and the first Sri Lankan company to move into waste to energy power generation	<ul style="list-style-type: none">» Enhanced productivity» Influencing innovation and sustainability in the industry and the region

STRATEGIC INVESTMENTS

Capital Description & Relevance		What we did	Impact
 Financial Capital	<ul style="list-style-type: none"> » Rs. 15.8 billion in equity » Rs. 20.0 billion in debt 	<ul style="list-style-type: none"> » Invested Rs. 6.0 billion in manufactured capital 	<ul style="list-style-type: none"> » Revenue Rs. 20.1 billion » Profit after tax Rs. 1.4 billion
	 Natural Capital	<ul style="list-style-type: none"> » Over 8000 hectares of land » Operational sites located near areas rich in biodiversity, endemic fauna and flora and natural beauty » During the tree planting campaign held in the Embilipitiya power plant, 1,300 Kumbuk, Mee, Jack tree and Magul Karanda were planted » Over 8,000 hectares of land surveyed for biodiversity » Planting of: <ul style="list-style-type: none"> » 22.7 acres of tea » 44.7 acres of cinnamon » International benchmarks followed to protect natural ecosystems (E.g. Rainforest Alliance, ISO 14001 certifications) » Implementation of rainwater harvesting and soil quality enrichment programmes » Solar panels implemented at over 80% of the factories in plantations segment 	<ul style="list-style-type: none"> » Biodiversity and ecosystems protected » 23.0% of the direct energy consumption within the sector sourced from renewable energy sources » Year on year increase in solar power generation during the last 5 years » 36,722.6 m3 effluents safely disposed to protect water systems » 5,611.9 tonnes and 7 units of waste kept away from landfills » Over 600 tonnes of solid waste will be kept away from landfills with the commencement of the waste to energy project

Sector Performance

		2019/2020	2018/2019	Change (%)
Financial	Revenue (Rs. million)	20,133.4	17,613.0	14.3
	Profit before tax (Rs. million)	1,661.8	1,791.6	(7.2)
	Profit after tax (Rs. million)	1,380.6	1,688.9	(18.3)
	Total Assets (Rs. million)	44,288.8	37,560.2	17.9
	Total Liabilities (Rs. million)	28,453.5	23,549.1	20.8
Economic	New jobs created	3	10	(70.0)
	Taxes paid (Rs. million)	302.4	369.5	(18.2)
	Employee benefits (Rs. million)	2,066.7	2,028.3	1.9
	Foreign currency generated to the country (Rs. Billion)	4.3	4.5	(3.8)
Social	Number of employees	8,075	8,235	(1.9)
	Female representation as percentage	59.4	60.2	(1.3)
	Investment in training (Rs. '000)	4,459.8	6,063.0	(26.4)
	Number of joint venture partnerships	6	6	-
	Training hours	10,050	22,340	(55.0)
	Funds channelled for community development (Rs. Mn)	118.6	114.7	3.4
Environmental	Total energy consumption (GJ)	212,963	232,730	(8.5)
	Total energy consumed from non-renewable sources and indirect energy	51,302	59,402	(13.6)
	Total energy consumed from renewable sources	161,660	173,328	(6.7)
	Scope 1 emissions (tonnesCO2e)	315,569	254,490	24.0
	Scope 2 emissions (tonnesCO2e)	6,522	7,131	(8.5)
	Emissions offset or reduced (tonnesCO2e)	24,523	26,577	(7.7)
	Total water withdrawn (m3)	136,879	117,962	16.0
	Amount of waste water treated for reuse or safe disposal (m3)	36,772.6	45,514.0	(19.2)
	Total amount of solid waste kept away from landfills (Tonnes)			
	(tonnes)	5,611.9	5,322.0	5.4
	(Nos)	7.0	5,762.0	(99.9)
	(Litres waste oil)	527,396	509,116	3.6%
	Total investment in sustainability driven processes (Rs. Mn)	44.5	131.0	(66.0)

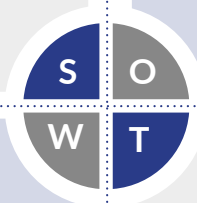
STRATEGIC INVESTMENTS

STRENGTHS

- » Manufacturing infrastructure and land which can be adapted for various purposes
- » Portfolio diversification within business segments in the sector
- » Management capability and operational efficiencies
- » Long standing relationships with key stakeholders
- » High levels of social and environmental sustainability integration and certification within the business segments
- » Strength and reputation of Aitken Spence PLC

OPPORTUNITIES

- » Many of these segments are of national interest and will gain support to ensure liquidity, livelihoods and foreign exchange earnings
- » Leverage expertise for offshore growth
- » Further diversification of product portfolios within business segments



- » Relatively high operational costs in all four segments of business
- » Need to constantly upgrade technology in the printing segment
- » Dependence on climate for plantations and power segments
- » Inconsistency in policy changes
- » Cash flow constraints in all four business segments

WEAKNESSES

- » COVID-19 effects on printing and apparel business segments are likely to result in significant contraction of volumes and revenues
- » Potential disruption of supply chains during and post COVID-19
- » Request for wage increases in plantations can reduce the competitiveness of Sri Lankan tea in the world market
- » Global warming and impacts of climate change

THREATS

OUR SUSTAINABILITY PRIORITIES

- | | | | |
|-------------------------|--------------------------|-----------------------------|-----------------------|
| » Compliance and ethics | » Energy consumption | » OHS | » Labour standards |
| » Economic performance | » Emission management | » Biodiversity conservation | » Effluent management |
| » Quality | » Solid waste management | » Water consumption | |

OUR CONTRIBUTIONS TO SDGs



TARGETS 4.3, 4.4, 4.6, & 4.7

Creating new avenues for employment through education in specific skills in diverse industries

Over 400 students receiving support for education

Creche facilities implemented in all estates

Nearly 100 students educated on green manufacturing practices through factory tours in 2019/20



TARGETS 12.2, 12.5, 12.6, 12.8 & 12B

Influencing circular economy through our commitment to practice the 7R principle.

Over 600 tonnes of solid waste will be kept away from landfills with the commencement of the waste to energy project

5,611.9 tonnes and 7 units of waste resources safely disposed or repurposed



TARGETS 5.1, 5.5 & 5B

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

59.4 % female representation in the workforce

Easy access to creche facilities, medical services, education, financial literacy, financial and other support services provided to enable working mothers to continue being in the workforce.



TARGETS 9.1, 9.4, 6.3, & 6.4

Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability.

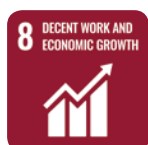


LEED certified, carbon neutral printing facility

Agreement signed to bring an adventure park to the Southern province to increase economic opportunities for the local community and country

14,682 m³ rainwater harvested

36,772.6 m³ waste water treated for safe disposal



TARGETS: 8.4, 8.5, 8.6, 8.8, 8.9, & 8.10

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

47 management systems implemented to ensure OHS and social welfare with 21 certified management systems



TARGETS 7.2, 7.3, 13.1, & 13.3



Combat climate change and its impacts by controlling adverse impacts on the environment and enhancing positive influence through institutionalised, strategic action.

Developing infrastructure and upgrading existing facilities to generate renewable energy

24,523 tonnes CO₂ emissions offset or reduced

89% of the direct energy consumed from renewable sources

over 80% of the factory roofs utilized to install solar panels in plantation segment

Over 300% increase in the renewable energy generated compared to five years ago



TARGETS 15.2 & 15.5

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

Over 8,000 hectares of land surveyed for biodiversity

50% cultivated land area to be converted to compost fertilizer within the next 2 years

STRATEGIC INVESTMENTS

Performance

The Strategic Investments sector represents considerable growth opportunities for the Group as it has significant manufactured capital, land and a passionate team who are eager to seize opportunities in their spheres. The power generation segment is set to commence commercial operations of the country's first ever waste to energy power plant during the second quarter of the financial year 2020/2021. The establishment of the joint venture with Fiji Holdings to acquire the operations of the Fijian Government's printing and stationery business serve as testimony to the pioneering spirit of this diversified sector. Aggressive crop diversification and moving into non-agriculture businesses by the plantation segment and the expansion and improvement in efficiencies of the apparel segment within significant limitations reinforces this claim.

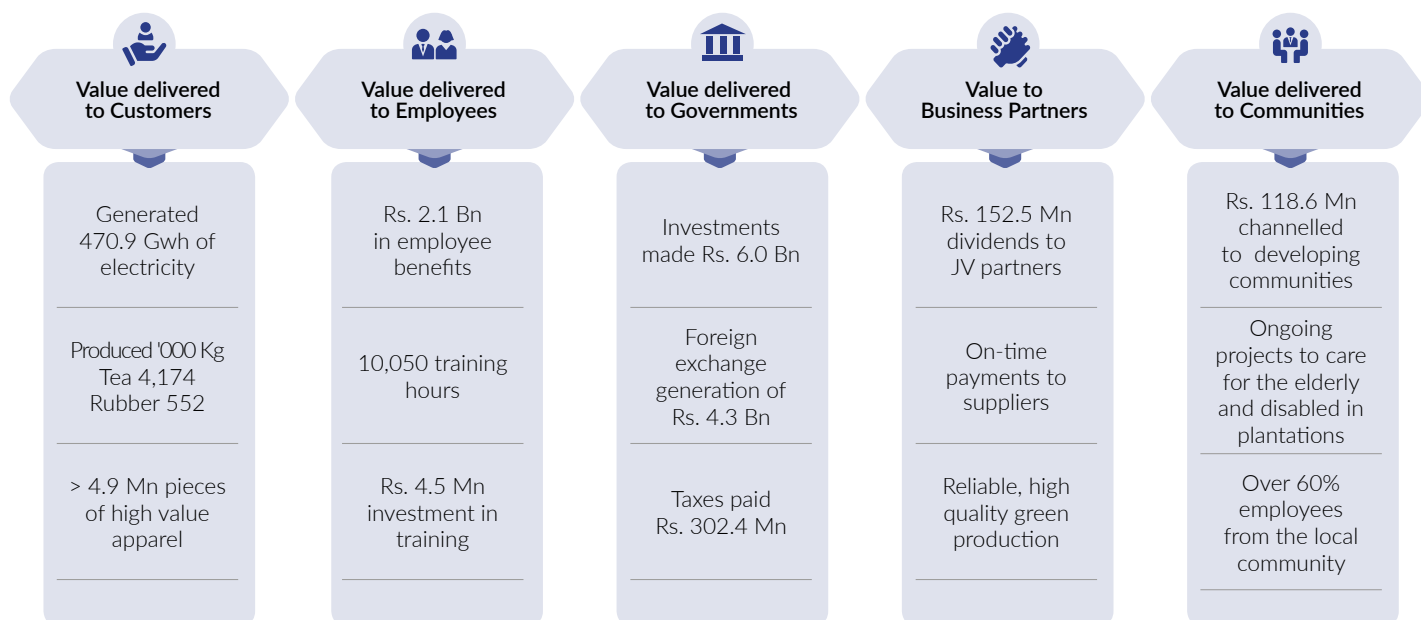
The sector recorded a revenue of Rs. 20.1 billion for the year under review. The power generation, plantation and apparel manufacture segments contributed positively

to the operating profits of the Strategic Investments sector with the profit after tax declining by 18.3% to Rs. 1.4 billion during the year. Lower profitability of the power generation segment is due to the higher number of overhauls required by the thermal power plant and lower hydro power generation due to effects of a drought in the first half of the year. Plantation segment's profitability woes are attributable to decline in net sales averages for rubber and oil palm as the business segment made commendable efforts to reduce the cost of production across all crops and increased revenues of non-agricultural income despite the wage increase. The apparel segment also made significant progress in improving efficiencies and reducing rejects while simultaneously moving to higher quality products. Two black swan events in one year combined with intense price competition resulted in lower margins and an operating loss for the printing segment.

SECTOR HIGHLIGHTS

- » The first ever waste to energy project in Sri Lanka is nearing completion and is expected to commence operations in the second quarter of 2020/2021. The project will recycle solid waste within the Colombo Municipal Area to generate 10 MW of power
- » Elpitiya Plantations PLC entered a memorandum of understanding (MoU) with Sim Leisure Group Ltd, a leading theme park developer and operator based in Penang, Malaysia to construct and operate a world-class ESCAPE branded theme park to be opened in the Galle district.
- » Aitken Spence Printing renewed its ISO 14064-1 certification for greenhouse gas (GHG) emission quantification, reporting and verification for the third year running reaffirming their commitment to quality and continuous improvement.
- » Aitken Spence Apparels expanded its business line to produce ladies fashion wear to penetrate the more lucrative global market.

Value to Stakeholders





Finance costs increased during the year resulting in a lower profit before tax of Rs. 1.7 billion for the Strategic Investments sector.

This sector integrates a wide range of sustainability issues into strategy as they are key differentiators for the business segments. It is also vulnerable to climate change impacts as both plantations and power subsector outputs are directly affected. High levels of awareness within the segments are driven by social and environmental certifications affirming compliance with international best practice. The businesses go well beyond regulatory and even voluntary certification requirements, aspiring to lead their respective industries in sustainability. It is noteworthy that several initiatives for improving the top line and the bottom line in this sector were rooted in sustainability driven innovations, centred around principles such as employee well-being, renewable energy, responsible consumption and minimizing waste. The varied scale of operations within this sector is perhaps a clue to its passion for sustainable growth as each business segment has a portfolio with projects that vary significantly in size and complexity, reflecting the detail in strategy formulation, the many paths explored, and choices made.



SERVICES

The sector consists of operations in money transfer services, elevator agency, insurance consultancy services and property management. The Group's Services sector is geared to offer specialised support towards the achievement of the country's economic growth objectives. Our partnerships with world renowned principals and service excellence led the sector to deliver revenue of Rs. 1.8 billion and profit before tax of Rs. 297.8 million.

Money Transfer Services



Elevator Agency



Insurance



Property Management





Aitken Spence

315

SERVICES

KEY STAKEHOLDERS

Feedback received from stakeholders, is a key deciding factor to identify operational priorities.



288
Employees



8+
Connected to
Global Partners



1,200+
suppliers



Rs. 141.1 Mn
Taxes paid
to the Government

INDUSTRY BENCHMARKS



ISO 9001 for
quality



Guided by ISO 14001 for
environmental management



Guided by OHSAS 18001 for occupational
health and safety

SDGS THE SECTOR ALIGNS WITH



RELEVANCE TO GROUP



3.1%
of Group Revenue



4.9%
of Group Profit from operation



3.1%
of Group Assets



3.8%
of Manufactured Capital



2.1%
of the Employees



2.7%
of the Water Consumption



1.2%
of the Total Energy
Consumption in the Group

Our Presence

Catering to niche markets, through the services sector we represent global franchises in money transfer services, elevator agency and insurance consultancy services. Our property management segment which owns and manages Aitken Spence Towers, is also a segment contributing to this sector.

Segments in this sector focus on several key areas that support Sri Lanka's long-term economic growth. The elevator segment is interlinked with the construction industry, a vital component of national GDP. Money transfer services facilitate inward remittances, the second largest source of foreign exchange to the country.

In money transfer services we represent Western Union in Sri Lanka, a relationship we have fostered since the inception of the segment and we look forward to signing up with a few other significant global operators in the very near future.

We are the sole distributor for OTIS, the world-renowned manufacturer of elevators and escalators, in both Sri Lanka and Maldives. OTIS elevators have a reputation for its unparalleled safety record and green features. Our relationship with OTIS spans over 30 years and commenced with the inception of the segment. OTIS elevators has emerged as the second largest player in the elevator market in Sri Lanka.

The insurance sector provides marine and survey claim settlement services for prestigious principals such as Lloyds, W K Websters and other global/regional leaders in the insurance industry. Our relationship with Lloyds spans more than 100 years, the longest standing partnership within the Group. We also provide services such as insurance brokerage, risk management and various consultancy services relating to insurance.

Our property management segment owns and manages over 195,000 square feet of office space at Aitken Spence Towers in Vauxhall Street, Colombo. Located in the heart of the commercial capital in the country with ease of access, in built state-of-the-art technological features and an up-to-date building management system, it is one of the most sought out commercial spaces in Colombo.

All business segments in the services sector operate on a relatively low manufactured capital model with the sectors' assets accounting for only 3.1% of the Group assets. The business segments pursue opportunities for growth within their immediate operating environment with the aim of increasing the sector's share of revenue and profit growth.

Money Transfer Services

- » MMBL Money Transfer (Pvt) Ltd is the largest principal representative in Sri Lanka for Western Union money transfer services with over 50% of the market share

Elevator Agency

- » Sole distributor for OTIS elevators and escalators in Sri Lanka and Maldives and the second largest player in the Sri Lankan market

Insurance

- » Agents to Lloyd's of London since 1876 providing survey and claims settlement services in Sri Lanka and the Maldives
- » Marine survey and claims settlement agents for W K Webster's and other global and regional leaders in the insurance industry
- » Offers insurance brokerage, risk management and other ancillary insurance consulting services

Property Management

- » Owns and manages Aitken Spence Towers situated in Vauxhall Street, Colombo



SERVICES

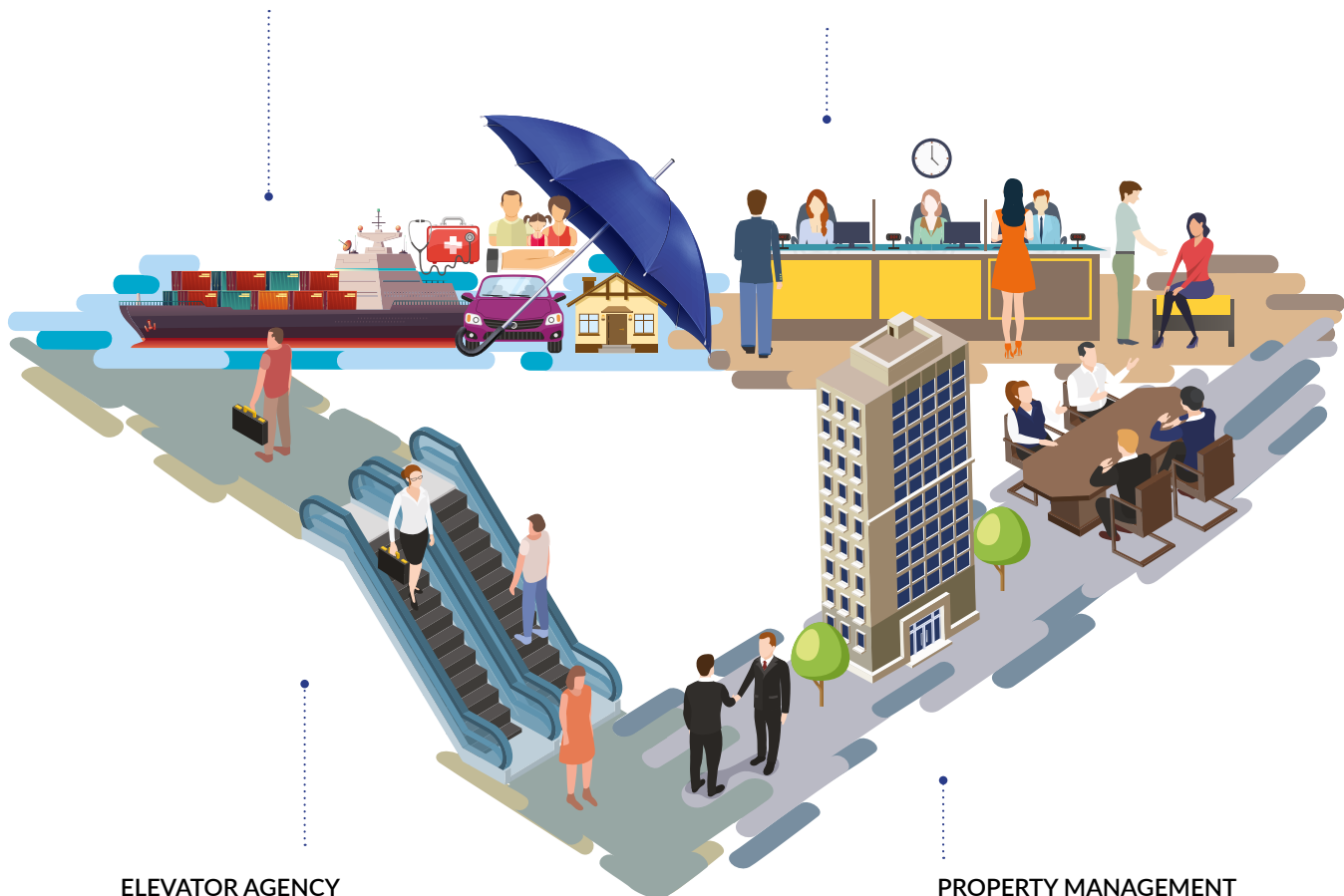
STRATEGY

INSURANCE

- » Consolidate existing business
- » Focus on specialized knowledge
- » Training and capacity building
- » Broad basing operations

MONEY TRANSFER SERVICES

- » Consolidate and increase market penetration
- » Cost controls with a focus on increasing the efficient use of resources
- » Expanding our network with global operators



ELEVATOR AGENCY

- » Focus on stable margins and minimizing risk
- » Revenue growth
- » Market penetration
- » Provision of "greener" solutions to clients
- » Resource maximization and cost management strategy

PROPERTY MANAGEMENT

- » Consolidate existing revenue streams.
- » Cost management while providing top of the range facilities

Operating Context

In 2019, the Services sector of the country contributed 57.4% to the GDP of Sri Lanka which was a growth of 2.3%. The Group's Services sector is in niche segments of the overall services sector and is dependent on the following key drivers for growth.

Inward Money Transfers

Key Drivers	2019	2018	% Change
Inward Remittances			
- US\$ million	6,717	7,015	(4.3)

Workers remittances, the second largest source of foreign exchange to the country, continued to decline similar to the trend observed during the last few years. Lower economic growth seen in Middle Eastern economies amid volatility in international petroleum prices affected some of the key countries where worker remittances are sourced from. In addition, the improvement of employment opportunities available in the domestic labour market contributed to a decline in labour migration for foreign employment. 203,186 persons departed for foreign employment in 2019 which was a 3.9% decline compared to the departures in 2018. A 5.8% drop was witnessed in the number of males securing foreign employment in 2019 while the drop in females securing employment was only a marginal 0.9%.

The impact of COVID-19 during the latter part of the year on countries where remittances originate such as the Middle East, Italy and South Korea too had an adverse impact on overall remittances.

Elevator Agency & Real Estate

Key Drivers	2019	2018
Construction Sector (% of GDP)	6.9	6.8
Construction Sector Growth (%)	4	(2.5)

The construction industry contributed 6.9% to national GDP and grew by 4% after a slowdown in 2018. A pickup in Government construction activities supported the growth. The major construction projects related to Government led infrastructure development as well as the condominium related large scale construction projects resulted in an expansion in the construction sector which increased its value addition to the industrial sector of the country. Several concessions were also given in November 2019 to help boost the industrial sector further. However, the impact of COVID-19 will have spillover effects on the Sri Lankan economy resulting in an adverse impact which would be felt in the construction sector of the country as well in the short term, albeit not in a significant scale.

Insurance






Key Drivers	2019	2018	% Change
Imports (Rs. billion)	3,565	3,607	(1.2)
Exports (Rs. billion)	2,135	1,934	10.4
*FDI (US\$ million)	1,204	2,139	(43.7)


The insurance sector is greatly reliant on external trade and foreign direct investment (FDI) to generate business volumes. Increase in export trade had a positive impact on the sector.

In 2019, the insurance sector's net operational performance in the year depicted a moderate growth although an increase in the sector's overall asset base was witnessed. The insurance sector's gross written premium mainly consisted of motor insurance premiums however in 2019, the highest growth in premiums was recorded from the health insurance sector.

SERVICES

Managing Our Capitals

Capital Description & Relevance		What we did	Impact
 Manufactured Capital	<ul style="list-style-type: none">» Total of 195,784 sq.ft. of commercial office space	<ul style="list-style-type: none">» We conducted safety and environmental inspections through our manual and automated building management systems on a routine basis at Aitken Spence Towers as well as carried out a fire drill.» All entrances are equipped with state-of-the-art security scanners to ensure the safety of the occupants of Aitken Spence Towers.	<ul style="list-style-type: none">» Safety systems and regulatory compliance of Aitken Spence Towers helped to instil confidence in our current and prospective tenants on safety measures and also meet regulatory expectations
 Social & Relationship Capital	<ul style="list-style-type: none">» Agents for leading principals in several different business lines with relationships nurtured over decades» Local agents relating to money transfer services» A service to migrant workers» Subcontractors of the agency business» Relationships with insurance companies and aid agencies» Regulatory authorities and Government	<ul style="list-style-type: none">» Expanded the money transfer operation to 2000+ locations through a network of sub-agents» Conducted financial literacy programs for migrant workers in partnership with the Foreign Employment Bureau» Money transfer services agents were provided training and their efforts rewarded» Promotions and prizes were extended to remittance originators and receivers» New products such as 'direct to bank account' were developed for inward remittances» Appointed as agent for a leading marine and transit claims consulting firm» Subcontractors adherence to stringent safety standards of OTIS» Labour standards and human rights at the workplace strengthened through continuous improvements» Relationships maintained with the immediate community within a 5 to 7 km radius of the corporate head office	<ul style="list-style-type: none">» Consolidation of position as the leading provider of ancillary services to the marine, cargo and hull industry» Higher business volumes reported for marine cargo survey services which relies heavily on the recommendations of overseas principals» Maintaining loyalty of local agents» Building trust with potential customers such as migrant workers» Empowering migrant workers to be financially independent
 Human Capital	<ul style="list-style-type: none">» 288 total number of employees» 228 permanent employees» 60 contract workers» 11.5 % female representation	<ul style="list-style-type: none">» Investment in training Rs. 2.2 million» Employee engagement initiatives	<ul style="list-style-type: none">» Employee turnover of 19%» Average length of employment is 8 years.» 2,485 training hours» 100% reach on sustainability commitments among employees
 Intellectual Capital	<ul style="list-style-type: none">» Tacit knowledge of team» Experience and qualifications of staff» Association with global brands	<ul style="list-style-type: none">» Ongoing compliance with certification requirements	<ul style="list-style-type: none">» Successful audits conducted by principals
 Financial Capital	<ul style="list-style-type: none">» Rs. 3.0 billion equity» Rs. 215.8 million debt	<ul style="list-style-type: none">» Invested Rs. 131.3 million in manufactured capital	<ul style="list-style-type: none">» Revenue of Rs. 1.8 billion» Profit after tax of Rs. 239.2 million

Capital Description & Relevance		What we did	Impact
 Natural Capital	» Environmental management systems maintained	» Management of resource use and generation of waste through the 7R principle	» 5.8% reduction in the consumption of water at the corporate head office
		» Energy efficient products and operational procedures promoted within the sector	» 6.8 tons of paper waste recycled with an overall reduction observed in the generation of paper waste
		» Programmes conducted to increase individual awareness and ownership to support management systems implemented	
		» Waste management suppliers screened for social and environmental compliance	

Sector Performance

		2019/2020	2018/2019	Change (%)
Financial	Revenue (Rs. million)	1,784.7	2,501.8	(28.7)
	Profit before tax (Rs. million)	297.8	268.9	10.8
	Profit after tax (Rs. million)	239.2	196.4	21.8
	Total Assets (Rs. million)	4,443.2	4,745.6	(6.4)
	Total Liabilities (Rs. million)	1,486.9	1,805.9	(17.7)
Economic	New jobs created	38	7	442.9
	Taxes paid (Rs. million)	141.1	167.9	(16.0)
	Employee benefits (Rs. million)	389.4	392.7	(0.9)
	Foreign currency generated to the country (Rs. Billion)	18.1	21.6	(16.2)
Social	Number of employees	288	280	(8.9)
	Female representation as percentage	11.5	11.4	0.9
	Investment in training (Rs. '000)	2,227.0	424.0	425.2
	Training hours	2,485	3,041	(18.3)
	Number of joint venture partnerships	3	3	-
	Number of elevators installed	191	216	(11.6)
	Number of elevators maintained	1,653	1,487	11.2
Environmental	Number of trained team members for OHS, first aid and emergency response	45	47	(4.3)
	Total Energy consumption (GJ)	11,298	11,996	(5.8)
	Scope 1 emissions (tonnes CO2e)	133.2	155.0	(14.1)
	Scope 2 emissions (tonnes CO2e)	1,933.7	2,012.0	(3.9)
	Emissions offset or reduced (tonnes CO2e)	7	9	(22.2)
	Total water used (m3)	35,383.0	34,036.0	4.0
	Total amount of solid waste kept away from landfills (tonnes)	16.2	18.0	(10.0)
	(Units)	94.0	2,022.0	(95.4)

SERVICES

STRENGTHS

Elevators

- » Excellent safety record
- » Installation expertise
- » High rise experience

Money transfer services

- » A widespread retail network
- » Largest market share for Western Union
- » Only non- bank organization for outward remittances

Insurance

- » Partnering with reputed principals
- » Service excellence

OPPORTUNITIES

Elevators

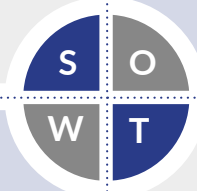
- » Home elevator segment
- » New training centre to provide training in the elevator industry
- » Product expansion to suit different price points

Money transfer services

- » Potential to partner with other global remittance service providers

Insurance

- » Ability to secure new business through our service excellence and partnerships



Elevators

- » The high cost of equipment and spare parts
- » Spare parts for older units are difficult to procure
- » Ageing workforce and challenges in attracting youth to the industry

Money transfer services

- » Greater reliance on cash to cash transactions at present.

Insurance

- » Difficulty in attracting skilled human resources

Elevators

- » Retention of skilled staff
- » Supply chain impacts due to COVID-19
- » Changes in FDI criteria by the Maldives Government

Money transfer services

- » Decreasing volumes of remittances
- » Competition with leading banks
- » Low cost illegal remittance services

Insurance

- » Advancement in storage and transportation which has a detrimental effect on traditional survey and claim settling business
- » Dependence on external trade flows and FDIs to generate business volumes

WEAKNESSES

THREATS

OUR SUSTAINABILITY PRIORITIES

- | | | |
|-------------------------|-----------------------|--------------------------|
| » Compliance and ethics | » Energy consumption | » Labour standards |
| » Economic performance | » Emission management | » Water consumption |
| » Quality | » OHS | » Solid waste management |

OUR CONTRIBUTIONS TO SDGS



TARGETS 4.3, 4.4, 4.6, & 4.7

Creating new avenues for employment through opportunities for vocational training and skills development on the job
2,485 training hours



TARGET 6.4

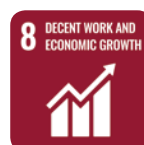
Although the sector's environmental footprint is low, we have conscientiously strived to decrease demand for fresh water by managing consumption effectively.

Total water consumption
35,383 m³



TARGET 9.4

Supplying OTIS elevators to the Sri Lankan and Maldives market, a product that innovates constantly, with features that save energy, reduce industrial waste and require less maintenance.



TARGETS 8.5, 8.6, 8.8 & 8.10

The sector has generated employment opportunities directly and indirectly in Sri Lanka and Maldives. The elevator segment adheres to OTIS international safety standards in the work environment which extends to its subcontractors. Expanded access to financial services through money transfer services segment's island wide network of more than 2000 agents.



TARGETS 12.5 & 12.6

The sector has targeted reducing waste through 7Rs maintained at Aitken Spence Towers towards achieving zero waste dumping to landfill.

Total waste handed over for recycling or reuse;
Tonnes 16.2
Units 94



TARGETS 13.1, & 13.3

Even though the sector is accountable for the lowest proportion of emissions within the Group, all SBUs work towards reducing or offsetting emissions from the operations.

7 tonnes CO₂ emissions reduced and or offset

SERVICES

Sector revenue declined by 28.7%. However due to the improved performance of the insurance segment and stringent cost control measures adopted the profit before tax of the sector increased by 10.8%.

The money transfer services segment, an authorized representative for Western Union in Sri Lanka, having a market share of approximately 53%, had another challenging year. A decline in remittances, competition with leading banks and the unfavourable variations in foreign exchange rates all contributed to a marginal revenue decline in the money transfer services segment. Although transaction volumes decreased, greater process efficiencies and strict containment strategies resulted in the segment recording a profit before tax. In order to increase market penetration, we have used social media marketing and ground level strategies that have a greater targeted penetration to reach high net worth markets as well as operating outward remittance services on site at construction projects.

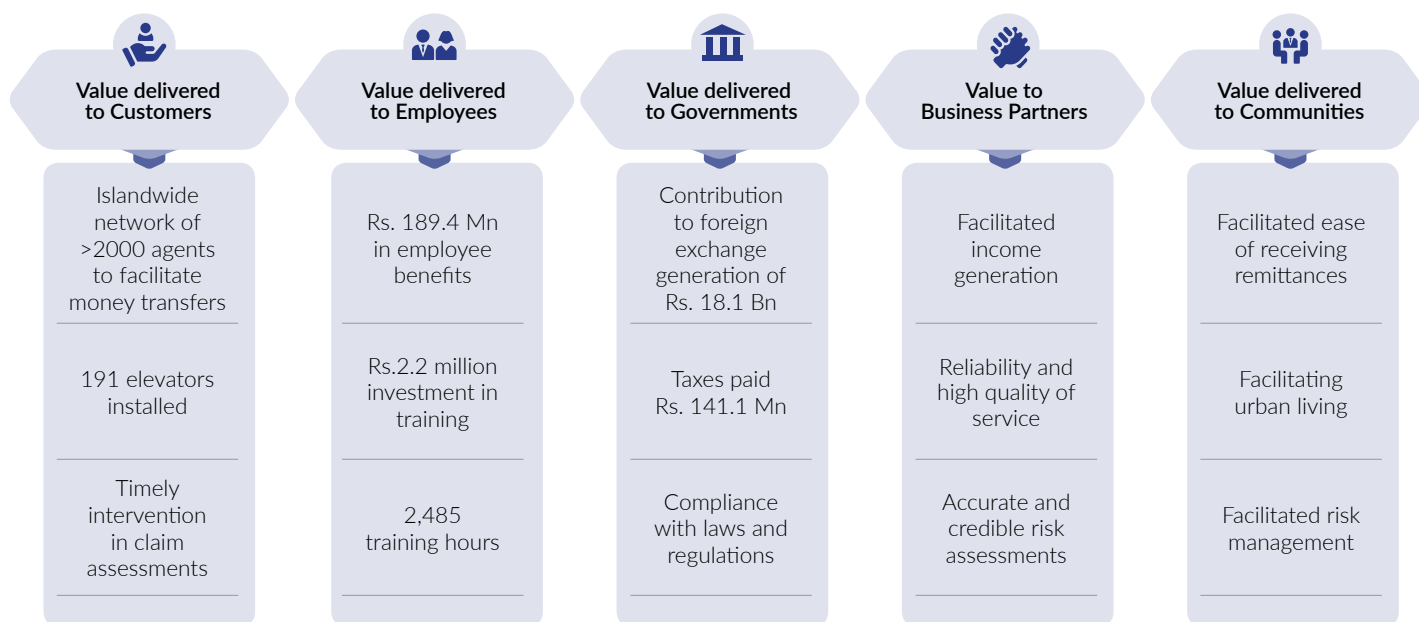
The elevators segment's unprecedented track record of high-quality products and safety standards together with the technical know-how and dedication to superior customer service has enabled the segment to secure its place as a reliable and competent service provider in the industry. During the year, the segment was successful in increasing its order book by 8% that included both Sri Lanka and Maldives. We also secured several major high-value projects such as ITC Colombo One, Trizen Apartments, Prime Grand Residencies, Ekroma Fortune and Damro Showroom, Anuradhapura; a testimony of our services.

Despite the increase in the order book, the elevators segment recorded a decline in revenue of approximately 40% and reported a loss during the year. Higher operational costs and challenges from the external environment such as the Easter Sunday attacks and the COVID-19 pandemic that caused delays in completing several large projects had a negative impact on profits.

SECTOR HIGHLIGHTS

- » Aitken Spence Elevators secured orders to supply and install 206 elevator/escalator units across Sri Lanka and the Maldives
- » Money Transfer Services expanded their outward remittance business with more companies related to construction, steel, restaurants and hotels using the service for their expatriate employees.
- » Aitken Spence Insurance secured the assignment for the survey of the vessel 'Star Angie'. The survey fee received for this assignment was the highest single fee received in the past 5 years.

Value to Stakeholders





The insurance segment had an outstanding year, recording revenue growth of 37.1% and its highest ever profit before tax achieved underpinned by new business generated during the year through relationships with principals and service excellence.

The property management segment reported an increase in revenue and profit before tax of 3.7 % and 9.9% respectively. During the year the segment made significant investments to provide a safe working environment to the tenants occupying Aitken Spence Towers at Vauxhall street subsequent to the Easter Sunday attacks. Safety of the tenants and visitors took precedence with the installation of body scanners and baggage scanners at the corporate office in addition to increasing the security personnel manning the entrances to the office complex.

The segments response to the COVID-19 pandemic was also instantaneous with the necessary safety procedures implemented in March in full compliance with Government measures. All employees and visitors entering the office complex are subject to temperature checks and necessary measures implemented for proper sanitization of the premises.

Total assets and the liabilities of the sector decreased by 6.4% and 17.7% respectively. Finance expenses, which increased by 5.4% during the year were the result of additional financing requirements of the elevators and money transfer segments.

Our long-standing relationships with our principals and industry reputation together with service excellence was key to business continuation and has led to new and strengthened relationships as agents. The nature of services provided by the sector has a low environmental footprint. However, we have continuously strived to reduce our energy consumption levels.

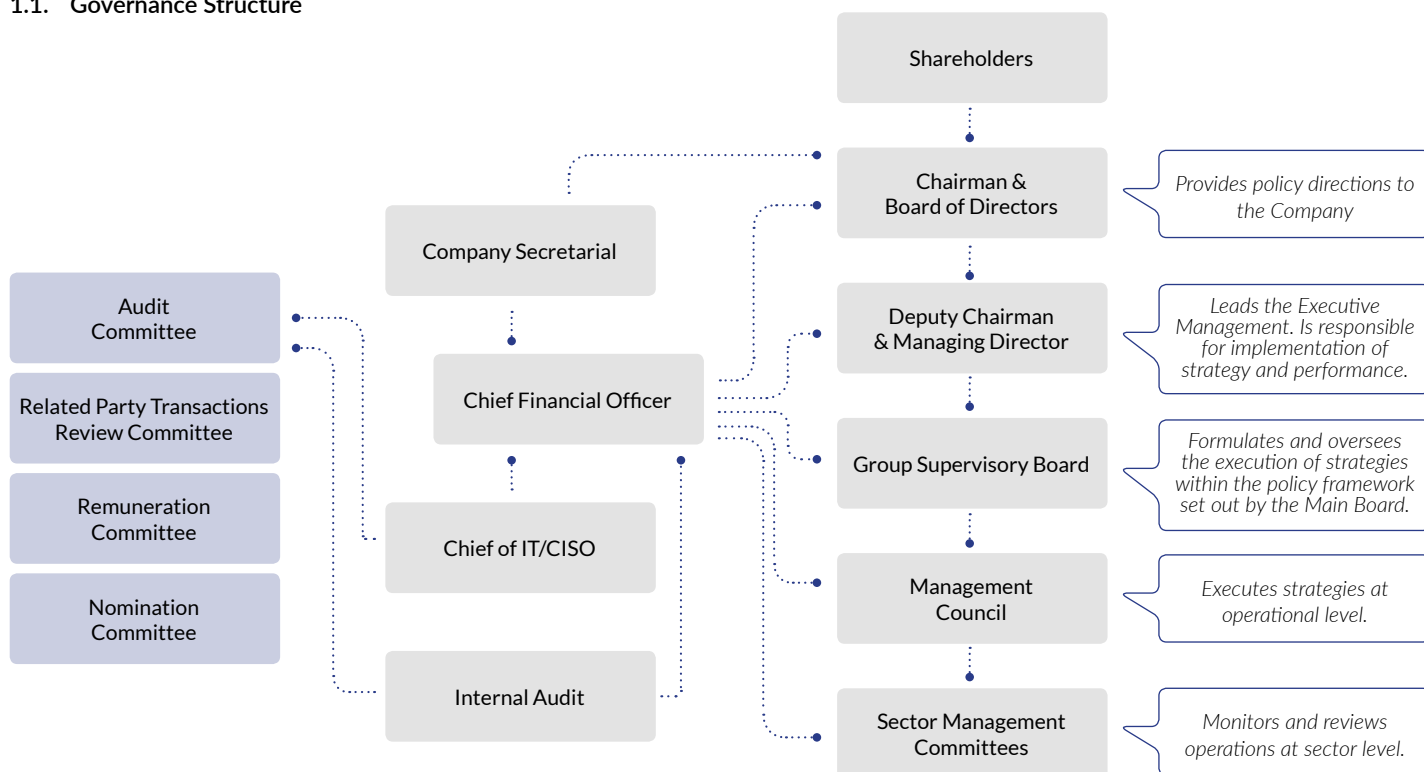
Long standing relationships with partners of global excellence and repute backed by the unparalleled service and expertise provided locally by each segment, that has propelled us to the forefront of each of the markets we serve, has been the cornerstone of the sector's success. As we gear ourselves for the challenges arising from COVID-19 in the coming months; as remittances, exports and construction activity decline, our reputation for excellence, strong relationships with our partners and overall adaptability will undoubtedly be the strengths that will help us navigate these uncertain times.

CORPORATE GOVERNANCE

1. Governance framework and the structure

The Group's vibrant and dynamic Governance framework applied and practiced throughout the year under review is outlined in this report. The framework employed by the Group is structured within the parameters set out by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance (2017) issued jointly by the Securities and Exchange Commission and the Chartered Accountants of Sri Lanka. The aforesaid laws, Listing Rules and the Code provide a comprehensive view of all matters that are relevant for best corporate practices and facilitates reporting of same in a concise and logical manner.

1.1. Governance Structure



1.2. Framework and Policies

External framework and policies	
Mandatory Compliance for the Company	Voluntary Compliance for the Company
<ul style="list-style-type: none"> » Companies Act No.7 of 2007 » Listing Rules of the Colombo Stock Exchange (CSE) » Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended) » Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 » Customs Ordinance No. 17 of 1869 » Foreign Exchange Act No. 12 of 2017 » Laws relating to employment securities and benefits. » Inland Revenue Act No. 24 of 2017 	<ul style="list-style-type: none"> » Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka - 2017 » United Nations Global Compact (UNGC) » Women's Empowerment Principles » Management Systems (Environment & Social) » Integrated Reporting Framework » Global Reporting Initiative Standards » Codes of regulatory authorities, professional institutions and trade associations
Internal framework and policies	
<ul style="list-style-type: none"> » Group Code of Ethics » Articles of Association » Financial Reporting Policies » Human Resources Policies 	<ul style="list-style-type: none"> » Health and Safety Policies » Environmental Policies » Information Technology Policies » Integrated Sustainability Policy and Implementation of Framework

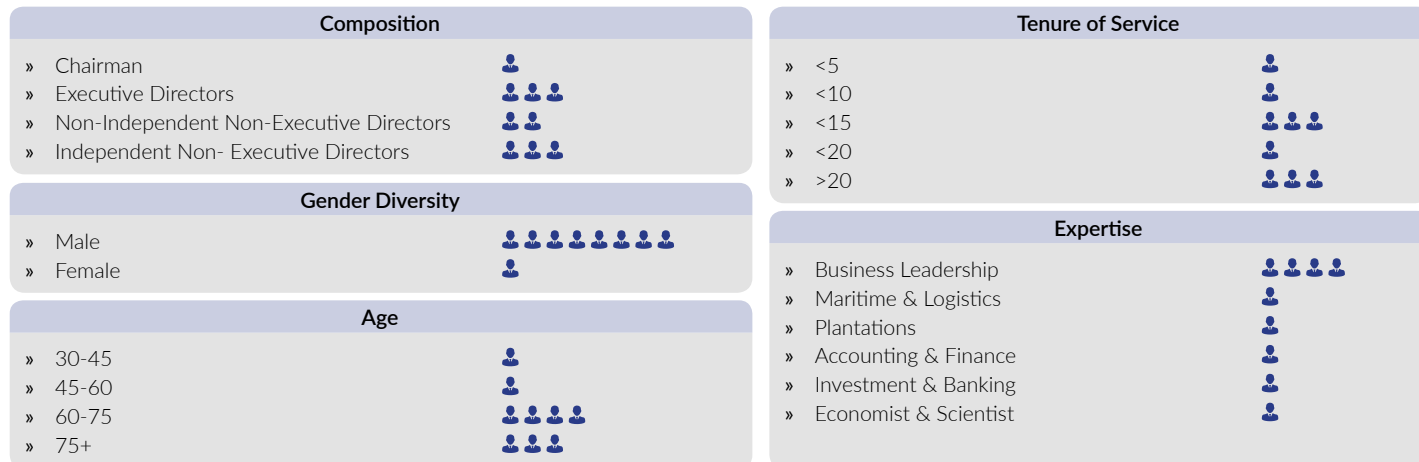
The Board of Directors of the Company bears the overall responsibility for sound governance, requisite transparency, stewardship, performance and accountability towards all stakeholders. Hence the governance framework depicts how the Board has structured the corporate hierarchy in order to discharge the responsibilities and accountabilities bestowed upon itself. These structures and frameworks are periodically reviewed to be kept abreast with the developments in both internal and external best practices which are relevant and focused on the Group's performance.

CORPORATE GOVERNANCE

2. Our Effective Board with Exceptional Leadership

2.1. Composition of the Board

The Board, comprises of nine Directors maintaining a balance of five Non-Executives to four Executive Directors forming 1/3rd of Directors as deemed independent. The diverse experience of the Directors has made them contribute to the Board in varied perspectives. The Board of Aitken Spence has the unique blend of being represented by Directors with experience in various disciplines ranging from business and finance to maritime and investment banking which brings in the acumen needed to navigate the everchanging global landscape.

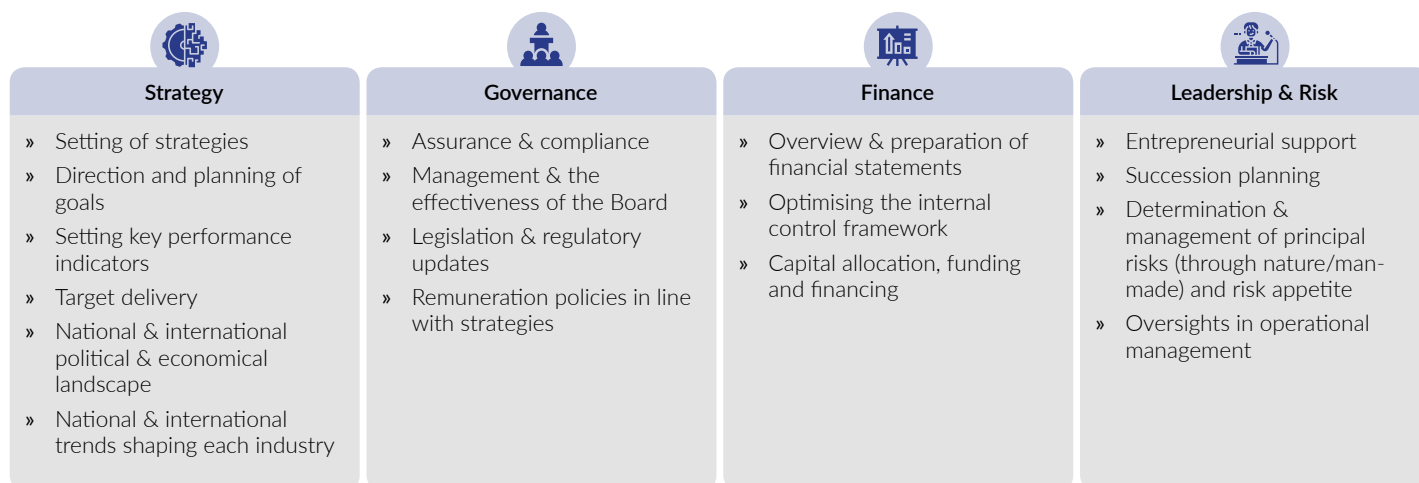


2.2. The role and the responsibilities of the Board

Being responsible for the overall sound governance and implementation of business strategies across the Group, the Board provides entrepreneurial leadership with a framework of prudent and effective controls, and exercises authority in carrying out its duties within the applicable laws and regulations of the country.

The Board is aware of other commitments of its Directors and is satisfied that all Directors work towards the best interest of the Company. Each member allocates sufficient time to fulfil his/her duties. Each Director is expected to inform the Board of any intention of joining boards of any other company outside the Group and any changes in their commitments which may affect or conflict with their duties as Directors of Aitken Spence PLC. In accordance with section 218 of the Companies Act No. 07 of 2007, Directors are indemnified against the liabilities which may arise in respect of the duties they perform within the organisation.

2.3. Key areas of Board focus in 2019/2020



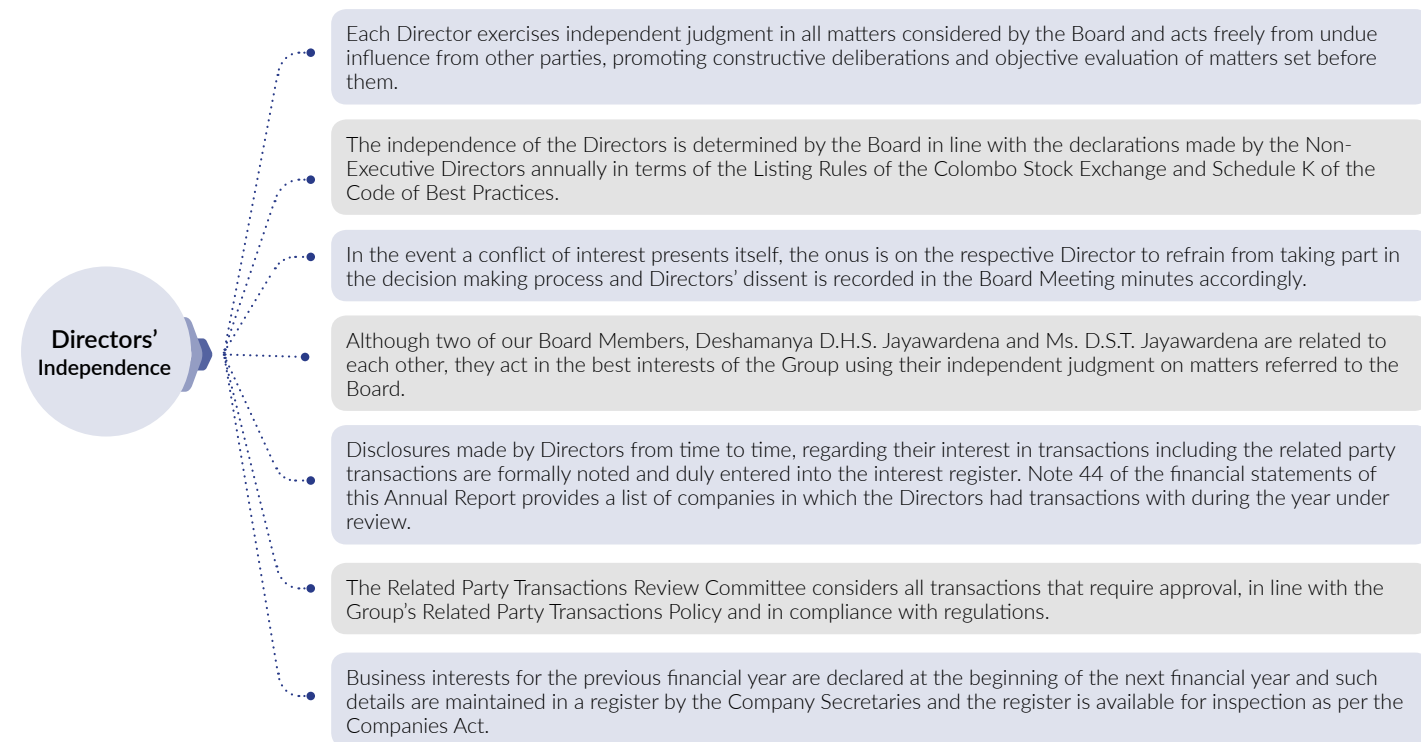
2.4. How the Board creates value through Governance

Key aspects related to value creation	Key Responsibilities	In compliance with
Guiding and maintaining strong financial positions that stimulates sustainable growth of the Group	<ul style="list-style-type: none"> » Setting business strategies and partnerships locally and globally as a diversified Group » Providing direction and guidance to formulate Group business strategy » Approving of annual budgets to meet strategic objectives » Reviewing and approving significant investments, acquisitions and disposals » Being responsible and pro-actively managing the material aspects of the value chain 	<ul style="list-style-type: none"> » Audit Committee recommendations » Risk management structures » Independent External Auditor's recommendations » Financial reporting policies » Accredited quality management systems » Business ethics » Mandatory laws and regulations
Nurturing long-term sustainable stakeholder relationships and exercising accountability	<ul style="list-style-type: none"> » Presenting a balanced assessment of the Company's position and prospects » Recommending appointment and/or removal of the external auditors » Promoting corporate citizenship » Meeting stakeholder obligations, balancing their interests in fair manner » Appointing Management Committees that effectively implement strategies 	<ul style="list-style-type: none"> » Accredited quality management systems » Sustainability reporting » Mandatory laws and regulations » Business ethics » UNGC principles
Delegating management and developing an engaged employee group	<ul style="list-style-type: none"> » Appointing Management Committees that effectively implement strategies » Ensuring succession planning to facilitate the sustainability of the business » Evaluating performance and effecting appointments to Board Sub-Committees » Ensuring effective systems of internal control, risk management, compliance and secure integrity of information and business continuity through delegation 	<ul style="list-style-type: none"> » Group Code of Ethics » Human resources policies » Accredited quality management systems » UNGC principles » Women's empowerment principles » Mandatory laws and regulations
Promoting innovation and positioning of the Aitken Spence brand	<ul style="list-style-type: none"> » Establishing corporate values and creating a competitive edge in our business operations » Promoting corporate citizenship » Sustainable investments » Ethical business behaviours 	<ul style="list-style-type: none"> » Code of Best Practices jointly issued by SEC and CA Sri Lanka » GRI Standards and sustainable reporting » Articles of Association » Mandatory laws and regulations

CORPORATE GOVERNANCE

2.5. Continuing good Governance

(a). Directors' Independence



Independence of Non-Executive Directors

Mr. G.C. Wickremasinghe

Mr. Wickremasinghe has been 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 in 2009, the Board is of the view that Mr. R.N. Asirwatham's period of service, exceeding nine years as a Board member, does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, Mr. R. N. Asirwatham is determined as 'independent' by the Board in terms of the Listing Rules.

(b) Meetings and Minutes

Attendance at Board Meetings

Director		Date of Appointment	Board	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Review Committee
Deshamanya D.H.S. Jayawardena	Chairman	01.04.2000	5	-	1	-	-
Dr. M.P. Dissanayake	EXE	15.03.2019	5	-	-	-	-
Dr. R.M. Fernando	EXE	01.04.2005	5	-	-	-	-
Ms. D.S.T. Jayawardena	EXE	01.12.2013	5	-	-	-	-
Mr. J.M.S. Brito	NED	01.04.2000	5	7*	-	-	4
Mr. G.C. Wickremasinghe	INED	01.04.1972	4	7	1	1	2
Mr. C.H. Gomez	INED	14.05.2002	2	1	-	1	1
Mr. N.J. de S. Deva Aditya/ Mr. A.L. Gooneratne (alternate Director to Mr. N.J. de S. Deva Aditya)	NED	15.09.2006	5	9	-	-	3
Mr. R.N. Asirwatham	INED	01.09.2009	5	11	1	1	4
Total No. of Meetings			5	11	1	1	4

*During the financial year Mr. J.M.S. Brito attended 03 Audit Committee meetings by invitation and 07 meetings as a member of the Committee

EXE – Executive Director NED- Non-Executive Director INED – Independent NED

In order to facilitate effective participation, an annual calendar of Board meetings is prepared and tabled at the last Board meeting of each calendar year.

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 through formally documented minutes of discussions, by clarifying matters from the Company Secretaries or through separate discussions prior to the meeting regarding matters arising from the previous meeting.

The Notice of the Meeting along with the Agenda and the Board Papers are distributed to the Directors a week prior to each meeting

to be held enabling the Directors to consider agenda items providing sufficient time to call for any additional information or clarifications.

The agenda of each meeting is set by the Company Secretaries with the consultation of the Chairman and the Deputy Chairman and Managing Director, ensuring that sufficient time is available for discussion to consider all matters included in the agenda. Resolutions concerning urgent business matters may be passed by circulation, within the regulations. Company Secretaries maintain all past minutes and board papers and these are accessible at the convenience of the Directors.

Directors of the Company have been provided access to the management

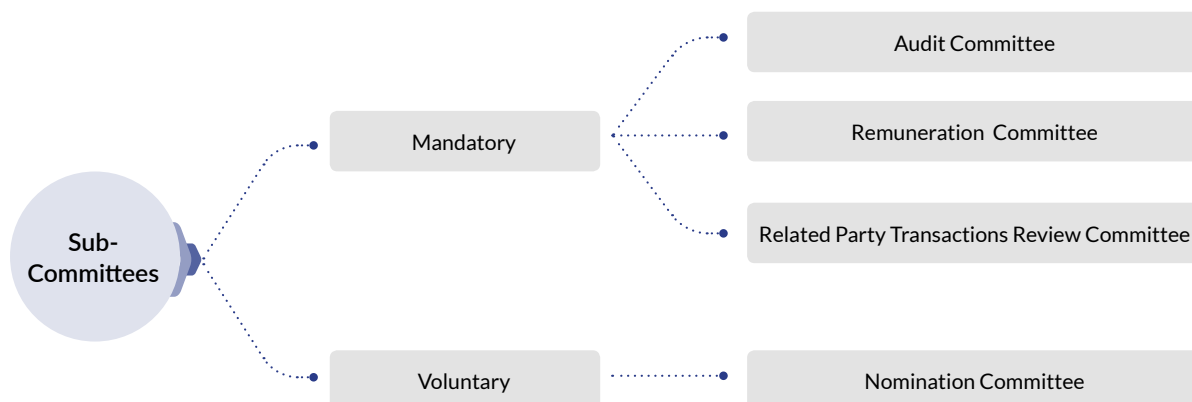
and organizational information including the resources required to continue their responsibilities and duties effectively. Access to independent professionals' advice as and when required by the Board is further facilitated and coordinated through the Company Secretaries.

(c) Board Sub-Committees

The Board has established sub-committees for the effective and efficient discharge and development of its duties and responsibilities, in compliance with the regulations of the Listing Rules and the Code.

All such committees are provided with all essential resources empowering them to undertake their duties in an effective manner.

CORPORATE GOVERNANCE



Board Committee	Areas of Oversight	Composition	Committee Report
Audit Committee	<ul style="list-style-type: none"> » Financial Reporting » Internal Controls » Internal Audit » External Audit » Risk Management 	3 Independent Non-Executive Directors including the Chairman of the Committee and 2 Non-Executive Directors INED <div style="width: 100%;"></div> 3 NED <div style="width: 66%;"></div> 2	Please refer to the Audit Committee Report
Remuneration Committee	<ul style="list-style-type: none"> » Remuneration policies and practices » Recommend Executive remuneration 	3 Independent Non-Executive Directors including the Chairman of the Committee INED <div style="width: 100%;"></div> 3 NED	Please refer to the Remuneration Committee Report
Related Party Transactions Review Committee	<ul style="list-style-type: none"> » Review of related party transactions for regulatory compliance 	3 Independent Non-Executive Directors including the Chairman of the Committee and 2 Non-Executive Directors INED <div style="width: 100%;"></div> 3 NED <div style="width: 66%;"></div> 2	Please refer Related Party Transaction Review Committee Report.
Nominations Committee	<ul style="list-style-type: none"> » Evaluating and recommending the appointment or re-appointment of Directors to the Board. » Succession Planning 	2 Independent Non-Executive Directors including the Chairman of the Committee and the Executive Chairman of the Board INED <div style="width: 100%;"></div> 2 Chairman <div style="width: 50%;"></div> 1	Please refer Nominations Committee Report.

Chairmen of the sub-committees report to the Board on the activities of their respective committees highlighting matters of importance.

Other Executive Committees namely the Management Council, Senior Management Committees and the Sectoral Management Committees are led by the Deputy Chairman and Managing Director execute strategies and policies determined by the Board, manage through delegation, empowerment and reporting obligations. Such committees meet on a regular basis to discuss matters regarding the allocation of capital, technical and human resources in managing the business and delivering agreed strategic goals at operational and sector levels, as required.

3. Shareholder Relations

Communications with shareholders are encouraged through multiple channels including the annual general meeting, annual report, interim financial statements, a dedicated investor relations page on the Company's website, press releases, social media platforms and announcements to the Colombo Stock Exchange.

The Company engages with shareholders through an open and meaningful dialogue in order to understand their expectations. Shareholders are encouraged to be present, participate and vote at the annual general meeting where all shareholders are entitled to one vote per individual present or one vote per share in case of a poll. The annual report is circulated to the shareholders not less than 15 working days prior to the annual general meeting. .

At the annual general meeting the Chairman, Board members including Sub-Committee Chairmen and key management personnel at the request of the Chairman, and external auditors are present and available to answer questions posed by shareholders. Shareholders are also free to informally meet with the Directors at the conclusion of the annual general meeting to clarify any outstanding queries. Issues at the meeting

will be decided by show of hands provided the shareholder/s do not demand a poll. In the event a poll is demanded, the procedures as specified in the Articles of Association of the Company will be followed with the assistance of the Company Secretaries.

The Company maintains a continuous dialogue with institutional investors during the year in a structured manner to clarify their concerns, typically following the release of quarterly financial statements, thereby promoting sustainable investments.

Shareholders may also direct queries and concerns to Directors or the management of the Company. Such questions, requests and comments should be addressed to the Company Secretarial Division who will effectively and efficiently liaise with relevant internal parties to provide a solution to the queries raised by shareholders.

The Company Secretaries maintain a record of all correspondence received and deliver such correspondence to the Board or individual Directors as appropriate. The Board or individual Directors will provide a suitable response when required and direct the Company Secretaries to communicate with the shareholder concerned. The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial performance and future prospects, and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.

At the close of the financial year 2019/2020, the Company had 5,413 shareholders. Resident investors held 79.05% of shares while non-resident investors held the remaining 20.95%. Institutions held 87.11%. Melstacorp PLC was the largest shareholder owning 50.32% of shares while the 20 largest shareholders held 85.31%.

4. External Auditors

The External Auditors are appointed subject to the provision of the Companies Act No. 07 of 2007 and the Audit Committee makes

recommendations to the Board for the appointment, re-appointment or removal of the External Auditors in-line with professional and ethical standards and regulatory requirements.

The Audit Committee monitors and reviews the External Auditors' independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements. In assignment of non-audit services to External Auditors, the Audit Committee ensures that the external auditors have the necessary skills and experience required for the assignment and ascertains that independence and objectivity in carrying out their duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. KPMG (Chartered Accountants) as the External Auditors for 2019/2020 at the last annual general meeting in compliance with Section 163 (3) of the Companies Act No. 07 of 2007.

5. Sustainable Reporting

Sustainable Reporting is now a part of the established Annual Reporting process of the Company following International Integrated Reporting Framework.

Hence the integrated sustainability policy of the Company and its subsidiaries ensure that required policies and procedures are followed and established to maintain social and environmental governance. These policies and procedures are embedded in the Group's business strategies and endorsed throughout the operations.

6. Statement of Responsibility

The Statement of Directors' Responsibility for the financial statements setting out the Directors' responsibilities in preparing and presenting the statements in terms of Section 150(1), 151, 152 and 153(1) (2) of the Companies Act No. 07 of 2007 and the responsibility statements of the Chairman,

CORPORATE GOVERNANCE

Deputy Chairman and Managing Director and the Chief Financial Officer are available on the Annual Report of the Board of Directors.

The Board further acknowledges its responsibility of ensuring the integrity of this Annual Report, which in the opinion of the Board, addresses all the concerns that

are mentioned to the Company's ability to create sustainable value and reflects a fair presentation of the integrated performance of Aitken Spence.

7. COMPLIANCE TABLE

(a) Compliance with the Companies Act No. 07 of 2007

Section Reference	Requirement	Reference	Compliance
168 (1) (a)	The nature of business of the Company or any of its subsidiaries, and, the classes of business in which the Company has an interest, whether as a shareholder of another company or otherwise	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (b)	Financial statements of the Company and the Group for the accounting period completed	Annual Report of the Board of Directors, Financial Statements and the Management Discussion and Analysis Report of this Annual Report	Complied
168 (1) (c)	Auditors Report on the financial statements of the Company	Annual Report of the Board of Directors and Financial Statements of this Annual Report	Complied
168 (1) (d)	Change of accounting policies during the accounting period	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (e)	Particulars of entries in the interest register made during the accounting period	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (f)	Remuneration and other benefits paid to the Directors during the accounting period	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (g)	Total amount of donations made by the Company during the accounting period	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period along with the changes that occurred during the accounting period	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (i)	Amounts payable to the auditors as audit fees and fees payable for other related services provided by them	Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (k)	The Annual Report of the Board of Directors be signed on behalf of the Board	Annual Report of the Board of Directors of this Annual Report	Complied

b) Compliance with the continuing listing requirements section 7.6 and section 7.10 on corporate governance rules for listed companies issued by the Colombo Stock Exchange.

Rule No.	Requirement	Reference	Compliant
7.6.(i)	Names of persons who during the financial year were directors of the entity	Please refer the Board profiles in this Annual Report	Yes
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Please refer the Group Directorates in this Annual Reports	Yes
7.6.(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Please refer the Investor Information in this Annual Report	Yes
7.6.(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Please refer the Investor Information in this Annual Report	Yes
7.6.(v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Please refer the Investor Information in this Annual Report	Yes
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Please refer the Risk Management Report in this Annual Report	Yes
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Please refer the Human Capital Report in this Annual Report	Yes
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Please refer Notes 15.3.1 and 16.2 of the Financial Statements in this Annual Report	Yes
7.6.(ix)	Number of shares representing the Entity's stated capital.	Please refer the Investor Information in this Annual Report	Yes
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Please refer the Investor Information in this Annual Report	Yes
7.6.(xi)	Ratios and market price information.	Please refer the Investor Information in this Annual Report	Yes
7.6.(xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land.	Please refer Notes 15 and 16 of the Financial Statements in this Annual Report	Yes
7.6.(xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement.	The Company had no public issues, rights issues or private placement during the year	N/A
7.6.(xiv)	Employee share option/purchase schemes (if any)	As at date the Company has no share option or purchase schemes made available to its Directors or employees	N/A
7.6.(xv)	Corporate Governance Disclosures in terms of Rules 7.10.3, 7.10.5.c and 7.10.6. c.	Please find the Corporate Governance Report in this Annual Report	Yes
7.6.(xvi)	Related Party Transactions in terms of Rule 9	Please refer Note 44 of the financial statements in this Annual Report	Yes
7.10.1(a)	Non-Executive Directors (NED) » At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors	Please refer section 2 on the Corporate Governance Report in this Annual report	Yes

CORPORATE GOVERNANCE

Rule No.	Requirement	Reference	Compliant
7.10.2(a)	Independent Directors » Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Please refer section 2.5 on the Corporate Governance Report in this Annual report	Yes
7.10.2(b)	Independence of Directors » Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Please refer section 2.5 on the Corporate Governance Report in this Annual report	Yes
7.10.3(a)	Disclosure relating to Directors » The names of Independent Directors should be disclosed in the Annual Report	Please refer section 2 on the Corporate Governance Report in this Annual report	Yes
7.10.3(b)	Independence of Directors » The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Please refer section 2.5 on the Corporate Governance Report in this Annual report	Yes
7.10.3(c)	Disclosure relating to Directors » A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Please refer the Board profiles in this Annual Report	Yes
7.10.3(d)	Appointment of new Directors » Provide a brief resume of any new Director appointed to the Board	Please refer the Nomination Committee Report in this Annual Report	Yes
7.10.5	Remuneration Committee » A listed company shall have a Remuneration Committee	Please refer the Remuneration Committee Report in this Annual Report	Yes
7.10.5(a)	Composition of Remuneration Committee » Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Please refer the Remuneration Committee Report in this Annual Report	Yes
7.10.5(b)	Functions of Remuneration Committee » The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Please refer the Remuneration Committee Report in this Annual Report	Yes
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration » The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration policy c) Aggregate remuneration paid to Executive and Non-Executive Directors	Please refer the Remuneration Committee Report in this Annual Report	Yes
7.10.6	Audit Committee » A listed company shall have an Audit Committee	Please refer the Audit Committee Report in this Annual Report	Yes
7.10.6(a)	Composition of Audit Committee » Shall comprise of Non-Executive Directors, a majority of whom are Independent » Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings » The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Please refer the Audit Committee Report in this Annual Report	Yes

Rule No.	Requirement	Reference	Compliant
7.10.6(b)	Audit Committee Functions » Should be as outlined in the Section 7.10 of the Listing Rules	Please refer the Audit Committee Report in this Annual Report	Yes
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee a) Names of the Directors comprising the Audit Committee b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Please refer the Audit Committee Report in this Annual Report	Yes
9.3.2	Related Party Transactions Review Committee a) Details pertaining to Non-Recurrent Related Party Transactions b) Details pertaining to Recurrent Related Party Transactions c) Report of the Related Party Transactions Review Committee d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Please refer the Related Party Transactions Review Committee Report in this Annual Report	Yes

NOMINATION COMMITTEE REPORT

COMMITTEE COMPOSITION

Committee Chairman

Mr. G.C. Wickremasinghe

Members

Deshamanya D.H.S. Jayawardena

R.N. Asirwatham

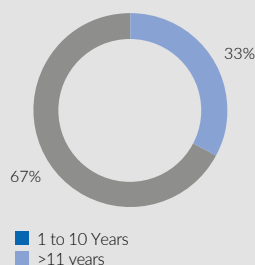
Independent Non-Executive

Executive

Committee Structure

The Committee composition remained unchanged during the year under review. The Committee is chaired by Mr. G. C. Wickremasinghe.

COMMITTEE TENURE



Meetings

The full Committee met once during the year under review with the attendance of the Deputy Chairman & Managing Director, on invitation.

Activities During 2019/2020

The Committee having evaluated each Director's knowledge and experience, the number of directorships held by each Director and the adequacy of their knowledge and experience to carry out their duties in the capacity as Directors, is satisfied with the level of knowledge, commitment and skills of each Director. The Committee further recommended necessary indemnity for each Director within the provisions of the Companies Act No. 7 of 2007.

Responsibilities of the Committee

The Nomination Committee is responsible for ensuring that the Group companies are spearheaded by individuals with a wealth of knowledge, experience, competency and entrepreneurial skills and to identify and recommend suitable candidates as Directors to the Board of Aitken Spence PLC and its Group companies. The Committee is also responsible for reviewing the structure, size and composition of the Board of Aitken Spence PLC and boards of the Group, oversee the performance of the Board, its committees and the individual directors as well as the evaluation of their performance.

The Committee is accountable for the periodic review of the charter for appointment, re-appointment of Directors to the Board of the Company and the Group companies as well as suggest amendments wherever necessary and the recommendation of adequate insurance covers for the Directors of Aitken Spence PLC and the Group.

Key Functions of the Committee

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 companies as well as the Key Management Personnel (KMPs),
- » Reviewed and recommended necessary appointments to the Boards of the Group 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 companies.

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

RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

- » Deshamanya D.H.S. Jayawardena, Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham, Mr. J.M.S. Brito 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.
- » In terms of Article 83 of the Articles of Association, Mr. C.H. Gomez retires by rotation and has offered himself for re-election at the forthcoming Annual General Meeting.
- » Having given due consideration to each Director's performance, the Committee believes 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
29th May 2020

REMUNERATION COMMITTEE REPORT

COMMITTEE COMPOSITION

Committee Chairman

Mr. G.C. Wickremasinghe

Members

R.N. Asirwatham

MR. C.H. Gomez

Independent Non-Executive

Non-Executive

Independence of the Committee

The members of the Committee are composed of three Independent Non-Executive Directors. They 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. The members of the Committee refrain from taking part in determining their own remuneration.

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 Dr. M.P. Dissanayake, Deputy Chairman & Managing Director, Aitken Spence PLC and Ms. D.S.T. Jayawardena, Executive Director, Aitken Spence PLC attended the meeting by invitation.

The Remuneration Policy

The Group follows a formal and transparent procedure to decide on the remuneration packages for individual Directors. The Committee considers the importance of formulating remuneration packages that are adequate to motivate, attract and retain the Directors and ensures conformity with the employment conditions of the Group companies and of the relevant industries.

The Group Remuneration Policy which was reviewed by the Committee remained unchanged during the year under review.

Activities during 2019/2020

- » The Committee invited each Managing Director to present their suggestions and recommendations.
- » The direction was given based on sector performance, individual performance and potential, market conditions and respective industry practices.

Responsibilities

The Committee is responsible to the Board for:

- » Determining the policy of the remuneration package of the Directors and the Management Council.
- » 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.

Key Functions of the Committee

Remuneration Policy

- » Evaluated the Group Remuneration Policy against the current market trends and industrial norms.
- » Reviewed and ensured the implementation of the Group Remuneration Policy.
- » Reviewed the policy of the remuneration packages of the Directors and the Management Council.
- » Reviewed the specific application of the Group Remuneration Policy to the Deputy Chairman and Managing Director and Executive Directors and general application to the Key Management Personnel.

Performance Based Remuneration

- » Evaluated the 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.

- » Reviewed, monitored and evaluated performance of Key Management Personnel as well as their management development and succession planning.

Performance Incentives

- » Evaluated the achievements as well as unaccomplished targets and results which are used to determine the performance-based incentives based on self-evaluations made by individual Directors.

Remuneration of Deputy Chairman & Managing Director

- » Evaluated the performance of the Deputy Chairman & Managing Director.



G.C. Wickremasinghe

Chairman

Remuneration Committee

Colombo

29th May 2020

AUDIT COMMITTEE REPORT

Dear Shareholders,

As Chairman of Aitken Spence PLC's Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st March 2020 which has been prepared by the Committee. The purpose of this report is to describe how the Committee has carried out its responsibilities during the year. In overview, the role of the Audit Committee is to monitor and review: the integrity of the Group's financial statements, internal control and risk management, business conduct and ethics and the appointment of external auditors.

In discharging its duties, the Audit Committee seeks to balance independent oversight of the matters within its remit with providing support and guidance to the management. I remain confident that the Committee, supported by the members of senior management and the external auditors, has carried out its duties in the year under review, effectively and to a high standard.

Committee Structure

The composition of the Committee, which remained unchanged during the financial year is constituted of three Independent Non-Executive Directors and two Non-Executive Directors. The Committee is chaired by Mr. R.N. Asirwatham, a fellow of the Institute of Chartered Accountants of Sri Lanka is an Independent Non-Executive Director.

COMMITTEE COMPOSITION

Committee Chairman

Mr. R.N. Asirwatham

Members

Mr. J.M.S. Brito (Appointed w.e.f. 23.05.2019)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

Independent Non-Executive

Non-Executive

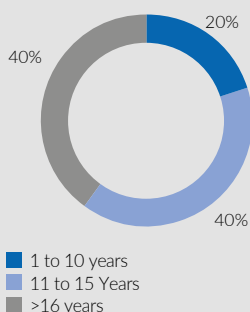
MEETING INVITEES

- » Dr. M.P. Dissanayake
– Deputy Chairman & Managing Director-
Aitken Spence PLC
- » Ms. D.S.T. Jayawardena
– Executive Director – Aitken Spence PLC
- » Ms. N. Sivapragasam
– CFO – Aitken Spence PLC

COMMITTEE SECRETARIES

- » Mr. H.K.A. Rathnaweera
– Chief Internal Auditor
- » Mr. D.D.M.A. Saparamadu
– General Manager – Internal Audit

COMMITTEE TENURE



Meetings

The Audit Committee held 11 formal meetings during the year under review with the attendance of Dr. P. Dissanayake, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director,

Attendance

	Q1	Q2	Q3	Q4	Total
Mr. R.N. Asirwatham	4	2	3	2	11
Mr. G.C. Wickremasinghe	4	-	2	1	7
Mr. C.H. Gomez	1	-	-	-	1
Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	4	2	2	1	9
Mr. J.M.S. Brito	1	2	3	1	7
Total No. of Meetings	4	2	3	2	11

and Ms. N. Sivapragasam, Chief Financial Officer, 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.

Responsibilities

The Committee, governed by its written terms of reference, is responsible for overlooking the accuracy of reporting Financial Statements, compliance with the reporting requirements of Sri Lanka Accounting Standards, compliance with the legal and regulatory requirements, determining the independence of the External Auditors and the Internal Audit function.

Activities during 2019/2020

Risk Management and Internal Control

- » 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.
- » Ensured that the risks are appropriately monitored and controlled by considering the Group's principal risks and uncertainties and by reviewing the mitigating actions taken by the management.
- » Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the SLAS.

- » Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of ethics; and standards of conduct required by regulatory authorities, professional bodies and trade associations.

Financial Reporting and Financial Control

- » Reviewed the Group's quarterly and annual Financial Statements with regard to the following aspects:
 - adequacy of disclosures.
 - uniformity and appropriateness of the accounting policies adopted.
 - major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007.
 - applicable Sri Lanka Accounting Standards and 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.
 - Requirements of other regulatory bodies as applicable for the Group.
- » Discussed with management on future accounting developments which are likely to affect the financial statements.
- » Reviewed the budgets and strategic plans of the Group in order to ensure that all forward-looking statements made within the Annual Report reflect the actual position of the Group.
- » Reviewed the changes in the tax environment and its impact to the Group.

External Audit

- » Reviewed the audit plan presented by the external auditors and provided

advice and support regarding the execution of the plan.

- » Carried out a review of the effectiveness and progress of the External Auditor and the audit process.
- » Discussed the audited financial statements with External Auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.
- » Reviewed and discussed the management letter of the External Auditors for the Group and instructed the management to take appropriate and follow up action on matters highlighted therein.
- » Assessed the performance and effectiveness of the External Auditors, their independent professional capabilities and made recommendations to the Board pertaining to the re-appointment of the External Auditors.
- » Ensured that the External Auditors are independent by reviewing Group's share registers, related party transactions and obtaining a written confirmation from the External Auditors.

Internal Audit

- » Reviewed and approved the Annual Audit Plan after considering its depth and coverage in the Group.
- » Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.
- » The Audit Committee continued to ensure the coordination between the Group's internal audit division and External Auditors.
- » Reviewed and discussed the periodic reports submitted by the internal audit department with management responses, on financial and operational audits, IT Security, and risk assessments carried out in line with the approved annual internal audit plan.

Reporting

- » The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. Minutes of the Audit Committee meetings are also tabled at the Board Meetings.
- » The Annual Report incorporates the Audit Committee Report.
- » The Chairman of the Audit Committee attends the Annual General Meeting.

Re-appointment of M/s KPMG, Chartered Accountants

The Committee perused transactions with the external auditors and ensured that there was no significant material transaction between the external auditors and the companies in the Group. The Committee further perused the share register and ensured that there were no shares held by the external auditors,

The Committee having considered that there were no significant material transactions between the External Auditors and the Group companies, that there were no shares held by the External Auditors, the confirmation received from the external auditors and the periodic rotation of the Audit Partner, noted that KPMG, Chartered Accountants, are eligible for re-appointment as the External Auditors of the Company.

Having noted the above, the Committee recommends to the Board that M/S KPMG, Chartered Accountants be re-appointed as the external auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



R.N. Asirwatham

Chairman

Audit Committee

29th May 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMMITTEE COMPOSITION

Committee Chairman

Mr. R. N. Asirwatham

Members

Mr. J. M. S. Brito (*Appointed w.e.f.*

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

Independent Non-Executive

Non-Executive

Committee Structure

The Committee is composed of three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director 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.

Activities During 2019/2020

Each quarter, disclosures in relation to post quarter confirmations and proposed transaction confirmations were obtained from the key management personnel and the Group related companies and the Committee reviewed all such disclosure at quarterly meetings. The Committee further communicated its activities to the Board through tabling the minutes of the Committee meetings, at the Board meetings.

Responsibilities

The Committee's key focus is to review all proposed Related Party Transactions (RPT) 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 the responsibilities of the Committee remained unchanged.

Key Management Personnel

The Board of Directors of the Company is construed as the Key Management Personnel (KMP) 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 Party Transactions on a quarterly and annual basis to determine Related Party Transactions and to comply with the disclosure requirements, if any.

Key Functions of the Committee

The Group Company Secretaries obtained quarterly confirmations from the key management personnel of any proposed and post Related Party Transactions and all such responses were tabled at each Committee meeting. In addition, confirmations were obtained from all Group companies of any proposed related party transactions and any post-quarter transaction and all responses are

tabled at each Committee meeting. Further, any disclosures of non-recurrent transactions are communicated to the Group Company Secretaries who in turn notify the Committee.



R.N. Asirwatham

Chairman

Related Party Transactions Review Committee

Colombo

29th May 2020

Meetings

	Q1	Q2	Q3	Q4	Total
Mr. R.N. Asirwatham	1	1	1	1	4
Mr. G.C. Wickremasinghe	1	-	1	-	2
Mr. C.H. Gomez	1	-	-	-	1
Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S Deva Aditya)	1	1	1	-	3
Mr. J.M.S. Brito	1	1	1	1	4
Total No. of Meetings	1	1	1	1	4

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Responsibility

The following statement fulfils the requirement to publish the Directors statement of internal control as per the Code of Best Practice on Corporate Governance 2017.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Aitken Spence PLC ("Group").

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal control over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Board has delegated specific responsibilities to the following four sub-committees:

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

These committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements.

Internal Audit

The internal audit division of the Group checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all units of the Group, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report.

The annual audit plan is reviewed and approved by the Audit Committee. Internal audit findings and the management responses are tabled to the Audit Committee for review at their periodic meetings.

Insurance and Physical Safeguards

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimise material loss against any mishap.

Policies, Procedures and Budgets

Policies and procedures to ensure compliance with internal controls and 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 has in place a whistle blowing policy. The Whistle-Blowing Policy enables any employee, supplier and any stakeholder to report actual or suspected malpractices, misconducts or violations of the Group's policies and regulations in a safe and confidential manner through the appropriate channels.

The prevalence and effectiveness of this policy is monitored by the Audit Committee from time to time.

Ethics and Integrity

The Group is committed in conducting its business in an open, honest and ethical manner. Ethics and integrity has always been the main reference for all employees when dealing with various stakeholders. The strong commitment of the Group in upholding integrity when carrying out duties is evidenced by the Group Code of Ethics which includes a strong set of corporate values and conduct and is circulated to Directors and all employees.

Cyber Security

Cyber crime is a global problem that has been dominating the world. It poses a threat to individual security and is a threat to groups such as ours. Today's organized cyber crimes far out shadow lone hackers of the past. The Board has taken necessary precautions to minimize the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Going Concern

The statement of going concern is set out in the 'Annual Report of the Directors' on page 170.

Risk Management

An overview of the Group's risk management framework, is set out on pages 174.

Annual Report

The Board 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 Group 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

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 other regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements for the year ended 31st March 2020 have been audited by Messrs. KPMG, Chartered Accountants,



Deshamanya D.H.S. Jayawardena
Chairman



Dr. M.P. Dissanayake
Deputy Chairman and Managing Director



R.N. Asirwatham
Chairman
Audit Committee

Colombo
29th May 2020

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 2020 which were approved on the 29th of May 2020.

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 & Freight Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 330 to 337 this annual report.

For the year ended 31st March	GROUP 2020 Rs.'000	COMPANY 2019 Rs.'000
Net profit before tax	4,197,662	7,282,608
Provision for taxation including deferred tax	(1,310,688)	(1,511,258)
Net profit after tax	2,886,974	5,771,350
Other comprehensive income	808,339	2,284,571
Total comprehensive income for the year	3,695,313	8,055,921
Total comprehensive income attributable to the minority shareholders	(733,478)	(2,266,508)
Total comprehensive income attributable to equity shareholders	2,961,835	5,789,413
Transactions directly recognised in the equity statement	94,239	99,461
Balance brought forward from the previous year	47,315,443	42,664,595
Adjustment on initial application of SLFRSs	(948,697)	(20,038)
Amount available for appropriations	49,422,820	48,533,431
Interim Dividend - (2018/2019)	-	(405,996)
Final Dividend for 2018/2019 (2017/2018)	(608,994)	(811,992)
Total reserves and earnings	48,813,826	47,315,443
Stated Capital	2,135,140	2,135,140
Balance attributable to equity holders of the Company at the end of the period	50,948,966	49,450,583

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, Deputy Chairman and 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 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 other than those adopted on initial application of SLFRS 16 – Leases and IFRIC 23 - Uncertainty over Income Tax Treatments with effect from 1st April 2019. 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 209 to 229 of this report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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. 814.7 million (2018/19- Rs. 806.5 million). The Group revenue was Rs.53.5 billion. (2018/2019 - Rs. 55.7 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. 1.6 billion. (2018/19- Rs. 2.2 billion). The Group profit after tax was Rs. 2.9 billion (2018/19 Rs. 5.8 billion) The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 2.4 billion (2018/19 - Rs. 4.1 billion). The segmental profits are disclosed in Note 6 to the Financial Statements.

4.2. Donations

During the year donations amounting to Rs. 325,000/- were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 2,274,331/-.

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 33 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. 1.25 per share for the year, the total dividend is paid out of dividends received by the Company. 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 2020 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs.2.1 billion. The Company's retained earnings and reserves as at 31st March 2020 were Rs.14.7 billion (2018/19- Rs.13.9 billion) whereas the total Group's retained earnings and reserves as at 31st March 2020 were Rs.48.8 billion (2018/19-Rs. 47.3 billion). The movement in these reserves is shown in the statement of changes in equity – Company and Group on pages 206, 204 and 205 respectively.

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

The details of property plant and equipment, investment property, intangible assets, biological assets, right of used assets and leasehold property of the Company and the Group where applicable are given in Notes 15 to 20 to the Financial Statements on pages 251 to 260.

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 253 to 255.

5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in Note 43 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 48 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)	✓		
Dr. M.P. Dissanayake	✓		
Dr. R.M. Fernando	✓		
Ms. D.S.T. Jayawardena	✓		
Mr. J.M.S. Brito		✓	
Mr. G.C. Wickremasinghe		✓	✓
Mr. C.H. Gomez		✓	✓
Mr. N.J. de Silva Deva Aditya*		✓	
Mr. R.N. Asirwatham		✓	✓

*Mr. A L Gooneratne holds the office as an Alternate Director to Mr. N.J. de Silva Deva Aditya

The brief profiles of the Directors are given in pages 30 to 33 of this Annual Report.

The periods of service of Mr. Wickremasinghe, Mr. Asirwatham and Mr. 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 aforesaid independent 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 Mr. Wickremasinghe, Mr. Asirwatham and Mr. 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)
Mr. J.M.S. Brito (appointed w.e.f. 23.05.2019)

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)
Mr. J.M.S. Brito (appointed w.e.f. 23.05.2019)

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 and the Board, it is recommended that Deshamanya D.H.S. Jayawardena and Messrs G.C. Wickremasinghe, R.N. Asirwatham, J.M.S. Brito and N.J. de S Deva Aditya 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. C.H. Gomez who retires by rotation in terms of Article 83 of the Articles of Association of the Company offers himself for re-election.

8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 189 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 transactions disclosed to the Board by a Director in accordance with

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2020 are disclosed on Note 9 of the Financial Statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in Note 44 to the Financial Statements. These are recurrent and non-recurrent related party transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the audited Financial Statements as at 31st March 2019.

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 2019, 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 2020.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2020 and Directors who ceased to hold office during the accounting period are indicated on pages 330 to 337 of this Annual Report.

9. Human Resources

The Human Resources strategies applied and practised by the Group in the regions we operate have translated into the creation of a dynamic and competent human resource team. The strategies adopted in motivating and retaining our employees are discussed in "Our Employees" on pages 79 to 86 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 by the Institute of Chartered Accountants 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 150 to 161 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 174 to 182 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 safe guarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Directors' Statement on Internal Controls is on page 167 to 168 the Statement of Directors' Responsibilities is on page 194 and the Audit Committee Report is set out on pages 164 and 165 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 194 of this Annual Report.

14. Corporate Sustainability

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year are a testament to the Group's commitment as it

continues to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this report and at www.aitkenspence.com/sustainability.

15. Shareholder Information

There were 5,413 shareholders as at 31st March 2020. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 187 to 188 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2020 are given on page 188 of this Annual Report. The percentage of the shares held by the public as at 31st March 2020 was 45.68% which was in the hands of 5,406 public shareholders.

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 183 to 189 of this Annual Report.

16. Auditors

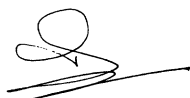
The independent auditors' report on the Financial Statements is given on page 195 to 200 of the Annual Report. The retiring auditors Messrs KPMG Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as auditors and to authorise the Board to determine 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. 1.5 million.

In addition to the above Rs. 2.1 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 330 to 337 of this Annual Report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 22.0 million while a further Rs. 8.0 million was payable for permitted audit and non-audit related services. In addition to the above Rs. 8.1 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. 3.9 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.



Deshamanya D.H.S. Jayawardena
Chairman



Dr. M.P. Dissanayake
Deputy Chairman and Managing Director



**Aitken Spence Corporate Finance
(Private) Limited**
Secretaries

Colombo
29th May 2020

MANAGING RISKS AND OPPORTUNITIES

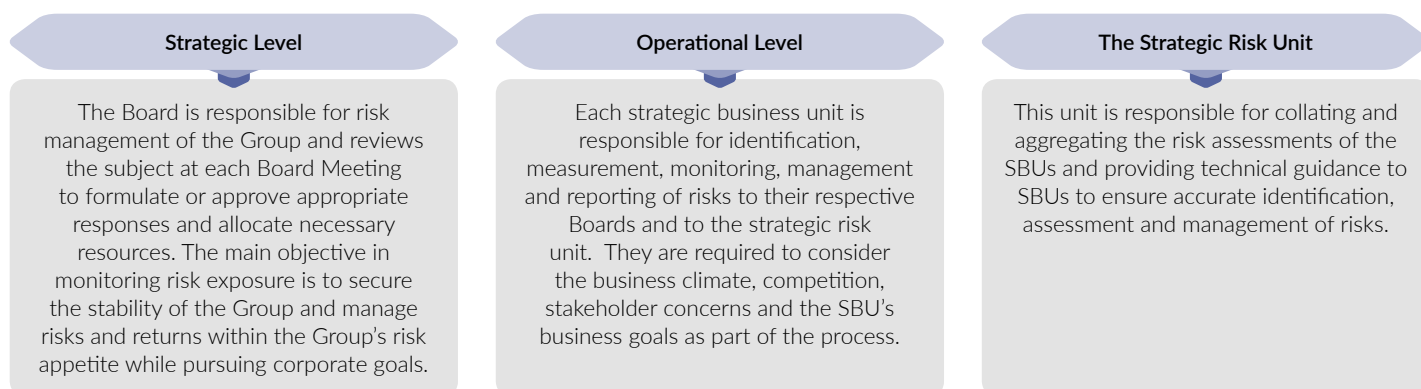
As a diversified conglomerate with operations spanning multiple countries and diverse sectors, managing risks and seeking opportunities is key to our growth and success. Prudent management of our resources and a structured approach to risk management is vital to navigate an increasingly volatile operating landscape. We continue to evolve and update our risk management approach and strategies to formulate agile and smart responses appropriate to the unfolding risk landscape.

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

The Group Enterprise Risk Management (ERM) Framework

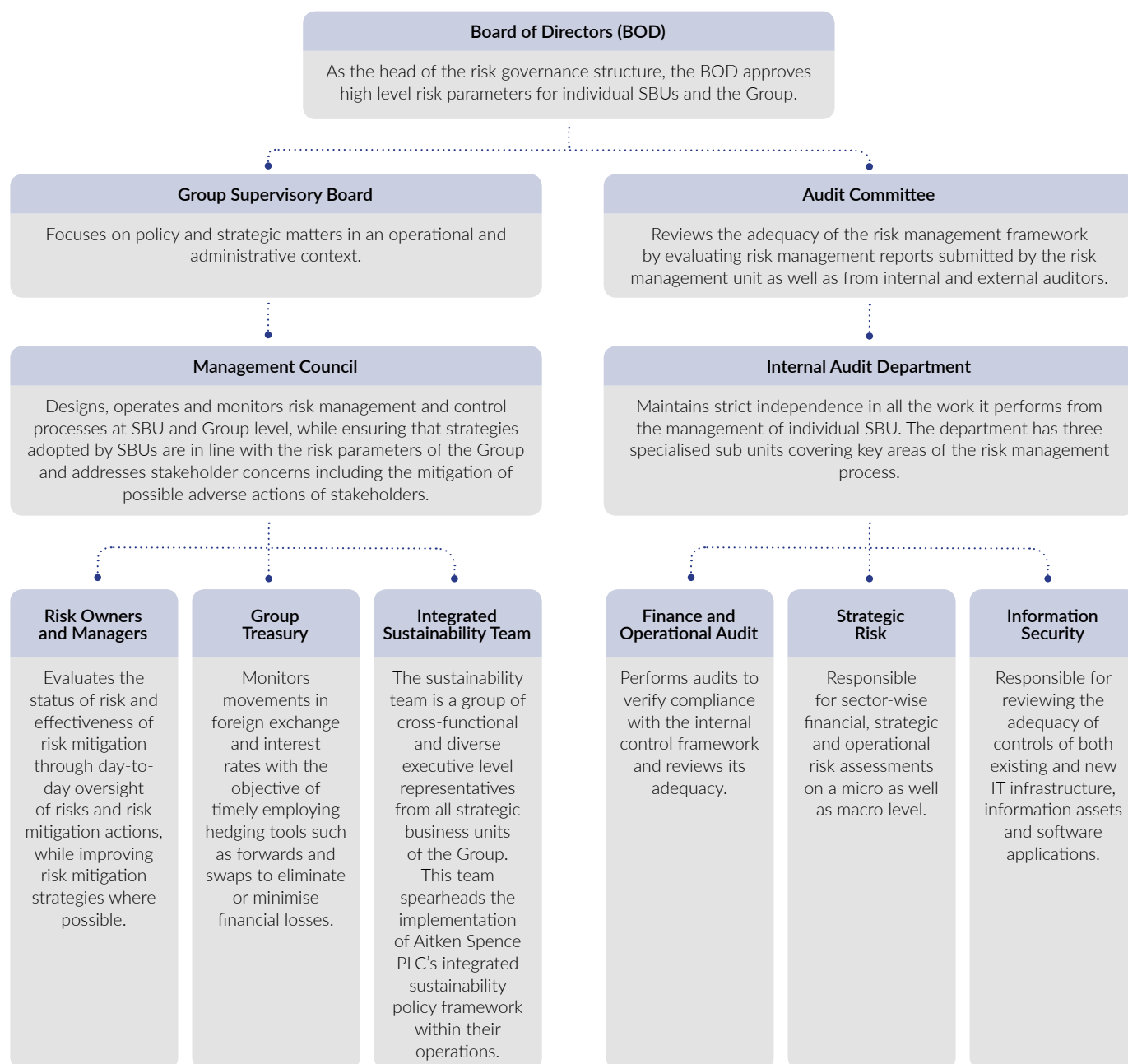
Group's ERM framework spans over the entire organisation, from the Board right down to the operational level. Through such architecture, material risk is consolidated from all business segments and escalated up to the Board. Risk coordinators are appointed at every line of business, central functions, business functions and subsidiaries. Their role is to coordinate the risk management activities as well as support the building of a risk awareness culture. In all risk management activities, the role of all staff in managing risks is always emphasized.

Risk Management Structure



Risk Management Process

Risk management is a continuous process and integrated in to the performance review and decision making processes of the Group. The process facilitates review of external developments and their impact on operations of the respective business units together with stakeholder feedback. The process also enables identification of opportunities for growth due to the detail review at business unit level supported by group review and oversight. Our ability to find solutions for risks and threats, not just to the Group but to the economy, has propelled our growth into diverse business sectors.



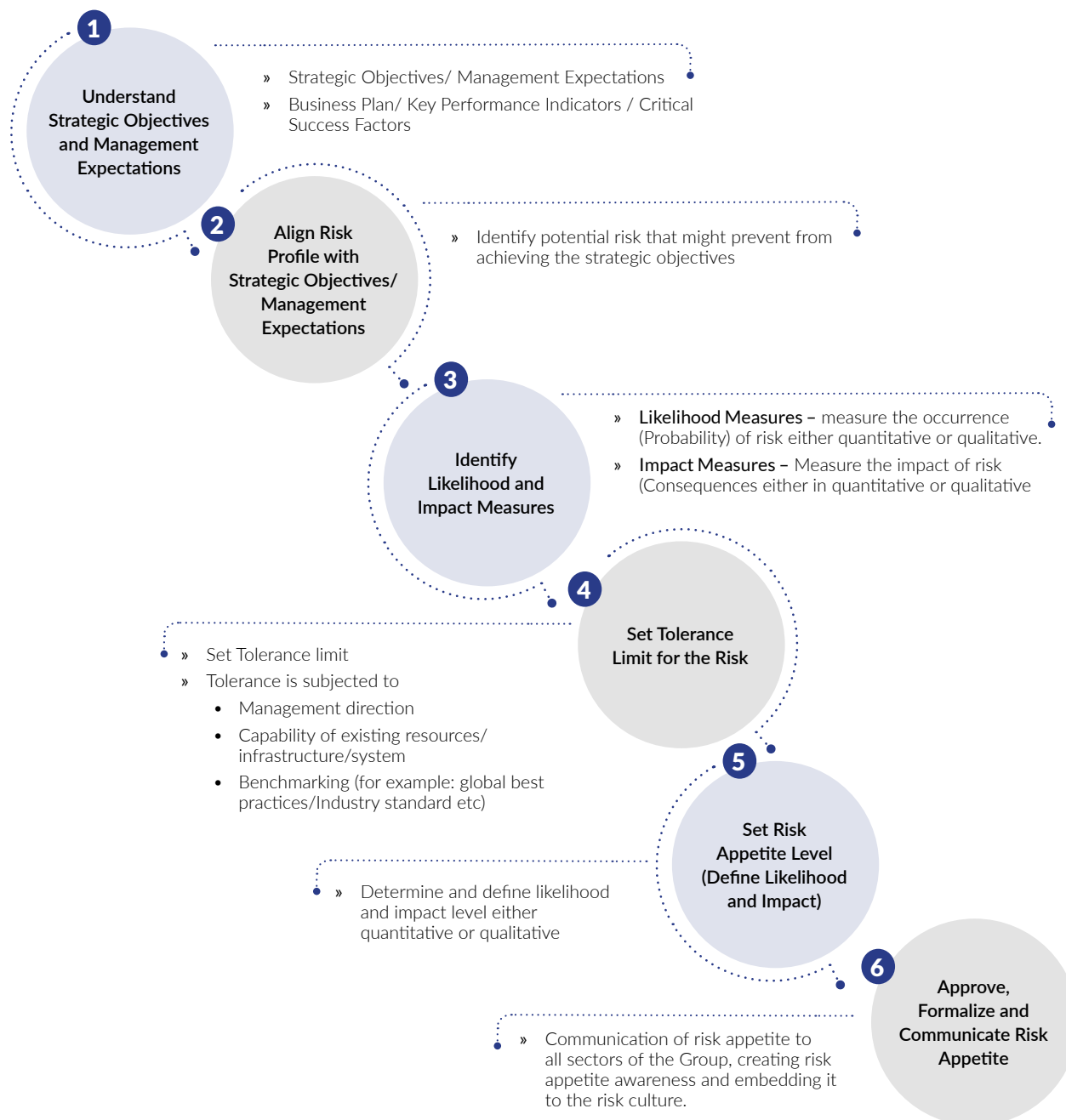
MANAGING RISKS AND OPPORTUNITIES

Risk Appetite

One of the roles of the Board is to determine the corporate risk appetite. To ensure that the risk appetite is clearly communicated across the Group, the Board reviews the risk appetite guideline. The guideline contains the risk appetite statement that encapsulates Group's commitment to allocate necessary resources to ensure risks are being managed within the acceptable level, ensuring sustainable profitability and upholding of Group's reputation and to safeguard its assets and enhance shareholder value.

In addition to the risk appetite established at the Board level, each risk at the operational level has its own risk appetite. To ensure uniformity and alignment with the strategic objectives, the process of establishing the risk appetite is set out below:

Establishing Risk Appetite



Risk Landscape during 2019/20

The reporting year witnessed two black swan events resulting in significant business interruptions which have had varying impacts on our diverse businesses. The Easter Sunday terror attacks in April 2019 dealt a severe blow to the Sri Lankan Leisure industry resulting in cancellations followed by low occupancy which moderately picked up towards the 4th quarter of 2019.

Future risks associated with COVID-19 and mitigation strategies.

Impacts of the COVID-19 pandemic have been more severe as governments across the world implemented wide ranging measures to manage the health and economic crisis. These included lockdown of cities and country border closures in efforts to contain the pandemic. The economic pressures are also unprecedented disrupting supply chains, sharp declines in demand for non-essential items, record job losses and cash flow constraints. Most governments have responded with financial assistance such as loan moratorium and other forms of financial assistance and adoption of accommodative monetary policy stance to ease the strain on businesses. These impacts came at a time of low economic growth globally and in Sri Lanka with vulnerabilities that are likely to limit policy options for governments.

For Aitken Spence, the impacts of COVID-19 pandemic have been felt across our entire portfolio both locally and overseas.

- » **Tourism** – This sector has been the worst affected as most of our properties are closed at present. Airline connectivity and visa arrangements are critical success factors for tourism. Current border closures and curtailment of commercial flights are key concerns and recovery of these factors will play a key role in revival of this sector.
- » **A skeleton staff remain at hotels for upkeep of hotels and we have implemented health and safety protocols in line with Government recommendations. We are in regular contact with tour operators on the developing situation and are working with the tourism authorities to plan for recovery of the sector**
- » **Maritime and Freight Logistics** – This sector continues to function in Sri Lanka, Fiji and Mozambique as it is critical to maintain the supply chains, albeit on a reduced scale due to reduced trade volumes. Demand will also be depressed due to import restrictions implemented to ease pressure on the exchange rate and trade deficit in Sri Lanka. We expect a gradual increase in volumes as trading activities resume in this sector.
- » **Strategic Investments** – The impact on this sector is mixed due to the diversity of business segments which include plantations, power, apparel and printing and packaging. The plantations sector has commenced operations as permitted by the Government. Campaigns to raise awareness of COVID-19 and safety protocols have been implemented within the estate community and the workplaces. The power segment is an essential service as it supplies power to the national grid on a 24/7 basis and has continued to function throughout the lockdown with safety protocols in place for employees. The construction of the waste to energy plant which is nearing completion has been slightly delayed due to the lockdown. The apparel segment has been severely constrained with the cancellation of orders by major buyers from the US, and with very few orders being received for the next season. The printing and packaging segment is operating on a limited scale fulfilling orders of packaging for the FMCG and tea industries. Apparel and printing and packaging segments are also adversely impacted due to disruption of supply chain.
- » **Services** – In the Services sector the insurance segment and the money transfer segment are continuing operations, while the elevators segment is operating in limited capacity, while it is also likely to experience delays in receiving spare parts required.

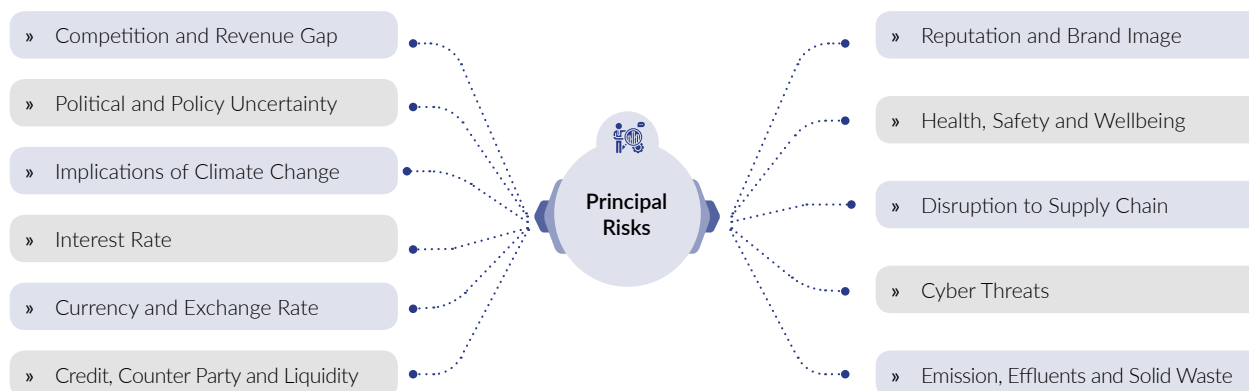
Executives continued to work from home during the lockdown, leveraging electronic platforms put in place over the years. Work has resumed after the lockdown on the 11th of May with arrangements to permit only staff whose physical presence is required to come to the workplace while others are continuing to work from home, keeping with the directives of the Government. We have implemented recommended measures such as checking of temperatures at entry, social distancing, regular washing of hands and sanitizing of premises on a daily basis.

Financial implications of the pandemic for the Group include declining profitability and tightening liquidity. Delays in receiving payments from CEB in the power sector coupled with the need to pay for fuel will add to the liquidity pressures and will require close monitoring and resolution. We have also implemented a variety of other measures to preserve cash flow including limiting all capital expenditure and curtailing discretionary expenses. Additionally, voluntary salary reductions have been implemented across all sectors commencing with the Board of Directors and the leadership team and applied on a sliding scale to all grades of employees. These wide-ranging measures are expected to support cash flow during the next financial year.

MANAGING RISKS AND OPPORTUNITIES

Principal Risks

Our principal risks are the top 11 risks with the potential to adversely impact our ability to create sustainable value over time as determined through our risk management processes.



Risk			Mitigation Strategies
Health, Safety and Well Being			
<p>Safety of employees at work and third parties entering our business locations will be a priority while the threat of the pandemic remains.</p> <p>We value our employees and all stakeholders and recognize our responsibility to provide a safe working environment.</p>			<ul style="list-style-type: none">» Implement health and safety protocols recommended by GOSL» Awareness of protocols and ensuring compliance by staff and third parties.» Daily sanitising of office and factory premises.» Temperature checks on entry for all staff and visitors coupled with mandatory wearing of face masks.» Occupational health and safety (OHS) officers are appointed throughout the Group and are provided with the necessary training and education to handle the responsibilities.» All appointed OHS officers in the Group are expected to carry out hazard identification inspections, allocate risk levels and implement required control measures to ensure the workplace is safe and healthy for all stakeholders
	2019-2020	2018-2019	
Assessment			
Impact	High	High	
Likelihood	Moderate	Low	

Risk	Mitigation Strategies
Disruptions to Supply Chain	
<p>The Group is extremely likely to experience disruptions to its established supply chains resulting in delays in completion of work, reducing customer satisfaction. In the case of the Leisure sector, this is compounded by border closures due to health and safety concerns and curtailment in airline connectivity.</p>	<ul style="list-style-type: none"> » Work with suppliers to reduce lead times » Maintain buffer stocks of regularly required items » Communicate potential delays early to customers and keep them informed of progress regularly. » Maintain strong communications with tour operators and airlines and pass on feedback to tourism authorities for action and respond to those that need action within the Group.
Competition and Revenue Gap	
<p>Increasing competitive pressure will prevent the Group from achieving its predicted margins and market share. Most markets in which the Group operates are characterized by strong competition and is often price driven.</p> <p>Cargo segment faced high competition due to many small-time freight forwarders entering the market. Due to their lower overheads these small timers offer competitive rates.</p> <p>Increase in competition in airline segment due to the entry of several low cost Far Eastern airlines in the recent past, has led to price wars and decline in passengers.</p>	<ul style="list-style-type: none"> » The Group continuously seeks strategic diversification and adding value to its existing portfolio by methods such as, investing in research and development, process improvements and obtaining ISO certifications. This helps the Group to obtain a competitive advantage and stay ahead of its competitors. » By offering high levels of service to its clients these sectors have successfully differentiated themselves from small timers and have enhanced their brand image. » Floating promotional fares to the market have seen a rise in passengers flying to these destinations.
Political and Policy Uncertainty	
<p>Political uncertainty in our key markets Sri Lanka and Maldives may give rise to changes in policy which may have an adverse impact on our business performance.</p> <p>Amid COVID-19 crisis, governments may impose restrictions on foreign shareholding to protect the interest of local investors.</p> <p>The thermal power plant's power purchase agreement (PPA) is being renewed by the Ceylon Electricity Board (CEB) on a short-term basis. The unlikely event of CEB deciding not to renew this PPA, exposes this segment to a risk.</p>	<ul style="list-style-type: none"> » The strategic risk unit of the Group closely monitors the domestic and global economic environments, for adverse changes in the regulatory framework, which are promptly intimated to the management. » The Power segment has diversified into renewable energy by establishing hydro power and wind power plants. In addition, the first ever waste to energy power plant which is in construction phase will commence commercial operations in 2020/21.

MANAGING RISKS AND OPPORTUNITIES

Risk		Mitigation Strategies												
Implication of Climate Change														
<p>It's abundantly clear that climate change is already having an impact on businesses, and that this impact will only intensify in coming years.</p> <p>Climate change may happen abruptly, and its effects could be devastating. How we respond today to climate change in the regions we operate would make our businesses more resilient in our future business operations.</p> <p>Plantation, tourism and power segments are directly impacted by weather patterns while extreme weather events may have a significant impact on the entire Group</p> <table border="1"> <thead> <tr> <th></th><th>2019-2020</th><th>2018-2019</th></tr> </thead> <tbody> <tr> <td>Assessment</td><td></td><td></td></tr> <tr> <td>Impact</td><td>Moderate</td><td>Moderate</td></tr> <tr> <td>Likelihood</td><td>High</td><td>Moderate</td></tr> </tbody> </table>			2019-2020	2018-2019	Assessment			Impact	Moderate	Moderate	Likelihood	High	Moderate	<ul style="list-style-type: none"> » Integrated approach to sustainability supporting reduction of the Group's carbon and water footprints. » Inbuilt safeguards including comprehensive flood mapping studies to track flood statistics for the past several decades. These studies, which were conducted at the pre-construction stage have enabled the power plant to be built above these levels. » HODs across the Group have also been trained on disaster risk reduction and business continuity planning to develop mitigation and adaptation strategies. » Insurance of fixed assets and inventory against damage from extreme weather events.
	2019-2020	2018-2019												
Assessment														
Impact	Moderate	Moderate												
Likelihood	High	Moderate												
Interest Rate														
<p>The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.</p> <p>Delay in settling invoices by the power sector's largest and only trade debtor the Ceylon Electricity Board has adversely impacted the sector since it has to pay the Ceylon Petroleum Corporation on the due date through borrowed funds, to maintain uninterrupted supply of heavy furnace oil.</p> <table border="1"> <thead> <tr> <th></th><th>2019-2020</th><th>2018-2019</th></tr> </thead> <tbody> <tr> <td>Assessment</td><td></td><td></td></tr> <tr> <td>Impact</td><td>Moderate</td><td>Moderate</td></tr> <tr> <td>Likelihood</td><td>High</td><td>High</td></tr> </tbody> </table>			2019-2020	2018-2019	Assessment			Impact	Moderate	Moderate	Likelihood	High	High	<ul style="list-style-type: none"> » All sectors aggressively follow up with debtors in order to collect their debts in a timely manner in order to minimize finance cost. » Constantly monitoring and forecasting market interest rates, in order to ensure that appropriate and timely measures are taken to maximize the return on financial investments and minimize the cost of borrowings. » Mitigating the adverse impact of movements in interest rates on long term borrowings through interest rate swaps and other hedging mechanisms depending on their availability in the market. .
	2019-2020	2018-2019												
Assessment														
Impact	Moderate	Moderate												
Likelihood	High	High												

Risk		Mitigation Strategies
Currency and Exchange Rate		
<p>The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.</p> <p>Printing and packaging and apparels segments import a vast majority of their raw materials such as paper, board and fabric from suppliers in India, China etc. Such suppliers are paid in USD, thus the strengthening of USD against rupee impacted the profitability of these sectors.</p>		<ul style="list-style-type: none">» Mitigating adverse movements in exchange rates on import and export transactions by forward booking of currencies and by matching of foreign currency inflows and out flows wherever possible.» A currency flow matching strategy is practiced to negate this risk. These sectors have a significant level of foreign currency revenues from which the foreign suppliers are settled.
	2019-2020	2018-2019
Assessment		
Impact	High	High
Likelihood	High	High
Credit, Counterparty and Liquidity		
<p>Considerable amount of credit needs to be extended by some segments for them to generate healthy volumes of business. The amount of credit granted by these segments may expose them to a default risk, especially due to the prevailing situation.</p> <p>Liquidity will be a key concern for the Group in the next year due to drop in business volumes and delays in settlements.</p>		<ul style="list-style-type: none">» Proactive credit policies have been implemented in these sectors. Before granting credit the client's credibility and the potential credit risk associated is assessed via a rigorous process.» The Group's trade receivables are constantly monitored to identify the composition of the debtors, ageing and concentrations of debtors by each sector and SBU.» The Group legal division takes swift action to recover overdue debts.» Negotiate with banks for moratoria at reduced interest rates
	2019-2020	2018-2019
Assessment		
Impact	High	Moderate
Likelihood	High	Moderate
Reputation and Brand Image		
<p>The Group engages with millions of customers and other stakeholders across various industries annually, exposing it to potential reputational risk. If, incidents that may cause reputational damage are not well-managed, it could rapidly escalate into a major strategic crisis.</p> <p>Widespread use of social media has allowed individuals to publish feedback on their interactions with the brand.</p>		<ul style="list-style-type: none">» All media communications are channelled through the corporate communication unit, to ensure consistency in communications.» The Group maintains a high standard of ethics while conducting all forms of business activities. The Group has its own code of ethics and regularly conducts workshops on ethical behaviour and procedures on anti-corruption for its staff. A copy of the code of ethics is given to all new recruits.
	2019-2020	2018-2019
Assessment		
Impact	High	High
Likelihood	Low	Low

MANAGING RISKS AND OPPORTUNITIES

Risk

Mitigation Strategies

Cyber Threat

Several of the Group's business operations can be adversely affected by a cyber incident via a targeted attack from a hacker, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these.

	2019-2020	2018-2019
Assessment		
Impact	High	High
Likelihood	Moderate	Moderate

- » A well defined group-wide cyber security incident response process is put in place.
- » Group-wide staff awareness and cultural change program on information security and sensitive information handling.
- » As a part of IT governance, the Group continues to carry out risk assessments based on environmental changes while mitigating associated risks and implementing corrective action plans against risks which are identified as high risk.
- » The Group has a comprehensive IT policy in place, on par with standards to ensure that adequate system controls are being adhered to

Generation of emissions, effluents and solid waste

Every activity has an environmental impact that if not managed can be a risk to the environment, our communities and the sustainability of the business operation.

	2019-2020	2018-2019
Assessment		
Impact	Moderate	Moderate
Likelihood	Low	Low

- » 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.
- » We have 40+ Environmental Management Systems out of which several operations are currently certified in line with to global benchmarks and standards.
- » Heritance hotels are ISO 50001 certified for their energy management system.
- » Estates in the upcountry cluster are Rainforest Alliance certified and the low country estates maintain management systems in line with the Forestry Stewardship Council system requirements. Our estates also maintain food safety systems aligned with ISO 22000 management system standard.
- » Operations across the Group have invested in renewable energy and are committed to reduce the generation of emissions by establishing operational controls and measures to offset emissions.

INVESTOR INFORMATION

Stock Exchange Listing

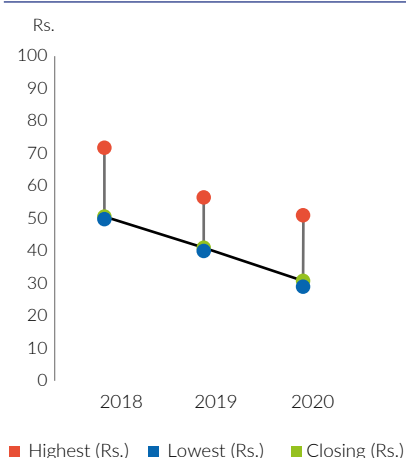
Company Name	Aitken Spence PLC
Stock Symbol	SPEN.N0000
ISIN	LK0004N00008
Security Type in Issue	Quoted Ordinary Shares
Listed Exchange	The Colombo Stock Exchange (CSE) - Main Board
Market Sector	Capital Goods Sector
Featured Stock Indices	All Share Price Index (ASPI), S&P SL 20 Index, Capital Goods Sector Index

Share Performance

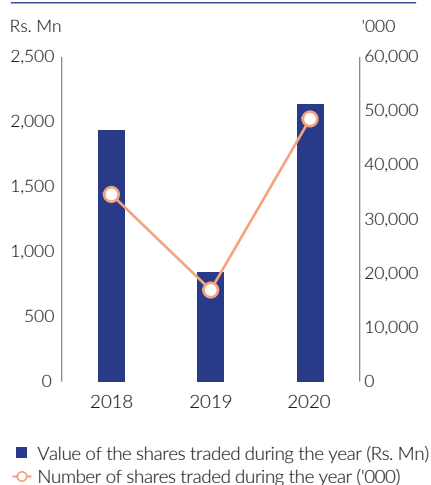
For the year ended 31st March	2020	2019	2018
Market Value per Share			
Highest (Rs.)	51.00	56.50	71.80
Lowest (Rs.)	29.00	40.00	49.80
Last traded (Rs.)	30.80	41.00	50.60
Share Trading Information			
Value of shares traded during the year (Rs. Mn)	2,140.2	840.5	1,939.5
Number of shares traded during the year ('000)	48,552	16,931	34,599
Number of transactions	11,115	4,623	5,681
Percentage of total value transacted in CSE (%)	1.15	0.5	0.79

The market value of the ordinary share as at 29th May 2020 was Rs. 32/-.

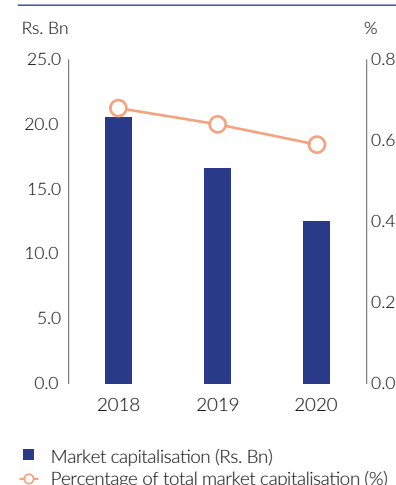
Market Value per Share
For the year ended 31st March



Value of Shares Traded vs Volume
For the year ended 31st March



Market Capitalisation
As at 31st March



INVESTOR INFORMATION

Market Capitalisation

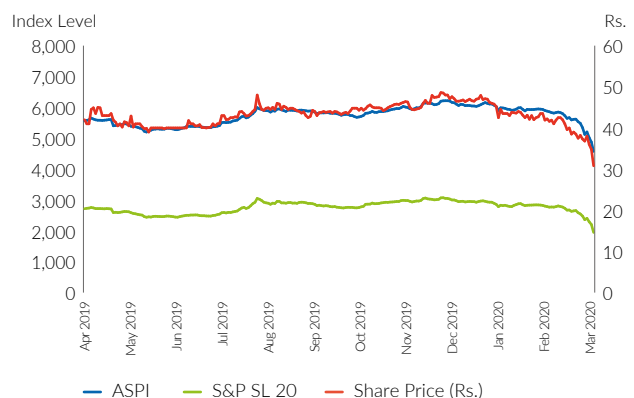
As at 31st March	2020	2019	2018
Market Capitalisation (Rs. Bn)	12.5	16.6	20.5
Total Market Capitalisation of CSE (Rs. Bn)	2,128.3	2,605.9	3,032.7
Percentage of Total Market Capitalisation (%)	0.59	0.64	0.68

The float adjusted market capitalisation as at 31st March 2020 was Rs. 5,693,631,210/- with reference to the rule no. 7.6 (iv) of continuing listing requirements of the CSE.

As the float adjusted market capitalisation is over Rs. 5 Bn, Aitken Spence PLC complies under option 3 of minimum public holding requirement. (as per the rule no. 7.13.1 (a) of continuing listing requirements of the CSE)

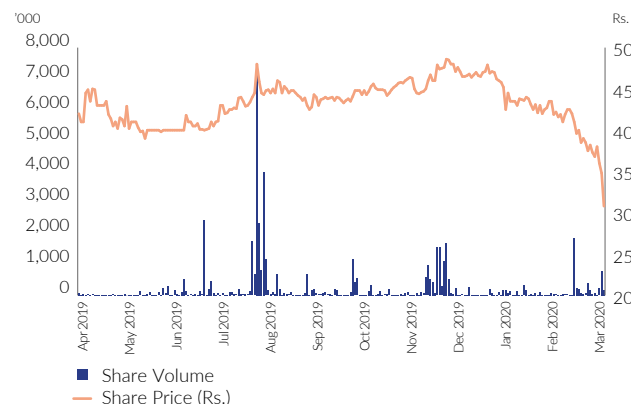
Share Price vs Indices - 2019/2020

12 Months Trend



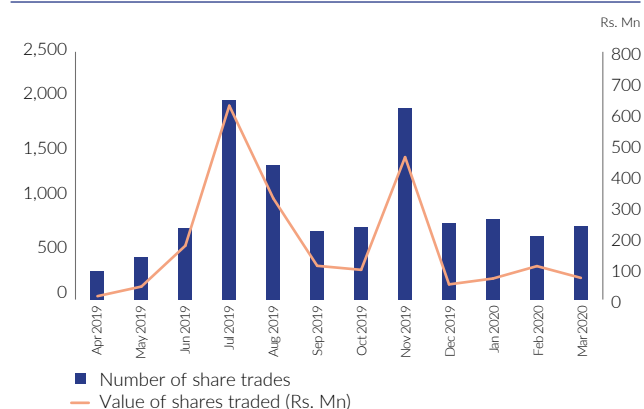
Share Price vs Share Volume 2019/2020

12 Months Trend



Share Trades vs Turnover 2019/2020

12 Months Trend



Share Price vs ASPI - 10 Year Trend

1st April 2010 to 31st March 2020



Earnings

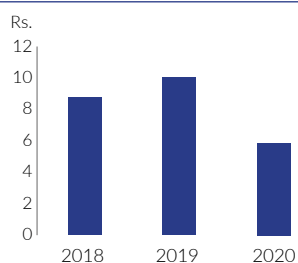
For the year ended 31st March	2020	2019	2018
Earnings per share - Basic/Diluted (Rs.)	5.86	10.04	8.77
Price earnings ratio (P/E) (Times)	5.26	4.08	5.77

Net Asset Per Share

As at 31st March	2020	2019	2018
The Group (Rs.)	125.49	121.80	110.35
The Company (Rs.)	41.57	39.59	37.13

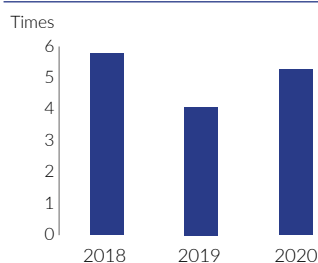
Earnings per Share

For the Year Ended 31st March



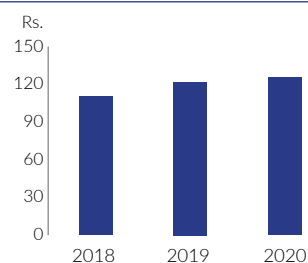
Price Earnings Ratio

For the Year Ended 31st March



Net Asset Per Share

As at 31st March

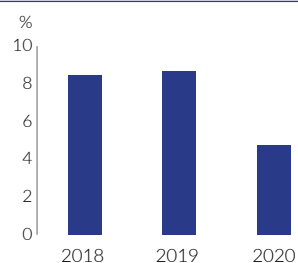


Return On Equity

For the year ended 31st March	2020	2019	2018
Return on Equity (%)	4.74	8.65	8.45

Return On Equity

For the Year Ended 31st March

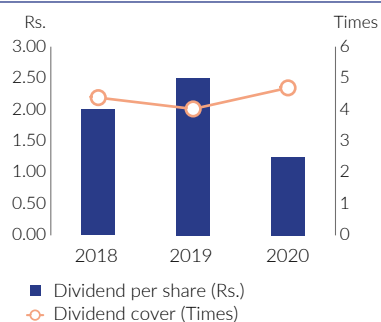


INVESTOR INFORMATION

Dividends

For the year ended 31st March	2020	2019	2018
Dividend per share (Rs.)	1.25	2.50	2.00
Dividend cover (Times)	4.69	4.02	4.38
Dividend payout ratio	0.21	0.25	0.23

Dividend 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	Dividend per share (Rs.)	Dividend cover (Times)	Dividend payout ratio
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
2018/2019	2.50	4.02	0.25
2019/2020	1.25	4.69	0.21

* Above figures are restated taking into consideration the subdivision of shares

Shareholder Composition

Distribution of shareholding

As at 31st March			2020			2019		
Shareholder category			No of shareholders	No of shares	%	No of shareholders	No of shares	%
1	-	1,000	3,063	946,564	0.23	2,832	864,209	0.21
1,001	-	10,000	1,631	6,230,003	1.53	1,410	5,272,549	1.30
10,001	-	100,000	592	19,092,287	4.70	467	14,305,825	3.52
100,001	-	1,000,000	103	28,980,614	7.14	92	26,700,069	6.58
1,000,001	-	above	24	350,746,577	86.40	23	358,853,393	88.39
Total			5,413	405,996,045	100.00	4,824	405,996,045	100.00

There were 5,413 registered shareholders as at 31st March 2020 and they are entitled for one vote per share. (31st March 2019 - 4,824)

Residents/Non-Residents

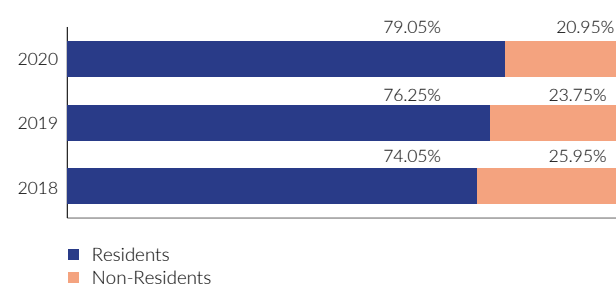
As at 31st March		2020		2019	
		No of shares	%	No of shares	%
Residents		320,956,212	79.05	309,570,662	76.25
Non-Residents		85,039,833	20.95	96,425,383	23.75
Total		405,996,045	100.00	405,996,045	100.00

Institutions/Individuals

As at 31st March		2020		2019	
		No of shares	%	No of shares	%
Institutions		353,681,880	87.11	360,373,593	88.76
Individuals		52,314,165	12.89	45,622,452	11.24
Total		405,996,045	100.00	405,996,045	100.00

Residents/Non-Residents

As at 31st March



Institutions/Individuals

As at 31st March



INVESTOR INFORMATION

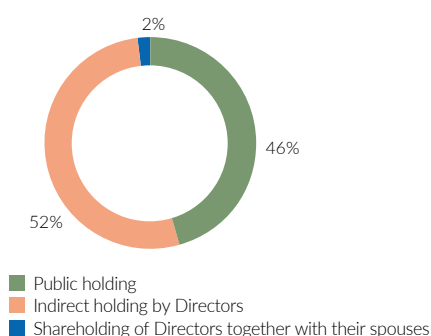
Public Holding

The percentage of public holding as at 31st March 2020 was 45.68% and was represented by 5,406 shareholders. (31st March 2019 - 46.07%, represented by 4,817 shareholders) (As per the rule no.7.6 (iv) of continuing listing requirements of the CSE)

	%	No of Shares
Public holding	45.68	185,460,300
Indirect holding by Directors	52.38	212,673,171
Shareholding of Directors together with their spouses	1.94	7,862,574
Total	100.00	405,996,045

Ownership Structure

As at 31st March 2020



Twenty Largest Shareholders as at 31st March 2020

Name	No of Shares	%
1 Melstacorp PLC	204,314,171	50.32
2 Rubicond Enterprises Limited	65,990,145	16.25
3 Employees Provident Fund	20,590,978	5.07
4 Mr. G.C. Wickremasinghe	7,308,240	1.80
5 Placidrange Holdings Limited	5,521,500	1.36
6 Renuka Hotels Limited	5,479,990	1.35
7 Milford Exports (Ceylon) (Pvt) Limited	5,114,500	1.26
8 East West Properties PLC	3,493,663	0.86
9 Stassen Exports (Pvt) Limited	3,244,500	0.80
10 Miss. A.T. Wickremasinghe	3,211,975	0.79
11 Mrs. K. Fernando	3,135,070	0.77
12 Mr. G. Wickremasinghe	3,019,090	0.74
13 Northern Trust Company S/A Hosking Global Fund PLC	2,657,507	0.65
14 Employees Trust Fund Board	2,621,870	0.65
15 Bank of Ceylon No.1 Account	2,596,230	0.64
16 National Savings Bank	2,493,516	0.61
17 SSBT-Retail Employees Superannuation Trust	1,742,951	0.43
18 Sampath Bank PLC/ Dr. T. Senthilvel	1,350,663	0.33
19 Mr. A.B. Rodrigo (Deceased)	1,284,720	0.32
20 Sri Lanka Insurance Corporation Ltd - Life Fund	1,263,348	0.31
Total	346,434,627	85.31

Shareholding of Directors together with their spouses

As at 31st March	2020	2019
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. J.M.S. Brito	525,495	505,495
Ms. D.S.T. Jayawardena	27,839	27,839
Mr. R.N. Asirwatham	1,000	1,000
Total	7,862,574	7,842,574

Indirect holding by Directors

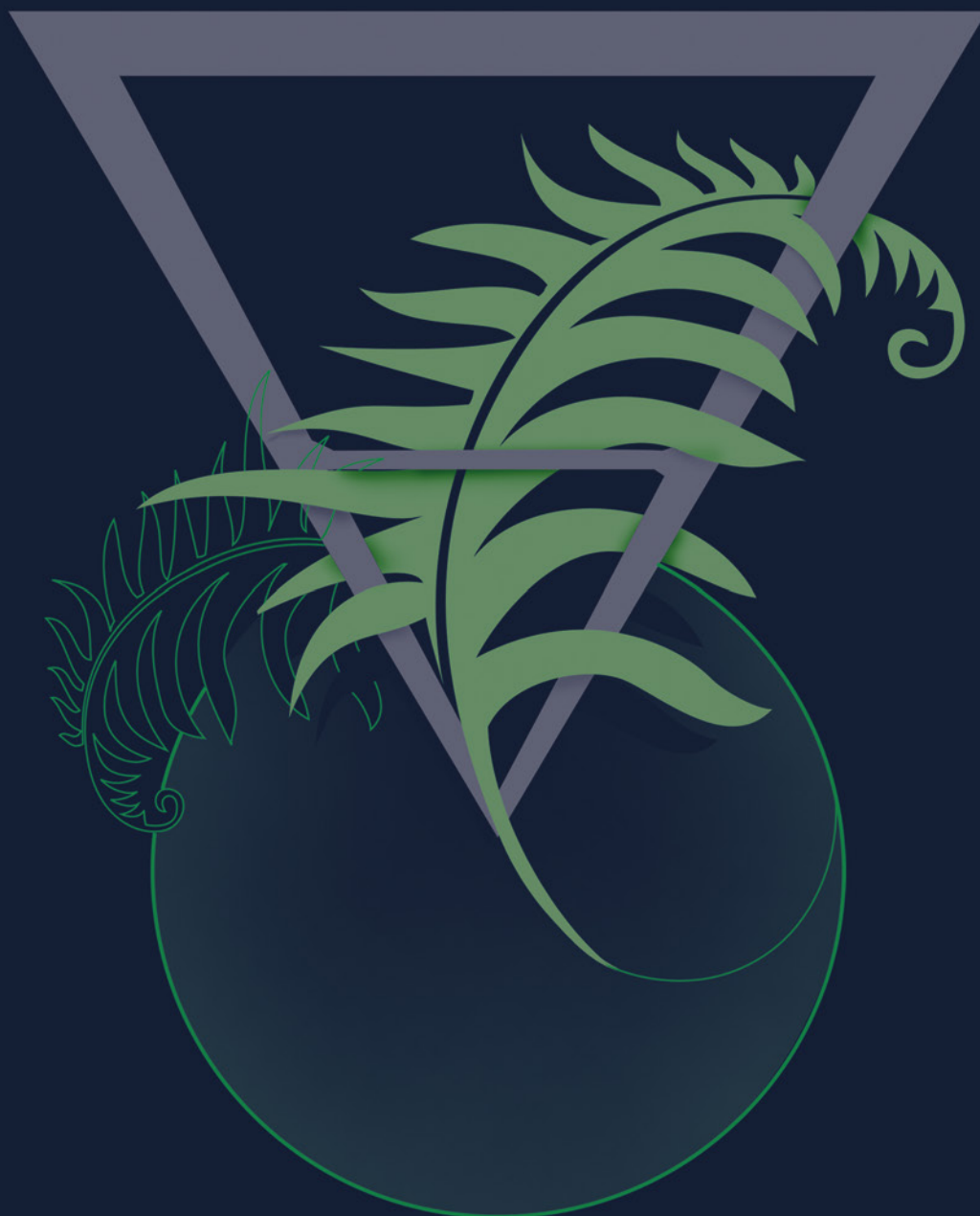
As at 31st March	2020	2019
Deshamanya D.H.S. Jayawardena - Melstacorp PLC	204,314,171	203,564,171
Deshamanya D.H.S. Jayawardena/Ms. D.S.T. Jayawardena - Milford Exports (Ceylon) (Pvt) Limited	5,114,500	4,321,500
- Stassen Exports (Pvt) Limited	3,244,500	3,244,500
Total	212,673,171	211,130,171

Directors' shareholding in Group companies

As at 31st March	2020	2019
Aitken Spence Hotel Holdings PLC		
Mr. G.C. Wickremasinghe	2,082,241	2,082,241
Mr. J.M.S. Brito	331,021	331,021
Ms. D.S.T. Jayawardena	16,000	16,000
Mr. R.N. Asirwatham	1,000	1,000
Hethersett Hotels Limited		
Mr. G.C. Wickremasinghe	1,041,500	1,041,500
Elpitiya Plantations PLC		
Mr. J.M.S. Brito	25,000	-

ON SOLID GROUND

Despite volatile surroundings, our foundation remained firm. Founded on a spirit of togetherness, we combined our skills and effort to remain steadfast and stable, continuing to maintain our footing as a leader in the multiple industries we serve.



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FINANCIAL INFORMATION

FINANCIAL CALENDAR 2019/2020

Interim Financial Statements

Interim financial statements for the three months ended 30th June 2019	Approved on 07th August 2019
Interim financial statements for the six months ended 30th September 2019	Approved on 13th November 2019
Interim financial statements for the nine months ended 31st December 2019	Approved on 10th February 2020
Interim financial statements for the year ended 31st March 2020	Approved on 21st May 2020

Audited Financial Statements

Audited financial statements for the year ended 31st March 2020	Approved on 29th May 2020
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Dividends

Final dividend for the year ended 31st March 2019	Paid on 09th July 2019
Final dividend for the year ended 31st March 2020	Proposed on 21st May 2020

Annual General Meeting

68th Annual General Meeting	30th June 2020
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FINANCIAL HIGHLIGHTS

Q1 - 2019/2020 (Rs. Millions)		Q2 - 2019/2020 (Rs. Millions)	
Revenue	12,421	Revenue	12,356
Profit from operations	846	Profit from operations	1,068
Profit for the year	247	Profit for the year	361
Profit Attributable to equity holders	217	Profit Attributable to equity holders	355
Earnings per share (Rs.)	0.53	Earnings per share (Rs.)	0.87
Net assets per share (Rs.)	118.65	Net assets per share (Rs.)	120.20
Q3 - 2019/2020 (Rs. Millions)		Q4 - 2019/2020 (Rs. Millions)	
Revenue	13,133	Revenue	15,561
Profit from operations	1,835	Profit from operations	2,452
Profit for the year	978	Profit for the year	1,301
Profit Attributable to equity holders	787	Profit Attributable to equity holders	1,019
Earnings per share (Rs.)	1.94	Earnings per share (Rs.)	2.51
Net assets per share (Rs.)	122.55	Net assets per share (Rs.)	125.49
Year ended - 2019/2020 (Rs. Millions)			
Revenue	53,471	Profit Attributable to equity holders	2,378
Profit from operations	6,201	Earnings per share (Rs.)	5.86
Profit for the year	2,887	Net assets per share (Rs.)	125.49

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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 2020 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 2020, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs). The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the Financial Statements.

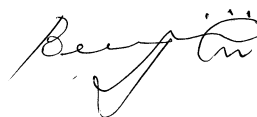
The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2020 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2020 reflect a true and fair view of the Company and the Group.

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

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

By order of the Board,

Aitken Spence PLC



Aitken Spence Corporate Finance (Pvt) Ltd.
Company Secretaries

Colombo
29th May 2020

INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
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P. O. Box 186,
Colombo 00300, Sri Lanka.

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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 31st March 2020, 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 201 to 317.

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 31st March 2020, 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.

Management assessment of the potential impacts of the Coronavirus (COVID-19) on the Tourism sector companies ability to continue as going concern

Refer the note 2.10 and 47 to the financial statements

Risk description	Our response
<p>Note 2.10 and 47 in the financial statements describes the impact of the COVID-19 outbreak on the current year financial statements and the possible effects of the future implications of the COVID-19 outbreak on the Group financial statements specially future prospects, performance and cash flows from the Tourism sector which contributed 46% of the revenue and 56% of the assets of the Group.</p> <p>We identified the management assessment of the potential impact of COVID-19 to the Tourism sector's ability to continue as a going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain and involves significant management judgment in assessing future projections.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> » Obtaining the cash flow projections covering a period of not less than twelve months from the reporting period end date and challenging these key assumptions used in preparing the projections. » Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions.

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

M.R. Mihular FCA
T.J.S. Rajakariyer FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

INDEPENDENT AUDITOR'S REPORT



Risk description	Our response
	<ul style="list-style-type: none"> » Inspecting the facility agreements for the long-term loans to identify any financial covenants or similar terms and assessing the implication of these. » Assessing the adequacy of disclosures in the financial statements in relation to the potential impact of COVID-19 on the Group's ability to continue as a going concern with reference to the requirements of the prevailing accounting standards.
Adoption of SLFRS 16 (Leases)	
Refer note 50.1 to the financial statements	
Risk description	Our response
<p>SLFRS 16 introduces a new lease accounting model, where lessees are required to recognise a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.</p> <p>The Group has adopted SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1st April 2019. Accordingly, the information presented for prior year has not been restated and continued to be reported under LKAS 17 and related interpretations. As a result, as at 1st April 2019, the Group recognised ROU assets of Rs. 11,294 million, lease liabilities of Rs. 9,035 million and a decrease in retained earnings and non-controlling interest of Rs. 894 million, net of the deferred tax impact of Rs. 196 million.</p> <p>Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term, the computation of the ROU asset and the determination of appropriate discount rates.</p> <p>The adjustments arising from applying SLFRS 16 are material to the Group, and this disclosure of impact is a key focus area in our audit.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> » Reading a sample of contracts to assess whether leases have been appropriately identified as per the SLFRS 16 requirements. » Assessing the reasonableness of the methodology of the computation and the determination of lease arrangements excluded from the SLFRS 16 computations. » Obtaining the Group's quantification of ROU assets and lease liabilities and checking the completeness of the computation for a sample of leases, we agreed the inputs used in the quantification with the lease agreements and performed computation checks while challenging the calculations and discount rate applied. We also checked the accuracy of the retained earning adjustments computed by the Group based on our sample verifications carried out. » Evaluating the appropriateness of the selection of accounting policies and management approach over adoption and transition applied for SLFRS 16, including the key accounting estimates and judgements made by the management based on the requirements of the new standard. » Assessing the adequacy of the financial statements' disclosure required by SLFRS 16.



Impairment assessment of goodwill, investments in subsidiaries and equity-accounted investees	
Refer note 17, 21 and 22 to the consolidated financial statements	
Risk description	Our response
<p>The Company hold investments in subsidiaries and investments in equity-accounted investees amounting to Rs. 11,724 million and Rs. 2,787 million respectively as at 31st March 2020.</p> <p>Further, the Group holds investments in equity-accounted investees amounting to Rs. 6,689 million and goodwill amounting to Rs. 942 million as at 31st March 2020.</p> <p>The carrying amount of each investments in subsidiary and investments in equity-accounted investees have been tested for impairment as individual Cash Generating Units and management allocated goodwill to the respective cash-generating units ("CGU") and the recoverable amounts of the identified CGUs have been determined based on value-in-use calculation.</p> <p>Investments which do not generate adequate returns may be an indication of impairment. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations.</p> <p>Further, the COVID-19 outbreak resulted in interruption in business activities and resulted in loss of income for some of the Group entities, which would adversely affect the ability to generate adequate return and indicate potential impairment indicators.</p> <p>We considered the audit of management's impairment assessment of goodwill, investment in equity accounted investees and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying value and use of significant judgments and estimates.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> » Obtaining an understanding of the management's impairment assessment process. » Evaluating the reasonableness of the group's key assumptions for its revised cash flow projections such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including the Group budgetary process and reasonableness of historical forecasts. » Reviewing of value in use computations for recoverable amounts with impairment indications and discussion with management of the Group. » Considering the adequacy of the Group/Company disclosures in the financial statements in respect of impairment testing.

INDEPENDENT AUDITOR'S REPORT



Recoverability of deferred tax assets	
Refer note 23 to the consolidated financial statements	
Risk description	Our response
<p>The Group has recognised deferred tax assets amounting to Rs. 767 million as at 31st March 2020.</p> <p>Group had recognised 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.</p> <p>Further, the COVID-19 outbreak may affect the cash flow projections of certain entities within the Group due to interruption of business activities resulting in a significant impact to the future taxable profits of the Group, which in turn could affect the recognition of deferred tax assets at the reporting date.</p> <p>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 profits being generated and future reversals of existing taxable temporary differences.</p> <p>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 forecasting future taxable profits which could be subject to error or potential management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> » Assessing and challenging the Group's revised approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions in revised 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. » Assessing adequacy of the disclosures in the financial statements.

Financial instruments	
Refer note 38.3 to the consolidated financial statements	
Risk description	Our response
<p>The effective portion of a Cash flow hedge has been recognised under other comprehensive income amounting to Rs. 292 million as at 31st March 2020.</p> <p>A subsidiary company of the Tourism Sector 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.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> » 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 the hedge, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item.



Risk description	Our response
<p>Hedge relationships are formally documented and designated at inception. The documentation includes identification of the hedged item and the hedging instrument and details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge.</p> <p>Further, the economic turbulence resulting from the COVID-19 pandemic may affect the Group's risk exposures and how it manages them. Also the Group may need to consider, whether the hedge accounting criteria's compliance with the Accounting Standards continue to be met, whether there is hedge ineffectiveness to be recognised in profit or loss and whether amounts accumulated in a cash flow hedge reserve need to be reclassified to profit or loss.</p> <p>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 testing effectiveness as required by the accounting standards.</p>	<p>» 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.</p>

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 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.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
29th May 2020

INCOME STATEMENTS

For the year ended 31st March	Notes	GROUP		COMPANY	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue	7	53,471,257	55,680,903	814,674	806,463
Revenue taxes		(492,667)	(617,833)	(9,134)	(13,293)
Net revenue		52,978,590	55,063,070	805,540	793,170
Other operating income	8	850,185	702,629	2,418,491	2,901,156
Changes in inventories of finished goods and work-in-progress		11,288	297,560	-	-
Raw materials and consumables used		(12,933,517)	(10,861,524)	-	-
Employee benefits expense		(9,269,129)	(8,739,856)	(506,764)	(476,388)
Depreciation, amortisation and impairment of non-financial assets	9	(4,090,837)	(2,918,102)	(48,109)	(100,525)
Other operating expenses - direct	10	(14,582,350)	(18,027,448)	-	-
Other operating expenses - indirect		(6,762,877)	(7,499,878)	(376,291)	(433,810)
Profit from operations	9	6,201,353	8,016,451	2,292,867	2,683,603
Finance income	11	792,379	757,845	820,259	831,667
Finance expenses	11	(3,047,554)	(1,880,929)	(1,492,994)	(1,226,907)
Net finance expense		(2,255,175)	(1,123,084)	(672,735)	(395,240)
Share of profit of equity-accounted investees (net of tax)	22	251,484	389,241	-	-
Profit before tax		4,197,662	7,282,608	1,620,132	2,288,363
Income tax expense	12	(1,310,688)	(1,511,258)	(20,178)	(78,968)
Profit for the year		2,886,974	5,771,350	1,599,954	2,209,395
Attributable to:					
Equity holders of the company		2,377,591	4,077,067	1,599,954	2,209,395
Non-controlling interests		509,383	1,694,283	-	-
Profit for the year		2,886,974	5,771,350	1,599,954	2,209,395
Earnings per share - basic/diluted (Rs.)	13	5.86	10.04	3.94	5.44

The notes on pages 209 through 317 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	GROUP		COMPANY	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit for the year		2,886,974	5,771,350	1,599,954	2,209,395
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of freehold land		-	373,720	-	-
Actuarial gains / (losses) on defined benefit obligations	34	168,990	71,917	18,142	13,963
Equity investments at FVOCI – net change in fair value		(1,970)	(4,450)	(2,247)	(4,625)
Share of other comprehensive income of equity-accounted investees (net of tax)	22	(5,740)	(12,106)	-	-
Income tax on other comprehensive income	12.5.1 and 12.5.2	(31,291)	(104,334)	(4,855)	(3,434)
		129,989	324,747	11,040	5,904
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		968,572	1,907,579	-	-
Net movement on cash flow hedges	38.3	(291,529)	(84,129)	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	22	1,307	136,374	-	-
		678,350	1,959,824	-	-
Other comprehensive income for the year, (net of tax)		808,339	2,284,571	11,040	5,904
Total comprehensive income for the year		3,695,313	8,055,921	1,610,994	2,215,299
Attributable to:					
Equity holders of the company		2,961,835	5,789,413	1,610,994	2,215,299
Non-controlling interests		733,478	2,266,508	-	-
Total comprehensive income for the year		3,695,313	8,055,921	1,610,994	2,215,299

The notes on pages 209 through 317 form an integral part of these financial statements.

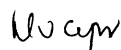
Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at	Notes	GROUP		COMPANY	
		31.03.2020	31.03.2019	31.03.2020	31.03.2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	79,399,615	71,590,332	129,617	155,627
Investment properties	16	1,631,840	1,632,100	3,422,396	3,426,085
Intangible assets	17	1,069,997	945,468	18,583	8,229
Biological assets	18	56,275	49,332	-	-
Right-of-use assets	19	13,249,662	-	-	-
Leasehold properties	20	-	2,214,519	-	-
Pre-paid operating leases	20	-	2,366,966	-	-
Investments in subsidiaries	21	-	-	11,723,777	10,148,778
Investments in equity-accounted investees	22	6,688,625	6,434,116	2,786,545	2,786,545
Deferred tax assets	23	766,677	690,924	299,501	299,592
Other financial assets	24	800,719	834,096	21,654	40,568
		103,663,410	86,757,853	18,402,073	16,865,424
Current assets					
Inventories	25	2,834,640	2,202,047	3,172	2,058
Pre-paid operating leases	20	-	76,232	-	-
Trade and other receivables	26	15,695,545	15,143,496	3,947,170	3,606,397
Current tax receivable		151,544	186,158	25,499	146,307
Deposits and prepayments		1,684,261	2,018,261	96,982	93,576
Other financial assets	27	10,850,655	10,515,935	10,141,146	10,268,044
Cash and short-term deposits	28	6,594,267	7,932,428	1,478,385	2,036,706
		37,810,912	38,074,557	15,692,354	16,153,088
Assets classified as held for sale	29	1,189,650	164,125	72,237	72,237
Total assets		142,663,972	124,996,535	34,166,664	33,090,749
EQUITY AND LIABILITIES					
Equity					
Stated capital	30.1	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	30.2	25,165,268	23,416,042	12,175,797	10,898,187
Retained earnings		23,648,558	23,899,401	2,566,361	3,038,249
Total equity attributable to equity holders of the company		50,948,966	49,450,583	16,877,298	16,071,576
Non-controlling interests		12,355,105	12,635,237	-	-
Total equity		63,304,071	62,085,820	16,877,298	16,071,576
Non-current Liabilities					
Interest-bearing loans and borrowings	31	34,700,410	29,379,904	2,826,859	2,757,893
Lease liabilities	32	10,360,318	-	-	-
Deferred tax liabilities	33	2,358,017	2,283,840	-	-
Employee benefits	34	884,793	1,010,405	66,214	80,576
Other liabilities	35	386,274	1,851,909	-	-
		48,689,812	34,526,058	2,893,073	2,838,469
Current liabilities					
Interest-bearing loans and borrowings	31	3,357,190	3,583,499	182,626	1,303,220
Lease liabilities	32	763,965	-	-	-
Trade and other payables	36	13,281,399	13,307,432	7,094,876	7,207,918
Current tax payable		371,444	436,021	-	-
Other financial liabilities	37	30,005	-	27,275	-
Bank overdrafts and other short-term borrowings	28	12,866,086	11,057,705	7,091,516	5,669,566
		30,670,089	28,384,657	14,396,293	14,180,704
Total equity and liabilities		142,663,972	124,996,535	34,166,664	33,090,749

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 209 to 317.

I certify that the financial statements for the year ended 31st March 2020 are in compliance with the requirements of the Companies Act No. 7 of 2007.

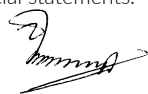


Ms. N. Sivapragasam
Chief Financial Officer

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



Deshamanya D.H.S. Jayawardena
Chairman



Dr. M. P. Dissanayake
Deputy Chairman and Managing Director

29th May 2020
Colombo, Sri Lanka

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020	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 2018	2,135,140	8,610,352	148,440	9,669,422
Adjustment on initial application of SLFRS 9, net of tax	-	-	-	-
Adjusted balance as at 01st April 2018	2,135,140	8,610,352	148,440	9,669,422
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	280,672	-	-
Total comprehensive income for the year	-	280,672	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Acquisition and changes in non-controlling interest	-	33	-	-
Transfer to reserves	-	-	-	1,277,734
Final dividends for 2017/2018 (note 14)	-	-	-	-
Interim dividends for 2018/2019 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	33	-	1,277,734
Balance as at 31st March 2019	2,135,140	8,891,057	148,440	10,947,156
Adjustment on initial application of SLFRS 16 and IFRIC 23, net of tax (note 50)	-	-	-	-
Adjusted balance as at 01st April 2019	2,135,140	8,891,057	148,440	10,947,156
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Acquisition and changes in non-controlling interest	-	(4,036)	-	-
Transfer to reserves	-	-	-	1,279,632
Final dividends for 2018/2019 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	(4,036)	-	1,279,632
Balance as at 31st March 2020	2,135,140	8,887,021	148,440	12,226,788

The notes on pages 209 through 317 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Exchange fluctuation reserve Rs.'000	Attributable to equity holders of the company			Total Rs.'000	Non- controlling interests	Total equity
	Fair value reserve Rs.'000	Cash flow hedge reserve Rs.'000	Retained earnings Rs.'000			
2,467,348	34,604	(429,240)	22,163,669	44,799,735	11,484,969	56,284,704
-	(37,359)	-	17,321	(20,038)	(4,533)	(24,571)
2,467,348	(2,755)	(429,240)	22,180,990	44,779,697	11,480,436	56,260,133
-	-	-	4,077,067	4,077,067	1,694,283	5,771,350
1,435,593	(3,992)	(37,601)	37,674	1,712,346	572,225	2,284,571
1,435,593	(3,992)	(37,601)	4,114,741	5,789,413	2,266,508	8,055,921
-	-	-	80,041	80,041	-	80,041
36	-	-	19,351	19,420	(19,420)	-
-	-	-	(1,277,734)	-	-	-
-	-	-	(811,992)	(811,992)	-	(811,992)
-	-	-	(405,996)	(405,996)	-	(405,996)
-	-	-	-	-	(1,092,287)	(1,092,287)
36	-	-	(2,396,330)	(1,118,527)	(1,111,707)	(2,230,234)
3,902,977	(6,747)	(466,841)	23,899,401	49,450,583	12,635,237	62,085,820
-	-	-	(948,697)	(948,697)	(142,608)	(1,091,305)
3,902,977	(6,747)	(466,841)	22,950,704	48,501,886	12,492,629	60,994,515
-	-	-	2,377,591	2,377,591	509,383	2,886,974
610,547	(1,773)	(130,296)	105,766	584,244	224,095	808,339
610,547	(1,773)	(130,296)	2,483,357	2,961,835	733,478	3,695,313
-	-	-	82,384	82,384	-	82,384
(4,848)	-	-	20,739	11,855	(4,842)	7,013
-	-	-	(1,279,632)	-	-	-
-	-	-	(608,994)	(608,994)	-	(608,994)
-	-	-	-	-	(866,160)	(866,160)
(4,848)	-	-	(1,785,503)	(514,755)	(871,002)	(1,385,757)
4,508,676	(8,520)	(597,137)	23,648,558	50,948,966	12,355,105	63,304,071

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2020	Stated capital Rs.'000	General reserves Rs.'000	Fair value reserve Rs.'000	Retained earnings Rs.'000	Total
Balance as at 01st April 2018	2,135,140	9,639,788	(12,661)	3,313,384	15,075,651
Adjustment on initial application of SLFRS 9, net of tax	-	-	(2,495)	1,109	(1,386)
Adjusted balance as at 01st April 2018	2,135,140	9,639,788	(15,156)	3,314,493	15,074,265
Profit for the year	-	-	-	2,209,395	2,209,395
Other comprehensive income for the year (note 30.3.2)	-	-	(4,149)	10,053	5,904
Total comprehensive income for the period	-	-	(4,149)	2,219,448	2,215,299
Transfer to general reserve	-	1,277,704	-	(1,277,704)	-
Final dividends for 2017/2018 (note 14)	-	-	-	(811,992)	(811,992)
Interim dividends for 2018/2019 (note 14)	-	-	-	(405,996)	(405,996)
Total contributions and distributions recognised directly in equity	-	1,277,704	-	(2,495,692)	(1,217,988)
Balance as at 31st March 2019	2,135,140	10,917,492	(19,305)	3,038,249	16,071,576
Adjustment on initial application of IFRIC 23 (note 50)	-	-	-	(196,278)	(196,278)
Adjusted balance as at 01st April 2019	2,135,140	10,917,492	(19,305)	2,841,971	15,875,298
Profit for the year	-	-	-	1,599,954	1,599,954
Other comprehensive income for the year (note 30.3.2)	-	-	(2,022)	13,062	11,040
Total comprehensive income for the period	-	-	(2,022)	1,613,016	1,610,994
Transfer to general reserve	-	1,279,632	-	(1,279,632)	-
Final dividends for 2018/2019 (note 14)	-	-	-	(608,994)	(608,994)
Total contributions and distributions recognised directly in equity	-	1,279,632	-	(1,888,626)	(608,994)
Balance as at 31st March 2020	2,135,140	12,197,124	(21,327)	2,566,361	16,877,298

The notes on pages 209 through 317 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		COMPANY	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Cash flows from operating activities					
Profit before tax		4,197,662	7,282,608	1,620,132	2,288,363
Adjustments for					
Depreciation and amortisation		4,112,097	2,903,256	48,109	47,001
Interest expense		2,857,834	1,680,143	1,484,981	1,222,137
(Gain)/loss on disposal of property, plant and equipment	8	16,519	(59,035)	17,672	(2,234)
Gain on disposal of subsidiaries	8	(54)	(800)	(53)	(800)
Gain on disposal of equity securities – at FVTPL	8	-	(509)	-	(509)
Loss on disposal of equity securities – at FVOCI	8	-	5,556	-	-
Interest income	11	(792,379)	(757,845)	(820,259)	(831,667)
Share of profit of equity-accounted investees (net of tax)	22	(251,484)	(389,241)	-	-
Impairment losses of investments in subsidiaries and equity-accounted investees		-	45,406	-	53,524
Impairment reversals of inventories		(21,260)	(30,560)	-	-
Impairment losses/(reversals) and write-offs of trade and other receivables		158,761	(59,159)	-	58,925
Net foreign exchange (gain) / loss		482,627	495,589	188,164	223,969
Provision for retirement benefit obligations	34	189,907	200,225	14,626	21,415
		6,752,568	4,033,026	933,240	791,761
Operating profit before working capital changes		10,950,230	11,315,634	2,553,372	3,080,124
(Increase)/decrease in trade and other receivables		(689,783)	(1,547,864)	(340,773)	1,119,880
(Increase)/decrease in inventories		(611,333)	(645,325)	(1,114)	121
(Increase)/decrease in deposits and prepayments		125,751	(537,848)	(3,406)	6,593
Increase/(decrease) in trade and other payables		111,413	627,848	23,639	1,237,417
Increase/(decrease) in other liabilities		(163,620)	549,892	-	-
		(1,227,572)	(1,553,297)	(321,654)	2,364,011
Cash generated from operations		9,722,658	9,762,337	2,231,718	5,444,135
Interest paid		(2,579,363)	(1,684,997)	(1,459,043)	(1,217,088)
Income tax paid		(1,370,236)	(1,395,112)	(100,412)	(11,593)
Retirement benefit obligations paid	34	(151,690)	(178,056)	(10,846)	(61,875)
		(4,101,289)	(3,258,165)	(1,570,301)	(1,290,556)
Net cash generated from operating activities		5,621,369	6,504,172	661,417	4,153,579

(carried forward to next page)

The notes on pages 209 through 317 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		COMPANY	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
(brought forward from previous page)					
Cash flows from investing activities					
Interest received		791,139	762,734	819,851	831,820
Investment in subsidiaries and equity accounted investees		(24,202)	(128,590)	(1,575,000)	(2,296,535)
Investment in equity securities and debt		(20,849)	(20,236)	(20,849)	(20,236)
Net cash flows on divestment of subsidiaries		-	(14,024)	-	-
Acquisition of property, plant and equipment *	15	(9,811,758)	(11,556,526)	(27,978)	(66,232)
Acquisition of intangible assets	17	(131,442)	(23,113)	(18,458)	(5,276)
Acquisition of biological assets *	18	(8,502)	(6,501)	-	-
Proceeds from disposal of property, plant and equipment		26,867	109,246	-	5,890
Proceeds from retirement of equity securities and debt		67,500	92,886	54,167	52,662
Proceeds/(purchase) of other financial assets and liabilities (net)		(368,869)	(3,214,109)	105,471	(3,794,075)
Final liquidation proceeds of subsidiary		54	800	54	800
Dividends paid to non-controlling interests		(866,160)	(1,092,287)	-	-
Dividends received from equity accounted investees		99,959	577,641	-	-
Net cash used in investing activities		(10,246,263)	(14,512,079)	(662,742)	(5,291,182)
Cash flows from financing activities					
Proceeds from interest-bearing loans and borrowings	31	5,892,822	14,011,202	-	2,686,200
Repayment of interest-bearing loans and borrowings	31	(3,019,088)	(8,514,176)	(1,287,613)	(1,391,701)
Payment of lease liabilities		(744,118)	-	-	-
Issue of shares by subsidiary companies		7,027	-	-	-
Dividends paid to equity holders of the parent		(745,675)	(1,073,867)	(745,675)	(1,073,867)
Net cash generated from / (used in) financing activities		1,390,968	4,423,159	(2,033,288)	220,632
Net decrease in cash and cash equivalents		(3,233,926)	(3,584,748)	(2,034,613)	(916,971)
Cash and cash equivalents at the beginning of the year		(3,125,277)	478,960	(3,632,860)	(2,697,710)
Effect of movements in exchange rates		87,384	(19,489)	54,342	(18,179)
Cash and cash equivalents at the end of the year	28	(6,271,819)	(3,125,277)	(5,613,131)	(3,632,860)

* Acquisition of property, plant and equipment and biological assets includes capitalised borrowing cost paid by the Group of Rs. 1,413 million (2018/2019 - 867.5 million) and Rs. 3.0 million respectively. (Company-nil).

The notes on pages 209 through 317 form an integral part of these financial statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Aitken Spence PLC., (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business is located at "Aitken Spence Tower II", 315 Vauxhall Street, Colombo 02.

The consolidated financial statements of the Company as at, and for the year ended 31st March 2020 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 330 to 337 of this report.

The immediate parent of Aitken Spence PLC is Melstacorp PLC and ultimate parent is Milford Exports (Ceylon) (Private) Limited.

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.

This is the first set of the Group's annual financial statements in which SLFRS 16 "Leases" and IFRIC 23 - "Uncertainty over income tax treatments" have been applied.

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 its 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 2020 were approved and authorised for issue by the Board of Directors on the 29th of May 2020. 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 201 and 202;
- » 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 203;
- » 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 204 to 206;
- » 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 page 207 to 208;
- » notes to the financial statements comprising significant accounting policies and other explanatory information. Refer pages 209 to 317.

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 (recognised under property, Plant and Equipment)	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 fair value through profit or loss	Measured at fair Value	3.3.1 and 27
Financial assets classified as fair value through other comprehensive income.	Measured at fair Value	3.3.1 and 24.1.1
Retirement benefit obligations	Measured at the present value of the defined benefit obligation	3.12 and 34

NOTES TO THE FINANCIAL STATEMENTS

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. There were no changes in the presentation or functional currency of the Group companies during the year under review.

Functional currency of all the Group companies is Sri Lankan Rupees other than the following companies whose functional currency is either based on the country of incorporation of the respective company or elements that could influence in determining its functional currency.

Company	Country of incorporation	Functional currency
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	Sri Lanka	United States Dollar
Aitken Spence Hotels International (Pvt) Ltd.	Sri Lanka	United States Dollar
Aitken Spence Global Operations (Pvt) Ltd.	Sri Lanka	United States Dollar
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
Ace Aviation Services Maldives Private Limited.	Maldives	United States Dollar
Interlifts International 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

Company	Country of incorporation	Functional currency
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.	HongKong	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
Serendib Investments Ltd.	Fiji	Fiji Dollars
Aitken Spence Travels Myanmar Ltd.	Myanmar	Kyat

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'.

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. 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.

Impact of COVID-19 pandemic

The ongoing COVID-19 pandemic has increased the uncertainties of estimates used in the preparation of these financial statements.

These estimation uncertainties are associated with:

- » the extent and the duration of the disruption to business due to the spread of the virus;
- » the extent and duration of the expected economic downturn and the duration taken for the global economy to recover from the downturn.
- » the effectiveness of the measurements taken by the authorities to support businesses and consumers through this disruption and economic downturn.

The impact of the COVID-19 pandemic on accounting estimates is discussed further under the relevant notes to these financial statements.

2.10 Going concern

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID-19 on the Group and the appropriateness of the use of the going concern basis of preparation giving special attention to highly impacted sectors such as tourism based on available information and the short to medium term economic outlook. The Group has been evaluating the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Group, changes in working capital, management of capital expenditure, debt repayments, cash reserves and available sources of financing including unutilised facilities and in order to be able to continue business under current global economic conditions.

Having evaluated the presentations made by the Group companies on their future outlook, the Directors are satisfied that the Company and its Subsidiaries have adequate resources to continue its operations at least, but not limited to, 12 months from the reporting date, to justify adopting the going concern basis in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes in significant accounting policies given below the accounting policies set out from note 3.1 onwards have been applied consistently for all periods presented in the financial statements by the Group and the Company.

Changes in significant accounting policies

The Group initially applied SLFRS 16 – Leases and IFRIC 23 – Uncertainty over Income Tax Treatments from 01st April 2019.

The Group applied SLFRS 16 – Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01st April 2019. Accordingly, the comparative information for 2018/19 is presented as previously reported, under LKAS 17 – Leases and related interpretations. Furthermore, the disclosure requirements in SLFRS 16 – Leases is not provided for comparative information.

Group applied IFRIC 23 – Uncertainty over Income Tax Treatments, retrospectively with the cumulative effect of initially applying the interpretation being adjusted to the opening balance of retained earnings as at 01st April 2019.

Due to the transition methods chosen by the Group in applying these standard and interpretation, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

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 31st 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 after taxation and each component in the other comprehensive income applicable to outside shareholders of subsidiary companies are included under the heading "Non – controlling interests" in the Consolidated Income Statement and the Statement of Profit or Loss and the 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 FVOCI 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

NOTES TO THE FINANCIAL STATEMENTS

of that interest, including any long-term investments, is reduced to zero 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 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 following companies. However the Group incorporates the results of these companies up to 31st March in the Group's financial statements.

Company	Reporting Period
Fiji Ports Terminal Limited.	31st December
Ace Resorts Private Limited.	31st December
A.D.S. Resorts Private Limited.	31st December
Unique Resorts Private Limited.	31st December
Jetan Travel Services Company Private Limited.	31st December
Cowrie Investment Private Limited.	31st December
Ace Aviation Services Maldives Private Limited.	31st December
Spence Maldives Private Limited.	31st December
Interlifts International Private Limited.	31st December
Fiji Ports Corporation Limited.	31st December
Serendib Investments Ltd.	31st June
Aitken Spence Travels Myanmar Ltd.	30th September

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 FVOCI 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

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

3.3.1 Financial assets

3.3.1.1 Recognition and initial measurement

Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument with the exception of "Trade Receivables". The Group initially recognises trade receivables when they are originated.

Financial assets other than trade receivables that do not contain a significant financing component are initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.3.1.2 Classification and measurement

On initial recognition, the Group classifies a financial asset as measured at amortised cost; Fair Value Through Other Comprehensive Income (FVOCI); or Fair Value Through Profit or Loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it is held within a business model where the objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates and the financial asset is not designated as at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the debt investment is not designated as at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group irrevocably elected to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes equity Investments and derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.3.1.3. Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the financial assets are managed and information is provided to management. The information considered includes:

- » the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- » how the performance of the portfolio is evaluated and reported to the Group's management;
- » the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- » the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3.3.1.4 *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- » contingent events that would change the amount or timing of cash flows;
- » terms that may adjust the contractual coupon rate, including variable-rate features;
- » repayment and extension features; and
- » terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.3.1.5 *Subsequent measurement and gains and losses:*

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.3.1.6 *Reclassification*

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets.

3.3.1.7 *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transaction whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, such transferred assets are not derecognised.

3.3.1.8 *Impairment*

The Group recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Loss allowance for debt instruments is measured and 12-month ECL unless credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) of the debt instrument has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

Significant financial difficulty of the borrower or issuer.

For trade receivables, being more than 365 days past due.

The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.

It is probable that the borrower will enter bankruptcy or other financial reorganisation.

The disappearance of an active market for a security because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3.3.2 Financial Liabilities

3.3.2.1 Recognition and initial measurement

The Group initially recognises financial liabilities other than debt securities when it becomes a party to the contractual provisions of the instrument. The Group recognises debt securities issued when they are originated.

All financial liabilities are initially measured at fair value and, for an item not at Fair Value Through Profit or Loss (FVTPL), measured net of transaction costs that are directly attributable to its issue.

The Group's financial liabilities comprise of loans and borrowings, refundable rental and other deposits, bank overdrafts, trade and other payables and derivative financial instruments.

3.3.2.2 Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition of other financial liabilities are recognised in profit or loss.

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3.3.2.3 *Reclassification*

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.3.2.4 *Derecognition*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.3.3 *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3.7 *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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed prospective basis according to SLFRS 09 – 'Financial Instruments' requirements.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded

derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

3.3.7.1. *Cash Flow Hedge*

A hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognises asset, liability or a highly probable forecast transaction that could affect the profit or loss is classified as a cash flow hedge.

When a non-derivative financial liability is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the non-derivative financial liability is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the non-derivative financial liability that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the non-derivative financial liability is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting (after taking into account any rebalancing of the hedging relationship) or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

3.3.8 *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 of 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, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the attributable borrowing costs if the recognition criteria are met. The cost of an item also includes an initial estimate of the cost of dismantling and removing the items and restoring the site on which it is 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.

The estimated useful lives are as follows:

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

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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.

3.4.5 Disposal of property, plant and equipment

An item of property, plant and equipment and any significant part initially recognised is derecognised by the Group upon disposal (i.e., at the date the recipient obtains control). Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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.

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

The Group applied SLFRS 16 - Leases, using the modified retrospective approach. Therefore the comparative information is not restated and continues to be reported under LKAS 17 - "Leases" and IFRIC 4 - "Determining Whether an Arrangement Contains a Lease". The details of accounting policies under LKAS 17 - "Leases" and IFRIC 4 - "Determining Whether an Arrangement Contains a Lease" are disclosed separately.

3.6.1 Policy applicable after 01st April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.6.1.1 Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

3.6.1.1.1 Right-of-use Asset

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date,

plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

After the commencement date, Group measures the right-of-use asset on cost model.

3.6.1.1.2 Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

If the ownership of the leased asset transfers to the Group at the end of the lease term, or the cost of the right-of-use asset reflects the exercise a purchase option the asset is depreciated over the useful life of the underlying asset.

The right-of-use assets are subject to impairment.

3.6.1.1.3 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- » fixed payments, including in-substance fixed payments.
- » variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- » amounts expected to be payable under a residual value guarantee.
- » the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method.

After the commencement date, Group measure the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.6.1.1.4 Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

3.6.1.1.5 Presentation in the statement of financial position

The Group presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its' statement of financial position.

3.6.1.2 Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3.6.1.2.1 Finance leases

At the commencement date, the Group recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

The Group recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

3.6.1.2.2 Operating leases

The Group recognise lease payments received from operating leases as income on either a straight-line basis or another systematic basis if it is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS

3.6.2 Policy applicable before 01st April 2019

Accounting policies under LKAS 17 – “Leases” and IFRIC 4 – “Determining Whether an Arrangement Contains a Lease”.

3.6.2.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership were classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, were 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 were accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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.

3.6.2.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets were classified as operating leases. Payments under operating leases were 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 was recognised as a non-current asset and was 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 was tested for impairment annually.

3.6.1.3 Group as a lessor

Accounting policy that was applicable prior to 01st April 2019 when the Group was a lessor is identical to the policy that is applicable after 01st April 2019.

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, the Group recognise agricultural produce growing on bearer plants at fair value less cost to sell. Any change in the fair value of such agricultural produce are recognised in profit or loss at the end of each reporting period. For this purpose, quantities of harvestable agricultural produce are 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 crops in that harvesting cycle are 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 and transport
Rubber	- Latex price (95% of current RSS1 Price) less cost of tapping and transport
Oil Palm	- Bought mill net sale average less cost of harvesting and transport

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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 not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no 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.

NOTES TO THE FINANCIAL STATEMENTS

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. However, in order to be entitled for the gratuity payment, the employees should have completed minimum of 5 years continuous service preceding the date of retirement.

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 and Income

3.14.1 Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a good or service to a customer, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Group Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales

3.14.1.1 Sale of goods

Revenue from sale of goods is recognised on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of

variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.14.1.2 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 irrespective of whether the service is billed.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records the revenue at the net amount that it retains for its agency services.

3.14.1.3 Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the agreement

3.14.1.3 Other Revenue

3.14.1.3.1 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.

3.14.2 Other Income

3.14.2.1 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 FVOCI, 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.

3.14.2.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

3.15 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 FVTPL or FVOCI 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 15 and 18 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 taxes. 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.

IFRIC 23 "Uncertainty over income tax treatments" was applicable to financial years commencing from 1st January 2019 and the Group adopted the above interpretation during the year under review. This IFRIC provides guidance on determining taxable profits, tax bases, unused tax losses, unused tax credits and tax rates, when there is an uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have an impact on the income tax expense for the year.

Group applied IFRIC 23 - Uncertainty over Income Tax Treatments, retrospectively with the cumulative effect of initially applying the interpretation being adjusted to the opening balance of retained earnings as at 01st April 2019.

3.18.1 Current tax

The current tax represents the expected tax payable on the taxable income for the year, using tax rates enacted, substantially enacted or announced as at the reporting date, any taxes on distribution of dividends 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 where applicable in accordance with the Inland Revenue Act No. 24 of 2017 and as per the notice issued by the Department of Inland Revenue to tax payers dated 12th February 2020. The detail analysis of the tax rates applicable for the Companies in the Group is disclosed in note 12.1 to the financial Statements

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 12.2 to the financial statements.

NOTES 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 or announced 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 (ESC)

As per the provisions of the Economic Service Charge Act No 13 of 2006, Economic Service Charge was payable on the liable turnover at specified rates up to 31st December 2019. On the 1st January 2020 a notice was published by the Department of Inland Revenue, abolishing Economic Service Charge with effect from January 01, 2020.

Economic service charge paid is deductible from the current income tax liability. Any unclaimed amount could be carried forward and set off against the income tax payable in the subsequent two years. Any amount that is not offset within the specified period is adjusted as an income tax expense.

3.18.4 Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the arm's length principles relating to transfer pricing.

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 330 to 337.

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 42 and 43 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 number of new Sri Lanka Accounting Standards (SLFRSs/ LKASs) and amendments that are 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 if applicable as and when they become effective.

Group does not expect the following new Accounting standards, amendments and interpretations that will become effective for future accounting periods will have a significant impact on the Group's consolidated financial statements.

- » Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- » Amendments to Sri Lanka Accounting Standard - LKAS 1 "Presentation to Financial Statements" and Sri Lanka Accounting Standard - LKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- » Amendments to Sri Lanka Accounting Standard - SLFRS 3 Business Combinations
- » Sri Lanka Accounting Standard - SLFRS 17 Insurance Contracts
- » Amendments to SLFRS 9, LKAS 39, and SLFRS 7 - Interest rate benchmark reforms.
- » Amendments to Sri Lanka Accounting Standard - SLFRS 10 "Presentation to Financial Statements" and Sri Lanka Accounting Standard - LKAS 28 "Investments in Associates and Joint Ventures"

NOTES TO THE FINANCIAL STATEMENTS

6 OPERATING SEGMENTS

6.1 Business segments

The Group operates in four business segments namely tourism, maritime and freight 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

For the year ended 31st March	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total revenue generated	27,096,321	31,252,506	11,956,237	11,976,770	20,850,104	18,335,907	1,855,056	2,575,117	61,757,718	64,140,300
Intra-segmental revenue	(2,247,594)	(2,483,493)	(516,466)	(474,659)	(716,753)	(722,934)	(70,332)	(73,300)	(3,551,145)	(3,754,386)
Total revenue with inter - segmental revenue	24,848,727	28,769,013	11,439,771	11,502,111	20,133,351	17,612,973	1,784,724	2,501,817	58,206,573	60,385,914
Inter - segmental revenue	(140,337)	(22,048)	(332,188)	(343,418)	(477,685)	(464,318)	(266,280)	(269,382)	(1,216,490)	(1,099,166)
Total revenue with equity-accounted investees	24,708,390	28,746,965	11,107,583	11,158,693	19,655,666	17,148,655	1,518,444	2,232,435	56,990,083	59,286,748
Share of equity-accounted investees' revenue	(277,532)	(427,977)	(1,887,921)	(1,782,833)	(1,336,162)	(1,371,967)	(17,211)	(23,068)	(3,518,826)	(3,605,845)
Revenue from external customers	24,430,858	28,318,988	9,219,662	9,375,860	18,319,504	15,776,688	1,501,233	2,209,367	53,471,257	55,680,903
Profit from operations	1,744,219	3,785,371	1,835,608	1,761,512	2,319,887	2,177,541	301,639	292,027	6,201,353	8,016,451
Finance income	628,001	619,671	95,227	48,055	32,003	67,092	37,148	23,027	792,379	757,845
Finance expenses	(2,108,287)	(1,175,089)	(166,119)	(95,041)	(732,687)	(572,416)	(40,461)	(38,383)	(3,047,554)	(1,880,929)
Share of profit of equity-accounted investees (net of tax)	(279,248)	(133,568)	488,665	411,272	42,579	119,340	(512)	(7,803)	251,484	389,241
Profit before tax	(15,315)	3,096,385	2,253,381	2,125,798	1,661,782	1,791,557	297,814	268,868	4,197,662	7,282,608
Income tax expense	(581,788)	(936,582)	(389,075)	(399,560)	(281,213)	(102,626)	(58,612)	(72,490)	(1,310,688)	(1,511,258)
Profit for the year	(597,103)	2,159,803	1,864,306	1,726,238	1,380,569	1,688,931	239,202	196,378	2,886,974	5,771,350
Depreciation and amortisation	2,920,022	1,958,294	605,919	370,280	488,935	483,919	97,221	90,763	4,112,097	2,903,256
Impairment losses / (reversals) and write-offs	85,446	7,651	47,585	(1,013)	(16,509)	(107,137)	20,979	56,186	137,501	(44,313)
Other non-cash expenses	78,952	83,043	50,698	51,584	49,136	53,796	11,121	11,801	189,907	200,224

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 13.4 billion of revenue, which amounts to 25% 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

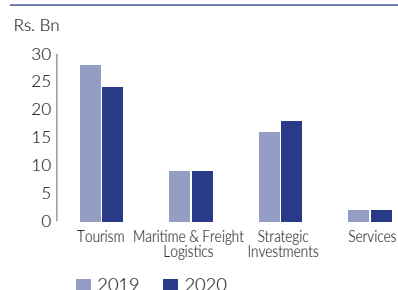
As at	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current assets										
Property, plant and equipment	52,942,464	50,372,356	5,923,083	6,203,542	17,556,000	12,069,654	2,978,068	2,944,780	79,399,615	71,590,332
Investment properties	72,000	72,000	-	-	1,558,800	1,558,800	1,040	1,300	1,631,840	1,632,100
Intangible assets other than goodwill	88,507	16,881	12,577	12,076	25,851	10,445	1,227	-	128,162	39,402
Biological assets	-	-	-	-	56,275	49,332	-	-	56,275	49,332
Right-of-use assets	11,138,479	-	1,549,894	-	554,431	-	6,858	-	13,249,662	-
Leasehold properties & Pre-paid operating leases	-	4,104,347	-	3,330	-	473,808	-	-	-	4,581,485
Deferred tax assets	317,604	187,200	35,632	31,772	380,847	454,273	32,594	17,679	766,677	690,924
Other financial assets	764,246	778,986	13,786	13,508	22,687	41,602	-	-	800,719	834,096
Segment non-current assets	65,323,300	55,531,770	7,534,972	6,264,228	20,154,891	14,657,914	3,019,787	2,963,759	96,032,950	79,417,671
Investments in equity-accounted investees	740,822	1,027,595	4,598,024	4,064,690	1,303,963	1,295,502	45,816	46,329	6,688,625	6,434,116
Intangible assets - goodwill on consolidation	-	-	-	-	-	-	-	-	941,835	906,066
Total non-current assets	66,064,122	56,559,365	12,132,996	10,328,918	21,458,854	15,953,416	3,065,603	3,010,088	103,663,410	86,757,853
Current assets										
Inventories	976,928	611,546	297,781	254,252	1,404,162	1,187,964	155,769	148,285	2,834,640	2,202,047
Pre-paid operating leases	-	74,969	-	50	-	1,213	-	-	-	76,232
Trade and other receivables	8,917,001	9,862,909	3,280,381	2,906,449	10,256,623	8,766,170	1,067,868	1,335,879	23,521,873	22,871,407
Current tax receivable	49,509	13,356	53,485	9,041	26,447	148,309	22,103	15,452	151,544	186,158
Deposits and prepayments	1,119,658	1,460,358	280,500	264,207	220,339	232,895	63,764	60,801	1,684,261	2,018,261
Other current assets	168,415	122,078	534,827	120,149	10,141,146	10,268,044	6,267	5,664	10,850,655	10,515,935
Cash and short-term deposits	3,279,156	4,076,986	1,122,275	1,341,996	2,085,174	2,297,715	107,662	215,731	6,594,267	7,932,428
Segment current assets	14,510,667	16,222,202	5,569,249	4,896,144	24,133,891	22,902,310	1,423,433	1,781,812	45,637,240	45,802,468
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,826,328)	(7,727,911)
Total current assets	14,510,667	16,222,202	5,569,249	4,896,144	24,133,891	22,902,310	1,423,433	1,781,812	37,810,912	38,074,557
Assets classified as held for sale	-	-	-	-	-	-	-	-	1,189,650	164,125
Total assets	80,574,789	72,781,567	17,702,245	15,225,062	45,592,745	38,855,726	4,489,036	4,791,900	142,663,972	124,996,535
Total segment assets	79,833,967	71,753,972	13,104,221	11,160,372	44,288,782	37,560,224	4,443,220	4,745,571	141,670,190	125,220,139
Additions to non-current assets	3,696,307	6,981,127	124,968	1,182,017	5,999,082	3,347,747	131,345	75,249	9,951,702	11,586,140

NOTES TO THE FINANCIAL STATEMENTS

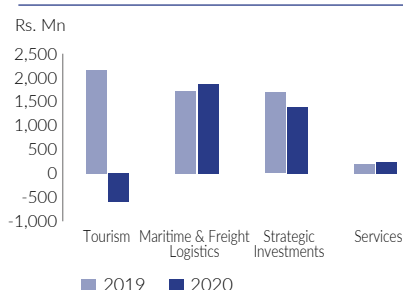
6.1.2.2 Segment liabilities

As at	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-current liabilities										
Interest-bearing loans and borrowings	24,890,821	23,405,292	-	-	9,809,589	5,974,612	-	-	34,700,410	29,379,904
Lease liabilities	8,601,507	-	1,613,919	-	140,222	-	4,670	-	10,360,318	-
Deferred tax liabilities	987,730	953,489	701,900	687,011	164,129	106,203	504,258	490,898	2,358,017	2,237,601
Employee benefits	387,814	417,768	249,080	317,910	204,807	216,417	43,092	58,310	884,793	1,010,405
Other liabilities	-	1,302,016	386,274	549,893	-	-	-	-	386,274	1,851,909
Segment non-current liabilities	34,867,872	26,078,565	2,951,173	1,554,814	10,318,747	6,297,232	552,020	549,208	48,689,812	34,479,819
Eliminations / adjustments	-	-	-	-	-	-	-	-	-	46,239
Total non-current liabilities	34,867,872	26,078,565	2,951,173	1,554,814	10,318,747	6,297,232	552,020	549,208	48,689,812	34,526,058
Current liabilities										
Interest-bearing loans and borrowings	2,757,480	2,075,036	-	-	599,710	1,508,463	-	-	3,357,190	3,583,499
Lease liabilities	524,626	-	229,480	-	7,609	-	2,250	-	763,965	-
Trade and other payables	9,687,458	9,212,975	2,963,912	2,747,724	7,753,917	8,220,001	702,440	854,643	21,107,727	21,035,343
Current tax payable	156,908	286,440	61,406	57,927	138,782	81,616	14,348	10,038	371,444	436,021
Other financial liabilities	-	-	-	-	30,005	-	-	-	30,005	-
Bank overdrafts and other short-term borrowings	2,747,888	2,914,026	297,686	309,890	9,604,699	7,441,808	215,813	391,981	12,866,086	11,057,705
Segment current liabilities	15,874,360	14,488,477	3,552,484	3,115,541	18,134,722	17,251,888	934,851	1,256,662	38,496,417	36,112,568
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,826,328)	(7,727,911)
Total current liabilities	15,874,360	14,488,477	3,552,484	3,115,541	18,134,722	17,251,888	934,851	1,256,662	30,670,089	28,384,657
Total liabilities	50,742,232	40,567,042	6,503,657	4,670,355	28,453,469	23,549,120	1,486,871	1,805,870	79,359,901	62,910,715
Total segment liabilities	50,742,232	40,567,042	6,503,657	4,670,355	28,453,469	23,549,120	1,486,871	1,805,870	87,186,229	70,592,387

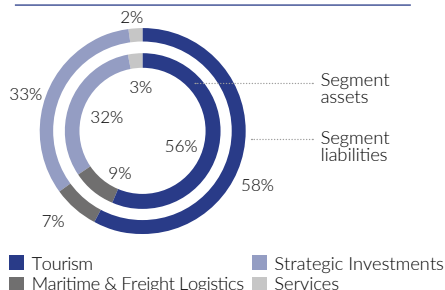
Revenue from external customers



Profit for the year



Segment assets & liabilities



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.

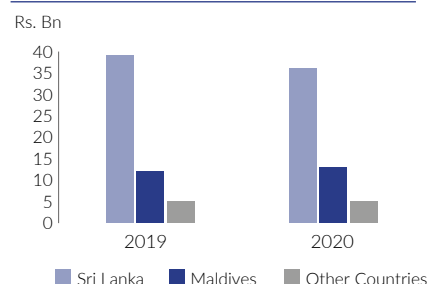
6.2.1 Geographical analysis of group revenue and profit

For the year ended 31st March	Sri Lanka		Maldives		Other countries		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	35,852,387	39,383,224	13,118,398	11,729,802	4,500,472	4,567,877	53,471,257	55,680,903
Profit from operations	3,221,940	4,586,943	1,855,250	2,289,269	1,124,163	1,140,239	6,201,353	8,016,451
Profit before tax	2,569,941	4,186,868	671,834	2,129,712	955,887	966,028	4,197,662	7,282,608
Profit for the year	1,725,210	3,241,810	517,320	1,812,898	644,444	716,642	2,886,974	5,771,350
Depreciation and amortisation	1,702,926	1,659,055	1,775,613	815,792	633,558	428,409	4,112,097	2,903,256
Impairment losses / (reversals) and write-offs	51,867	(47,330)	78,748	2,524	6,886	493	137,501	(44,313)
Other non-cash expenses	171,090	179,142	1,040	2,466	17,777	18,616	189,907	200,224

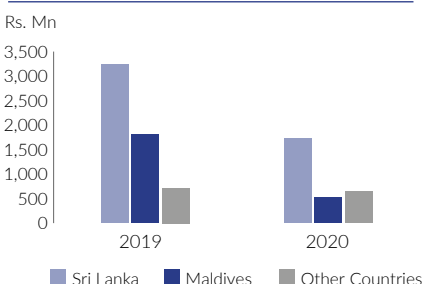
6.2.2 Geographical analysis of group assets and liabilities

As at	Sri Lanka		Maldives		Other countries		Total	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segment non-current assets	46,110,929	41,049,038	35,836,869	25,930,745	14,085,154	12,437,887	96,032,952	79,417,670
Segment current assets	32,902,877	32,574,882	3,990,130	4,427,547	1,327,191	1,596,321	38,220,198	38,598,750
	79,013,806	73,623,920	39,826,999	30,358,292	15,412,345	14,034,208	134,253,150	118,016,420
Investments in equity-accounted investees	-	-	-	-	-	-	6,688,625	6,434,116
Goodwill on consolidation	-	-	-	-	-	-	941,835	906,066
Assets classified as held for sale	-	-	-	-	-	-	1,189,650	164,125
Eliminations / adjustments	-	-	-	-	-	-	(409,288)	(524,192)
Total assets	79,013,806	73,623,920	39,826,999	30,358,292	15,412,345	14,034,208	142,663,972	124,996,535
Segment non-current liabilities	21,385,292	16,253,637	23,316,140	15,514,429	3,988,381	2,711,753	48,689,813	34,479,819
Segment current liabilities	20,848,801	21,627,695	8,086,706	5,136,575	1,926,558	1,846,097	30,862,065	28,610,367
	42,234,093	37,881,332	31,402,846	20,651,004	5,914,939	4,557,850	79,551,878	63,090,186
Eliminations / adjustments	-	-	-	-	-	-	(191,977)	(179,471)
Total liabilities	42,234,093	37,881,332	31,402,846	20,651,004	5,914,939	4,557,850	79,359,901	62,910,715
Additions to non-current assets	6,531,532	3,980,804	2,945,763	6,281,583	474,407	1,323,753	9,951,702	11,586,140

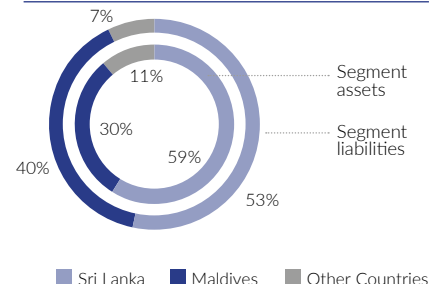
Geographical Analysis
- Revenue from external customers



Geographical Analysis
- Profit for the year



Geographical Analysis
- Segment assets & liabilities



NOTES TO THE FINANCIAL STATEMENTS

6.3 Geographical analysis segment wise

6.3.1 Geographical analysis of group revenue and profit segment wise

For the year ended 31st March	Revenue		Profit from operations		Profit before tax		Profit for the year	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Tourism sector								
- Local	10,412,605	15,624,319	50,981	1,545,752	(89,955)	1,525,458	(465,159)	904,534
- Overseas	14,018,253	12,694,669	1,693,238	2,239,619	74,640	1,570,927	(131,944)	1,255,269
Maritime and freight logistics sector								
- Local	5,701,417	5,862,844	547,506	576,715	653,788	605,737	525,168	457,703
- Overseas	3,518,245	3,513,016	1,288,102	1,184,797	1,599,593	1,520,061	1,339,138	1,268,535
Strategic investments								
- Local	18,319,504	15,776,688	2,319,887	2,177,541	1,706,174	1,791,557	1,424,962	1,688,931
- Overseas	-	-	-	-	(44,392)	-	(44,393)	-
Services sector								
- Local	1,418,861	2,119,373	303,566	286,935	299,934	264,116	240,239	190,642
- Overseas	82,372	89,994	(1,927)	5,092	(2,120)	4,752	(1,037)	5,736
	53,471,257	55,680,903	6,201,353	8,016,451	4,197,662	7,282,608	2,886,974	5,771,350

6.3.2 Geographical analysis of group assets and liabilities segment wise

As at	Non-current assets		Current assets		Total assets	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Tourism sector						
- Local	17,861,992	18,483,055	6,114,193	6,670,938	23,976,185	25,153,993
- Overseas	47,461,308	37,048,716	3,854,508	4,808,932	51,315,816	41,857,648
Maritime and freight logistics sector						
- Local	5,077,996	4,946,057	3,564,050	3,254,115	8,642,046	8,200,172
- Overseas	2,456,976	1,318,171	1,193,870	959,516	3,650,846	2,277,687
Strategic investments						
- Local	20,154,891	14,657,914	22,220,611	21,089,858	42,375,502	35,747,772
- Overseas	-	-	-	-	-	-
Services sector						
- Local	3,016,048	2,962,013	777,502	1,212,157	3,793,550	4,174,170
- Overseas	3,739	1,746	86,178	79,040	89,917	80,786
	96,032,950	79,417,672	37,810,912	38,074,556	133,843,862	117,492,228
Investments in equity-accounted investees	-	-	-	-	6,688,625	6,434,116
Goodwill on consolidation	-	-	-	-	941,835	906,066
Assets classified as held for sale	-	-	-	-	1,189,650	164,125
Total assets	96,032,950	79,417,672	37,810,912	38,074,556	142,663,972	124,996,535

As at	Non-current liabilities		Current liabilities		Total liabilities	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Tourism sector						
- Local	9,485,813	8,484,974	5,857,052	7,288,814	15,342,865	15,773,788
- Overseas	25,382,059	17,593,591	9,179,674	6,510,832	34,561,733	24,104,423
Maritime and freight logistics sector						
- Local	1,028,712	922,223	2,270,451	2,316,629	3,299,163	3,238,852
- Overseas	1,922,461	632,591	683,359	317,934	2,605,820	950,525
Strategic investments						
- Local	10,318,747	6,297,232	11,958,590	11,043,970	22,277,337	17,341,202
- Overseas	-	-	-	-	-	-
Services sector						
- Local	552,020	549,208	702,623	891,869	1,254,643	1,441,077
- Overseas	-	-	18,340	14,609	18,340	14,609
	48,689,812	34,479,819	30,670,089	28,384,657	79,359,901	62,864,476
Eliminations / adjustments	-	-	-	-	-	46,239
Total liabilities	48,689,812	34,479,819	30,670,089	28,384,657	79,359,901	62,910,715

7 REVENUE

7.1 Revenue streams

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue from contracts with customers				
Rendering of services	48,426,688	50,425,326	712,889	701,336
Sale of goods	4,856,670	5,059,894	-	-
Royalty income	-	-	53,641	57,780
	53,283,358	55,485,220	766,530	759,116
Other revenue				
Rent income	187,899	195,683	48,144	47,347
	187,899	195,683	48,144	47,347
	53,471,257	55,680,903	814,674	806,463

NOTES TO THE FINANCIAL STATEMENTS

7.2 Disaggregation of revenue from contracts with customers

7.2.1 Business segment analysis of Group revenue

For the year ended 31st March	2020			2019		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Tourism sector	24,428,618	2,240	24,430,858	28,316,414	2,574	28,318,988
Maritime and freight logistics sector	9,219,662	-	9,219,662	9,375,860	-	9,375,860
Strategic investments	13,465,074	4,854,430	18,319,504	10,719,368	5,057,320	15,776,688
Services sector	1,501,233	-	1,501,233	2,209,367	-	2,209,367
	48,614,587	4,856,670	53,471,257	50,621,009	5,059,894	55,680,903

7.2.2 Geographical segment analysis of Group revenue

For the year ended 31st March	2020			2019		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Sri Lanka	30,995,717	4,856,670	35,852,387	32,996,132	5,059,894	38,056,026
Maldives	13,118,398	-	13,118,398	11,729,802	-	11,729,802
Other countries	4,500,472	-	4,500,472	5,895,075	-	5,895,075
	48,614,587	4,856,670	53,471,257	50,621,009	5,059,894	55,680,903

7.3 Contract balances

As at	Notes	GROUP		COMPANY	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade receivables	26	12,210,240	12,226,938	5,231	5,439
Contract assets	26	258,567	273,969	-	-
Contract liabilities	36	(1,834,083)	(2,071,338)	-	-

The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

The contract liabilities primarily relate to the advance consideration received from customers for goods or services to be provided, where revenue is recognised over the time.

The amount of Rs. 1,789.4 million (2018/2019 - Rs. 1,944.6 million) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31st March 2020.

7.4 Performance obligations

Information about the Group's performance obligations are summarised below ;

Type of product / service	Nature and timing of satisfaction of the performance obligation	Revenue recognition
Rendering of services		
Tourism sector		
» Hotel operation	Main revenue of the Group's hotel operation is provision of rooms for guest accommodation (apartment revenue). Apartment revenue is recognised on the rooms occupied on a daily basis over the period of the stay, while the revenue from other sources such as food and beverage sales, provision of laundry, telephone, water sports, spa services and transfer and excision services in Maldives are accounted for at the time of consumption/service. Invoices to customers are raised on completion of the hotel stay.	Revenue recognition for the Group's hotel operation is at point of time.
	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. The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.	The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.
» Hotel management services	Consist of fees for providing management and marketing services to hotels. Fee for Hotel management services calculated as a percentage of revenue and profits of the hotels.	Revenue for hotel management services is recognised at each month end.
» Inbound and outbound travels	Main activity of the Group companies in the inbound and outbound travel segment is selling of tour packages and other destination management services. Customers are invoiced for the services at the commencement of the tour and the revenue is recognised at that point in time.	Revenue from sale of tour packages is recognised on the start date of the tour.
» Airline General Sales Agent (GSA)	Overriding Commission from the Airlines is recognised when passenger actually uses the ticket while the ticketing commission from the airline is recorded on the date of the sale.	Revenue recognition at point of time.
Maritime and freight logistics sector		
» Maritime and port services	Operations of the Group's maritime segment includes provision of services of a shipping agent, supply of marine lubricants, representation of liner shipping agencies and global container services as an agent of the principal shipping line. Revenue for segment represents the commission derived from the services rendered to the shipping lines.	Commission income is recognised upon the departure of the vessel.
	Revenue from the port operation and management services performed by the Group is recognised on the completion of the operation.	Revenue is recognised at the point of time on completion of the port services.
» Freight forwarding and courier	Revenue from freight forwarding and courier operations of the Group is recorded when the cargo is loaded to the vessel.	Revenue recognition for the freight forwarding and courier operation is at the point of time.
» Integrated logistics	Revenue from Group's container freight station (CFS) operations and the depot operations is recognised upon dispatch of the container from the yard, income from transport and other special operations are recognised upon completion of the activity while the revenue from warehouse and renting of reefer containers are recognised on a monthly basis over the period of the hire.	At point of time for CFS, depot, transport and other special operations and over time for warehouse and renting of reefer containers.
» Airline GSA (Cargo)	Commission income from airline GSA is recognised when cargo is handed over to the airline.	Revenue recognition at point of time.

NOTES TO THE FINANCIAL STATEMENTS

Type of product / service	Nature and timing of satisfaction of the performance obligation	Revenue recognition
Strategic investments		
» Power generation	Revenue from thermal power generation is recognised based on the actual amount of electricity generated and supplied to the national grid as a variable component and a fixed component referred to as capacity charge calculated based on the minimum guaranteed energy amount as specified in the power purchase agreement (PPA) while the Revenue from renewable power, namely wind and hydro, is recorded based on a fixed tariff in terms of the respective PPAs. Invoices for the generation of power are raised on a monthly basis.	Revenue is recognised on the last day of the month based on the power generated during the month.
Services sector		
» Money transfer services	Inward money transfer segment of the Group acts as a sub-representative of the Western Union Network (France) SAS. Sub-representative fee is recognised by the company upon the completion of the inward money transfer.	Revenue is recorded at the point of time when inward money transfer is completed.
» Elevator agency	Revenue on installation of elevators are recognised in the income statement by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to the percentage of work done to date. Revenue for free maintenance inbuilt in the contract is deferred until installation is completed and there after recognised monthly once the maintenance period commences. Revenue for stand alone maintenance agreements are recognised in the income statement on a monthly basis while the revenue for repairs of Elevates is recognised upon completion of the repair. However invoices to customers for all above revenue types are raised as per the contract terms.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on estimate of work completed.
» Insurance	Commission income on the sale of insurance policies are recognised upon collection of the insurance premium while revenue from survey and other insurance services are recognised upon completion of the professional service.	Revenue recognised for commission income and fees for professional services is at point of time.
» Property management (Renting of property)	Income for the property management companies are derived from renting of properties owned by them. Invoices for renting of property are issued on a monthly basis over the period of the rent.	Revenue is recognised over time during the period of the rent agreements.
Sale of goods		
Tourism sector		
» Water bottling operation for the use in the hotel sector	Customers obtain control of bottled water upon sale of the item. Invoices are generated and revenue is recognised at the point in time when the bottles are dispatched from the Group's warehouse.	Revenue is recognised when the water bottles are dispatched from the Group's warehouse.
Strategic investments		
» Printing and packaging (Supply of value added Printing and packaging products and services)	Customers obtain control of goods when the garments are handed over to the nominated freight forwarding company who is an agent of the customer. Invoices are generated and revenue is recognised at that point in time.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
» Manufacturing of apparels	Customers obtain control of goods when the garments are handed over to the nominated freight forwarding company who is an agent of the customer. Invoices are generated and revenue is recognised at that point in time.	The Group recognises revenue when the manufactured garments are handed over to the nominated freight forwarding company.

Payment terms - The Group provide credit to its customers based on normal industry terms which is generally 30 days or as specified in individual contracts with the customers. In certain instances advance payments are obtained from customers prior to commencement of the performance obligation.

8 OTHER OPERATING INCOME

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	1,888,006	2,495,063
Dividends from equity securities – at FVTPL	2,749	919	620	629
Dividends from equity securities – at FVOCI	-	938	-	-
Net foreign exchange gain / (loss)	734,722	608,422	540,370	398,042
Insurance claims received *	102,031	12,048	-	-
Gain / (loss) on disposal of property, plant and equipment	(16,519)	59,035	(17,672)	2,234
Gain on disposal of subsidiaries	54	800	53	800
Gain on disposal of equity securities – at FVTPL	-	509	-	509
Loss on disposal of equity securities – at FVOCI	-	(5,556)	-	-
Sundry income	27,148	25,514	7,114	3,879
	850,185	702,629	2,418,491	2,901,156

* Insurance claim received represent the compensation for the loss of material and operations received by ADS Resorts (Pvt) Ltd., (Adaaran Select Huduranfushi) – Maldives for the water villas and the restaurant destroyed by fire in 2018/2019.

NOTES TO THE FINANCIAL STATEMENTS

9 PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Cost of inventories and services	37,288,950	38,542,232	493,387	456,221
Directors' remuneration and fees	455,087	384,967	119,537	78,734
Auditors' remuneration				
- KPMG	21,980	19,410	1,464	1,393
- Other auditors	8,127	7,997	-	-
Fees paid to auditors for non-audit services				
- KPMG	8,023	9,294	2,107	881
- Other auditors	3,932	3,919	-	-
Depreciation, amortisation and impairment of non-financial assets				
- Depreciation of property, plant and equipment, investment property, right-of-use assets and biological assets	4,069,847	2,764,163	40,005	44,362
- Amortisation of intangible assets	42,250	139,093	8,104	2,639
- Impairment of intangible assets	-	-	-	-
- Impairment reversals of inventories	(21,260)	(30,560)	-	-
- Impairment of investments in subsidiaries and equity-accounted investees	-	45,406	-	53,524
Total of depreciation, amortisation and impairment of non-financial assets	4,090,837	2,918,102	48,109	100,525
Impairment losses / (reversals) and write-offs of trade & other receivables	158,761	(59,159)	-	58,925
Legal Expenses	9,550	8,183	300	323
Defined contribution plan cost - Sri Lanka	517,622	507,606	47,082	44,579
Defined contribution plan cost - Overseas (Maldives, South India, Fiji and Oman)	107,536	103,567	-	-
Defined benefit plan cost - Retirement benefits	189,907	200,225	14,626	21,415

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

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Finance income				
Interest income and net change in fair value of government securities classified as FVTPL	-	3,893	-	3,893
Interest income on financial assets measured at amortised cost	790,865	753,952	818,867	827,774
Net change in fair value of equity securities classified as FVTPL	1,514	-	1,392	-
	792,379	757,845	820,259	831,667
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(2,817,200)	(1,675,668)	(1,452,522)	(1,219,589)
Net impairment of financial assets measured at amortised cost	(8,801)	4,823	(5,184)	(1,391)
Net change in fair value of equity securities classified as FVTPL	(1,828)	(9,298)	-	(1,157)
Net change in fair value of derivative financial instruments classified as FVTPL	(30,005)	-	(27,275)	-
Other finance charges	(189,720)	(200,786)	(8,013)	(4,770)
	(3,047,554)	(1,880,929)	(1,492,994)	(1,226,907)

12 INCOME TAX EXPENSE

12.1 Sri Lankan Operations

The income tax provision for Aitken Spence PLC, its subsidiaries and equity accounted investees which are resident in Sri Lanka is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue on the instructions of the Ministry of Finance on 12th February 2020 (No. PN/IT/2020-03) on the subject "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" and further amended by the notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8th April 2020.

As the proposed changes are effective from 01st January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 06th May 2020, providing instructions on the subject "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied. Group has computed the current tax based on above instructions and remitted the tax payments on the same basis. The Company and the Group has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future.

In terms of above, except for the Companies which are enjoying income tax exemptions or subject to concessionary rates as set out below, the income tax provisions of companies have been calculated on their adjusted profits at the standard rate of 28% up to 31st December 2019 and 24% thereafter.

- » Companies exempt from income tax are given in note 12.1.1
- » Companies liable to income tax at concessionary rates are given in note 12.1.2
- » Companies incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.1.3

Income tax expense for the year includes, taxes arising from the dividend distributions by resident companies of the Group. Dividend distributions made by resident companies of the Group up to 31st December 2019 from its taxable profits are subject withholding tax of 14% as per section 84 of the Inland Revenue Act No. 24 of 2017. From 1st January 2020, withholding tax on dividend distributions has been withdrawn and the companies receiving such dividends would be liable for income tax at 14%.

NOTES TO THE FINANCIAL STATEMENTS

Economic Service Charge (ESC) payable at 0.5% on the relevant turnover has been abolished from 01st January 2020. ESC paid during the year could be deducted against current income tax liability and any unclaimed amount could be carried forward for a maximum of two years. Any unclaimed amount within the specified period has been adjusted as an income tax expense together with any adjustments relating to income tax payable or receivable balances in respect of previous years.

Deferred tax expense on companies resident in Sri Lanka is calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017. As per guideline issued by CA Sri Lanka in 2015 on the "Application of Tax Rates in Measurement of Deferred Tax", substantively enacted rates shall be used in the measurement of deferred tax.

LKAS 12 – "Income Taxes" and LKAS 10 – "Events after the Reporting Period", further state that where changes in tax rates or tax laws are enacted or announced after the reporting period, an entity shall disclose any significant effect of those changes on its current and deferred tax assets and liabilities. Accordingly Group has estimated the impact of tax rate changes on the deferred tax assets and liabilities as given in note 12.3.

During the year, the Group has adopted SLFRS 16 – "Leases" and IFRIC 23 – "Uncertainty over Income Tax Treatments" and recognised the impact on current tax and deferred tax.

Right-of-use (ROU) assets and operating lease liability

SLFRS 16 requires a company to recognise a right-of-use asset (lease asset) and a lease liability for operating leases. Over the lease term, the company recognises amortisation and interest expense as it uses the lease asset and settles the lease liability.

As per section 10 of the Inland Revenue Act No. 24 of 2017, amortisation and the notional interest charged to income statement would not be allowed for income tax. However operating lease rentals paid would be a deductible expense for income tax under section 11 of the Inland Revenue Act No. 24 of 2017.

Accordingly, the income tax treatment on operating leases would result in a temporary difference and deferred tax is recognised. In addition, the Group has adopted modified retrospective application for the initial date of application (i.e. 01st April 2019) of SLFRS 16 and any deferred tax arising from such adjustments are accounted in the opening balance of retained earnings.

IFRIC 23 - Uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 - Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group has applied significant judgement in identifying uncertainties over income tax treatments and has considered each uncertain tax treatment separately and used the approach that would predict the resolution of the uncertainty.

The Group initially adopted IFRIC 23 from 01st April 2019 using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at the date of initial application. Except for the uncertain income tax positions recognised in the equity under initial application, the Group has determined that there are no other identified uncertainties in tax treatments that warrants disclosure.

Tax losses carried forward

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years.

Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly. In reviewing the recoverability of unclaimed losses, Group has evaluated the impact of COVID-19 pandemic on the future taxable profitability of the companies. Deferred tax assets recognised on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount.

12.1.1 Companies exempt from income tax

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 2029/30
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 2029/30
Turyaa Resorts (Pvt) Ltd (formally Aitken Spence Resorts (Pvt) Ltd)	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years ending 2026/27
Ace Apparels (Pvt) Ltd	Construction of a garment factory and manufacturing apparels	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 years ending in 2021/2022

In addition, from 1st January 2020, following new income tax exemptions have been proposed under notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue, which are available to companies operating in the Group.

Company	Basis	Period
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Gains and profits from sale of produce by an undertaking for agro farming without subjecting to any process of production or manufacture	Commencing from 01st April 2019
Aitken Spence Global Operations (Pvt) Ltd Aitken Spence Hotels International (Pvt) Ltd Aitken Spence Hotel Managements Asia (Pvt) Ltd Aitken Spence Ports International Ltd Royal Spence Aviation (Pvt) Ltd	Gains and profits from provision of any service rendered in or outside Sri Lanka to any person to be utilised outside Sri Lanka, where the payment for such services is received in foreign currency through a bank	Commencing from 1st January 2020

From 01st April 2018, interest or discount earned by any person on any sovereign bond denominated in foreign currency, including Sri Lanka Development Bonds, issued by or on behalf of the Government of Sri Lanka.

Interest derived in foreign currency on any foreign currency account opened in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka with effect from 01st January 2020.

Dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company.

NOTES TO THE FINANCIAL STATEMENTS

12.1.2 Companies liable to income tax at concessionary rates

12.1.2.1 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%
Ace Wind Power (Pvt) Ltd	Construction and operation of a wind power plant	10% for 2 years ending 2020/21 and 20% thereafter
Branford Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	10% for 2 years ending 2020/21 and 20% thereafter
CINEC Skills (Pvt) Ltd	Set up and operation of a training institute to provide marine, IT and industrial training in Trincomalee District	10% for 2 years ending 2020/21 and 20% thereafter

* Concessionary income tax rates referred to above are granted after the initial tax exemption period, in terms of Section 17 of BOI Law No. 4 of 1978.

12.1.2.2 Companies liable to income tax at concessionary rates under the Inland Revenue Act No 24 of 2017 and as per rates proposed under notice No. PN/IT/2020-03 (Revised)

Company	Basis/Statute Reference	Enacted Rate* Up to 31.12.2019	Proposed Rate± From 01.01.2020
Aitken Spence Engineering Solution (Pvt) Ltd	Company conducting a business of exporting goods or merchandise	14%	14%
Aitken Spence (Garments) Ltd			
Aitken Spence Global Operations (Pvt) Ltd	Company conducting a business of exporting services	14%	14% / Exempt (Refer note 12.1.1)
Aitken Spence Hotels International (Pvt) Ltd			
Aitken Spence Hotel Managements Asia (Pvt) Ltd			
Aitken Spence Ports International Ltd			
MMBL Money Transfer (Pvt) Ltd			
Royal Spence Aviation (Pvt) Ltd			
Ace Exports (Pvt) Ltd	Specified undertaking supplying of services to an exporter or manufacture & supply to an exporter of non-traditional goods	14%	14%
Aitken Spence Apparels (Pvt) Ltd			
Aitken Spence Hotel Holdings PLC	Company engaged in an undertaking for the promotion of tourism	14%	14%
Aitken Spence Hotels Ltd			
Aitken Spence Travels (Pvt) Ltd			
Hethersett Hotels Ltd			
Kandalama Hotels (Pvt) Ltd			
Paradise Resorts Pasikudah (Pvt) Ltd			
Turyaa (Pvt) Ltd (formally Golden Sun Resorts (Pvt) Ltd)			
Ace Cargo (Pvt) Ltd	Specified undertaking providing freight forwarding, transshipment operations or provision of service to a foreign ship operator	14%	14%
Aitken Spence Cargo (Pvt) Ltd			
Aitken Spence Shipping Ltd.			
Aitken Spence Shipping Services Ltd.			
Clark Spence & Company (Pvt) Ltd			
D B S Logistics Ltd			
Hapag-Lloyd Lanka (Pvt) Ltd			

Company	Basis/Statute Reference	Enacted Rate* Up to 31.12.2019	Proposed Rate± From 01.01.2020
Ace Container Repair (Pvt) Ltd	Specified undertaking providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers	14%	14%
Logilink (Pvt) Ltd	Specified undertaking providing logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka	14%	14%
CINEC Campus (Pvt) Ltd (formally Colombo International Nautical and Engineering College (Pvt) Ltd)	Company providing educational services	14%	14%
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Agro processing	N/A	14%
Aitken Spence Printing & Packaging (Pvt) Ltd Aitken Spence Exports (Pvt) Ltd	Gains and profits from Manufacturing	N/A	18%

* Enacted concessionary rates under Inland Revenue Act No. 24 of 2017 require companies to meet the predominant rule where 80% or more of the gross income should be from the said business.

± Proposed concessionary rates have been introduced to the gains and profits from specific businesses and predominant rule does not apply.

12.1.3 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Global Operations (Pvt) Ltd	Maldives	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 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 Ports International Ltd (formally Port Management Container Service (Pvt) Ltd)	Mozambique, Fiji, South Africa	Income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively. Business profits arising in South Africa is liable to tax at 28%.
Royal Spence Aviation (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.

Profits and income referred to above are liable for income tax up to 31st December 2019 under Inland Revenue Act No. 24 of 2017 at the rates specified in note 12.1.2.2. In calculating the income tax liability, companies are entitled to deduct income tax paid in foreign jurisdictions as foreign tax credits. From 01st January 2020 as specified in note 12.1.1, it has been proposed to exempt profits and income referred above.

NOTES TO THE FINANCIAL STATEMENTS

12.2 Overseas Operations

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to our companies. We set out below the Income tax rates applicable for our companies in the foreign jurisdictions.

Country	Company	Income Tax Rate
British Virgin Islands	Crest Star (B.V.I.) 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%
	Serendib Investments Ltd	20%
Myanmar	Aitken Spence Travels Myanmar Ltd	25%
India	Aitken Spence Hotel Services Pvt Ltd	25.17%
	PR Holiday Homes Pvt Ltd	25.17%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	25.17%
Bangladesh	Ace Bangladesh Ltd	35%

During the year, the overseas companies of the Group have adopted IFRS 16 – “Leases” and as set out in note 12.1, the overseas companies have recognised deferred tax arising from IFRS 16.

Dividends remitted to Sri Lanka from above companies are exempt from income tax under third schedule to the Inland Revenue Act No. 24 of 2017.

12.3 Proposed amendments to the income tax law announced by the Government

As mentioned in note 12.1, the Department of Inland Revenue has issued a notice No. PN/IT/2020-03 (Revised) dated 08th April 2020, proposing to amend the existing Inland Revenue Act, No. 24 of 2017 effective from 01st January 2020. As per notice issued standard rate for corporate income tax has been reduced from 28% to 24%. Proposed notice also provides income tax exemptions and concessionary tax rates, which are detailed in note 12.1.1 and 12.1.2.2 respectively.

Deferred tax for the year has been computed on the enacted rates as per Inland Revenue Act No. 24 of 2017, since proposed rates have not been substantially enacted. As per LKAS 12 – “Income Taxes” and LKAS 10 – “Events after the Reporting Period”, the company and the Group has estimated the impact of tax rate changes on its current and deferred tax assets and liabilities as follows.

	GROUP Rs.'000	COMPANY Rs.'000
Current tax expense	Nil	Nil
Deferred tax expense/(income)		
-Recognised in income statement	4,953	43,417
-Recognised in other comprehensive income	(115,298)	(726)
-Recognised in equity	276	-
Total Impact	(110,069)	42,691

12.4 Tax recognised in income statements

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Current tax expense				
Tax on current year profits (note 12.7)	1,003,454	1,052,030	10,485	8,705
Under / (over) provision in respect of previous years	(48,065)	111,234	14,457	69,635
Withholding tax on dividends paid by subsidiaries	182,017	246,743	-	-
	1,137,406	1,410,007	24,942	78,340
Deferred tax expense / (income)				
Origination / (reversal) of temporary differences (note 12.8)	173,282	101,251	(4,764)	628
	1,310,688	1,511,258	20,178	78,968
Effective tax rate (including deferred tax)	31.2%	20.8%	-	-
Effective tax rate (excluding deferred tax)	27.1%	19.4%	1.5%	3.4%

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 201.9 million (2018/2019 - Rs. 158.2 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

NOTES TO THE FINANCIAL STATEMENTS

12.5 Tax recognised in other comprehensive income

12.5.1 Group

For the year ended 31st March	2020			2019		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss						
Revaluation of freehold land	-	-	-	373,720	(91,125)	282,595
Actuarial gains / (losses) on defined benefit obligations	168,990	(31,487)	137,503	71,917	(13,667)	58,250
Equity investments at FVOCI – net change in fair value	(1,970)	196	(1,774)	(4,450)	458	(3,992)
Share of other comprehensive income of equity-accounted investees (net of tax)	(5,740)	-	(5,740)	(12,106)	-	(12,106)
	161,280	(31,291)	129,989	429,081	(104,334)	324,747
Items that are or may be reclassified to profit or loss						
Exchange differences on translation of foreign operations	968,572	-	968,572	1,907,579	-	1,907,579
Net movement on cash flow hedges	(291,529)	-	(291,529)	(84,129)	-	(84,129)
Share of other comprehensive income of equity-accounted investees (net of tax)	1,307	-	1,307	136,374	-	136,374
	678,350	-	678,350	1,959,824	-	1,959,824
Other comprehensive income for the year	839,630	(31,291)	808,339	2,388,905	(104,334)	2,284,571

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. 1.0 million (2018/2019 - Rs. 2.0 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.5.2 Company

For the year ended 31st March	2020			2019		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss						
Actuarial gains / (losses) on defined benefit obligations	18,142	(5,080)	13,062	13,963	(3,910)	10,053
Equity investments at FVOCI – net change in fair value	(2,247)	225	(2,022)	(4,625)	476	(4,149)
Other comprehensive income for the year	15,895	(4,855)	11,040	9,338	(3,434)	5,904

12.6 Tax recognised directly in equity at 01st April 2019

	Before tax Rs.'000	Group Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Company Tax (expense) / income Rs.'000	Net of tax Rs.'000
Tax on initial application of ;						
- SLFRS 16 – Leases	(1,090,980)	196,231	(894,749)	-	-	-
- IFRIC 23 – Uncertainty over income tax treatments	-	(197,401)	(197,401)	-	(196,278)	(196,278)
Share of amounts recognised directly in equity for equity-accounted investees (net of tax)	845	-	845	-	-	-
	(1,090,135)	(1,170)	(1,091,305)	-	(196,278)	(196,278)

Tax recognised directly in equity excludes, the Group's share of tax expense of the equity-accounted investees recognised directly in equity of Rs.0.1 million (2018/2019 - 0.1 million) which has been included in 'Share of amounts recognised directly in equity for equity-accounted investees (net of tax)'.

12.7 Reconciliation of the accounting profits and current year tax

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit before tax	4,197,662	7,282,608	1,620,132	2,288,363
Consolidation adjustments	(251,484)	(343,799)	-	-
Profit after adjustments	3,946,178	6,938,809	1,620,132	2,288,363
Income not liable for income tax	815,087	770,052	(27,390)	(800)
Effect of revenue subject to tax at source	1,315,716	549,345	104,841	87,053
Adjusted profit	6,076,981	8,258,206	1,697,583	2,374,616
Non - taxable receipts / gains	(31,504)	(954)	(1,326,446)	(2,495,692)
Aggregate disallowed expenses	6,524,138	4,687,180	170,382	585,829
Capital allowances	(4,276,851)	(4,875,148)	(23,770)	(18,752)
Aggregate allowable deductions	(3,331,618)	(1,769,360)	(722,972)	(683,758)
Utilisation of tax losses	(934,093)	(1,248,751)	(664,018)	(103,799)
Current year tax losses not utilised	2,300,279	1,537,658	974,083	428,610
Taxable income	6,327,332	6,588,831	104,842	87,054
Income tax charged at;				
Standard rate of 28% / 24%	89,624	88,478	-	-
Concessionary rates	442,435	410,271	-	-
Other rates	400	4,053	-	-
Varying rates on off - shore profits	470,995	549,228	10,485	8,705
Tax on current year profits	1,003,454	1,052,030	10,485	8,705
Under / (over) provision in respect of previous years	(48,065)	111,234	14,457	69,635
Withholding tax on dividends paid by subsidiaries	182,017	246,743	-	-
	1,137,406	1,410,007	24,942	78,340

NOTES TO THE FINANCIAL STATEMENTS

12.8 Deferred tax expense/ (income)

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Origination / (reversal) of temporary differences arising from ;				
Accelerated depreciation for tax purposes on property, plant and equipment	196,434	101,621	(2,255)	(10,292)
Defined benefit obligations	(7,962)	15,232	(1,059)	11,329
Tax losses carried forward	101,396	(8,353)	-	-
Expected credit losses	(47,866)	(7,249)	(1,450)	(409)
Right-of-use assets	(22,480)	-	-	-
Undistributed profits of consolidated entities	(46,240)	-	-	-
	173,282	101,251	(4,764)	628

12.9 Tax losses carried forward

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Tax losses brought forward	9,266,465	7,574,307	1,544,560	1,026,984
Adjustments to tax loss brought forward and tax losses arising during the year	1,266,264	2,940,909	1,268,970	621,375
Utilisation of tax losses	(934,093)	(1,248,751)	(664,018)	(103,799)
	9,598,636	9,266,465	2,149,512	1,544,560

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. 1,488.4 million (2018/2019 - Rs. 1,011.5 million) since utilisation against future taxable profits are not probable. For Aitken Spence PLC, deferred tax assets unaccounted on losses as at 31.03.2020 amounted to Rs.314.3 million (2018/2019 - Rs.144.9 million).

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

For the year ended 31st March	GROUP		COMPANY	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Net profit attributable to equity holders of the company (Rs.)	2,377,591,327	4,077,067,205	1,599,954,302	2,209,394,566
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	5.86	10.04	3.94	5.44

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 DIVIDEND PER SHARE

For the year ended 31st March	2020 Rs.'000	2019 Rs.'000
Final ordinary dividend recommended Rs.1.25 per share* (2018/2019 - Rs.1.50 per share)	507,495	608,994
Interim ordinary dividend of Rs.1.00 per share	-	405,996
	507,495	1,014,990

* The Directors have recommended a final dividend payment of Rs.1.25 per share for the year ended 31st March 2020 to be approved at the Annual General Meeting on 30th June 2020.

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 2020.

15 PROPERTY, PLANT AND EQUIPMENT

15.1 Group

	Freehold Land Rs.'000	Freehold buildings Rs.'000	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Capital work-in- progress Rs.'000	Total Rs.'000
Cost or revaluation							
Balance as at 01st April 2019	15,558,415	34,617,410	16,563,000	3,926,434	3,374,508	19,032,756	93,072,523
Adjustments on initial application of SLFRS 16	-	-	-	-	-	704,671	704,671
Transferred from lease accruals with the initial application of SLFRS 16 - Leases (note 35.1)	-	-	-	-	-	(654,005)	(654,005)
Adjusted balance as at 01st April 2019	15,558,415	34,617,410	16,563,000	3,926,434	3,374,508	19,083,422	93,123,189
Exchange difference	195,955	959,463	282,808	25,501	66,182	1,122,902	2,652,811
Additions	-	406,300	784,149	125,577	118,513	8,377,219	9,811,758
Capitalisation of depreciation (property, plant and equipment and right-of-use assets)	-	123	381	1,096	-	36,196	37,796
Classified as held for sale (note 29)	-	-	-	-	-	(863,522)	(863,522)
Other transfers	-	14,262,594	1,424,255	83,411	1,041,044	(16,813,607)	(2,303)
Disposals / write-offs	-	-	(62,372)	(106,093)	(13,843)	-	(182,308)
Balance as at 31st March 2020	15,754,370	50,245,890	18,992,221	4,055,926	4,586,404	10,942,610	104,577,421
Accumulated depreciation / impairment							
Balance as at 01st April 2019	-	8,389,546	8,575,643	2,584,249	1,932,753	-	21,482,191
Exchange difference	-	413,211	216,883	19,504	44,198	-	693,796
Charge for the year	-	1,146,562	1,551,115	172,769	270,803	-	3,141,249
Capitalisation of depreciation	-	123	381	1,096	-	-	1,600
Other transfers	-	14,177	(13,478)	2,491	(5,298)	-	(2,108)
Disposals / write-offs	-	-	(53,650)	(72,544)	(12,728)	-	(138,922)
Balance as at 31st March 2020	-	9,963,619	10,276,894	2,707,565	2,229,728	-	25,177,806
Carrying amount as at 31st March 2020	15,754,370	40,282,271	8,715,327	1,348,361	2,356,676	10,942,610	79,399,615
Carrying amount as at 31st March 2019	15,558,415	26,227,864	7,987,357	1,342,185	1,441,755	19,032,756	71,590,332

NOTES TO THE FINANCIAL STATEMENTS

The value of property, plant and equipment pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 22,346 million (2018/2019- Rs. 18,348.2 million).

Borrowing costs capitalised on interest-bearing loans and borrowings by the Group on qualifying assets during the financial year amounted to Rs. 1,332.2 million.(2018/2019 - 867.5 million). The average rate of borrowing costs eligible for capitalisation for the US dollar and LKR denominated borrowings are 8.10% and 12.12% respectively. Further, borrowing costs capitalised on lease liabilities by the Group during the financial year amounted to Rs. 80.5 million. The average rate of borrowing costs eligible for capitalisation for the US dollar and LKR denominated lease liabilities are 8.19% and 13.35% respectively.

As per the requisite policy, the Group reviewed the carrying values of property plant and equipment as at the reporting date especially the potential impact the COVID-19 pandemic could have on the Group's assets and determined that no impairment is necessary as each subsidiary in the Group has evaluated their business continuity plans and is satisfied that each of them has taken necessary steps to safeguard the assets.

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 2020 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 5,913.6 million that are still in use (2018/2019 - Rs. 5,112.3 million).

15.2 Company

	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Total Rs.'000
Cost or revaluation				
Balance as at 01st April 2019	171,310	155,075	84,395	410,780
Additions	27,978	-	-	27,978
Disposals	-	(30,295)	-	(30,295)
Balance as at 31st March 2020	199,288	124,780	84,395	408,463
Accumulated depreciation / impairment				
Balance as at 01st April 2019	134,804	50,551	69,798	255,153
Charge for the year	13,945	14,759	7,612	36,316
Disposals	-	(12,623)	-	(12,623)
Balance as at 31st March 2020	148,749	52,687	77,410	278,846
Carrying amount as at 31st March 2020	50,539	72,093	6,985	129,617
Carrying amount as at 31st March 2019	36,506	104,524	14,597	155,627

There were no property plant and equipment pledged by the Company as security for facilities obtained from banks (2018/2019 - nil).

There were no borrowing costs capitalised on interest-bearing loans and borrowings and lease liabilities by the Company on qualifying assets during the financial years 2019/2020 and 2018/2019.

Property plant and equipment as at 31st March 2020 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 147.8 million that are still in use (2018/2019 - Rs. 107.6 million).

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2020 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
Aitken Spence PLC (a)	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	1 A 0 R 20.37 P	717,147	712,156	4,991
Aitken Spence PLC (a)	170, Sri Wickrema Mw., Colombo 15	30.09.2017	3 A 3 R 31.00 P	625,500	582,539	42,961
Aitken Spence PLC (a)	Moragalla, Beruwala	30.09.2017	10 A 1 R 23.97 P	707,000	706,046	954
Aitken Spence PLC (a)	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	1,677,887	94,553
Ace Containers (Pvt) Ltd (a)	385, Colombo Road, Welisara	30.09.2017	8 A 3 R 12.23 P	706,000	619,327	86,673
Ace Containers (Pvt) Ltd (a)	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)	"Heritage Ahungalla", Galle Road, Ahungalla	30.09.2017	11 A 3 R 34.02 P	695,600	677,398	18,202
Aitken Spence Hotel Holdings PLC (a)	"Heritage Ahungalla", Galle Road, Ahungalla	30.09.2017	0 A 0 R 39.26 P	14,700	9,493	5,207
Aitken Spence Hotel Managements (South India) Ltd (c)	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	01.06.2018	0 A 3 R 15.14 P	930,006	373,720	556,286
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
Heritage (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 22.40 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	52,909	42,478	10,431
PR Holiday Homes (Pvt) Ltd (b)	Cochin - Kerala, India	07.02.2017	14 A 0 R 7.52 P	212,545	66,708	145,837
Turyaa (Pvt) Ltd (a)	418, Parallel Road, Kudawaskaduwa, Kalutara	30.09.2017	5 A 1 R 37.90 P	384,160	364,395	19,765

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Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2020 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Turyaa (Pvt) Ltd (a)	49, Sea Beach Road, Kalutara	30.09.2017	0 A 1 R 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
Turyaa Resorts (Pvt) Ltd (a)	Kudawaskaduwa, Kalutara	30.09.2017	0 A 1 R 34.30 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
				12,386,141	9,693,173	2,692,968

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.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of Messers N. Raj Kumar and Associates, India.
- c Valuation of the land was carried out by CBRE South Asia Pvt. Ltd, India.

15.3.2 Land carried at cost (fair value)

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2020 Rs.'000
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	3,313,990
Aitken Spence Property Developments Ltd	St. Rita's Estate, Mawaramandiya	15.11.2018	1 A 0 R 0.00 P	54,239
				3,368,229

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

Company	Carrying amount as at 31.03.2020 Rs.'000
Land carried at revalued amount (note 15.3.1)	12,386,141
Land carried at cost (fair value) (note 15.3.2)	3,368,229
	15,754,370

16 INVESTMENT PROPERTIES

16.1 Movement during the year

	GROUP		COMPANY	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Cost				
Balance as at 01st April	1,633,400	1,633,400	3,494,039	3,494,039
Balance as at 31st March	1,633,400	1,633,400	3,494,039	3,494,039
Accumulated depreciation / impairment				
Balance as at 01st April	1,300	1,040	67,954	65,106
Charge for the year	260	260	3,689	2,755
Disposals / write-offs	-	-	-	93
Balance as at 31st March	1,560	1,300	71,643	67,954
Carrying amount as at 31st March	1,631,840	1,632,100	3,422,396	3,426,085

As per the requisite policy, the Group reviewed the carrying values of investment property as at the reporting date especially the potential impact the COVID-19 pandemic could have on the Group's assets and determined that no impairment is necessary as each subsidiary in the Group has evaluated their business continuity plans and is satisfied that each of them has taken necessary steps to safeguard the assets.

16.2 Details of land and buildings classified as investment property

Location	Extent	Carrying value of investment property as at 31.03.2020		Number of buildings
		Group Rs.'000	Company Rs.'000	
315, Vauxhall Street, Colombo 02	1 A 0 R 12.78 P	-	900,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.40 P	-	223,650	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	188,000	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	539,245	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	1,039	-	1
Irakkakandi Village, VC Road, Nilaweli	113 A 1 R 1.00 P	1,630,801	1,558,801	-
		1,631,840	3,422,396	

Properties which are occupied by companies within the Group for the production or supply of goods and services or for administration purposes are treated as property, plant and equipment in the consolidated financial statements at revalued amounts. These properties are treated as investment property in the relevant company's statement of financial position at cost, if such company has rented out the property to other Group companies.

16.3 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of the above properties based on the directors' valuation for Group and Company as at 31st March 2020 and 31st March 2019 was Rs. 2,569 million and Rs. 6,520 million respectively.

16.4 Income earned from investment property

Total rent income earned by the company from the investment properties during the year was Rs. 48.1 million (2018/2019 - Rs. 47.3 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.

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS

17.1 Group

	Goodwill	Software	Other intangibles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at 01st April 2019	1,104,835	436,212	4,429	1,545,476
Exchange difference	35,769	3,420	1,023	40,212
Additions	-	124,636	6,806	131,442
Transfers from property, plant and equipment	-	771	-	771
Balance as at 31st March 2020	1,140,604	565,039	12,258	1,717,901
Accumulated amortisation / impairment				
Balance as at 01st April 2019	198,769	397,473	3,766	600,008
Exchange difference	-	4,075	995	5,070
Amortisation for the year	-	39,646	2,604	42,250
Transfers from property, plant and equipment	-	576	-	576
Balance as at 31st March 2020	198,769	441,770	7,365	647,904
Carrying amount as at 31st March 2020	941,835	123,269	4,893	1,069,997
Carrying amount as at 31st March 2019	906,066	38,739	663	945,468

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2018/2019- nil).

Intangible assets as at 31st March 2020 includes fully amortised assets having a gross carrying amount (cost) of Rs. 372.3 million that are still in use (2018/2019 - Rs. 304.9 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).

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Tourism sector	493,144	457,375
Maritime and freight logistics sector	378,637	378,637
Strategic investments	50,000	50,000
Services sector	20,054	20,054
	941,835	906,066

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.

Having evaluated the business continuity plans and cash flows of each cash generating unit where the Group has recognised a goodwill, the Group determined that no impairment provision is required for the carrying value of goodwill due to the COVID-19 pandemic as at the reporting date.

17.2 Company

	Software	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Cost or valuation		
Balance as at 01st April	175,099	169,823
Additions	18,458	5,276
Balance as at 31st March	193,557	175,099
Accumulated amortisation / impairment		
Balance as at 01st April	166,870	164,231
Charge for the year	8,104	2,639
Balance as at 31st March	174,974	166,870
Carrying amount as at 31st March	18,583	8,229

There were no intangible assets pledged by the Company as security for facilities obtained from the banks (2018/2019 - nil).

Intangible assets as at 31st March 2020 and 31st March 2019 includes fully amortised assets having a gross carrying amount (cost) of Rs. 160.7 million that are still in use.

18 BIOLOGICAL ASSETS

	GROUP		Total Rs.'000
	Immature plantations Rs.'000	Mature plantations Rs.'000	
Cost			
Balance as at 01st April 2019	38,954	19,945	58,899
Additions	8,502	-	8,502
Transfers	8,477	(8,477)	-
Balance as at 31st March 2020	55,933	11,468	67,401
Accumulated depreciation			
Balance as at 01st April 2019	-	9,567	9,567
Charge for the year	-	1,559	1,559
Balance as at 31st March 2020	-	11,126	11,126
Carrying amount as at 31st March 2020	55,933	342	56,275
Carrying amount as at 31st March 2019	38,954	10,378	49,332

There were no biological assets pledged by the Group as security for facilities obtained from banks (2018/2019 - nil).

Borrowing costs capitalised under biological assets on lease liabilities by the Group during the financial year amounted to Rs. 3.0 million. The average rate of borrowing costs eligible for capitalisation is 13.35%.

NOTES TO THE FINANCIAL STATEMENTS

19 RIGHT-OF-USE ASSETS

19.1 Movement during the year

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets.

Group

	Right-of-Use Land Rs.'000	Right-of-Use buildings Rs.'000	Total Rs.'000
Cost			
Balance as at 01st April 2019	-	-	-
Recognition on initial application of SLFRS 16 - Leases	8,196,806	2,551,606	10,748,412
Transferred from leasehold properties (note 20.1)	3,085,977	-	3,085,977
Transferred from pre-paid operating leases (note 20.2)	1,868,707	-	1,868,707
Transferred from prepayments	3,690	-	3,690
Adjusted balance as at 01st April 2019	13,155,180	2,551,606	15,706,786
Exchange difference	1,134,212	(14,916)	1,119,296
Additions	2,084,136	18,087	2,102,223
Balance as at 31st March 2020	16,373,528	2,554,777	18,928,305
Accumulated depreciation			
Balance as at 01st April 2019	-	-	-
Recognition on initial application of SLFRS 16 - Leases	2,368,326	936,451	3,304,777
Transferred from leasehold properties (note 20.1)	871,458	-	871,458
Transferred from pre-paid operating leases (note 20.2)	235,523	-	235,523
Transferred from prepayments	867	-	867
Adjusted balance as at 01st April 2019	3,476,174	936,451	4,412,625
Exchange difference	308,204	(5,161)	303,043
Charge for the year	723,763	203,016	926,779
Capitalised under property, plant and equipment	36,196	-	36,196
Balance as at 31st March 2020	4,544,337	1,134,306	5,678,643
Carrying amount as at 31st March 2020	11,829,191	1,420,471	13,249,662
Carrying amount as at 31st March 2019	-	-	-

19.2 Amounts recognised in profit or loss on SLFRS 16 - Leases

	Rs.'000
2019/2020 – Leases under SLFRS 16	
Depreciation expense of right-of-use assets (note 19.1)	926,779
Interest on lease liabilities (note 32)	685,056
Expenses relating to short term leases and leases of low value assets	312,635
2018/2019 – Operating leases under LKAS 17	
Lease expense	661,181

19.3 Amounts recognised in statement of cash flows for 2019/2020 on SLFRS 16 - Leases

	Rs.'000
Total cash outflow for leases	1,512,695

19.4 Details of right-of-use assets relating to leased properties

Company	Nature of the leasing activity	Location of the leased property	Unexpired lease periods as at 31.03.2020
Ace Apparels (Pvt) Ltd	Land	Koggala - Sri Lanka	44 years
Ace Containers (Pvt) Ltd	Yard and Warehouse facilities	Wattala - Sri Lanka	3 - 5 years
Ace Container Terminals (Pvt) Ltd	Land	Biyagama - Sri Lanka	74 years
Ace Container Terminals (Pvt) Ltd	Land	Katunayake - Sri Lanka	68 years
Ace Distriparks (Pvt) Ltd	Land	Mihinthale - Sri Lanka	24 years
Ace Distriparks (Pvt) Ltd	Warehouse facilities	Welisara and Wattala - Sri Lanka	1 - 5 years
Ace Power Embilipitiya (Pvt) Ltd	Land	Embilipitiya - Sri Lanka	13 years
Ace Wind Power (Pvt) Ltd	Land	Ambewela - Sri Lanka	13 years
Aitken Spence Agriculture (Pvt) Ltd	Land	Dambulla - Sri Lanka	23 years
Aitken Spence Cargo (Pvt) Ltd	Warehouse facilities	Mulleriyawa - Sri Lanka	01 year
Aitken Spence Hotel Managements (Pvt) Ltd	Warehouse facilities	Colombo 02 - Sri Lanka	04 years
Aitken Spence Property Developments (Pvt) Ltd	Land	Colombo 02 - Sri Lanka	02 years
Global Parcel Delivery (Pvt) Ltd	Warehouse facilities	Ingiriya - Sri Lanka	07 years
Hethersett Hotels Ltd	Land	Nuwara Eliya - Sri Lanka	75 years
Kandalama Hotels (Pvt) Ltd	Land	Dambulla - Sri Lanka	23 years
Western Power Company (Pvt) Ltd	Land	Muthurajawela - Sri Lanka	27 years
ADS Resorts (Pvt) Ltd	Island	North Male' Atoll - Maldives	07 years
Cowie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	29 years
Cowie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	45 years
Jetan Travel Services Company (Pvt) Ltd	Island	South Male' Atoll - Maldives	23 years
Unique Resorts (Pvt) Ltd	Island	South Male' Atoll - Maldives	26 years
Fiji Ports Terminal Ltd	Wharfs used for ports operations	Suva - Fiji	09 years

The Group leases office space, office equipment, motor vehicles etc. with contract terms of one to five years. These leases are either short term (term leases than one year) and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The value of right-of-use assets pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 8,197.7 million (2018/2019- Rs. 1,484.6 million).

NOTES TO THE FINANCIAL STATEMENTS

20 LEASEHOLD PROPERTIES AND PRE-PAID OPERATING LEASES

20.1 Leasehold properties

	GROUP	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Cost		
Balance as at 01st April	3,085,977	2,726,890
Transferred to right-of-use assets (note 19)*	(3,085,977)	-
Exchange difference	-	359,087
Balance as at 31st March	-	3,085,977
Accumulated amortisation		
Balance as at 01st April	871,458	702,987
Transferred to right-of-use assets (note 19)*	(871,458)	-
Exchange difference	-	95,808
Amortisation for the period	-	60,785
Capitalised under property, plant and equipment	-	11,878
Balance as at 31st March	-	871,458
Carrying amount as at 31st March	-	2,214,519

20.2 Pre-paid operating leases

	GROUP	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	2,443,198	2,308,824
Transferred to right-of-use assets (note 19)*	(1,633,184)	-
Classified as held for sale (note 29)	(810,014)	-
Amortisation for the period		
- Charged to the income statement	-	(57,203)
- Capitalised under property, plant and equipment	-	(44,624)
Exchange difference	-	236,201
Balance as at 31st March	-	2,443,198
Current portion of pre-paid operating leases	-	76,232
Non-current portion of pre-paid operating leases	-	2,366,966

* With the implementation of SLFRS 16 - Leases, the Group has transferred its acquisition cost of leasehold rights and prepaid lease extension fees to right-of-use assets as of 01st April 2019.

21 INVESTMENTS IN SUBSIDIARIES

21.1 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares as at 31.03.2020	Company holding %	Group holding %	Non- controlling holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
a) Ordinary shares							
Ace Apparels (Pvt) Ltd (a) (c)	Sri Lanka	13,100,001	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	4,725,660	100.00	100.00	-	440,100	440,100
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 Agriculture (Pvt) Ltd (a) (b)	Sri Lanka	7,500,001	100.00	100.00	-	75,000	75,000
Aitken Spence Apparels (Pvt) Ltd (a) (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd (a)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd (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 Insurance Brokers (Pvt) Ltd	Sri Lanka	152,740	100.00	100.00	-	1,500	1,500
Aitken Spence International Consulting (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	20,200
Aitken Spence Technologies (Pvt) Ltd (b)	Sri Lanka	1,577,506	100.00	100.00	-	13,888	13,888
Branford Hydropower (Pvt) Ltd (a)	Sri Lanka	16,400,100	100.00	100.00	-	223,000	223,000
Clark Spence and Company (Pvt) Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	74,300	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
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	500,000
Aitken Spence Developments (Pvt) Ltd	Sri Lanka	45,999	92.00	92.00	8.00	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	75,425,725	95.00	99.99	0.01	766,594	766,594
Western Power Company (Pvt) Ltd (a)	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd (a)	Sri Lanka	154,786	77.40	77.40	22.60	11,594	11,594
Aitken Spence Moscow (Pvt) Ltd (a)	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	998,747	50.00	50.00	50.00	26,257	26,257
Aitken Spence Travels (Pvt) Ltd (a) (c)	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 (Pvt) Ltd (a) (c)	Sri Lanka	4,020,000	51.00	87.50	12.50	40,200	40,200

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	Country of incorporation	Number of shares as at 31.03.2020	Company holding %	Group holding %	Non- controlling holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000
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 (a) (c)	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050
Interlifts International Pvt Ltd	Maldives	38,550	64.99	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
Crest Star Ltd (a)	HongKong	-	-	-	-	-	1
Global Parcel Delivery (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Power (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Corporate Finance (Pvt) Ltd (a) (b)	Sri Lanka	2	100.00	100.00	-	-	-
Aitken Spence Ports International Ltd (a)	Sri Lanka	10,000	10.00	100.00	-	-	-
						5,902,619	5,902,620
b) Preference Shares							
Cumulative 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
Western Power Company (Pvt) Ltd (a) *	Sri Lanka	40,000,000	100.00	100.00	-	3,250,000	1,675,000
Non-cumulative preference shares							
Aitken Spence (Garments) Ltd (c)	Sri Lanka	4,000,000	72.73	72.73	27.27	40,000	40,000
						3,460,000	1,885,000
Provision for impairment of investments						(97,129)	(97,129)
						9,265,490	7,690,491

* During 2018/2019 financial year, 40,000,000 Redeemable Cumulative preference shares of Rs. 100 each were issued to Aitken Spence PLC by Western Power (Pvt) Ltd. The called up capital on the shares as at 31.03.2020 was Rs. 81.25 per share (31.03.2019 - Rs. 41.88 per shares). The outstanding balance subscription of Rs. 18.75 per share will be called from time to time as and when required by the issuing company.

a,b,c,d - refer note 44

21.2 Investment in subsidiaries - quoted

	Country of incorporation	Number of shares as at 31.03.2020	Company holding %	Group holding %	Non- controlling holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 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 *						5,986,817	5,675,502

* Due to the COVID-19 outbreak and the closure of the exchange, the fair value disclosed as at 31st March 2020 is based on the closing traded prices that existed as at 31st December 2019 as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

a,c - refer note 44

21.3 Total carrying amount

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Investment in subsidiaries - unquoted (note 21.1)	9,265,490	7,690,491
Investment in subsidiaries - quoted (note 21.2)	2,458,287	2,458,287
	11,723,777	10,148,778

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of subsidiaries due to the COVID-19 pandemic as at the reporting date.

21.4 Inter-company shareholdings - unquoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
A E Lanka (Pvt) Ltd (a)	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 Developments (Pvt) Ltd	Sri Lanka	Ace Containers (Pvt) Ltd	1	0.00	92.00	8.00
Aitken Spence (Garments) Ltd (c)	Sri Lanka	Group companies	3	0.00	50.00	50.00
Aitken Spence Global Operations (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels International (Pvt) Ltd	100,000	100.00	86.99	13.01
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	3,862,353	49.00	87.50	12.50
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	10,744,583	51.00	86.99	13.01
Aitken Spence Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	14,701,204	98.01	73.01	26.99
		Group companies	2	0.00		
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	99.99	0.01
		Ace Cargo (Pvt) Ltd	1,100,000	1.39		
		Aitken Spence Developments (Pvt) Ltd	63,525	0.07		
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	-
Elevators (Pvt) Ltd (a)	Sri Lanka	Group companies	14	0.00	77.40	22.60
Hapag-Lloyd Lanka (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	119,999	60.00	60.00	40.00
		Clark Spence and Company (Pvt) Ltd	1	0.00		
Heritage (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	2,125,627	100.00	73.01	26.99

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Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
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
Nilaveli Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Nilaveli Holidays (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	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
The Galle Heritage (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
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	121,920,001	100.00	74.49	25.51
Aitken Spence Resorts (Middle East) LLC (a) (c)	Oman	Aitken Spence Hotels International (Pvt) Ltd	11,363,775	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Ace Resorts Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	8,480,999	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
A.D.S Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	1,274,999	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Cowrie Investments Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotel Holdings PLC	52,740	60.00	44.69	55.31
Interlifts International Pvt Ltd	Maldives	Vauxhall Property Developments (Pvt) Ltd	6	0.01	65.00	35.00
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	6,374,999	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Aitken Spence Hotel Managements (South India) Ltd (a)	India	Aitken Spence Hotels International (Pvt) Ltd	150,048,996	83.40	84.92	15.08
		Aitken Spence Hotel Holdings PLC	29,869,000	16.60		
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	9,998	99.98	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
Fiji Ports Terminal Ltd (a)	Fiji	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
Aitken Spence Travels Myanmar Ltd (a)	Myanmar	Royal Spence Aviation (Pvt) Ltd	6,000	60.00	60.00	40.00

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
b) Preference Shares						
Cumulative preference shares						
Ace Apparels (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Apparels (Pvt) Ltd	22,650,000	100.00	100.00	-
Aitken Spence Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	40,000,000	100.00	74.49	25.51
Non-cumulative preference shares						
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Management Asia (Pvt) Ltd	3,825,000	100.00	86.99	13.01

a,b,c - refer note 44

21.5 Inter-company shareholdings - quoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	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 44

21.6 The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs.3,363 million (2018/2019 - Rs.950.0 million)

Principal activities of the Group's interest in subsidiaries are described on pages 330 to 335.

NOTES TO THE FINANCIAL STATEMENTS

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).

	2019/2020			2018/2019		
	Aitken Spence Hotel Holding PLC & Group Rs.'000	Other individually immaterial subsidiaries Rs.'000	Total Rs.'000	Aitken Spence Hotel Holding PLC & Group Rs.'000	Other individually immaterial subsidiaries Rs.'000	Total Rs.'000
Non - current assets	66,277,967			56,719,774		
Current assets	8,072,067			8,182,610		
Non - current liabilities	(34,701,113)			(25,867,849)		
Current liabilities	(10,498,491)			(8,439,100)		
Net assets	29,150,430			30,595,435		
Carrying amount of non-controlling interests as at 31.03.2020	9,185,444	3,169,661	12,355,105	9,692,718	2,942,519	12,635,237
Revenue	19,019,241			19,570,589		
Profit / (loss) for the year	(895,724)			1,197,164		
Other comprehensive income for the year, net of tax	643,644			2,014,543		
Total comprehensive income / (loss) for the year	(252,080)			3,211,707		
Profit / (loss) for the year allocated to non- controlling interests	(545,728)	1,055,111	509,383	291,817	1,402,466	1,694,283
Other comprehensive income for the year, net of tax allocated to non-controlling interests	190,424	33,671	224,095	521,253	50,972	572,225
Total comprehensive income/(loss) for the year allocated to non-controlling interests	(355,304)	1,088,782	733,478	813,070	1,453,438	2,266,508
Cash flows from operating activities	3,303,771			2,858,941		
Cash flows from investing activities	(3,214,760)			(6,272,236)		
Cash flows from financing activities	(1,437,348)			767,316		
Net increase in cash and cash equivalents	(1,348,337)			(2,645,979)		
Dividends paid to non-controlling interests	108,994	757,166	866,160	154,356	937,931	1,092,287

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of non-controlling interests due to the COVID-19 pandemic as at the reporting date.

22 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

	Notes	GROUP		COMPANY	
		2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	22.1.1	1,078,853	986,682	143,700	143,700
Interest in associates	22.2.1	5,609,772	5,447,434	2,642,845	2,642,845
Carrying amount as at 31.03.2020		6,688,625	6,434,116	2,786,545	2,786,545
Recognised in the income statement					
Interest in joint ventures	22.1.2	124,587	69,073	-	-
Interest in associates	22.2.2	126,897	320,168	-	-
Share of profit of equity-accounted investees (net of tax)		251,484	389,241	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	22.1.2	2,925	3,338	-	-
Interest in associates	22.2.2	(7,358)	120,930	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		(4,433)	124,268	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as ;

	GROUP	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Items that will not be reclassified to profit or loss	(5,740)	(12,106)
Items that are or may be reclassified to profit or loss	1,307	136,374
	(4,433)	124,268

NOTES TO THE FINANCIAL STATEMENTS

22.1.1 Investment in joint ventures

	Country of incorporation	Number of shares as at 31.03.2020	GROUP			Number of shares as at 31.03.2020	COMPANY		
			Holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000		Holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 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
Aitken Spence Engineering Solutions (Pvt) Ltd (a) (Ordinary shares - Unquoted)	Sri Lanka	20,000	50.00	2,000	2,000	20,000	50.00	2,000	2,000
EcoCorp Asia (Pvt) Ltd (Ordinary shares - Unquoted)	Sri Lanka	-	-	-	131,404	-	-	-	131,404
CINEC Campus (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	172,970	49.00	32,587	8,400			-	-
Carrying amount				679,237	786,454			143,700	275,104
Provision for impairment of investments				-	(72,118)			-	(131,404)
Share of movement in equity value				399,616	272,346			-	-
Equity value of investments				1,078,853	986,682			143,700	143,700

During the period under review the Group and the Company disposed EcoCorp Asia (Pvt) Ltd, an investment that was fully impaired as at 31st March 2019.

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of joint ventures due to the COVID-19 pandemic as at the reporting date.

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.

	2019/2020 Rs.'000	2018/2019 Rs.'000
Carrying amount of interest in joint ventures as at 31.03.2020	1,078,853	986,682
Group's share of :		
- Profit for the year (net of tax)	124,587	69,073
- Other comprehensive income for the year (net of tax)	2,925	3,338
Total comprehensive income for the year	127,512	72,411

22.1.3 Inter-company shareholdings - investment in joint ventures

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
CINEC Campus (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	172,970	49.00	49.00	51.00

Principal activities of the Group's interest in joint ventures are described on pages 335 to 337.

a,b,c - refer note 44

22.2.1 Investment in associates

	Country of incorporation	Number of shares as at 31.03.2020	GROUP			Number of shares as at 31.03.2020	Holding %	COMPANY	
			Holding %	As at 31.03.2020 Rs.'000	As at 31.03.2019 Rs.'000			As at 31.03.2020 Rs.'000	As at 31.03.2019 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
Serendib Investments Ltd (Ordinary Shares - Unquoted)	Fiji	1,500,000	25.00	126,590	126,590	1,500,000	25.00	126,590	126,590
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				3,820,091	3,820,091			2,642,845	2,642,845
Share of movement in equity value				1,789,681	1,627,343			-	-
Equity value of investments				5,609,772	5,447,434			2,642,845	2,642,845
Market value of quoted investments*				902,634	941,536			377,462	377,462

* Due to the COVID-19 outbreak and the closure of the exchange, the fair value disclosed as at 31st March 2020 is based on the closing traded prices that existed as at 31st December 2019 as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for the carrying value of associates due to the COVID-19 pandemic as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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.

	2019/2020 Rs.'000	2018/2019 Rs.'000
Carrying amount of interest in associates as at 31.03.2020	5,609,772	5,447,434
Group's share of :		
- Profit for the year (net of tax)	126,897	320,168
- Other comprehensive income for the year (net of tax)	(7,358)	120,930
Total comprehensive income for the year	119,539	441,098

22.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2020	Percentage holding (%)		
				Investor 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 interest in associates are described on pages 335 to 337.

a,b,c - refer note 44

23 DEFERRED TAX ASSETS

23.1 Movement during the year

	GROUP		COMPANY	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	690,924	563,391	299,592	303,115
Exchange difference	14,591	16,215	-	-
Reversal of temporary differences				
Recognised in profit / (loss)	(105,236)	119,299	4,764	(628)
Recognised in other comprehensive income	(18,057)	(10,666)	(4,855)	(3,434)
Recognised in equity	184,455	2,685	-	539
Balance as at 31st March	766,677	690,924	299,501	299,592

23.2 Composition of deferred tax assets

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Deferred tax assets attributable to:				
Defined benefit obligations	85,129	109,774	18,540	22,561
Tax losses carried forward	598,661	585,531	287,555	287,555
Expected credit losses	45,565	9,312	2,398	948
Right-of-use assets	210,888	-	-	-
Accelerated depreciation for tax purposes on property, plant and equipment	(174,140)	(9,865)	(9,653)	(11,908)
Revaluation surplus on freehold land	-	(4,206)	-	-
Financial assets at FVOCI	574	378	661	436
Net deferred tax assets	766,677	690,924	299,501	299,592

23.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2020 Rs.'000	Exchange difference Rs.'000	Recognised in profit/ (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 31.03.2019 Rs.'000	Exchange difference Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 01.04.2018 Rs.'000
Deferred tax assets											
Defined benefit obligations	85,129	(16)	(2,170)	(22,459)	-	109,774	85	(22,548)	(11,248)	-	143,485
Tax losses carried forward	598,661	(11,413)	24,543	-	-	585,531	10,988	8,635	-	-	565,908
Expected credit losses	45,565	161	36,092	-	-	9,312	-	6,627	-	2,685	-
Right-of-use assets	210,888	14,442	11,991	-	184,455	-	-	-	-	-	-
	940,243	3,174	70,456	(22,459)	184,455	704,617	11,073	(7,286)	(11,248)	2,685	709,393
Deferred tax liability											
Accelerated depreciation for tax purposes on property, plant and equipment	(174,140)	11,417	(175,692)	-	-	(9,865)	5,142	126,585	-	-	(141,592)
Revaluation surplus on freehold land	-	-	-	4,206	-	(4,206)	-	-	122	-	(4,328)
Financial assets at FVOCI	574	-	-	196	-	378	-	-	460	-	(82)
	(173,566)	11,417	(175,692)	4,402	-	(13,693)	5,142	126,585	582	-	(146,002)
Net deferred tax assets	766,677	14,591	(105,236)	(18,057)	184,455	690,924	16,215	119,299	(10,666)	2,685	563,391

NOTES TO THE FINANCIAL STATEMENTS

23.4 Movement in tax effect of temporary differences - Company

	As at 31.03.2020	Recognised in profit / (loss)	Recognised in other comprehensive income	As at 31.03.2019	Recognised in profit / (loss)	Recognised in other comprehensive income	Recognised in equity	As at 01.04.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax assets								
Defined benefit obligations	18,540	1,059	(5,080)	22,561	(11,329)	(3,910)	-	37,800
Tax losses carried forward	287,555	-	-	287,555	-	-	-	287,555
Expected credit losses	2,398	1,450	-	948	409	-	539	-
	308,493	2,509	(5,080)	311,064	(10,920)	(3,910)	539	325,355
Deferred tax liability								
Accelerated depreciation for tax purposes on property, plant and equipment	(9,653)	2,255	-	(11,908)	10,292	-	-	(22,200)
Financial assets at FVOCI	661	-	225	436	-	476	-	(40)
	(8,992)	2,255	225	(11,472)	10,292	476	-	(22,240)
Net deferred tax assets	299,501	4,764	(4,855)	299,592	(628)	(3,434)	539	303,115

24 OTHER FINANCIAL ASSETS - NON-CURRENT

24.1 Unquoted equity and debt securities

As at	Notes	GROUP		COMPANY	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Financial assets at fair value through OCI					
- Unquoted equity securities	24.1.1	194,660	185,119	21,654	23,901
Financial assets at amortised cost					
- Unquoted debt securities	24.1.2	60,939	132,315	12,634	67,784
- Amounts due from equity-accounted investees		567,725	588,752	-	-
Carrying amount		823,324	906,186	34,288	91,685
Current unquoted equity and debt securities	24.1.2	(22,605)	(72,090)	(12,634)	(51,117)
Non-current unquoted equity and debt securities		800,719	834,096	21,654	40,568

24.1.1 Unquoted equity securities

	Number of shares as at 31.03.2020	GROUP		Number of shares as at 31.03.2020	COMPANY	
		As at 31.03.2020	As at 31.03.2019		As at 31.03.2020	As at 31.03.2019
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Rainforest Ecolodge (Pvt) Ltd (Ordinary shares)	3,500,000	35,000	35,000	3,500,000	35,000	35,000
Business Process Outsourcing LLC (Ordinary shares)	30,000	8,640	8,640	30,000	8,640	8,640
Floatels India (Pvt) Ltd (Ordinary shares)	716,037	84,128	84,128	-	-	-
Cargo Village Ltd (Ordinary shares)	40,900	823	823	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd (Ordinary shares)	10,000	100	100	-	-	-
		128,691	128,691		43,640	43,640
Change in fair value of investments		(8,090)	(6,120)		(21,986)	(19,739)
Exchange difference		74,059	62,548		-	-
Carrying amount		194,660	185,119		21,654	23,901

24.1.2 Unquoted debt securities

As at	GROUP		COMPANY	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd (Redeemable Debentures)	72,650	140,423	12,634	67,784
Impairment of unquoted debt securities	(11,711)	(8,108)	-	-
	60,939	132,315	12,634	67,784
Current unquoted debt securities	(22,605)	(72,090)	(12,634)	(51,117)
Non-current unquoted debt securities	38,334	60,225	-	16,667

25 INVENTORIES

As at	GROUP		COMPANY	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	1,215,848	998,615	-	-
Work-in-progress and finished goods	607,851	541,919	-	-
Consumables	1,197,928	869,774	3,172	2,058
	3,021,627	2,410,308	3,172	2,058
Impairment of inventories *	(186,987)	(208,261)	-	-
	2,834,640	2,202,047	3,172	2,058

* During the year the Group reversed excess provision of Rs. 21.3 million made against the inventory provision after re-assessing the net realisable value of the inventory as at 31st March 2020. The above reversal is recognised in the income statement under depreciation, amortisation and impairment of non-financial assets.

None of the inventories are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2020. (Group & Company 2018/2019-nil).

The Group evaluated the companies with COVID-19 related revenue declines and/or the nature of the inventories carried and assessed whether it was required to adjust the carrying value of the inventory prior to reflecting them at the lower of cost or net realisable value. Where applicable, declines in inventory values were recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

26 TRADE AND OTHER RECEIVABLES

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade receivables	12,210,240	12,226,938	5,231	5,439
Other receivables	2,964,097	2,369,876	307,366	579,275
Contract assets	258,567	273,969	-	-
Amounts due from subsidiaries	-	-	3,692,741	3,087,700
Amounts due from equity-accounted investees	573,735	434,975	147,295	162,989
Loans to employees	18,685	17,711	1,340	3,270
	16,025,324	15,323,469	4,153,973	3,838,673
Impairment of trade and other receivables	(329,779)	(179,973)	(206,803)	(232,276)
	15,695,545	15,143,496	3,947,170	3,606,397

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

	COMPANY	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	3,270	6,222
Recoveries during the period	(1,930)	(2,952)
Balance as at 31st March	1,340	3,270

Impact of COVID-19 pandemic on trade and other receivable balance as at 31st March 2020 is elaborated in detail in note 40- Financial risk management objectives and policies.

27 OTHER FINANCIAL ASSETS - CURRENT

As at		GROUP		COMPANY	
		31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets at fair value through profit or loss					
- Quoted equity securities	27.1.1	71,261	50,726	42,061	19,820
- Government securities	27.1.2	-	21,830	-	21,830
Financial assets at amortised cost					
- Unquoted debt securities	24.1.2	22,605	72,090	12,634	51,117
- Government securities	27.1.2	193,629	357,496	193,629	357,496
- Bank deposits	27.1.3	10,571,674	10,017,109	9,901,322	9,821,097
- Impairment of bank deposits and government securities		(8,514)	(3,316)	(8,500)	(3,316)
		10,850,655	10,515,935	10,141,146	10,268,044

27.1.1 Quoted equity securities

	Number of shares as at 31.03.2020	GROUP		Number of shares as at 31.03.2020	COMPANY	
		As at 31.03.2020	As at 31.03.2019		As at 31.03.2020	As at 31.03.2019
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Commercial Bank of Ceylon PLC (Ordinary shares)	317,568	31,507	10,658	317,568	31,507	10,658
John Keels Holdings PLC (Ordinary shares)	57,362	7,425	7,425	57,362	7,425	7,425
DFCC Bank PLC (Ordinary shares)	24,770	399	399	24,770	399	399
Hatton National Bank PLC (Ordinary shares)	209,308	4,060	4,060	-	-	-
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
		43,514	22,665		39,331	18,482
Change in fair value of investments		27,747	28,061		2,730	1,338
Carrying amount		71,261	50,726		42,061	19,820

The COVID 19 pandemic has significantly affected financial markets in the first quarter of the year 2020. Stock markets have declined sharply and volatility has been increased. Significant drop in trade volumes, decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indices and subsequent closure of the Colombo Stock Exchange for trading indicated an inactive stock market as at 31st March 2020. Accordingly, the management determined that 31st December 2019 share prices would more appropriately reflect their fair value as at 31st March 2020, as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

27.1.2 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.

27.1.3 Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

28 CASH AND CASH EQUIVALENTS

As at	GROUP		COMPANY	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash at bank and in hand	6,594,267	6,474,297	1,478,385	1,535,527
Short-term deposits	-	1,458,131	-	501,179
Cash and short-term deposits in the statement of financial position	6,594,267	7,932,428	1,478,385	2,036,706
Bank overdrafts and other short-term borrowings	(12,866,086)	(11,057,705)	(7,091,516)	(5,669,566)
Cash and cash equivalents in the statement of cash flows	(6,271,819)	(3,125,277)	(5,613,131)	(3,632,860)

NOTES TO THE FINANCIAL STATEMENTS

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. Further, fair value of the Group's investment in Spence International (Pvt) Ltd is also treated under assets held for sale upon the decision made to liquidate the company. The liquidation of these companies are not yet concluded.

The carrying value of the leasehold rights of Raafushi Island was classified under assets held for sale during the year under review, consequent to the decision made by Ace Resorts (Pvt) Ltd to dispose its lease.

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 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	22,679	22,679	15,000	15,000
Carrying amount of the leasehold rights classified as held for sale (note 15.1, 20.2 and 35.1)	1,025,525	-	-	-
	1,189,650	164,125	72,237	72,237

There were no discontinued operations recognised in the income statement during the year.

30 STATED CAPITAL AND RESERVES

30.1 Stated capital

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
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.

Fair value reserve

This represents the cumulative net change in the fair value of equity securities designated at fair value through OCI.

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

	Revaluation reserve Rs.'000	Exchange fluctuation reserve Rs.'000	Fair value reserve Rs.'000	Cash flow hedge reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000	Non- controlling interests	Total equity
Attributable to equity holders of the company								
For the year ended 31st March 2020								
Revaluation of freehold land	-	-	-	-	-	-	-	-
Actuarial gains / (losses) on defined benefit obligations	-	-	-	-	137,784	137,784	31,206	168,990
Exchange differences on translation of foreign operations	-	609,240	-	-	-	609,240	359,332	968,572
Equity investments at FVOCI – net change in fair value	-	-	(1,970)	-	-	(1,970)	-	(1,970)
Net movement on cash flow hedges	-	-	-	(130,296)	-	(130,296)	(161,233)	(291,529)
Share of other comprehensive income of equity-accounted investees (net of tax)	-	1,307	-	-	(5,791)	(4,484)	51	(4,433)
Income tax on other comprehensive income	-	-	197	-	(26,227)	(26,030)	(5,261)	(31,291)
Total	-	610,547	(1,773)	(130,296)	105,766	584,244	224,095	808,339
For the year ended 31st March 2019								
Revaluation of freehold land	321,399	-	-	-	-	321,399	52,321	373,720
Actuarial gains / (losses) on defined benefit obligations	-	-	-	-	61,798	61,798	10,119	71,917
Exchange differences on translation of foreign operations	-	1,299,219	-	-	-	1,299,219	608,360	1,907,579
Equity investments at FVOCI – net change in fair value	-	-	(4,450)	-	-	(4,450)	-	(4,450)
Net movement on cash flow hedges	-	-	-	(37,601)	-	(37,601)	(46,528)	(84,129)
Share of other comprehensive income of equity-accounted investees (net of tax)	-	136,374	-	-	(12,177)	124,197	71	124,268
Income tax on other comprehensive income	(40,727)	-	458	-	(11,947)	(52,216)	(52,118)	(104,334)
Total	280,672	1,435,593	(3,992)	(37,601)	37,674	1,712,346	572,225	2,284,571

NOTES TO THE FINANCIAL STATEMENTS

30.3.2 Company

	Fair value reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
For the year ended 31st March 2020			
Actuarial gains / (losses) on defined benefit obligations	-	18,142	18,142
Equity investments at FVOCI – net change in fair value	(2,247)	-	(2,247)
Income tax on other comprehensive income	225	(5,080)	(4,855)
Total	(2,022)	13,062	11,040
For the year ended 31st March 2019			
Actuarial gains / (losses) on defined benefit obligations	-	13,963	13,963
Equity investments at FVOCI – net change in fair value	(4,625)	-	(4,625)
Income tax on other comprehensive income	476	(3,910)	(3,434)
Total	(4,149)	10,053	5,904

31 INTEREST-BEARING LOANS AND BORROWINGS

31.1 Movement during the year

	GROUP		COMPANY	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	32,963,403	25,533,351	4,061,113	2,558,325
Exchange difference	1,982,626	1,942,354	242,505	205,789
New loans obtained	5,892,822	14,011,202	-	2,686,200
Capital repayment	(3,019,088)	(8,514,176)	(1,287,613)	(1,391,701)
Interest expense				
- Charged to the income statement	1,088,477	903,417	217,266	192,588
- Capitalised under property, plant and equipment	1,332,223	867,523	-	-
- Converted to new loans	152,076	-	-	-
Interest paid	(2,350,399)	(1,719,435)	(233,072)	(154,550)
Transaction cost	15,460	(60,833)	9,286	(35,538)
Balance as at 31st March	38,057,600	32,963,403	3,009,485	4,061,113
Current portion of interest-bearing liabilities	(3,357,190)	(3,583,499)	(182,626)	(1,303,220)
Non-current portion of interest-bearing liabilities	34,700,410	29,379,904	2,826,859	2,757,893

31.2 Analysed by capital repayment

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Payable in less than 3 months	731,065	701,024	149,369	216,346
Payable within 3 - 12 months	2,626,125	2,882,475	33,257	1,086,874
Payable within 1 - 2 years	5,921,497	2,844,067	562,009	138,334
Payable within 2 - 5 years	17,977,345	14,831,850	1,696,107	1,566,683
Payable after 5 years	10,801,568	11,703,987	568,743	1,052,876
	38,057,600	32,963,403	3,009,485	4,061,113

31.3 Analysed by interest rate

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Term loans linked to LIBOR	20,745,234	19,781,365	3,039,684	4,040,577
Term loans linked to AWPLR	8,668,445	4,601,994	-	60,021
Fixed rate term loans	5,085,146	4,728,386	-	-
Term loans linked to EURIBOR	3,530,649	3,443,725	-	-
Term loans linked to MCLR	64,904	434,265	-	-
Term loans linked to AWDR	14,520	38,449	-	-
Transaction cost to be amortised	(51,298)	(64,781)	(30,199)	(39,485)
	38,057,600	32,963,403	3,009,485	4,061,113

31.4 Analysed by currency equivalent in Rupees

As at	GROUP			COMPANY		
	31.03.2020		31.03.2019	31.03.2020		31.03.2019
	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000
United States dollars	55	20,745,234	19,781,365	100	3,039,684	4,040,577
Sri Lankan rupees	23	8,831,601	4,646,604	-	-	60,021
Euro	19	7,272,330	6,952,245	-	-	-
Omani riyal	3	1,194,829	1,213,705	-	-	-
Indian rupees	-	64,904	434,265	-	-	-
Transaction cost to be amortised		(51,298)	(64,781)		(30,199)	(39,485)
	100	38,057,600	32,963,403	100	3,009,485	4,061,113

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31.5 Analysed by credit terms and security details

Bank / financial institution		Sector	Currency	Interest rate basis	Secured
Hatton National Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
	Loan 2	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 3	Tourism	USD	Linked to LIBOR	Yes
	Loan 4	Tourism	USD	Linked to LIBOR	Yes
	Loan 5	Tourism	LKR	Fixed Rate	No
	Loan 6	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 7	Strategic Investments	LKR	Linked to AWPLR	Yes
DFCC Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
	Loan 2	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 3	Tourism	LKR	Linked to AWPLR	Yes
	Loan 4	Tourism	LKR	Fixed Rate	Yes
	Loan 5	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 6	Strategic Investments	USD	Linked to LIBOR	Yes
	Loan 7	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 8	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 9	Strategic Investments	USD	Linked to LIBOR	Yes
The Hongkong and Shanghai Banking Corporation	Loan 1	Tourism	EUR	Fixed Rate	Yes
	Loan 2	Tourism	OMR	Fixed Rate	Yes
	Loan 3	Tourism	USD	Linked to LIBOR	Yes
	Loan 4	Strategic Investments	USD	Linked to LIBOR	No
	Loan 5	Tourism	USD	Linked to LIBOR	Yes
	Loan 6	Tourism	INR	Linked to MCLR	Yes
	Loan 8	Strategic Investments	EUR	Linked to EURIBOR	Yes
	Loan 9	Tourism	USD	Linked to LIBOR	Yes
People's Bank	Loan 1	Tourism	USD	Linked to LIBOR	Yes
	Loan 2	Strategic Investments	LKR	Linked to AWPLR	Yes
ABANCA Corporación Bancaria	Loan 1	Tourism	EUR	Linked to EURIBOR	Yes
DEG - German Investment Corporation	Loan 1	Strategic Investments	USD	Linked to LIBOR	No
	Loan 2	Strategic Investments	USD	Linked to LIBOR	No
Bank of Ceylon	Loan 1	Strategic Investments	LKR	Linked to AWPLR	Yes
Habib Bank	Loan 1	Tourism	LKR	Linked to AWPLR	Yes
Commercial Bank of Ceylon	Loan 1	Strategic Investments	LKR	Linked to AWPLR	Yes
	Loan 2	Strategic Investments	LKR	Linked to AWDR	Yes
	Loan 3	Strategic Investments	LKR	Linked to AWPLR	No
Sampath Bank	Loan 1	Tourism	LKR	Fixed Rate	Yes
Transaction cost to be amortised					

*The loan is subject to a moratorium on capital repayment and interest accrued during the moratorium to be capitalised. Repayment terms of the interest capitalised portion of the loan is different to that of underlying loan.

In addition to the moratoriums secured on loan repayments of tourism sector post Easter Sunday attack, The Group is actively engaged with banks and financial institutions to secure further debt moratoriums to strengthen the liquidity position of the Group amidst the economic slowdown caused by COVID-19 pandemic. This could result in renegotiation of repayment terms and extension of tenure of loans.

Repayment terms	Maturity	LKR equivalent as at	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000
60 monthly instalments commencing December 2020	Nov-2025	6,851,664	5,737,381
30 quarterly instalments commencing March 2021	Jun-2028	1,616,667	697,144
84 monthly instalments commencing October 2017	Aug-2024	1,361,037	1,449,529
24 monthly instalments commencing November 2019	Sep-2021	451,036	-
24 monthly instalments commencing April 2020	Apr-2022	67,000	-
24 quarterly instalments commencing March 2015	Dec-2020	8,368	10,468
24 quarterly instalments commencing March 2015	Dec-2020	611	9,470
		10,356,383	7,903,992
60 monthly instalments commencing December 2020	Nov-2025	4,935,466	4,103,824
30 quarterly instalments commencing March 2021	Jun-2028	1,616,587	697,145
65 monthly instalments commencing April 2020	Aug-2025	673,652	614,097
23 monthly instalments commencing February 2020	Dec-2022	76,696	-
96 monthly instalments commencing September 2013	Sep-2021	51,859	88,521
48 monthly instalments commencing July 2017	Jun-2021	18,114	29,396
23 quarterly instalments commencing January 2015	Jul-2020	3,149	1,430
23 quarterly instalments commencing January 2015	Jul-2020	2,736	17,752
Fully settled in December 2019	Dec-2019	-	32,062
		7,378,259	5,584,227
60 monthly instalments commencing May 2020 and a 70% final bullet payment at maturity*	Apr-2025	3,741,681	3,508,520
28 quarterly instalments commencing December 2018	Sep-2025	1,194,829	1,213,705
Bullet repayment at maturity	Jul-2025	911,332	845,231
48 monthly instalments commencing August 2016	Jul-2020	158,299	587,452
48 monthly instalments commencing January 2017	Dec-2020	142,433	308,158
16 quarterly instalments commencing June 2016	Jun-2020	64,904	434,265
48 monthly instalments commencing October 2016	Oct-2020	33,048	74,411
Fully settled in August 2019	Aug-2019	-	36,685
		6,246,526	7,008,427
24 quarterly instalments commencing August 2019	May-2025	3,034,469	3,198,523
30 quarterly instalments commencing March 2021	Jun-2028	2,424,879	1,045,715
		5,459,348	4,244,238
20 quarterly instalments commencing July 2020 and 72% final bullet repayment at maturity*	Mar-2025	3,497,601	3,369,314
		3,497,601	3,369,314
10 semi-annual instalments starting July 2021	Jan-2026	2,881,384	2,676,840
Fully settled in January 2020	Jan-2020	-	776,284
		2,881,384	3,453,124
30 quarterly instalments commencing March 2021	Jun-2028	1,616,789	697,419
		1,616,789	697,419
8 quarterly instalments commencing July 2020*	Jul-2022	660,661	680,230
		660,661	680,230
23 quarterly instalments commencing January 2015	Jul-2020	3,591	10,802
23 quarterly instalments commencing January 2015	Jul-2020	3,416	10,229
Fully settled in June 2019	Jun-2019	-	60,021
		7,007	81,052
72 monthly instalments commencing December 2017	Oct-2023	4,940	6,161
		4,940	6,161
		(51,298)	(64,781)
		38,057,600	32,963,403

Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 7,333.4 million, corporate guarantees of Rs. 18,863.9 million and right-of-use assets of Rs. 4,532.0 million.

NOTES TO THE FINANCIAL STATEMENTS

32 LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities recognised due to application of SLFRS 16 - Lease, and its movements for the period ended 31st March 2020.

	GROUP 2019/2020 Rs.'000
Balance as at 01st April	-
Recognition on initial application of SLFRS 16 - Leases	9,034,626
Exchange difference	731,552
New leases obtained	2,102,223
Payment of lease liabilities	(1,512,695)
Interest expense	
- Charged to the income statement	685,056
- Capitalised under property, plant and equipment	80,474
- Capitalised under biological assets	3,047
Balance as at 31st March	11,124,283
Current portion of lease liabilities	(763,965)
Non-current portion of lease liabilities	10,360,318

33 DEFERRED TAX LIABILITIES

33.1 Movement during the year

	GROUP	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	2,283,840	1,949,193
Exchange difference	4,673	22,935
Origination of temporary differences		
Recognised in profit / (loss)	68,046	220,550
Recognised in other comprehensive income	13,234	93,668
Recognised in equity	(11,776)	(2,506)
Balance as at 31st March	2,358,017	2,283,840

33.2 Composition of deferred tax liabilities

As at	GROUP	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Deferred tax liabilities attributable to;		
Accelerated depreciation for tax purposes on property, plant and equipment	1,707,515	1,677,578
Revaluation surplus on freehold land	1,088,608	1,084,402
Undistributed profits of consolidated entities	-	46,240
Financial assets at FVOCI	2	2
Defined benefit obligations	(65,785)	(64,788)
Tax losses carried forward	(334,153)	(456,012)
Expected credit losses	(14,923)	(3,128)
Right-of-use assets	(22,796)	-
Other items	(451)	(454)
Net deferred tax liabilities	2,358,017	2,283,840

33.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2020 Rs.'000	Exchange difference Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 31.03.2019 Rs.'000	Exchange difference Rs.'000	Recognised in profit /(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 01.04.2018 Rs.'000
Deferred tax liabilities											
Accelerated depreciation for tax purposes on property, plant and equipment	1,707,515	9,195	20,742	-	-	1,677,578	27,685	228,206	-	-	1,421,687
Revaluation surplus on freehold land	1,088,608	-	-	4,206	-	1,084,402	-	-	91,247	-	993,155
Financial assets at FVOCI	2	-	-	-	-	2	-	-	2	-	-
Undistributed profits of consolidated entities	-	-	(46,240)	-	-	46,240	-	-	-	-	46,240
	2,796,125	9,195	(25,498)	4,206	-	2,808,222	27,685	228,206	91,249	-	2,461,082
Deferred tax assets											
Defined benefit obligations	(65,785)	107	(10,132)	9,028	-	(64,788)	(1,246)	(7,316)	2,419	-	(58,645)
Tax losses carried forward	(334,153)	(4,080)	125,939	-	-	(456,012)	(3,469)	282	-	-	(452,825)
Expected credit losses	(14,923)	(21)	(11,774)	-	-	(3,128)	-	(622)	-	(2,506)	-
Right-of-use assets	(22,796)	(531)	(10,489)	-	(11,776)	-	-	-	-	-	-
Other items	(451)	3	-	-	-	(454)	(35)	-	-	-	(419)
	(438,108)	(4,522)	93,544	9,028	(11,776)	(524,382)	(4,750)	(7,656)	2,419	(2,506)	(511,889)
Net deferred tax liabilities	2,358,017	4,673	68,046	13,234	(11,776)	2,283,840	22,935	220,550	93,668	(2,506)	1,949,193

NOTES TO THE FINANCIAL STATEMENTS

34 EMPLOYEE BENEFITS

34.1 Retirement benefit obligations

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Present value of unfunded obligations	884,793	1,010,405	66,214	80,576
Total present value of the obligation	884,793	1,010,405	66,214	80,576

34.2 Movement during the year

	GROUP		COMPANY	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	1,010,405	1,046,605	80,576	134,999
Expenses recognised in profit or loss				
Current service cost	90,493	90,331	5,360	7,240
Interest cost	99,414	109,894	9,266	14,175
	189,907	200,225	14,626	21,415
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	(144,905)	(54,921)	(15,601)	(5,648)
- demographic assumptions	(978)	-	-	-
- experience adjustment	(23,107)	(16,996)	(2,541)	(8,315)
	(168,990)	(71,917)	(18,142)	(13,963)
Exchange difference	5,161	13,548	-	-
Others				
Benefits paid	(151,690)	(178,056)	(10,846)	(61,875)
Balance as at 31st March	884,793	1,010,405	66,214	80,576

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 2020. The actuarial present value of the promised retirement benefits as at 31st March 2020 amounted to Rs. 884,793,016/- (Company - Rs. 66,213,857/-). The liability is not externally funded.

Due to the sudden fall in capital markets and the decline in high-quality corporate bond rates that has occurred as a result of COVID-19, the Group has considered the impact on the defined benefit obligations with the independent actuarial specialists as at the reporting date. Since the complexity of the valuation and the underlying assumptions are based on long-term indicators including the application of risk discount rate which is formulated on the market yield of long-term government and corporate bonds, there is no significant impact on the retirement benefit obligation from COVID-19 pandemic other than for certain assumptions disclosed below.

34.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

34.3.1 Financial assumptions

	2019/2020 Rs.'000	2018/2019 Rs.'000
Discount rate	10.0% p.a.	11.5% p.a.
Long term salary increments		
- Executive staff	5.0% in July 2021 with 7.5% p.a. from 2022.	11.0% p.a.
- Non Executive and other staff	5.0% in July 2021 with 7.5% p.a. from 2022.	8.00% p.a.

It is also assumed that the company will continue in business as a going concern.

Discount rate

In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 10% p.a. (2018/19 – 11.5% p.a.) has been used to discount future liabilities considering the yield available on long term government bonds with a tenure equivalent to the average future working life of the employees.

Long term salary increments

Based on the actual salary increment rates of the Group over the past few years, future economic outlook of the country and the immediate impact of the COVID-19 pandemic on the Group's business a reduction in the long term salary increment rate is factored into the valuation for the current year.

34.3.2 Demographic assumptions

	2019/2020	2018/2019
- Mortality & Disability	A 1967/70 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

NOTES TO THE FINANCIAL STATEMENTS

34.4 Sensitivity analysis

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the liability in the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Discount rate				
- 1% increase	(52,142)	(60,804)	(3,939)	(5,627)
- 1% decrease	59,158	71,833	4,443	6,400
Long term salary increments				
- 1% increase	54,792	74,182	4,013	6,536
- 1% decrease	(49,164)	(64,867)	(3,618)	(5,843)

34.5 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Within next 12 months	73,502	80,938	9,838	4,447
Between 1 - 2 years	133,659	128,357	13,691	16,581
Between 2 - 5 years	184,027	209,233	10,899	12,551
Beyond 5 years	493,605	591,877	31,786	46,997
	884,793	1,010,405	66,214	80,576
Weighted average duration (years) of define benefit obligation	8.11	8.51	6.87	8.22

35 OTHER LIABILITIES

As at	Notes	GROUP	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000
Lease accruals	35.1	-	1,302,016
Amounts due to equity-accounted investees		386,274	549,893
		386,274	1,851,909

35.1 Lease accruals

	GROUP	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Balance as at 01st April	1,302,016	881,272
Transferred to property, plant and equipment with the application of SLFRS 16 - Leases (note 15.1)	(654,005)	-
Classified as held for sale (note 29)	(648,011)	-
Exchange difference	-	116,049
Accrued and capitalised under property, plant and equipment	-	304,695
Balance as at 31st March	-	1,302,016

This represented the accrued lease rentals 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. With the application of SLFRS 16, this was transferred to capital work in progress under property, plant and equipment as at 01st April 2019.

36 TRADE AND OTHER PAYABLES

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade payables	4,097,245	4,557,624	-	-
Contract liabilities	1,834,083	2,071,338	-	-
Accrued payables	2,800,271	2,785,868	149,369	23,830
Other payables	3,742,017	2,879,293	278,944	228,644
Indirect taxes payable	283,163	332,275	395	7,661
Deposits payable	353,373	332,482	-	-
Amounts due to subsidiaries	-	-	6,573,734	6,677,714
Amounts due to equity-accounted investees	142,031	182,655	63,218	104,172
Unclaimed dividends	29,216	165,897	29,216	165,897
	13,281,399	13,307,432	7,094,876	7,207,918

37 OTHER FINANCIAL LIABILITIES

Other financial liabilities includes derivative financial liability, which arises due to the negative movement in fair value of foreign exchange forward contracts.

37.1 Net capital exposure of forward foreign exchange contracts

Group's financial liabilities at fair value through profit or loss include forward foreign exchange contracts, which at reporting date comprised of US Dollar contracts amounting as follows;

As at	GROUP		COMPANY	
	31.03.2020 USD:'000	31.03.2019 USD:'000	31.03.2020 USD:'000	31.03.2019 USD:'000
Net capital exposure	6,000	-	5,500	-

NOTES TO THE FINANCIAL STATEMENTS

37.2 Derivative financial liability

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Derivative financial liability recognised	30,005	-	27,275	-
	30,005	-	27,275	-

Impact of COVID-19 pandemic on derivative financial liability as at 31st March 2020 is elaborated in detail in note 40- Financial risk management objectives and policies.

38 FINANCIAL INSTRUMENTS - ACCOUNTING CLASSIFICATIONS, FAIR VALUES AND CASH FLOW HEDGE

38.1 Financial instruments - accounting classifications and fair values

The following tables summarises the carrying and fair values of financial assets and financial liabilities of the Group and the Company.

38.1.1 Accounting classifications and fair values of financial instruments - Group

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000
As at 31st March 2020							
Financial assets							
Trade and other receivables	26	-	-	14,673,030	1,022,515	15,695,545	15,695,545 (a)
Deposits and prepayments		-	-	158,580	1,525,681	1,684,261	1,684,261 (a)
Other financial assets	24&27						
- Unquoted equity securities and debt securities		-	194,660	60,939	-	255,599	255,599
- Quoted equity securities		71,261	-	-	-	71,261	71,261
- Government securities		-	-	193,629	-	193,629	193,629
- Bank deposits		-	-	10,563,160	-	10,563,160	10,563,160
- Amounts due from equity-accounted investees		-	-	567,725	-	567,725	567,725
Cash and short-term deposits	28	-	-	6,594,267	-	6,594,267	6,594,267 (a)
		71,261	194,660	32,811,330	2,548,196	35,625,447	35,625,447
Financial liabilities							
Interest-bearing loans and borrowings	31	-	-	38,057,600	-	38,057,600	38,057,600
Lease liabilities	32	-	-	11,124,283	-	11,124,283	11,124,283
Trade and other payables	36	-	-	8,614,623	4,666,776	13,281,399	13,281,399 (a)
Other financial liabilities							
- Derivative financial liability	37	30,005	-	-	-	30,005	30,005
Bank overdrafts and other short-term borrowings	28	-	-	12,866,086	-	12,866,086	12,866,086 (a)
		30,005	-	70,662,592	4,666,776	75,359,373	75,359,373

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000
As at 31st March 2019							
Financial assets							
Trade and other receivables	26	-	-	14,361,728	781,768	15,143,496	15,143,496 (a)
Deposits and prepayments		-	-	176,518	1,841,743	2,018,261	2,018,261 (a)
Other financial assets	24 & 27						
- Unquoted equity securities and debt securities		-	185,119	132,315	-	317,434	317,434
- Quoted equity securities		50,726	-	-	-	50,726	50,726
- Government securities		21,830	-	357,496	-	379,326	379,326
- Bank deposits		-	-	10,017,109	-	10,017,109	10,017,109
- Amounts due from equity-accounted investees		-	-	588,752	-	588,752	588,752
Cash and short-term deposits	28	-	-	7,932,428	-	7,932,428	7,932,428 (a)
		72,556	185,119	33,566,346	2,623,511	36,447,532	36,447,532
Financial liabilities							
Interest-bearing loans and borrowings	31	-	-	32,963,403	-	32,963,403	32,963,403
Trade and other payables	36	-	-	9,573,051	3,734,381	13,307,432	13,307,432 (a)
Bank overdrafts and other short-term borrowings	28	-	-	11,057,705	-	11,057,705	11,057,705 (a)
		-	-	53,594,159	3,734,381	57,328,540	57,328,540

(a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

38.1.2 Accounting classifications and fair values of financial instruments - Company

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000
As at 31st March 2020							
Financial assets							
Trade and other receivables	26	-	-	3,944,672	2,498	3,947,170	3,947,170 (a)
Deposits and prepayments		-	-	488	96,494	96,982	96,982 (a)
Other financial assets	24 & 27						
- Unquoted equity securities and debt securities		-	21,654	12,634	-	34,288	34,288
- Quoted equity securities		42,061	-	-	-	42,061	42,061
- Government securities		-	-	193,629	-	193,629	193,629
- Bank deposits		-	-	9,892,822	-	9,892,822	9,892,822
Cash and short-term deposits	28	-	-	1,478,385	-	1,478,385	1,478,385 (a)
		42,061	21,654	15,522,630	98,992	15,685,337	15,685,337
Financial liabilities							
Interest-bearing liabilities	31	-	-	3,009,485	-	3,009,485	3,009,485
Trade and other payables	35	-	-	6,720,821	374,055	7,094,876	7,094,876 (a)
Other financial liabilities							
- Derivative financial liability	37	27,275	-	-	-	27,275	27,275
Bank overdrafts and other short-term borrowings	28	-	-	7,091,516	-	7,091,516	7,091,516 (a)
		27,275	-	16,821,822	374,055	17,223,152	17,223,152

NOTES TO THE FINANCIAL STATEMENTS

		Fair value through profit or loss	Fair value through OCI	Amortised cost	Non - financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March 2019							
Financial assets							
Trade and other receivables	26	-	-	3,556,864	49,533	3,606,397	3,606,397 (a)
Deposits and prepayments		-	-	467	93,109	93,576	93,576 (a)
Other financial assets	24 & 27						
- Unquoted equity securities and debt securities		-	23,901	67,784	-	91,685	91,685
- Quoted equity securities		19,820	-	-	-	19,820	19,820
- Government securities		21,830	-	357,496	-	379,326	379,326
- Bank deposits		-	-	9,821,097	-	9,821,097	9,821,097
Cash and short-term deposits	28	-	-	2,036,706	-	2,036,706	2,036,706 (a)
		41,650	23,901	15,840,414	142,642	16,048,607	16,048,607
Financial liabilities							
Interest-bearing liabilities	31	-	-	4,061,113	-	4,061,113	4,061,113
Trade and other payables	35	-	-	6,839,728	368,190	7,207,918	7,207,918 (a)
Bank overdrafts and other short-term borrowings	28	-	-	5,669,566	-	5,669,566	5,669,566 (a)
		-	-	16,570,407	368,190	16,938,597	16,938,597

(a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

38.2 None of the financial assets are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2020. (Group & Company 2018/2019-nil).

38.3 Cash flow hedge

During 2017/2018 a subsidiary company in the group designated a hedge relationship between its highly probable EURO denominated sales and its foreign currency denominated borrowings.

The risk management objective of this cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with EURO currency denominated forecasted sales.

The risk management strategy is to use the foreign currency variability (gains /losses) arising from the revaluation of foreign currency borrowing due to the changes in spot foreign exchange rates to off-set the variability due to foreign exchange rate movements, on LKR conversion of EURO denominated forecasted 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 forecasted revenue is realised). If the forecasted 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 31st March 2020 represents the foreign currency variability arising from the revaluation of foreign currency borrowings due to the changes in spot LKR/EUR exchange rate that is expected to be set off from the variability of exchange rates from highly probable EURO denominated sales (namely "All Inclusive" apartment revenue) expected to occur from 1st quarter of 2017/18 up to the tenor of refinanced borrowings.

Hedging instrument - Out of the foreign currency borrowing of EURO 40.0 million in January 2017, EURO 34.1 million is designated for the hedge from April 2017.

Further, the outstanding balance of the borrowing of EURO 32.6 million as at 31st March 2018 was refinanced effective from the 1st quarter of 2018/19 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.

During the year the effective portion of the hedging instrument being a loss of Rs. 291.5 million (2018/2019 - loss of Rs. 84.1 million) was recognised in the Other Comprehensive Income Statement (OCI) and the ineffective portion of Rs. 10.2 million (2018/2019 - loss of Rs. 33.9 million) was recognised in the Income Statement under net foreign exchange gain/ (loss) in other operating income.

In respect of the cash flow hedge instrument, Group recognised Rs. 597.1 million (2018/2019 - Rs. 429.2 million) under cash flow hedge reserve being the Group's portion of the fair value loss recognised by the subsidiary.

The Group has considered the economic turbulence resulting from COVID-19 outbreak when assessing the group risk exposures and hedge effectiveness. The impact of this pandemic on foreign currency risk exposure is elaborated further in detail in note 40- Financial risk management objectives and policies.

39 FAIR VALUE MEASUREMENT

39.1 Fair value measurement hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

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39.1.1 Fair value measurement hierarchy - Group

	As at 31st March 2020				As at 31st March 2019			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Recurring fair value measurements								
Assets measured at fair value :								
Property, plant and equipment								
- Freehold land	-	-	12,386,141	12,386,141	-	-	12,430,558	12,430,558
Other financial assets								
- Unquoted equity securities	-	158,187	36,473	194,660	-	146,676	38,443	185,119
- Quoted equity shares	71,261	-	-	71,261	50,726	-	-	50,726
- Government securities	-	-	-	-	21,830	-	-	21,830
	71,261	158,187	12,422,614	12,652,062	72,556	146,676	12,469,001	12,688,233
Assets for which fair values are disclosed :								
Investment property								
- Freehold land	-	-	2,568,300	2,568,300	-	-	2,568,300	2,568,300
Other financial assets								
- Unquoted debt securities	-	60,939	-	60,939	-	132,315	-	132,315
- Bank deposits	-	10,563,160	-	10,563,160	-	-	-	-
					10,014,536			10,014,536
	-	10,624,099	2,568,300	13,192,399	-	10,146,851	2,568,300	12,715,151
Liabilities measured at fair value :								
Other financial liabilities								
- Derivative financial liability	-	30,005	-	30,005	-	-	-	-
	-	30,005	-	30,005	-	-	-	-
Liabilities for which fair values are disclosed :								
Interest-bearing liabilities	-	38,057,600	-	38,057,600	-	32,963,403	-	32,963,403
	-	38,057,600	-	38,057,600	-	32,963,403	-	32,963,403
Non-recurring fair value measurements								
Assets classified as held for sale	-	-	1,189,650	1,189,650	-	-	164,125	164,125
	-	-	1,189,650	1,189,650	-	-	164,125	164,125

39.1.2 Fair value measurement hierarchy - Company

	As at 31st March 2020				As at 31st March 2019			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Recurring fair value measurements								
Assets measured at fair value :								
Other financial assets								
- Unquoted equity securities	-	-	21,654	21,654	-	-	23,901	23,901
- Quoted equity securities	42,061	-	-	42,061	19,820	-	-	19,820
- Government securities	-	-	-	-	21,830	-	-	21,830
	42,061	-	21,654	63,715	41,650	-	23,901	65,551
Assets for which fair values are disclosed :								
Investment property								
- Freehold land & building	-	-	6,519,608	6,519,608	-	-	6,519,608	6,519,608
Other financial assets								
- Unquoted debt securities	-	12,634	-	12,634	-	67,784	-	67,784
- Bank deposits	-	9,892,822	-	9,892,822	-	9,818,524	-	9,818,524
	-	9,905,456	6,519,608	16,425,064	-	9,886,308	6,519,608	16,405,916
Liabilities measured at fair value :								
Other financial liabilities								
- Derivative financial liability	-	27,275	-	27,275	-	-	-	-
	-	27,275	-	27,275	-	-	-	-
Liabilities for which fair values are disclosed :								
Interest-bearing liabilities	-	3,009,485	-	3,009,485	-	4,061,113	-	4,061,113
	-	3,009,485	-	3,009,485	-	4,061,113	-	4,061,113
Non-recurring fair value measurements								
Assets classified as held for sale	-	-	72,237	72,237	-	-	72,237	72,237
	-	-	72,237	72,237	-	-	72,237	72,237

39.2 Reconciliation of fair value measurement of "Level 3" financial instruments

	GROUP		COMPANY
	Unquoted equity securities Rs.'000	Freehold land Rs.'000	Unquoted equity securities Rs.'000
Balance as at 01st April 2018	42,893	14,726,754	28,526
Exchange difference	-	403,702	-
Additions during the year	-	54,239	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	(4,450)	-	(4,625)
- Revaluation of freehold land (unrealised)	-	373,720	-
Balance as at 31st March 2019	38,443	15,558,415	23,901
Exchange difference	-	195,955	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	(1,970)	-	(2,247)
Balance as at 31st March 2020	36,473	15,754,370	21,654

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39.2.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

39.3 Valuation techniques and significant unobservable inputs

The following tables summarises the valuation techniques used by the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used for the valuation.

39.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment			
» Freehold land	» Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	» Price per perch of land	» Estimated fair value would increase (decrease) if ; » Price per perch increases (decreases)
Other financial assets			
» Unquoted equity securities	» Net assets basis	» Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	» Market return on a comparable investment	» Current market interest rates	Not applicable
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

39.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property		
» Freehold land	» Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	» Price per perch of land
Other financial assets		
» Unquoted debt securities	» Discounted cash flows	» Current market interest rates
» Other bank deposits		
Interest-bearing liabilities	» Discounted cash flows	» Current market interest rates

39.3.3 Assets and liabilities measured at fair value - Non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	» Valued at the carrying amount prior to the asset being classified as held for sale. » Valued at the cash available with the disposal group held for sale.	Not applicable

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Please refer the comprehensive risk management report on pages 174 to 182 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 an outcome 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.

40.1 Market risk

Fluctuations of those market driven variables that affect cash flows arising from financial instruments can result in the actual outcome being different to expected cash flows 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 cash flows could be different to the originally anticipated cash flows.

Market risk could result in the revenues and expenses of the Group being adversely affected and impacting the profit attributable to shareholders. In order to identify, manage and minimise the market risk, the Group has put into practice a number of policies and procedures.

40.1.1 Currency risk

The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group has operations in a number of regions across the globe and conducts business in a variety of currencies. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cash flows (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. 28.0 billion. 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 cash flows 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 recognising foreign currency translation impact to the income statement or other comprehensive income statement and to effectively capture the economic substance of the transaction.

The Group has been closely monitoring the impact of the COVID-19 pandemic on the exchange rates and its exposure to currency risk arising from the unanticipated fluctuations aftermath of the outbreak. Risk management strategies are formulated by taking into consideration the revised foreign currency denominated cash flow forecasts and aligning with recovery strategies employed by the Group. Attention is also given to measures taken by the regulatory bodies to manage the exchange rates.

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Significant movement in exchange rates during the year ended 31st March 2020

	Lowest Level		Highest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	174.35	22.04.2019	189.96	30.03.2020	15.61	189.91
EUR/LKR	194.71	01.08.2019	210.73	30.03.2020	16.02	209.42
EUR/USD	1.0688	20.03.2020	1.1450	09.03.2020	0.0762	1.0970

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 impact of the currency risk on financial instruments, a 5% fluctuation in the USD/LKR and EUR/LKR exchange rates is considered and 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

	Effect on profit before tax			Effect on equity
	USD net financial assets / (liabilities)	USD forward contracts	EUR net financial assets / (liabilities)	
	USD '000	USD '000	EUR '000	USD '000
As at 31st March 2020				
Net exposure	60,888	(6,000)	(29,691)	155,610
LKR depreciates by 5% (Rs. '000)	578,164	(56,208)	(310,898)	1,477,598
LKR appreciates by 5% (Rs. '000)	(578,164)	56,208	310,898	(1,477,598)
As at 31st March 2019				
Net exposure	56,960	-	(29,911)	168,372
LKR depreciates by 5% (Rs. '000)	501,501	-	(295,778)	1,482,430
LKR appreciates by 5% (Rs. '000)	(501,501)	-	295,778	(1,482,430)

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

	Effect on profit before tax	
	USD net financial assets / (liabilities)	USD forward contract
	USD'000	USD'000
As at 31st March 2020		
Net exposure	36,877	(5,500)
LKR depreciates by 5% (Rs. '000)	350,165	(51,524)
LKR appreciates by 5% (Rs. '000)	(350,165)	51,524
As at 31st March 2019		
Net exposure	30,047	-
LKR depreciates by 5% (Rs. '000)	264,548	-
LKR appreciates by 5% (Rs. '000)	(264,548)	-

40.1.2. Interest rate risk

Values of financial instruments could fluctuate depending on the movements in interest rates giving rise to interest rate risk. This is a consequence of the changes in the present values of future cash flows derived from financial instruments. 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 cash flow 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.

COVID-19 has necessitated easing of monetary policies in order to facilitate the recovery across most economies. However, the volatility in interest rates remains high due to the scale of the economic impact caused by the pandemic. The Group has been closely monitoring these developments and devising strategies to ward off any adverse effect caused in the form of interest rate risk.

Significant movement in interest rates during the year ended 31st March 2020

	Lowest Level		Highest Level		Spread (basis points)	Year end rate %
	Rate %	Period	Rate %	Period		
LKR Interest rate (Weekly AWPLR)	9.29	Mar-20	12.24	Apr-19	295	9.29
USD Interest rate (Three months USD LIBOR)	0.740	Mar-20	2.603	Apr-19	186	1.451

Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of interest-bearing financial instruments of the Group and Company are given below. This analysis depicts the impact of the probable movement in interest rate on profit before tax with all other variables held constant.

Group

As at	31.03.2020			31.03.2019		
	Exposure	Impact on profit before tax		Exposure	Impact on profit before tax	
		Decrease of 100 basis points in LKR interest rates	Increase of 100 basis points in LKR interest rates		Decrease of 100 basis points in LKR interest rates	Increase of 100 basis points in LKR interest rates
LKR financial assets (Rs.'000)	-	-	-	21,830	96	(95)
LKR financial liabilities (Rs.'000)	8,682,964	86,830	(86,830)	4,640,443	46,404	(46,404)
		Decrease of 10 basis points in USD interest rates	Increase of 10 basis points in USD interest rates		Decrease of 10 basis points in USD interest rates	Increase of 10 basis points in USD interest rates
USD financial liabilities (In equivalent Rs.'000)	20,745,235	20,745	(20,745)	19,781,365	19,781	(19,781)

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Company

As at	31.03.2020			31.03.2019		
	Exposure	Impact on profit before tax		Exposure	Impact on profit before tax	
		Decrease of 100 basis points in LKR interest rates	Increase of 100 basis points in LKR interest rates		Decrease of 100 basis points in LKR interest rates	Increase of 100 basis points in LKR interest rates
LKR financial assets (Rs.'000)	-	-	-	21,830	96	(95)
LKR financial liabilities (Rs.'000)	-	-	-	60,021	600	(600)
		Decrease of 10 basis points in USD interest rates	Increase of 10 basis points in USD interest rates		Decrease of 10 basis points in USD interest rates	Increase of 10 basis points in USD interest rates
USD financial liabilities (In equivalent Rs.'000)	3,039,683	3,040	(3,040)	4,040,577	4,041	(4,041)

40.1.3. 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, IFRS 9 - Financial Instruments.

Investments made by the Group which do not belong to the above categories are classified as financial assets and recorded at fair value in financial statements.

At the reporting date the carrying value of equity investments are as follows;

- » Quoted equity securities: Rs. 71.3 million (as at 31.03.2019; Rs. 50.7 million)
- » Unquoted equity securities: Rs. 194.7 million (as at 31.03.2019; Rs. 185.1 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

40.2. Liquidity risk

Liquid assets of a company 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 Group has reviewed its cash flow forecasts and implemented prudent measures to ensure the availability of sufficient liquidity during the recovery period. Fixed overheads have been reduced across all businesses through various measures including voluntary salary cuts to ease the pressure on liquidity of the Group. The Group has been engaging with lenders of capital to secure moratoriums on existing loans as well as additional credit facilities to ensure sufficient liquidity. The Group is also looking to avail special working capital loans subsidised by the government to strengthen the liquidity position.

The table below summarises the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2020	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 loans and borrowings	-	731,065	2,626,125	5,921,497	17,977,345	10,801,568	38,057,600
Lease liabilities	-	187,305	576,660	739,998	2,598,862	7,021,458	11,124,283
Trade and other payables	3,393,735	932,578	4,288,310	-	-	-	8,614,623
Bank overdrafts and other short term borrowings	12,866,086	-	-	-	-	-	12,866,086
	16,259,821	1,850,948	7,491,095	6,661,495	20,576,207	17,823,026	70,662,592

As at 31st March 2019	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 loans and borrowings	-	701,024	2,882,475	2,844,067	14,831,850	11,703,987	32,963,403
Trade and other payables	5,432,539	591,272	3,549,240	-	-	-	9,573,051
Bank overdrafts and other short-term borrowings	11,057,705	-	-	-	-	-	11,057,705
	16,490,244	1,292,296	6,431,715	2,844,067	14,831,850	11,703,987	53,594,159

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2020	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 loans and borrowings	-	149,369	33,257	562,009	1,696,107	568,743	3,009,485
Trade and other payables	6,582,343	-	138,478	-	-	-	6,720,821
Bank overdraft and other short-term borrowings	7,091,516	-	-	-	-	-	7,091,516
	13,673,859	149,369	171,735	562,009	1,696,107	568,743	16,821,822

As at 31st March 2019	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 loans and borrowings	-	216,346	1,086,874	138,334	1,566,683	1,052,876	4,061,113
Trade and other payables	6,789,448	276	50,005	-	-	-	6,839,728
Bank overdraft and other short-term borrowings	5,669,566	-	-	-	-	-	5,669,566
	12,459,014	216,622	1,136,879	138,334	1,566,683	1,052,876	16,570,407

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Liquidity position

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Cash and short-term deposits	6,594,267	7,932,428	1,478,385	2,036,706
Trade and other receivable within 30 days	3,683,470	5,996,899	3,944,672	3,556,864
Short Term deposit	10,756,789	10,396,435	10,086,451	10,200,423
Total Liquid assets	21,034,526	24,325,762	15,509,508	15,793,993
Less:				
Bank overdraft and other short term borrowing	12,866,086	11,057,705	7,091,516	5,669,566
On demand trade and other payables	3,393,735	5,432,539	6,582,343	6,789,448
Total on demand liabilities	16,259,821	16,490,244	13,673,859	12,459,014
Excess liquidity through operating cycle	4,774,705	7,835,518	1,835,649	3,334,979
Undrawn approved bank facilities	10,264,107	6,365,281	5,038,278	3,370,891
Market value of discounted securities	-	21,830	-	21,830
Liquidity available on demand	10,264,107	6,387,112	5,038,278	3,392,722

40.3. 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.

As at	GROUP				COMPANY			
	31.03.2020		31.03.2019		31.03.2020		31.03.2019	
	Rs.'000	Concentration %	Rs.'000	Concentration %	Rs.'000	Concentration %	Rs.'000	Concentration %
Trade and other receivables	14,673,030	44.36	14,361,728	42.46	3,944,672	25.31	3,556,864	22.36
Deposits and prepayments	158,580	0.48	176,518	0.52	488	0.00	467	0.00
Other financial assets								
- Unquoted debt securities and equity securities	255,599	0.77	317,434	0.94	34,288	0.22	91,685	0.58
- Quoted equity securities	71,261	0.22	50,726	0.15	42,061	0.27	19,820	0.12
- Government securities	193,629	0.59	379,326	1.12	193,629	1.24	379,326	2.38
- Bank deposits	10,563,160	31.93	10,017,109	29.62	9,892,822	63.47	9,821,097	61.74
- Amounts due from equity-accounted investees	567,725	1.72	588,752	1.74	-	-	-	-
Cash and short-term deposits	6,594,267	19.94	7,932,428	23.45	1,478,385	9.49	2,036,706	12.80
	33,077,251	100.00	33,824,021	100.00	15,586,345	100.00	15,905,965	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.

Expected credit loss assessment

The Group adopted Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet and minimising the timing difference in recognition of future default loss.

ECL measurement approach that is best suited for each class of asset is determined based on underlying risk characteristics of the asset. Subsequent to selection between general and simplified approaches to measurement, the Group assesses financial assets using data that is determined to be predictive of default risk, including but not limited to external ratings, historical payment patterns, audited financial statements and cash flow projections.

Group companies apply experienced credit judgement taking in to account qualitative and quantitative factors that are indicative of the risk of default. Scalar macroeconomic factor adjustments such as GDP forecast are also incorporated to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected recovery period.

The Group re-evaluated its approach to measurement of ECL in the light of the COVID-19 pandemic, as the consequent unexpected deterioration in credit quality of loan portfolios (Financial institutions) and trade receivables (Non-financial institutions), will have a significant impact on the ECL measurement. The Group considered all reasonable and supportable information available without undue cost or effort at the reporting date as well as practical expedients made available. Economic Factor Adjustment (EFA) updated to reflect the impact of COVID-19 was incorporated in measuring ECL while information used for Probability of Default (PD) and Loss Given Default (LGD) were used without modification due to insufficiency of updated information relating to borrowers repayment ability, resource constraints and various government relief measures as a result of the outbreak.

The Group also assessed its financial instruments for Significant Increase in Credit Risk (SICR) with available, reasonable and supportable information including economic support and relief measures provided to counterparties.

The following table presents an analysis of ECL measurement basis across financial assets classified at amortised cost including carrying values and impairment recognised for the Group.

Group

As at	31.03.2020					31.03.2019	
	Carrying amount	Impairment recognised			Total	Carrying amount	Impairment recognised
		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	14,673,030	-	(139,860)	(189,919)	(329,779)	14,361,728	(179,973)
Deposits and prepayments	158,580	-	-	-	-	176,518	-
Other financial assets							
- Unquoted debt securities	60,939	(11,711)	-	-	(11,711)	132,315	(8,108)
- Government securities	193,629	-	-	-	-	357,496	(743)
- Bank deposits	10,563,160	(8,514)	-	-	(8,514)	10,017,109	(2,573)
- Amounts due from equity-accounted investees	567,725	-	-	-	-	588,752	-
Cash and short-term deposits	6,594,267	-	-	-	-	7,932,428	-
	32,811,330	(20,225)	(139,860)	(189,919)	(350,004)	33,566,346	(191,397)

Movement in ECL allowance during the financial year

Group

	Trade and other receivables	Other financial assets		
	Rs.'000	Unquoted debt securities	Government securities	Bank deposits
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2018	(225,251)	-	-	-
Impact on adoption of IFRS 9	(14,081)	(14,322)	(710)	(1,215)
Exchange difference/direct write-offs	200	-	-	-
Net impairment during the year	59,159	6,214	(33)	(1,358)
Balance as at 31st March 2019	(179,973)	(8,108)	(743)	(2,573)
Exchange difference/direct write-offs	8,955	-	-	-
Net impairment during the year	(158,761)	(3,603)	743	(5,941)
Balance as at 31st March 2020	(329,779)	(11,711)	-	(8,514)

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The following table present an analysis of ECL measurement basis across financial assets classified at amortised cost including carrying values and impairment recognised for the Company.

Company

As at	Carrying amount Rs.'000	31.03.2020 Impairment recognised				31.03.2019	
		12-month ECL Rs.'000	Lifetime ECL - not credit impaired Rs.'000	Lifetime ECL - credit impaired Rs.'000	Total Rs.'000	Carrying amount Rs.'000	Impairment recognised Rs.'000
Trade and other receivables	3,944,672	-	(69,849)	(136,954)	(206,803)	3,556,864	(232,276)
Deposits and prepayments	488	-	-	-	-	467	-
Other financial assets							
- Unquoted debt securities	12,634	-	-	-	-	67,784	-
- Government securities	193,629	-	-	-	-	356,753	(743)
- Bank deposits	9,892,822	(8,500)	-	-	(8,500)	9,818,524	(2,573)
Cash and short-term deposits	1,478,385	-	-	-	-	2,036,706	-
	15,522,630	(8,500)	(69,849)	(136,954)	(215,303)	15,837,098	(235,592)

Movement in ECL allowance during the financial year

Company

	Trade and other receivables Rs.'000	Other financial assets Government securities Rs.'000	Bank deposits Rs.'000
Balance as at 01st April 2018	(198,122)	-	-
Impact on adoption of IFRS 9	-	(710)	(1,215)
Exchange difference/direct write-offs	24,771	-	-
Net impairment during the year	(58,925)	(33)	(1,358)
Balance as at 31st March 2019	(232,276)	(743)	(2,573)
Exchange difference/direct write-offs	25,473	-	-
Net impairment during the year	-	743	(5,927)
Balance as at 31st March 2020	(206,803)	-	(8,500)

40.3.1. Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographies. 75.6% 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 55.7% of total trade receivables of the Group as at 31st March 2020.

Trade receivable settlement profile

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Less than 30 days	3,683,470	5,996,899
More than 30 days but less than 60 days	4,925,189	4,790,253
More than 60 days but less than 90 days	623,297	1,044,459
More than 90 days but less than 180 days	2,328,516	137,816
More than 180 days but less than 365 days	482,876	75,933
More than 365 days	166,892	181,578
Total Gross Trade Receivables	12,210,240	12,226,938
Impairment provision for trade receivables		
- Lifetime ECL - not credit impaired	(139,860)	(29,214)
- Lifetime ECL - credit impaired	(166,892)	(112,743)
Total net trade receivables	11,903,488	12,084,981

The Group uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates that are based on actual credit loss experience over the past years, further subjected to asset correlation calibration and forward-looking adjustments. Loss Given Default (LGD) of 100% is assumed for ECL calculation of trade receivables.

Group companies re-evaluated recoverability of trade receivable balances in the light of the COVID-19 pandemic and specific provisions were made where necessary

Collateral acquired for mitigating credit risk

The Group whenever possible 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. 270.7 million as at the balance sheet date. The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

40.3.2. Bank deposits

The Group has a number of bank deposits in 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.

Credit Rating (Fitch national credit rating scale or equivalent)	GROUP				COMPANY			
	31.03.2020		31.03.2019		31.03.2020		31.03.2019	
	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %
AAA	20,353	0.2	-	-	-	-	-	-
AA+	4,874,263	46.1	4,084,616	40.8	4,810,620	48.6	4,026,783	41.0
AA	30,865	0.3	34,214	0.3	-	-	-	-
AA-	3,720,893	35.2	3,980,753	39.7	3,674,800	37.1	3,967,670	40.4
A+	432,432	4.1	933,750	9.3	432,432	4.4	933,750	9.5
A-	983,471	9.3	-	-	983,471	9.9	-	-
BBB	509,398	4.8	90,882	0.9	-	-	-	-
BB+	-	-	892,894	8.9	-	-	892,894	9.1
Total gross carrying amount	10,571,674	100.0	10,017,109	100.0	9,901,322	100.0	9,821,098	100.0
Impairment of bank deposits	(8,514)		(2,573)		(8,500)		(2,573)	
Total net carrying amount	10,563,160		10,014,535		9,892,822		9,818,524	

NOTES TO THE FINANCIAL STATEMENTS

Impairment on bank deposits is measured on 12-month expected loss basis. External credit ratings of the counterparties and probability of default (PD) rates corresponding to rating scales published by rating agencies are used in ECL calculation. PD rates are recalibrated using asset correlation formula and forward-looking adjustments are incorporated in arriving at final loss rates. Loss given default (LGD) of 45% is assumed for bank deposits. Credit ratings of counterparties are carefully monitored and subsequent deterioration of the credit quality would trigger remeasurement of loss allowances using Lifetime ECL method.

Post COVID-19 outbreak, special emphasis has been placed on monitoring of credit quality of counterparties of the existing portfolio and new investments are subject to stringent screening.

41. 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.

41.1. 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-term 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.

As at	GROUP		COMPANY	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Debt to equity ratio	0.55	0.47	0.17	0.17

The debt to equity ratio of the Group has increased from 0.47 in the previous financial year to 0.55 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 strategic investments sector and tourism sector. The debt to equity ratio of the Company remains largely unchanged from last year.

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.

41.2. 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.

41.3. 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 cash flow 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 advice on required action.

41.4. 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.

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42 CONTRACTS FOR CAPITAL EXPENDITURE

The following commitments for capital expenditure approved by the Directors as at 31st March have not been provided for in the financial statements.

42.1 Commitments for capital expenditure for subsidiaries

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Approximate amount approved but not contracted for	270,796	3,985,451
Approximate amount contracted for but not incurred	2,662,906	6,978,634
	2,933,702	10,964,085

The above includes Rs. 2,903.1 million (2018/2019 - Rs. 10,855.9 million) for the acquisition of property, plant and equipment and Rs. 30.6 million (2018/2019 - Rs. 108.2 million) for the acquisition of intangible assets.

42.2 Commitments for capital expenditure for joint ventures

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Approximate amount approved but not contracted for	257,444	148,619
Approximate amount contracted for but not incurred	-	4,099
	257,444	152,718

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 257.4 million (2018/2019 - Rs. 141.0 million) for the acquisition of property, plant and equipment. Current year does not include any amount of acquisition of intangible assets (2018/2019 - Rs. 11.8 million).

43 CONTINGENT LIABILITIES

Contingent liabilities as at 31.03.2020 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the group and equity-accounted investees amounted to Rs. 7,289.2 million and Rs. 17.5 million respectively. Contingent liabilities as at 31.03.2020 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 23,741.2 million. Neither Aitken Spence PLC nor subsidiaries and equity-accounted investee have given corporate guarantees on behalf of companies outside the Group including other related companies listed in note 44.6 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 with income tax assessments under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the years of assessment 2009/2010 and 2010/2011. The Supreme Court hearing the appeal for 2009/2010 has refused to grant leave to the Department of Inland Revenue to proceed with the case. Hence the judgement of the Court of Appeal which was given in favour of Aitken Spence Travels (Pvt) Ltd would prevail. The Tax Appeals Commission hearing the appeal in relation to the year of assessment 2010/2011 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. 69.8 million inclusive of all penalties for the above year of assessment. Based on expert advice and the decision of the Tax Appeals Commission and the judgement given by the Supreme Court in relation to year of assessment 2009/2010, the directors are confident that as the facts of the case for year of assessment 2010/2011 is identical to the year of assessment 2009/2010 that the ultimate resolution would be in favour of the Company and will not have a material adverse impact on the financial statements of the Group.

44 RELATED PARTY TRANSACTIONS

The Aitken Spence Group and the Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures. Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 44.2 - 44.9.

44.1 Parent and ultimate controlling party

The immediate parent of Aitken Spence PLC is Melstacorp PLC and the ultimate holding company is Milford Exports (Ceylon) (Private) Limited.

44.2 Transactions with key management personnel

44.2.1 Aitken Spence PLC considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of such companies.

44.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

44.2.3 Compensation paid to / on behalf of key management personnel of the Company is as follows;

	COMPANY Rs.'000	GROUP Rs.'000
Short term employee benefits	119,537	779,177
Post employment benefits	-	27,336

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.

NOTES TO THE FINANCIAL STATEMENTS

44.2.4 Key management personnel of Aitken Spence PLC hold positions in other companies, some of which had trading transactions with the Group during the year. Such companies the Group had transactions with are identified below.

Mr. D.H.S. Jayawardena, Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC and Aitken Spence Hotel Management Asia (Pvt) Ltd which are subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC and Negombo Beach Resorts (Pvt) Ltd which are equity-accounted investees of the Group, and the Chairman, Managing Director or a Director of companies indicated by “*” in the list of companies disclosed under note 44.3 and 44.6.

Dr. M.P. Dissanayake, 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.

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 Ambewela Livestock (Co.) Ltd, Ambewela Products (Pvt) Ltd, Ceylon Garden Coir (Pvt) Ltd, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Pattipola Livestock Co Ltd, Splendor Media (Pvt) Ltd, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd and United Dairies Lanka (Pvt) Ltd.

Mr. J.M.S. Brito a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group.

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 an equity-accounted investee of the Group. He is also a Director of Distilleries Company of Sri Lanka PLC, Melstacorp PLC 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 an equity-accounted investee of the Group. He is also a Director of Ceylon Agro Industries Ltd, Ceylon Grain Elevators PLC, Dankotuwa Porcelain PLC and Royal Ceramics Lanka PLC.

44.3 Transactions with ultimate parent, parent and group companies of the parent.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2019/2020	2018/2019	2019/2020	2018/2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sale of goods and services	-	-	342,532	252,116
Purchase of goods and services	15,630	16,994	902,399	798,590

Transactions with Balangoda Plantations PLC*, Bell Solutions Pvt Ltd*, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC*, Hospital Management Melsta (Pvt) Ltd*, Lanka Bell (Pvt) Ltd*, Melstacorp PLC*, Melsta Logistics (Pvt) Ltd, Periceyl (Pvt) Ltd*, Splendor Media (Pvt) Ltd, Texpro Industries Ltd*, are reflected under transactions with the parent and group companies of the parent, above.

There were no transactions with Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

44.4 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC	
	2019/2020 Rs.'000	2018/2019 Rs.'000
Income from services rendered	770,908	778,762
Rent income received	53,143	46,200
Allocation of common personnel and administration expenses	37,107	38,511
Purchase of goods and services	109,802	133,122
Net transfers under finance arrangements	(539,223)	2,109,672
Interest income	206,540	229,586
Interest expense	505,063	516,568
Provision / write-off of bad and doubtful debts	-	33,382

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 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 Global Operations (Pvt) 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 Travels (Pvt) Ltd, Aitken Spence Travels Myanmar Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd, Cowrie Investments (Pvt) Ltd, Crest Star (BVI) 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, Neptune Ayurvedic (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, Vauxhall Property Developments Ltd, Western Power Company (Pvt) Ltd are reflected under transactions with subsidiary companies above.

44.5 Transactions with equity-accounted investees

44.5.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Sale of goods and services	4,171	3,575	47,275	25,509
Rent income received	771	1,147	771	1,147
Allocation of common personnel and administration expenses	48	41	48	41
Purchase of goods and services	-	-	171,520	44,438
Net transfers under finance arrangements	(3,357)	67,845	(3,357)	67,845
Interest expense	1,246	137	1,246	137
Interest received	-	4,104	-	4,104
Provision of bad and doubtful debts	-	25,473	-	25,473

Transactions with Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, CINEC Skills (Pvt) Ltd, are reflected under transactions with joint ventures above.

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44.5.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Sale of goods and services	28,725	27,624	128,555	58,163
Allocation of common personnel and administration expenses	320	261	8,515	5,322
Purchase of goods and services	10,450	12,556	93,901	116,817
Net transfers under finance arrangements	9,000	(59,000)	(217,144)	444,467
Interest income	-	-	71,108	67,005
Interest expense	4,311	5,430	70,032	8,282
Purchase of property, plant and equipment	-	-	-	655,861

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, Serendib Investments Ltd are reflected under transactions with associates above.

44.6 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Sale of goods and services	-	-	49,557	67,160
Purchase of goods and services	690	620	687,373	654,353

"Transactions with Ambewela Livestock (Co.) Ltd*, Ambewela Products (Pvt) Ltd*, Ceylon Agro Industries Ltd, Ceylon Garden Coir (Pvt) Ltd*, Ceylon Grain Elevators PLC, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd*, Lanka Milk Foods (CWE) PLC*, Pattipola Livestock Co Ltd*, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd*, Stassen International (Pvt) Ltd*, Stassen Natural Foods (Pvt) Ltd*, Telecom Frontier (Pvt) Ltd*, The Kingsbury PLC, United Dairies Lanka (Pvt) Ltd* are reflected under transactions with other related companies, above.

44.7 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2019/2020 Rs.'000	2018/2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Contributions to the provident fund	290,247	280,147	37,978	36,015

Contributions to the Aitken Spence & Associated Companies Executive Staff Provident Fund and the Aitken Spence & Associated Companies Clerical Staff Provident Fund are reflected under transactions with post-employment benefit plans, above.

44.8 Amounts due from related parties

44.8.1 Amount due from ultimate parent, parent and group companies of the parent.

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group companies of the parent	-	-	27,794	28,044

Balances due from Bell Solutions Pvt Ltd, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Hospital Management Melsta (Pvt) Ltd, Lanka Bell (Pvt) Ltd, Melstacorp PLC, Periceyl (Pvt) Ltd, are reflected under amount due from group companies of the parent, above.

There were no balance due from Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

44.8.2 Amount due from subsidiaries

As at	Balances with Aitken Spence PLC	
	31.03.2020	31.03.2019
	Rs.'000	Rs.'000
Fully owned subsidiaries	2,610,755	2,311,711
Partly owned subsidiaries	1,081,986	775,989
	3,692,741	3,087,700
Provision for doubtful debts	203,733	203,733

Balances due from A E Lanka (Pvt) Ltd, Ace Apparels (Pvt) Ltd, Ace Aviation Services (Pvt) Ltd, Ace Aviation Services Maldives (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 Resorts (Pvt) Ltd, Ace Travels and Conventions (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 Global Operations (Pvt) 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 Maritime Ltd, Aitken Spence Moscow (Pvt) Ltd, Aitken Spence Overseas Travel Services (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, 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, Neptune Ayurvedic (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd are reflected under amount due from subsidiaries above.

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44.8.3 Amount due from equity-accounted investees

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Joint ventures	130,110	153,570	162,486	160,828
Associates	17,185	9,419	978,974	862,899
	147,295	162,989	1,141,460	1,023,727
Provision for doubtful debts	-	25,473	-	25,473

Balances due from Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, CINEC Skills (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 Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Serendib Investments Ltd are reflected under amount due from associates above.

44.8.4 Amount due from other related companies

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Other related companies	-	-	9,212	6,767

Balances due from Ambewela Products (Pvt) Ltd, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Pattipola Livestock Co Ltd, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd, Telecom Frontier (Pvt) Ltd, The Kingsbury PLC, United Dairies Lanka (Pvt) Ltd are reflected under amount due from other related companies, above.

44.9 Amounts due to related parties

44.9.1 Amount due to ultimate parent, parent and group companies of the parent.

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Group companies of the parent	59	920	17,136	10,737

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, Texpro Industries Ltd, are reflected under amount due to group companies of the parent, above.

There were no balance due to Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

44.9.2 Amount due to subsidiaries

As at	Balances with Aitken Spence PLC	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Fully owned subsidiaries	1,528,278	1,649,970
Partly owned subsidiaries	5,045,456	5,027,744
	6,573,734	6,677,714

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 Exports (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Travels and Conventions (Pvt) Ltd, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Exports 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 Overseas Travel Services (Pvt) Ltd, Aitken Spence Ports International 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, D B S Logistics Ltd, Hethersett Hotels Ltd, Hapag-Lloyd Lanka (Pvt) Ltd, Hethersett Hotels Ltd, Kandalama Hotels Ltd, Logilink (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Vauxhall Property Developments Ltd, Western Power Company (Pvt) Ltd, Western Power Holdings (Pvt) Ltd are reflected under amount due to subsidiaries above.

44.9.3 Amount due to equity-accounted investees

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Joint ventures	1,507	59,616	1,874	67,123
Associates	61,711	44,556	526,431	665,425
	63,218	104,172	528,305	732,548

Balances due to Ace Bangladesh Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd are reflected under amount due to joint ventures and balances due to Aitken Spence Plantation Management PLC, Paradise Resort Pasikudah (Pvt) Ltd, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd are reflected under amount due to associates above.

44.9.4 Amount due to other related companies

As at	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Other related companies	-	-	41,163	45,456

Balances due to Ambewela Products (Pvt) Ltd, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Pattipola Livestock Co Ltd, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd*, Telecom Frontier (Pvt) Ltd, The Kingsbury PLC, are reflected under amount due to other related companies, above.

44.10 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.

NOTES TO THE FINANCIAL STATEMENTS

45 FOREIGN CURRENCY TRANSLATION

The principal exchange rates used for translation purposes were;

As at	31.03.2020	31.03.2019
United States Dollar	189.91	176.09
British Pound	235.28	230.21
Euro	208.33	197.77
Oman Rial	493.14	457.38
Fiji Dollar	83.20	83.71
Maldivian Rufiyaa	12.40	11.43
South African Rand	10.65	12.11
Indian Rupee	2.51	2.55
Bangladesh Taka	2.24	2.09
Myanmar Kyat	0.14	0.12

46 NUMBER OF EMPLOYEES

The number of employees of the Group (excluding equity-accounted investees) at the end of the year was 7,730 (2018/2019 - 8,002) The number of employees of the Company at the end of the year was 171 (2018/2019 - 175).

47 IMPACT DUE TO THE COVID-19

The outbreak of COVID-19 in the last quarter of the financial year has caused disruption to many local and global business and economic activities. The Group has been closely monitoring the impact of the pandemic on the Group's business operations as at year end and also in the immediate future. Commencing from February 2020 this global health hazard had an adverse impact on many of the Group's operations. Some of the companies in certain sectors operated on a reduced scale, while many of the companies in the tourism sector have temporarily halted operations after the year end. Some companies involved in essential services such as the Maritime and Freight Logistics sector, and the Power Generation and Plantations segments operated as usual. Most of the back-office operations of the Group continued to function remotely and/or in the work places as required.

Group has implemented all possible measures for the safety of the staff employed in all locations operating, adhering to Government and health authority guidelines and rules.

The Group's operations in the tourism sector have been significantly affected by the outbreak of COVID-19. With the spread of the virus on a global scale in mid-March 2020 and the stringent measures taken by the respective governments in countries where the Group operates including the closure of airports, border entry barriers and lock downs, have compelled the temporary closure of all operations in this sector except for the hotel operation in India which remains open with limited activities for a few in-house guests.

The management has assessed the impact of the pandemic on the performance and cash flows of this sector in the 1st quarter of the financial year 2020/2021 and taken several measures to reduce costs and preserve cash including the suspension of capital expenditure and the implementation of voluntary salary reductions by staff at all levels with minimum hardship to low income staff. Plans have been made to commence operations in this sector especially hotel operations to the domestic markets in Sri Lanka, India and Oman no sooner the climate is conducive for same. Resumption of operations in the inbound travel sector will depend on commencement of international travel and the stability of the key source markets.

The Group is working through a strategy to gradually commence operations in this sector including reopening of hotel properties based on the opening of source markets and international travel.

Considering the global economic impact of the virus and its effect on the Group, adjustments have been made to certain reported balances as at 31st March 2020. The Group is closely monitoring the liquidity position of all subsidiaries and is availing itself of the concessions granted by lending institutions to certain sectors, while servicing other existing debt requirements and managing the working capital.

The Group has considered the "Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)" and "FREQUENTLY ASKED QUESTIONS (FAQs) on Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)" issued by CA Sri Lanka, when preparing these financial statements.

48 EVENTS OCCURRING AFTER THE REPORTING DATE

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs. 1.25 per share for the year 2019/2020 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.

49 COMPARATIVE INFORMATION

Except for the adoption of new accounting standards and interpretations with effect from 01st April 2019, (refer note 50) the Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

The impact of adopting these new accounting standards and interpretations are disclosed in note 50 to the financial statements.

50 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group initially applied SLFRS 16 - Leases and IFRIC 23 - Uncertainty over Income Tax treatment from 01st April 2019. A number of other amendments and interpretations to standards are also effective from 01st April 2019 but they do not have a material effect on the Group financial statements.

50.1 Initial application of SLFRS 16 - Leases

SLFRS 16 Leases, replaces the previous guidance on lease accounting, including LKAS 17 Leases, 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 one single balance sheet model similar to the accounting for finance leases under LKAS 17.

The Group adopted SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at the date of initial application (i.e. 01 April 2019). Accordingly the information presented for 2018/2019 has not been restated, i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. Additionally, the disclosure requirements in SLFRS 16 have not been applied to comparative information.

50.1.1 Nature of the effect of adoption of SLFRS 16

The Group has lease contracts for various assets such as land, building, vehicles and equipment. Land leases are the major assets included in the right-of-use asset category, typically made up to 99 year lease term with extension options. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value items. The Group recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases previously classified as leasehold properties and pre-paid operating leases

For leases previously classified as leasehold properties and pre-paid operating leases, the Group recognised the carrying amount of the lease asset immediately before transition as the carrying amount of the right-of-use asset. The requirements of SLFRS 16 was applied to these leases from 01st April 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases under LKAS 17. The right-of-use assets for most leases were recognised based on the estimated carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised on the initial application based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- » applied a single discount rate to a portfolio of leases within the same territory;
- » did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- » did not recognise right-of-use assets and liabilities for leases of low value assets;
- » excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- » used hindsight when determining the lease term.

50.1.2 Impact on transition

The following table summarises the impact (net of tax) of transition to SLFRS 16 - "Leases" on retained earnings & non-controlling interests as at 01 April 2019.

	GROUP Rs.'000
Assets	
Property, plant & equipment	50,668
Right-of-use assets	11,294,161
Leasehold properties	(2,214,519)
Pre-paid operating leases	(1,633,184)
Investments in equity-accounted investees	845
Deferred tax assets	79,566
Deposits and prepayments	(208,249)
Total Assets	7,369,288
Equity	
Retained earnings	(751,487)
Non-controlling interests	(142,417)
	(893,904)
Liabilities	
Interest bearing liabilities	9,034,626
Deferred tax liabilities	(116,665)
Other liabilities	(654,004)
Other payables	(765)
	8,263,192
Total Equity & Liabilities	7,369,288

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 01st April 2019. The weighted average rate applied for companies incorporated in Sri Lanka is 13.35%, Maldives 8.19% and Fiji 4%.

The lease liabilities as at 01st April 2019 can be reconciled to the operating lease commitments as of 31st March 2019, as follows;

	GROUP Rs.'000
Operating lease commitments at 31st March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	10,794,938
Discounted using the incremental borrowing rate at 01st April 2019	8,939,433
Lease liabilities for contracts reassessed at the date of initial application	182,029
Recognition exemption for leases not applying SLFRS 16	(86,836)
Lease liabilities recognised as at 01st April 2019	9,034,626

50.2 Initial application of IFRIC 23 – Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 - Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group has applied significant judgement in identifying uncertainties over income tax treatments and has considered each uncertain tax treatment separately and used the approach that would predict the resolution of the uncertainty.

Upon adoption of the interpretation, except for the uncertain income tax positions recognised in the equity of Rs. 197.4 million under initial application, the Group determined that its tax treatments will be accepted by the taxation authorities.

CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March	2020 USD:000	2019 USD:000
Revenue	281,561	316,207
Revenue taxes	(2,594)	(3,509)
Net revenue	278,967	312,698
Other operating income	4,477	3,990
Changes in inventories of finished goods and work-in-progress	59	1,690
Raw materials and consumables used	(68,103)	(61,682)
Employee benefits expense	(48,808)	(49,633)
Depreciation, amortisation and impairment of non-financial assets	(21,541)	(16,572)
Other operating expenses - direct	(76,786)	(102,376)
Other operating expenses - indirect	(35,610)	(42,590)
Profit from operations	32,655	45,525
Finance income	4,172	4,304
Finance expenses	(16,047)	(10,682)
Net finance expense	(11,875)	(6,378)
Share of profit of equity-accounted investees (net of tax)	1,324	2,210
Profit before tax	22,104	41,357
Income tax expense	(6,902)	(8,582)
Profit for the year	15,202	32,775
Attributable to:		
Equity holders of the company	12,520	23,153
Non-controlling interests	2,682	9,622
Profit for the year	15,202	32,775
Earnings per share - Basic/Diluted (Rs.)	USD cents =	3.08
Exchange rate	USD =	176.09

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

For the year ended 31st March	2020 USD:000	2019 USD:000
Profit for the year	15,202	32,775
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of freehold land	-	2,122
Actuarial gains / (losses) on defined benefit obligations	890	408
Equity investments at FVOCI – net change in fair value	(10)	(25)
Share of other comprehensive income of equity-accounted investees (net of tax)	(30)	(69)
Income tax on other comprehensive income	(165)	(593)
	685	1,843
Items that are or may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,098	10,834
Net movement on cash flow hedges	(1,535)	(478)
Share of other comprehensive income of equity-accounted investees (net of tax)	7	774
Income tax on other comprehensive income	-	-
	3,570	11,130
Other comprehensive income for the year, (net of tax)	4,255	12,973
Total comprehensive income for the year	19,457	45,748
Attributable to:		
Equity holders of the parent	15,595	32,877
Non-controlling interests	3,862	12,871
Total comprehensive income for the year	19,457	45,748
Exchange rate	USD =	
	189.91	176.09

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN USD

As at	31.03.2020 USD:'000	31.03.2019 USD:'000
ASSETS		
Non-current assets		
Property, plant and equipment	418,091	406,555
Investment property	8,593	9,269
Intangible assets	5,634	5,369
Biological assets	296	280
Right-of-use assets	69,768	-
Leasehold property	-	12,576
Pre-paid operating leases	-	13,442
Investments in equity-accounted investees	35,220	36,539
Deferred tax assets	4,037	3,924
Other financial assets	4,216	4,737
	545,855	492,691
Current assets		
Inventories	14,926	12,505
Pre-paid operating leases	-	433
Trade and other receivables	82,647	85,999
Current tax receivable	798	1,057
Deposits and prepayments	8,869	11,462
Other current assets	57,136	59,719
Cash and short-term deposits	34,723	45,048
	199,099	216,223
Assets classified as held for sale	6,265	931
Total assets	751,219	709,845
EQUITY AND LIABILITIES		
Equity		
Stated capital	11,243	12,125
Reserves	132,512	132,978
Retained earnings	124,525	135,723
Total equity attributable to equity holders of the company	268,280	280,826
Non-controlling interests	65,058	71,754
Total equity	333,338	352,580
Non-current liabilities		
Interest-bearing loans and borrowings	182,720	166,846
Lease liabilities	54,554	-
Deferred tax liabilities	12,416	12,970
Employee benefits	4,659	5,738
Other liabilities	2,034	10,517
	256,383	196,071
Current liabilities		
Interest-bearing loans and borrowings	17,678	20,350
Lease liabilities	4,023	-
Trade and other payables	69,935	75,572
Current tax payable	1,956	2,476
Other financial liabilities	158	-
Bank overdrafts and other short-term borrowings	67,748	62,796
	161,498	161,194
Total equity and liabilities	751,219	709,845
Exchange rate	USD =	189.91
		176.09

Figures in brackets indicate deductions.

TEN YEAR SUMMARY

For the year ended 31st March	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Operating Results										
Revenue	53,471,257	55,680,903	52,734,969	45,892,179	25,977,795	35,318,891	35,059,123	35,822,630	31,021,623	25,143,811
Profit before taxation	4,197,662	7,282,608	6,397,816	5,246,872	3,805,508	5,709,923	5,444,946	5,069,032	5,183,354	3,815,555
Taxation	1,310,688	1,511,258	1,248,284	1,201,407	861,229	826,323	865,457	713,755	746,090	387,335
Profit after taxation	2,886,974	5,771,350	5,149,532	4,045,465	2,944,279	4,883,600	4,579,489	4,355,278	4,437,264	3,428,220
Profit attributable to Aitken Spence PLC	2,377,591	4,077,067	3,560,348	2,890,032	2,027,112	3,579,008	3,671,870	3,287,607	3,487,669	2,535,956
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	25,165,268	23,416,042	20,500,926	16,849,379	15,248,423	13,867,687	13,883,457	12,695,793	12,454,684	11,071,652
Retained earnings	23,648,558	23,899,401	22,163,669	20,492,912	19,262,056	19,022,310	16,238,762	13,222,324	10,564,698	8,309,395
Non-controlling interest	12,355,105	12,635,237	11,484,969	11,315,985	7,554,724	7,211,980	6,617,863	5,560,028	4,708,800	5,129,687
Non-current liabilities	48,689,812	34,526,058	23,560,466	19,503,049	13,639,158	10,727,403	8,493,842	7,133,962	6,563,195	4,746,363
Current liabilities	30,670,089	28,384,657	27,997,370	24,998,995	15,514,730	12,426,235	13,644,187	15,141,965	14,558,490	8,752,588
	142,663,972	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825
Assets										
Property, plant and equipment	79,399,616	71,590,332	59,274,780	50,048,523	35,278,046	28,696,631	24,799,321	23,534,930	22,585,836	23,925,653
Investment property	1,631,839	1,632,100	1,632,360	1,630,801	1,630,801	1,648,301	1,648,301	1,661,596	1,662,349	102,799
Intangible assets	1,069,997	945,468	890,378	886,103	867,223	558,040	651,796	350,368	643,600	134,026
Biological assets	56,275	49,332	47,293	43,583	25,838	-	-	-	-	-
Right-of-use assets	13,249,662	-	-	-	-	-	-	-	-	-
Leasehold property	-	2,214,519	2,023,903	2,042,459	2,006,728	1,906,527	1,461,100	1,463,930	1,521,101	1,354,028
Pre paid operating leases	-	2,366,966	2,241,358	1,978,348	1,828,797	1,072,370	1,010,199	980,681	1,028,164	5,455
Finance lease receivables	-	-	-	-	-	-	2,245,884	2,325,091	2,512,923	-
Investments in equity-accounted investees	6,688,625	6,434,116	6,334,455	6,060,842	9,771,984	5,403,518	3,367,589	3,059,987	1,770,117	1,335,002
Deferred tax assets	766,677	690,924	563,391	434,794	328,140	215,907	224,495	225,749	209,769	138,314
Other financial assets	800,719	834,096	873,340	285,629	257,799	279,346	339,540	414,409	392,737	473,945
Current assets	37,810,912	38,074,557	33,812,157	31,735,253	21,209,750	25,383,192	25,115,901	21,723,346	18,509,286	12,494,114
Assets classified as held for sale	1,189,650	164,125	149,125	149,125	149,125	226,923	149,125	149,125	149,125	181,489
	142,663,972	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825
Share Information										
Earnings per share (Rs.)	5.86	10.04	8.77	7.12	4.99	8.82	9.04	8.10	8.59	6.25
Market value per share (Rs.)	30.80	41.00	50.60	56.20	73.50	99.50	97.90	119.60	112.70	162.30
- post share sub division										
Market capitalisation on 31st March (Rs. Mn)	12,464	16,646	20,543	22,817	29,841	40,397	39,747	48,557	45,756	65,893
Price earnings ratio	5.26	4.08	5.77	7.90	14.72	11.29	10.82	14.77	13.12	25.97
Net assets per share (Rs.)	125.49	121.80	110.35	97.24	90.26	86.27	79.45	69.10	61.96	53.00
Employee Information										
No. of employees	7,730	8,002	7,413	7,360	7,342	7,131	6,797	6,207	5,791	5,328
Value added per employee (Rs. '000)	2,704	2,656	2,586	2,324	1,765	2,031	1,941	1,979	1,915	1,884
Ratios & Statistics										
Ordinary dividend (Rs. '000)	507,495	1,014,990	811,992	710,493	608,994	811,992	811,992	608,994	568,394	405,996
Dividend per share (Rs.)	1.25	2.50	2.00	1.75	1.50	2.00	2.00	1.50	1.40	1.00
Dividend cover (times covered)	4.68	4.02	4.38	4.07	3.33	4.41	4.52	5.40	6.14	6.25
Dividend - payout ratio	0.21	0.25	0.23	0.25	0.30	0.23	0.22	0.19	0.16	0.16
Current ratio (times covered)	1.23	1.34	1.21	1.27	1.37	2.04	1.84	1.43	1.27	1.43
Debt-equity ratio	0.55	0.47	0.35	0.34	0.28	0.22	0.19	0.18	0.19	0.16
ROE (%)	4.74	8.65	8.45	7.59	5.66	10.64	12.18	12.36	15.01	12.55
Interest cover ratio	2.92	8.44	8.29	7.29	16.80	30.47	13.97	8.72	23.08	23.48

BENCHMARKING NON-FINANCIAL DISCLOSURES: THE GRI INDEX, THE UN GLOBAL COMPACT AND THE WOMEN'S EMPOWERMENT PRINCIPLES

Aitken Spence PLC uses the Global Reporting Framework's GRI Standard reporting framework 'In-Accordance Core' to disclose our performance information as it is the most widely used framework in the world affording us comparability of information. Aligning with a reporting framework also helps us to identify action we can take to implement action through its specific standard disclosures on the clauses in our integrated sustainability policy and its implementation framework.

This annual report is our Communication on Progress on the implementation of action for voluntary endorsements of Aitken Spence PLC, namely the UN Global Compact (UNGC) and the Women's Empowerment Principles. Information presented in the annual report will be linked through the GRI disclosures as mapped in the GRI Index.



THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights
- 2: Business should make sure they are not complicit in human rights abuses.

Labour Standards

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5: Businesses should uphold the effective abolition of child labour.
- 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

- 7: Businesses should support a precautionary approach to environmental challenges.
- 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

THE 7 UN WOMEN'S EMPOWERMENT PRINCIPLES

- 1: Establish high-level corporate leadership for gender equality
- 2: Treat all women and men fairly at work – respect and support human rights and non-discrimination
- 3: Ensure the health, safety and well-being of all women and men workers
- 4: Promote education, training and professional development for women
- 5: Implement enterprise development, supply chain and marketing practices that empower women
- 6: Promote equality through community initiatives and advocacy
- 7: Measure and publicly report on progress to achieve gender equality

Summary of the 7 Sustainable Development Goals Aitken Spence PLC has aligned to as a group



Goal 4 - Quality education: Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.) Targets 4.3, 4.4, 4.6, and 4.7



Goal 5 - Gender equality: Enabling opportunities to encourage more female entrants in to the workforce. Targets 5.1, 5.5 and 5B



Goal 6 - Clean water & sanitation: Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water. Targets 6.3, and 6.4



Goal 8 - Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers. Targets: 8.4, 8.5, 8.6, 8.8, 8.9, and 8.10



Goal 9 - Industry, innovation & infrastructure: Advancing operational priorities through innovation, standardization and systematic improvements driven by sustainability. Targets 9.1 and 9.4



Goal 12 - Responsible construction & production: Influencing circular economy through our commitment to practice the 7R principle. Targets 12.2, 12.5, 12.6, 12.8 and 12B



Goal 15 - Life on Land: Working towards contributing positively towards protecting our biodiversity and all ecosystems. Targets 15.2 and 15.5

GRI CONTENT INDEX

Navigation to locate disclosures within the report



Locations within this report, where we have disclosed information required by the GRI framework, are marked by these icons



Some information is available online and can be perused through www.aitkenspence.com/annualreport

Quick reference for sections within the annual report;

Management Discussion & Analysis	– Pages 64 to 93	Our Communities	– Pages 87 to 93
Risk Management	– Pages 174 to 182	Our Business Partners	– Pages 66 to 68
Our Stakeholders	– Pages 56 to 59	Sector Reviews	– Pages 94 to 149
A Strategy for Growth	– Pages 54 to 55	Corporate Governance	– Pages 150 to 173
Financial Review	– Pages 69 to 74		
Our Customers	– Pages 75 to 78		
Our Employees	– Pages 79 to 86		

Detailed outline of GRI Disclosures

General Disclosures*

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
1. Organisational profile*			
102-1	Name of the organisation	Pages 6 - 15	
102-2	Activities, brands, products and services	Pages 6 - 15	
102-3	Location of headquarters	Page 341	
102-4	Location of operations	Pages 6 - 15	
102-5	Ownership and legal form	Page 341	
102-6	Markets served	Pages 6 - 15	
102-7	Scale of the organisation	Pages 6 - 15	UNGC Principle 6
102-8	Information on employees and other workers	Pages 6 - 15	
102-9	Supply chain	Pages 66 - 68	
102-10	Significant changes to the organisation and its supply chain	Pages 4 - 5	
102-11	Precautionary Principle of approach	Page 89	
102-12	External initiatives	Page 151	
102-13	Membership of associations	Page 68	
2. Strategy*			
102-14	Statement from senior decision-maker	Pages 18 - 21, 22 - 27	
102-15	Key impacts, risks and opportunities	Pages 59, 60 - 61, 175	
3. Ethics and integrity*			
102-16	Values, principles, standards and norms of behaviour	Pages 150 - 173	UNGC Principle 10
102-17	Mechanisms for advice and concerns about ethics	Pages 150 - 173	UNGC Principle 10
4. Governance*			
102-18	Governance structure	Pages 150 - 173	
102-19	Delegating authority	Pages 150 - 173	
102-20	Executive-level responsibility for economic, environmental and social topics	Pages 150 - 173	WEP Principle 1
102-21	Consulting stakeholders on economic, environmental and social topics	Pages 150 - 173	
102-22	Composition of the highest governance body and its committees	Pages 150 - 173	
102-23	Chair of the highest governance body	Pages 150 - 173	
102-24	Nominating and selecting the highest governance body	Pages 150 - 173	

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
102-25	Conflicts of interest	Pages 150 - 173	WEP Principle 1
102-26	Role of highest governance body in setting purpose, values and strategy	Pages 150 - 173	
102-27	Collective knowledge of highest governance body in setting purpose, values and strategy	Pages 150 - 173	
102-28	Evaluating the highest governance body	Pages 150 - 173	
102-29	Identifying and managing economic, environmental and social impacts	Pages 150 - 173	
102-30	Effectiveness of risk management processes	Pages 150 - 173	
102-31	Review of economic, environmental and social topics	Pages 150 - 173	
102-32	Highest governance body's role in sustainability reporting	Pages 150 - 173	
102-33	Communicating critical concerns	Pages 150 - 173	
102-34	Nature and total number of critical concerns	Pages 150 - 173	
102-35	Remuneration policies	Pages 150 - 173	
102-36	Process for determining remuneration	Pages 150 - 173	
102-37	Stakeholders' involvement in remuneration	Pages 150 - 173	
102-38	Annual total compensation ratio	Pages 150 - 173	
102-39	Percentage increase in annual total compensation ratio	Pages 150 - 173	
5. Stakeholder Engagement*			
102-40	List of stakeholder groups	Page 46	
102-41	Collective bargaining agreements	Page 86	
102-42	Identifying and selecting stakeholders	Pages 46 - 49	
102-43	Approach to stakeholder engagement	Pages 46 - 49	
102-44	Key topics and concerns raised	Pages 46 - 49, 76	
6. Reporting Practices*			
102-45	Entities included in the consolidated financial statements	Pages 4 - 5	
102-46	Defining report content and topic boundaries	Pages 4 - 5	
102-47	List of material topics	Page 59	
102-48	Restatement of information	Pages 4 - 5	
102-49	Changes in reporting	Pages 4 - 5	
102-50	Reporting period	Pages 4 - 5	
102-51	Date of the most recent report	24. 05. 2019	
102-52	Reporting cycle	Pages 4 - 5	
102-53	Contact point for questions regarding the report	Pages 4 - 5, 341	
102-54	Claims of reporting in accordance with GRI Standards	Pages 4 - 5, 322	
102-55	GRI content index	Pages 322 - 329	
102-56	External assurance	Not assured	

** Due to the current global and local conditions resulting from the COVID-19 pandemic, a decision was made to defer the external assurance of our GRI disclosures detailed in this Index to maintain integrity of the process. Internal procedures will be maintained, and external procedures will be resumed from 2020/2021.

GRI CONTENT INDEX

Disclosures on Topic Specific Standards*

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
200. Economic Standards*			
103	Management Approach Disclosures	Pages 69 - 74	
201. Economic Performance*			
201-1	Direct economic value generated and distributed	Pages 64, 69, 74	
201-2	Financial implications and other risks and opportunities due to climate change	Page 180	UNGC Principle 7
201-3	Defined benefit plan obligations and other retirement plans Our People	Pages 79 - 86	
202. Market Presence*			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 85	
202-2	Proportion of senior management hired from the local community	Pages 105, 118, 131	UNGC Principle 6
203. Indirect Economic Impacts*			
203-1	Infrastructure investments and services supported	Pages 87 - 93	
203-2	Significant indirect economic impacts	Pages 87 - 93	
204. Procurement Practices*			
204-1	Proportion of spending on local suppliers	Page 68	WEP Principle 5
205. Anti - Corruption*			
205-1	Operations assessed for risks related to corruption	Page 174	UNGC Principle 10
205-2	Communication and training about anti-corruption policies and procedures	Page 174	UNGC Principle 10
205-3	Confirmed incidents of corruption and actions taken	Page 93	UNGC Principle 10
206. Anti - Competitive Behaviour*			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Page 93	
300. Environmental Standards*			
103	Management Approach Disclosures	Pages 87 - 93	
302. Energy*			
302-1	Energy consumption within the organisation	Page 90	UNGC Principle 7, 8
302-4	Reduction of energy consumption	Page 90	UNGC Principle 8, 9
303. Water*			
303-1	Water withdrawal by source	Page 91	UNGC Principle 7, 8
303-2	Water sources significantly affected by withdrawal of water	Page 91	UNGC Principle 8
303-3	Water recycled and reused	Page 91	UNGC Principle 8
304. Biodiversity*			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Page 89	

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
304-2	Significant impacts of activities, products and services on biodiversity	Page 89	UNGC Principle 8
304-3	Habitats protected or restored	Page 104	UNGC Principle 8
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Page 104	
305. Emissions*			
305-1	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	Page 91	UNGC Principle 7, 8
305-2	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	Page 91	UNGC Principle 7, 8
305-5	Reductions of GHG emissions	Page 91	UNGC Principle 8, 9
306. Effluents and Waste*			
306-1	Water discharge by quality and destination	Page 91	
306-2	Waste by type and disposal method	Page 91	UNGC Principle 8
306-3	Significant spills	Page 91	UNGC Principle 8
306-5	Water bodies affected by water discharges and/or runoff	Page 91	UNGC Principle 8
307. Environmental Compliance*			
307-1	Non-compliance with environmental laws or regulations	Page 89	UNGC Principle 8
308. Supplier Environmental Assessment*			
308-1	New suppliers that were screened using environmental criteria	Page 68	
308-2	Negative environmental impacts in the supply chain and actions taken	Page 68	
400. Social Standards*			
103	Management Approach Disclosures	Pages 79 - 86	
401. Employment*			
401-1	New employee hires and employee turnover	Page 82	UNGC Principle 1, 6 WEP Principle 2, 7
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 82	
402. Labour/ Management Relations*			
402-1	Minimum notice periods regarding operational changes	Page 86	
403. Occupational Health and Safety*			
403-1	Workers representation in formal joint management-worker health and safety committees	Page 86	
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities.	Page 85	WEP Principle 3
404. Training and Education*			
404-1	Average hours of training per year per employee	Page 83	UNGC Principle 6 WEP Principle 4
404-2	Programs for upgrading employee skills and transition assistance programs	Page 83	WEP Principle 7

GRI CONTENT INDEX

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
404-3	Percentage of employees receiving regular performance and career development reviews	Page 83	UNGC Principle 3, 6 WEP Principle 4
405. Diversity and Equal Opportunity*			
405-1	Diversity of governance bodies and employees	Page 85	UNGC Principle 6 (partially reported) WEP Principle 2, 7
405-2	Ratio of the basic salary and remuneration of women to men	Page 85	UNGC Principle 6 WEP Principle 2, 7
406. Non-Discrimination*			
406-1	Incidents of discrimination and corrective actions taken	Page 85	UNGC Principle 6 WEP Principle 2, 3
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	Page 86	UNGC Principle 3
408. Child Labour*			
408-1	Operations and suppliers at significant risk for incidents of child labour	Page 85	UNGC Principle 5 (partially reported)
409. Forced or Compulsory Labour*			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Page 85	UNGC Principle 4 (partially reported)
410. Security Practices*			
410-1	Security personnel trained in human rights policies or procedures	Page 86	UNGC Principle 1
412. Human Rights Assessment*			
412-1	Operations that have been subject to human rights reviews or impacts assessments	Pages 56, 153	UNGC Principle 1 (partially reported)
412-2	Employee training on human rights policies or procedures	Page 86	
413. Local Communities*			
413-1	Operations with local community engagement, impact assessments and development programs	Page 92	UNGC Principle 2 WEP Principle 6
413-2	Operations with significant actual and potential negative impacts on local communities	Page 92	UNGC Principle 2
414. Supplier Social Assessment*			
414-1	New suppliers that were screened using social criteria	Page 68	UNGC Principle 2, 3 (partially reported)
414-2	Negative social impacts in the supply chain and actions taken	Page 68	UNGC Principle 2, 3 (partially reported)

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
416. Customer Health and Safety*			
416-1	Assessment of the health and safety impacts of product and service categories	Page 77	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 77	
417. Marketing and Labelling*			
417-1	Requirements for product and service information and labelling	Page 77, 78	
417-2	Incidents of non-compliance concerning product and service information and labelling	Page 77	
417-3	Incidents of non-compliance concerning marketing communications	Page 77	
418. Customer Privacy*			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 77	
419. Socioeconomic Compliance*			
419-1	Non-compliance with laws and regulations in the social and economic area	Page 93	

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.

* Due to the current global and local conditions resulting from the COVID-19 pandemic, a decision was made to defer the external assurance of our GRI disclosures detailed in this Index to maintain integrity of the process. Internal procedures will be maintained, and external procedures will be resumed from 2020/2021.

GROUP COMPANIES AND DIRECTORATE

AITKEN SPENCE PLC			
TOURISM <ul style="list-style-type: none"> Hotels Destination Management Airline GSA 	MARITIME & FREIGHT LOGISTICS <ul style="list-style-type: none"> Maritime and Port Services Freight Forwarding & Courier Integrated Logistics Airline GSA (Cargo) Education 	STRATEGIC INVESTMENTS <ul style="list-style-type: none"> Power Generation Printing & Packaging Apparel Manufacture Plantations 	SERVICES <ul style="list-style-type: none"> Financial Services Elevator Agency Insurance Property Management

SUBSIDIARIES

TOURISM SECTOR

DESTINATION MANAGEMENT		AIRLINE GSA
<p>Ace Travels and Conventions (Private) Limited *</p> <p>The Company did not carry out any operations during the year as the MICE activities are shown under Aitken Spence Travels (Private) Limited.</p> <p>Directors: N.A.N. Jayasundera, S.T.B. Ellepola, P.L. Perera (Resigned w.e.f. 17.10.2019).</p> <p>Aitken Spence Moscow (Private) Limited *</p> <p>The Company did not carry out any operations during the year.</p> <p>Directors: Dr. M.P. Dissanayake (Chairman), Dr. J.W.A. Perera (Managing Director), S.T.B. Ellepola.</p> <p>Aitken Spence Overseas Travel Services (Private) Limited *</p> <p>The Company did not carry out any operations during the year.</p> <p>Directors: N.A.N. Jayasundera, S.T.B. Ellepola, H.P.N. Rodrigo.</p> <p>Aitken Spence Travels (Private) Limited *</p> <p>The leading destination management company in Sri Lanka which in addition handles outbound travel. A joint venture with TUI AG, the largest integrated tourism company in the world.</p> <p>Directors: Dr. M.P. Dissanayake (Chairman), N.A.N. Jayasundera (Managing Director),</p>	<p>Ms. D.S.T. Jayawardena (Alternate Director to Dr. M.P. Dissanayake) (Appointed w.e.f. 02.09.2019), D.C. Schelp, G.P. Weaver.</p> <p>Aitken Spence Travels Myanmar Limited</p> <p>A joint venture with Golden Ratanapura Company Limited, to handle Destination Management in Myanmar.</p> <p>Directors: N.A.N. Jayasundera, J.M.S. Brito, Ms. D.S.T. Jayawardena, Ms. N. Sivapragasam, U.T. Zin, H.S. Amaratunga, U.M.Z. Aung.</p> <p>Nilaveli Holidays (Private) Limited *</p> <p>To operate a future hotel project.</p> <p>Directors: Ms. D.S.T. Jayawardena (Chairperson), Dr. M.P. Dissanayake, C.M.S. Jayawickrama.</p> <p>Nilaveli Resorts (Private) Limited *</p> <p>To operate a future hotel project.</p> <p>Directors: Ms. D.S.T. Jayawardena (Chairperson), Dr. M.P. Dissanayake, C.M.S. Jayawickrama.</p> <p>The Galle Heritage (Private) Limited *</p> <p>Proposed for constructing and operating a heritage hotel within the Fort of Galle.</p> <p>Directors: Ms. D.S.T. Jayawardena (Chairperson), Dr. M.P. Dissanayake, C.M.S. Jayawickrama.</p>	<p>Ace Aviation Services Maldives Private Limited *</p> <p>General Sales Agent for Sri Lankan Airlines Passenger and Cargo in the Republic of Maldives.</p> <p>Directors: S.T.B. Ellepola (Chairman), M. Firaq (Managing Director), N.A.N. Jayasundera, D.L. Warawita.</p> <p>Aitken Spence Aviation (Private) Limited</p> <p>General Sales Agent for Singapore Airlines, and Silkair (Singapore) Private Limited.</p> <p>Directors: Deshamanya D.H.S. Jayawardena, Dr. M.P. Dissanayake, Ms. D.S.T. Jayawardena, V.P. Kudaliyanage.</p> <p>Royal Spence Aviation (Private) Limited</p> <p>Appointed General Sales agent passenger for Fiji Airways and Go Air in the Republic of India.</p> <p>Directors: Dr. M.P. Dissanayake (Chairman), Ms. N. Sivapragasam, N.A.N. Jayasundera, Ms. D.S.T. Jayawardena.</p>
HOTELS		
<p>Ace Resorts Private Limited *</p> <p>Owns the Raafushi island earmarked for the construction and development of a Resort in the Republic of Maldives.</p> <p>Directors: Dr. M.P. Dissanayake,</p>		

* The companies' financial statements are audited by KPMG

C.M.S. Jayawickrama (Managing Director),
Ms. D.S.T. Jayawardena,
M. Mahdy.

A.D.S Resorts Private Limited *

Owens Adaaran Select Hudhuran Fushi in the Republic of Maldives.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M. Mahdy.

Aitken Spence Exports (Private) Limited *

Bottles and markets "Hethersett" bottled water.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

Aitken Spence Global Operations (Private) Limited

Provides international marketing services for the overseas hotels in the Group.

Directors

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

Aitken Spence Hotel Holdings PLC *

The holding company of the Group's hotel interests. Owns the Heritance Ahungalla Hotel.

Directors:

Deshamanya D.H.S. Jayawardena (Chairman),
Dr. M.P. Dissanayake (Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
J.M.S. Brito,
R.N. Asirwatham,
N.J. de Silva Deva Aditya,
C.H. Gomez,
G.P.J. Goonewardena.

Aitken Spence Hotel Managements (Private) Limited *

Manages resorts in Sri Lanka.

Directors:

Ms. D.S.T. Jayawardena (Chairperson and Joint Managing Director),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama (Joint Managing Director),
D.T.R. de Silva (Joint Managing Director)
(Resigned w.e.f. 31.07.2019).

Aitken Spence Hotel Managements (South India) Private Limited

Owens the 140 roomed hotel property "Turyaa" in Chennai in the Republic of India.

Directors:

Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
T.K. Dewanarayana,
A. Durairaj.

Aitken Spence Hotel Managements Asia (Private) Limited *

Manages resorts in the Sultanate of Oman and in the Republic of Maldives.

Directors:

Deshamanya D.H.S. Jayawardena,
Dr. R.M. Fernando,
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam.

Aitken Spence Hotels International (Private) Limited *

Overseas investment company of the Hotels sector and provides international marketing services to the resorts in the Sultanate of Oman.

Directors:

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

Aitken Spence Hotel Services Private Limited

Local marketing company of hotels in the Republic of India.

Directors:

R.S. Rajaratne,
T.K. Dewanarayana.

Aitken Spence Hotels Limited *

Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns Heritance Ayurveda Maha Gedara in Beruwela.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Aitken Spence Resorts (Middle East) LLC*

Owning company of the Al Falaj Hotel in Muscat, Sultanate of Oman.

Directors:

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
A. Perera,
S.N. de Silva.

Aitken Spence Resources (Private) Limited *

Human resource management, foreign employment and recruitment company.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
G.P.J. Goonewardena.

Ahungalla Resorts Limited *

A joint venture company with RIUSA NED BV and owns the RIU Hotel Sri Lanka at Ahungalla.

Directors:

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
J.T. Riu (Managing Director),
L. Riu Guell.

Cowrie Investment Private Limited *

Owens Heritance Aarah and Adaaran Select Meedhupparu – Republic of Maldives.

Directors:

Dr. M.P. Dissanayake (Chairman and Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

Crest Star (B.V.I.) Limited

The holding company and managing agent of Jetan Travel Services Company Private Limited.

Directors:

Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Crest Star Limited

This Company is under de-registration.

Directors:

Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Heritance (Private) Limited *

Owens a land in Beruwela for a proposed hotel project.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Hethersett Hotels Limited *

Owens Heritance Tea Factory - Kandapola.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

GROUP COMPANIES AND DIRECTORATE

Jetan Travel Services Company Private Limited *

Owens Adaaran Club Rannalhi – Republic of Maldives.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
H. Mohamed,
M. Mahdy.

Kandalama Hotels (Private) Limited *

Owens Heritance Kandalama Hotel.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Meeraladuwa (Private) Limited *

Owens the island of Meeraladuwa.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Neptune Ayurvedic Village (Private) Limited *

Leases company owned land and building to Aitken Spence Hotels Limited.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Perumbalam Resorts Private Limited

A fully owned subsidiary of PR Holiday Homes Private Limited.

Directors:

Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
Ms. M.R. Narayanan,
K.K.M. Rawther,
Ms. R. Narayanan,
T.K. Dewanarayana.

PR Holiday Homes Private Limited

Owens a land in Cochin, in the Republic of India for a future hotel project.

Directors:

Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
M.R. Narayanan,
K.K.M. Rawther,
T.K. Dewanarayana.

Turyaa (Private) Limited *

Owens the 100 roomed hotel property "Turyaa" in Kalutara.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Turyaa Resorts (Private) Limited *

Owens the 90 roomed hotel property "Turyaa" in Kalutara.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

Unique Resorts Private Limited *

Owens Adaaran Prestige Vadhoo – Republic of Maldives.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M.D.B.J. Gunatilake.

MARITIME & FREIGHT LOGISTICS SECTOR

INTEGRATED LOGISTICS

Ace Containers (Private) Limited *

Operates an inland container terminal, container freight station and provides haulage management.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
A.U. Kodagoda,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Ace Container Repair (Private) Limited *

Undertakes container repairs, conversions for Garments on Hangers and other purpose built solutions.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Ace Container Terminals (Private) Limited *

Provides container storage, custom brokerage, transport and warehousing services.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Ace Distriparks (Private) Limited *

Provides total integrated logistics services which encompasses warehouse management, transport and distribution services, project cargo logistics, mobile storage solutions and act as agents for leading Liquid Cargo Operators and container leasing companies.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Aitken Spence Developments (Private) Limited *

Property development company.

Directors:

A.J. Gunawardena,
M.A.M. Isfahan (Appointed w.e.f. 31.12.2019),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Logilink (Private) Limited *

Provides container freight station services, storing, distribution and consolidation of exports.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

* The companies' financial statements are audited by KPMG

FREIGHT

Ace Aviation Services (Private) Limited

Operates as General Sales Agent for airline cargo.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier.

Ace Cargo (Private) Limited

Provides international freight forwarding services.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
Ms. N. Sivapragasam (Appointed w.e.f. 03.01.2020),
M.A.M. Isfahan (Appointed w.e.f. 11.07.2019).

Ace Freight Management (Private) Limited

Undertakes clearing, forwarding and operates an inland container terminal.

Directors:

Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Ace International Express (Private) Limited

The Company did not carry out any operations during the year.

Directors:

J.E. Brohier,
M.A.M. Isfahan.

Aitken Spence Cargo (Private) Limited

International freight forwarding and General Sales Agent for airline cargo.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
Ms. N. Sivapragasam (Appointed w.e.f. 03.01.2020),
M.A.M. Isfahan (Appointed w.e.f. 11.07.2019).

Aitken Spence Shipping Services Limited *

Shipping agency activities in all ports in Sri Lanka and an international freight forwarder.

Directors:

Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Clark Spence and Company (Private) Limited *

Shipping agency services in all ports in Sri Lanka and an international freight forwarder.

Directors:

Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020).

D B S Logistics Limited

International Freight Forwarder - Network Partner for DB Schenker.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
M.A.M. Isfahan.

Global Parcel Delivery (Private) Limited

Provides international air express, domestic delivery, international mailing, supply chain solutions and record management services.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Spence Maldives Private Limited

Provides cargo General Sales Agent, international air express, domestic express and freight forwarding services in the Republic of Maldives.

Directors:

Dr. M.P. Dissanayake (Chairman),
J.E. Brohier (Managing Director),
M.A.M. Isfahan,
M. Firaq,
A. Ghiyas.

MARITIME SERVICES

Aitken Spence Maritime Limited *

Holding company of Hapag-Lloyd Lanka (Private) Limited and Aitken Spence Ports International Limited.

Directors:

Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

Aitken Spence Ports International Limited *

Port management services which includes managing ports, port operations and providing productivity enhancement and management in ports.

Directors:

Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan,
D.R.C. Hindurangala (Appointed w.e.f. 16.08.2019).

Aitken Spence Shipping Limited *

Shipping agency services in all ports in Sri Lanka. Liner, cruise and casual caller agency representation, Non Vessel Operating Container Carrier (NVOCC) and an international freight forwarder.

Directors:

Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan (Appointed as Managing Director w.e.f. 01.01.2020),
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

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 the Republic of Fiji.

Directors:

H. Patel (Chairman),
V. Chand,
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
I.S. Cuttilan,
J. Moore,
M.A.M. Isfahan.

Hapag-Lloyd Lanka (Private) Limited *

Liner agency representation.

Directors:

Dr. M.P. Dissanayake,
I.S. Cuttilan,
D. Bhatia,
L. Sorensen,
Ms. N. Sivapragasam (Appointed w.e.f. 19.08.2019).

Shipping and Cargo Logistics (Private) Limited *

Liner agency representation.

Directors:

V.M. Fernando (Chairman),
Dr. M.P. Dissanayake,
K.M.A.T.B. Tittawella P.C.,
K.M. Fernando,
I.S. Cuttilan,
M.A.M. Isfahan (Appointed w.e.f. 01.01.2020),
A. Jayasekera (Resigned w.e.f. 31.12.2019).

GROUP COMPANIES AND DIRECTORATE

STRATEGIC INVESTMENT SECTOR

APPARELS

Ace Apparels (Private) Limited

Manufacturer and exporter of high quality apparels to departmental stores and apparel importers mainly in the USA and EU.

Directors:

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.C.J. Fernando.

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,
P.C.J. Fernando (Managing Director),
R.G. Pandithakorralage.

Aitken Spence Apparels (Private) Limited

Manufacturer and exporter of high quality clothing to departmental stores and apparel importers chiefly in USA and EU.

Directors:

Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.C.J. Fernando.

PLANTATION

Aitken Spence Agriculture (Private) Limited *

To cultivate farm fruits and vegetables for the export market.

Directors:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando.

PRINTING & PACKAGING

Ace Exports (Private) Limited *

Provides printing and packaging services to the direct and indirect export markets.

Directors:

Dr. M.P. Dissanayake (Chairman),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Printing & Packaging (Private) Limited *

Provides printing and packaging services to the local market.

Directors:

Dr. M.P. Dissanayake (Chairman),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

POWER GENERATION

Ace Power Embilipitiya (Private) Limited

Owens and operates a 100MW thermal plant in Embilipitiya to supply power to the national grid.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi,
Ms. N. Sivapragasam,
H.G. Balasuriya.

Ace Wind Power (Private) Limited

Owens and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Power (Private) Limited

Takes part in new project opportunities.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi (Managing Director),
N. Sivapragasam.

Branford Hydropower (Private) Limited

Owens and operates a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi (Managing Director),
Ms. N. Sivapragasam.

Western Power Company (Private) Limited

Has the approval to receive 600-800 metric ton per day of municipal solid waste from the Colombo Municipal Council and to convert such waste into energy and supply such energy to the national grid up to 10MW under a Standardized Power Purchase Agreement.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi (Managing Director),
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne.

Western Power Holdings (Private) Limited

Has been established to invest in the new waste conversion projects.

Directors:

Dr. M.P. Dissanayake (Chairman),
L. Wickremaratchchi (Managing Director),
Ms. N. Sivapragasam.

PROPERTY MANAGEMENT

Vauxhall Investments (Private) Limited

Owens buildings and land in Bloemendhal Street, Colombo 13.

Directors:

Dr. M.P. Dissanayake (Chairman),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

CORPORATE ADVISORY

Aitken Spence Corporate Finance (Private) Limited *

Provides corporate services including that of corporate finance, treasury, legal, secretarial, internal audit, human resource development, information technology, financial shared service and security services to the group companies.

Directors:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando,
Ms. N. Sivapragasam (Managing Director),
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
Ms. D.S.T. Jayawardena.

Aitken Spence Group Limited *

Overall management of the Aitken Spence Group of Companies.

Directors:

Dr. M.P. Dissanayake,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
B.D.S. Mendis,
P. Karunatilake,
D.T.R. de Silva (Resigned w.e.f 31.07.2019).

* The companies' financial statements are audited by KPMG

SERVICES SECTOR

INSURANCE SURVEY AND CLAIM SETTLING AGENCY

Aitken Spence International Consulting (Private) Limited *

Survey and claim settling agents for several reputed insurance companies and organisations worldwide. Superintendents for UN World Food Programme in Sri Lanka and in the Republic of 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 (Managing Director),
A.N. Seneviratne,
R.G. Pandithakorralage.

ELEVATOR AGENCY

Elevators (Private) Limited *

A joint venture between Aitken Spence PLC and OTIS Elevators Company (Singapore) Private Limited are the exclusive agents and distributors in Sri Lanka and in the

Republic of Maldives for marketing, installing, commissioning and maintaining OTIS elevators, escalators and other people moving equipment.

Directors:

Dr. M.P. Dissanayake (Chairman),
B.D.S. Mendis (Joint Managing Director),
D.R.C. Hindurangala,
S. Joseph.

Interlifts International Private Limited *

Sales & marketing, installing, testing, commissioning and maintaining OTIS elevators, escalators, moving walkways, and related equipment in the Republic of Maldives.

Directors:

B.D.S. Mendis (Managing Director),
D.R.C. Hindurangala,
M.M. Ahamed (Resigned w.e.f. 23.09.2019),
C.M.S. Jayawickrama (Appointed w.e.f. 19.08.2019),
H. Moosa (Appointed w.e.f. 19.08.2019).

A E Lanka (Pvt) Ltd.

Provides maintenance services of escalators, elevators and car park systems.

Directors:

Dr. M.P. Dissanayake (Appointed w.e.f. 20.05.2019),
B.D.S. Mendis (Appointed w.e.f. 20.05.2019),
D.R.C. Hindurangala (Appointed w.e.f. 20.05.2019),
A.A.K.M. Wijesundera (Resigned w.e.f. 21.05.2019),
R.I.D. Katippearachchi (Resigned w.e.f. 21.05.2019).

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 02.

Directors:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

Vauxhall Property Developments (Private) Limited *

Owns and operates the multi-storied office complex; "Aitken Spence Tower I" at Vauxhall Street, Colombo 02.

Directors:

Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

FINANCIAL SERVICES

MMBL Money Transfer (Private) Limited *

Principal Representative for Western Union money transfer services in Sri Lanka.

Directors:

Dr. M.P. Dissanayake (Chairman),
B.D.S. Mendis (Managing Director),
K. Balasundaram,
Ms. N. Sivapragasam,
Ms. J. Moragoda,
R.G. Pandithakorralage (Alternate Director to B.D.S. Mendis).

JOINT VENTURES & ASSOCIATES

TOURISM SECTOR

HOTELS

Amethyst Leisure Limited *

Holding Company of Paradise Resort Pasikudah (Private) Limited.

Directors:

Ms. D.S.T. Jayawardena (Chairperson),
Ms. V.J. Senaratne,
A. Mahir,
J.C. Weerakone.

Browns Beach Hotels PLC *

Owns the property leased out to Negombo Beach Resorts (Private) Limited.

Directors:

Deshamanya D.H.S. Jayawardena (Chairman),
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.R. Stanislaus,
A.L. Gooneratne,
R.N. Asirwatham,
N.J. de Silva Deva Aditya.

Negombo Beach Resorts (Private) Limited *

Owns the Heritage Negombo Hotel.

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),
Ms. V.J. Senaratne,
J.C. Weerakone.

GROUP COMPANIES AND DIRECTORATE

MARITIME & FREIGHT LOGISTICS SECTOR

FREIGHT

Ace (Bangladesh) Limited

Provides international freight forwarding services in the People's Republic of Bangladesh.

Directors:

Dr. M.P. Dissanayake,
J.E. Brohier,
C. Jirasinha,
A. Mannan,
Ms. F.R. Ahmed,
A. Rahman,
R. Rahman (Deceased on 14.01.2020).

MARITIME SERVICES

CINEC Campus (Private) Limited*

Sri Lanka's largest private maritime and higher education campus.

Directors:

Capt. P.A.P. Peiris (Chairman/ Managing Director),
Dr. M.P. Dissanayake (Appointed as Co-Chairman w.e.f. 29.05.2019),
Ms. N. Sivapragasam (Joint Managing Director),
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
D. Malais,
Capt. H.D.J.B. Ranchigoda,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski),
I.S. Cuttilan,
R.S. Egodage,
P.S.R. Casie Chitty,
D.T.K.C. Lakindu.

CINEC Skills (Private) Limited

Provides maritime and vocational training courses to students in Northern and Eastern Provinces in Sri Lanka.

Directors:

Capt. P.A.P. Peiris.

Fiji Ports Corporation Limited

Owens and operates all the major ports in the Republic of Fiji in addition to providing navigational services and ship repair services.

Directors:

S. Ali (Chairman),
V.P. Maharaj,

V. Chand,
Dr. M.P. Dissanayake,
T. Kuruvakadua,
S.S. Singh,
I.S. Cuttilan,
Ms. T. Baravilala.

Fiji Ships Heavy Industries Limited

Operates ship and boat building facility, carries out ship repair and maintenance services and is involved in heavy industries in the Republic of Fiji.

Directors:

S. Ali (Chairman),
V.P. Maharaj,
V. Chand,
Dr. M.P. Dissanayake,
T. Kuruvakadua,
S.S. Singh,
I.S. Cuttilan,
Ms. T. Baravilala.

STRATEGIC INVESTMENT SECTOR

PLANTATION

AEN Palm Oil Processing (Private) Limited *

Processing, selling (and exporting) of crude palm oil from FFB. Joint Venture of three companies namely Agalawatte Plantations PLC, Elpitiya Plantations PLC and Namunukula Plantations PLC.

Directors:

M.P.K. Udugampola (Chairman),
Dr. M.P. Dissanayake,
Dr. R.M. Fernando,
N.S. Yaddehige,
S.A. Eriyagama,
G.P.N.A.G. Gunathilake.

Aitken Spence Plantation Managements PLC *

Managing agents for Elpitiya Plantations PLC.

Directors:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando (Managing Director),
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
L.N. de S. Wijeyeratne,
B. Bulumulla,
Dr. R.A. Fernando,
A.T.S. Sosa (Alternate Director to Deshamanya Merrill J. Fernando).

EPP Hydro Power (Private) Limited *

Generating and selling renewable hydroelectricity to national grid system.

Directors:

Dr. R.M. Fernando,
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
B. Bulumulla.

Elpitiya Dianhong Jin Ya Tea Company (Private) Limited *

Growing, processing and marketing of special tea for overseas market. It is a Joint Venture with Dianhong Group China.

Directors:

Dr. R.M. Fernando,
B. Bulumulla (Managing Director/ CEO),
W. Hao,
T. Wang (Alternate Director to W. Hao),
X. Chen.

Elpitiya Lifestyle Solutions (Private) Limited *

The company has ceased its commercial operations.

Directors:

S. Pathirane (Chairman),
Dr. R.M. Fernando (Managing Director),
Malik J. Fernando,
B. Bulumulla,
D. A. de S. Wickremanayake,
A. Kanthasamy,
Ms. C.D. Piyaratne.

Elpitiya Plantations PLC

Owens 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:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando (Managing Director),
B. Bulumulla,
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
Dr. S.A.B. Ekanayake,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
S.C. Ratwatte,
Ms. B.W.G.C.S. Bogahawatta,
A.T.S. Sosa (Alternate Director to Deshamanya Merrill J. Fernando),
D.A. de S. Wickremanayake.

* The companies' financial statements are audited by KPMG

Venture Valley (Private) Limited

Design, develop and operate an Adventure Theme Park comprising a water park, gravity park and an adventure park.

Directors:

Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando.

Water Villas (Private) Limited *

Intended Hotel Operator.

Directors:

Dr. R.M. Fernando,
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
B. Bulumulla.

PRINTING AND PACKAGING

Serendib Investments Ltd

Provides printing and packaging services for the Government of Republic of Fiji and corporates in the Republic of Fiji and South Pacific region.

Directors:

Col. S. Raiwoce (Chairman) (Appointed w.e.f. 15.01.2020),
A. Ram,
Ms. N. Sivapragasam,
P. Karunatilake,
Y. Karan (Resigned w.e.f. 15.01.2020),
N. Fareed (Resigned w.e.f. 20.12.2019).

SERVICES SECTOR

ELEVATOR

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:

Dr. M.P. Dissanayake (Chairman),
D.R.C. Hindurangala,
B. Kaliyamoorthy,
Ms. N. Balamurugan.

SERVICES

Aitken Spence C & T Investments (Private) Limited *

The Corporate has ceased operations due to circumstances beyond its control.

Directors:

A.Y. Atapattu (Chairman),
Dr. M.P. Dissanayake,
S. Chandramohan,
Dr. R.M. Fernando,
B.D.S. Mendis,
S.G. Atapattu.

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 Employed

Shareholders' funds plus non-controlling interests and total debt.

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 an asset is recognised in the statement of financial position.

Collateral

Monetary or non-monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

Collective Impairment provision

Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

Contract

An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

Contract Asset

An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

Contract Liability

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amounts due) from the customer.

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 at a certain time in the future.

Debenture

A long-term debt instrument issued by a corporate.

Debt/Equity Ratio

Non-current interest-bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Derivatives

Financial contracts whose values are derived from the values of underlying assets.

Dividend Cover

Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend – Payout Ratio

Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividends per Share (DPS)

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

Earnings per Share (EPS)

Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Economic life (of an asset)

Either the period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from an asset by one or more users.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Effective Rate of Dividend

Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

Effective Rate of Interest

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

Employee Attrition Rate

Number of resignations/Average number of employees *100.

EPZ

Export Processing Zone

Equity Instruments

A contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Expected Credit Losses

The weighted average of credit losses with the respective risks of a default occurring as the weights.

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.

Fair Value Through OCI (FVOCI)

Financial instruments that are held for trading and measured at fair value through other comprehensive income.

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.

IMF

International Monetary Fund

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.

Lease

A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Liquidity Risk

The risk of an entity having constraints to settle its financial liabilities.

GLOSSARY OF TERMS

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.

Loss Given Default (LGD)

The magnitude of the loss if there is a default.

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share.

Market Risk

Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Net Assets per Share

Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

Net Profit Margin

Net profit for the period divided by the revenue.

Non-controlling Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

Operating Profit Margin (EBIT Margin)

Earnings before interest and tax divided by revenue.

Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

Probability of Default (PD)

Estimate of likelihood that a borrower will be unable to meet debt obligations.

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 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.

Return on Capital Employed (ROCE)

Profit before finance expense and tax as a percentage of average capital employed.

Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves

Reserves set aside for future distributions and investments.

Right-of-use asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

Stand-alone Selling Price

The price at which an entity would sell a promised good or service separately to a customer.

Taxation authority

The body or bodies that decide whether tax treatments are acceptable under tax law.

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.

Uncertain tax treatment

A tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

Unquoted Shares

Shares which are not listed in the Stock Exchange.

UNWTO

United Nations World Tourism Organization.

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.

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*

M.P. Dissanayake
*Professor – Maritime Studies, Alumni USJ,
Norad, JICA, University of Oxford – Business
Alumni, Harvard Business School (EEP), Fellow
(CIM, ICS, CILT-UK)- Deputy Chairman &
Managing Director*

R.M. Fernando
PhD., MBA, FCIM (UK)

D.S.T. Jayawardena

J.M.S. Brito
LLB, FCA, MBA

G.C. Wickremasinghe

C.H. Gomez

N.J. de Silva Deva Aditya

R.N. Asirwatham
FCA

Alternate Director

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

Audit Committee

R.N. Asirwatham – *Chairman*

G.C. Wickremasinghe

C.H. Gomez

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

J.M.S. Brito *(Appointed w.e.f. 23.05.2019)*

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)

J.M.S. Brito *(Appointed w.e.f. 23.05.2019)*

Secretaries

Aitken Spence Corporate Finance (Private)
Limited
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

Tel: (94 11) 2308308

Fax: (94 11) 2308099

benji@aitkenspence.lk

comsec@aitkenspence.lk

Registrars

Central Depository Systems (Private) Limited
Ground Floor, M & M Centre,
No. 341/5, Kotte Road,
Rajagiriya.

T: (94 11) 2356456

F: (94 11) 2440396

hemal@cse.lk

www.cds.lk

Auditors

KPMG

Chartered Accountants

32A, Sir Mohamad Macan Markar Mawatha,

P.O Box 186,

Colombo 03.

Holding Company

Melstacorp PLC

Contact Details

No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

T: (94 11) 2308308

F: (94 11) 2445406

www.aitkenspence.com

NOTES


NOTICE OF MEETING

Notice is hereby given that the Sixty Eighth (68th) Annual General Meeting of Aitken Spence PLC* will be held at Aitken Spence Tower II, No. 315, Vauxhall Street, Colombo 02, at 10.00 a.m. on Tuesday, 30th June 2020, 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 2020 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 77 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 86 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 77 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 73 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 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. N.J. de S. Deva Aditya who is 72 years of age and that he be re-appointed a Director of the Company."
8. To re-elect Mr. C. H. Gomez 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 External 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

29th May 2020
Colombo

Note : Further instructions on the virtual AGM are noted on the reverse hereof

NOTICE OF MEETING

Note:

- 1 In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Sixty Eighth (68th) Annual General Meeting of Aitken Spence PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:

- i **Attendance of the Chairman and the Board of Directors**

The Chairman, the Deputy Chairman and Managing Director, certain members of the Board of Directors, the Company Secretaries, the External Auditors and the Legal Counsel will be present at the Aitken Spence Tower II, No. 315, Vauxhall Street, Colombo 02 at 10.00 a.m. on Tuesday, 30th June 2020.

- ii **Shareholder participation**

- a The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
 - b The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means **only**.
 - c The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the circular to shareholders and forward same to minura@cse.lk or by facsimile on +94 112308099, to reach the Registrars **not less than five (05) days** before to the date of the meeting so that the **meeting login information** could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

- d To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to thamalit@aitkenspence.lk or facsimile on +94 112308099 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, **not less than forty eight (48) hours** before the time fixed for the meeting.

- iii **Shareholders' queries**

The shareholders are hereby advised that if they wish to raise any queries, such queries **should be sent to reach the Company Secretaries**, via e-mail to thamalit@aitkenspence.lk or facsimile on +94 112308099 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, **not less than five (5) days before to the date of the meeting**. This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

- 2 Should the dividend recommended be approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on 09th July 2020 and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex-dividend with effect from 01st July 2020.
 - 3 The Annual Report of the Company for the year ended 2019/2020 will be available for perusal on the Company website, the Colombo Stock Exchange website and the social media sites of the Company.

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),
Mahinda Parakrama Dissanayake	(whom failing),
Rohan Marshall Fernando	(whom failing),
Don Stasshani Therese Jayawardena	(whom failing),
Joseph Michael Suresh Brito	(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 on my/our behalf at the Annual General Meeting of the Company to be held on the 30th June 2020, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/we the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preference indicated below:

Resolution	For	Against
1 To declare a dividend as recommended by the Directors		
2 To re-appoint Deshamanya D.H.S. Jayawardena who is over the age of 70 years		
3 To re-appoint Mr. G.C. Wickremasinghe who is over the age of 70 years		
4 To re-appoint Mr. R.N. Asirwatham who is over the age of 70 years		
5 To re-appoint Mr. J.M.S. Brito who is over the age of 70 years		
6 To re-appoint Mr. N.J. de S. Deva Aditya who is over the age of 70 years		
7 To re-elect Mr. C. H. Gomez who retires in terms of Article 83 of the Articles of Association		
8 To authorise the Directors to determine contributions to charities		
9 To re-appoint the retiring External Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration		

Signed this day of June Two Thousand Twenty.

Shareholder's Signature/(s)

Shareholder's NIC / Folio No.

Proxy holder's NIC No.

Note : Instructions as to completion are noted on the reverse hereof

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy 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 Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his / her discretion in exercising the vote on behalf of his appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to thamalit@aitkenspence.lk or facsimile on +94 11 2308099 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, **not less than forty eight (48) hours** before the time fixed for the meeting.

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s :

Folio No. :

E-mail address of the Shareholder/(s) **or**
proxy holder (other than a Director appointed as proxy) :

Mobile No. :

Residence No. :

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		Highest		
	1	2	3	4	5
1. Business Development					
a) Quality and presentation of the Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Usefulness of the information in the interim Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Likelihood of the financial information in the Annual Report to influence investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Likelihood of the environmental information in the Annual Report to influence investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Likelihood of the social information in the Annual Report to influence investment decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Satisfaction with the risk management strategies of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Corporate Communication					
a) Quality of Group communications appearing in traditional media (newspapers, radio, television).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Quality of Group communications appearing in emerging and new media (social media, web).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Satisfaction with the frequency and volume of Group communications appearing in mass media channels (newspapers, radio, television)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Accessibility and availability of information related to the Group in mass media channels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Quality of service and information provided at stakeholder contact channels (web, general line, front office/ reception)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Satisfaction with the contact channels available for queries and feedback	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Human Resources					
a) Satisfaction with the conduct of Group employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Competency of Group employees based on your recent interactions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Access to HR related information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Sustainability					
a) Satisfaction with the strategies developed for economic sustainability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Satisfaction with the commitment of the Group towards environmental conservation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Satisfaction with the commitment of the Group towards social empowerment and community development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Ethical conduct of the Group in business activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 emailed to info@aitkenspence.lk or completed online through www.aitkenspence.com or posted to the Group Company Secretaries at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.



www.aitkenspence.com

Aitken Spence PLC

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