



fast forward!



Tourism Sector

Aitken Spence is a leading player in travel and tourism, owning and managing a chain of luxury hotels and resorts in Sri Lanka, the Maldives, India and Oman. Three decades of experience in hotels gives us an expert edge in designing, building and managing properties. Our travel sector covers the full spectrum of travel related activities from inbound to outbound travel and is the general sales agent for some of the most prestigious international airlines.



Tourism



Cargo Logistics Sector

Aitken Spence has played a significant role in maritime trade in Sri Lanka and has been in the business of liner shipping agencies for many years. Our integrated offering of air-sea freight forwarding, warehousing, distribution, courier and transport provides a total, seamless solution to the importers and the exporters. The sector has the distinction of being the first Sri Lankan entity to venture into port efficiency enhancement operations overseas.



Cargo Logistics



Strategic Investments Sector

A successful conglomerate is reinforced by astute investments and strategic partnerships. The Group's diversified interests in identified growth sectors such as power generation, plantations and garment manufacture, lie within its strategic investments sector. These diverse investments have proved to be significant initiatives, with vigorous activity and returns ensuring our sustained growth within key sectors of the economy.



Strategic Investments



Services Sector

Given its strategic geographical position in South Asia, Sri Lanka is poised to become a service hub in the region. Aitken Spence has taken advantage of this positioning to realise our vision of expanding regionally to drive our multifaceted Company forward as a respected industry leader. The Services sector encompasses the Group's interests in financial services, insurance, the operation and maintenance of power plants and real estate development. We are also the agents for the world renowned international elevator agency OTIS.



Services



2009 was a hugely significant year in local history - as, for the first time in over thirty years, the nation was empowered to grasp the opportunities we have sought for so long. Since 1868, the Aitken Spence Group has been an icon of leadership and solid value to every Sri Lankan corporate, at every level. And today we are ready to 'fast forward' into the many challenges that lie ahead.

fast forward!

Creating value shall remain our guiding principle as a bluechip corporate that is also an engine of growth, joining all Sri Lankans to drive national development fast forward, across the island.



Annual Report 2009 - 2010

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.

fast forward!

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Company Overview

We are moving forward, fast...



Tourism

The **Tourism Sector** includes the management and operation of twenty seven hotels and resorts in Sri Lanka, Maldives, Oman and India, inbound/outbound travel and airline GSA.

Strategic Investments

The **Strategic Investments Sector** includes power generation, printing and packaging, apparel manufacture and plantations.

Cargo Logistics

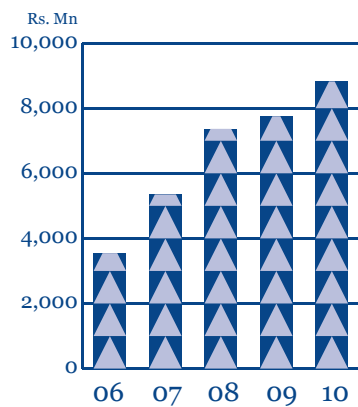
The **Cargo Logistics Sector** includes freight forwarding, courier services, integrated logistics services and maritime transport.

Services

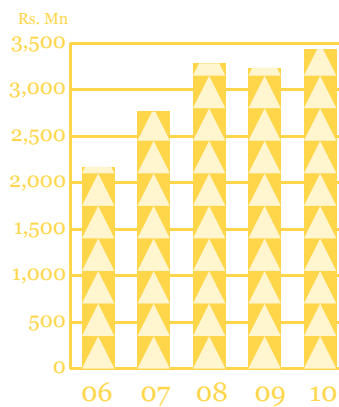
The **Services Sector** includes the operation and maintenance of power generation plants, inward money transfer, real estate management, insurance and the OTIS elevator agency.

	2009/2010	2008/2009
	Rs. '000	Rs. '000
For the year		
Group revenue	24,356,233	29,307,818
Profit before taxation	3,353,169	3,396,916
Provision for taxation	349,040	328,385
Profit after tax	3,004,129	3,068,531
Profit attributable to equity shareholders of the company	2,076,789	2,040,010
As at 31 st March		
Total equity	23,516,172	21,631,393
Total assets	37,543,478	36,380,844
Earnings per share (Rs.)	76.73	75.37
Dividend per share (Rs.)	10.00	9.50
Market capitalisation on 31st March (Rs. mn)	37,182	8,526

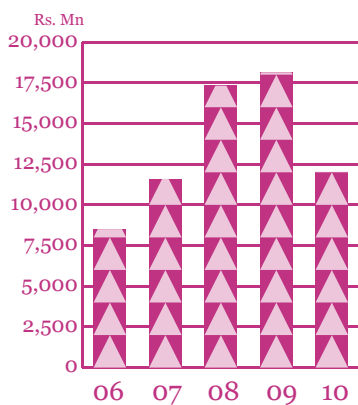
Tourism:Revenue
for the year ended 31st March



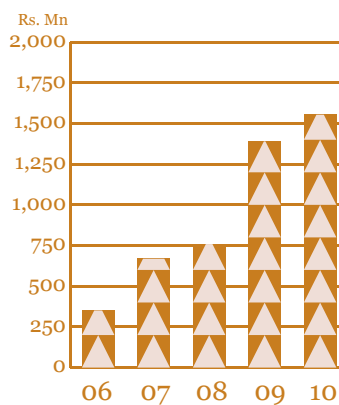
Cargo Logistics:Revenue
for the year ended 31st March



Strategic Investments:Revenue
for the year ended 31st March



Services:Revenue
for the year ended 31st March



Company Highlights

Significant events in 2009/10



Tourism



- Heritance Tea Factory opened its doors as the third Heritance property following refurbishments.
- Aitken Spence Travels was once again recognised as the Best Destination Management Company at the Presidential Awards for Tourism.
- Ace Travels & Conventions (Pvt) Ltd., retained its award as the Best Conference Organiser at the Presidential Awards for Tourism.
- The Group acquired Ramada Resorts Kalutara, raising its count of owned Sri Lankan resorts to six.
- Adaaran Prestige Vadoo was launched to enhance the Group's portfolio in the Maldives.

Cargo Logistics



- A 64,000 sq. ft. warehouse complex was acquired at Wattala, by integrated logistics, setting the stage for aggressive expansion.
- Aitken Spence Maritime entered into a strategic partnership with the largest maritime education and training campus in Sri Lanka.
- The Group secured a ground breaking project on ship planning mentorship covering three ports in South Africa – the first Sri Lankan company to venture into such a project.
- All companies in the Aitken Spence Cargo segment achieved recertification in the new standard ISO 9001(2008).



Strategic Investments



- Aitken Spence was awarded a Gold for its HR practices at the HRM awards 2010.
- The Company invested in a 2.5 MW hydro power project in Matale.
- Elpitiya Plantations invested in a 1.9 MW hydropower plant.
- Dunsinane and New Peacock factories of Elpitiya Plantations obtained ISO 22000 certification during the year.
- Printing segment increases capacity with investments in the state of the art equipment to pre press and finishing departments.

Services



- The Group's Colombo based offices were relocated to Aitken Spence Tower II, a modern office building incorporating the latest building management techniques.
- The network of MMBL Money Master locations offering Western Union Money Transfer services increased to 2,000.
- MMBL Money Transfer became the only private organisation to open a money transfer establishment at Menik Farm, Cheddikulam to serve the IDPs.
- The Aitken Spence human resource services arm, branded 'Genuity', was launched to provide services to external clientele.

Aitken Spence PLC

fast forward!

Moving fast forward...

Chairman's Statement



It is with a sense of pride and satisfaction that I present to you the Annual Report and Statement of Accounts of your Company for a year which heralded the dawn of a terrorism free era in Sri Lanka and in which Aitken Spence has recorded an outstanding performance despite the continued fallout of the global recession.

Aitken Spence consolidated its bases both in Sri Lanka and overseas during the year, in readiness for an expansion drive over the next few years. Having focused on overseas growth in the recent past, we feel the time is opportune to shift our focus to Sri Lanka where a terrorism-free landscape offers countless opportunities.

The experiences we gathered from our overseas markets – the Maldives, Bangladesh, South Africa, Oman and India – has expanded the Group’s management capabilities and its ability to cope with diverse situations. The proficiency and expertise we have acquired therein can now be employed to reap similar success in Sri Lanka.

The Colombo-based employees are now housed at the new building on Vauxhall Street, which has enabled the Group to bring together many of its previously scattered offices in and around Colombo, enabling greater efficiencies and better interaction.

Earnings per share
Rs. 76.73

Dividends per share
Rs. 10.00

Market value per share
Rs. 1,373.75

“Despite the economic downturn worldwide and a year full of challenges faced by the country, I am proud of your Company’s performance which recorded the highest ever profit attributable to shareholders amounting to Rs 2,077 million...”

Moving fast forward...

Chairman's Statement

Economic Review

As the world emerges from a recession that has seen extraordinary policy intervention from governments across the world, the post crisis economic landscape will become clearer in the coming year. Already an increasing number of countries have registered positive GDP growth in late 2009, along with a recovery in international trade and global industrial production.

Despite facing widespread domestic and global challenges, Sri Lanka recorded a growth of 3.5% in 2009, with the economy making a very commendable recovery in the second half. Buoyant investor confidence consequent to the end of the conflict in May 2009, together with several policy measures, boosted the economy and resulted in an unprecedented balance of payments surplus of USD 2.7 billion and foreign exchange reserves of USD 5.1 billion at the year end.

Inflation declined significantly from the unwieldy double digit rates of 2008 to close the year at 4.8%, as lower commodity prices and tighter monetary policy measures contributed to facilitate an annual average inflation of 3.4%, the lowest levels in twenty four years. The Central Bank has forecast a 6.5% expansion of the economy for this year

Corporate Performance

Despite the economic downturn worldwide and a year full of challenges faced by the country, I am proud of your Company's performance which recorded the highest ever profit attributable to shareholders amounting to Rs. 2,077 million.

This year's growth was driven mainly by the maritime transport, integrated logistics, printing and tourism segments. Although our Sri Lankan resorts made losses during the first half of the year, due to the escalation of the war during the final battle to liberate the country, the positive returns in the second half negated these adverse effects. Our hotels in the Maldives fared marginally better than last year, which is still an impressive performance, even though global conditions continued to impact the market. The money transfer businesses recorded reduced profitability, while losses

arose in the airline GSA business, where reduced flights and reduced airfares combined with the oppressive conditions of the industry worldwide.

Shareholder Returns

The Board of Directors recommend a final dividend of Rs. 6.50 while an interim dividend of Rs. 3.50 was paid in May 2010. In total, this will amount to a dividend of Rs. 10.00 per share.

The performance of the Aitken Spence share has been outstanding – it closed the year at a market value of Rs. 1,373.75 per share, compared to a value of Rs. 315.00 per share a year ago. You would be happy to note that the current price is a much closer reflection of the true value of your investment.

It is significant to note that your Company has followed a strategy of self-sustaining its investments without resorting to further raising of capital from the shareholder community. The Company has over the past fifteen years pursued a policy of funding its expansion through internally generated funds and through debt financing.

Aitken Spence Hotel Holdings PLC., the investing company of our Hotels and Resorts segment which is earmarked to lead the Group's growth over the next few years, has approached its shareholders to raise Rs. 2.5 billion through a right issue which was successfully concluded recently.

Future Outlook

His Excellency the President Mahinda Rajapaksa and his government have both garnered resounding mandates at the recently concluded presidential and parliamentary elections. This is no doubt an endorsement of the government's successful campaign to wipe out terrorism and end the thirty year conflict in the North and East. I congratulate the President and his government on their magnificent achievement and I am confident that their vision of making Sri Lanka the 'new miracle of Asia' can be realised through the proposed strategies, timely action and the creation of an enabling environment. Our Company will actively participate

in the development strategies outlined by the government to bring prosperity and success to the country as well as the Company.

Foreign investments will be essential to meet the country's ambitious growth targets over the next few years as Sri Lankan enterprises on their own do not have the required ability and capacity to absorb the scale of earmarked projects. Over the past year, we have witnessed a significant increase in foreign investor interest both in Aitken Spence and Sri Lanka as a whole. This interest must be converted into investment through selective incentives, particularly for the tourism sector, to enable the country to reap the benefits of such interest. It is important to note that enabling rules and regulations and many incentives do currently exist, but their implementation involves many bureaucratic obstructions and delays, which could discourage potential investors.

The public sector is a pivotal player in the country's forward march, and needs to be structured and directed to support the policies of the government and efforts of the private sector. The economic policy needs to be strengthened by addressing areas of concern.

One such area is the prevalent taxation policy which is not conducive to an enabling business environment. The current tax regime involves in addition to corporate taxes, a plethora of indirect taxes applicable to various industries. It is hoped that the government will consider the weight of these taxes on the business community and also consider broad-basing the tax net as an alternative method to increase tax revenue. A consistent, clear and concise tax policy would benefit the entire corporate sector while at the same time enabling the government to realise its revenue targets. High duties on imports also have a negative effect on business; it is often counterproductive to levy high duties on imports that the country requires in order to achieve a high economic growth.

The newly liberated economies of the North and East offer much potential for development. Resources available in these provinces require to be complemented by the necessary logistics and incentives. The traditional industries

of the North and East should be supported through area-specific incentives, a tool that has been used by countries such as India, with much success.

2010/11 will see Aitken Spence embark on a new phase in its expansion in Sri Lanka. As I stated last year, the Group remains committed to play its part in the nation building agenda of the government. With this in mind, our expansion plans will encompass the newly liberated areas of North and East.

Appreciations

My fellow Directors on the Board have been a source of great strength, supporting the vision of the Company through their respective expertise.

I welcome two new members to the Board – eminent professional Mr. Rajan Asirwatham and Dr. Parakrama Dissanayake, who heads the Group's maritime business.

The management team has driven Aitken Spence to exemplary performances even through the toughest times and it is due to their guidance and strategic foresight that the Group is well positioned today. I thank them on behalf of the Board.

I thank all the members of the Aitken Spence team and take this opportunity to recognise the key role played by its employees, especially over the past two years of considerable challenges. Their commitment and loyalty to the Company and belief in the spirit of Aitken Spence is indeed noteworthy.

My appreciation also to you- our shareholders, who have kept their faith in Aitken Spence. It is your confidence in the Company that has driven it to greater heights.

D.H.S. Jayawardena
Chairman

26th May 2010

Aitken Spence PLC

fast forward!

Off to a quick start...

Managing Director's review



The Group achieved a noteworthy growth during the year 2009/10 despite the many challenges and obstacles placed in its path by both the global and local operating environments, demonstrating the strength and resourcefulness of a resilient organisation which was driven by a clear vision, strategic foresight and a spirit of endurance.

The net profit attributable to shareholders increased by 1.8% to Rs. 2.08 billion, although there was a decline in revenue from Rs. 29.3 billion to Rs. 24.4 billion. The reduction in revenue was primarily due to the lower tariff rates applicable to the companies in the power generation segment of the Group. The operating profits for the year declined by 2.0 % to Rs. 4.0 billion while the net profit after tax declined by 2.1 % to Rs. 3.0 billion compared to the previous year.

The share price in your Company as at the year end stood at Rs. 1,373.75 which represents a growth of 336.1%, when compared to the price as at the previous year end, which is a true reflection of the value of the Company. The Total Shareholder Return (TSR) which reflects the total returns received by a shareholder was a positive of 339.3% for the financial year 2009/10.

Revenue
Rs. 24.4 bn

Profit before tax
Rs. 3.4 bn

Net assets per share
Rs. 700.12

“The Group achieved a noteworthy growth during the year 2009/10 despite the many challenges and obstacles placed in its path by both the global and local operating environments...”

*Off to a quick start...**Managing Director's review*

An indepth analysis of the financial statements is given in the operational and financial reviews.

The prolonged downturn of the global economy influenced the Group's operations during the year, necessitating us to think beyond conventional markets and strategies so as to ensure a continued enhancement of shareholder value. It was heartening to note that many of our businesses – in particular the Cargo Logistics sector – vastly benefited from the diversity of products and services offered within the Group. The prudent and strategic diversification over the years has thus borne fruit, giving the Company the strength to be resilient

on the future of the country and our conviction of the potential of the tourism industry, merited a shift of focus towards the expansion of the Group's resort portfolio within Sri Lanka. Having expanded our footprint in the leisure sector across the region and beyond in recent years, the time is now opportune to capitalise on the new opportunities available in Sri Lanka.

Tourism

With the prospects of a growing Sri Lankan market triggering a shift of emphasis towards strengthening our presence in the country, we have fast tracked the Group's expansion plans in the tourism sector. As a corporate that

“The prudent and strategic diversification over the years has thus borne fruit, giving the Company the strength to be resilient during unexpected downturns which could overwhelm corporates that are not geared to meet such situations”

during unexpected downturns which could overwhelm corporates that are not geared to meet such situations.

With the ending of the three decade long war, Sri Lanka is optimistic of being able to exploit the advantages of a peaceful, stable and unified nation amidst widespread global pessimism. As expected, the dawn of peace led to a resurgence of economic activity across the country, including the North and East, and improved international investor confidence in the ability of Sri Lanka to achieve high economic growth. This improved confidence is clearly evidenced by the fact that Sri Lanka has been listed by several leading global publications as one of the best destinations to visit in 2010.

The dramatic change in the investment climate resulting from the end of the war, coupled with renewed optimism

has pioneered innovative tourism product offerings in Sri Lanka with ten award winning properties, Aitken Spence is uniquely positioned to reap rich dividends from the expected boom of tourist arrivals to Sri Lanka. In view of these developments, we are optimistic and confident that the Tourism sector will be the key engine of growth for the Group over the next few years.

Emphasising our confidence in the future of the tourism sector, the holding company of the Group's hotels, Aitken Spence Hotel Holdings PLC., successfully concluded a rights issue to raise equity funding of Rs. 2.5 billion in order to finance some of the high priority expansion projects including those in the North and East. In addition to the projects in Sri Lanka, a small portion of the funds will be utilised for the development of a unique

resort with floating villas in Kerala, South India, in a joint venture with an Indian partner.

Our Heritage properties as well as most of our other properties in Sri Lanka were refurbished and maintained at optimum levels even when the industry was in the doldrums. The Tea Factory was brought under the Heritage brand during the year following a complete upgrade. As such, Aitken Spence is well prepared and poised to take advantage of the expected increase in tourist arrivals during 2010/11.

Key projects rolled out during the year include the conversion of Neptune Hotel, the Group's first ever resort property, into a sixty four roomed specialised ayurveda and wellness resort, due to open in December 2010. The Group acquired the ninety four roomed Ramada Resort, formerly known as Golden Sun Resort, in Kalutara which was managed by us since 1998. This resort will be refurbished and upgraded in the near future so that it can command a higher price for the excellent value it offers to the traveller. We also intend developing the 100 acre beachfront property at Nilaveli as a priority project. We are in the process of evaluating a number of options before deciding on the final development plan at Nilaveli which would be aimed at harnessing the maximum value of this prime property. Also in the pipeline is a hotel in Jaffna where there is presently a dearth of high quality accommodation for both international and domestic travellers.

The tourism industry is vitally important to the economy both as a source of direct and indirect employment for a large number of Sri Lankans and as a valuable foreign exchange generator for the country. Therefore, it is desirable that both the government and the private sector work hand in hand to ensure the sustainable growth of the tourism industry. The increased arrivals can be translated to long term growth only through a well planned and cohesive tourism development strategy. The responsibility for the implementation of this strategy

should be jointly shouldered by the government and the private sector. Further, the country's infrastructure ought to be improved in tandem to support the demands of the modern traveller, while the construction of large scale properties providing quality accommodation should be encouraged via investment incentives, in order to gain economies of scale.

The performance of the Group's resorts in the Maldives was satisfactory during the year as the world recovered from the recession. By the end of the year the Maldives and in particular our resorts, were enjoying heavy demand and high occupancy rates, although the average room rates declined. An increase in average room rates is expected in the coming year. Maldivian authorities are considering a new regime of higher lease rents as well as the introduction of new taxes and as one of the largest international resort operators in the country we hope that conditions conducive to investment and operations will continue in the future.

The destination management segment grew from strength to strength, as tour operators welcomed the dawn of peace in Sri Lanka by increasing their volumes. The segment continues to pursue new markets even as the visitor arrivals from its traditional markets in Europe continued to improve.

Increased tourist arrivals to Sri Lanka have resulted in the hotel industry being able to increase room rates. Whilst this would no doubt benefit the earnings of the hotel industry, it could also result in travellers finding Sri Lanka an unattractive destination in terms of price. In order to preserve its competitiveness as a destination, Sri Lanka has to aspire to be more competitive with regional destinations by giving priority to fine tuning a diversified, high quality tourism product which would tangibly justify the increase in rates, as well as attract an assortment of travellers. We also hope that the government would favourably consider a proposal by the travel industry advocating an open skies policy, which

*Off to a quick start...**Managing Director's review*

would facilitate more airlines and charter flights to the country. It is vital that the world's major airlines fly to Sri Lanka on a regular basis for the long term development of the tourism industry. The country will truly benefit from such a policy and it is essential that it is accompanied by the liberalisation of ground handling and catering services.

The General Sales Agents for Singapore Airlines and Kingfisher Airlines have reported losses during the period. The global financial crisis which compelled airlines to reduce the number of flights as well as the increased operating costs had an adverse impact on the profitability of this segment. We are hopeful of improved performance in the coming year. Singapore Airlines has already introduced daily night flights while Kingfisher Airlines may also add at least one additional destination to its present schedule of one flight per day from Chennai.

Aitken Spence takes pride in managing hotels overseas with a portfolio encompassing five resorts in Oman and five in India. The Indian properties enjoyed a stable year and the Group's sixth managed property in India will commence operations shortly in time to offer its services during the Commonwealth Games. The profitability in the Oman market reduced this year due to the economic uncertainties in the Middle Eastern hub Dubai, with an almost 30% drop in occupancy. The Group continues to explore new opportunities for management of hotels in other regions, including those in which we already have a presence.

Cargo Logistics

A consortium comprising of Aitken Spence and China Merchant Holdings International – one of China's largest port operators and a company listed on the Hong Kong Stock Exchange- was the sole bidder to design, build and operate the South Container Terminal development project at the Port of Colombo. Negotiations with the government of Sri Lanka are now at an advanced stage

and are expected to reach a successful conclusion during the coming year.

Beyond our shores, the maritime sector continues to entrench itself on the African continent; our scope widened during the year with the award of a ship planning contract involving several South African ports, in addition to the existing port efficiency enhancement operations.

The integrated logistics segment enjoyed a successful year, during which it also made several investments in expanding its container freight station and warehousing facilities. This organic growth has set the segment on a strong footing to fast forward its activities in the coming year, as an improved business climate and easing global recession enable an increase of rates and greater volumes.

The freight forwarding segment had a very challenging year with profitability in certain business lines declining which was offset through the exceptional contribution made by the express and supply chain segments. As economic activity accelerates in the North and East the segment's strong credentials of superior terrain knowledge and its experience in the region even during the war years, has made it a preferred choice for those seeking reliable distribution solutions in these areas.

The European Commission's proposal to temporarily withdraw the GSP+ preferential tariff benefits is of much concern to the Group, given the exposure of its Freight and Cargo segments to the apparel, tile and ceramic industries which would be affected. We are hopeful that the government will take necessary steps to prevent the removal of GSP+ thereby preventing any adverse impact on the economy.

Strategic Investments

While our power segment has performed well given the constraints in the industry, we do observe that growth potential in Sri Lanka seems limited in the immediate

future. We are disappointed that despite a government policy of awarding all power projects to private sector independent power producers, no such projects have been initiated over the past 5 years. In light of these developments, we are of the view that the time is appropriate for us to venture overseas and utilise our expertise in the region. In addition, the Group continues to pursue green energy projects and other alternative sources. We have already commenced a 2.5 MW hydropower project in Matale and are developing a wind power plant.

of Talawakelle Teas Estates PLC, to the Hayleys Group who were the managing agents in keeping with our policy of only owning companies in which we have control of management.

The printing segment which has made several enhancements to its technology and capacity, consolidated its strengths during the year. The segment concentrated on high-end printing jobs to complement its packaging and enhanced its marketing activities. A capacity utilisation study was carried out to identify where greater volumes could be achieved. The segment has also recognised the fact that its present location and

“The integrated logistics segment enjoyed a successful year, during which it also made several investments in expanding its container freight station and warehousing facilities.”

Returns from our plantations companies have been disappointing with heavy pressure on their bottom lines due to a wage increase that took retrospective effect. It is important that to be truly competitive, the industry must be allowed to be driven more by market dynamics than by socio-political influence. The effects of global warming are a growing concern, as changing weather patterns have created havoc with traditional plantation schedules. In addition to its tea and rubber bases, the Group is forging ahead with its palm oil segment, which is likely to deliver a healthy rate of return in the long term. The Group's venture into the palm oil segment has already yielded very encouraging returns.

Shortly after the year end we divested our stake in Hayleys Plantation Services Ltd, the holding Company

plant do not facilitate long term expansion plans and is therefore considering alternatives for relocation.

The apparel segment enjoyed a successful year as major buyers returned with a substantial volume of orders. The segment renegotiated prices and improved production efficiencies which enabled it to achieve an encouraging performance. The segment's current customer profile consists mostly of US buyers and it is therefore unlikely to face the brunt of a GSP+ withdrawal.

Services

The inward money remittance business recorded an excellent growth in volumes although its profitability declined due to global trends. We are optimistic that

Off to a quick start...

Managing Director's review

the year ahead will show an improvement. The North and East which attract large volumes of remittances from Europe and North America have seen increased funds being sent through formal channels with the end of the war. Our expansion plans in the coming year will therefore focus on the newly opened regions.

The Group has seen vast benefits from operation and maintenance (O&M) services provided to the power generation segment, with all three power plants generating significant cost savings. The O&M segment focuses on achieving a high degree of reliability through enhanced technical and operational support. Since this segment is now established and experienced, it is seeking

Internal Strengths

The financial shared services centre launched last year, has made significant progress – with the majority of Gsroup companies now under its umbrella. The synergies of shared services have enabled the Group to achieve cost and operational efficiencies. The centralised division has also enabled greater visibility of subsidiary activities at the corporate centre. Relevant activities in the rest of the subsidiary companies, including overseas operations, will be taken over by the centre during the coming year.

The Group continues to focus on modernising its IT infrastructure and systems; we will constantly seek ways of speeding up group-wide reporting by means

“I am proud to note that Aitken Spence did not have a requirement to downsize its operations over the past two years. Moreover, we have persisted with providing ample training and educational assistance to our employees...”

opportunities to make its services available to third parties both locally and overseas.

Our OTIS elevator agency has consistently bettered its performances year on year, a trend that continued this year. The segment's maintenance contracts comprise a major revenue stream while it is poised to benefit from a boom in small and medium-scale construction projects that are expected in the country.

The Lloyds insurance agency showed steady growth and is optimistic of exploiting the opportunities presented through the impending North and East development. The insurance brokering arm has successfully commenced servicing niche clientele outside the Group.

of automation and technology. As we fast forward our activities in the coming year, priority will be given to an IT strategic plan geared towards creating a paperless office and an improved management information system. Fundamentally, the strategy would integrate more robust IT security controls and an effective disaster recovery plan.

In order to further strengthen our internal control systems, Aitken Spence will also fine tune its internal audit function which would focus on strengthening systems and processes.

I am proud to note that Aitken Spence did not have a requirement to downsize its operations over the past

two years. Moreover, we have persisted with providing ample training and educational assistance to our employees, to ensure their personal and professional development. Today, we have been vindicated as our pool of talent is equipped and eager to deliver the results we seek. I believe that the environment created in our new premises “Aitken Spence Tower II” has also had a positive influence on employee morale. During the year, the majority of the Group’s Colombo-based operations took up residence at the modern, spacious building which has been designed to be environmentally sustainable and built to world class standards.

The Group made a number of strides this year in order to further institutionalise its commitment to sustainable development. We developed an integrated sustainability policy that facilitates the achievement of Millennium Development Goals and the principles of the UN Global Compact. As part of the commitment enshrined in the policy, the Group will include the Global Reporting Initiative’s (GRI) sustainability reporting framework in its Annual Reports from this edition onwards. It is noteworthy that the integrated sustainability policy and its implementation, including the application of the GRI Framework, have been driven exclusively by internal expertise.

Appreciations

During the year, two key members of the management board resigned from the services of the Company, I wish to place on record the yeomen contributions made by Mr. Chethiya Perera who, as the CEO of the Adaaran chain of resorts played a major role in building the Maldivian resort sector and Mr. Indrajit Abeywardene who headed the printing sector of the Group and served the Company for over thirty years. We wish them all success. I warmly welcome Mr. Vipula Gunatilleka as the Chief Corporate Officer who joined us during the year, bringing with him solid corporate credentials.

I must place on record my appreciation of my colleagues on the Board, whose input has been valuable to me and my management team. Our many stakeholders – customers, business partners, suppliers and communities – have placed their faith in Aitken Spence during good times and bad; their confidence in us is indeed heartening to note and rewarding.

Above all, I extend my sincere gratitude to the members of the Aitken Spence team – who have faced one of the most challenging years with an undying spirit and commitment to win. Driven by a shared vision, our employees have amply demonstrated that collective action can and will empower them to reach higher goals.

I look ahead with anticipation to the current year which promises to be an exciting one at Aitken Spence as we fast forward our expansion and lead the country’s emergence into a new era of economic strength.



J.M.S. Brito

Deputy Chairman and Managing Director

26th May 2010

Board of Directors



Mr. D.H.S. Jayawardena



Mr. J.M.S. Brito



Dr. R.M. Fernando



Mr. G.M. Perera



Dr. P. Dissanayake



Mr. G.C. Wickremasinghe



Mr. C.H. Gomez



Mr. N.J. de Silva Deva Aditya



Mr. V.M. Fernando



Mr. R.N. Asirwatham

Board of Directors

Mr. D.H.S. Jayawardena

Mr. Harry Jayawardena is one of Sri Lanka's most successful businessmen and heads many successful enterprises in very diverse fields of activity. He is the founder Director and current Chairman/Managing Director of the Stassen Group of Companies – a diversified group in exports and imports trade, and Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC., and Lanka Bell (Pvt) Ltd., and a Director of Hatton National Bank, the largest listed bank in Sri Lanka. Mr. Jayawardena is presently the Honorary Consul for Denmark and on 9th February 2010, was knighted by Her Majesty the Queen of Denmark with the "Knight Cross of Dannebrog".

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

Mr. J.M.S. Brito

Mr. Rajan Brito is a Law Graduate of London University, a Fellow of the Institute of Chartered Accountants of England and Wales and has obtained a Master's Degree in Business Administration from the City Business School, London. Together with this multi-disciplined knowledge, he also brings with him a wealth of 25 years of international experience working with Price Waterhouse - London, British EverReady PLC., Minmetco Group, World Bank and PERC. Presently Mr. Brito is the Chairman of the Development Finance Corporation of Ceylon and the DFCC Vardhana Bank. He is a former Chairman of Sri Lankan Airlines and was a non-executive Director of Sri Lanka Insurance Corporation and the Strategic Enterprise Management Agency and the Task Force for Rebuilding the Nation.

Mr. Brito was appointed to the Board of Aitken Spence PLC., in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.

Dr. R.M. Fernando

Dr. Rohan Fernando who heads Plantations and Business Development holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow from the Chartered Institute of Marketing UK. He has extensive experience in the plantation industry and played a key role in the plantations privatisation programme. He was the past Chairman of the Planters' Association of Ceylon and was also a Director of the Rubber Research Institution of Sri Lanka. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

Mr. G.M. Perera

Mr. Gehan M. Perera heads the Travel sector in the Group. He is on the board of the Sri Lanka Tourism Promotion Bureau and also serves in the committee of the Ceylon Chamber of Commerce. He is a Past President and an Honorary Member of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He was a member of the Tourism Cluster facilitated by USAID. He is a Fellow of the Australian Institute of Management.

Dr. P. Dissanayake

Dr. Parakrama Dissanayake, Chairman/CEO Maritime Logistics, is a former Chairman of Sri Lanka Ports Authority and also a former Chairman of state owned Jaye Container Terminals Ltd., and Sri Lanka Port Management Consultancy Services Ltd.

Dr. Dissanayake who has served on the UN/UNCTAD Panel as an expert on Ports & Shipping is a past Chairman of the Central Advisory Council of Sri Lanka Transport Board and a Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat. He is a member of the Faculty Industry Consultative Board – Dept. of Transport & Logistics Management of the University of Moratuwa.

He is also a Past Chairman of the Institute of Chartered Shipbrokers and past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch), and is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers and Contribution to society Award by PIMPA of the University of Sri Jayewardenapura and Services rendered to Shipping Industry by Ceylon Association of Ships' Agents.

Mr. G.C. Wickremasinghe

Mr. G.C. Wickremasinghe started his career in 1954 on an Aitken Spence managed plantation. He has therefore had an unbroken association of over 55 years with the Company. After over a decade as a professional planter he moved to the Company's Head Office in 1965 to take over the Estate Agency Department. In the early 70's, he also took charge of the Insurance Division and the Singapore Airlines Agency. When the Insurance industry was liberalised in the late 80's, he played an active role in the formation of Union Assurance Ltd., and served a stint as its Chairman.

Mr. Wickremasinghe was appointed to the Board of Aitken Spence PLC., in 1972 and was Chairman from 1996 to 1997. He has been a Director of the Company continuously for a period

of over 38 years. He has a wide and varied experience in many business sectors. Mr. Wickremasinghe has the distinction of being responsible for the concept and construction of the Group's unique theme hotel - The Tea Factory.

Mr. C.H. Gomez

Mr. Charles Gomez is an Investment Banker with over 20 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez also serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence PLC., on 14th May 2002.

Mr. N.J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, an aeronautical engineer, scientist and economist, is a Conservative Member of the European Parliament elected from the SE England. He is Vice President of the Development Committee; ECR Coordinator and Conservative Spokesman for Overseas' Development and Co-operation. He was Co Leader of the Parliament Delegation to the UN World Summit and General Assembly 2006, Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East; - Co Coordinator Assembly of 79 Parliaments of the EU-ACP 2004 and the President EU India Chamber of Commerce from 2005. He was the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government as PPS in the Scottish Office and first Asian born MP to be elected to the European Parliament. He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "Viswa Kirthi Sri Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St George for his global work on poverty eradication.

Mr. V.M. Fernando

Mr. Manilal Fernando who is an Attorney at Law started his practice in his home town in Kalutara in 1972 and was the Secretary of the Bar Association, Kalutara for many years.

He is currently the Chairman of Holcim (Lanka) Ltd., and its subsidiary Companies since 1996. He is also Chairman and or Director of other public listed and private companies. He is a

Trustee of Joseph Frazer Memorial Hospital and Vice President of the Asian Football Confederation.

Mr. Fernando is the Chairman of the Management Committee of the Football Federation of Sri Lanka and FIFA Development Officer in Colombo. Mr. Fernando excelled himself in the field of sports, especially football and held many important positions in the football arena in the Asian region. He has been the Vice President of the National Olympic Committee since 1990.

Mr. R.N. Asirwatham

Mr. R. N. Asirwatham started his career in 1961 as a trainee at KPMG Ford Rhodes Thornton & Company was promoted as a Manager in 1967 and appointed as a Partner in 1972.

Mr. Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further he was the Chairman of PERC and the Chairman of the Bank of Ceylon which were among the other positions held in various listed companies and government organisations.

Presently Mr. Asirwatham is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka, and Chairman of the Steering Committee for the Sustainable Tourism Project, funded by the World Bank for the Ministry of Tourism.

He is also a member of the Presidential Commission on Taxation and a member of the Ceylon Chamber of Commerce Advisory Council.

Presently he serves on the Boards of Ceylon Tea Services PLC., Brown & Co PLC., Lanka Orix Leasing Company PLC., Lanka Orix Financial Company PLC., and Royal Ceramics Lanka PLC.



Board of Management



Mr. J.M.S. Brito



Dr. R.M. Fernando



Mr. G.M. Perera



Dr. P. Dissanayake



Mr. R.E.V. Casie Chetty



Mr. K.R.T. Peiris



Mr. N.P. Nallaratnam



Ms. N. Sivapragasam



Mr. D.V.H. de Mel



Mr. S.M. Hapugoda



Ms. N.W. de A. Guneratne



Mr. S. Ganeshan



Mr. C.M.S. Jayawickrama



Mr. R.G. Pandithakorralage



Mr. D.S. Mendis



Mr. V.M. Gunatilleka

Board of Management

Mr. J.M.S. Brito

See Board of Directors profile.

Dr. R. M. Fernando

See Board of Directors profile.

Mr. G. M. Perera

See Board of Directors profile.

Dr. P. Dissanayake

See Board of Directors profile.

Mr. R. E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC., and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has over 35 years post qualifying experience. During this period he has held very senior and responsible positions in extremely respectable private sector organisations. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He is currently a Member of the Council of the Employers Federation of Ceylon. He was a former Chairman of the Sri Lanka Apparel Exporters Association.

Mr. K.R.T. Peiris

Mr. Rohantha Peiris heads Freight Forwarding, Express and Airline Division and he brings into the industry a depth of knowledge and valuable expertise. He is responsible for various operations in Bangladesh, India, Pakistan and Maldives. He has also been appointed as a Director of American Chamber of Commerce. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them on an advisory capacity. Presently he is a Director of SLFFA Cargo Services Ltd. He is a Member of the Chartered Institute of Logistics & Transport – International and is also affiliated with most of the industry bodies.

Mr. N. P. Nallarathnam

Mr. Niranjana Nallarathnam heads Integrated Logistics. He has many years of experience in managing container depots, container freight stations and third party logistics operations. He was one of the pioneers who lead the way for Aitken Spence to enter to this field and has been an instrumental force in the development and growth of this sector. He is a member of several industry bodies.

Ms. N. Sivapragasam

Ms. Nilanthi Sivapragasam who is the Chief Financial Officer of the Group is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of UK. She is a member of the Statutory Accounting Standards and the Statutory Auditing Standards Committees and serves on the Committees of the Tax, Audit and Financial Reporting Faculties of the Institute of Chartered Accountants of Sri Lanka. She is also a member of the Urgent Issues Task Force which was set up by the Council of the Institute to provide clarification and interpretation on the application of the Sri Lanka Accounting Standards.

She was appointed to the Sri Lanka Accounting & Auditing Standards Monitoring Board in 2009. She is a member of the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division and is also a Member of the Taxation Sub-Committee and Financial & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce. She served her Articles at Ernst & Young Colombo and has over 20 years of post qualifying experience in industry.

Mr. D.V.H. de Mel

Mr. Devan de Mel is the Managing Director of the Power Generation Sector of the Group. He has a Bachelor's Degree in Mechanical Engineering from the Imperial College of Science & Technology, and a Master's Degree in Business Administration from the London Business School, University of London.

Mr. S.M. Hapugoda

Mr. S. Malin Hapugoda heads the Hotel Sector of the Group. He is a professional hotelier counting many years of managerial experience at senior level within several hotel companies and is an Honorary Member (Past President) of the Tourist Hotels' Association of Sri Lanka and a Member of the Tourism Cluster of the National Council for Economic Development (NCED). He is a Fellow of the Chartered Institute of Management, UK. He is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and is a fellow and founder President of the Ceylon Hotel School Graduates Association. He holds a



diploma in hospitality, restaurant and institutional administration from the Rayerson Institute of Technology, Toronto, Canada.

Ms. N.W. de A. Guneratne

Ms. Nimmi Guneratne is the Managing Director of both Aitken Spence Insurance (Pvt) Ltd., and Aitken Spence Insurance Brokers (Pvt) Ltd. She is also General Manager of the Lloyds Agency in Sri Lanka and the Maldives, and also the Chief Legal Officer of Aitken Spence Group Ltd. She is a Fellow of the Chartered Insurance Institute of UK, and a Chartered Insurance Practitioner and holds a Bachelor's degree in Law and is also an Attorney-at-Law. She is a visiting lecturer and examiner in Insurance Law at the Sri Lanka Law College, and is also a lecturer and examiner of the Sri Lanka Insurance Institute. She is the immediate past President of the Sri Lanka Insurance Institute.

Mr. S. Ganeshan

Mr. Sasi Ganeshan heads Aitken Spence Aviation (Pvt) Ltd., GSA for Singapore Airlines and Singapore Airlines Cargo in Sri Lanka. He counts many years of experience in this field and possesses a wide knowledge of the airline and the travel industry.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama an Associate member of the Chartered Institute of Management Accountants UK, is presently the Director General Manager of Aitken Spence Hotels and serves on the Boards of several hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel sector for almost two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He is also a member of the Tourist Hotels Association of Sri Lanka [THASL] Executive Committee.

Mr. R.G. Pandithakorrallage

Mr. Rohan Pandithakorrallage heads Human Resources at Aitken Spence PLC.

He is a Past President of the International Public Management Association for Human Resources – (IPMA-HR) Sri Lanka Chapter and Executive Committee Member of the IPMA-HR Asia Network. He is a founder committee member and a Past President of the Association of Human Resource Professionals in Sri Lanka (HRP). He is the Chairman of the Executive Committee of HRM Awards 2010.

He is a Business graduate of Victoria University of Australia with executive training at NUS Business School in Singapore and has

received extensive management training at Nippon-Keidanren International Cooperation Center (NICC) Japan.

He is a visiting lecturer at the University of Colombo and Ruhuna University. He won the prestigious HR Leadership award at the Asia Pacific HRM Congress (APHRM). He was recognised under the global HR excellence category for the contribution made to HR for the economic development of the country.

Mr. D.S. Mendis

Mr. Dinesh Mendis who heads the Financial Solutions Sector of the Group holds a Bachelor of Science Degree (Magna Cum Laude) in Business Administration specialising in Marketing and Economics from Slippery Rock University of Pennsylvania, USA. During his final year he was chosen as the Outstanding Student in both Marketing and Economics of the University. He also obtained a Master's Degree in Business Administration from the University of Texas, USA. He also worked in the Logistics sector of the Group for 11 years from 1994 to 2005, the last five of which was as a Subsidiary Director. During this period he also served two years in the Executive Committee of the Sri Lanka Freight Forwarders Association and a Director of SLFFA Cargo Services Ltd. He also has international experience working for Circuit City, one of the largest electronics retailers in the USA.

Mr. V.M. Gunatilleka

Mr. Vipula Gunatilleka is the Chief Corporate Officer/Director of Aitken Spence Group Ltd. His professional career in Sri Lanka and overseas spans over twenty years holding senior positions in Dialog Telekom PLC, SriLankan Airlines, General Electric in Australia, EDS Group in Singapore and Hayleys PLC.

Prior to joining Aitken Spence, he worked as the Chief Financial Officer of Dialog Telekom PLC & as a Director of Dialog Broadband and Dialog Television. He was a key member of the Dialog's leadership team responsible for the re-structure of the company and was instrumental in implementing many key strategic initiatives to turnaround the company.

While at Sri Lankan Airlines as the Chief Financial Officer/Acting CEO, he played a vital role during the management transition of the National Carrier from Emirates to the Government of Sri Lanka.

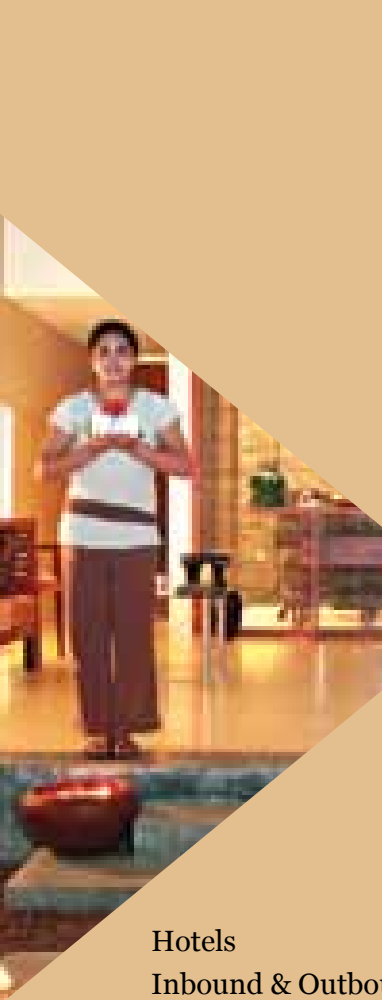
He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow Member of the Chartered Institute of Management Accountants of UK (FCMA) and Fellow Certified Public Accountant of Australia (FCPA), and holds a MBA from the University of Colombo and a GE Trained Six Sigma. He currently serves as a member of the CIMA Sri Lanka Governance Board.

CARGO LOGISTICS

Freight Forwarding
Courier
Integrated Logistics
Maritime Transport

SERVICES

Inward Money Transfer
Operation & Maintenance of Power Plants
OTIS Elevator Agency
Insurance
Property Management



Hotels
Inbound & Outbound Travel
Airline GSA

TOURISM

Power Generation
Printing & Packaging
Garment Manufacture
Plantations

STRATEGIC INVESTMENTS



Sector Review

fast forward!



Each of our sectors has performed well in the year under review. Our next step will be to look at how we can significantly improve their performance in the light of the new business environment we operate in. To this end we have planned major investments into several key sectors especially Tourism, which is set to grow exponentially in the years ahead.

Tourism Sector

Hotels

Inbound & Outbound

Travel

Airline GSA

TOURISM

The Sri Lankan tourism industry made a strong rebound in 2009/10 with an average 20% growth in monthly arrivals since the end of the war in May 2009. Total arrivals in 2009 stood at 447,890 compared with 438,475 in 2008. With Western governments revoking travel advisories, tourists from traditional markets such as the UK and Germany returned to Sri Lanka, while impressive growth was recorded in arrivals from new markets such as the Middle East, India and North America.

The industry has recorded encouraging statistics during the first quarter of 2010; 160,409 arrivals which is an increase of 50.3% over the 106,702 arrivals recorded during the same period last year. Earnings from tourism during the period stood at USD 141.2

“The growth in arrivals to Sri Lanka will predominantly be led by the leisure-based tourism segment, and Aitken Spence, which has a strong resort portfolio to serve the leisure-oriented travellers, can potentially reap the benefits of the expected upturn.”

million up by 69.5% in comparison to the first three months of 2009. By end 2010, the Ministry of Tourism forecasts a total arrivals figure of 600,000 with earnings reaching USD 600 million compared with USD 384 million in 2009. During the last two quarters of 2009/10, hotels across the country reported full occupancy and it is expected that by winter 2010, demand will push hotel rates higher.

In this backdrop, the sector experienced a vastly improved performance in 2009/10 offering bright prospects for the Group’s traditional base of tourism. A significant increase in the operational profit from the sector was witnessed over the previous year, driven by the improved performance of the Sri Lankan resorts and the destination management activity. However, the impact of this is not directly reflected in a comparison of the reported profits of the sector with the previous year’s results which included the profit from the sale of Bathala Island Resort in the Maldives. The sector recorded a profit before tax of Rs. 791.4 million for the year compared to Rs. 910.0 million achieved the previous year. The revenue growth of the sector was 13.8% for the year. 35.3% of the total asset base of the Aitken Spence Group amounting to Rs. 13.1 billion is held by the Tourism sector.

The prudent strategies adopted by the management and in particular the hotels segments have positioned the Group well to harness the benefits of the present market conditions.



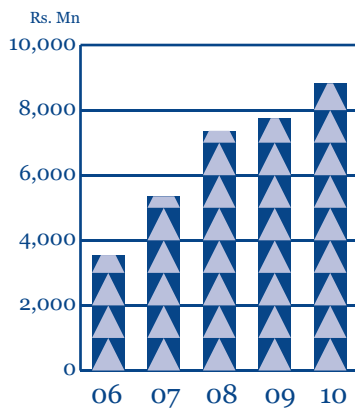
Revenue
Rs. 8.8 bn.

Profit before tax
Rs. 791.4 mn.

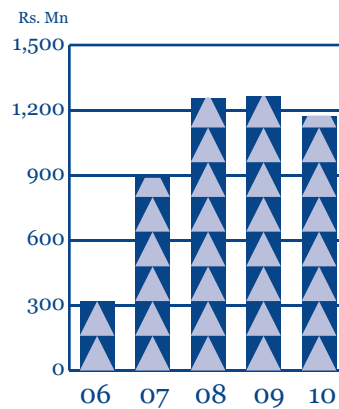
*Contribution
to Group profit*
23.6%



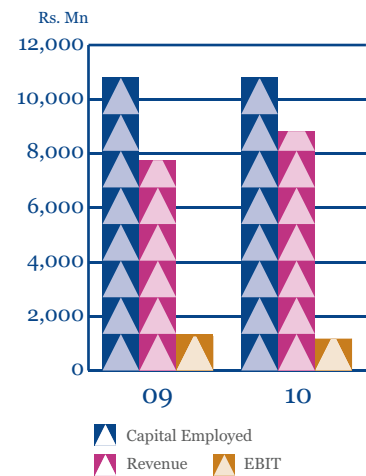
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Tourism Sector



Tourism Sector

During the many difficult periods experienced by the tourism industry in Sri Lanka throughout the past few years, Aitken Spence Hotels followed a policy of deployment of its resources to seek growth opportunities within the region while continuing to invest in Sri Lanka by refurbishing and upgrading the standards of its properties. This long term strategy has resulted in the majority of the Group's properties being ready to cater to the expected surge in arrivals. The growth in arrivals to Sri Lanka will predominantly be led by the leisure-based tourism segment and Aitken Spence, which has a strong resort portfolio to serve the leisure-oriented travellers, can potentially reap the benefits of the expected upturn. As the industry grows, it is also prudent to expand our offering within Sri Lanka in the near to medium term by covering the regions where we have not yet established a

“The prudent strategies adopted by the management and in particular the hotels segments have positioned the Group well to harness the benefits of the present market conditions.”

strong presence. Therefore, the Group will pursue possible developments in the northern and eastern regions as well as in other parts of the island during the coming years.

The Group's present portfolio is led by Heritance Kandalama and Heritance Ahungalla, which recorded a substantial turnaround in performance in 2009/10. Heritance Ahungalla has acquired market acceptance as the premier beach resort, as evident in its performance. During the year the third Heritance property namely, Heritance Tea Factory, opened in December 2009 after a complete design overhaul. Demand for this unique property has already risen sharply, aided by excellent guest reviews following its refurbishment.

While the readiness of the Heritance and Aitken Spence resorts and the sentiment in Sri Lanka will be key reasons for the anticipated growth in performance in 2010/11, the global economic recovery will also play its part in adding to the tourist arrivals. The European market which has been lagging is expected to rebound in the coming year, while new markets such as Eastern Europe, the Middle East and Asia will continue to grow. 2010/11 is also expected to bring in a 25% to 30% increase in rates, which will contribute to a positive bottom line.

Several refurbishment and construction projects will also continue through 2010; primary among these is the conversion of Neptune Hotel to the fourth Heritance property



‘Heritage Maha Gedera’ an authentic ayurveda and wellness resort earmarked for launch in December 2010. Construction work in the pipeline includes a high-end resort adjoining Heritage Ahungalla and the upgrade and possible expansion of Ramada Resort, Kalutara – a 94 room property on five and a half acres of beachfront land, which the Group acquired in March 2010.

The performance of the Group’s overseas hotels has been mixed in 2009/10.

The Maldives, where the Group operates its Adaaran chain of resorts suffered during the previous year with a sharp drop in arrivals due to the effects of the global recession – a dip that continued into the first few months of this year. A sharply improved performance was recorded towards the end of the year with consistently climbing occupancy levels. The Maldivian segment therefore recorded an excellent late turnaround which enabled the achievement of a financial performance above the industry average. The gradual improvement of conditions in Europe will place Maldives on its way to recovery, which has also begun attracting Asian travellers from markets such as China. It is hoped that

Tourism Sector

the expected turnaround in arrivals and occupancy in the Maldives would also lead to an upward revision of the rates being commanded by the resorts.

The Groups' Adaaran properties are also well positioned to capitalise on an upsurge as they have all been recently refurbished and do not require any further capital investment in the short term. An immediate concern in the Maldives is a proposed new taxation that may influence operations; the Group is awaiting a clear direction on the proposal and is hopeful that conditions conducive to investment will remain.

“Aitken Spence Travels continued to be the number one destination management company in Sri Lanka, increasing market share to almost 30%.”

Oman, where the Group manages five properties, suffered a 20% drop in occupancy during the year, arising mainly from the economic crisis in Dubai; a gradual upturn is expected in the coming months. With the launch of Oman Air services to Sri Lanka, the division has begun strategically promoting exotic three-destination combination packages to the Oman market, capitalising on its wide product portfolio.

The hotel management operations in India had a stable year with a proposed 130-roomed hotel property in New Delhi expected to come on board during the next financial year. The Company has plans to launch a luxury resort with floating villas in Kochi under the Heritance brand in 2011.

In both India and Oman, the Group will continue to pursue opportunities to utilise its well tested management model. Similar projects in the Indian and Middle Eastern regions will enable the Group to achieve the desired economies of scale in its operations.

2009/10 was a landmark year for the destination management business. The easing of domestic security concerns led to buoyant tourist arrivals. Aitken Spence Travels continued to be the number one destination management company in Sri Lanka, increasing market share to almost 30%. It must be noted that even during the war, this segment gained market share year on year, doubling its business through strategic foresight. The path of growth maintained over the years enables the segment to be well positioned to take advantage of any new developments as they arise.

The Company pursued its strategy of exploring new markets such as Eastern Europe, Asia and the Middle East during the year, even as the traditional markets such as the United Kingdom and France returned to Sri Lanka – a combination that led to accelerated growth.

Once again, Aitken Spence Travels (Pvt) Ltd., was adjudged as the Best Destination Management Company and Ace Travels and Conventions (Pvt) Ltd., the Best Conference Organiser at the Presidential Awards for Tourism as recognition of their excellent service standards and contribution to the tourism industry.

It was a difficult year for the airline GSA business, with airlines across the world continuing to face hardships to remain profitable due to reduced airfare and intense competition. Singapore Airlines which due to security reasons, switched to operating daytime flights from May 2008, reverted to their night time operations from August 2009. The global recession which hit the travel industry badly, forced Singapore Airlines to curtail operations to many destinations worldwide and flights to Sri Lanka reduced from seven to five flights weekly from February 2009. In a positive development, Singapore Airlines resumed daily flights from March 2010, making it more attractive to the business class traveller as well as for cargo operations.

The Group's excellent thirty eight year relationship with Singapore Airlines makes it the longest standing GSA in its network. It must also be noted that Singapore Airlines has also been one of the few operators to continuously maintain flights to Sri Lanka even during the height of the war, although almost all other operators temporarily moved out of the country.

Kingfisher Airlines which came on board in January 2009 experienced a difficult year with two flights per day to Chennai and Bangalore being reduced to one flight to Chennai. It is hoped that 2010/11 will see the reintroduction of the Bangalore flight as well as the addition of another South Indian destination.

Tourism Sector Senior Management Team



Mr. R. Subramaniam



Mr. D.D.A. Soza



Mr. S.K.R.B. Jayaweera



Mr. G.P.J. Goonewardene



Mr. H.P.N. Rodrigo



Mr. S.T.B. Ellepola



Mr. N.A.N. Jayasundera



Mr. P.L. Perera



Mr. N. Ratwatte



Mr. D.J. de Cruz



Mr. R.S. Rajaratne



Mr. D.L. Warawita



Mr. M.P. Wijesekera



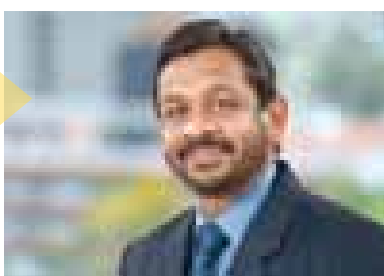
Mr. B.H.R. Sariffodeen



Mr. M.H. Jayah



Mr. J.T.P. Gonawardana



Mr. D.D. Perera



Mr. A.A.H.M.M. Ali



Mr. T.D.U.D. Peiris

Cargo Logistics Sector

Freight Forwarding
Courier
Integrated Logistics
Maritime Transport

CARGO LOGISTICS

The cargo logistics industry continued to be affected by the global downturn in 2009; with significant contractions in volumes in almost every segment together with continuing pressure on prices. The number of vessels calling at Port of Colombo reduced by 7.4% from 4,814 to 4,456 with total container traffic down 6% from 3.69 million TEUs (twenty foot equivalent unit) to 3.46 million. 46.37 million metric tonnes of cargo were handled at the Port of Colombo, a drop of 3.3% over the previous year's 47.96 million metric tonnes.

In this environment, Aitken Spence reported a noteworthy performance, surpassing the industry across all segments. The organic growth achieved by year end superseded the

“The industry has already seen a remarkable turnaround in 2010 with container volumes rising by 27.6% in the first quarter of the year to 994,480 TEUs compared with 779,604 in the same period last year.”

expected targets and the sector is optimistic of growth in the coming year. The industry has already seen a remarkable turnaround in 2010 with container volumes rising by 27.6% in the first quarter of the year to 994,480 TEUs compared with 779,604 in the same period last year. March 2010 saw the Colombo port recording its highest ever container throughput of 360,797 TEUs, a positive indication of the year ahead.

The Cargo Logistics sector recorded a profit before tax of Rs. 630.4 million for the year. This was a 14.5% increase over the profit before tax recorded in 2008/09 of Rs. 550.8 million. The sector accounted for a total asset base of Rs. 4.5 billion which amounts to 12.1% of the total asset base of the Group. The sector invested Rs. 705.2 million in property plant and equipment during the year which was a substantial increase over the previous year's investment of Rs. 211.4 million.

The integrated logistics segment continued its growth pattern and has more than doubled its business during the past five years, by capitalising on its diverse portfolio of services and improving its competitive advantage. The division consists of the depot operations, container freight station, warehousing, mobile storage, transportation, container repairs, zone operations and the specialised movement of over-dimensional cargo. This extent of diversification has enabled the division to be relatively resilient to market volatility.

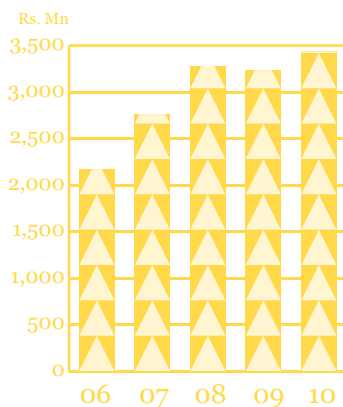
Revenue
Rs. 3.4 bn.

Profit before tax
Rs. 630.4 mn.

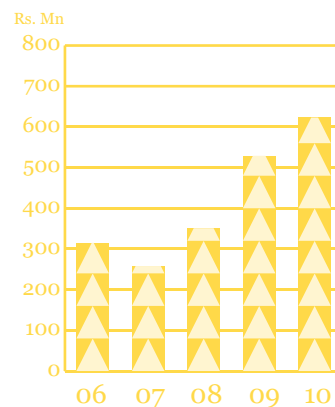
Contribution
to Group profit
18.8%



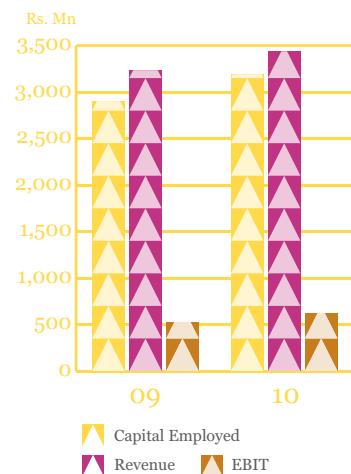
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Cargo Logistics Sector



Cargo Logistics Sector

The segment strengthened its leading position in container depot operations despite continuous pressure from shipping lines to reduce rates. The resultant pressure on rates was compensated with increased volumes; although this trend is expected to be reversed in 2010/11 with rates adjusting upwards to reflect market demand. The multi country consolidation operations outside the Port of Colombo had a full year of activity and has contributed substantially to the performance of the segment. The container transport business was expanded with additional equipment to cater to new opportunities. The container repair segment benefited from lower raw material prices including steel and reported an improved performance. The warehousing segment showed a marked

“It was yet another positive year for the Aitken Spence Maritime segment which had a successful year of operations. Over the past three years, the segment has more than doubled its profitability.”

improvement in performance in the backdrop of a confident business climate in Sri Lanka. Importers who made sharp cuts in their inventories in the previous year and the first half of this year began increasing their stocks as optimism grew in the post-war scenario.

The operations within the Katunayake export processing zone returned to a satisfactory performance, growing its business through a series of newly acquired clients. The new business helped offset the loss of volume resulting from the fallout of the global recession.

Aitken Spence Logistics strengthened its position as the largest Sri Lankan logistics provider investing over Rs. 664 million in capital expenditure during the year. The main investments were made to acquire a modern warehousing complex in Wattala, upgrade the container yard in Mabole and for the procurement of additional equipment and vehicles. Similar investments are planned for 2010/11 as the segment seeks to reap the potential of the growing Sri Lankan market with several large scale infrastructure projects in the pipeline and the expected growth in the economy with the contribution of the gradual opening up of the North and East markets. The segment is also looking for opportunities to diversify into overseas markets.

It was yet another positive year for the Aitken Spence Maritime segment which had a successful year of operations. Over the past three years, the segment has more than

doubled its profitability despite the downturn in shipping and port operations due to the continuing global recession.

The overall decline in the import and export volumes of the country witnessed during the year also affected the liner shipping agency business. However, the segment was able to marginally increase its profitability due to soliciting new business by way of casual callers and project cargo vessels.

The port efficiency enhancement activity in South Africa was also able to secure a ship planning and mentorship project covering the Ports of Durban, Cape Town and Ngqura in addition to the port efficiency enhancement operation in the country. This project is a groundbreaking opportunity for Aitken Spence to provide its expertise to the South African ports in the areas of yard, terminal and ship planning.

The segment entered into a strategic partnership with the largest maritime education and training facility in Sri Lanka to complement the operations in South Africa. The feasibility of launching a maritime campus overseas is currently being evaluated.

The freight forwarding segment began the year on a negative note with the continuing recessionary conditions depressing overseas markets. Key Sri Lankan exports, particularly apparel, were affected by the downturn in the US and Europe, leading to substantial reductions in volumes during the first half of the year. Faced with tight pressure on its core product, industry players both local and international reacted with price wars, cost management and rationalisation of operations to remain competitive. Throughout the year, Aitken Spence stayed ahead of the industry and managed to retain greater market share while volumes were shrinking. The latter half of the year saw a growth in exports as the world economy slowly moved towards a recovery and the segment is optimistic of an improved performance in the coming year. The segment also focused in greater degree on ensuring the proper control of its operations including careful monitoring of receivables in order to ensure minimal risks to its operations.

The express segment overcame many challenges during the year to end on a high note, with the year ahead expected to mark a positive turnaround. Heavy pressure on import and export volumes, led by the woes of tea and apparel industries, compelled the company to pursue a vigorous sales and marketing strategy. As always, support was provided by the principal, TNT Express, which also faced similar pressures as its key European markets suffered tremendously. The global mail product Spring, a niche product, had a fairly stable year as it operates in an industry which is mostly insulated from market conditions and therefore is not prone to volatility. However, growth in this segment is limited as the industry has reached near saturation.

The supply chain segment, which expanded its scope to provide integrated services from origin to the customer's doorstep, recorded a noteworthy performance during the

Cargo Logistics Sector

year. It was also successful in retaining two exclusive commercial contracts from the telecommunication sector which improved its performance. The segment having persisted with serving customers in the Northern and Eastern regions during the war years, had a unique position of having gained valuable terrain knowledge. As a result, the segment was entrusted by several diplomatic missions and international NGOs to handle cargo destined for the internally displaced persons (IDPs) in the North and East. With the re-settlement of the IDPs expected to be completed this year, it is anticipated that a new phase of development projects will get underway and the segment stands ready to offer services as a logistics service supplier.

“With the re-settlement of the IDPs expected to be completed this year, it is anticipated that a new phase of development projects will get underway and the segment stands ready to offer services as a logistics service supplier.”

The overseas operations in Bangladesh, Maldives and Pakistan improved their performances year on year, however were still below the Group projections. All three markets faced price pressure and thereby restrained operations. The year ahead will see further consolidation in these three markets while the segment together with its partners are exploring new frontiers in the region.

Re-certification to the new standard ISO 9001: 2008 was achieved by all companies in the Aitken Spence Cargo segment. The segment has also initiated work towards ISO 14001 Environment Management System (EMS) in line with the Group's mission. The segment was involved with several CSR initiatives during the year targeting the needs of deserving people.

Cargo Logistics Sector Senior Management Team



Mr. N.D.F. Perera



Mr. A. Jayasekera



Mr. H.B. Kelly



Mr. F.P. Paiva



Mr. I.S. Cuttilan



Ms. T.D.M.N. Anthony



Mr. A.M.M. Amir



Mr. K. Aluwihare



Mr. J.E. Brohier



Mr. J.M.A. Joseph



Mr. D.R.C. Hindurangala

Strategic Investments Sector

Power Generation
Printing & Packaging
Garment Manufacture
Plantations

STRATEGIC INVESTMENTS

Strategic investments in power generation, plantations, printing and garments contributed Rs. 1.4 billion to the Group's profit before tax. This was in comparison to the profit before tax recorded for the previous year of Rs. 1.5 billion. The total asset base held by the sector at the year end was Rs. 15.1 billion with additions to assets amounting to Rs. 874.2 million during the year.

The power generation segment successfully met its generation targets at all power plants, which helped offset the reduction in tariff rates during the year. Improvements to operations and cost structures have been introduced to all plants and many of these initiatives have resulted in the improvement in profitability.

“During the year, the segment launched a mini hydro project in the hill country - a first step towards the generation of renewable energy. It is also exploring the viability of a wind power generation project.”

Revenue
Rs. 12.0 bn.

Profit before tax
Rs. 1.4 bn.

Contribution
to Group profit
40.3%

During the year, the segment launched a mini hydro project in the hill country - a first step towards the generation of renewable energy. It is also exploring the viability of a wind power generation project. With avenues of expansion in thermal power limited in Sri Lanka due to regulatory constraints, the segment is pursuing opportunities in renewable and alternative energy within the region. It is optimistic of the potential of the North and East where there are opportunities for development.

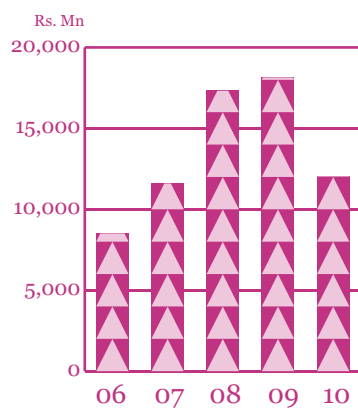
The garment manufacture segment experienced improved performance over the previous year, with recovery in both volumes and revenues. This performance was primarily due to the implementation of effective marketing strategies. The segment has a mix of prestigious US and European buyers, while a greater proportion are supplied to the US market.

The segment is however concerned about the shortage of skilled employees in the trade and the possible withdrawal of any concessions granted by importing countries.

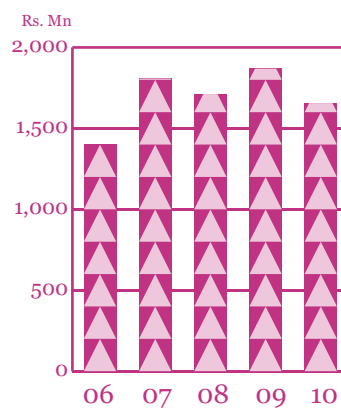
The printing segment consolidated operations during the year, controlling its costs to improve margins and broad-basing its product mix to reflect a better balance of packaging and high quality printing to record almost a 15% growth in profits over the previous year. The capacity of the press was increased during the year with the addition of state of the art equipment to the pre-press and finishing departments.



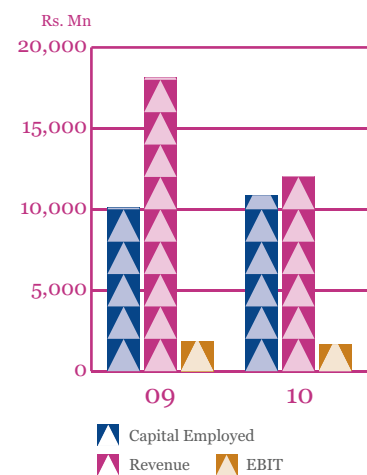
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Strategic Investments Sector



Strategic Investments Sector

Packaging volumes have dropped over the past two years but as world markets emerge from recession, tea exports are set to increase further. The development in the North and East is expected to lead to sustainable growth in the FMCG sector, which would in turn give rise to new opportunities in the coming year.

The year was a challenging one for the plantations industry as a new wage regime came in to force with retrospective effect. The new wage regime caused substantial erosion in the profitability of the Group's plantation interests in Elpitiya Plantations PLC., and Talawakelle Tea Estates PLC. However, the adverse impact of the wage increase was softened by a very attractive commodity market for tea, rubber and palm oil.

While Elpitiya Plantations PLC recorded a marginal profit mainly due to income from palm oil, Talawakelle Tea Estates PLC ended the year recording a loss mainly due to an increased gratuity provision. Elpitiya Plantations PLC was able to perform considerably better than the previous year with production of all three commodities improving over the previous years. Barring any unexpected external shocks, 2010/11 is expected to be a positive year for the plantation sector. Subsequent to the year end, the Group divested its stake in Hayleys Plantations Services (Pvt) Ltd, the owning company of Talawakelle Tea Estates PLC in keeping with the Aitken Spence strategy of only retaining investments in companies where the Group has management control.

A key challenge facing the industry at present is the changing weather patterns due to the effects of global warming. The long dry spells and heavy periods of rain are not conducive to the production of all three crops and therefore pose an additional challenge to the industry. The industry has also been adversely affected by the strengthening of the rupee against major currencies, which has led to lower revenue even though commodities have enjoyed attractive prices.

Elpitiya Plantations PLC, with its investment in a joint venture palm oil mill and expansion at field level is emerging as a company making significant contributions to the palm oil industry. Plans are in place for Elpitiya Plantations PLC to expand its palm oil and rubber coverage in the low country estates where a shortage of labour poses a challenge to the viability of a labour intensive crop such as tea.

The company is also engaged in 'Lifestyle Solutions', a joint venture project with a US partner to produce rubber wood furniture for export. This segment has managed to cut its losses and expects to mark a turnaround in 2010/11 with the active involvement of its joint venture partner. The price of rubber wood is expected to rise in competitor countries during the year, in sharp contrast to the reversals in the previous years.

The company's branded tea 'Harrow Ceylon Choice' experienced improved sales during the year but was unable to convert this into profits due to the high cost of teas used in its blend. Although there is an increase of brand value, long term prospects for Harrow Ceylon Choice tea will depend on the ability to reduce costs and expand distribution.

The company has also exploited opportunities in the hydro power sector by investing in a 1.9 MW power plant at one of its up country estates.

Strategic Investments Sector Senior Management Team



Mr. C.R.F. de Costa



Mr. A.L.W. Goonewardena



Mr. M.S. Mohideen



Ms. R.I.D. Katippearachchi



Mr. S.B.C. Wijedasa



Mr. V.S. Premawardhana



Mr. J.S.A. Fernando

Services Sector

Inward Money
Transfer
Operation &
Maintenance
of Power Plants
OTIS Elevator Agency
Insurance
Property Management

SERVICES

Revenue
Rs. 1.6 bn.

Profit before tax
Rs. 580.7 mn.

*Contribution
to Group profit*
17.3%

The Services sector enjoyed a positive year of growth with a 11.8% increase in revenue and an increase of profit before tax to Rs. 580.7 million compared to Rs. 456.8 million recorded during the previous year. This was an improvement of 27.1%. The total asset base held by the sector was Rs. 4.5 billion with investments made in property, plant and equipment amounting to Rs. 56.2 million for the year.

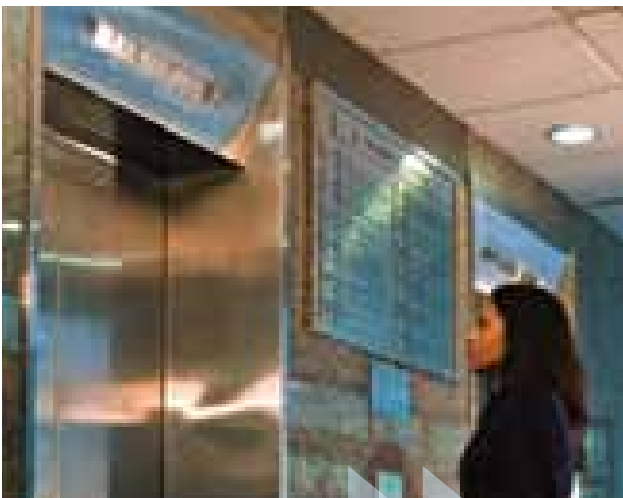
MMBL Money Transfer (Pvt) Ltd., completed another successful year with a 35% growth in transaction volumes driven by steady growth in remittances from the Middle East, North America and Europe. Average revenue per transaction however remained flat with service charges being reduced worldwide, especially in the Middle Eastern markets which experienced financial turmoil during the year.

“The North and East have been identified as the key markets for the near term growth in the inward money transfer business. The company will focus on fortifying its presence in the newly liberated areas.”

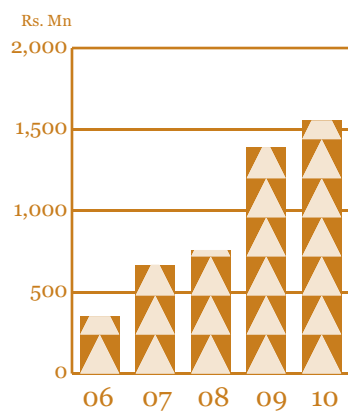
The company’s status as market leader among Western Union principal agents is supported by an agent network that numbers over 2,000 spanning the country, with a strategic presence in rural and semi urban areas to provide convenience to customers. The company will undertake strategic expansion when such opportunities arise while consolidating its current network.

The North and East have been identified as the key markets for the near term growth in the inward money transfer business. The company will focus on fortifying its presence in the newly liberated areas. In the aftermath of the war, MMBL Money Transfer (Pvt) Ltd., became the only private establishment to have a permanent location within the IDP camps to carry out financial service transactions. Increased volumes from the North and East in the coming year should lead to better revenues for the company as these markets are traditionally led by remittances from Europe and North America.

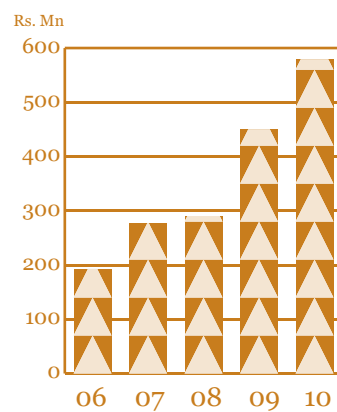
The government continues to consider facilitating inward remittances through legal channels a priority and has undertaken various measures to encourage conversion of the largely untapped illegal market. The state is also focusing on the creation of more, high end expatriate job opportunities for Sri Lankans, which if successful will help generate increased remittances in the future. These initiatives by the government will offer new opportunities for the company to grow in the short to medium term.



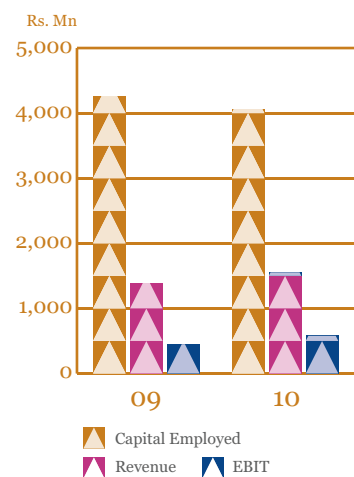
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Services Sector



Services Sector

Operations and Maintenance (O&M) services at the Group's power plants in Matara, Horana and Embilipitiya have generated substantial savings for the Group in the year under review. The Matara and Horana plants have now been brought under the purview of the segment for four years while the O&M of Embilipitiya has just completed its first year of operations. The segment strives to increase plant efficiency and reliability by identifying technical and systemic improvements. The accreditation process is underway at the Embilipitiya power plant to obtain ISO 9001, ISO 14001 and OHSAS certifications already granted to the other two plants. In a bid to expand its activities, the segment is looking at marketing O&M services outside the Group and in the region.

The OTIS elevator agency continued to perform well, with maintenance volumes making a major contribution to the bottom line. The Group's relationship with OTIS – the world's leading manufacturer of elevators and escalators extends over twenty years and is proof of the global giant's trust and confidence in Aitken Spence. With the end of the conflict it is expected that there would be a resurgence in the construction industry and the agency is hopeful of a further improvement in its business activities.

The year began on a high note for the insurance segment with services provided to large scale power generation projects in the country. Work from infrastructure projects as well as the United Nations World Food Programme through increased aid for IDP's continued the segments involvement in the North and East. Pre-shipment surveys for tea exports seeking the Lloyds pre-inspection certification experienced a drop in volumes, as global market conditions made their impact on the tea industry.

The segment's services were sought by Lloyds of London during the year for a specialised survey on an oil contamination claim in collaboration with experts from Singapore. The segment also continues to carry out surveys and claim settlements for Tokyo Marine, Fuji Fire and People's Insurance of China. The segment's operations in the Republic of Maldives is making steady progress with a broader spectrum of services being offered by way of independent inspections and valuations.

Aitken Spence Insurance Brokers, the brokering arm of the Group, consolidated its bases during the year focusing on the portfolio of business generated within the Group and targeting external customers.

Services Sector Senior Management Team



Mr. R.G. Salgado



Mr. M.H.A. Barrie



Mr. A.N. Seneviratne



Ms. W.A.D.L. Silva



Mr. J.V.A. Corera



Mr. G.P.B.N. Gunarathne



Mr. A.E.A. Perera

Our Network





“The Aitken Spence local and global network continues to grow in strength around the world, fuelled by market success and innovation and aided by the strong support of partnerships here and abroad.

We have long been recognised as the best in the island at strategic expansion and planned investments, within identified diversified sectors that are guaranteed to show growth.”

COMMUNITY
ENGAGEMENT



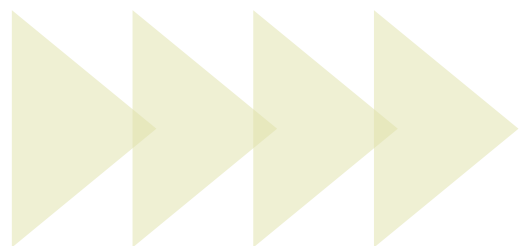
EMPLOYEE
ENGAGEMENT



ENVIRONMENT

Sustainability Report

fast forward!



Creating Sustainable Value

The 2009/10 Sustainability Report gives an introduction to our management approach to corporate sustainability and the substantial progress made by the Group and by individual strategic business units (SBUs) in employee and community engagement and environmental management.

We live in times of major global challenges, such as climate change, resource scarcity, globalisation, financial crises, shifting centres of power and increasing income inequality. How we face these challenges, now, will fundamentally shape the society, the environment and the economy of the future.

Our endurance and success for over 140 years has been characterised as much by the unswerving integrity in how we conduct our businesses, as much as by the pioneering spirit and the operational excellence that set us apart.

With the launch of the Group's corporate sustainability policy, this year has marked a leap in how we approach corporate citizenship. Whilst we retain the ethical values fundamental to our business, we have embraced sustainable development with concerted effort to proactively ensure our long-term viability, profitability and integrity. This

holistic approach looks beyond issues to address all aspects of corporate sustainability in order to create sustainable value to our stakeholders.

Conducting initiatives which comprehensively look at how sustainably we do business across our diverse portfolio is not an easy task; but it is something which we have embarked on with the firm conviction that sustainable business is the business of the future.

Aitken Spence is becoming an increasingly global company; that brings with it responsibilities which we are keen to fulfill. We are committed to protect and promote the principles of the United Nations Global Compact. An indication of our progress in embedding the principles is outlined in the index on page 77. We have integrated the Global Reporting Initiative's (GRI) framework for sustainability reporting at Level C in this report, with the objective of moving to Level B next year.

The company appreciates the leadership and commitment of the Sustainability Team and the respective sustainability committees set up in each SBU in our effort to create sustainable value and a sustainable business.



J.M.S. Brito

Deputy Chairman & Managing Director

26th May 2010

“We understand corporate sustainability as a proactive approach to ensure the long-term viability, profitability and integrity of the business. As a diversified business group operating in several countries, we remain committed to continue our heritage of exemplary corporate citizenship by aligning our sustainability strategies with global initiatives on sustainable development”

Integrated Sustainability Policy

The role of corporate sustainability was widened in scope and influence during the year as the Group harnessed its present sustainability practices and principles into a sustainability policy framework. The framework presents a more structured and formalised platform for the Group’s commitments to sustainability and enables decision makers to better embed the relevant principles into corporate policy.

Presented to the Board of Management during the third quarter of 2009/10, the integrated sustainability policy encompasses a broad spectrum of aspects that affect corporate sustainability – taking a 360 degree view of the impacts to various stakeholders. These include compliance, ethical conduct, environment, community outreach, sustainable processes, governance, stakeholder engagement, quality, customer service, talent management, innovation, safety and health, human rights, information security, continuous improvement and credible reporting.

The policy covers these aspects with clauses, sub clauses and corresponding action points to guide the Group through a tier-based system of gradual implementation. The policy is an inherently dynamic statement and is designed to be reviewed and updated regularly to reflect ground realities.

The policy is being implemented by the sustainability team of Aitken Spence PLC under the overall guidance and direction of the Board of Management and the Board of Directors. The sustainability structure of the Group is a network that encompasses both corporate and subsidiary level engagement to ensure seamless integration of the sustainability policy. Each subsidiary (SBU) has a sustainability sub committee, with representation from across different levels and functions. The team representatives nominated by each subsidiary make up the corporate sustainability team, which is supported by the Group’s business development unit. Information is conveyed to the SBU staff as well as management through the sub committee members. During the year, the integrated sustainability policy was communicated to all staff through the sustainability team. The integrated sustainability policy is available on the company website.

While we use a common platform to implement corporate sustainability, the strengths of individual SBUs within the Group are varied. In order to take advantage of the intrinsic diversity of each subsidiary, the strategy has identified areas of excellence as strategic differentiators for each business unit. This exercise is in progress with the objective of creating competitive advantage through the sustainability strategy. The strategic differentiators identified by each division are being aligned with global sustainability targets.



*Workshops conducted for students of the Wayamba University by Aitken Spence.
Activities organised for the employees and their families by Aitken Spence Sports Club.
Browns Beach Hotel provided stationery items to students in Dummaladeniya school and orphanage.*

Global Reporting Initiative

The Global Reporting Initiative is the most widely-used sustainability reporting framework used worldwide that sets out the principles and indicators organisations can use to measure and report economic, environmental, and social performance. This report uses the third generation (G3) of the GRI sustainability reporting guidelines. As per G3 guidelines, this report meets the application criteria of a level C document.

In order to select which GRI indicators to report on, the corporate sustainability team cross analysed all 79 indicators with the programmes currently in place to identify those indicators that can potentially be disclosed. These indicators were then presented to SBU representatives who were briefed on the information required. After analysing the materiality of the indicators

and the availability of data, the indicators were narrowed down to those presented in this report. Please see GRI Index on pages 78 to 79 for the indicator list.

Report content and boundary of the report

This sustainability report is incorporated into the Aitken Spence PLC Annual Report 2009/10. The report boundary encompasses all owned and managed operations, which includes operations in Asia and South Africa. The activities discussed in this report pertain to the reporting period 01st April 2009 to 31st March 2010 unless otherwise stated.

Certain projects carried out by individual SBUs may not be mentioned in detail in this report due to the diverse range of projects across the Group that were disclosed.



Stakeholder Engagement Summary

Broad, inclusive and continuous engagement with stakeholders is a fundamental ingredient for a sustainable business. It is clear that healthy stakeholder relations are a prerequisite for good risk management.

Relationship-building takes time. We believe that the mutually-beneficial relationships we have enjoyed with our stakeholders throughout the years in various

industries have been built on trust, mutual respect and understanding.

We use a myriad of channels to engage with and consult our stakeholders who are chosen based on relevance and priority. The feedback we receive informs our own internal judgment about the priorities for our business.

Sustainability Report



At Aitken Spence, our employees have been an asset that has delivered results even during the worst of times.

Our mutually beneficial engagement with employees therefore is based on a commitment to provide them good working conditions, meaningful work that matches their talents and the training and development necessary to progress as individuals. Our HR practices have translated into the creation of a dynamic and competent human resource with sound succession planning and a remarkably low attrition rate. This was further endorsed when Aitken Spence PLC was presented a Gold award at the HRM Awards in May 2010.

Strategic HR

The competitive realities of today's economy demand the right talent that can deliver innovation, customer satisfaction and strategic focus. As companies reduce cost and drive performance, effective people become the core advantage. HR must therefore be integrated into business strategy in order to ensure the right decision making for the right talent. In order to assess the level of strategic integration, Group HR conducted HR audits at subsidiaries during the year, using a tested questionnaire to obtain the views of both HR and non-HR managers.

Employee Engagement



The Group's engagement with employees is oriented to the long term and our support to employees is geared to enable them to fulfil their long term personal and professional ambitions.

A recommendation plan was suggested thereafter to improve the current status.

Talent Retention

In order to build a versatile and dynamic team with cross functional exposure, the Group facilitates a continuous development programme and an employee rotation scheme. The Group's engagement with employees is oriented to the long term and our support to employees is geared to enable them to fulfil their long term personal and professional ambitions. Existing employees are given priority when filling vacancies while recognised talent is encouraged to take advantage of a rotation scheme by moving staff across sectors to gain exposure to various industries. Rotation is aimed at job enrichment or enlargement to support employee aspirations and organisational needs.

HR Policy

A few existing HR policies were reviewed during the year 2009/10, including the current bonus scheme and leave policy. The existing compensation and rewards policy was remodelled to factor in an annual bonus to be paid once a year based on actual (and not projected) performance. The employee leave policy was amended with regard to annual leave being made compulsory and overseas leave being made more conducive to travel.



Gold Award winners at the HRM Awards 2010.

Outward Bound Training – September 2009.

Management Training Programme (MTP) in progress at Heritance Kandalama.

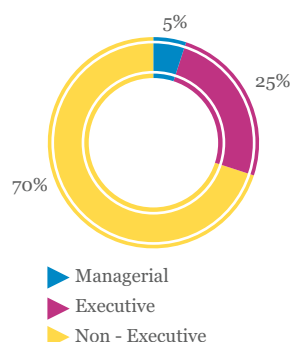
Developing our Employees

Our belief in growing a well groomed talent pool meant that Aitken Spence pursued the same volume and frequency of training programmes, despite the global recession impacting the organisation. More than 140 programmes were organised by the Company this year which were attended by over 8,500 participants.

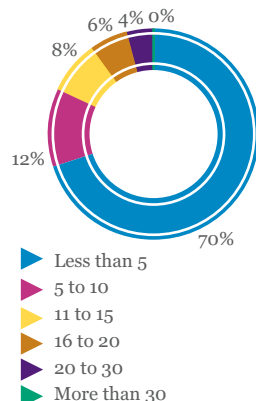
During the last financial year over 70 employees participated in the Management Training Programme (MTP) which is recognised as the license to manage at Aitken Spence. This was followed by a certificate awarding ceremony which was graced by representatives of the Nippon Keidanren International Corporation Centre, of Japan, the corporate body which introduced MTP.

Sustainability Report

Categorywise Employee Analysis



Length of Service



HRIS impact on MIS

The deployment of the Human Resources Information System (HRIS) within fourteen months has made the Human Resource department more efficient and effective, by modernising and simplifying information access. A wide selection of management information is now readily available and the system has had significant impacts on decision making in areas such as performance management, HR planning, employee life cycle, training and development.

Genuity

Genuity is the brand under which Group HR offers its services to external clients both local and overseas. Projects for which we have been commissioned deal with managerial issues and the resource teams are selected depending on the requirement of the client and the competencies of our staff. The recognition, learning and exposure provided were drivers to motivate star performers who were handpicked to support these projects.

HR Partners

Monthly HR forums facilitated effective HR communication with HR Partners in the subsidiaries. The forums engage in HR policy reviews while new initiatives are discussed to obtain strategic views from the HR Partners.

Empowering Aitken Spence Sports Club

The Aitken Spence Sports Committee consists of a team of voluntary representatives from each subsidiary comprising staff from all categories. The committee members and elected office bearers are empowered to function independently within Company regulations. The events and activities organised by the Sports Club

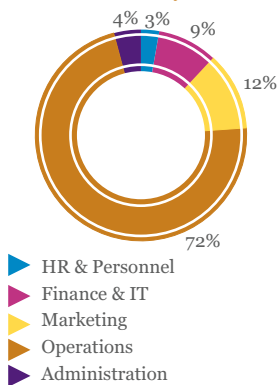


Monthly HR Committee meeting in progress.
MTP at Heritance Kandalama.

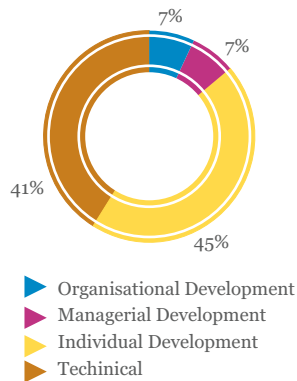


Aitken Spence Power - Head Office emerged Overall Winners at the Group 5S Competition 2009/10. Group 5S Competition 2009/10 winners.

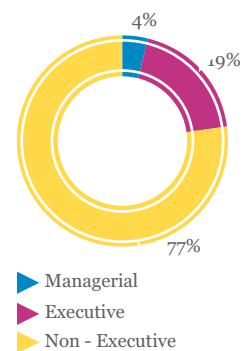
Functional Analysis



Types of Training



Employees Trained Categorywise %



serve as means of recreation within the wider objective of improving employee interaction and engagement.

economic downturn and also to prepare for the better times expected in the future.

Impact of Performance Improvement Planning to the Group

Aitken Spence believes in continuous performance improvement and thus emphasis is given each year to improving current practices and introducing new practices. Productivity improvement and rationalisation were two crucial areas that were addressed during the year which led to pro-active measures to overcome the

Group 5S Competition 2009/10

Twenty six Aitken Spence subsidiaries participated in the Group 5S Competition this year. In addition to evaluating 5S standards, the competition introduced two new award criteria to evaluate and recognise the direct impact on profits through innovative cost reduction methods.

Sustainability Report

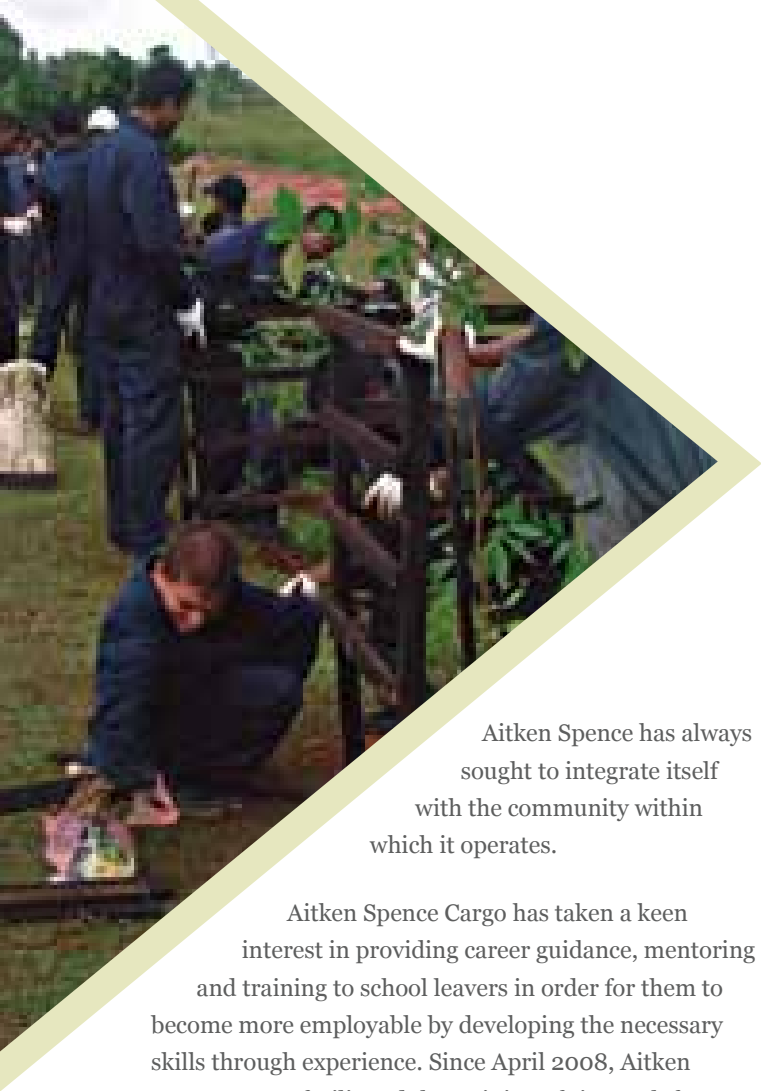
Recognition

The commitment to business excellence at Aitken Spence has been validated by the number of awards won by the Corporate and its subsidiaries

Company	Awards and Certifications
Aitken Spence PLC	Second runner up, Best Corporate Citizen Award - Ceylon Chamber of Commerce 2009 Rated Platinum for Corporate Accountability by STING Consultants 2010 Bronze Award in the Diversified Holdings (Above 05 Subsidiaries) category, Annual Report Awards - Institute of Chartered Accountants 2009 Gold Award, Human Resources Management Awards 2010
Hotels Sector (Sri Lanka)	Winner of the highest medal tally for a Hotels Group at Culinary Arts 2010 Silver Award in the Hotel Companies category, Annual Report Awards - Institute of Chartered Accountants 2009
Heritage Kandalama	National Cleaner Production Awards; Overall Gold Award - 2009 Excellence Award for Energy Usage - 2009 Excellence Award for Water Usage - 2009 Excellence Award for Material Usage - 2009 Bronze Award, National Productivity Awards - 2009 Silver Award, Central Province, Provincial Productivity Award - 2009 Bronze Award, Green Globe 21 Standard - 2010 Greening Sri Lanka Hotels Certificate - 2010
Heritage Tea Factory	Runners up at Star Awards 2009 - Best Performing Entrepreneurs (Medium Scale - Service Sector - Central Province) Greening Sri Lanka Hotels Certificate - 2010 Asia Pacific Property Award for Best Hotel Construction & Design (Over 50 rooms) - 2010
Heritage Ahungalla	Merit Award for Water Usage, National Cleaner Production Awards - 2009 Bronze Award for Energy Usage, National Cleaner Production Awards - 2009 Winner of the highest single medal tally at Culinary Arts 2010 Green Globe Benchmark – Valid till 2010 Greening Sri Lanka Hotels Certificate - 2010
Bandarawela Hotel (Managed by Aitken Spence Group)	Merit Award for Material Usage, National Cleaner Production Awards - 2009 Greening Sri Lanka Hotels Certificate - 2010
Ramada Resort	ISO 14001:2004 Certification –Sri Lanka Standards Institution 2009 Greening Sri Lanka Hotels Certificate - 2010
Earl's Regency (Managed by Aitken Spence Group)	ISO 14001 : 2004 Certification - Sri Lanka Standards Institution 2009 “Nagarayata Uyanwathu” - Landscaping in Central Province - 1st Place - 2009 Governors Trophy for the Best Garden in Central Province - 2009 Greening Sri Lanka Hotels Certificate – 2010

Company	Awards and Certifications
Browns Beach Hotel (Associate company and managed by Aitken Spence Group)	ISO 14001 : 2004 Certification - Sri Lanka Standards Institution 2009 Green Globe Benchmark - 2009 Award for Excellence in Annual Report - 2009 Merit Award, Western Province, Provincial Productivity Award - 2009 Green Globe Benchmark - 2010 Greening Sri Lanka Hotels Certificate - 2010
Hotel Hilltop (Managed by Aitken Spence Group)	1st Place, 5S Productivity Award - 2009 Greening Sri Lanka Hotels Certificate - 2010
Adaaran Group	Market Manager Special Award 2009, Indian Ocean – awarded by Expedia at Arabian Travel Mart (ATM) 2009
Adaaran Prestige Water Villas & Adaaran Prestige Ocean Villas	Indian Ocean's Leading Water Villa Group 2009 – World Travel Award 2009
Adaaran Prestige Water Villas	Maldives Leading Water Villas 2009 - World Travel Award 2009
Adaaran Select Hudhuranfushi	Highest occupancy in Maldives in the 300 beds and above category - Presidential awards 2009 Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 – Presented during MITT in Russia
Adaaran Select Meedhupparu	Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 – Presented during MITT in Russia
Adaaran Club Rannalhi	Best hotel partner of TEZ Tour, Russia in Maldives for year 2009 – Presented during MITT in Russia
Aitken Spence Travels	Global Best Service Award for Small Destinations - TUI 2009
Garments Sector	Acclaimed as a WRAP (Worldwide Responsible Accredited Production) certified company 2009
Printing Sector	Excellence Award for Posters - Sri Lanka Association of Printers 2010 Excellence Award for Periodicals & Magazines - Sri Lanka Association of Printers 2010 Distinction for Pictorial Calendars (Single Sheet) - Sri Lanka Association of Printers 2010
Plantations Sector (Managed and associate company of the Aitken Spence Group)	ISO 22000: HACCP Quality Certificate SGS, Switzerland - Dunsinane Estate Tea Factory and New Peacock Estate Tea Factory 2009
Cargo Sector	ISO 9001:2008 Re-Certification to the new standard was achieved for all companies in Aitken Spence Cargo Sector; Ace Cargo (Pvt) Ltd Aitken Spence Cargo (Pvt) Ltd Ace International Express (Pvt) Ltd Ace Aviation Services (Pvt) Ltd covering all operations.
Aitken Spence Power Generation - Horana	ISO 9001: 2008 Certification ISO 14001: 2004 Certification OHSAS 18001: 2007 Certification

Sustainability Report



Community Engagement

Aitken Spence has always sought to integrate itself with the community within which it operates.

Aitken Spence has always sought to integrate itself with the community within which it operates.

Aitken Spence Cargo has taken a keen interest in providing career guidance, mentoring and training to school leavers in order for them to become more employable by developing the necessary skills through experience. Since April 2008, Aitken Spence Cargo facilitated the training of six youth from Dedunupitiya Maha Vidyalaya of Mawanella who were paid an allowance. Two students joined the company in 2009 while others have sought higher studies.

Aitken Spence Travels provides internship opportunities in Travel and Tourism for undergraduates of the Sabaragamuwa University. During the period of May–July 2009, twenty students were given training and ten of them were offered employment at Aitken Spence Travels. Training programmes are conducted annually to assist chauffeur guides and tour guides to obtain Tourist Guide Licences. Ten such persons were trained in 2009/10.

Through workshops conducted between May and June 2009 Aitken Spence mentored 16 students from the University of Moratuwa to help improve their employability. Programmes were conducted on topics such as team-building, interview preparation, career

plan development, personal grooming, presentation skills and the 7 intelligences. A programme was also conducted for 30 students from the Wayamba University on presentation skills.

Since 1967 Aitken Spence Insurance has been partnering the World Food Programme's (WFP) projects in Sri Lanka and the Maldives as superintendents providing assistance to ensure the successful implementation of WFP Interventions. The company also supervises food aid distribution at final delivery point to speed up the process of aid reaching the final recipients; inspects sources to ascertain quality and standards and liaises with suppliers to provide redress to recipients, over and above contractual agreements.

Aitken Spence Hotels value their communities and consistently engage with them through participation in community events and religious observances. Scholarships awarded by Heritance Hotels to local students amounted to Rs. 0.3 million in 2009/10. Heritance Tea Factory funded road developments in the area at a cost of over Rs. 2 million aiming at the convenience of villagers as well as hotel guests.

At Aitken Spence Plantations the community makes up a significant quota of the workforce. In order to improve the work quality for our employees, latex collecting tanks were installed in the field so that tappers need not



*Staff of Maldives hotels cleans islands for the benefit of local communities.
MMBL donated provisions to children affected by the armed conflict.
Aitken Spence Power – Embilipitiya training local youth on bee keeping.*

carry large loads for long periods. Hand tractors, wheel barrows and trolleys were also introduced to transport oil palm within the plantations and at the factory.

In June 2009 Aitken Spence Power – Matara carried out a tree planting project on the Bandaththara -Nadugala road involving Nadugala School children and the community to create awareness on the importance of

Carbon offsetting. The company also constructed a library building for Midellawela Temple Dhamma school at a cost of Rs. 0.6 million and a toilet unit at Thihagoda Primary at a cost of Rs. 0.2 million in their efforts to uplift the lifestyles of the communities.

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Employee Voluntarism

Since October 2009, staff at Aitken Spence Garments has committed themselves to provide 15,000 medicine pouches each month to the Mathugama Hospital to ensure safety and clear dosage instructions for the medicine. MMBL Money Transfer donated socks and shoes in September 2009 to 119 children affected by war housed at rehabilitation camps.

Employee voluntarism is encouraged at our hotels. Heritance Kandalama marked their 15th Anniversary with a Medical and Blood donation camp held in the village and Browns Beach Hotel staff organised a programme to issue National ID cards for beach vendors. Aitken Spence Hotel staff consistently conducts voluntary work through shramadana campaigns in the locale and assistance extended to neighbourhood elder's homes and temples.

In conjunction with the National Blood Transfusion Service, Aitken Spence Corporate organised a blood donation drive in July 2009 to collect much needed blood samples for the Blood Bank. Many staff members participated at this event.

Once in every three months many staff members including executives at the Maldives Hotels clean waste on uninhabited islands that are used by locals as picnic spots.

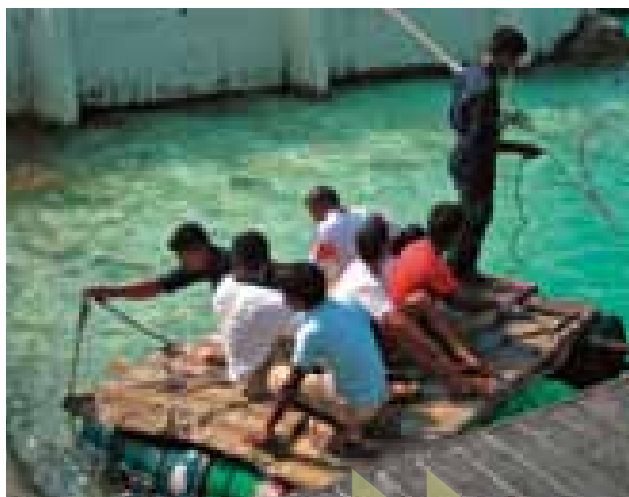
Improving Local Economy

Aitken Spence Travels has been offering home stay tours to assist local communities in Habarana and Balapitiya whereby guests can stay with local families and experience local life style. From November 2009 to March 2010 one hundred French guests have stayed with five families and two Buddhist temples in the local community.

Infrastructure Development

Aitken Spence connects with its communities extensively and much of Group's sustainability efforts include the communities, in areas where its business units are located.

Aitken Spence Power Matara has been involved in infrastructure development and the development of educational facilities for the children in the area. Road development projects undertaken included, the Diyagaha Vipulathissa road and the Halpe-Diyagaha road in



*Maldives hotels staff involved in cleaning islands.
Blood donation drive organised by Aitken Spence.*

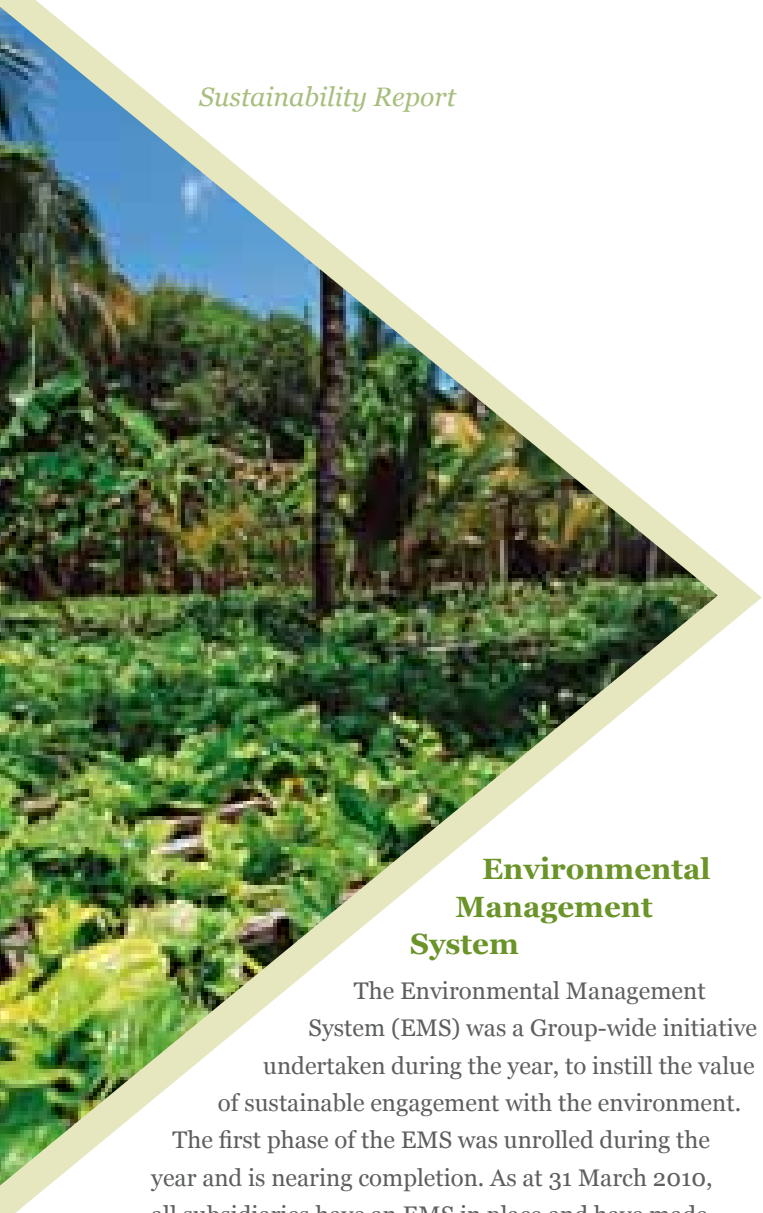


*Water tanks constructed by Aitken Spence Power – Embilipitiya.
Street lights provided for the Diyagaha road by Aitken Spence Power – Matara.*

Thihagoda for the benefit of over 200 families who reside in the area. To complete the projects, street lights were installed on the Diyagaha road.

Projects at Aitken Spence Power Embilipitiya focused mostly on providing clean drinking water to the neighbouring communities. Much of the projects which were started in 2008/09 to address the need for clean drinking water for the communities surrounding the plant were completed in 2009/10. Water tanks were built at Tunkama Village (312 families), Therunнанsegama Village (450 families), Thorakolayaya Village and at Gageyaya Village. A water-well and a ground tank was also constructed at Konekatuwa -Heendalukhinna Village. A Dharmma Shalawa was donated to the

Gageyaya Village temple so that the Buddhist community of Embilipitiya will be able to attend their religious observances comfortably while a fence and gate were constructed at a school in Kandabiara for the safety of the school children. These projects employed workers from the villages to provide employment opportunities to these communities. All projects which were started in 2008/09 are expected to be completed by June 2010 which altogether incurred a cost of Rs. 8.3 million.



Environmental Management System

The Environmental Management System (EMS) was a Group-wide initiative undertaken during the year, to instill the value of sustainable engagement with the environment.

The first phase of the EMS was unrolled during the year and is nearing completion. As at 31 March 2010, all subsidiaries have an EMS in place and have made tangible progress towards the formulation of programmes to manage their most significant impacts on the environment. All EMS related activities are reviewed and monitored regularly at monthly sustainability meetings at which the corporate sustainability team discusses the projects in detail with SBU representatives. Phase II of the EMS will be implemented during 2010.

The Group intends to implement the advanced 7Rs technique to employees: reject, reduce, reuse, reclaim, replace, repair, and recycle. Developed by the in-house consultant and already in practice in the hotels sector, the technique optimises the use of resources in all operations.

Environment



All subsidiaries have an EMS in place and have made tangible progress towards the formulation of programmes to manage their most significant impacts on the environment.

BUILDING MANAGEMENT SYSTEM (BMS)

During the year, many of the Colombo-based operations relocated to the new office complex at Vauxhall Street in Colombo. The building is owned and managed by Aitken Spence Property Development (Pvt) Ltd (ASPDL) which employs a state of the art building management system that optimises energy use. ASPDL carries out conservation measures for energy, water and waste which are detailed below.

Energy conservation

The BMS is designed to intelligently monitor the building's air conditioning system, by operating the chiller unit sequentially with the building load. The three chiller units operate on 05 modules to optimise energy savings. The Server room requires precision uninterrupted air-conditioning and is synchronised with the central chilled water system during day time. If the chilled water temperature is too high during the day the system automatically switches to the condenser until temperature is regulated. Measurements show that the average electricity consumption of the server room air conditioner per day without the chiller synchronisation is 53.53kWh while this measure drops to 36.88kWh with the synchronisation – a reduction of 31%.



*Rainwater is collected for use on the extensive roof of the building.
The building is designed to let in natural light.*

The BMS is installed with a C-Bus lighting control system which automatically dims lights based on the strength of natural lighting while exhaust systems are also operated through a timing function to reduce electricity wastage.

ASPDL monitors the energy usage on a continuous basis and makes ongoing improvements while addressing faults immediately. Dedicated staff members are

tasked with switching off special equipment when not in use as part of a 'switch off' policy in the corporate office. ASPDL also carries out regular programmes and seminars among staff to create awareness on the energy saving methods and the proper usage of equipment. A comparative analysis of energy usage carried out recently indicated that the BMS enabled 12-15% energy savings; the energy consumption per day without the BMS averaged at 1,474.5kWh while this dropped to

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1,294.4kWh with the BMS. Solar panels have been installed at the new office complex at Vauxhall Street to supply energy for the provision of hot water at the restaurant.

Water resource management

The design of Aitken Spence Tower II encompasses a rain water harvesting system which diverts the rain water on the extensive roof of the building into an underground tank. This tank supplies water to the flushing systems of all the washrooms in the new building. Ground water from a large well is also used to augment the rain water supply. This water is used for washing of vehicles. Further improvements will be implemented to the system in the foreseeable future to increase its effectiveness.

The water flow of outlets in the lunch room, pantries and wash rooms has been reduced by controlling the valves to allow a flow rate of 6 litres per minute instead of 9 litres per minute, a reduction of 33.3% which amounts to a saving of 1,866.67Cu.m/ annum for an estimated 20 litres of water consumption per head per day. In addition, aerators have been introduced to the water outlets to reduce flow further.

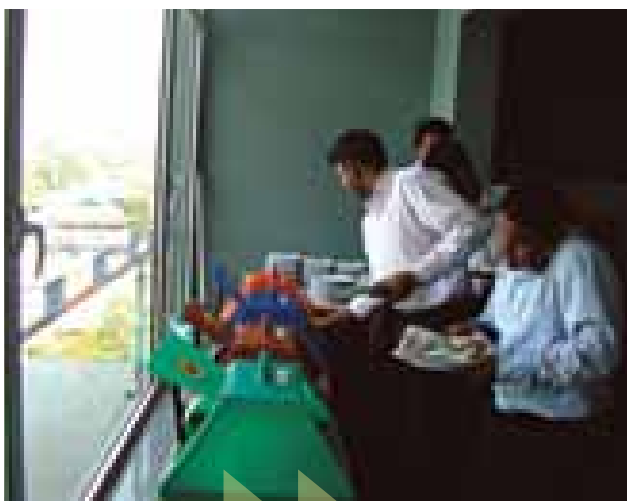
All cisterns installed in the building have a dual flush system built-in to control water wastage. Employees have been notified of the system's conservation benefits and it is anticipated that the savings from this initiative would amount to 140Cu.m/annum in gents' washrooms and 315Cu.m/annum in ladies washrooms.

Furthermore, steps have been taken to minimise water pollution by introducing biodegradable detergents and chemicals in sanitation.

Waste management

ASPDL implemented a waste segregation system that facilitates reuse and recycling. The contracted cleaning staff were sensitised on the system through a series of workshops.

Food left over at the staff lunch room in the office complex amounting to about 50kg per day is collected by an animal welfare activist and Animals Welfare and Protection Association of Sri Lanka (AWPA) to feed community dogs. Paper and cardboard are recycled while non bio-degradable waste is sent to the Colombo Municipal Council for proper recycling or disposal. ASPDL also launched a campaign to encourage staff to reduce the use of cellophane lunch sheets by switching to banana leaves, a more eco-friendly alternative.



Waste is segregated and food waste is reused to feed community dogs. Maldives hotels use garden waste as compost in the vegetable and banana plantations instead of burning them to reduce carbon emissions.

Initiatives Towards A Sustainable Environment

During the year, the Group engaged in several initiatives that were positive engagements with the environment.

Energy Conservation and Efficiency Improvements

The switch off policy and the broader message of energy conservation have been adopted not only in our corporate office at Vauxhall Street, but also at SBUs with facilities outside of the head office. Many of them have adopted further simple measures that have generated considerable energy savings, as discussed below. The efforts which were rolled out across the Group Companies were first carried out very successfully at Aitken Spence owned and managed hotels.

Aitken Spence Property

Aitken Spence tower II is designed to capture maximum day light through the atrium and windows which allows the tenants not to use lights in service lift areas, washrooms and the main lobbies for about 6 hours per day. We have used the most energy efficient lamps which include the use of T5 electronic ballast dimming and non diming florescent lamps and LED lighting. Lighting features in the building also include occupancy sensors in the washrooms which allow the lights to remain switched off until the washrooms are in use. This enables saving of energy for an average of 10 working hours of the day. Recently, these occupancy sensors were further improved to only activate in low illumination situations so that during the day when there is ample daylight the sensors will not turn the lighting on. Expected energy saving from these efforts per annum based on the figures given by product manufacturers is 336.8 Giga Joules (GJ).

Total expected
energy saving
= 336.8GJ
per annum

Aitken Spence Logistics

With the switch off policy and having replaced incandescent lighting with CFL bulbs the energy saving was 800kWh or 2,880MJ. The company replaced its electric boiler with a gas boiler, resulting in a further energy saving of 3600kWh (12,960MJ). The installation of separate electricity meters for every division also enables better monitoring of consumption and corrective action.

Total energy
saved
= 15.84GJ in
2009/10

Aitken Spence Garments

The Garments division replaced its low capacity 1,500W water boiler element with a new 5000W heater element, reducing run time from nine hours to just one. Energy saving was 8.5kWh per day and a total of 5,232.60MJ for the 171 working days it has been in operation until 31st March 2010. Energy saving lamps were installed in the factories and the resulting energy saving was 19.9kWh per day, leading to an energy saving of 10,101.24MJ. The starting process of the generator was improved, thereby reducing the duration of its operating time. Furthermore, with better waste management systems Aitken Spence Garments brought down the waste collection trips from almost daily to a few times per month, reducing the fuel consumed and in turn the CO₂ emissions.

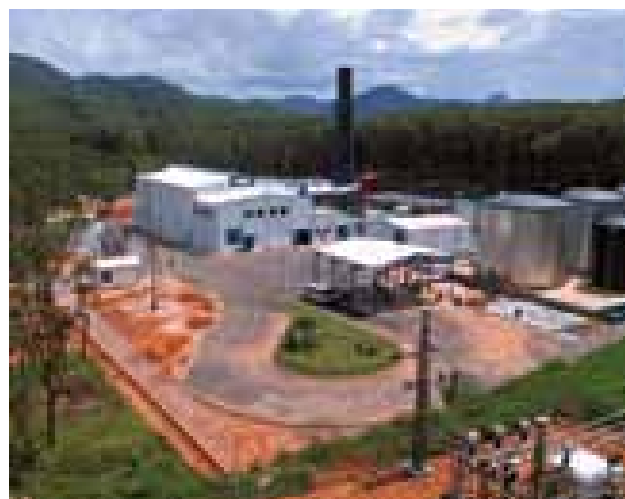
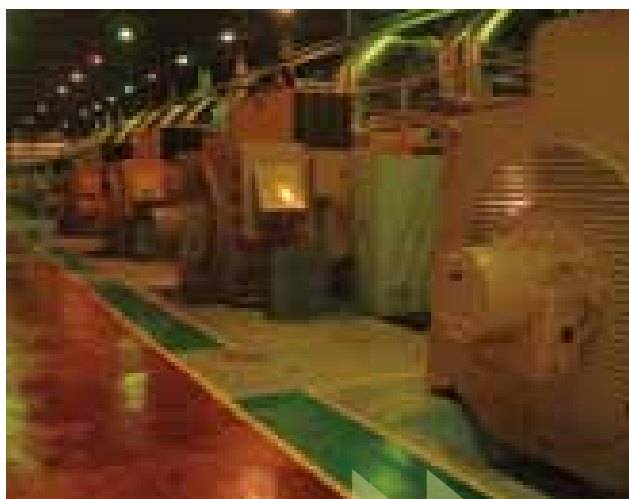
Total en-
ergy saved
= 15.3GJ in
2009/10

Aitken Spence Power

The Horana plant reduced the radiator fan energy consumption by increasing the cooling capacity of air through the development of a new system that improves the heat absorption capacity of the air.

Total energy
saving
(Horana)
= 864GJ per
annum

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Efficiency improvements at Aitken Spence Power help to save considerable amounts of energy

At the Embilipitiya plant, a modification developed in-house to the cooler that was prone to frequent maintenance has led to total cost savings per annum of Rs. 9.8 million and an energy saving of 170.7 kWh per engine and 2,389.3 MWh (8,601.5GJ) per plant per annum. In addition, a total of 2,016 manpower hrs and 56,000 liters of water were saved by eliminating the constant replacement of components.

Total energy saving (Embilipitiya) = 8,601.5GJ per annum

The Matara plant's initiatives to reduce energy consumption included improvement of the skimmer unit to control flow input and sludge accumulation; and the modification of filters for higher durability and easy maintenance. The output water quality of the skimmer was thus improved with water entering the final treatment phase with minimal levels of oil content. Efficiency improvement in the sludge transferring system also helped to reduce operating time from 4.5 hrs.

Total energy saving (Matara) = 2,246.9GJ per annum

A thermostat valve modification was also carried out at

the low temperature (LT) water inlet to the engine which was suspected of running at abnormal temperatures. The consumption of energy from plant units reduced from an average of 4% to 3.75% per month which is roughly about 1,710kWh per day or 2,246.9GJ per annum.

Aitken Spence Plantations

By analysing a load curve for a typical day of tea/rubber factories, Elpitiya Plantations has been practicing 'Load Shedding' techniques to cut down the kVA demand (maximum demand) of the factories since November 2007. Approximate kVA saving per month is 900kVA for 12 factories including Elpitiya Lifestyle Solutions (ELS).

Total energy saving = over 1,140GJ per annum

Power Factor Correction Systems (Capacitor Banks) have been installed at the utility power source of the Elpitiya Plantations' factories as a load shedding technique to reduce kVA demand. The investment of Rs. 4.5 million has led to saving of about Rs.7.3 million per annum at current tariff rates. An energy audit found that 50% of energy consumption at factories was utilised for the withering process; Elpitiya Plantations installed energy-

efficient Fibre Reinforced Plastic (FRP) withering fans at all tea factories at an investment of Rs. 6.7 million; the annual savings from the move are Rs. 3.4 million in costs and 316,800kWh (1,140,480MJ) in electricity per annum.

High efficient lower capacity motors will also be installed in all tea factories to save energy while Variable Speed Drives (VSD) will be introduced for these motors for further energy saving. The installation of a new Vibratory Fluidized Bed Dryer (VFBD) at New Peacock Tea Factory with an air heater at an investment of approximately Rs. 8.1 million is also expected to bring about energy saving while improving the end product quality.

Maldives Hotels

Fuel consumption reduced by 12% at Adaaran Select Meedhupparu by drying hotel linen in natural daylight, saving on a day shift of laundry dryer operations, since September 2009.

Measurements of energy usage taken from April 2009 to November 2009 indicate an average energy saving 172,800kWh or 622.08 GJ of energy. The fuel savings from the project are estimated at US\$ 0.8 million.

**Total
Energy Saved
= 622.08GJ in
2009/10**

Sri Lanka Hotels

Aitken Spence Hotels have been able to save an estimated 2,970 GJ (825,000kWh) of energy since April 2006 to March 2010 which includes 720 GJ (200,000kWh) through energy conservation initiatives in the 2009/10 financial year. Some of these initiatives are explained in the following paragraphs.

**Total Energy
Saved
= 720GJ in
2009/10**

A system was introduced in February 2009 to use laundry return condensate to generate hot water, by retrofitting the hot water system to incorporate the return condensate from the laundry.

The operation of special kitchens is limited to periods of high occupancy since May 2008, with food being

prepared in the main kitchen during other times. Furthermore the operation of kitchen equipment, like roasters and ovens, has been limited to allocated time slots since August 2008. All lighting units have been replaced with energy efficient CFL bulbs while old chillers have also been replaced with screw type chillers to improve energy saving where possible. The operating hours of the chillers are also controlled by managing the guest allocation to the sections of the hotel.

The hotel segment has motivated staff to adhere to energy conservation strategies by implementing a monthly 'energy consumption benchmarking' exercise, which recognises their achievements. We have witnessed an energy usage reduction from this system. Our hotels also engage with their communities to preserve the environment. Heritance Kandalama conducted awareness seminars on Global Warming for 10 schools in Dambulla and for villagers in Kandalama.

Aitken Spence Printing

The SBU has reduced electricity consumption where possible by implementing a switch off policy, which has led to a significant drop in the energy consumption with no loss in production capacity. The energy saving during the 2009 calendar year (January - December 2009) was found to be 2,205kWh (7,938MJ) of peak units.

**Total energy
saved
= 7.94GJ in
2009/ 10**

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*Elephant dung is used to produce recycled paper at Heritance Kandalama
Companies in the Group have rigorous practices to reuse and recycle paper
Participants at an awareness programme on electricity saving*

Elevators Pvt. Ltd

The company is promoting energy efficient OTIS elevator models and consciously requests for energy efficient elevator drive systems when ordering new equipment. These are designed to consume 15% to 30% less energy when compared to traditional

**Expected
energy saving
= 15-30% per
annum**

models. The Company has also introduced automatic light fan control (LFC) systems in local modernisation projects undertaken over the last four years. The energy saving function is locally designed with electronic circuitry that incorporates adjustable delay off electronic timer and saves 12-24kWh if the elevator is in idle mode with LFC enabled.

Initiatives to Provide Renewable Energy Based Products and Services

Bio Mass

Biomass gasification was adopted at Heritance Tea Factory and recently at Heritance Kandalama, as an alternative energy source to replace fossil fuel with Gliricidia wood grown by the neighbouring communities. Replacing the gas burners with bio mass gasifiers enables a considerable reduction in the fossil fuel usage of the company while also reducing Carbon emissions. Estimated CO₂ emission reduction is 250 tonnes at Heritance Tea Factory and 500 tonnes at Heritance Kandalama.

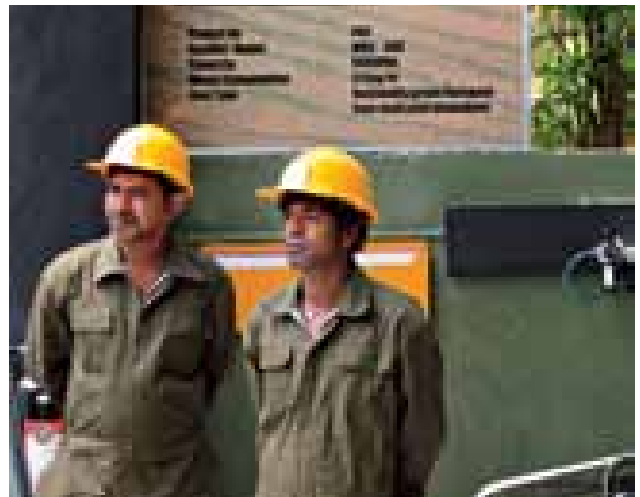
In order to switch to a renewable energy source that emits less CO₂, wood fired hot water generators were installed at the Fernlands tea factory at an investment of Rs. 9 million with targeted annual saving of approximately Rs. 4 million. A wood fired steam boiler was installed at the Dunsinane tea factory replacing the furnace oil boiler. The investment in this project was Rs. 8.1 million with an estimated annual saving of Rs. 12 million.

Hydro Power

Mini Hydro Power Projects (MHPP) were commissioned in the up country plantation cluster. The development of a 560kW MHPP at Sheen estate will bring about an estimated annual income of Rs. 33 million for the first year, compared to a total project cost of Rs. 130 million. Similar MHPPs are being planned for other up country plantations and four new sites have been identified for MHPPs ranging in capacities from 200 ~ 900kW. Feasibility studies are presently being carried out for three of these projects of total capacity 1.9MW which are estimated to involve an investment of Rs. 360-400 million and generate revenue of approximately Rs. 100 million in the first year. The Group has also commenced a 2.5MW hydro power project in Matale.

Solar Power

Solar panels have been installed at all Adaaran Select Huduranfushi to generate hot water, leading to an energy saving in 2009/10 of 346,750KWh (1,248,300MJ). This showed a 3.3% increase in the energy saving from 2008/09.



Commencement of operation of the bio mass gasifier at Heritance Kandalama

*Sustainability Report***Recycling Initiatives**

All Group companies have a zero-waste policy towards paper and ensure that wherever possible both sides of a sheet of paper are used. All waste paper and cardboard from Aitken Spence towers I & II, Browns Beach Hotel Negombo, Earls Regency Kandy and Hilltop Hotel Kandy have been collected by an authorised recycling plant for the past few years, and this year alone, the recycled amount reached 15,320kg (See table below).

Maldivian Hotels

Our Maldivian properties Adaaran Prestige Vadoo & Adaaran Club Rannalhi have taken measures to recycle water thereby satisfying the water demand for use in cisterns and for gardening. 1,650 tonnes of water is recycled at both Adaaran Prestige Vadoo & Adaaran Club Rannalhi out of 5,850 tonnes of water used at both.

Aitken Spence Garments

The company minimises the release of waste to the environment by recycling waste material and selling it for reuse, a process that was formalised further in 2009.

The waste at the factories has been sorted since 2008, with wet waste deposited in a compost pit. Polythene, paper and cardboard are handed over to a licensed local recycling vendor for recycling. From January 2009 to date 13,205kg of cardboard, paper and polythene have been recycled.

Elpitiya Plantations

Elpitiya has reduced the volume of inorganic fertilizer used at its oil palm fields by spreading used oil palm fruit bunches on the soil to improve its fertility and moisture content. Leguminous cover crops are also grown to improve soil properties by increasing nitrogen content, reduce soil erosion and control weeds.

Quantum of paper recycled and its environmental benefits

Year	Waste paper recycled Total (kg)	Indirect Impact – Savings				
		Trees (Nos)	Water (L)	Electricity (kWh)	Oil (L)	Landfill (Cu.m)
2007/08	6,653	113	211,432	26,612	11,676	19.96
2008/09	17,676	300	561,743	70,704	31,021	53.03
2009/10	15,320	260	486,870	61,280	26,887	45.96

Global Citizenship: Embracing the United Nations Global Compact

Aitken Spence PLC is a signatory of the UN Global Compact (since 2002) and a member of the local steering committee of the Sri Lanka Network. Within the year, measures have been taken to internalise the ten UNGC principles among the staff. The principles were translated to Sinhala and Tamil as a part of these efforts and given to the Local Network as well.

Category	UNGC Principle	Relevant GRI Indicators	General practices at Aitken Spence
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	LA14 (Page 79)	Clause P: Support and promote the protection of internationally proclaimed human rights. (Integrated sustainability policy)
	Principles 2: Businesses should make sure that they are not complicit in human rights abuses	-	Clause P: Support and promote the protection of internationally proclaimed human rights. (Integrated sustainability policy)
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA5 (Page 79)	Freedom of association is practiced as a norm although there is no specific written policy.
	Principle 4: Businesses should uphold the elimination of all forms of forced or compulsory labour	-	The Group rigidly complies with the ILO Conventions on the employment of persons. (Page 113)
	Principle 5: Businesses should uphold the effective abolition of child labour	-	The Company strictly ensures that no employees below the legal minimum age is offered employment (Page 113)
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA14	The Group affords equal opportunities to existing and potential employees irrespective of gender, race, or religion. All eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path. (Page 113)
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	-	The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. Clause D of the integrated sustainability policy. Implementation of the EMS (Pages 68 to 76)
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	EN5, EN6, EN28	EMS; Awareness programmes conducted by the corporate sustainability team and the sub committees and other subsidiaries. Clause D of the integrated sustainability policy. (Pages 68 to 76)
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	EN5, EN6	(Pages 68 to 76) Clause D of the integrated sustainability policy.
Anti - Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	-	Company Code of Ethics has stringent instructions on anti-corruption; Internal audits; Clause C of the integrated sustainability policy. (Page 113)

Sustainability Report

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Economic Review

Overview

The Sri Lankan economy experienced a real growth rate of 3.5 per cent in 2009. Despite being a decline from the previous year's GDP growth rate of 6.0 per cent, this was a commendable achievement, and demonstrated the economy's resilience in the face of immense domestic and external pressure. This achievement was largely attributed to the extraordinary recovery of the economy in the second half of the year, which culminated in a notable growth of 6.2 percent in the final quarter, up from 1.8 percent during the first half of the year.

The lower than previously experienced growth rate in the first quarter of the year resulted from ripple effects of the global financial and economic crises, which caused a slump in global demand and, as a consequence, a contraction of external trade. On the domestic front, the economy was faced with unfavourable weather conditions which lowered agricultural output, escalation of the decades-long internal conflict, and a general slowdown in economic activity due to low consumer and investor confidence fueled by the failure of corporate entities connected to certain domestic financial institutions.

However, since the second quarter, the economy has seen its growth rebound, driven by the end to the prolonged conflict, the timely policy actions of the Central Bank and the Government of Sri Lanka which included securing the Stand-by Arrangement (SBA) from the International Monetary Fund (IMF) and measures taken to preserve financial system stability. The gradual recovery of the global economy also immensely contributed to this rebound. A marginal increase in the unemployment rate was experienced however, from the 2008 rate of 5.4 percent, to 5.8 percent in 2009, reflecting a decline in the

availability of employment opportunities which corresponded with the slowdown in economic activity in the first half of the year.

GDP Composition by Sector

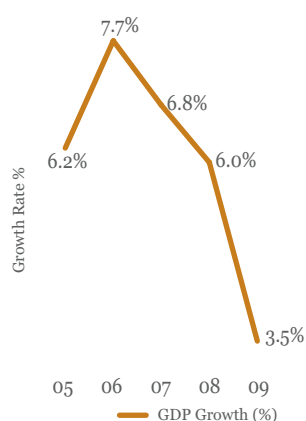
All major sectors of the economy contributed positively to economic growth in 2009, with the Services sector remaining the largest contributor accounting for 59.3 per cent of GDP.

Growth in each of the three major sectors decelerated in the year under review however, reflecting impact of the unfavourable domestic weather conditions that lowered the agricultural output and adverse global development that affected almost all the sectors of the economy. The Agriculture sector recorded a low growth of 3.2 per cent, compared to a rate of 7.5 per cent in 2008. This was largely due to the contraction in output of tea and paddy. Similarly, the Industry sector decelerated from a growth rate of 5.9 per cent in 2008, to 4.2 per cent in 2009, due to a slow down in the Factory Industry sub-sector – its largest contributor. The Services sector was also sluggish, growing at 3.3 per cent, in comparison to its growth rate of 5.6 per cent the previous year, mainly due to a slowdown in the wholesale and retail trade subsector.

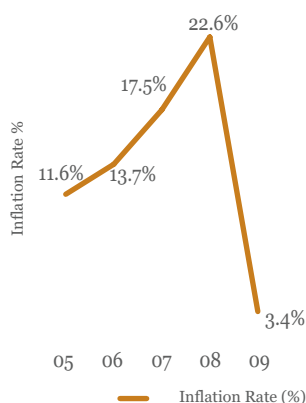
The external sector, which experienced a downturn during the latter part of 2008 and the first quarter of 2009, rebounded strongly thereafter, driven by the end to the internal conflict and improved investor confidence recording highest ever level of foreign reserves by the end of the year.

Export earnings declined by 12.7 per cent, due to a lower demand for industrial exports, whilst expenditure on imports declined by an even greater 27.6 per cent, primarily due to lower

GDP Growth Rate



Annual Inflation Rate



spending on petroleum and fertilizer imports, resulting in a contraction of the trade deficit by 47.8 per cent in 2009.

Furthermore, the 2.2 per cent increase in earnings from tourism that occurred after the dawn of peace and removal of travel advisories, lead to surplus in the service account by USD 391 million in 2009. This contributed in recording an unprecedented surplus in the Balance of Payment of USD 2,725 million by end of 2009 compared to the deficit of USD 1,385 million in 2008 and raising foreign exchange reserves to a historic high of USD 5.1 billion by the end of 2009.

Inflation and Financial Markets

A noteworthy feature of the year under review was the continued reduction in rates of inflation which has taken place since July 2008, as a result of the prudent monetary policy measures enforced by the Central Bank following the high rate of 28.2 per cent recorded by the Colombo Consumer Price Index (CCPI) in June 2008. The tightening of monetary policy together with a decline in external price pressures resulted in the inflation rate declining sharply to 4.8 per cent by the end of the year, resulting in an overall average rate of 3.4 percent in 2009, the lowest since 1985. In light of this notable achievement, the Central Bank relaxed its monetary policy stance in an effort to promote economic activity and spur the economy out of its inert state.

The entire market interest rate structure gradually shifted downward following the reduction in the policy rates by Central Bank of Sri Lanka. Yield rates on all Treasury Bills declined by approximately 10 percentage points in 2009 compared to the previous year. The yield rate on 2-year Treasury Bonds declined from 20.5 per cent at end

2008 to 9.6 per cent by end 2009, while yield rates on Treasury Bonds of other maturities also followed a similar trend.

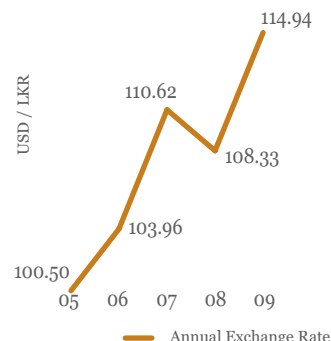
The Average Weighted Deposit Rate (AWDR) of Licenced Commercial Banks declined by a total of 362 basis points during the year to 8.01 per cent at end 2009, while the Average Weighted Fixed Deposit Rate (AWFDR) declined by a greater margin of nearly 600 basis points during the year to 10.91 per cent at end 2009. The Average Weighted Prime Lending Rate (AWPLR) showed a marked decline of over 800 basis points to 11.12 per cent at end December 2009.

The remarkable turnaround of the domestic economy in the latter part of 2009 was reflected in the stock market, with the Colombo Stock Exchange (CSE) experiencing tremendous gains by the year end. The robust performance of the Share Market was due to the positive sentiments following the end of war, sharp decline of Inflation, lower interest rate environment and renewed investor confidence consequent to securing the IMF Stand-By Agreement. The All Share Price Index experienced a staggering growth of 125.2%, ending the year with a market capitalisation of 1,092.1 billion, from 489 billion the previous year. The MILANKA Price Index experienced similar gains ending the year at 3,849.4 points – a 136% gain from 1,631.3 points at the end of 2008. The Market Price Earning Ratio (PER) moved up to 16.5 at the year end from 5.4 at the end of 2008.

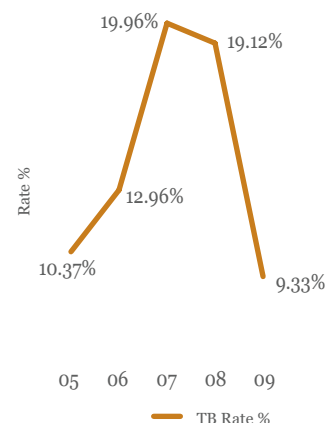
Foreign Exchange Market and Foreign Direct Investment

The exchange rate policy for 2009 focused primarily on maintaining stability in the domestic foreign exchange market. Increased foreign exchange outflows during the first quarter resulted in the Rupee

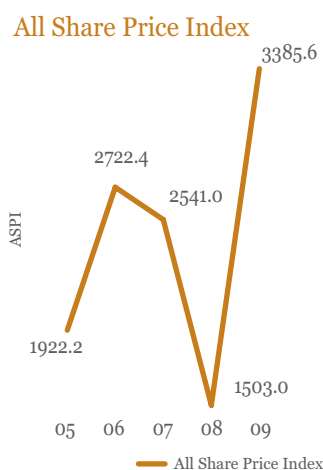
Annual Exchange Rate



1 Year TB Rate



Economic Review



depreciating vis-à-vis the US Dollar, reaching its lowest level of Rs. 120.25 in April. However, increased inflows of foreign exchange into the country as a result of the end of conflict and ensuing domestic stability from May 2009 onwards resulted in the Rupee strengthening against the Dollar, requiring intervention by the Central Bank in order to maintain stability. This was achieved to a great extent, with a year end exchange rate of Rs. 114.38 to the Dollar, down marginally from Rs. 113.14 as at the end of 2008 with year on year depreciation of 1.09%. The depreciation rates of Sri Lankan Rupee against the Euro, the Sterling Pound and Indian Rupee were 2.60%, 10.16% and 4.13% respectively. However Sri Lankan Rupee appreciated against Japanese Yen marginally by 0.89%.

Foreign Direct Investment into the domestic economy experienced a contraction in 2009, decreasing from its record high level of USD 889 million in 2008, to USD 601 million. This reflects the low levels of investor confidence that ensued as a result of the global economic crisis. However, as the global economy continues to recover and favourable developments are experienced domestically, FDI into the economy is expected to increase.

Opportunities and Future Outlook

The end of the prolonged internal conflict and the dawn of peace have provided great optimism for economic prosperity and long term growth in the economy as a whole. Improvements in the macroeconomic environment, increased investor confidence, new investment opportunities created by the opening of markets in previously war-torn areas, as well as the commitment that has been shown by policymakers to implement appropriate policies and strategies which include rapid development of major infrastructure projects, alongside the gradual recovery of the global economy, provide the necessary fuel for the expected growth.

The challenge then will be to sustain this growth in a manner that will ensure lasting development, whilst creating long term benefits for Sri Lanka as a whole.

Sri Lanka	
Total Area	65,610 sq. km
Commercial Capital	Colombo
Climate	Tropical (10°C - 32°C)
Population	20.21 million
Literacy Rate	91.3 per cent
Per Capita Income	USD 2,053
Currency	Sri Lankan Rupee
Corporate Tax Rate	35 per cent

Financial Review

Profitability

Group Performance

The operating environment which prevailed during the financial year 2009/10 posed many challenges to the Sri Lankan corporate sector while providing a multitude of growth opportunities. The impact of the global economic turmoil resulted in reduced opportunities in the world markets whilst the three decade long war which stunted the economic growth in the country came to an end signifying the dawn of a peaceful new era fuelling the prospects of a brighter future. The performance of Aitken Spence during this period of fluctuating fortunes was driven by its commitment to sound business practices which forms the corner stone of long term growth in shareholder value.

The Group net profit for the period was Rs. 3.0 billion of which Rs. 2.1 billion was attributable to the equity holders. The net profit was a marginal 2.1% decline over the previous financial year while the attributable profits increased by 1.8%. The net revenue of the Group was Rs. 24.0 billion during the year 2009/10 which was a 17.3% decline over the financial year 2008/09. The reduction in net revenue was mainly due to the revenue decline in the Strategic Investments sector.

The Group's overseas operations continued to yield strong results despite the adverse global operating environment contributing a significant portion of the profit before tax.

Sector Revenue and Profitability

Tourism Sector

The operating environment for the Tourism sector vastly improved subsequent to the cessation of the war in May 2009. Tourist arrivals to Sri Lanka

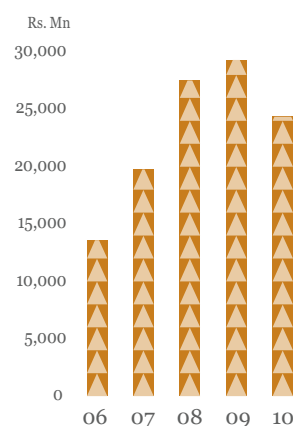
numbered 501,597 visitors, during the period April 2009 to March 2010, which was a 22.4% increase relative to the previous financial year and as a result Sri Lankan resorts were able to report substantial increases in occupancies.

During the calendar year 2009 total visitor arrivals to Sri Lanka increased by 2.1% to 447,890 persons. India consolidated its position as the number one market for Sri Lanka by recording 83,634 visitors while United Kingdom and Germany were the main Western markets. The upward trend has continued in the calendar year 2010 with the period January to March recording a 50.3% increase in arrivals relative to the same period in the previous year.

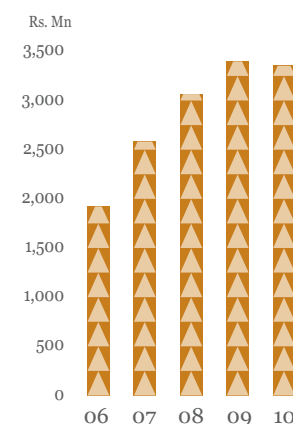
During the financial year 2009/10 the Tourism sector reported a 13.8% growth in revenue while recording a marginal decline of 7.2% in profit from operations. The marginal decline in profitability was due to the previous year's results including the profit from the sale of Bathala Island resort in the Maldives. The overall sector profitability is expected to increase in the coming financial year with improvements in occupancies and substantial price revisions which the tourism industry can now command as a result of the increased demand for Sri Lanka as a tourist destination.

The Maldivian resorts owned and managed by the Group will benefit from the turnaround experienced in the key markets. Tourist arrivals to the Maldives have recovered in 2010 and are on an increasing trend after recording a marginal decline of 4% during the calendar year 2009. The Group's properties in the Maldives are well positioned to capitalise on an upsurge as they have all been refurbished and do

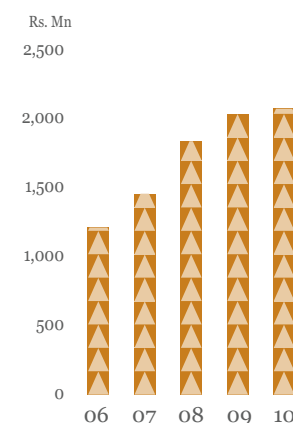
Revenue
for the year ended 31st March



Profit Before Taxation
for the year ended 31st March

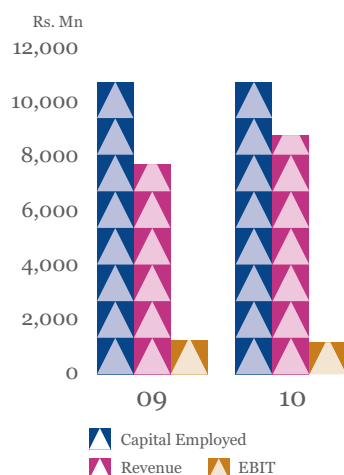


Net Profit Attributable
for the year ended 31st March

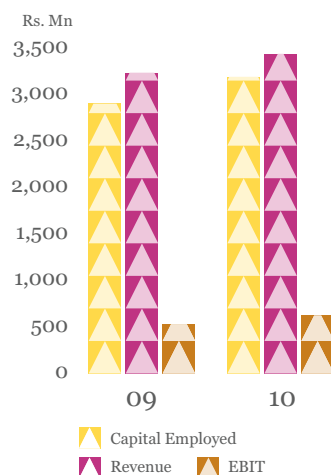


Financial Review

Tourism Sector



Cargo Logistics Sector



not require major capital investments to benefit from the recovery.

The Group continued with the successful model of managing quality resorts in India and Oman. Hotels in Oman experienced a decline in occupancy during the year, mainly due to economic woes of the Middle East. A gradual turnaround is expected during the coming financial year and it is expected that the Oman properties would record improved occupancies. In India and Oman, the Group will continue to pursue opportunities to manage properties with the objective of expanding its portfolio which would yield substantial economies of scale.

Even during the period of war in which the industry was depressed in Sri Lanka, Aitken Spence followed a policy of refurbishing and upgrading its properties. Due to this proactive strategy the Group is well positioned to harness the potential of improved market conditions by being able to accommodate increased occupancies in some of the finest resorts in the country. In the near to medium term the Group plans to develop new resorts in Sri Lanka's Northern and Eastern regions as well as in the South in order to widen its high quality resort portfolio.

The Group's hotel subsidiary, Aitken Spence Hotel Holdings PLC, announced a rights issue to raise equity funding of Rs. 2.5 billion in order to finance some of the high priority expansion projects including those in the North and East. In addition to the projects in Sri Lanka a portion of the funds will be utilised for the development of a unique resort with floating villas in Kerala, South India in a joint venture with an Indian partner. The Group expects to supplement the equity funding with long term debt at project investment level in order to enhance the return to share holders.

The airline General Sales Agencies performed under par due to the continuing turbulence experienced by airlines across the world although it is expected that their fortunes will turn around in the coming year. With more travellers choosing Sri Lanka as a destination for leisure travel, flight frequencies are increasing and the financial year 2010/11 is likely to witness an improved performance in this sector.

Cargo Logistics Sector

The Cargo Logistics sector reported growth in both revenue and profit from operations during the financial year under review in spite of the challenging operating environment signifying the benefits of the proactive business practices adopted by the Group.

The revenue increased by 6.3% during the financial year 2009/10 whilst the profit from operations recorded a growth of 17.9%. The main contributors to this performance were the integrated logistics and maritime transport segments.

The integrated logistics segment consolidated the market leader status in its segment. This segment invested over Rs. 120 million in capital expenditure during the year under review in order to expand and modernise its container yard. While more than doubling its business during the past five years, by capitalising on a diverse portfolio of services.

Strategic Investments Sector

The Strategic Investments sector reported a 33.7% decline in revenue and a 11.4% decrease in profits from operations during the financial year under review. The revenue decrease was due to tariff reductions in Matara and Horana power plants as a result of the settlement of long term debt and lower fuel prices which is a pass through cost.

The power generation segment successfully met its generation targets at all power plants during the year. Improvements to operations and cost structures have been introduced to all plants and are expected to have long term benefits on operating margins. The division has set its long term strategy on renewable energy and as the first step has commenced construction of a mini hydro power plant. Opportunities in wind power are also being explored.

The printing segment consolidated operations during the year, broad-basing its product mix to reflect a better balance of packaging and printing of high quality books and brochures.

The profitability in the plantations sector was adversely affected due to the wage hike which came into force with retrospective effect. Elpitiya Plantations PLC carried out a successful rights issue to raise equity funds in order to rationalise long term debt which is expected to have a positive impact on the profitability of the company.

The garments segment experienced improved fortunes over the previous year, recovering with the industry to grow in volumes and revenues. The division renegotiated prices and improved production efficiencies which enabled it to post an encouraging performance.

Services Sector

The Services sector, which comprises of the Group's service based operations, reported a 11.8 % increase in revenue and a 28.8 % increase in profits from operations during the financial year under review.

The take over of O&M services of the power plants by the Group have generated substantial savings for the Group. Overseas opportunities

to expand these services are being currently explored.

The inward remittance service offered by MMBL Money Transfers brought in enhanced returns during the financial year with the operation recording a 35% growth in transaction volumes. Remittance volumes to the country have increased significantly subsequent to the ending of the war and the company is justifiably optimistic about the coming financial year.

The OTIS elevator agency performed satisfactorily during the financial year. The expected turnaround in the construction industry would provide the elevator agency with many growth opportunities in the future.

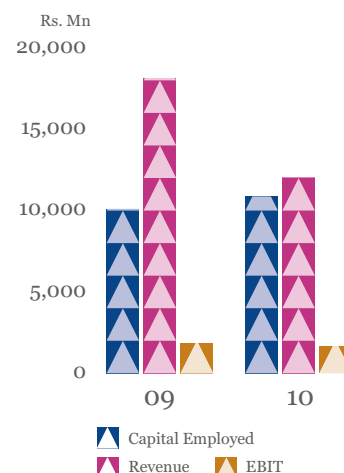
The insurance segment was able to secure many new contracts relating to infrastructure projects during the year. Further, the division's services were sought by Lloyds of London during the year for a specialised survey on an oil contamination claim which enabled the division to enhance its regional visibility. With the government giving priority to infrastructure development in the country it is expected that the division would be presented with many opportunities for faster growth.

Group Operating Costs and EBIT

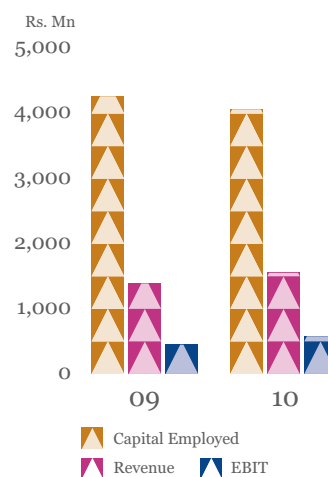
The Group operating profit or Earnings Before Interest and Tax (EBIT) marginally decreased by 2.0% to reach Rs. 4.0 billion for the year. However, the Group's operating profit margin improved to 16.6% from 14.0% in the previous year. The main contribution for this improvement came from the Cargo Logistics and Strategic Investments sectors.

The total operating cost of the Group amounted to Rs. 20.1 billion for the year, being 82.5% of the Group revenue. This is in comparison to Rs. 25.2 billion

Strategic Investments Sector



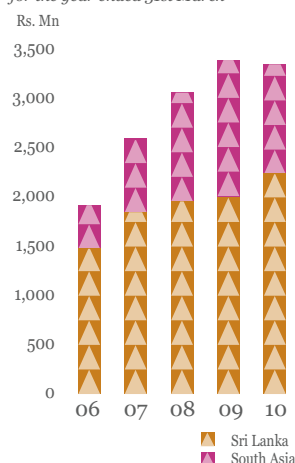
Services Sector



Financial Review

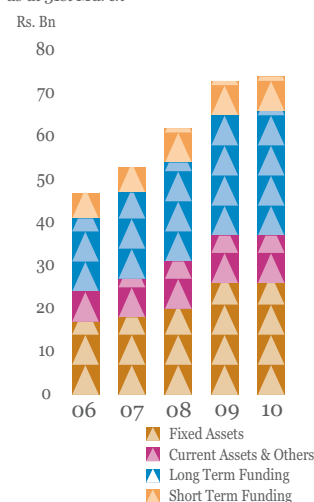
Geographical Analysis of Profit Before Taxation

for the year ended 31st March



Assets & Funding

as at 31st March



recorded as Group operating cost in the previous financial year which amounted to 86.3% of the revenue. The decrease in the operating cost was mainly due to the lower cost of raw materials and consumables used during the year which decreased by 43.8% relative to the previous financial year. The cost rationalisation processes which were formulated and implemented during the financial year also contributed to the improvement of the ratio. The main component in the operating cost is the raw materials and consumables used in the production of revenue amounting to 38.3% of the total operating costs, which is closely followed by other direct operating expenses amounting to 24.6% of the total operating costs.

Taxation

The Group's provision for taxation for the financial year 2009/10 was Rs. 349.0 million which was a marginal increase of 6.3%. The income tax charge for the year was Rs. 236.0 million which is a 23.6% decrease over the previous financial year. The reduction in the income tax charge was mainly due to some companies in the Group enjoying a tax exemption under the Inland Revenue Act for a period of two years commencing from the financial year 2009/10.

The dividend tax for the financial year under review was Rs. 99.9 million which is a 73.6% increase from the previous financial year. The increase in the dividend tax was a result of Group companies declaring increased dividends during the financial year. The deferred tax for the financial year was Rs. 13.2 million, against a reversal of Rs. 24 million in the previous financial year.

The Group's effective tax rate for the financial year was 10.4% for the financial year compared to 9.7% in

the previous year. The Group has continuously maintained a low effective tax rate as a result of its investments in priority sectors and those industries which generate foreign exchange and therefore attract a preferential rate of taxation.

Utilisation of Assets

Net Assets per Share

The net assets per share of the Group was Rs. 700.12 at the end of the financial year 2009/10. This was a 11 % increase over the net assets per share of Rs. 630.90 at the end of the previous financial year. The Price to Book Value (PBV) of the Group increased to 1.96 at the end of the financial year from 0.50 at the end of the previous financial year. The increase of 292% in PBV was the result of buoyant stock market conditions that prevailed subsequent to the ending of the war.

Liquidity

The working capital of the Group marginally increased to Rs. 2.7 billion at the end of the financial year under review from Rs. 2.6 billion at the end of the financial year 2008/09. The change was 1.26%. The current ratio of the Group remained unchanged at 1.33 times as the Group policies on prudent cash management ensured that it maintained a healthy liquidity position. The quick asset ratio of the Group declined marginally to 1.16 times at the end of the financial year under review from 1.17 times from the previous financial year mainly as a result of a 8.4% decrease in trade and other receivables. During the year the Group ensured that the receivables were closely monitored and steps were taken to reduce the collection period, thereby reducing the volume of outstanding receivables and shortening the cash cycle.

Total Assets Turnover

The total asset turnover ratio of the Group was 0.66 times for the financial year under review compared to 0.87 times for the previous financial year. This ratio has declined marginally due to the recent acquisitions of capital assets which have not commenced generating operating cash flows during the financial year under review.

40.6% of the Group's total assets are invested in the Strategic Investment sector, while 35.3%, 12.1% and 12.0% are invested in Tourism, Cargo Logistics and Services sectors respectively.

Capital Expenditure

The Group invested a total of Rs. 766 million on non-current assets during the year which is a marginal 3% growth over the previous financial year. The Group has planned for significantly higher capital expenditure in the coming financial year with the major portion earmarked for the Tourism sector. The total value of the property, plant and equipment held by the Group was Rs. 23.3 billion while the total non current assets amounted to Rs. 26.3 billion at the end of the financial year.

Return on Equity

The Group recorded a return on equity of 11.5% for the financial year under review compared to 14.1% reported in the previous year. The net profit margin improved to 8.5% from 7.0% in the previous year. Steps taken to rationalise cost structures across the Group and efficiency enhancement initiatives that were implemented during the financial year were the main reasons that drove the net profit margin higher. Financial leverage at the end of the financial year was 2.1

times compared to 2.3 times in the previous year.

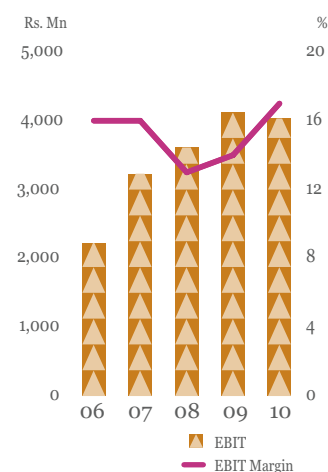
Treasury Operations**Management of Group Funding**

The Group treasury carries out an active cash management operation enabling the Group to minimise its overall funding cost and maximise returns on surplus funds. The treasury's main operation is an intermediation process where it manages daily cash positions of subsidiaries including investments and fund transfers. By means of a centralised management process the treasury controls a large pool of funds thereby enabling it to negotiate preferential interest rates on behalf of subsidiary companies and drive down the overall interest cost of the Group.

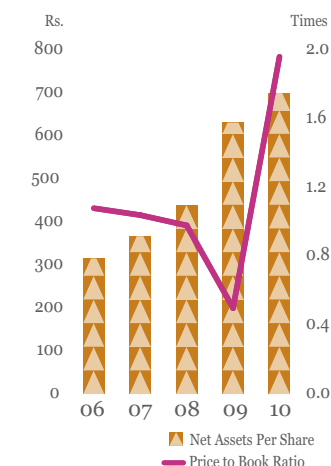
The Group's funding requirements are managed by the treasury ensuring that the four business sectors have sufficient funds available for daily operations and expansion initiatives. In addition the treasury carries out an active trading operation in government securities which results in enhanced returns to the Group. The treasury's timely decision to invest in long term government securities has resulted in the Group having a high yielding portfolio which would provide it with above average returns in a period of low interest rates.

During the financial year 2009/10 the treasury negotiated and arranged funds for several investment initiatives in the power, cargo logistics, maritime, plantation and tourism sectors. The Group's funding activities during the year under review resulted in long term debt declining by 17.4 % to Rs. 5.2 billion from Rs. 6.2 billion in the previous financial year. The long term debt to

EBIT & EBIT Margin
for the year ended 31st March

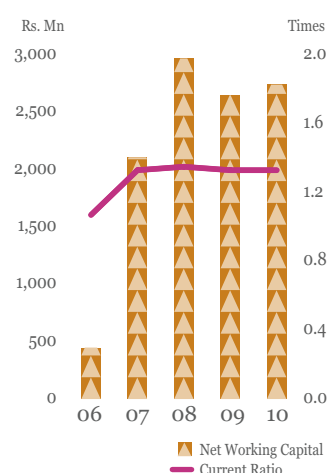


Net Assets Per Share & Price to Book Ratio
as at 31st March

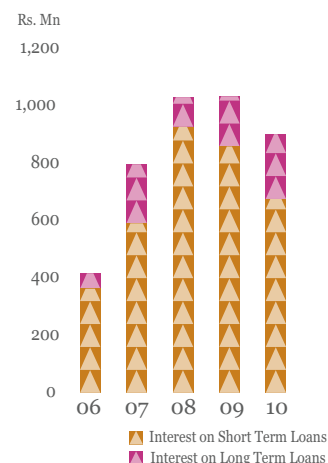


Financial Review

Net Working Capital & Current Ratio as at 31st March



Short Term & Long Term Interest for the year ended 31st March



equity ratio improved from 0.29 in the previous financial year to 0.22 in the financial year under review thereby adding strength to the Group balance sheet. The parent company held approved borrowing facilities amounting to over Rs. 2.5 billion at the end of the financial year that are available for funding of investments and working capital. During the year the treasury successfully negotiated several new short term funding lines at favourable interest rates.

As at end of the financial year under review the Group's short term cash holdings amounted to Rs. 3.6 billion reflecting the strong liquidity position of the Group, which is further highlighted by a cash ratio of 0.10 which remained unchanged from the previous year despite the increased demand for short term liquidity.

The healthy interest repayment capacity of the Group, was highlighted with interest cover ratio of 6.44 times as at year end. This was in comparison to 6.54 for the previous year.

Interest and Foreign Exchange Management

Interest rates were on a downward trend throughout the financial year 2009/10. The average weighted prime lending rate (AWPLR) which was at 18.89% at the beginning of the financial year declined to 10.62% by the end of the year. The Group's finance expenses which is directly impacted by the AWPLR, also declined by 12.3% during the financial year reflecting the general trend in the economy.

In an environment where the inflation was on a downward trend the interest rates on government securities also declined reflecting the easing of monetary policy which was aimed

at stimulating the economy. The common benchmark for floating interest rates, the 6 months treasury bill yield, declined from 16.16% at the beginning of the financial year to 9.24% at the end of the year. During this period the treasury followed a policy where a major percentage of the maturing investments were re-invested in long term government securities in order to lock in higher yields. Despite this proactive strategy, the finance income for the year in absolute terms declined by 31.1% as a result of significantly lower investment yields on government securities.

However net finance expense for the financial year declined by 1.2% to Rs. 697.7 million having a positive impact on the Group profits.

During the financial year under review the Rupee remained relatively stable vis-à-vis the US Dollar for most part of the year, though it depreciated against other major global currencies. The US Dollar to Rupee exchange rate was volatile for a short period during the early part of the financial year due to the sharp decrease of foreign reserves of the country which was alleviated through appropriate policy measures taken by the Central Bank. The balance of payment position improved substantially subsequent to the ending of the war with the country ending the financial year with over US \$ 5 billion in foreign reserves with the IMF stand by arrangements making a positive impact.

During the early part of the financial year the Group treasury exploited opportunities presented by the volatile US Dollar to Rupee exchange rate for the benefit of the Group.

The hedging of Group wide foreign exchange risks is performed

by adopting a number of risk mitigating strategies. The US Dollar denominated debt is serviced through US Dollar revenues thereby eliminating the risk arising from a possible devaluation of the domestic currency. Forward exchange bookings are used in order to minimise risks involved in import and export transactions. Further, exchange rate forecasts are constantly monitored by the treasury with the objective of identifying emerging trends in order to determine the course of action to be taken with respect to future cash flows and subsidiary companies are advised regarding the course of action that must be taken to mitigate possible actual and opportunity losses. Interest rate swaps and structured derivatives are also used by the treasury to minimise the impact of the volatility of interest rates.

Shareholder Returns

Earnings per Share

The Group reported an Earnings per Share of Rs. 76.73 for the financial year 2009/10 which was a 1.8% increase over the Earnings per Share of Rs. 75.37 in the previous financial year. This performance is noteworthy in view of the unfavourable global environment which prevailed through most part of the year. The number of ordinary shares in issue remained unchanged during the year.

Market Price per Share and Market Capitalisation

The market price of the Group's share was Rs. 1,373.75 as at the end of financial year 2009/10 compared to Rs. 315.00 at the beginning of the financial year. The growth in the share price during the period was a phenomenal 336.1% which clearly reflects the investor confidence in the

Group. The lowest price at which the share traded during the year under review was Rs. 330.00 whilst the highest price traded was Rs. 1,450.00. The total value of the share trades during the year amounted to Rs. 2.2 billion. The market capitalisation of Aitken Spence PLC was Rs. 37.2 billion at the end of the financial year which was 3.1% of the total market capitalisation of the Colombo Stock Exchange.

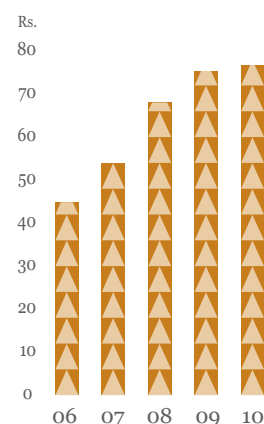
Price Earnings Ratio

The Price Earnings Ratio (PER) of the Group at the end of financial year 2009/10 was 17.9 times compared to that of 4.2 times at the end of the previous financial year. The PER at the end of the financial year is a more realistic representation of the share holder value delivered by the Group and also reflects the investor confidence in the future potential of Aitken Spence. The market PER was 18.36 times at the end of the financial year and the Group's PER was at a 3% discount to the market PER.

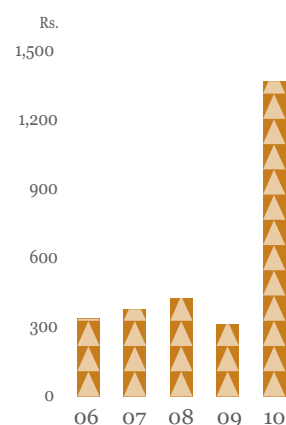
Dividends per Share

Aitken Spence declared and paid an interim dividend of Rs. 3.50 per share in May 2010 in respect of the financial year 2009/10. The Board is recommending a final dividend payment of Rs. 6.50 per share, making the total dividend Rs. 10.00 for the financial year. The Dividend per Share for the previous financial year was Rs. 9.50.

Earnings Per Share
for the year ended 31st March



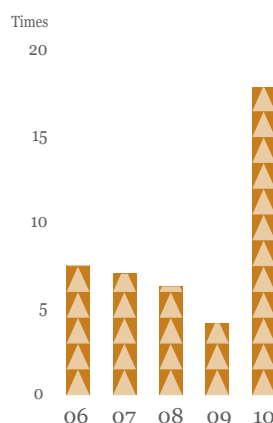
Market Value Per Share
as at 31st March



Financial Review

Price Earnings Ratio

as at 31st March



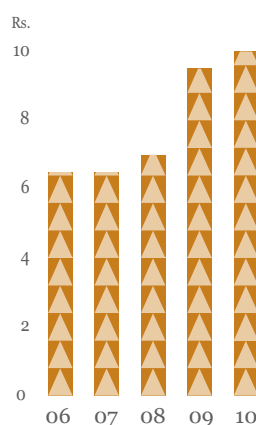
Total Shareholder Return

Aitken Spence achieved a Total Shareholder Return (TSR) of 339.3% for the financial year 2009/10 in comparison with the negative 24.5% corresponding to the previous financial year. The TSR reflects the total return received by a shareholder through the appreciation of share price and dividends during the financial year. The phenomenal TSR for the financial year under review was primarily due to the appreciation of the share price that increased to a level which is a more realistic reflection of the share holder value created by the Group.

Three new Sri Lanka Accounting Standards namely, SLAS 44 - Financial Instruments: presentation, SLAS 45 - Financial Instruments: Recognition and Measurement and SLAS 39 - Share based payments have been issued but are not effective as at the balance sheet date. The Group will adopt these standards as an when they become effective.

Dividends Per Share

for the year ended 31st March



Compliance with International Financial Reporting Standards

Sri Lanka has committed to comply with International Financial Reporting Standards (IFRS) by the year 2011. The adoption of IFRS is expected to have far reaching consequences for public listed companies in presenting their financial statements. The Group has anticipated this change and is taking necessary steps to be prepared for the transition to full compliance with IFRS when the change takes place in two years time.

Foreign Currency Generation

Foreign Currency Generation	2009/10	2008/09	2007/08	2006/07	2005/06
	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000	Rs. ' 000
Tourism Sector	9,315,664	7,558,313	7,608,350	5,196,130	3,625,004
Cargo Logistics Sector	859,174	610,843	417,294	627,405	720,045
Strategic Investment Sector	1,485,597	1,227,651	1,461,395	1,143,894	1,246,697
Service Sector	182,944	226,097	195,842	47,577	39,693
TOTAL	11,843,379	9,622,904	9,682,881	7,015,006	5,631,439

This statement represents the total foreign currency generated for the last five years through the Group's direct and indirect operations. This amounted to a total of Rs. 11.8 billion for the financial year 2009/10, which was a 23.1% increase over last year.

As in the previous years the highest contribution to the foreign currency generation was from the Tourism sector which accounted for 78.7% of the total generation. This was a 23.3% increase over the last financial year reflecting the recovery witnessed by the industry towards the second half of the financial year.

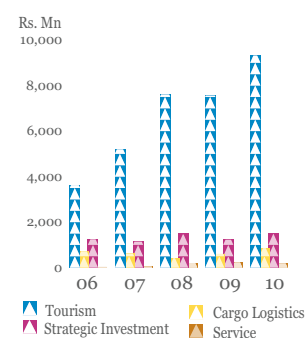
The Group's Cargo Logistics sector recorded a 40.7% year on year increase in the foreign currency generation indicating

the positive performance had by the sector during the year despite the challenges faced by the industry due to global recession.

A 21.0% increase in the foreign currency generation was achieved by the Strategic Investments sector, led mainly by the improved commodity prices in the plantations segment. The Services sector however reported a 19.1% drop in its foreign currency generation largely due to an overall drop in charges for the money transfer operation.

The Sri Lankan rupee appreciated against the dollar during the financial year under review. The Rupee ended the financial year 2009/10 at Rs. 114.09 against the US dollar, compared to Rs. 115.48 at the end of the last financial year.

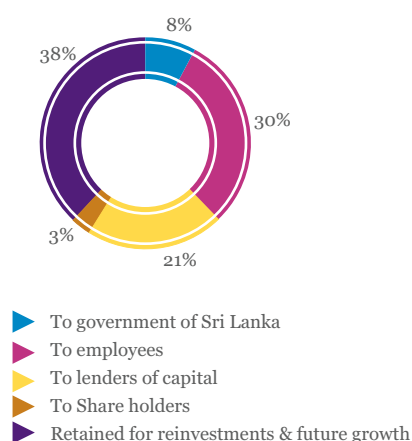
Foreign Currency Generation
for the year ended 31st March



Statement of Value Added

Statement of Value Added		2009/10		2008/09		2007/08		2006/07		2005/06
		Rs. '000		Rs. '000		Rs. '000		Rs. '000		Rs. '000
Total Revenue		24,356,233		29,307,818		27,515,960		19,765,632		13,593,263
Purchase of goods & services		(16,092,847)		(21,862,282)		(20,514,678)		(14,098,869)		(9,851,660)
		8,263,386		7,445,536		7,001,282		5,666,763		3,741,603
Other operating & interest income		438,666		810,188		517,569		459,537		564,438
Share of Associate Companies profit before tax		19,102		(9,239)		132,452		33,958		64,677
Total value added by the Group		8,721,154		8,246,485		7,651,303		6,160,258		4,370,718
Distributed as follows										
To government of Sri Lanka	8%	722,732	8%	635,783	7%	557,188	9%	533,925	9%	376,588
To employees	30%	2,624,484	27%	2,216,935	27%	2,077,107	26%	1,588,736	28%	1,224,651
To lenders of capital	21%	1,829,540	25%	2,062,444	26%	2,019,058	26%	1,621,798	21%	914,554
To Share holders	3%	270,664	3%	257,131	2%	189,465	3%	175,931	4%	175,931
Retained for reinvestments & future growth	38%	3,273,734	37%	3,074,192	37%	2,808,485	36%	2,239,868	38%	1,678,994
	100%	8,721,154	100%	8,246,485	100%	7,651,303	100%	6,160,258	100%	4,370,718

2009/10 Distribution of Wealth Created



The creation of wealth is the main purpose of existence of any commercial organisation. The value added statement highlights the wealth created by the activities of the Aitken Spence Group over the last five years and the distribution of this wealth created among its stakeholders.

Through its operations during the financial year 2009/10, the Aitken Spence Group created a total wealth of Rs. 8.7 billion, which was a 6% increase over the previous year and the highest so far recorded.

30% of the wealth created during the year was distributed amongst the Group employees whilst 21% was used up for servicing of lenders of capital. The Group contributed to Rs. 722.7 million to Government authorities by way of tax. This accounted for 8% of the total wealth for the year. Payment in the form of dividends accounted for 3% of the wealth created. The Group retained 38% of its wealth created to be re-invested in its operations for future growth.

Share & Debenture Information

Stock Exchange Listing

Aitken Spence PLC., is a Public Quoted Company, the issued ordinary shares of which are listed on the Colombo Stock Exchange. Stock exchange code for Aitken Spence PLC., share is "SPEN". Reuter code of Aitken Spence PLC., is "SPENC.CM".

Market Sector : Diversified Holdings

Ordinary Shareholders

Information on share trading.

	31st March 2010	31st March 2009
Number of transactions	2,052	690
No. of shares traded during the year	2,512,200	955,200
Value of shares traded during the year (Rs. Million)	2,158	450
Percentage of total value transacted	1.01%	0.42%
Market Capitalisation on 31st March (Rs. Million)	37,182	8,526
Percentage of total Market Capitalisation	3.08%	1.60%

Market Value

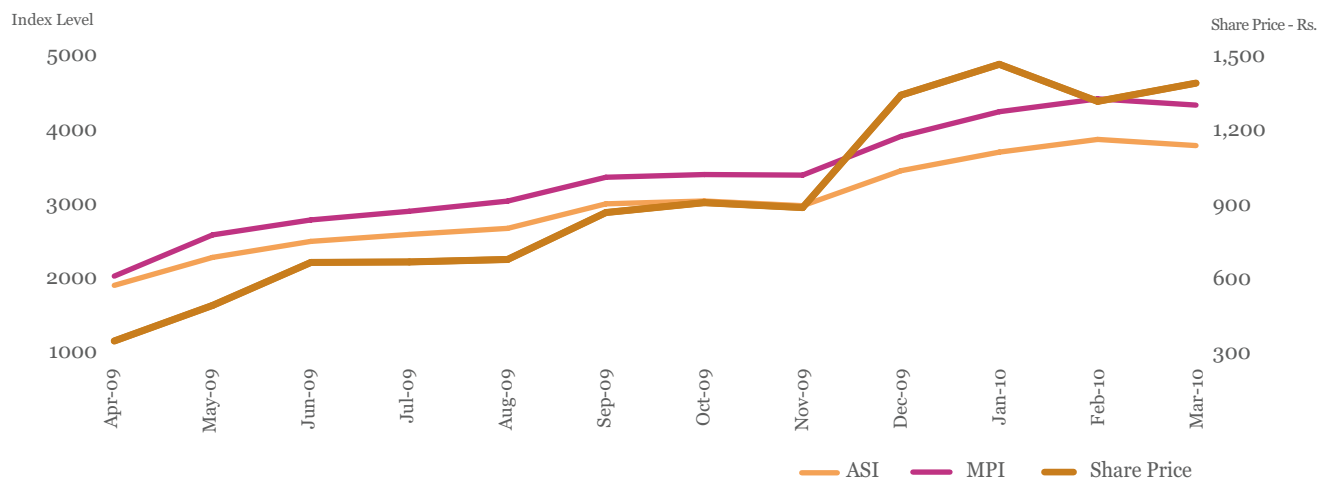
	Highest (Rs.)	Lowest (Rs.)	Year End (Rs.)
2007/2008	430.00	256.00	430.00
2008/2009	560.00	305.00	315.00
2009/2010	1,450.00	330.00	1,373.75

The market value of the ordinary shares as at 21st May 2010 was Rs. 1,550.25.

The net assets per share of the Group was Rs. 700.12 (2008/09 – Rs. 630.97). The net assets per share of the Company was Rs. 279.08 (2008/09 – Rs. 234.25).

Share Prices vs Indices 2009/2010

12 Month Trend

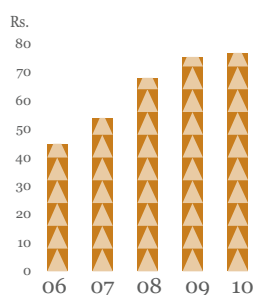


Share & Debenture Information

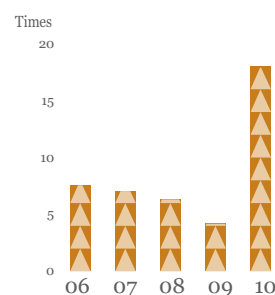
Earnings

	2009/2010	2008/2009	2007/2008
Earnings per share	76.37	75.37	68.02
Price earnings ratio (P/E)	17.90	4.18	6.32

Earnings Per Share
for the year ended 31st March



Price Earnings Ratio
as at 31st March



Shareholders - Voting

There were 1,659 voting registered shareholders as at 31st March 2010 (31st March 2009- 1,646), whose shareholding is distributed as follows;

Category	31st March 2010			31st March 2009		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,292	266,188	0.99	1,266	268,756	0.99
1,001 - 10,001	275	882,211	3.26	283	860,303	3.18
10,001 - 100,000	62	2,089,847	7.72	65	1,978,335	7.31
100,001 - 1,000,000	25	7,934,254	29.31	27	8,297,706	30.66
1,000,001 - above	5	15,893,903	58.72	5	15,661,303	57.86
Total	1,659	27,066,403	100.00	1,646	27,066,403	100.00

Analysis of Shareholders

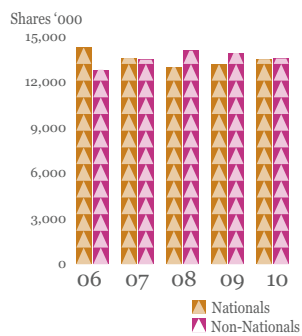
Nationals/Non Nationals

	31st March 2010		31st March 2009	
	No. of shares	%	No. of shares	%
Nationals	13,511,634	49.92	13,147,582	48.58
Non Nationals	13,554,769	50.08	13,918,821	51.42
Total	27,066,403	100.00	27,066,403	100.00

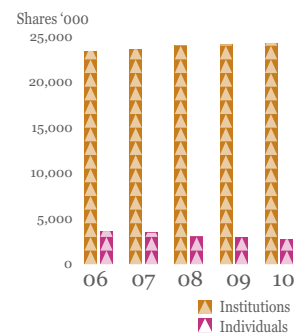
Individuals / Institutions

	31st March 2010		31st March 2009	
	No. of shares	%	No. of shares	%
Institutions	24,313,254	89.83	24,158,466	89.26
Individuals	2,753,149	10.17	2,907,937	10.74
Total	27,066,403	100.00	27,066,403	100.00

Nationals & Non-Nationals
as at 31st March



Institutions & Individuals
as at 31st March

**Dividends**

An interim dividend of Rs. 3.50 per share (2008/2009 Rs. 3.50 per share) was paid on 19th May 2010. A final ordinary dividend of Rs. 6.50 per share (2008/2009 Rs. 6.00 per share) has been recommended to the shareholders for approval at the forth coming Annual General Meeting, payable on 8th July 2010 (2008/2009 – 9th July 2009).

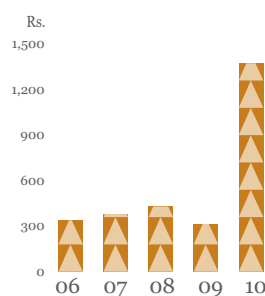
History of dividend per share and dividend yield for the past 10 years

Year	Dividend Per Share (Rs)	Dividend Cover
2000/01	4.00	4.27
2001/02	4.00	3.26
2002/03	4.50	4.34
2003/04	6.00	7.88
2004/05	6.00	6.88
2005/06	6.50	6.90
2006/07	6.50	8.30
2007/08	7.00	9.72
2008/09	9.50	7.93
2009/10	10.00	8.08

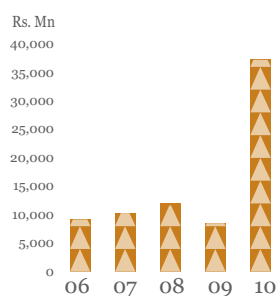
*Share & Debenture Information***Twenty largest shareholding as at 31st March 2010**

	Name	No. of shares	%
1.	Distilleries Company Of Sri Lanka Limited	4,890,955	18.07
2.	Rubicond Enterprises Limited	4,399,343	16.25
3.	Sri Lanka Insurance Corporation Ltd-General Fund	2,935,505	10.85
4.	HSBC International Nominees Ltd-SNFE - Arisaig India Fund Limited	2,512,700	9.28
5.	HSBC International Nominees Ltd -BPSS LDN- Aberdeen Asia Pacific Fund	1,155,400	4.27
6.	Northern Trust Co S/A Murray Johnstone International Delaware Business Trust	736,900	2.72
7.	Employees Provident Fund	736,439	2.72
8.	Ceylon Guardian Investment Trust Plc A/C # 01	649,800	2.40
9.	HSBC International Nominees Limited-BPSS LUX-Aberdeen Global-Asian Smaller Companies Fund	645,000	2.38
10.	Mr. G.C. Wickremasinghe	487,216	1.80
11.	Mellon Bank N.A.-Florida Retirement System	400,000	1.48
12.	Placidrange Holdings Limited	368,100	1.36
13.	HSBC Intl Nominees Ltd-HSBC Bank PLC-CMG First State Global Umbrella Fund PLC-CMG First State Indian Subcontinent Fund	342,938	1.27
14.	HSBC Intl Nominees Ltd-SSBTL-Aberdeen New Dawn Investment Trust XCC6	300,237	1.11
15.	HSBC International Nominees Ltd -BPSS LDN-Aberdeen Investment Fund ICVC Aberdeen Emerging Market	289,500	1.07
16.	Milford Exports (Ceylon) Limited	288,100	1.06
17.	HSBC Intl Nom Ltd-BPSS LUX -Aberdeen Global-Emerging Markets Equity Fund	287,400	1.06
18.	HSBC Intl Nominees Ltd-JPMCB-SCOTTISH ORL SML TR GTI 6018	274,800	1.02
19.	CB London S/A The RBS as Dep of FS India Sub Cont FD AS S/F of First State Investment ICVC	262,825	0.97
20.	Stassen Exports Limited	216,300	0.80
	TOTAL	22,179,458	81.94

Market Value Per Share
as at 31st March



Market Capitalisation
as at 31st March



Share Prices vs Indices
10 Year Trend



Unquoted Debentures

1. Unsecured Redeemable Debentures 2004-2009

The Company raised by a private placement Rs. 1 billion by the issue of 10,000 unsecured redeemable debentures of Rs. 100,000/- each in the financial year 2004/2005. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures.

(i) Fixed Rate

5,000 fixed rate unsecured redeemable debentures of Rs. 100,000/- each were issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a.

1,000 debentures were redeemed annually from 2005 and the balance 1,000 debentures were redeemed on 29th June 2009.

(ii) Floating Rate

5,000 floating rate unsecured redeemable debentures of Rs. 100,000/- each were issued on 30th July 2004 with interest payable semi annually at an interest rate of six month net Treasury bill rate +2.15% p.a.

1,000 debentures were redeemed annually from 2005 and the balance 1,000 debentures were redeemed on 29th July 2009.

2. Unsecured Redeemable Debentures 2006-2012

The Company by a private placement raised Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/- each. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures.

(i) Fixed rate

3,000,000 fixed rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 with interest payable annually at the interest rate of 13.75% p.a. The applicable interest rate on these debentures was duly paid on 23rd October 2009.

(ii) Floating rate

6,600,000 floating rate unsecured redeemable debentures of Rs. 100/- each was issued on 25th October 2006 and 24th November 2006* with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures was duly paid on 24th April 2009 and 23rd October 2009.

*Date of issue	No. of debentures
25th October 2006	4,100,000
24th November 2006	2,500,000

Risk Management

1. Introduction to Risk Management

Risk can be defined as “the effect of uncertainty on objectives, whether positive or negative”. Therefore, risk represents factors that could prevent the achievement of the Group’s objectives.

Risk management is concerned with the identification, assessment, and prioritisation of risks followed by a coordinated and economical application of resources to minimise, monitor, and control the probability and/or impact of adverse events or to maximise the realisation of opportunities.

Aitken Spence Group is involved in a diverse range of business activities, spanning several industries, market segments and geographical locations. Whilst this diversification provides a hedge against the positive correlation of business and environmental risk, it also exposes the Group to a wider range of risks and opportunities. These risks have been broadly categorised as follows,

- A. Strategic Risk
- B. Financial Risk
- C. Operational Risk



Figure 1 - Risk Universe Aitken Spence

2. Importance of Risk Management

The Group recognises the importance of adopting a proactive approach when dealing with risk. Failure to preempt risk could result in financial losses, lost opportunity, and in extreme instances even corporate failure. Hence, Aitken Spence Group views effective risk management as a critical tool in ensuring the Group’s achievement of objectives, particularly in the context of the highly uncertain business environment.

While risks could adversely affect business activities and shareholder wealth, the Group is conscious that acceptable and calculated risks need to be taken to achieve its objectives. Having understood the relationship between risk and return, the Group has established a risk appetite acceptable to its stakeholders, and one that would facilitate the maximisation of shareholder wealth.

Risk management is a key element of Aitken Spence’s system of corporate governance. It attempts to create a suitable balance between entrepreneurial attitude and the level of risk associated with business opportunities. The Group maintains a high awareness of business risks and has internal control procedures, which gives assurance to stakeholders of the existence of a process that regularly reviews the risks faced by individual sectors of the Group.

3. Risk Management Structure

Aitken Spence adopts a well structured and disciplined approach to risk management aligning strategy, processes, people, technology and knowledge in evaluating and managing the uncertainties the Group faces. The Group has the following control structures in place to ensure the risk management process is implemented efficiently and effectively, and that risks are identified and mitigation strategies implemented to address these risks.

A. THE BOARD OF DIRECTORS

- Responsible for approval of the risk governance structure.
- Approves high level risk parameters for individual SBU’s and the Group.
- Receives reports from the Audit Committee on risk related matters.

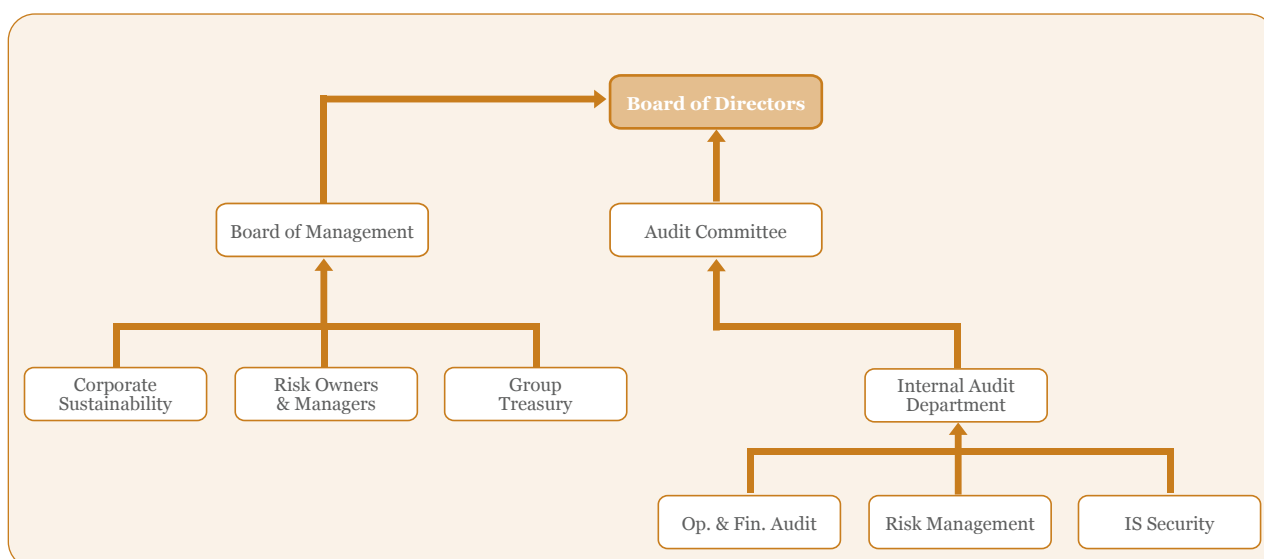


Figure - 2 - Risk Management Structure at Aitken Spence

B. MANAGEMENT BOARD

- Designing, operating and monitoring risk management and control processes at the SBU and Group level.
- Ensures that the strategies adopted by SBU's are in line with the risk parameters of the Group.

C. THE AUDIT COMMITTEE

- Considers adequacy of the risk management and internal control framework
- Receives and reviews risk management reports.
- Receives and reviews reports from internal and external auditors.

D. GROUP CENTRALISED DIVISIONS

- **Internal Audit Department**

The internal audit department maintains strict independence in all the work it performs from the management of individual SBU's. The internal audit department has 3 specialised sub-units covering key areas of the risk management process, these units are,

1. **Financial and Operational Audit**

Conducts independent audits to ensure compliance with existing internal control framework and reviews their adequacy.

2. **Risk Management**

Responsible for conducting sector-wise operational & compliance risk assessments, dealing with micro and macro level risks.

3. **Information Security**

Responsible for reviewing the adequacy of controls of existing information systems, IT infrastructure and information assets.

- **Treasury Department**

The treasury department will engage in the management of the foreign currency risk and interest rate risk of the Group.

The department regularly monitors and forecasts movements in both foreign currency exchange rates and interest rates with the objective of undertaking timely hedging activities that could eliminate or minimise financial losses that could arise from such movements.

This includes techniques such as matching, the use of forward rate agreements, swaps and other financial derivatives, to minimise the Groups exposure in these areas. The department is also responsible for the liquidity management of the Group, and the provision of treasury related services & advice to Group SBU's.

Risk Management

- **Corporate Sustainability**

By partaking in sustainable corporate activities, the Group addresses stakeholder concerns, thus reducing the likelihood of risks arising from possible adverse actions of stakeholders.

E. RISK OWNERS AND MANAGERS (INDIVIDUAL SBU'S)

The Management and staff of the individual SBU's will be responsible for the following tasks in their particular sectors,

- Evaluating the status of risks and effectiveness of risk mitigation.
- The day-to-day oversight of risk and risk mitigation actions.
- Improve risk mitigation strategies where possible.

4. The Risk Management Process at Aitken Spence

The Aitken Spence Group has established and adheres to a comprehensive risk management framework at both the SBU and Group level, to ensure the achievement of its corporate objectives, within a well managed risk profile. In formulating this framework Board members and senior managers have identified and taken into consideration the Group's key business objectives, goals and strategies together with the Group's management philosophy, organisational culture and ethics, to establish and maintain an appropriate control environment.

The Group's consistent application of its risk management framework has allowed for the successful identification, assessment and prioritisation of risks. Risks are identified and assessed, by analysing in detail the inherent risks faced by the industry in which the respective sectors operate in, and the processes in place within these sectors. Risk assessments will determine which risk factors have a greater impact on the business than others, and the likelihood of such risks materialising. It includes establishing the Group's risk appetite and formulating risk management practices that are appropriate to this appetite, and the Group's business activities. The Group maintains and continually updates a risk register; which identifies possible internal and external risks. This register also includes appropriate risk management strategies formulated to treat these risks.

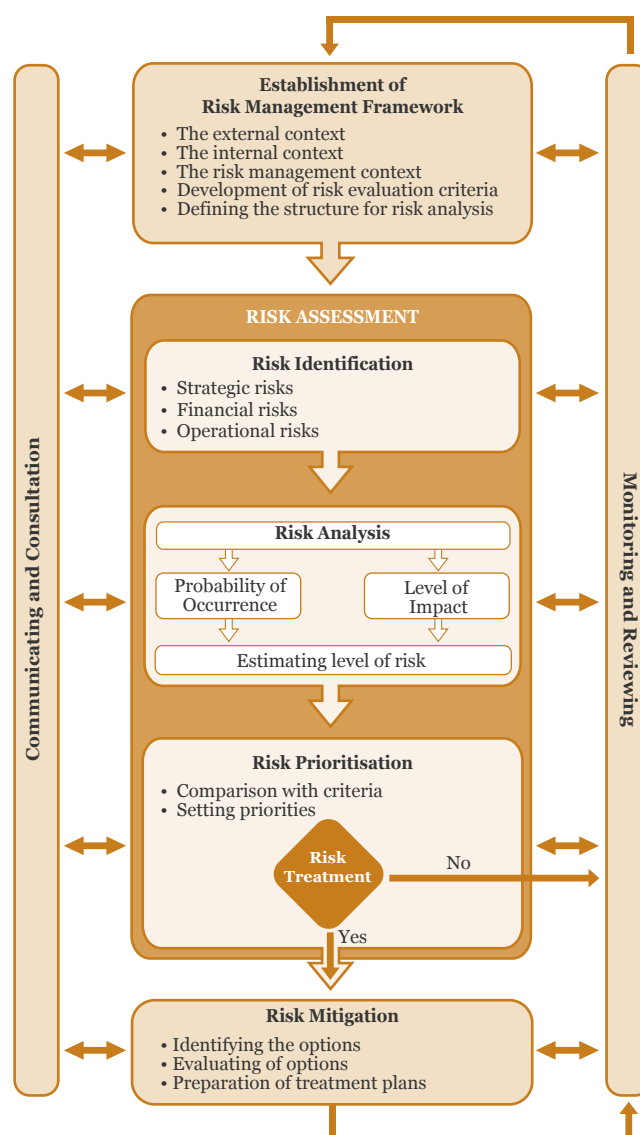


Figure 3: Risk Management Process

The level of risk associated with an event is estimated based on the impact of that event on the Group, and its probability of occurrence. Having estimated the level of risk, (the Group identifies 3 categories of risk), the identified risks are then systemically prioritised (Refer Figure - 5). Action taken to deal with these risks will range from strategies of acceptance, mitigation, avoidance or transfer of the risk, and will depend on the nature of the risk (Refer Figure - 4). Cost benefit analysis is carried out for each event, to ascertain the benefit of the method of risk management to be used, compared to its costs, to identify the most suitable risk management technique.

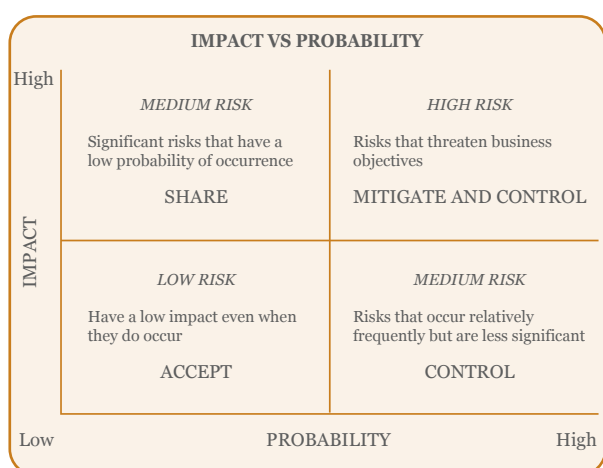


Figure 4 - Risk Mapping and Response

The adequacy and extent of risk management measures in relation to SBU's will be periodically assessed by management of the respective SBU's taking into consideration the potential business environment the Group operates in, and changes in laws, rules & regulations. They will also identify emergent risks that may have an adverse effect on Sector performance.

5. Changes in the Risk Profile of the Group

Shown below are the categories of risks faced by the Group and the significance of the threat they pose to its activities. The movement in these risks from the previous financial year are identified in the table and diagrams below,

RISK	RISK RATING	
	2009/10	2010/11
Business Risk	High	Moderate
Socio-Economic Political Risk	High	Moderate
Legal Risk	Low	Low
Reputation Risk	Moderate	Moderate
Operational Risk	Moderate	Moderate
Foreign Exchange Risk	Moderate	Moderate
Interest Rate Risk	High	Moderate
Employee Risk	Moderate	Moderate
Technology Risk	Moderate	Moderate
Investment Risk	Moderate	Low

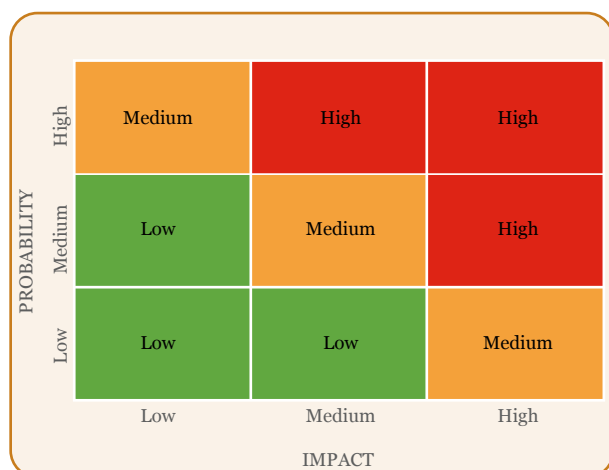


Figure 5 - Risk Rating

Risk Management

6. Risks Faced by The Group and Mitigation Strategies Implemented

BUSINESS RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>Circumstances or factors that may have a negative impact on the operations or profitability of the business.</p> <p>Business performance may be adversely affected due to intense competition, new entrants, change of customer attitudes and/or unfavourable economic conditions.</p>	<p>With the global financial crisis and subsequent economic crisis bottoming out, and several economies seeing gradual signs of recovery, the Group operates in a more stable economic environment than the previous year.</p> <p>However, the levels of business risk and market risk, though being lower than at the peak of the global financial crisis, is still significant. Markets in general remain volatile, uncertain and investors cautious. The financial and commodity markets which fell in 2008 are still below pre-recessionary levels.</p> <p>Taking into consideration the above, the Group views the upcoming year with cautious optimism, in regard to the global economy.</p> <p>The Group remains exposed to risks arising from competitors, new entrants and changes in customer attitudes.</p>	<ul style="list-style-type: none"> Initiatives undertaken by the Group in the previous year to manage risks arising from the global economic crisis were successful in controlling the effect of the fallout from the crisis, on the Group. This was evident by the fact that none of the Group's activities were significantly disrupted/ impaired during the period, and the Group's strong performance for the year. The Group continues to scan global markets and events, with the objective of forecasting their impact on its activities. Based on such forecasts the Group has implemented suitable risk mitigation strategies spanning all levels of its operations, and will adopt these strategies to changes in its operating environments. Relationships with business and strategic partners are conducted in a manner that mutually benefits all parties involved, while addressing their concerns and fostering trust. The Group consciously limits its dependence on any single party to limit the repercussion arising from the possible loss of such business partners. The Group continually monitors competitor's activities and strategies; this includes reviews of competitor's market shares and performance. Where necessary new strategies are formulated or existing strategies revised to meet the actions of competitors. Market research activities are routinely conducted to identify changes in customer attitudes, buyer behaviour and market trends. 	
SOCIO-ECONOMIC/ POLITICAL STABILITY	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>The adverse impact on operations and/or profits as a result of instability in the country, arising from political changes or military activities.</p> <p>Such impacts could arise from a change in government, economic factors, legislative bodies and changes in foreign policy.</p>	<p>While security and armed conflict are no longer a concern, with the defeat of the LTTE in 2009. The end of the civil war is expected to contribute positively towards growth in the tourism and cargo & logistics sectors.</p> <p>However, the operations of the Group still remain exposed to possible economic, social & political instability which could have a potentially disruptive impact on the business/and adverse effects on its profits.</p>	<ul style="list-style-type: none"> Diversification of Group business activities outside of Sri Lanka has reduced its dependence on local operations and the Sri Lankan economy. This includes the expansion of the tourism sector into regional and international markets, and the cargo and logistics sector to emerging economies. The Group is always seeking profitable investment opportunities within its risk profile that would reduce its dependence on its core markets. The Group periodically reviews the country situation of foreign countries it plans to diversify into and those that it already operates in. The Group maintains strong relationships with relevant stakeholders, lobby groups and trade unions and plays a vital role in influencing progress towards lasting peace and political / socio-economic stability within the country. 	

LEGAL & COMPLIANCE RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : LOW
<p>The potential for losses arising from the uncertainty of legal actions/or possible losses arising from the misinterpretation of prevailing laws, regulations and contracts.</p> <p>The risk could also arise due to inadequacy of documentation or legal or regulatory incapacity despite having adequate documentation which may result in the un-enforceability of contracts with counterparties.</p>	<p>Losses incurred due to unfavourable legal judgments, high legal costs and penalty fees, loss of image and investor confidence on the integrity of the company would be possible consequences of this risk.</p>	<ul style="list-style-type: none"> • A dedicated centralised in-house legal division that assists and advises Group SBU's on legal matters. • The use of external professional counsel when required. • The conducting of periodic reviews and audits by the Internal Audit division in collaboration with the Legal division to ensure that all business units conform to legal, regulatory and statutory requirements. • The Group recognising and accepting its responsibilities as a public quoted company, a taxpayer and an employer. All statutory and legal requirements are met in all transactions. 	
REPUTATION RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>Adverse impact on earnings, capital and the corporate image of the Group arising from negative public opinion.</p>	<p>Will affect the Group's ability to establish new relationships and/or service/continue existing relationships.</p> <p>It may expose the group to litigation, financial loss or a decline in its customer base. Reputation risk will have a direct impact on shareholder wealth and investor confidence.</p>	<p>In order to maintain its reputation and preserve the confidence of its various stakeholders, the Group has in place an effective compliance system. This includes,</p> <ul style="list-style-type: none"> • A business communication unit, with representation from all strategic business units of the Group ensures up to date and accurate communication with stakeholders. • The maintenance of the highest ethical behaviour and standards at all times in all business activities. The Group has its own code of ethics and regularly conducts workshops on ethical behaviour for its staff. • Customer satisfaction is regularly assessed, and prompt action taken on customer complaints/ suggestions. Introduction of innovative products and services, periodic review of business strategy, vision and mission of the Group and constant reminders to the staff on the importance of customer satisfaction are some of the key strategies used to address this risk. • The Group actively involves itself in community development, and places importance on being a socially responsible corporate citizen. Building a sustainable business is an integral part of the Group's long term strategy to enhance shareholder value and investor confidence. • Strict adherence to statutory requirements and environmental regulations to the extent of even enhancing the environment in some instances. 	

Risk Management

OPERATIONAL RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>Potential losses resulting from inadequate or failed internal processes, people and systems, or from external events.</p> <p>This includes risks arising as a result of systems and procedural failures, processing errors, human errors, fraud, lack of internal controls, compliance requirements, corporate governance practices, and both natural and man made disasters.</p>	<p>Disruption of the smooth functioning of business operations and losses incurred thereby.</p> <p>Volatile revenues and difficulties in maintaining and sustaining profitability, loss of competitiveness, hampered productivity, loss of competencies over competitors, hindrance to expansion, damages to reputation, high cost of legal & penalty charges, and deterioration of the working environment, are manifestations of how this risk could affect the business.</p>	<ul style="list-style-type: none"> • A structured and uniform set of internal controls has been implemented and is being adhered to throughout the Group. • Periodic and impromptu checks are carried out by the Group's Internal Audit division to ensure compliance and the effectiveness of these controls. • The Group's wide use of the Oracle EBS Applications software ensures the observance of the required internal controls. • Business continuity plans are being formulated for all sectors of the Group to ensure smooth operations even at a time of disaster. As a part of this process, all natural and man made disasters that can have an adverse impact on each of the sectors are being identified and preventive and mitigation strategies are based on the potential loss and probabilities of occurrences. 	
FOREIGN EXCHANGE RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>The adverse impact of foreign exchange rate fluctuations on cash flows, on assets and liabilities, and on business activities (such as purchase of capital goods, raw materials, services and in the conversion of foreign currency receipts to rupees) of the Group.</p>	<ul style="list-style-type: none"> • Adverse movements in foreign currency exchange rates against the Sri Lankan Rupee could impact the profit & loss account on the translation of assets/liabilities held in foreign currencies as well as lead to cash flow issues during realisation/ settlement of such assets / liabilities. • Any such adverse movements that occur post original evaluation/estimation can impact the profitability of a project or a transaction. 	<p>Group Treasury manages the exposure arising from foreign currencies as follows,</p> <ul style="list-style-type: none"> • The effect of the exposure to foreign currency liabilities are minimised or avoided by matching these liabilities against foreign currency denominated assets. • Risks associated with future repayments of foreign currency liabilities are mitigated by ensuring such outflows are matched by foreign currency inflows. • Adverse movements in exchange rates on import and export transactions are mitigated by forward booking of currencies and by matching of foreign currency inflows and outflows. • Exchange rate forecasts are constantly monitored to ensure that timely and appropriate hedging activities are taken to mitigate FOREX risks. • Group treasury provides advice to SBU's within the Group on strategies to minimise costs and maximise revenue in Sri Lankan Rupees, when dealing with foreign currency. 	

INTEREST RATE RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
Potential losses that may arise due to adverse movements of interest rates in local currency or foreign currencies.	Adverse movements in market interest rates both in local and foreign currency could lead to increased cost of borrowings or lower interest income and thus have a direct impact on the Groups profitability and shareholder wealth.	<p>The Group manages and mitigates its interest rate risks through its centralised treasury department. It adopts the following strategies,</p> <ul style="list-style-type: none"> • Exposure to foreign currency liabilities linked to floating rate indices such as LIBOR are mitigated by the use of financial instruments such as Interest Rate Swaps and other financial derivatives. • The impact of interest rate movements on Group short-term borrowings is minimised through the efficient management of rupee cash flows across the Group in a systematic basis. This includes netting of subsidiary cash flows through the centralised treasury. The efficiency of this method is evident by the fact that the Group has consistently maintained a lower effective interest rate compared to market rates. • Constant monitoring and forecasting of market interest rates are carried out to ensure appropriate steps are taken to maximise the return on financial investments and to minimise the cost of borrowings. Negotiations with banks and financiers are often timed to take place to obtain the best possible interest rate for Groups' borrowings and investments, by the treasury department. 	
EMPLOYEE RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
Risks arising from the inability to attract, motivate and retain skilled and experienced staff, possibly resulting in a drop in productivity & quality, increased human error and/or the loss of company sensitive information.	<p>Lack of motivation may result in poor productivity and a resultant drop in revenue and market share. Customer dissatisfaction could cause a switch to competitor products/services; increased human error and loss of sensitive information tarnishing the image of the Group are all potential outcomes of this risk.</p> <p>Further, the impact of brain drain has been a significant factor in the corporate sector during the last few years in the country.</p>	<ul style="list-style-type: none"> • Recruitment of high calibre staff, effective induction to the Group's corporate culture, training and development with structured career development plans, fostering a reward and recognition culture are the norm in all business units of the Group. • Succession planning for all departments and business units are being formulated; the respective staff are being trained and groomed. The Group maintains a vibrant Management Training Programme (MTP) for this purpose. • The Group takes all precautionary steps necessary to ensure that sensitive information vital for the performance of operations are not disclosed outside of the Group. An example would be the inclusion of a clause on confidentiality in employment contracts. 	

Risk Management

TECHNOLOGY RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>Potential risks would include,</p> <p>a. Malicious software and its impact on performance, information loss and unauthorised access.</p> <p>b. Loss of business opportunity due to out-dated systems and non-adaptation of new technology.</p> <p>c. The loss of business due to inadequate preparation for failures of systems, links and improper capacity planning.</p> <p>d. Breaches in systems security leading to unauthorised access, intentional or otherwise, by both internal and external users.</p>	<p>These risks can result in</p> <ul style="list-style-type: none"> • Losses of information technology services resulting in disruptions to the Group's operations. • Breaches in confidentiality. • Both the above situations could result in the possible loss of current and future business. 	<ul style="list-style-type: none"> • A multi-tier safeguard mechanism is in place to meet the threat of malicious software and its adverse effects. The mechanism provides real time detection and elimination of malicious software. • A multi-point inspection of access rights are in place to ensure better security within the IT infrastructure. In the past this inspection was limited to key hardware devices and devices that connect the enterprise to external entities. However, this inspection is now enforced upto the internal end user computing devices. • Link failure events are treated as likely and a dual service provider link infra-structure, is in place to counter this risk. The company together with the telecom service providers pioneered the introduction of real-time load balanced multiple link usage via MPLS networks in Sri Lanka. The Group utilises a well managed capacity adequate network to ensure the smooth functioning of its operations. The latest networking equipment supporting quality of service (QoS) features are in place. This has inducted the concept of "service commitment" in technology services in the Group. • System failure events are treated as occasional; rapid response agreements and backup procedures are in place to counter these risks. • Systems hardware capacity is monitored to ensure availability of sufficient computational resources. As a rule of thumb – a consistent 70% resource usage is considered the alarm for capacity enhancement. Systems at acquisition stage are subject to stringent evaluation, especially in terms of suitability, conformity to futuristic trends and continuity of systems. The Group maintains a keen eye to spot emerging technology, its maturity and suitability to strengthen business processes of the Group. 	
INVESTMENT RISK	IMPLICATION	MITIGATION STRATEGIES	RISK RATING : MODERATE
<p>Risk of a poor performing investment and risk associated with an investment project failing mid way before project completion due to external factors.</p>	<p>Deterioration of shareholder value due to the loss incurred and the decline in investor confidence.</p>	<ul style="list-style-type: none"> • Stringent evaluation of risks associated with each new investment through the utilisation of in-house expertise and external resources as and when required. All new investments should satisfy the minimum expected return of the Group and be within its risk appetite. • Envisaged bottlenecks of a project are identified at the project planning stage, whereby elimination or mitigatory measures are then undertaken before venturing to a more detailed evaluation stage and the subsequent execution stage. • Investment agreements are carefully drafted to ensure that risks to the Group are mitigated or minimised. When investing in new projects, preference is given to the formation of strategic alliances with reputed partners for the creation of synergies. The Group balances the risk return trade off. Certain risks are accepted in the light of the future growth and profitability potential of the investment. 	

Corporate Governance

Corporate Governance, is the manner of governing to achieve optimum results without compromising on principles and values. Hence by adopting sound internal practices, a Corporate would function effectively and efficiently. Good governance has become more relevant now as the business landscape is driven largely by the impact of a global and interdependent world.

The Board of Directors of Aitken Spence realise that investors have choices and are willing to invest in a well governed company at which Corporate Governance is practiced and in which principles and practices play an intrinsic part in ensuring that standards are met. The Board is not merely committed to manage today's businesses, but to ensure there are businesses to be managed tomorrow.

Aitken Spence has adopted the Governance framework which enables the Company to implement practical and real checks and balances with the ultimate goal of realising sustainable shareholder value and protecting other stakeholder interests.

In implementing these practices, the Company recognises the internal drivers of the Company as the Shareholders – the

owners who appoint their trustees, the Board of Directors who oversee their interests and those of other stakeholders. The Board of Directors – whose role, apart from overseeing the business, is to ensure that a sound culture exists allowing the principles of good governance to thrive. The Managing Director and the Board of Management – run the business and establish internal controls and the relevant checks and balances. Internal and External Auditors provide checks as management strives to achieve growth and protect shareholder value. Communication and disclosure – strengthen the relationship between internal and external stakeholders and the Measurement of Accountability ensures that what gets measured gets done.

The Company's compliance with the external drivers namely the listing rules of the Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the relevant codes of other Professional Institutes and Chambers of Commerce, is given below;

Corporate Governance Principle	Compliance																						
The Board of Directors	<p>The Board comprises of a Chairman, a Deputy Chairman & Managing Director, and eight other Directors, five of whom are Independent Non Executive Directors.</p> <p>The names and profiles of each of the Directors are on pages 20 to 21 of this Annual Report.</p> <p>None of the Directors are related to each other which enable each of the directors to express their views independently and objectively. Neither of the Directors has a significant shareholding in the Company.</p>																						
Board Meetings	<p>Board Meetings were held five times during the financial year and was presided over by the Chairman.</p> <p>The attendance by each of the Directors is given below.</p> <table> <tr> <th colspan="2">Number of meetings</th></tr> <tr> <td>D.H.S. Jayawardena</td><td>5</td></tr> <tr> <td>J.M.S. Brito</td><td>5</td></tr> <tr> <td>R.M. Fernando</td><td>5</td></tr> <tr> <td>G.C. Wickremasinghe</td><td>4</td></tr> <tr> <td>C.H. Gomez</td><td>2</td></tr> <tr> <td>N.J. Deva Aditya</td><td>2</td></tr> <tr> <td>V.M. Fernando</td><td>5</td></tr> <tr> <td>G.M. Perera</td><td>5</td></tr> <tr> <td>M.P. Dissanayake</td><td>2</td></tr> <tr> <td>R.N. Asirwatham</td><td>3</td></tr> </table> <p>Dr. M.P. Dissanayake and Mr. R.N. Asirwatham were appointed to the Board during the financial year.</p> <p>The Directors who did not attend a few of the meetings due to urgent and unforeseen matters overseas, were however, always contactable during the meetings.</p>	Number of meetings		D.H.S. Jayawardena	5	J.M.S. Brito	5	R.M. Fernando	5	G.C. Wickremasinghe	4	C.H. Gomez	2	N.J. Deva Aditya	2	V.M. Fernando	5	G.M. Perera	5	M.P. Dissanayake	2	R.N. Asirwatham	3
Number of meetings																							
D.H.S. Jayawardena	5																						
J.M.S. Brito	5																						
R.M. Fernando	5																						
G.C. Wickremasinghe	4																						
C.H. Gomez	2																						
N.J. Deva Aditya	2																						
V.M. Fernando	5																						
G.M. Perera	5																						
M.P. Dissanayake	2																						
R.N. Asirwatham	3																						

Corporate Governance

Corporate Governance Principle	Compliance
	<p>The Directors are provided with minutes, the agenda and the board papers giving them adequate time to study the contents prior to the Meetings.</p> <p>In addition to attending Board Meetings, the Directors take decisions via circular resolutions.</p> <p>Board papers are circulated giving adequate time for individual Directors to study and formulate independent views which enable active and effective participation by Board members. When decisions are taken via circular resolutions, all relevant information is sent together with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated, prior to obtaining their consent.</p> <p>The Directors maintain regular communication with one another to discuss relevant business issues and to familiarise themselves with changes in business opportunities, challenges and in risk controls.</p>
Responsibilities of the Board	<p>All Directors are encouraged to add value and give an independent opinion on issues of strategy, performance, key appointments, standards of business conduct and all other matters which are considered by the Board.</p> <p>The Board makes strategic decisions with regard to the short, medium and long term goals and objectives of the Company and the Group.</p> <p>Further, the Board formulates, communicates, implements and monitors the business goals, objectives, strategies and policies of the Group.</p> <p>Reviews and approves the operational and financial budgets and monitors the performance of the individual Strategic Business Units of the Group.</p> <p>Ensures that a proper risk management system covering all aspects of the business is in place.</p> <p>Considers new businesses and investment proposals. Restructures and re-engineers the existing businesses of the Group.</p> <p>Ensures due compliance with applicable laws of the country, and institutes best practices on ethical, health, environmental and safety standards for the Group.</p> <p>Ensures all stakeholder interests are considered in corporate decisions.</p> <p>Considers the requirements of clients, customers in the various industries and accommodates within the laws and the appropriate business practices.</p> <p>Approves the annual and interim financial statements prior to publication.</p> <p>Ensures that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and compliance with financial regulations.</p> <p>Determines the quantum of the interim dividends and recommends the final dividend for approval by the shareholders.</p> <p>Ensures the competency of the Managing Director who is delegated with the necessary authority to manage the operations of the Company and to ensure adherence to policies and procedures of the Company and the Group.</p> <p>The Managing Director is the Chairman of the Board of Management which comprises of the Managing Directors of the various Strategic Business Units of the Group.</p> <p>Recommends the appointment or removal of the external auditors subject to the approval of the shareholders at the Annual General Meeting.</p>

Corporate Governance Principle	Compliance
	<p>Constitutes sub-committees such as the Audit Committee, Remuneration Committee and the Nomination Committee with Board members who possess the experience and expertise to add value to the respective Committees to which they are appointed.</p> <p>The Directors obtain independent professional advice, whenever required, at the Company's expense in discharging their duties.</p>
Chairman's Role	<p>The Chairman as an outstanding businessman, provides leadership to the Board, controls and preserves order at Board meetings and provides the Board with strategic direction and guidance in managing the affairs of the Company.</p> <p>The Chairman ensures that the Board effectively carries out its functions, adheres to procedures and is in complete control of the affairs of the Company and its obligations to the various stakeholders and regulatory bodies.</p> <p>The Chairman encourages effective participation by the individual Directors on matters taken up for consideration, prior to taking decisions.</p> <p>The Chairman ensures that all Directors are adequately briefed on issues arising at Board Meetings.</p> <p>The Chairman ensures that shareholders are given adequate opportunity to raise relevant questions and seek clarifications at meetings of shareholders.</p> <p>The Chairman meets with the Independent Non-Executive Directors only when necessary.</p>
Board Balance	<p>The balance between the Executive and Non-Executive Directors is maintained and views considered and ascertained. No individual or small group of individuals can dominate the Board's decision making.</p> <p>The Board consists of members with diverse skills and experience. The role of the Chairman and that of the Managing Director are separate and distinct.</p> <p>Each Director provides independent judgement on issues of strategy, performance, resources, appointment of key personnel and on standards of business conduct.</p> <p>Each Non-Executive Director submits a declaration signed by him of his independence/non independence against the specific criteria. This information is made available to the Board.</p> <p>The Directors and Managing Directors of the Group are provided with appropriate training in order to discharge their duties efficiently and effectively.</p>
Related Party Transactions	Related Party transactions are disclosed on pages 159 to 161 of the Annual Report.
Company Secretary	<p>The Company Secretary ensures a healthy relationship between Directors, auditors and Board sub-committee members as this strengthens accountability and investor confidence in the quality of auditing and financial reporting, in order to maintain the trust shareholders place on the effectiveness of the auditing process, the financial reporting process and the ethical management of the Company.</p> <p>All Directors have access to the Company Secretary, who is a Chartered Accountant by profession.</p> <p>The Company Secretary is present at all Board meetings and ensures that Board procedures are followed, applicable rules and regulations are complied with and appropriate facilities are available for the proper conduct of meetings.</p>
Dedication of adequate time and effort to the matters of the Board and the Company	The Chairman and the Board of Directors allocate adequate time for the fulfilment of their responsibilities as Directors of the Company. In addition to attending Board meetings, individual Directors are members of various subcommittees of the Board and attend meetings of same after due preparation prior to such meetings.

Corporate Governance

Corporate Governance Principle	Compliance
Financial Acumen	The Managing Director is a Fellow member of the Institute of Chartered Accountants of England & Wales, has also obtained a Degree in Law and a Masters Degree in Business Administration. In addition, the Board includes a Chartered Accountant and an investment banker who are Non Executive Independent Directors. These Directors add substantial value and independent judgement on the decision making of the board on matters concerning finance and investment.
Board Balance	<p>The five Directors who are Non Executive Directors are Mr. G.C. Wickremasinghe, Mr. C.H. Gomez, Mr. N.J. Deva Aditya, Mr. V.M. Fernando and Mr. R.N. Asirwatham. Mr. C.H. Gomez, and Mr. N.J. Deva Aditya, although Directors of the Company and Directors of institutions that hold between 15% to 20% of the shares of the Company, are nevertheless determined as Independent Directors after taking into consideration all the relevant circumstances including the fact that they reside overseas and the Institutions in which they are Directors do not directly or indirectly get involved in the day to day management of the business affairs of the Company or its subsidiaries. Mr. V.M. Fernando and Mr. R.N. Asirwatham were appointed to the Board as Independent Directors. The Board having considered the circumstances and the criterion on Independence in relation to Mr. G.C. Wickremasinghe, has construed Mr. G.C. Wickremasinghe to be an Independent Director.</p> <p>The Board benefits from the large reservoir of in-depth knowledge and business acumen of its members who collectively provide core competencies in finance, legal, commerce, industry, business entrepreneurship and management.</p>
Supply of information	The Group has an organised and effective management information system in place, which includes a comprehensive annual budget with key performance indicators both financial and operational which are reviewed monthly and quarterly. The Board Members are circulated with appropriate documents in a timely and efficient manner. Board papers contain financial and operational reports of Group Companies, updates on the business and industry scenario locally, regionally and internationally, business opportunities, risks and other matters requiring decisions. Any additional information requested by the Board Members are presented accurately and promptly to the Board.
Appointments to the Board of Directors	<p>A formal and transparent procedure is adopted for the appointment of Directors to the Board.</p> <p>Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, other Directorships held, memberships in Board Committees and whether the Director is Independent.</p> <p>The Directors are elected by the shareholders of the Company in terms of the Articles of Association. The Articles of Association of the Company empowers the Board of Directors to either fill a casual vacancy in the directorate or to appoint additional Directors. Directors so appointed hold office until the next Annual General Meeting at which they are eligible for re- election.</p>
Re-election of Directors	The Company's Articles of Association provide for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to one third (but not exceeding one third) to retire from office by rotation other than the office of Managing Director, which is not subject to retirement by rotation. The retiring Directors are selected on the basis of those who have been longest in office since their last election. In the event more than one Director is appointed on the same date the retiring Director is determined either by agreement or by lot. A retiring Director is eligible for re-election. In order to ensure that the Board comprises of members who add value to the Group, the Board evaluates the contribution made by each retiring Director before recommending such Director for re-election.

Corporate Governance Principle	Compliance
Directors Appraisal and Remuneration	
The Remuneration Committee	The names of the members of the Remuneration Committee are listed on the inner back cover and the Report of the Committee is given on page 114 of this Annual Report.
Remuneration procedure	<p>The Committee formulates and reviews remuneration packages of Executive Directors and Executive Employees. The Remuneration Committee comprises of three Non Executive Directors one of whom is the Chairman. The other member of the Committee is the Chairman of the Company. No Director is involved in determining his or her own remuneration.</p> <p>The Remuneration Committee is responsible for evaluating the performance of the Managing Director, Executive Directors and the individual and collective performance of the Directors and the Senior Management.</p> <p>The Committee structures remuneration packages in such a manner to attract, retain and motivate Executive Directors and the Senior Management of the Group. Non Executive Directors receive a fee for their participation as members of the Board.</p>
Disclosure of remuneration	The Annual Report of the Directors is on pages 117 to 123 which sets out the aggregate remuneration and fees paid to Executive and Non Executive Directors of the Company.
Relations with shareholders	
Constructive use of the AGM	<p>The shareholders exercise their right to vote at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting are voted on separately by the shareholders.</p> <p>All shareholders are encouraged to be present, actively participate and vote at General Meetings. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet with the Directors after the meeting. The external auditors and the Company's lawyers are invited to attend the Annual General Meeting and render any professional assistance that may be requested.</p> <p>Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their right to vote and speak, exercised by a proxy of their choice.</p>
Making available the Notice of meeting and the related papers	The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days notice prior to the date of the Annual General Meeting.
Major transactions	There were no major transactions during the financial year which materially altered the Company's net asset base or the consolidated Group net asset base.
Accountability and Audit	
Financial Reporting	
Statutory & Regulatory reporting	The Board of Directors confirm that the financial statements of the Company and its subsidiaries that are incorporated in this Annual Report have been prepared in a meaningful manner and are in accordance with the Sri Lanka Accounting Standards and the Companies Act No 7 of 2007. The Company has duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements and the financial statements of the Company were audited by Messrs. KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants.

Corporate Governance

Corporate Governance Principle	Compliance
The Annual Report of the Directors and the Statement by the Auditors	The Annual Report of the Directors is on pages 117 to 123 of the Annual Report. The independent auditors' report on the financial statements for the year ended 31st March 2010 is presented on page 125 of this Annual Report.
Presenting a management report in the Annual Report	The management report of the Company is presented as the operational review of the Company and its subsidiaries on pages 28 to 49 of this Annual Report.
Declaration by the Board as to whether the business is a going concern	The relevant declaration is presented in the Annual Report of the Directors on page 120 of this Annual Report.
Internal Control	
Maintaining a sound system of risk management	The Board addresses potential and inherent, operational and financial risks at all levels with the active participation of the Audit Committee, the Board of Management, and the Senior Management of the Strategic Business Units. Shareholders' risks are minimised by a strict evaluation procedure for all proposed investments in new projects and the expansion of existing units. Shareholder risks are also minimised by instituting corrective action wherever necessary with regard to existing businesses. Effective key performance indicators have been introduced which assists in the monitoring and evaluation of the performance of all Strategic Business Units.
Systems to secure internal controls, risk management and honest information	The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks. The Risk management report of the Company is presented on pages 98 to 106 of this Annual Report.
Maintaining a sound system of internal controls and reviewing effectiveness of the internal controls	<p>The Board is responsible for the formulation and implementation of appropriate systems of internal Controls for the Group and ensures their effectiveness.</p> <p>The Board is fully conscious that any internal control system contains inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, frauds, or other irregularities. The Board has taken appropriate action to minimise such situations</p>
Audit Committee and auditors	
Composition of the Audit committee	<p>The Audit Committee is a sub committee of the Board of Directors of Aitken Spence PLC. The Committee comprises of four Independent Non Executive Directors one of whom is a member of the Institute of Chartered Accountants. The names of the members of the Audit Committee are on the back cover of the Annual Report and the Report of the Audit Committee is on page 116 of this Annual Report.</p> <p>The duties and responsibilities of the Audit Committee are in accordance with the Code of best practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.</p>
Terms of Reference for Audit Committee	<p>The Audit Committee assists the Board in discharging its duty in ensuring that the Group's internal controls and conduct of business are in accordance with the best practices appropriate to the Company and to the Group's Strategic Business Units.</p> <p>The Audit Committee monitors and guides the Internal Audit function.</p>
Maintaining appropriate relationships with the External Auditors.	The Audit Committee has a responsibility to evaluate the performance of the external auditors and make its recommendation to the Board of Directors on their re appointment or removal which is subject to the approval of the shareholders at the Annual General Meeting.

Corporate Governance Principle	Compliance
The Nomination Committee	<p>The Nomination Committee consists of three Independent Non Executive Directors, one of whom is the Chairman, the Chairman of the Company and the Managing Director.</p> <p>The names of the members of the Committee are listed on the inner back cover of the Annual Report.</p> <p>The function of the Nomination Committee is to recommend to the Board of Directors the suitability of the appointments and the re-appointments of Directors to the Company and to its Subsidiaries, regularly review the structure, size, composition and competencies of the Board and make recommendations to the Board.</p>
Areas of Relevance/ stakeholders	
Employees	<p>The Board of Management ensures that the vision, goals objectives and strategies to such goals are clearly communicated, duly understood and strictly adhered to by all employees. The strategic direction of the Company is clearly known to all employees of the Group.</p> <p>All employees are aware of their specific duties, tasks and functions which they are required to perform. The Company strictly ensures that no employee below the legal minimum age is offered employment. The Group rigidly complies with the ILO Conventions on the employment of persons.</p> <p>The Group affords equal opportunities to existing and potential employees irrespective of gender, race, or religion. All eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path.</p>
Relationship with Institutions and Regulatory Bodies	A meaningful relationship is maintained with Institutions such as the Central Bank of Sri Lanka, the Board of Investment, the relevant Line Ministries, the Registrar of Companies, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange, the Department of Inland Revenue, Professional and Trade Associations and the various Chambers of Commerce. The Group's operations and activities strictly adhere to the rules, regulations and codes of conduct set out by the relevant Regulatory and Advisory Bodies and the laws of the country.
Business and Corporate Ethics	The Board ensures that the Company strictly complies with all relevant laws, regulations and the Code of Business Conduct and Ethics, by its Directors and all staff. The violation of the code of ethics is considered a serious offence which is subject to disciplinary action.
Environment	The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. The Companies of the Group promote detailed and defined health and safety procedures appropriate to the nature of work as well as to outsiders who come in contact with the relevant Strategic Business Units. The Group does not compromise on its commitment of strict adherence to best practices on environmental issues. The numerous environmental awards won by Group Companies are a testimony to this aspect of the Group's governance system.

Remuneration Committee Report

The Remuneration Committee consists of the Chairman of Aitken Spence PLC., and three Non-Executive Independent Directors, one of whom functions as the Chairman. The three Non-Executive Independent Directors are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgment. The Managing Director of Aitken Spence PLC attends the meetings by invitation. The Remuneration Committee formally met twice during the year under review.

The Group policy on remuneration packages is to attract and retain the best professional and managerial talent to the Group and also to motivate and encourage them to perform at the highest level. The Group has a structured and professional methodology to evaluate the performance of employees. The policy ensures that internal equity and fairness between the various employees is maintained; no discrimination is practiced on account of gender, age, ethnicity or religion; recognises the basic needs of staff and ensures that compensation addresses cost of living and inflation, particularly in the lower income groups. The adverse economic conditions that prevailed were also considered in addition to the factors mentioned above. The committee always ensured that high performers were adequately rewarded.

The Remuneration Committee having considered the performance of the directors and executives of various Group Companies, approved promotions and the revision of individual remuneration packages based on comparative industry levels and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached. The Committee revised cash and non-cash entitlement to the Managing Director and to the Executive Directors. No director is involved in deciding his or her own remuneration.

■

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
28th April 2010

Report of the Nomination Committee

The Nomination Committee comprises of three Independent Non Executive Directors, one of whom is the Chairman, the Chairman of Aitken Spence PLC., and the Deputy Chairman and Managing Director of the Company. The three Independent Non Executive Directors, namely Mr. G.C. Wickremasinghe, Mr. V.M. Fernando and Mr. R.N. Asirwatham who serve on the Committee, have vast experience at Corporate Board level.

The Committee formally met once during the year under review. The main functions of the Committee were to recommend to the Board of Directors the suitability of promotions of the senior management, appointments and re-appointments of the Directors and to review and recommend to the Board changes if any, in the composition of the Board.

The Nomination Committee's decisions were free from bias and were not influenced by personal or business relationships. This enabled the Committee to make sound and measured judgments to attract and retain the best of talent and to provide fair opportunities.

■

G.C. Wickremasinghe

Chairman

Nomination Committee

Colombo

28th April 2010

Audit Committee Report

Composition of the Audit Committee

The Audit Committee comprises of four independent non-executive Directors, one of whom is the Chairman.

Meetings and Attendance

The Committee formally met 5 times during the year ended 31st March 2010.

The Managing Director, Chief Corporate Officer, the Company Secretary, the Chief Financial Officer and the Chief Internal Auditor attended the meetings by invitation. The Management of the Strategic Business Units, whose audit reports were being reviewed and discussed, were also invited to attend these meetings.

Activities

The Audit Committee reviewed and discussed the audit reports of Strategic Business Units within the Group. These reports discussed audit findings arising from financial & operational audits, risk assessments and IT security reviews performed by the Group Internal Audit Division.

The Audit Committee having reviewed these reports using their extensive experience and specialised expertise recommended additional controls and risk mitigation strategies that could be implemented to strengthen existing internal controls, thus minimising the possibility of occurrence & impact of such frauds, errors, operational and financial risks faced by the respective Strategic Business Unit.

Compliance

The Audit Committee assisted the Board in the discharge of its duties by ensuring that adequate systems of internal

control were in place, timely and meaningful financial reports in accordance with the Sri Lanka Accounting Standards were prepared, and the prevailing laws of the country and directives & guidelines of regulatory authorities were strictly complied with.

External Audit

The Audit Committee was briefed by the external auditors Messrs KPMG Ford, Rhodes, Thornton & Co., on the progress and conduct of the statutory audit and discussed audit related issues with them.

The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

The Audit Committee having evaluated the independence and performance of the external auditors decided to recommend to the Board of Aitken Spence PLC, the re-appointment of Messrs KPMG Ford, Rhodes, Thornton & Co., as auditors of the Company for the current financial year, subject to the approval of the shareholders at the Annual General Meeting.

■ ■
R.N. Asirwatham
Chairman,
Audit Committee

Colombo
18th May 2010

Annual Report of the Board of Directors

The details set out herein provide the pertinent information required by the Companies Act No 7 of 2007, the Colombo Stock Exchange listing rules and the recommended best accounting practices. The Board of Directors of Aitken Spence PLC., has pleasure in presenting the Annual Report together with the audited financial statements for the year ended 31st March 2010 which were approved by the Board of Directors on 26th of May 2010.

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 its 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, Cargo Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 167 to 170 of the Annual Report. The financial statements of the Company and the Group which include the income statements, balance sheets, cash flow statements, statements of changes in equity and notes to the financial statements for the year ended 31st March 2010 are given on pages 126 to 162.

A review of the Company, the performance of its Group Companies and the future plans of the Group are described in greater detail in the Chairman's Report, the Managing Director's Report, and the Operational and Financial Reviews in the Annual Report.

During the year under review the Company and its subsidiaries invested Rs. 1,248 million in new and existing businesses of the Group.

Golden Sun Resorts (Pvt) Ltd which we were the managing agents since 1998 was acquired in March 2010, for Rs. 354 million, making it our sixth resort in Sri Lanka.

The Group increased its investment in Unique Resorts Pvt Ltd by investing Rs. 229 million in preference shares. The

funds were utilised for settlement of short term loans and for improving the working capital of the resort.

The Group invested Rs. 63 million in Hethersett Hotels Ltd., increasing its percentage holding to 65.1%.

The Company ventured into a mini hydropower project investing Rs. 210 million in Branford Hydropower (Pvt) Ltd. The company is expected to add 2.5 MW to the national grid and is scheduled to commence commercial operations next financial year.

In March 2010 the Group acquired a 10% stake in Colombo International Nautical and Engineering College for Rs. 91 million.

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

2.1. Group Revenue & Profits

Revenue generated by the Company during the year amounted to Rs. 335 million. (2009 - Rs. 283 million). The Group revenue was Rs. 24,356 million (2009 - Rs. 29,308 million) which was a decrease of 16.9% compared to the previous year. The reduction in revenue was primarily due to the lower tariff rates applicable to the companies in the power generation segment of the Group. An analysis of Group revenue based on business and geographical segments is disclosed in Note 6 to the financial statements on page 138.

The profit after tax of the Company was Rs. 1,471 million (2009 - Rs. 503 million) The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 2,077 million (2009 - Rs. 2,040 million) this was a 1.8% increase over the previous year. The segmental profits are disclosed in Note 6 to the financial statements on page 138.

2.2. Donations

During the year, donations amounting to Rs. 965,000/- were made by the Company, while the donations made by the subsidiaries during the year amounted to Rs. 12,439,868/-.

Annual Report of the Board of Directors

For the year ended 31 March	Group 2010 Rs. '000	Group 2009 Rs. '000
The net profit of the Group after providing for all expenses, all known liabilities and depreciation on property, plant and equipment	3,353,169	3,396,916
Provision for taxation including deferred tax	(349,040)	(328,385)
Net profit after tax	3,004,129	3,068,531
Profit attributable to minority shareholders	(927,340)	(1,028,521)
Profit attributable to equity shareholders	2,076,789	2,040,010
Income directly recognised in the equity statement	52,172	3,242,186
Balance brought forward from the previous year	17,077,954	11,904,024
Amount available for appropriation	19,206,915	17,186,220
Interim dividend paid 2008/09	(94,732)	-
Final dividend paid 2008/09 (2009 - final dividend 2007/08)	(162,399)	(108,266)
Balance carried forward	18,949,784	17,077,954

2.3. 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 22 and 30 to the financial statements.

2.4. Dividends

An interim ordinary dividend of Rs. 3.50 was paid on 19th May 2010. The Directors recommend a final ordinary dividend of Rs. 6.50 per share making a total dividend payment of Rs. 10.00 per share for the year ended 31st March 2010. The total dividend paid in respect of the previous year was Rs. 9.50 per share. The total dividend for the current year is distributed from exempt dividends received by the Company and is exempt from tax in the hands of the shareholders. The Company's auditors Messrs KPMG Ford, Rhodes, Thornton & Co., has issued a certificate of solvency in respect of the interim dividend.

The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2)

of the Companies Act No 7 of 2007 immediately after the payment of the final dividend distribution.

3. Synopsis of the Balance Sheet of the Company and the Group**3.1 Stated Capital and Reserves**

As at 31st March 2010 the Company had issued 27,066,403 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The total Group reserves as at 31st March 2010 were Rs. 16,815 million (2009 - Rs. 14,943 million). This consisted of capital reserves of Rs. 4,751 million (2009 - Rs. 4,751 million) and revenue reserves of Rs. 12,064 million (2009 - Rs. 10,192 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 128.

3.2 Debentures**3.2.1. Unsecured Redeemable Debentures 2004-2009**

The Company raised by a private placement Rs. 1 billion by the issue of 10,000 unsecured redeemable debentures of Rs. 100,000/- each in the financial year 2004/2005. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures. The details of the debentures are as follows,

(i) Fixed Rate

5,000 fixed rate unsecured redeemable debentures of Rs. 100,000/- each were issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a. of which 1000 debentures were redeemed annually from 2005 onwards and the final 1,000 debentures were redeemed on 29th June 2009.

(ii) Floating Rate

5,000 floating rate unsecured redeemable debentures of Rs. 100,000/- each were issued on 30th July 2004 with interest payable semi annually at an interest rate of six month net Treasury Bill rate +2.15% p.a., of which 1000 debentures were redeemed annually from 2005 onwards and the final 1,000 debentures were redeemed on 29th July 2009.

3.2.2. Unsecured Redeemable Debentures 2006-2012

The Company by a private placement raised Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/- each in the financial year 2006/2007. These debentures were outstanding as at 31st March 2010. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures. The details of the debentures are given below:

(i) Fixed rate

3,000,000 fixed rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 with interest payable annually at the interest rate of 13.75% p.a. The applicable interest rate on these debentures was duly paid on 23rd October 2009.

(ii) Floating rate

6,600,000 floating rate unsecured redeemable debentures of Rs. 100/- each were issued in tranches of 4,100,000 and 2,500,000 on 25th October 2006 and 24th November 2006 respectively with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures was duly paid on 24th April 2009 and 23rd October 2009.

3.3. Property, Plant & Equipment

The carrying value of Property Plant & Equipment for the Company and the Group as at 31 st March 2010 amounted to Rs. 100 million and Rs. 23,329 million respectively.

The total expenditure on the acquisition of property, plant & equipment during the year in respect of new assets and replacements by the Company and the Group amounted to Rs. 73 million and Rs. 1,938 million respectively.

3.4. Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2010 amounted to Rs. 688 million and Rs. 29 million respectively.

3.5 Market Value of Freehold Properties

The freehold land owned by companies in the Group were revalued by professionally qualified independent valuers during the financial year 2008/2009, with the exception of those owned by Aitken Spence Hotel Holdings PLC., which were revalued during the financial year 2006/2007. The Group revalues its freehold land once in every five years. Land and buildings purchased during the last five years are recorded in the financial statements at cost. Details of the revaluation, written down value and the carrying amount at cost are given in note 15 to the financial statements.

3.6 Contingent Liabilities

Contingent liabilities exist in respect of guarantees given to third parties with regard to bank and credit facilities obtained by subsidiaries and associate companies. Details are given in note 35 to the financial statements.

4. Post Balance Sheet Events

The Group's subsidiary Aitken Spence Hotel Holdings PLC., announced a rights issue to its shareholders on the basis of one new ordinary share for every four shares held at a price of Rs. 260/- to finance its future investments. The rights issue was successfully concluded on 13th of May 2010 raising equity of Rs. 2.5 billion. The Group invested Rs. 1.9 billion on the rights issue.

Annual Report of the Board of Directors

The Group divested its 33.3% investment in Hayleys Plantations Services Ltd in April 2010, for Rs. 280 million.

5. Accounting Policies

There were no changes in the accounting policies adopted by the Company or its subsidiaries during the financial year.

6. Going Concern

The Board of Directors are satisfied that the Company has adequate resources to continue its operations without any disruption in the foreseeable future. The Company's financial statements are prepared on a going concern basis.

7. Information on the Board of Directors and the Sub Committees

7.1 Board of Directors

The Board of Directors of the Company as at 31 st March 2010 comprised of,

D.H.S. Jayawardena - Chairman
J.M.S. Brito - Deputy Chairman and
Managing Director

R.M. Fernando
G.M. Perera
M.P. Dissanayake (appointed w.e.f. 1/09/2009)
G.C. Wickremasinghe
C.H. Gomez
N.J. de S Deva Aditya
V.M. Fernando
R.N. Asirwatham (appointed w.e.f. 1/09/2009)

All Directors of the Company held office during the entire year apart from Dr. M.P. Dissanayake who was appointed as an Executive Director on 1st September 2009 and Mr. R.N. Asirwatham who was appointed as a Non Executive Independent Director on 1st September 2009. The profiles of the Directors are given on pages 20 to 21 of the Annual Report.

7.2 Board Sub Committees

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

Audit Committee

R.N. Asirwatham. (Chairman)
G.C. Wickremasinghe.
C.H. Gomez.
N.J. de S. Deva Aditya.

Remuneration Committee

G.C. Wickremasinghe (Chairman)
D.H.S. Jayawardena.
V.M. Fernando.
R.N. Asirwatham.

Nomination Committee

G.C. Wickremasinghe (Chairman)
D.H.S. Jayawardena.
J.M.S. Brito.
V.M. Fernando.
R.N. Asirwatham.

7.3 Recommendation for re election

Mr. N.J. de S Deva Aditya retires by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible for re election is recommended by the Board for re election at the forthcoming Annual General Meeting.

Dr. M.P. Dissanayake and Mr R.N. Asirwatham retire in terms of Article 90 of the Articles of Association of the Company and being eligible for re election are recommended by the Board for re-election at the forthcoming Annual General Meeting.

Mr. G.C. Wickremasinghe attained the age of 70 years on 15th August 2003 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, he vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1)

of the said Companies Act shall not apply to Mr. G.C. Wickremasinghe, and that he be re-elected as a Director at the Annual General Meeting.

7.4 Directors' Shareholding and their Interests

The Directors of the Company together with their spouses held 506,449 shares as at 31st March 2010. Their shareholdings amounted to 1.87% of the total issued shares as detailed below:

7.4.1 Shareholding of Directors together with their spouses

	31st March 2010	31st March 2009
D.H.S. Jayawardena	Nil	Nil
J.M.S. Brito	19,233	19,233
R.M. Fernando	Nil	Nil
G.M. Perera	Nil	Nil
M.P. Dissanayake	Nil	Nil
G.C. Wickremasinghe	487,216	487,216
C.H. Gomez	Nil	Nil
N.J. De S. Deva Aditya	Nil	Nil
V.M. Fernando	Nil	Nil
R.N. Asirwatham	Nil	Nil

7.4.2 The Indirect Shareholding of Directors:

	31st March 2010	31st March 2009
D.H.S. Jayawardena		
- Stassen Exports Ltd	216,300	216,300
- Milford Exports (Ceylon) Ltd	288,100	288,100
G.C. Wickremasinghe		
- Manohari Enterprises Ltd	19,922	19,922

7.4.3 Shares held by the Directors in Group Companies

AITKEN SPENCE HOTEL HOLDINGS PLC

	31st March 2010	31st March 2009
J.M.S. Brito	9,000	9,000
G.C. Wickremasinghe	316,551	316,551

HETHERSETT HOTELS LIMITED

	31st March 2010	31st March 2009
G.C. Wickremasinghe	1,041,500	1,041,500

Apart from the above shareholdings, the Directors of the Company did not hold any shares in Group companies.

7.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. The Share ownership of the Directors is indicated on this page of the Annual Report.

7.6 Directors Remuneration

The Directors remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2010 are disclosed on page 139 of the financial statements.

7.7 Related party transactions

Related party transactions of the Group are disclosed on pages 159 to 161 of the Annual Report. These interests have been declared at Director's meetings.

Annual Report of the Board of Directors

7.8 Subsidiary Board of Directors

The names of the Subsidiary Board Directors are given on pages 167 to 170 of the Annual Report.

8. Human Resources

Our HR strategies and practices have translated into the creation of a dynamic and competent human resource with sound succession planning and remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant committees and the Board of Directors.

9. Corporate Governance

The Company complies with the listing rules of the Colombo Stock Exchange, and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Company's corporate governance practices are set out on pages 107 to 113, of the Annual Report.

10. Risk and Internal Control

The Directors accept ultimate responsibility for the Group's system of internal control. The systems are geared to provide with reasonable assurance that the assets of the Group are safeguarded and that all transactions are relevant, properly authorised and duly recorded.

The Group adopts a well structured and disciplined approach to risk management aligning strategy, processes, people technology and knowledge in evaluating and managing risks of the Group. The Board of Directors review this process through the Audit Committee.

The internal control systems in operation are contained in the Statement of Directors' Responsibilities on page 124 and the Audit Committee Report set out on page 116 of the Annual Report.

11. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory obligations due to the

Government and to the employees have been either duly paid or adequately provided for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 124 of this Annual Report.

12. Environmental Protection

The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment in which the Group operates and ensures strict adherence to all environmental laws. The Group has received numerous awards for best environmental practices which are ample testimony to this aspect of the Group's Corporate Governance systems. The Group has not engaged in any activity which are harmful and dangerous to the environment. The corporate sustainability report of the Group is included on pages 53 to 79 of the Annual Report.

13. Shareholder Information

There were 1659 shareholders as at 31st March 2010. The distribution schedule of the number of shareholders and their share holdings are detailed in pages 94 to 95. The details of the twenty largest shareholders as at 31st March 2010 are given on page 96. The percentage of the shares held by the public as at 31st March 2010 was 51.02%.

Information relating to earnings per share, net assets per share for the Group and Company, dividend per share and market price per share is given in pages 93 to 97 of the Annual Report.

14. Auditors

The independent auditors' report on the financial statements is given on page 125 of the Annual Report. The retiring auditors Messrs KPMG Ford, Rhodes, Thornton & Co., have stated their willingness to continue in office and a resolution to re-appoint them as auditors and granting authority to the Board to decide on their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG Ford, Rhodes, Thornton & Co., is Rs. 620,000/-.

In addition to the above they were paid Rs. 1,048,449/- by the Company for permitted audit related and non audit services including tax advisory services.

Messrs KPMG Ford, Rhodes, Thornton & Co. who are the auditors of the Company are also the auditors of certain subsidiaries of the Group. The list of the subsidiaries audited by them are included on pages 167 to 170 of the Annual Report. The amount payable by the Group to Messrs KPMG Ford, Rhodes, Thornton & Co. as audit fees is Rs. 6,833,715/- while a further Rs. 3,664,179/- was paid for permitted non audit related services including tax advisory services. In addition to the above Rs. 4,140,992/- is payable to other auditors for carrying out audits in the subsidiaries where the audits were not carried out by Messrs KPMG Ford, Rhodes, Thornton & Co. The amount paid to such other auditors for permitted non audit related services including tax advisory services was Rs. 3,160,164/-. As far as the Directors are aware the auditors neither have any other relationship with the Company nor with any of its subsidiaries that would have an impact on their independence.

D.H.S. Jayawardena

Chairman



J.M.S. Brito

Deputy Chairman



R.E.V. Casie Chetty

Company Secretary

26th May 2010

Colombo

Statement of Directors' Responsibility

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. These documents need to be prepared in accordance with the relevant provisions of 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 confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2010 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.

In the preparation of the financial statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Any material departures from accounting policies have been disclosed and explained in the financial statements.

The Directors have adopted the going concern basis in preparing the financial statements. 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 has adequate resources to continue in operation.

The Directors accept the responsibility of ensuring 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 controls in order to minimise and detect fraud, errors and other irregularities.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

The Directors confirm to the best of their knowledge and belief that all statutory payments in relation to all regulatory and statutory authorities due and payable by the Company, its subsidiaries and joint ventures have been either duly paid or adequately provided for in the financial statements.

By Order of the Board,



R.E.V. Casie Chetty
Company Secretary

Colombo
26th May 2010.

Independent Auditors' Report



TO THE SHAREHOLDERS OF AITKEN SPENCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at March 31, 2010, which comprise the balance sheet as at that date, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 126 to 162 of this Annual Report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2010 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2010 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

26th May 2010



Income Statements

<i>For the year ended 31st March</i>		Group		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Revenue	6	24,356,233	29,307,818	335,379	283,092
Revenue tax		(373,692)	(307,398)	(9,753)	(751)
Net revenue		23,982,541	29,000,420	325,626	282,341
Other operating income	7	149,596	390,810	1,572,825	734,216
Changes in inventories of finished goods and work-in-progress		(9,998)	2,822	-	-
Raw materials and consumables used		(7,702,491)	(13,703,325)	-	-
Employee benefits expense		(2,624,483)	(2,216,935)	(197,083)	(128,964)
Depreciation, amortisation and impairment of goodwill	8	(1,467,610)	(1,291,314)	(28,541)	(38,197)
Other operating expenses - direct	9	(4,951,083)	(4,614,507)	-	-
Other operating expenses - indirect		(3,344,591)	(3,455,843)	(191,408)	(265,598)
Profit from operations	6 & 8	4,031,881	4,112,128	1,481,419	583,798
Finance income		289,070	419,378	346,403	438,048
Finance expenses	10	(986,884)	(1,125,351)	(357,263)	(523,125)
Net finance expense		(697,814)	(705,973)	(10,860)	(85,077)
Share of associate companies profit / (loss)	11	19,102	(9,239)	-	-
Profit before tax		3,353,169	3,396,916	1,470,559	498,721
Income tax expense	12	(349,040)	(328,385)	-	4,639
Net profit for the period		3,004,129	3,068,531	1,470,559	503,360
Attributable to:					
Equity holders of the company		2,076,789	2,040,010	1,470,559	503,360
Minority interest		927,340	1,028,521	-	-
		3,004,129	3,068,531	1,470,559	503,360
Earnings per share - basic/diluted (Rs.)	13	76.73	75.37	54.33	18.60
Dividends per share (Rs.)	14	10.00	9.50	10.00	9.50

The notes on pages 132 through 162 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Balance Sheets

For the year ended 31st March		Group		Company	
		2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Note					
ASSETS					
Non-Current Assets					
Property, plant & equipment	15	23,328,896	22,635,636	100,177	52,129
Leasehold property	16	1,468,449	1,505,151	-	-
Intangible assets	17	154,185	109,164	-	-
Investment property	18	28,936	28,936	688,486	693,985
Investments in subsidiaries and joint ventures - unquoted	19	-	-	4,368,728	4,069,979
Investments in subsidiaries - quoted	19	-	-	679,300	679,300
Investments in associates	20	767,498	752,636	335,515	335,515
Long-term investments	21	483,580	404,946	167,873	174,233
Deferred tax assets	22	56,823	74,008	-	-
		26,288,367	25,510,477	6,340,079	6,005,141
Current Assets					
Inventories	23	1,393,586	1,283,611	1,791	1,794
Trade and other receivables	24	5,344,272	5,834,143	157,922	75,576
Amounts due from subsidiaries & joint ventures		-	-	2,338,273	2,137,809
Amounts due from associates		125,309	160,950	111,282	154,824
Current investments	25	4,619	4,558	436	436
Deposits and prepayments		490,378	532,520	34,075	44,779
Current tax receivable		158,160	56,820	81,271	43,585
Short-term deposits		2,752,209	2,020,290	2,146,059	1,255,632
Cash at bank and in hand		824,915	828,351	13,816	21,189
		11,093,448	10,721,243	4,884,925	3,735,624
Assets classified as held for sale	26	161,663	149,124	57,337	57,237
Total Assets	27	37,543,478	36,380,844	11,282,341	9,798,002
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Stated capital	28	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	28	9,317,199	7,227,545	4,352,211	2,310,561
Retained earnings		7,497,445	7,715,269	1,066,337	1,894,559
		18,949,784	17,077,954	7,553,688	6,340,260
Minority interest		4,566,388	4,553,439	-	-
Total Equity		23,516,172	21,631,393	7,553,688	6,340,260
Non-Current Liabilities					
Interest-bearing liabilities	29	5,156,762	6,241,459	1,112,000	1,620,000
Deferred tax liabilities	30	223,094	198,016	-	-
Employee benefits	31	295,266	237,639	41,674	33,052
		5,675,122	6,677,114	1,153,674	1,653,052
Current Liabilities					
Trade and other payables	32	4,190,966	3,908,615	432,669	259,390
Interest-bearing liabilities repayable within one year	29	1,541,047	1,866,187	508,000	370,000
Amounts due to subsidiaries & joint ventures		-	-	1,172,263	1,059,373
Amounts due to associates		2,956	810	209	-
Current tax payable		147,326	135,068	-	-
Short-term bank borrowings		2,469,889	2,161,657	461,838	115,927
		8,352,184	8,072,337	2,574,979	1,804,690
Total Equity and Liabilities		37,543,478	36,380,844	11,282,341	9,798,002

The above balance sheet is to be read in conjunction with the notes to the financial statements on page 132 to 162.

I certify that the financial statements for the year ended 31st March 2010 are in compliance with the requirements of Companies Act No. 7 of 2007.

Ms. N. Sivapragasam
Chief Financial Officer

The Board of Directors is responsible for preparation and presentation of these financial statements.
For and on behalf of the Board:

D.H.S. Jayawardena
Chairman

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

26th May 2010
Colombo, Sri Lanka.

Statement of Changes in Equity - Group

For the year ended 31st March 2010

	Attributable to equity holders of the company						Total	Minority interest	Total equity
	Stated capital	Revaluation reserve	Other capital reserves	General reserves	Exchange fluctuation reserve	Retained earnings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2008	2,135,140	1,454,182	127,521	1,667,978	255,603	6,263,600	11,904,024	3,881,704	15,785,728
Currency translation differences	-	-	-	-	77,312	-	77,312	63,460	140,772
Surplus on revaluation	-	3,169,400	-	-	-	-	3,169,400	76,140	3,245,540
Effect of acquisitions, disposals and change in percentage holdings	-	-	-	-	-	(4,526)	(4,526)	27,442	22,916
Net income recognised directly in equity	-	3,169,400	-	-	77,312	(4,526)	3,242,186	167,042	3,409,228
Net profit for the period	-	-	-	-	-	2,040,010	2,040,010	1,028,521	3,068,531
Total recognised income and expenses for the period	-	3,169,400	-	-	77,312	2,035,484	5,282,196	1,195,563	6,477,759
Transfer to general reserve	-	-	-	475,549	-	(475,549)	-	-	-
Final dividend paid for 2007/2008	-	-	-	-	-	(108,266)	(108,266)	-	(108,266)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	(523,828)	(523,828)
Balance as at 31st March 2009	2,135,140	4,623,582	127,521	2,143,527	332,915	7,715,269	17,077,954	4,553,439	21,631,393
Currency translation differences	-	-	-	-	48,004	-	48,004	9,814	57,818
Effect of acquisitions, disposals and change in percentage holdings	-	-	-	-	-	4,168	4,168	4,910	9,078
Net income recognised directly in equity	-	-	-	-	48,004	4,168	52,172	14,724	66,896
Net profit for the period	-	-	-	-	-	2,076,789	2,076,789	927,340	3,004,129
Total recognised income and expenses for the period	-	-	-	-	48,004	2,080,957	2,128,961	942,064	3,071,025
Transfer to general reserve	-	-	-	2,041,650	-	(2,041,650)	-	-	-
Dividends paid for 2008/2009 (Note 14)	-	-	-	-	-	(257,131)	(257,131)	-	(257,131)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	(929,115)	(929,115)
Balance as at 31st March 2010	2,135,140	4,623,582	127,521	4,185,177	380,919	7,497,445	18,949,784	4,566,388	23,516,172

The notes on pages 132 through 162 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity - Company

For the year ended 31st March

	Stated capital Rs. '000	Revaluation reserve Rs. '000	General reserves Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 31st March 2008	2,135,140	193,746	1,641,266	1,975,014	5,945,166
Net profit for the period	-	-	-	503,360	503,360
Total recognised income and expenses for the period	-	-	-	503,360	503,360
Transfer to general reserve	-	-	475,549	(475,549)	-
Final dividend paid for 2007/2008	-	-	-	(108,266)	(108,266)
Balance as at 31st March 2009	2,135,140	193,746	2,116,815	1,894,559	6,340,260
Net profit for the period	-	-	-	1,470,559	1,470,559
Total recognised income and expenses for the period	-	-	-	1,470,559	1,470,559
Transfer to general reserve	-	-	2,041,650	(2,041,650)	-
Dividends paid for 2008/2009 (Note 14)	-	-	-	(257,131)	(257,131)
Balance as at 31st March 2010	2,135,140	193,746	4,158,465	1,066,337	7,553,688

The notes on pages 132 through 162 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash Flow Statements

<i>For the year ended 31st March</i>	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
Cash flows from/(used in) operating activities				
Net profit before taxation	3,353,169	3,396,916	1,470,559	498,721
Adjustments for				
Depreciation & amortisation	1,447,585	1,270,880	28,541	38,197
Impairment of goodwill	20,025	20,434	-	-
Interest expense	902,200	1,033,923	356,563	522,620
Profit on sale of property, plant & equipment	(19,786)	(37,735)	(700)	(143)
Profit on sale of investments	-	(219,135)	-	(1,366)
Profit on retirement of assets held for sale	-	(511)	-	-
Interest income	(289,070)	(419,378)	(346,403)	(438,048)
Surplus on acquisition of companies	(33,785)	-	-	-
Share of associate companies' (profit)/ loss after tax	(19,102)	9,239	-	-
Provision/(write back) of bad and doubtful debts	10,194	3,299	(15,146)	78,672
Effect of changes in percentage holding in subsidiaries	4,077	-	-	-
Movement in assets held for sale	(12,539)	-	-	-
Provision for fall in value of investments	4,712	-	150	17,800
Foreign exchange profit	(69,808)	(84,137)	-	-
Gratuity provision	79,807	54,525	10,094	7,498
	2,024,510	1,631,404	33,099	225,230
Operating profit before working capital changes	5,377,679	5,028,320	1,503,658	723,951
(Increase)/decrease in trade and other receivables	515,318	161,693	(90,755)	(766,564)
(Increase)/decrease in inventories	(109,975)	21,344	3	(283)
Increase/(decrease) in trade and other payables	284,083	122,569	285,965	93,877
(Increase)/decrease in deposits & prepayments	42,142	(50,893)	10,704	(24,616)
	731,568	254,713	205,917	(697,586)
Cash generated from operations	6,109,247	5,283,033	1,709,575	26,365
Interest paid	(902,200)	(1,033,923)	(356,563)	(522,620)
Income tax paid	(442,295)	(308,217)	(37,686)	(34,142)
Gratuity paid	(32,804)	(25,211)	(1,472)	(4,137)
	(1,377,299)	(1,367,351)	(395,721)	(560,899)
Net cash generated from/(used in) operating activities	4,731,948	3,915,682	1,313,854	(534,534)
Cash flow from investing activities				
Investments made during the year (note A)	(102,353)	(141,374)	(441,007)	(15,500)
Acquisition of subsidiaries	(458,553)	-	-	-
Disposal of subsidiaries	-	(19,779)	-	-
Purchase of property, plant & equipment	(1,938,023)	(3,799,437)	(72,559)	(25,224)
Purchase of leasehold rights	(51,341)	(63,514)	-	-
Proceeds from sale of property, plant & equipment	342,737	362,040	2,167	362
Proceeds from sale of investments	15,000	246,542	15,000	9,704
Proceeds on retirement of assets held for sale	-	13,338	-	-
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(929,115)	(523,828)	-	-
Dividends received from associate companies	7,443	2,615	-	-
Net cash used in investing activities	(3,114,205)	(3,923,397)	(496,399)	(30,658)

(carried forward to next page)

The notes on pages 132 through 162 form an integral part of these financial statements.
Figures in brackets indicate deductions.

For the year ended 31st March	Group		Company	
	2010 Rs. '000	2009 Rs. '000	2010 Rs. '000	2009 Rs. '000
(brought forward from previous page)				
Cash flow from financing activities				
Interest received from deposits	289,070	419,378	346,403	438,048
Proceeds from interest-bearing liabilities	616,271	1,273,059	-	-
Repayment of interest-bearing liabilities	(1,978,703)	(2,025,906)	(370,000)	(320,000)
Issue of shares by subsidiaries	-	25,367	-	-
Dividends paid	(256,715)	(189,465)	(256,715)	(189,465)
Net cash used in financing activities	(1,330,077)	(497,567)	(280,312)	(71,417)
Net increase/(decrease) in cash and cash equivalents	287,666	(505,282)	537,143	(636,609)
Cash and cash equivalents at the beginning of the period	819,569	1,324,851	1,160,894	1,797,503
Cash and cash equivalents at the end of the period	1,107,235	819,569	1,698,037	1,160,894
Cash and cash equivalents at the end of the period				
Cash at bank and in hand	824,915	828,351	13,816	21,189
Short-term deposits	2,752,209	2,020,290	2,146,059	1,255,632
Short-term bank borrowings	(2,469,889)	(2,161,657)	(461,838)	(115,927)
Cash and cash equivalent as previously reported	1,107,235	686,984	1,698,037	1,160,894
Effect of exchange rate changes	-	132,585	-	-
Cash and cash equivalents as restated	1,107,235	819,569	1,698,037	1,160,894

Note A**Acquisitions of subsidiaries**

The fair value of assets acquired and liabilities assumed of subsidiaries acquired during the year are follows:

	Rs. '000
Property, plant & equipment	(497,640)
Inventories	(7,139)
Trade and other receivables	(126,917)
Deposits and prepayments	(4,492)
Interest-bearing liabilities	10,000
Taxation	44,285
Employee benefits	10,623
Trade and other payables	142,732
Cash and cash equivalents	(6,447)
Net assets acquired	(434,995)
Goodwill on acquisition of companies	(63,790)
Surplus on acquisition of companies	33,785
Purchase consideration paid on acquisition	(465,000)
Cash and cash equivalents acquired	6,447
Net cash outflow on acquisition of companies	(458,553)

The notes on pages 132 through 162 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 company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The company’s registered office and the principal place of business is located at “Aitken Spence Towers”, 305 and 315, Vauxhall Street, Colombo 02.

The principal activities of the Company and the other entities consolidated with it are disclosed in page nos. 167 to 170 of this report.

Aitken Spence PLC does not have an identifiable parent.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of Aitken Spence PLC., and those consolidated with such comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements. These statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act. No. 07 of 2007.

2.2 Approval of Financial Statements by Directors

The financial statements for the year ended 31st March 2010 were authorised for issue by the Board of Directors on the 26th of May 2010.

2.3 Basis of Measurement

The financial statements are presented in Sri Lankan rupees, which is the company’s functional currency. All financial information presented in rupees has been rounded to the nearest thousand.

The financial statements referred to are based on the historical cost convention, except for certain investments, and items of property, plant & equipment in respect of which the bases of valuations are explained in notes 3.2 and 3.3 to the financial statements.

2.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that financial year, or the period of the revision and future periods if the revision affects both current and future financial years.

3 SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by the entities in the Group.

3.1 Basis of Consolidation

The consolidated financial statements (referred to as the “Group”) comprise the financial statements of the Company and its subsidiaries and the Group’s interest in associate companies and jointly controlled entities.

Subsidiaries, joint ventures and associates consolidated are disclosed in notes 19 and 20 to the financial statements.

3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities which is evident when the company controls the composition of the board of directors of the entity or holds more than 50% of the issued shares of the entity, or 50% of the voting rights of the entity, or is entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the company are also treated as subsidiaries of the company.

The financial statements of subsidiaries are included in the consolidated financial statements when control effectively commences and until control effectively ceases.

3.1.2 Minority interest

The proportion of the profit or loss after taxation applicable to outside shareholders of subsidiary companies is reflected under “Minority Interest” in the consolidated income statement.

The interest of the outside shareholders in the net assets employed of those companies are reflected under the heading “Minority Interest” in the balance sheet.

3.1.3 Associates

These are undertakings in which the Group has between 20% - 50% of the voting rights but which are not subsidiaries or joint ventures and in respect of which the Group exercises significant influence but does not have control over the financial and operating policies.

The results of associate companies are accounted for under the equity basis of accounting, where the Group’s share of profits and losses is incorporated in the consolidated income statement, and the related investments are carried forward in the consolidated balance sheet at values adjusted to reflect the Group’s share of retained assets. Dividends declared by the associates are recognised against the equity value of the Group’s investment.

3.1.4 Joint ventures

Entities in which the Group has joint control over the financial and operating policies are termed joint ventures. The Group’s

interest in such jointly controlled entities are accounted for on a proportionate consolidation basis. The Group's share of the assets and liabilities of such entities are included in the consolidated balance sheet and the Group's share of their profits and losses are included in the consolidated income statement in accordance with the Sri Lanka Accounting Standard 31 - Financial Reporting of Interests in Joint Ventures.

3.1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition of a subsidiary or a joint venture over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is initially recognised at cost. Such goodwill is identified into cash generating units and is annually tested for impairment as described in note 3.3.9 to the financial statements. After initial recognition goodwill is stated at cost less accumulated impairment losses.

The goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible asset.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceed the cost of the acquisition of the entity, it is recognised immediately in the consolidated income statement.

3.1.6 Reporting date

All the Group's subsidiaries, jointly controlled entities and associate companies have a common financial year other than, Hayleys Plantations Services Ltd., Talawakelle Tea Estates PLC. and Business Travel Services LLC., whose financial year ends on the 31st December. Talawakelle Tea Estates PLC., is a subsidiary of Hayleys Plantation Services Ltd., which is an associate company. The difference between the reporting date of the above subsidiaries and that of the parent does not exceed three months.

3.1.7 Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

3.1.7.1 Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in full in the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated unless there is evidence of impairment.

3.2 Transactions in foreign exchange

3.2.1 All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the balance sheet date. Non monetary assets and liabilities which are carried in terms of 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 stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the income statement, except in the case of cash flow hedges, which are accounted as stated below.

3.2.2 In respect of transactions which meet the conditions for special hedge accounting in relation to cash flow hedges, the portion of the exchange gain or loss on the hedge instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the income statement.

3.2.3 Subsidiaries incorporated outside Sri Lanka are treated as foreign entities. Assets and liabilities both monetary and non-monetary of foreign entities are translated at the rate of exchange prevailing on the balance sheet date. Income, expenses and cash flows of such foreign entities are translated at exchange rates approximating to the actual rate at the time of the transaction. For practical purposes this is presumed to be the average rate during each month. Exchange differences arising on translating the financial statements of foreign entities are recognised directly under equity in the consolidated financial statements.

Goodwill arising on the acquisition of foreign entities is reported using the exchange rate that prevailed at the date of acquisition in accordance with the Sri Lanka Accounting Standard No.21 – Effects of Changes in Foreign Exchange Rates.

3.3 Assets and Bases of their Valuation

3.3.1 Property, plant & equipment

3.3.1.1 Recognition and measurement

Property, plant and equipment other than land, are stated at cost less accumulated depreciation and impairment. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

The Group revalues land at least once in every five years which is stated at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

Notes to the Financial Statements

The details of land revaluation are disclosed in note 15.3.1 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.3.1.2 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 Group also recognises the costs of major planned overhauls to the power generation plants in the carrying amount of the plant as a replacement when the above recognition criteria are satisfied.

3.3.1.3 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as leased assets under property, plant and equipment and is stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less the accumulated depreciation.

3.3.1.4 Depreciation

Depreciation of property, plant and equipment of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of each part of the asset.

Depreciation is not provided on land and assets under construction.

Generally assets are depreciated on a straight-line method over the following periods.

Leased Assets	Over the periods of the lease
Buildings	20 - 50 years
Plant & Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years
Motor Vehicles	04 - 10 years
Furniture & Fittings	10 years
Computer Equipment	3-5 Years
Crockery, Cutlery & Glassware	3-5 years
Speed Boats & Supply crafts	5 years
Soft Furnishing	5-10 years

Depreciation is provided proportionately in the year of purchase and in the year of disposal of the asset.

Buildings of the Group's resorts in the Maldives that are not depreciated as above, are depreciated on an annuity method over the period of the leases.

Cost of replacement of components of assets recognised in the carrying amount of a 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.

Power generation plants are depreciated from the date of first commercial operation of the plant.

3.3.2 Leasehold property

The cost of acquiring leasehold property is accounted for as an operating lease and is amortised over the period of lease term in accordance with the pattern of benefits expected to be derived from the lease. Cost of leasehold property is tested for impairment annually.

3.3.3 Investments

3331 Unquoted investments are treated as long-term investments and valued at cost in the financial statements. Investments in preference shares are treated as long-term investments and valued at the par value of the shares in the financial statements.

3332 Investments in subsidiary companies and jointly controlled entities are valued at cost less provision for fall in value of investments and treated as non-current investments in the parent company's financial statements.

3333 Investments in associate companies are treated as long-term assets and valued as explained in paragraph 3.1.3 above. In the parent company's financial statements, the investments are valued at cost.

3334 All other quoted investments are treated as current investments and accordingly valued at the lower of cost and market value on a portfolio basis, with any resultant gains or losses recognised in the income statement.

3.3.4 Investment properties

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both are treated as investment properties and valued at cost less aggregate depreciation in the balance sheet. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognise the decline.

Certain items of land and building that had been revalued to fair value prior to 1st April 2005, the date of transition to the Sri Lanka Accounting Standard No 40 - Investment Property, are measured on the basis of deemed cost, being the revalued amount at the date of last revaluation.

3.3.4.1 Depreciation

No depreciation is provided on land treated as investment property.

Depreciation of other investment property of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of the assets on a straight-line method.

Leased Assets	Over the periods of the lease
Buildings	Over 20 - 50 years

3.3.4.2 In the consolidated financial statements, properties which are occupied by the companies within the Group for the production or supply of goods and services or for administration purposes is treated as property, plant and equipment while these properties are treated as investment property in the company owning the asset.

3.3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. 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 based on normal operating capacity.

3.3.6 Receivables

Receivables are stated at the amounts estimated to be realised. Provision has been made in the financial statements for bad and doubtful debts.

3.3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks, short-term liquid money market investments, bank overdrafts and short-term borrowings repayable on demand. These are included as components of cash and cash equivalents for purpose of cash flow disclosures.

3.3.8 Assets held for sale

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 are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

3.3.9 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of goodwill is estimated at each balance sheet 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 largely are 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.

3.3.9.1 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.

3.3.9.2 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 balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in the income statement.

3.4 Liabilities and Provisions

Liabilities are recognised in the balance sheet when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet date are treated as non-current liabilities in the balance sheet.

All known liabilities have been accounted for in preparing the financial statements.

3.4.1 Employee Benefits

3.4.1.1 Defined Benefit Plan - Retiring Gratuity

Provision has been made in the financial statements for retiring gratuities. This has been based on an actuarial valuation carried out on a projected unit credit method as recommended by Sri Lanka Accounting Standard 16 (Revised 2006) - Employee Benefits.

The principal actuarial assumptions used in determining the cost are disclosed in note 31 to the financial statements.

Notes to the Financial Statements

It is proposed that a valuation is obtained at least once in every three years.

3.4.1.2 Defined Contribution Plan

Obligations for contributions to a defined contribution plan are recognised as an expense in the income statement as incurred.

The Group contributes a sum not less than 12% of the gross emoluments of employees as provident fund benefits and 3% as trust fund benefits respectively.

3.4.3 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

3.5 Income Statement

3.5.1 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax and intra-group sales.

3.5.2 Profit

The profit earned by the Group before taxation as shown in the consolidated income statement is after making provision for bad and doubtful debts, all known liabilities and depreciation of property, plant & equipment except as referred to under note 3.3.1.4 above.

3.5.3 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.

3.5.4 Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 10 to the financial statements.

3.5.5 Revenue Recognition

Revenue is recognised on an accrual basis in such transactions involving the sale of goods, when all significant risks and rewards of ownership have been transferred to the buyer.

Revenue on rendering of services is recognised on a job completion basis.

In respect of the Group's hotel operations, apartment revenue is recognised on the rooms occupied on a daily basis, and food & beverage sales are accounted for at the time of sale.

Dividends from investments (excluding those from subsidiaries and associates) are recognised when the right to receive such is established.

3.5.6 Disposal of Property, Plant & Equipment

Gains or losses on the disposal of property, plant & equipment have been accounted for in the income statement.

3.5.7 Grants and Subsidies

Grants and subsidies which are intended to compensate a related cost is recognised in the income statement on a systematic basis over the period necessary to match the grant with the related cost.

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 balance sheet as a deferred income and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

3.5.8 Income Tax Expenses

Income tax expenses comprise current and deferred tax. Income tax expenses are recognised in the income statement except to the extent that it relates to the items recognised directly in equity, in which case it is recognised in statement of changes in equity.

3.5.8.1 Current Tax

Companies incorporated in Sri Lanka

Provision for current tax for companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

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 to the financial statements.

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.

3.5.8.2 Deferred Taxation

Deferred tax is recognised using the balance sheet method, providing for 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 the following temporary differences: the 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 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 the temporary

differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet 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 balance sheet and are not offset against each other.

3.5.9 Segment Information

A segment is a distinguishable component of the Group engaged either in providing products or services (business segment) or in providing products or services in a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The business segment has been identified as the primary segment of the Group and the geographical segment has been considered the secondary segment. The business segments are determined based on the Group's management and internal structure.

Segment results, assets and liabilities include items that are directly attributed to a segment or a relevant portion of results, assets and liabilities that can be allocated on a reasonable basis as determined by the management.

3.5.9.1 Business Segment

The activities of the Group have been broadly classified into four main segments according to the nature of the product or service provided.

3.5.9.2 Geographical Segment

The activities of the Group have been broadly classified into two segments, namely, operations within Sri Lanka and those outside Sri Lanka, that is, Asia & Africa. Geographical Segment is identified by the location of assets.

Segment information analysed by business and geographical segments are disclosed in notes to the accounts 6 & 27 on pages 138, 153 and 154.

3.6 Other General Accounting Policies

3.6.1 Movement of Reserves

Movements of reserves are disclosed in the statement of changes in equity.

3.6.2 Cash Flow

The cash flow of the Group has been presented using the indirect method.

3.6.3 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 34 and 35 to the financial statements.

3.6.4. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material post balance sheet events have been considered, disclosed and adjusted where applicable.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT BALANCE SHEET DATE

5.1 SLAS 44 - Financial Instruments: Presentation; and SLAS 45 - Financial Instruments: Recognition and Measurement

The Institute of Chartered Accountants of Sri Lanka has issued two new standards given below which become effective for annual periods beginning on or after January 2011. Accordingly these standards have not been applied in preparing these consolidated financial statements.

SLAS 44 provides the guidance regarding the classification of financial instruments as equity or debt, and for the accounting for compound instruments with characteristics of both equity and debt instruments based on the substance of the contractual arrangement.

Criteria are specified for the netting of financial assets and financial liabilities. Netting requires a legal right of set off as well as the intention to offset the assets and liabilities or settle simultaneously.

SLAS 45 provides the principles for recognising and measuring financial assets and financial liabilities.

5.2 SLAS 39 – Share-based Payments

This standard was issued and was made available for the public in the latter part of 2009, and became effective for financial years beginning on or after January 2010. Accordingly, SLAS 39 will be adopted for the first time by the Group when preparing and presenting the financial statements for the year ending 31 March 2011.

SLAS 39 requires an expense to be recognised where the Company buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash settled transactions). For equity-settled share-based payment transactions, the Company is required to apply SLAS 39 in issuing shares, share options or other equity instruments after 1st January 2010.

5.3 The Company has not evaluated the potential effect of these standards and the impact of the above requirements has not been quantified as at balance sheet date.

Notes to the Financial Statements

6 Segment analysis of group revenue and profit

6.1 Business segment

a. Revenue

	Total revenue generated		Inter - segmental revenue		Intra-segmental revenue		Revenue from external customers	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Tourism sector*	9,544,844	8,399,137	25,178	26,747	697,789	620,310	8,821,877	7,752,080
Cargo logistics sector	4,014,563	3,886,614	346,626	422,620	230,141	228,974	3,437,796	3,235,020
Strategic investments*	12,184,658	18,288,985	120,540	117,087	27,452	25,120	12,036,666	18,146,778
Services sector	1,693,524	1,449,378	128,136	37,958	11,485	21,701	1,553,903	1,389,719
Total segment revenue	27,437,589	32,024,114	620,480	604,412	966,867	896,105	25,850,242	30,523,597
Share of associate company revenue	(1,494,009)	(1,215,779)	-	-	-	-	(1,494,009)	(1,215,779)
Total revenue	25,943,580	30,808,335	620,480	604,412	966,867	896,105	24,356,233	29,307,818

* Includes associate companies

b. Profit

	Profit from operations		Profit before tax *		Non cash expenses		Income tax expense	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Tourism sector	1,173,069	1,264,516	791,354	910,007	62,873	31,151	48,548	56,030
Cargo logistics sector	623,401	528,534	630,374	550,784	30,302	20,672	222,834	200,517
Strategic investments	1,656,106	1,869,212	1,350,786	1,479,315	4,913	107,234	62,044	40,878
Services sector	579,305	449,866	580,655	456,810	14,525	7,043	15,614	30,960
	4,031,881	4,112,128	3,353,169	3,396,916	112,613	166,100	349,040	328,385

* Includes associate companies

Profit from operations and profit before tax of the strategic investments segment is after recognising Rs. 20.02 million as impairment of goodwill. There were no impairment losses recognised directly to the equity during the year and no reversals of impairment losses recognised in profits or directly in equity during the year.

6.2 Geographical segment

	Total revenue generated		Revenue from external customers		Profit before tax	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Sri Lanka	18,725,162	24,284,625	17,625,188	23,219,756	2,235,724	2,011,981
Asia & Africa	7,218,418	6,523,710	6,731,045	6,088,062	1,117,445	1,384,935
	25,943,580	30,808,335	24,356,233	29,307,818	3,353,169	3,396,916

7 Other operating income

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Profit on sale of property, plant & equipment	19,786	37,735	700	143
Profit on sale of investments	-	219,135	-	1,366
Profit on retirement of assets held for sale	-	511	-	-
Dividend from investments	10,244	14,754	1,571,100	732,680
Foreign exchange profit	69,808	84,137	-	-
Proceeds from insurance claims	4,467	22,418	-	-
Government grants *	5,000	-	-	-
Surplus on acquisition of subsidiaries	33,785	-	-	-
Sundry income	6,506	12,120	1,025	27
	149,596	390,810	1,572,825	734,216

* Government grants refers to the grant received under the Export Development Reward Scheme by the companies in the apparel industry.

8 Profit from operations

Profit from operations before interest is stated after charging the following:

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Cost of inventories and services	15,661,748	20,819,392	186,989	128,032
Directors' remuneration & fees	172,219	174,774	22,125	19,502
Auditors' remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	6,834	5,670	620	550
- Other auditors	4,141	2,378	-	-
Fees paid to Auditors for non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	3,664	2,979	1,048	479
- Other auditors	3,160	5,242	-	-
Depreciation	1,377,114	1,260,163	28,541	38,197
Amortisation	70,471	10,717	-	-
Impairment of goodwill	20,025	20,434	-	-
Provision / (write back) of bad and doubtful debts	10,194	3,299	(15,146)	78,672
Provision for fall in value of investments	4,712	-	150	17,800
Legal expenses	3,816	3,324	440	120
Defined contribution plan cost - EPF & ETF	170,322	160,005	19,404	15,539
Defined benefit plan cost - Gratuity	79,807	54,525	10,094	7,498

9 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 operation expenses represents a substantial portion of the total operating costs.

Notes to the Financial Statements

10 Finance expenses

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Interest on long-term borrowings	676,123	859,051	279,221	400,962
Interest on short-term borrowings	226,077	174,872	77,342	121,658
Bank charges	53,135	53,052	700	505
Finance charges on leases	31,549	38,376	-	-
	986,884	1,125,351	357,263	523,125

There were no borrowing costs capitalised by the Group on qualifying assets during the financial year (2008/2009 - Rs. 33.9 million). (Company-nil).

11 Share of associate companies profit / (loss) after tax

	Group	
	2009/2010 Rs. '000	2008/2009 Rs. '000
Aitken Spence Plantation Managements Ltd. (consolidated with Elpitiya Plantations PLC.)	9,495	(18,714)
Hayleys Plantation Services Ltd. * (consolidated with Talawakelle Tea Estates PLC.)	5,470	12,056
M.P.S. Hotels Ltd.	(931)	(2,615)
Browns Beach Hotels PLC.	5,068	34
	19,102	(9,239)

* The investment in Hayleys Plantation Services Ltd was disposed subsequent to the balance sheet date. (refer note 40 - Events occurring after balance sheet date)

12 Income tax expense

Income tax provision of Aitken Spence PLC, its subsidiaries, joint venture companies and associate companies which are resident in Sri Lanka have been calculated on their adjusted profits at 35% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

The taxation details of other companies which are non resident, exempt or enjoying a concessionary tax rate in the Group are disclosed below.

12.1 Subsidiaries/ Joint ventures

Companies exempt from tax

Company	Statute	Period
Ace Power Generation Matara (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2011/2012
Ace Power Generation Horana (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2011/2012
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2014/2015
Aitken Spence Property Developments (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 years ending 2011/2012
Aitken Spence Apparels (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 years ending 2012/2013
Golden Sun Resorts (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2012/2013
Aitken Spence Hotels (International) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Ayurvedic (Pvt) Ltd	Section 13 (b) of the Inland Revenue Act No. 10 of 2006	Indefinite

In addition to the above, the profits and income earned in foreign currency from services rendered in or outside Sri Lanka to a party outside Sri Lanka by companies in the Group is exempt from income tax in terms of section 13 (ddd) of the Inland Revenue Act No. 10 of 2006.

12.1 Subsidiaries/ Joint ventures (Contd.)***Companies liable to tax at concessionary rates***

Company	Tax rate and statute	Period
Aitken Spence Hotels Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Holdings PLC	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Managements (Pvt) Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hethersett Hotels Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Kandalama Hotels Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Neptune Ayurvedic Village (Pvt) Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Container Repair (Pvt) Ltd	15% in terms of Section 52 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Ace Exports (Pvt) Ltd	15% in terms of Section 52 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Aitken Spence (Garments) Ltd	15% in terms of Section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Vauxhall Property Developments Ltd	2% of Turnover in terms of Section 17 of BOI Law No. 4 of 1978	15 years ending 2018/2019

Companies incorporated in Sri Lanka and operated outside Sri Lanka

Company	Countries operated	Tax status
Port Management Container Services (Pvt) Ltd	South Africa	Business profits liable to tax at 33% in South Africa and exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006 .
Aitken Spence Hotel Management Asia (Pvt) Ltd	Oman	Business profits liable to tax at 12% in Oman and exempt from tax in Sri Lanka, under Section 17 of BOI Law of No. 4 of 1978.

Companies incorporated and operated outside Sri Lanka

Company	Country	Tax Status
Jetan Travel Services Company Pvt Ltd	Republic of Maldives	Nil
Cowie Investments Pvt Ltd	Republic of Maldives	Nil
Crest Star Ltd	Hong Kong	Nil
Crest Star (BVI) Ltd	British Virgin Islands	Nil
ADS Resorts Pvt Ltd	Republic of Maldives	Nil
Unique Resorts Pvt Ltd	Republic of Maldives	Nil
Spence Maldives Pvt Ltd	Republic of Maldives	Nil
Aitken Spence Hotel Services (Pvt) Ltd	India	Liable at 30.9% as per Indian Tax Law
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Liable at 30.9% as per Indian Tax Law
PR Holiday Homes (Pvt) Ltd	India	Liable at 30.9% as per Indian Tax Law
Ace Bangladesh Ltd	Bangladesh	Liable at 30.9% as per Bangladesh Tax Law
Spence Mac Bangladesh (Pvt) Ltd	Bangladesh	Liable at 30.9% as per Bangladesh Tax Law
Business Travel Services LLC	Oman	Liable at 12% as per Oman Tax Law

Notes to the Financial Statements

12.2 Associate companies

Company	Tax rate and statute	Period
Aitken Spence Plantation Managements Ltd	15% in terms of Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hayleys Plantation Services Ltd	15% in terms of Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Elpitiya Plantations PLC	Agricultural Profits Exempt in terms of Section 16 of the Inland Revenue Act No 10 of 2006	5 years commencing 2006/2007
Talawakelle Tea Estates PLC	Agricultural Profits Exempt in terms of Section 16 of the Inland Revenue Act No 10 of 2006	5 years commencing 2006/2007
Browns Beach Hotels PLC	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite
MPS Hotels Ltd	15% in terms of Section 45 of the Inland Revenue Act No. 10 of 2006	Indefinite

- 12.3 Social Responsibility Levy of 1.5% which is payable on the income tax liability of the companies, as per the Finance Act No. 11 of 2006 has been accounted for and included in the income tax provision.
- 12.4 The companies in the Group have brought forward tax losses amounting to Rs. 2,151 million which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted on these losses amounts to Rs. 194 million. Aitken Spence PLC has a brought forward tax loss of Rs. 87 million which is available to be set off against the future tax profits of the company. Deferred tax asset not accounted on these losses amounts to Rs. 30 million.

12.5 Income tax expense

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Tax on current year profits	236,009	308,890	-	-
Over provision in previous years	-	(14,076)	-	-
Tax on dividends paid by subsidiaries	99,869	57,527	-	-
Deferred tax charge/(reversal)	13,162	(23,956)	-	(4,639)
	349,040	328,385	-	(4,639)

12.6 Reconciliation of the accounting profit and the income tax expense

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Profit before tax	3,353,169	3,396,916	1,470,559	498,721
Consolidation adjustments	(13,760)	20,434	-	-
Profit from operations after adjustments	3,339,409	3,417,350	1,470,559	498,721
Income not liable for income tax	(3,089,280)	(3,099,694)	(1,561,589)	(732,680)
Accounting losses adjusted for tax purposes	(9,756)	133,655	(9,756)	94,675
Adjusted profit	240,373	451,311	(100,786)	(139,284)
Non - taxable receipts/gains	(20,886)	(25,568)	-	-
Aggregate disallowed expenses	657,955	627,442	116,922	111,859
Capital allowances	(417,417)	(359,683)	(18,836)	(14,136)
Aggregate allowable deductions	(102,775)	(121,464)	(8,225)	(22,248)
Utilisation of tax losses	(18,708)	(8,067)	-	-
Current year tax losses not utilised	365,184	394,938	10,925	63,809
Taxable income	703,726	958,909	-	-

12.6 Reconciliation of the accounting profit and the income tax expense (Contd.)

	Group		Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
Income tax charged at				
Standard rate	170,457	157,887	-	-
Concessionary rate of 15%	19,913	17,733	-	-
Income taxed at other rates	600	610	-	-
Off-shore profits at varying rates	45,039	132,660	-	-
	236,009	308,890	-	-
Dividends tax	99,869	57,527	-	-
Deferred tax charge/(reversal)	13,162	(23,956)	-	(4,639)
Over provision for previous year	-	(14,076)	-	-
	349,040	328,385	-	(4,639)

13 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations..

	Group		Company	
	2009/2010	2008/2009	2009/2010	2008/2009
Net profit attributable to ordinary shareholders of the parent (Rs.)	2,076,789,155	2,040,009,548	1,470,559,119	503,360,449
Weighted average number of ordinary shares in issue	27,066,403	27,066,403	27,066,403	27,066,403
Earnings per share (Rs.)	76.73	75.37	54.33	18.60

As there were no options outstanding at year end diluted earnings per share is equal to the basic earnings per share for the year.

14 Dividends

	Company	
	2009/2010 Rs. '000	2008/2009 Rs. '000
Interim ordinary dividend declared (on 28th April 2010) Rs. 3.50 per share (paid on 19th May 2010), (2008/09 - Rs. 3.50 per share).	94,732	94,732
Final ordinary dividend recommended Rs. 6.50 per share (2008/09 - Rs. 6.00 per share).	175,932	162,399
	270,664	257,131

Directors have recommended a Rs. 6.50 per share final dividend payment for the year ended 31st March 2010 to be approved at the Annual General Meeting on the 29th June 2010.

The entire dividend for the year is paid out of exempt dividends received by the company and is exempt in the hands of the shareholders.

In compliance with Sri Lanka Accounting Standards No. 12 - Events after the Balance Sheet Date (Revised 2005), the interim dividend declared and the final dividend recommended are not recognised as a liability in the financial statements as at 31st March 2010.

Notes to the Financial Statements

15 Property, plant & equipment

15.1 Group

	Freehold land	Freehold buildings	Plant machinery & equipment	Motor vehicles	Furniture & fittings	Leased assets	Capital work-in- progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation								
Balance as at 01.04.2009	5,164,278	10,231,142	11,171,738	781,183	1,098,141	4,854	193,634	28,644,970
Companies acquired during the year	24,436	483,763	127,342	5,759	40,739	-	-	682,039
Exchange difference	16,290	(68,953)	(9,487)	(889)	(5,704)	-	1,689	(67,054)
Additions	425,083	169,266	995,807	98,173	107,711	-	141,983	1,938,023
Transfers	-	146,876	6,319	-	20,342	-	(173,537)	-
Disposals	-	(28,907)	(375,181)	(8,143)	(40,120)	-	-	(452,351)
Balance as at 31.03.2010	5,630,087	10,933,187	11,916,538	876,083	1,221,109	4,854	163,769	30,745,627
Accumulated depreciation								
Balance as at 01.04.2009	-	1,654,699	3,478,675	383,056	485,087	1,631	6,186	6,009,334
Companies acquired during the year	-	38,422	108,542	3,478	33,953	-	-	184,395
Exchange difference	-	(15,011)	(5,515)	(720)	(3,467)	-	-	(24,713)
Charge for the year	-	461,672	692,022	106,654	114,797	552	1,417	1,377,114
Disposals	-	(27,654)	(58,238)	(7,562)	(35,945)	-	-	(129,399)
Balance as at 31.03.2010	-	2,112,128	4,215,486	484,906	594,425	2,183	7,603	7,416,731
Carrying amount as at 31.03.2010	5,630,087	8,821,059	7,701,052	391,177	626,684	2,671	156,166	23,328,896
Carrying amount as at 31.03.2009	5,164,278	8,576,443	7,693,063	398,127	613,054	3,223	187,448	22,635,636

The value of property, plant & equipment pledged by the Group as security for facilities obtained from banks amounted to Rs. 8,168 million (2008/2009 - Rs. 4,796 million) (Company - nil).

Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during the course of the construction of a capital asset.

The exchange difference has arisen as a result of the translation of property, plant & equipment of foreign entities which are accounted for in foreign currencies and translated to the reporting currency at the closing date.

In compliance with the accounting policy, the Group revalued some of the land owned by the Group companies by independent, professional valuers as at 31st March 2009. Details of the revalued land are given in note 15.3.1 to the financial statements. There were no tax implications due to the revaluation of land.

On reassessment of fair value of the Group's assets, it has been identified that there is no permanent impairment of property plant & equipment which requires provision in the financial statements.

15.2 Company

	Plant machinery & equipment	Motor vehicles	Furniture & fittings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation				
Balance as at 01.04.2009	139,860	26,431	20,481	186,772
Additions	22,873	22,500	27,186	72,559
Disposals	(7,699)	-	(4,215)	(11,914)
Balance as at 31.03.2010	155,034	48,931	43,452	247,417
Accumulated depreciation				
Balance as at 01.04.2009	108,462	10,640	15,541	134,643
Charge for the year	15,703	7,191	1,401	24,295
Disposals	(7,547)	-	(4,151)	(11,698)
Balance as at 31.03.2010	116,618	17,831	12,791	147,240
Carrying amount as at 31.03.2010	38,416	31,099	30,662	100,177
Carrying amount as at 31.03.2009	31,398	15,791	4,940	52,129

There were no assets pledged by the Company as security for facilities obtained from the banks.

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying value as at 31.03.2010 Rs. '000	Revaluation surplus Rs. '000	Carrying value at cost 31.03.2009 Rs. '000
Aitken Spence PLC. ¹	315, Vauxhall Street, Colombo 02	31.03.2009	1 A 1 R 0 P	900,000	898,843	1,157
Aitken Spence PLC. ¹	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	1 A 0 R 20.4 P	223,650	218,659	4,991
Aitken Spence PLC. ¹	170, Sri Wickrema Mw., Colombo 15	31.03.2009	3 A 3 R 31.0 P	188,000	145,039	42,961
Aitken Spence PLC. ¹	Neptune Hotel, Moragalla, Beruwala	31.03.2009	10 A 1 R 24.0 P	499,200	498,246	954
Aitken Spence PLC. ¹	290/1, Inner Harbour Road, Trincomalee	31.03.2009	0 A 1 R 10.9 P	12,700	12,700	-
Aitken Spence Hotel Holdings PLC. ³	Galle Road, Ahungalla	26.03.2007	11 A 3 R 34.0 P	261,600	244,159	17,441
Ace Containers (Pvt) Ltd. ¹	775/5, Negombo Road, Wattala	31.03.2009	22 A 0 R 24.9 P	1,240,700	1,145,309	95,391
Ace Containers (Pvt) Ltd. ¹	385, Colombo Road, Welisara	31.03.2009	8 A 3 R 12.2 P	424,000	337,327	86,673
Vauxhall Property Developments Ltd. ¹	305, Vauxhall Street, Colombo 02	31.03.2009	0 A 2 R 37.5 P	529,000	514,269	14,731
Vauxhall Investments Ltd. ¹	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	0 A 1 R 21.0 P	76,287	54,448	21,839
Aitken Spence (Garments) Ltd. ¹	222, Agalawatte Road, Matugama	31.03.2009	2 A 3 R 0 P	8,800	6,220	2,580
Clark Spence & Co., Ltd. ¹	24-24/1, Church Street, Galle	31.03.2009	0 A 1 R 27.9 P	67,900	67,865	35
Ace Power Generation Matara (Pvt) Ltd. ¹	Hittetiya - Matara	31.03.2009	0 A 0 R 5.7 P	284	84	200
Aitken Spence Property Developments Ltd. ¹	"Creamland Farm", Mawaramandiya.	31.03.2009	3 A 0 R 25.1 P	30,300	5,872	24,428
Pearl Beach Hotels Ltd. ²	Moragalla, Beruwala	31.03.2009	5 A 3 R 6.8 P	194,500	183,420	11,080
Ahungalla Resorts Ltd. ²	"Ahungalla Resorts", Galle Road, Ahungalla	31.03.2009	10 A 2 R 39.3 P	257,538	218,500	39,038
Kandalama Hotels Ltd. ²	Kandalama, Dambulla	31.03.2009	169 A 2 R 22 P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd. ²	Ayurvedic village - Moragalla, Beruwala	31.03.2009	0 A 0 R 19.3 P	4,425	362	4,063
				4,927,884	4,552,938	374,946

The above properties have been revalued by independent, qualified valuers on the basis of current market value.

1. Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)
2. Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)
3. Valuation of the land was carried out by Mr. J. Rajasooriya H.N.D (Valuation) A.I.V (Sri Lanka) A.I.Q.S (Sri Lanka) M.P.V.A (Sri Lanka)

15.3.2 Land carried at cost

Company	Location	Acquisition date	Extent	Carrying value as at 31.03.2010 Rs. '000
PR Holiday Homes (Pvt) Ltd.	Kochi - Kerala	31.03.2006	16 A 3 R 24.0 P	147,843
Aitken Spence Cargo (Pvt) Ltd.	3/2, Seewali Lane, Kudaedanda, Wattala	01.06.2008	0 A 0 R 36.1 P	17,500
Ahungalla Resorts Ltd.	Meeraladuwa Island, Ahungalla	31.03.2007	26 A 2 R 10.4 P	90,432
Ace Distriparks (Pvt) Ltd.	80, Negombo Road, Wattala	29.09.2009	2 A 2 R 17.0 P	421,992
Golden Sun Resorts (Pvt) Ltd.	418, Parellel Road, Kudawaskaduwa, Kalutara	19.03.2010	5 A 2 R 0 P	21,253
Branford Hydropower (Pvt) Ltd	263, 1st Lane, Kaludewala, Matale	11.05.2009	2 A 0 R 23.3 P	3,183
				702,203

15.3.3 Total carrying value of land

	Carrying value as at 31.03.2010 Rs. '000
Land carried at revalued amount	4,927,884
Land carried at cost	702,203
	5,630,087

Notes to the Financial Statements

16 Leasehold property

	Group	
	31.03.2010	31.03.2009
	Rs. '000	Rs. '000
Cost		
Balance as at 1st April	1,564,704	1,401,870
Exchange difference	(18,784)	99,320
Additions	51,341	63,514
Balance as at 31st March	1,597,261	1,564,704
Accumulated amortisation		
Balance as at 1st April	59,553	44,883
Exchange difference	(1,212)	3,953
Amortisation during the year	70,471	10,717
Balance as at 31st March	128,812	59,553
Carrying amount as at 31st March	1,468,449	1,505,151

17 Intangible assets

	Group	
	31.03.2010	31.03.2009
	Rs. '000	Rs. '000
Goodwill on consolidation		
Balance as at 1st April	109,164	122,520
Additions	65,046	7,078
Impairment during the year	(20,025)	(20,434)
Balance as at 31st March	154,185	109,164

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

- Business growth - Based on the long term average growth rate for each business unit. The weighted average growth rate used is consistent with the forecast included in industry reports.
- Inflation - Based on current inflation rate.
- Discount rate - Risk free rate adjusted for the specific risk relating to the industry.
- Margin - Based on past performance and budgeted expectations.

18 Investment property

18.1 Movement during the year

	Group		Company	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost or valuation				
Balance as at 1st April	28,936	28,936	776,371	776,371
Disposed during the year	-	-	(28,907)	-
Balance as at 31st March	28,936	28,936	747,464	776,371
Accumulated depreciation				
Balance as at 1st April	-	-	82,386	64,165
Charge for the year	-	-	4,246	18,221
Disposed during the year	-	-	(27,654)	-
Balance as at 31st March	-	-	58,978	82,386
Carrying amount as at 31st March	28,936	28,936	688,486	693,985

18.2 Details of land under investment property

Location	Extent	Value of investment property		Number of buildings
		Group Rs. '000	Company Rs. '000	
315, Vauxhall Street, Colombo 02	1 A 1 R 0 P	-	160,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.4 P	-	76,379	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.0 P	-	98,035	8
Neptune Hotel, Moragalla, Beruwala	10 A 1 R 24.0 P	-	325,136	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 10.9 P	-	-	1
Irakkakandi Village, VC Road, Nilaveli	108 A 1 R 0 P	28,936	28,936	Bare land
		28,936	688,486	

Properties which are occupied by the companies within the group for the production or supply of goods and services or for administration purposes are treated as property plant and equipment in the consolidated financial statements while these properties are treated as investment property in the relevant company's balance sheet.

Value of land and building that had been revalued to fair value prior to 1st April 2005, the date these were identified as investment property in the Company financial statements is treated as the deemed cost of the asset as at this date.

18.3 Market value

Investment properties in the group are accounted on the cost model. The open market value of the above property based on the Directors valuation as at 31st March 2009 for the Group was Rs. 779 million (2008/2009 - Rs. 173 million), and for the company was Rs. 2,696 million (2008/2009 - Rs. 1,937 million).

18.4 Income earned from investment property

Total rent income earned by the Company from the investment property during the year was Rs. 10.6 million (2008/2009 - Rs. 30.9 million) (Group-nil). There were no direct operating expenses arising from any of the above investment properties.

19 Investments

19.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding %	Group holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
a) Ordinary shares					
Subsidiary companies					
Aitken Spence Exports (Pvt) Ltd. (a)	52,500	100.0	100.0	514	514
Aitken Spence Cargo (Pvt) Ltd. (a) (d)	10,000	100.0	100.0	820	820
Clark Spence & Company (Pvt) Ltd. (a) (d)	25,000	97.4	100.0	357	357
Aitken Spence Insurance (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Ace Container Repair (Pvt) Ltd. (a)	2,250,000	100.0	100.0	22,500	22,500
Aitken Spence Printing (Pvt) Ltd. (a)	4,760,000	100.0	100.0	47,600	47,600
Ace Exports (Pvt) Ltd. (a)	1,400,000	100.0	100.0	14,000	14,000
Aitken Spence Apparels (Pvt) Ltd.	1,500,000	100.0	100.0	15,000	15,000
Ace Containers (Pvt) Ltd. (a)	4,010,000	100.0	100.0	40,100	40,100
Aitken Spence Developments (Pvt) Ltd.	46,000	92.0	92.0	1,825	1,825
Ace Container Terminals (Pvt) Ltd. (a)	1,550,002	100.0	100.0	15,500	15,500
Vauxhall Investments Ltd. (a)	1,320,000	100.0	100.0	13,200	13,200
Aitken Spence Hotel Managements (Pvt) Ltd. (a)	4,020,000	100.0	100.0	40,200	200
Aitken Spence Hotel Management Asia (Pvt) Ltd. (b)*	4,924,500	49.0	86.9	49,245	245
Aitken Spence Group Ltd. (a) (b) (c) (d)	10,000	100.0	100.0	100	100
Ace Distriparks (Pvt) Ltd. (a)	8,900,000	100.0	100.0	89,000	89,000
Vauxhall Property Developments Ltd. (a) (b)	11,270,000	100.0	100.0	153,401	153,401
Kandalama Hotels Ltd. (a)	6,000,000	37.0	82.8	182,050	182,050
Ace Freight Management (Pvt) Ltd. (a)	5,222,500	100.0	100.0	36,307	36,307
Elevators (Pvt) Ltd. (a)	133,400	66.7	66.7	7,269	7,269

*Notes to the Financial Statements***19.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)**

	Number of shares	Company holding %	Group holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Triton Ltd. (a)	10,000	100.0	100.0	50	50
Ace Power Generation Horana (Pvt) Ltd. (a) (b)	20,046,998	51.0	51.0	200,470	200,470
Ace Power Generation Matara (Pvt) Ltd. (a) (b)	21,523,362	51.0	51.0	215,234	215,234
Ace Power Embilipitiya (Pvt) Ltd. (a)	124,033,413	74.0	74.0	1,404,415	1,404,415
Aitken Spence Hotels (International) Ltd. (a)*	10,323,225	49.0	86.9	99,000	99,000
Aitken Spence Moscow (Pvt) Ltd. (a) (c)	37,500	75.0	75.0	375	375
Aitken Spence Corporate Finance (Pvt) Ltd. (a)	2	100.0	100.0	-	-
Ace Cargo (Pvt) Ltd. (d)	922,500	93.2	93.2	231,547	231,547
Ace International (Pvt) Ltd.	280,000	100.0	100.0	2,800	2,800
Aitken Spence Property Developments (Pvt) Ltd. (a) (b)	74,865,000	90.0	100.0	748,650	748,650
Ace Freight Logistics (Pvt) Ltd.	10,000	100.0	100.0	-	100
Ace International Express (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Aitken Spence Maritime Ltd. (a) (d)	140,000	100.0	100.0	1,400	1,400
(formerly known as Aitken Spence Shipping International Ltd.)					
Ace Aviation Services (Pvt) Ltd. (a) (d)*	10,001	50.0	100.0	100	100
Aitken Spence Shipping Services Ltd. (a) (d)*	99	1.0	100.0	1	1
Ace Printing & Packaging (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Spence International (Pvt) Ltd. (a)	1,500,000	100.0	100.0	15,000	15,000
Aitken Spence Insurance Brokers (Pvt) Ltd. (a)	150,000	100.0	100.0	1,500	1,500
Royal Spence Aviation (Pvt) Ltd. (a) (c)	50,000	100.0	100.0	500	500
Branford Hydropower (Pvt) Ltd. (a)	15,100,100	100.0	100.0	210,000	-
Spence Mac Holdings (Pvt) Ltd. (a) (d)	10,000,000	100.0	100.0	50,000	50,000
Aitken Spence Shipping Ltd. (a) (d)	2,038,072	100.0	100.0	132,717	-
Spence Logistics (Pvt) Ltd. (a) (d)	25,000	100.0	100.0	650	-
Ace Elevators (Pvt) Ltd.	2	100.0	100.0	-	-
Heritage (Pvt) Ltd. (a)*	-	-	72.7	-	-
(formerly known as Pearl Beach Hotels Ltd.)					
Ahungalla Resorts Ltd. (a)*	-	-	74.4	-	-
PR Holiday Homes (Pvt) Ltd. (a)*	-	-	73.0	-	-
Ace Haulage (Pvt) Ltd. (a)*	-	-	100.0	-	-
Aitken Spence Hotels Ltd. (a)*	-	-	72.7	-	-
Aitken Spence Aviation (Pvt) Ltd. (a) (c)*	-	-	100.0	-	-
Jetan Travel Services Company Pvt Ltd. (a)*	-	-	70.7	-	-
Hethersett Hotels Ltd. (a)*	-	-	65.1	-	-
Crest Star Ltd. (a)*	-	-	74.4	-	-
Crest Star (BVI) Ltd. (a)*	-	-	74.4	-	-
Cowrie Investments Pvt Ltd. (a)*	-	-	44.6	-	-
Ace Ayurvedic (Pvt) Ltd. (a)*	-	-	74.4	-	-
Neptune Ayurvedic Village (Pvt) Ltd. (a)*	-	-	74.4	-	-
ADS Resorts Pvt Ltd. (a)*	-	-	86.9	-	-
Port Management Container Services (Pvt) Ltd. (a) (d)*	-	-	100.0	-	-
Aitken Spence Resources (Pvt) Ltd. (a)*	-	-	100.0	-	-
Unique Resorts Pvt Ltd. (a)*	-	-	86.9	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	-	-	86.9	-	-
Golden Sun Resorts (Pvt) Ltd. (a)*	-	-	74.4	-	-

19.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)

	Number of shares	Company holding %	Group holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Joint ventures					
Aitken Spence Travels (Pvt) Ltd. (a) (c)	1,704,000	50.0	50.0	60,876	60,876
MMBL Money Transfer (Pvt) Ltd. (a)	3,000,000	50.0	50.0	35,566	35,566
Aitken Spence (Garments) Ltd. (a)	998,750	50.0	50.0	26,257	26,257
Vauxhall Shipping (Pvt) Ltd.	12,250	49.0	49.0	150	150
San Spence Ltd. (a) (b)	1,350,000	50.0	50.0	13,500	13,500
Spence Shipping (Pvt) Ltd. (a)*	-	-	60.0	-	-
Clark Spence Garments Ltd. (a)*	-	-	50.0	-	-
Ace Travels & Conventions (Pvt) Ltd. (a) (c) *	-	-	50.0	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. (a) (c) *	-	-	50.0	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (d)*	-	-	50.0	-	-
Delta Shipping (Pvt) Ltd. (a)*	-	-	51.0	-	-
Ace Global Aviation Services (Pvt) Ltd. *	-	-	60.0	-	-
Ace Bangladesh Ltd. *	-	-	45.7	-	-
Spence Mac Bangladesh (Pvt) Ltd. (d)*	-	-	49.0	-	-
Spence Maldives Pvt Ltd. (a)*	-	-	55.9	-	-
Aitken Spence Hotel Managements (South India) Pvt Ltd.*	-	-	43.5	-	-
Business Travel Services LLC. *	-	-	43.5	-	-
				4,180,046	3,747,779
b) Preference Shares					
Aitken Spence (Garments) Ltd. (a)	1,500,000	50.0	50.0	15,000	15,000
Kandalama Hotels Ltd. (a)	17,500,000	100.0	100.0	175,000	175,000
Aitken Spence Hotel Holdings PLC. (a)	16,500,000	100.0	100.0	165,000	165,000
Aitken Spence Aviation (Pvt) Ltd. (a) (c)*	500,000	100.0	100.0	5,000	5,000
Hethersett Hotels Ltd. (a)*	-	-	74.4	-	-
Unique Resorts Pvt Ltd. (a)*	-	-	74.4	-	-
				360,000	360,000
Provision for fall in value of investments				(171,318)	(37,800)
				4,368,728	4,069,979

19.2 Investment in subsidiaries - quoted

	Number of shares	Company holding %	Group holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary shares)	27,368,127	71.2	74.4	679,300	679,300
Net book value as at 31st March				679,300	679,300
Market value as at 31st March				10,536,729	2,463,131

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels Ltd., Aitken Spence Travels (Pvt) Ltd., Aitken Spence (Garments) Ltd., Spence Mac Holdings (Pvt) Ltd., Ace Cargo (Pvt) Ltd., Triton Ltd., Ace Containers (Pvt) Ltd., Aitken Spence Shipping Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Hotels (International) Ltd., Crest Star (BVI) Ltd., Aitken Spence Hotel Management Asia (Pvt) Ltd., Clark Spence & Company Ltd. or Aitken Spence Hotel Managements (Pvt) Ltd.

Jetan Travel Services Company Pvt Ltd., Cowrie Investments Pvt Ltd., ADS Resorts Pvt Ltd., Unique Resorts Pvt Ltd., and Spence Maldives Pvt Ltd., are incorporated in the Republic of Maldives, Crest Star (BVI) Ltd., is incorporated in the British Virgin Islands, Crest Star Ltd., is incorporated in Hongkong, Ace Bangladesh Ltd., and Spence Mac Bangladesh (Pvt) Ltd., are incorporated in Bangladesh, PR Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Managements (South India) Pvt Ltd., are incorporated in India and Business Travel LLC is incorporated in Oman, while all other companies are incorporated in Sri Lanka.

a, b, c, d - refer note 37.

Notes to the Financial Statements

20 Investment in associates

20.1 Investment in associates - unquoted

	Group				Company			
	No. of shares	Holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000	No. of shares	Holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
M.P.S. Hotels Ltd.(c) (Ordinary shares)	985,000	22.6	36,114	32,912	-	-	-	-
Aitken Spence Plantation Managements Ltd. (a) (b) (Ordinary shares)	8,300,000	39.0	165,000	165,000	8,300,000	39.0	165,000	165,000
Hayleys Plantation Services Ltd. (a) (b) (Ordinary shares)	6,700,000	33.3	170,515	170,515	6,700,000	33.3	170,515	170,515
Elpitiya Plantations PLC. (a) (b) (Ordinary shares) (Subsidiary of Aitken Spence Plantation Managements Ltd.)	-	25.6	-	-	-	-	-	-
Talawakelle Tea Estates PLC. (a) (b) (Ordinary shares) (Subsidiary of Hayleys Plantation Services Ltd.)	-	23.3	-	-	-	-	-	-
Net book value as at 31st March			371,629	368,427			335,515	335,515
Share of movement in equity value			242,698	236,107			-	-
Equity value of investments			614,327	604,534			335,515	335,515

a, b, c - refer note 37.

20.2 Investment in associates - quoted

	Group				Company			
	No. of shares	Holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000	No. of shares	Holding %	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Browns Beach Hotels PLC. (a) (Ordinary shares)	2,841,718	21.9	67,810	67,810			-	-
Net book value as at 31st March			67,810	67,810			-	-
Share of movement in equity value			85,361	80,292			-	-
Equity value of investments			153,171	148,102			-	-
Market value of quoted investments as at 31st March			206,025	82,410			-	-
Equity value - unquoted			614,327	604,534	Net book value - unquoted		335,515	335,515
Equity value - quoted			153,171	148,102	Net book value - quoted		-	-
Equity value as at 31st March			767,498	752,636	Net book value as at 31st March		335,515	335,515

20.3 Summarised financial information of associates

Group share of balance sheet

Total assets	3,459,562	2,968,306
Total liabilities	(2,692,064)	(2,215,670)
	767,498	752,636

Group share of revenue and profit

Revenue	1,494,009	1,215,779
Profit/(loss)	19,102	(9,239)
Dividends	7,442	2,614

21 Long-term investments

	No. of shares	Group		No. of shares	Company	
		31.03.2010 Rs. '000	31.03.2009 Rs. '000		31.03.2010 Rs. '000	31.03.2009 Rs. '000
Sumiko Lanka Hotels (Pvt) Ltd. (Preference shares)	7,500,000	75,000	75,000	7,500,000	75,000	75,000
Sumiko Lanka Hotels (Pvt) Ltd. (Secured redeemable debentures of Rs.100/- each)	557,000	55,700	70,700	557,000	55,700	70,700
Rainforest Ecolodge (Pvt) Ltd (Ordinary shares)	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Palm Village Hotels Ltd. (Ordinary shares)	1,815,674	10,070	10,070	606,099	3,533	3,533
Business Process Outsourcing LLC (Ordinary shares)	7,500	8,640	-	7,500	8,640	-
Poovar Island Resorts (Ordinary shares)	988,764	126,650	126,650	-	-	-
Barefoot Resorts & Leisure (Pvt) Ltd. (Ordinary shares)	25,000	86,590	86,590	-	-	-
San Spence Construction LLC. (Ordinary shares)	75,000	10,630	10,630	-	-	-
Cargo Village Ltd. (Ordinary shares)	38,571	357	357	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd. (Ordinary shares)	10,000	100	100	-	-	-
Skynet Worldwide Express Management Company Ltd. (Ordinary shares)	1,000	99	99	-	-	-
Colombo International Nautical and Engineering College (Private) Ltd (Ordinary shares)	63,333	90,450	-	-	-	-
		489,286	405,196		167,873	174,233
Provision for fall in value of investments		(5,706)	(250)		-	-
Net book value as at 31st March		483,580	404,946		167,873	174,233

22 Deferred tax assets

	Group	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Deferred tax assets		
Tax effect of defined benefit obligation	40,658	32,422
Tax effect of tax losses carried forward	362	290
Tax effect of other items	22,815	44,371
Tax effect of companies acquired during the year	2,716	-
	66,551	77,083
Deferred tax liabilities		
Tax effect of property, plant & equipment	(9,728)	(3,075)
	(9,728)	(3,075)
Net deferred tax assets	56,823	74,008
Deferred tax assets		
Balance at the beginning of the year	74,008	39,342
Companies acquired during the year	2,716	-
Exchange gain/loss	13,058	-
Transferred (from)/to income statement	(32,959)	34,666
Balance at the end of the year	56,823	74,008

Notes to the Financial Statements

22 Deferred tax assets (Contd.)

Movement in tax effect of temporary differences - Group

	As at 31st March 2010 Rs. '000	Recognised in income statement Rs. '000	Subsidiaries acquired Rs. '000	Exchange gain/loss Rs. '000	As at 31st March 2009 Rs. '000	Recognised in income statement Rs. '000	As at 1st April 2008 Rs. '000
Deferred tax assets							
Defined benefit obligation	40,658	8,236	-	-	32,422	2,611	29,811
Other items	22,815	(34,614)	-	13,058	44,371	29,982	14,389
Tax losses carried forward	362	72	-	-	290	290	-
Companies acquired during the year	2,716	-	2,716	-	-	-	-
	66,551	(26,306)	2,716	13,058	77,083	32,883	44,200
Deferred tax liabilities							
Property, plant & equipment	(9,728)	(6,653)	-	-	(3,075)	1,783	(4,858)
	(9,728)	(6,653)	-	-	(3,075)	1,783	(4,858)
Net deferred tax assets	56,823	(32,959)	2,716	13,058	74,008	34,666	39,342

23 Inventories

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Raw materials	1,229,147	1,127,045	-	-
Work in progress and finished goods	50,803	103,605	-	-
Consumables	113,636	52,961	1,791	1,794
	1,393,586	1,283,611	1,791	1,794

Value of inventories pledged as security for facilities obtained from banks by the Group amounted to Rs. 636 million (2008/2009 - Rs. 556 million) (Company-nil)

24 Trade & other receivables

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Trade receivables	4,603,511	5,135,722	-	-
Other receivables	850,740	868,234	157,341	228,754
Provision for bad debts	(133,894)	(184,459)	(14,086)	(162,994)
	5,320,357	5,819,497	143,255	65,760
Loans to employees	23,915	14,646	14,667	9,816
	5,344,272	5,834,143	157,922	75,576

The movement of loans above Rs. 20,000/- given to executive staff is as follows:

Loan to company officers - summary

	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Balance as at the beginning of the year	9,816	7,913
Loans granted during the year	8,149	7,806
	17,965	15,719
Recoveries during the year	(3,298)	(5,903)
Loans as at 31st March	14,667	9,816

No loans have been given to the Directors of the company.

25 Current investments

	No. of shares	Group		No. of shares	Company	
		31.03.2010 Rs. '000	31.03.2009 Rs. '000		31.03.2010 Rs. '000	31.03.2009 Rs. '000
DFCC Bank (Ordinary shares)	12,385	399	399	12,385	399	399
Overseas Realty (Ceylon) PLC. (Ordinary shares)	3,750	37	37	3,750	37	37
Colombo Dockyard PLC (Ordinary shares)	5,850	123	62	-	-	-
Hatton National Bank PLC (Ordinary shares)	127,600	4,060	4,060	-	-	-
Net book value as at 31st March		4,619	4,558		436	436
Market Value as at 31st March		27,963	11,159		2,294	871

26 Assets classified as held for sale

26.1 Divestment of ship owning business

Consequent to the decision made by the Groups 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 Ceyserv lines (Pvt) Ltd, Ceyfirst Shipping (Pvt) Ltd, Ceycapital Shipping (Pvt) Ltd, Ceyaki Shipping (Pvt) Ltd & Ceyspence (Pvt) Ltd, under assets held for sale. Of the above companies the liquidation of Ceyserv lines (Pvt) Ltd, Ceyfirst Shipping (Pvt) Ltd and Ceycapital Shipping (Pvt) Ltd, was concluded during 2008/2009 while the balance two companies are still under liquidation.

Fair value of the Group's investment in Ace Freight Logistics (Pvt) Ltd is treated under assets held for sale upon the decision made to liquidate the company during the year.

26.2 Assets classified as held for sale

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Share of net assets of associates classified as held for sale	141,446	141,446	57,237	57,237
Net current assets of group companies classified as held for sale	20,217	7,678	100	-
	161,663	149,124	57,337	57,237

27 Segmental information - Group

a. Business segment

	Total assets		Total liabilities	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Tourism sector	13,135,516	13,196,229	5,793,559	6,318,175
Cargo logistics sector	4,510,170	3,704,224	1,480,890	953,095
Strategic investments	15,104,893	14,477,047	6,298,914	6,964,185
Services sector	4,477,051	4,745,056	453,943	513,996
	37,227,630	36,122,556	14,027,306	14,749,451
Goodwill on consolidation	154,185	109,164	-	-
	37,381,815	36,231,720	14,027,306	14,749,451
Assets classified as held for sale	161,663	149,124	-	-
	37,543,478	36,380,844	14,027,306	14,749,451

*Notes to the Financial Statements***27 Segmental information - Group (Contd.)**

	Additions to property, plant & equipment		Total liabilities & amortisation	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Tourism sector	302,458	2,245,622	757,698	611,674
Cargo logistics sector	705,196	211,398	123,230	103,799
Strategic investments	874,188	588,627	431,179	489,965
Services sector	56,181	753,790	155,503	85,876
	1,938,023	3,799,437	1,467,610	1,291,314

b. Geographical segment

	Total assets		Total liabilities	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Sri Lanka	28,773,341	26,744,745	10,027,961	10,324,827
Asia & Africa	8,454,289	9,377,811	3,999,345	4,424,624
	37,227,630	36,122,556	14,027,306	14,749,451
Goodwill on consolidation	154,185	109,164	-	-
	37,381,815	36,231,720	14,027,306	14,749,451
Assets classified as held for sale	161,663	149,124	-	-
	37,543,478	36,380,844	14,027,306	14,749,451

	Additions to property, plant & equipment		Depreciation & amortisation	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Sri Lanka	1,727,138	1,691,268	880,978	862,039
Asia & Africa	210,885	2,108,169	586,632	429,275
	1,938,023	3,799,437	1,467,610	1,291,314

28 Stated capital & reserves**28.1 Stated capital**

	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Stated capital as at 31st March	2,135,140	2,135,140
Number of shares	27,066,403	27,066,403

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 share holders or one vote per share in the case of a poll.

28 Stated capital & reserves (Contd.)

28.2 Stated capital

Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant & equipment. There were no restrictions on distribution of these balances to the share holders.

General reserve

The General reserve reflects the amount the Group has reserved over the years from its earnings.

Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group and the portion of exchange gain or loss arising from the translation of the hedge instrument in relation to cash flow hedges.

Other capital reserves

This represents the portion of share premium of subsidiaries attributable to the Group.

29 Interest-bearing liabilities

29.1 Analysed by lending institution

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Hatton National Bank PLC.	3,025,268	3,660,249	-	-
Commercial Bank of Ceylon PLC.	1,202,619	1,004,420	660,000	830,000
DFCC Bank.	418,971	532,715	-	-
Bank of Ceylon.	34,183	461,108	-	-
Nations Trust Bank.	314,261	422,022	-	-
People's Bank.	-	418,608	-	-
National Savings Bank.	250,000	290,000	250,000	290,000
Union Assurance PLC.	250,000	250,000	250,000	250,000
Employee Trust Fund.	250,000	250,000	250,000	250,000
Sri Lanka Insurance Corporation Ltd.	-	206,048	-	20,000
Indian Bank.	200,000	200,000	200,000	200,000
Hongkong & Shanghai Banking Corporation Ltd.	736,728	155,893	-	-
National Development Bank of Sri Lanka.	4,550	111,376	-	100,000
Seylan Bank PLC.	-	93,024	-	-
Waldock Mackenzie Ltd.	-	40,000	-	40,000
Eagle Income Fund.	6,000	6,000	6,000	6,000
Trustees of Church of England.	2,000	2,000	2,000	2,000
International Water MGT Institute Pension Fund.	2,000	2,000	2,000	2,000
Central Finance Company PLC.	633	1,347	-	-
Federal Bank Ltd.	596	836	-	-
	6,697,809	8,107,646	1,620,000	1,990,000
Current portion of interest-bearing liabilities	(1,541,047)	(1,866,187)	(508,000)	(370,000)
Non-current interest-bearing liabilities	5,156,762	6,241,459	1,112,000	1,620,000

29.2 Analysed by repayment period

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Payable within one year	1,541,047	1,866,187	508,000	370,000
Payable between one and two years	1,940,292	2,210,930	568,000	508,000
Payable between two and five years	1,424,088	2,005,128	544,000	1,112,000
Payable after five years	1,792,382	2,025,401	-	-
	6,697,809	8,107,646	1,620,000	1,990,000

*Notes to the Financial Statements***29.3 Analysed by currency equivalent in rupees**

	Group				Company	
	31.03.2010 Rs. Equivalent Rs. '000	%	31.03.2009 Rs. Equivalent Rs. '000	%	31.03.2010 Rs. Equivalent Rs. '000	31.03.2009 Rs. Equivalent Rs. '000
United States Dollars	2,617,392	39	2,895,020	36	-	-
Sri Lankan Rupees	4,080,417	61	5,212,626	64	1,620,000	1,990,000
	6,697,809	100	8,107,646	100	1,620,000	1,990,000

29.4 Movement of interest-bearing liabilities

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Total outstanding as at 01st April	8,107,646	8,614,083	1,990,000	2,310,000
Exchange difference	(57,405)	246,410	-	-
Loans received during the year	616,271	1,273,059	-	-
Companies acquired during the year	10,000	-	-	-
	8,676,512	10,133,552	1,990,000	2,310,000
Loan repayments during the year	(1,978,703)	(2,025,906)	(370,000)	(320,000)
Total outstanding as at 31st March	6,697,809	8,107,646	1,620,000	1,990,000
Current portion of interest-bearing liabilities	(1,541,047)	(1,866,187)	(508,000)	(370,000)
Non-current interest-bearing liabilities	5,156,762	6,241,459	1,112,000	1,620,000

30 Deferred tax liabilities

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Deferred tax liabilities				
Tax effect of property, plant & equipment	198,599	200,579	-	13,695
Tax effect of undistributed profits of consolidated entities	9,874	17,376	-	-
Tax effect of companies acquired during the year	44,909	34	-	-
	253,382	217,989	-	13,695
Deferred tax assets				
Tax effect of defined benefit obligation	(13,334)	(14,034)	-	(11,568)
Tax effect of tax losses carried forward	(16,954)	(5,939)	-	(2,127)
	(30,288)	(19,973)	-	(13,695)
Net deferred tax liabilities	223,094	198,016	-	-
Deferred tax liabilities				
Balance at the beginning of the year	198,016	187,272	-	4,639
Companies acquired/disposed during the year	44,875	34	-	-
Transferred from/(to) income statement	(19,797)	10,710	-	(4,639)
Balance at the end of the year	223,094	198,016	-	-

30 Deferred tax liabilities (Contd.)**Movement in tax effect of temporary differences - Group**

	As at 31st March 2010 Rs. '000	Recognised in income statement Rs. '000	Subsidiaries acquired /disposed Rs. '000	As at 31st March 2009 Rs. '000	Recognised in income statement Rs. '000	Subsidiaries acquired /disposed Rs. '000	As at 1st April 2008 Rs. '000
Deferred tax liabilities							
Property plant & equipment	198,599	(1,980)	-	200,579	4,903	-	195,676
Undistributed profits of consolidated entities	9,874	(7,502)	-	17,376	(1,048)	-	18,424
Companies acquired/disposed during the year	44,909	-	44,875	34	-	34	-
	253,382	(9,482)	44,875	217,989	3,855	34	214,100
Deferred tax assets							
Defined benefit obligation	(13,334)	700	-	(14,034)	8,451	-	(22,485)
Tax losses carried forward	(16,954)	(11,015)	-	(5,939)	(1,596)	-	(4,343)
	(30,288)	(10,315)	-	(19,973)	6,855	-	(26,828)
Net deferred tax liabilities	223,094	(19,797)	44,875	198,016	10,710	34	187,272

Movement in tax effect of temporary differences - Company

	As at 31st March 2010 Rs. '000	Recognised in income statement Rs. '000	As at 31st March 2009 Rs. '000	Recognised in income statement Rs. '000	As at 1st April 2008 Rs. '000
Deferred tax liabilities					
Property, plant & equipment	-	-	13,695	(1,336)	15,031
	-	-	13,695	(1,336)	15,031
Deferred tax assets					
Defined benefit obligation	-	-	(11,568)	(1,176)	(10,392)
Tax losses carried forward	-	-	(2,127)	(2,127)	-
	-	-	(13,695)	(3,303)	(10,392)
Net deferred tax liabilities	-	-	-	(4,639)	4,639

31 Employee benefits

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Retirement benefits obligations				
Present value of unfunded obligations	295,266	237,639	41,674	33,052
Present value of funded obligations	-	-	-	-
Total present value of obligations	295,266	237,639	41,674	33,052
Fair value of plan assets	-	-	-	-
Recognised liability for defined benefit obligations	295,266	237,639	41,674	33,052

Notes to the Financial Statements

31 Employee benefits (Contd.)

Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Defined benefit obligations as at 1st April	237,639	208,500	33,052	29,691
Benefits paid by the plan	(32,804)	(25,211)	(1,472)	(4,137)
Current service cost and interest	79,807	54,525	10,094	7,498
Curtailment gain	-	-	-	-
Actuarial (gains)/losses recognised in equity	-	-	-	-
Defined benefit obligations of companies acquired during the year	10,624	-	-	-
Define Benefit obligations of companies disposed during the year	-	(175)	-	-
Defined benefit obligations as at 31st March	295,266	237,639	41,674	33,052

Expense recognised in profit or loss

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Current service cost and interest obligation	79,807	54,525	10,094	7,498
Curtailment gain	-	-	-	-
	79,807	54,525	10,094	7,498

The provision for retiring gratuity 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 2010. The actuarial present value of the promised retirement benefits as at 31st March 2010 amounted to Rs. 295,265,628/- (Company - Rs. 41,673,564/-) The liability is not externally funded.

The principal actuarial assumptions used in determining the cost are given below;

- Discount rate is 12%.
- Salary increments will range between 7% and 11% p.a.
- Retirement age of 55 years.
- The company will continue in business as a going concern.

Assumptions regarding future mortality are based on published statistics and mortality tables.

32 Trade and other payables

	Group		Company	
	31.03.2010 Rs. '000	31.03.2009 Rs. '000	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Trade payables	1,575,806	1,986,097	-	-
Other payables	2,612,307	1,899,434	429,816	256,953
Provisions *	-	20,647	-	-
Unclaimed dividends	2,853	2,437	2,853	2,437
	4,190,966	3,908,615	432,669	259,390

* The unutilised provision of Rs. 20.6 million made for the reconstruction of tsunami damaged plant, equipment and building was written back to the income statement during the year.

33 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 19.1 to the financial statements and pages 167 to 170 (Group Companies) respectively. Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenue and expenses of the joint ventures.

	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Income	2,526,554	1,843,779
Expenses	2,394,590	1,764,552
Current assets	1,049,109	864,663
Non-current assets	113,610	118,436
Current liabilities	961,364	775,060
Non-current liabilities	44,731	37,035

34 Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March have not been provided for in the financial statements.

	31.03.2010 Rs. '000	31.03.2009 Rs. '000
Approximate amount approved but not contracted for	2,449,332	509,787
Approximate amount contracted for but not incurred	112,626	23,152
	2,561,958	532,939

35 Contingent liabilities

The contingent liability as at 31.03.2010 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,952 million. Of this sum Rs. 1,784 million and Rs. 168 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to associate companies. Liability as at 31.03.2010 on guarantees given by subsidiaries to third parties amounted to Rs. 1,758 million. None of the above guarantees were in relation to facilities obtained by companies other than companies within the Group. There were no guarantees given in relation to facilities obtained by Aitken Spence PLC.

The company was issued assessments under the Inland Revenue Act in relation to the year of assessment 1994/1995 and 1995/1996. The Board of Review hearing the appeals has determined a liability of Rs. 16.5 million and Rs. 2.9 million respectively. The company has appealed against the determination to the Court of Appeal. Based on expert advice the Directors are confident that the ultimate resolution of the above contingency is unlikely to have a materially adverse effect on the financial position of the company.

36 Directors' fees

The Directors of the Company have received fees amounting to Rs. 122,400 /- from subsidiaries for the year ended 31st March 2010.

37 Related party transactions

Aitken Spence Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard No.30 - Related Party Disclosures.

Mr. D.H.S. Jayawardena Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management Asia (Pvt) Ltd, Ace Power Generation Horana (Pvt) Ltd., and Ace Power Generation Matara (Pvt) Ltd, which are subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC an associate company and the Chairman, Managing Director or a Director of companies indicated by “*” in the list of companies disclosed under note 37.4 to the financial statements.

Mr. J.M.S. Brito, Deputy Chairman/Managing Director of the company is also the Chairman or a Director of the subsidiaries, joint ventures and associate companies that are indicated by “a” in notes 19 and 20 to the financial statements. Mr. J.M.S. Brito is also the Chairman of DFCC Bank and DFCC Vardhana Bank Ltd. Group's transactions with these companies are included in note 37.4 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 19 and 20 to the financial statements

Mr. G.M. Perera a Director of the company is also the Managing Director or a Director of the companies marked by “c” in note 19 and 20 to the financial statements. He is also a Director of Rainforest Ec lodge (Pvt) Ltd and a Board member of the Sri Lanka Tourism Promotion Bureau.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by “d” in note 19 and 20 to the financial statements.

Notes to the Financial Statements

37 Related party transactions (Contd.)

Mr. N.J. de S Deva Aditya a Director of the company is also a Director of Distilleries Company of Sri Lanka PLC.

Mr. V.M. Fernando a Director of the company is also the Chairman of Shipping and Cargo Logistics (Pvt) Ltd, which is a joint venture company of the Group. He is also the Chairman of Holcim (Lanka) Ltd, Hyundai Lanka (Pvt) Ltd and Dynamic AV Technologies (Pvt) Ltd.

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC and Browns Beach Hotels PLC.

Transactions between the companies within the group and related parties are given in note no. 37.1 - 37.6.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence PLC		Transactions with group companies	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
37.1 Transactions with subsidiary companies listed in note 19				
Income from services rendered	261,054	213,412	N/A	N/A
Rent income received	10,620	26,702	N/A	N/A
Allocation of common personnel and administration expenses	41,055	37,376	N/A	N/A
Purchase of goods and services	18,408	15,999	N/A	N/A
Interest income received	83,610	89,638	N/A	N/A
Interest paid	91,702	32,212	N/A	N/A
37.2 Transactions with associate companies listed in note 20				
Sale of goods and services	5,599	4,565	1,690	12,911
Purchase of goods and services	1,309	491	2,421	4,206
37.3 Transactions with joint venture companies listed in note 19				
Sale of goods and services	57,666	40,931	N/A	N/A
Purchase of goods and services	3,301	835	N/A	N/A
Provision for doubtful debts	-	72,446	N/A	N/A
37.4 Transactions with other related companies				
Sale of goods and services	-	-	131,823	152,253
Purchase of goods and services	5,214	5,580	520,629	713,895
Loans obtained	-	-	30,587	1,307,697
Repayment of loans and debentures	-	20,000	922,471	285,923
Short/long term facilities as at 31st March	200,000	-	6,104,204	5,666,590

Transactions with Ambewela Livestock Company Ltd.*, Ambewela Products (Pvt) Ltd.*, Stassen Exports Ltd.*, Stassen International (Pvt) Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Milford Exports (Ceylon) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Pattipola Live Stock Company Ltd.*, Periceyl (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Bell Services (Pvt) Ltd.*, Lanka Milk Foods (CWE) PLC.*, Ceylon Garden Coir (Pvt) Ltd.*, Distilleries Company of Sri Lanka PLC.*, Hatton National Bank PLC.*, Texpro Industries Ltd.*, DFCC Bank., DFCC Vardhana Bank., Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., Dynamic AV Technologies (Pvt) Ltd., Sri Lanka Tourism Promotion Bureau, and Rainforest Ecolodge (Pvt) Ltd. are reflected under transactions with other related companies, above.

37 Related party transactions (Contd.)

	Balances with Aitken Spence PLC		Transactions with group companies	
	2009/2010 Rs. '000	2008/2009 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
37.5 Amounts due from related parties				
Fully owned subsidiaries	601,563	1,108,645	N/A	N/A
Partly owned subsidiaries	1,645,572	935,705	N/A	N/A
Joint ventures	91,138	93,460	N/A	N/A
Amount due from subsidiaries & joint ventures	2,338,273	2,137,809	N/A	N/A
Associates	111,282	154,824	125,309	160,950
Other related companies	-	-	15,190	12,352
37.6 Amounts due to related parties				
Fully owned subsidiaries	541,079	265,108	N/A	N/A
Partly owned subsidiaries	113,602	346,819	N/A	N/A
Joint ventures	517,582	447,446	N/A	N/A
Amount due to subsidiaries & joint ventures	1,172,263	1,059,373	N/A	N/A
Associates	209	-	2,956	810
Other related companies	-	20,687	3,893,826	4,974,820

37.7 Transactions with key management personnel

Aitken Spence PLC., considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of group companies.

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	22,125	231,076
Post employment benefits	-	10,598

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.

38 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2010	31.03.2009
United States Dollar	114.09	115.48
British Pound	171.98	165.19
Euro	152.91	152.94
South African Rand	15.44	11.90
Indian Rupee	2.54	2.25
Maldivian Rufiya	8.91	8.99
Bangladesh Taka	1.65	1.67

Notes to the Financial Statements

39 Number of employees

The number of employees of the Group at the end of the year was 5,042 (2009 - 5,045). The number of employees of the Company at end of the year was 148 (2009 - 102).

40 Events occurring after balance sheet date

Subsequent to the balance sheet date the Group divested its holding in Hayleys Plantation Services Ltd., (holding company of Talawakelle Tea Estate PLC) an associate company for a total consideration of Rs. 280 mn. There was no material gain or loss resulting from the transaction to the Group.

On 13th May 2010, the holding company of the Group's hotels, Aitken Spence Hotel Holdings PLC successfully concluded a rights issue of one new ordinary share for every four shares held at a issue price of Rs. 260/- per share to raise Rs. 2.5 billion to finance its future investments. On conclusion of the rights issue, there was no change in the group's effective holding in the above company.

On 19th May 2010, the Company paid an interim dividend of Rs. 3.50 per share declared after the balance sheet date. The board of directors of the company also recommended a final ordinary dividend of Rs. 6.50 per share for the year 2009/2010 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 balance sheet date that require adjustments to or disclosure in the financial statements.

41 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

Ten Year Summary

Year Ended 31st March	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000	2001 Rs. '000
Operating Results										
Revenue	24,356,233	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160	7,030,843	4,536,324	4,524,020
Profit before taxation	3,353,169	3,396,916	3,064,792	2,582,088	1,910,115	1,721,123	1,883,501	877,992	544,823	649,094
Taxation	349,040	328,385	235,110	298,018	197,623	162,599	184,005	145,576	105,280	100,795
Net profit for the period	3,004,129	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496	732,416	439,543	548,299
Profit attributable to Aitken Spence PLC	2,076,789	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523	525,185	346,082	452,720
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,134,326	2,130,837	2,112,433	2,094,107	2,086,637
Reserves	9,317,199	7,227,545	3,505,284	2,673,510	2,370,383	2,306,075	2,038,132	975,543	811,731	810,973
Retained earnings	7,497,445	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517	2,405,847	1,626,591	1,303,856	1,064,503
Minority interest	4,566,388	4,553,439	3,881,704	3,193,710	2,679,745	1,774,362	1,765,622	1,433,522	1,252,413	1,146,962
Non-current liabilities	5,675,122	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832	3,439,933	2,517,504	1,088,454
Current liabilities	8,352,184	8,072,337	8,495,631	6,393,881	6,182,957	3,288,637	3,432,392	2,492,515	3,638,465	3,156,661
	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537	11,618,076	9,354,190
Assets										
Property, plant & equipment	23,328,896	22,635,636	16,982,305	16,770,495	15,450,267	11,005,913	8,576,500	7,754,569	6,791,715	4,801,965
Leasehold property	1,468,449	1,505,151	1,356,987	-	-	-	-	-	-	-
Intangible assets	154,185	109,164	122,520	159,407	191,811	170,058	92,017	98,117	102,251	117,417
Investments	1,280,014	1,186,518	1,057,001	896,145	932,544	1,231,412	1,150,139	856,579	933,971	981,392
Deferred tax assets	56,823	74,008	39,342	-	-	-	-	-	-	-
Current assets	11,093,448	10,721,243	11,465,087	8,524,778	6,632,072	4,699,342	4,459,006	3,371,272	3,790,139	3,453,416
Asset classified as held for sale	161,663	149,124	161,951	-	-	-	-	-	-	-
	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662	12,080,537	11,618,076	9,354,190
Share Information										
Earnings per share (Rs.)	76.73	75.37	68.02	53.93	44.85	41.32	47.36	19.69	13.05	17.08
Market value per share (Rs.)	1,373.75	315.00	430.00	380.00	339.00	380.00	263.50	140.00	90.00	78.25
Highest market value per share (Rs.)	1,450.00	560.00	430.00	400.00	410.00	390.00	319.00	156.00	125.00	121.00
Market capitalisation on 31st March (Rs. mn)	37,182	8,526	11,639	10,285	9,176	10,282	7,113	3,754	2,391	2,075
Price earnings ratio	17.90	4.18	6.32	7.05	7.56	9.2	5.56	7.11	6.9	4.58
Net assets per share (Rs.)	700.12	630.97	439.81	366.92	315.09	279.67	243.56	175.81	158.42	149.44
Employees Information										
No. of employees	5,042	5,045	5,090	4,199	4,209	4,209	4,112	3,590	3,783	4,040
Value added per employee (Rs. '000)	1,730	1,635	1,503	1,467	1,038	857	897	697	482	441
Ratios & Statistics										
Ordinary dividend (Rs. '000)	270,664	257,131	189,465	175,931	175,931	162,341	161,969	120,974	106,243	106,077
Dividend per share	10.00	9.5	7	6.5	6.5	6	6	4.5	4	4
Dividend cover (times covered)	7.67	7.93	9.72	8.3	6.9	6.88	7.88	4.34	3.26	4.27
Dividend - payout ratio	0.13	0.13	0.1	0.12	0.14	0.15	0.13	0.23	0.31	0.23
Current ratio (times covered)	1.33	1.33	1.35	1.33	1.07	1.43	1.37	1.35	1.04	1.09
Debt/Equity	0.22	0.29	0.41	0.49	0.48	0.45	0.27	0.52	0.43	0.18
ROE (%)	11.53	14.08	16.86	15.82	15.08	15.79	22.6	11.77	8.47	11.93
Interest cover ratio	6.44	6.54	5.78	4.93	6.38	9.66	12.12	5.1	4.55	5.75

Consolidated Income Statement in USD

<i>For the year ended 31st March</i>		2010	2009
		US\$, '000	US\$, '000
Revenue			
		213,483	253,791
Revenue tax		(3,275)	(2,662)
Net revenue		210,208	251,129
Other operating income		1,311	3,384
Changes in inventories of finished goods and work-in-progress		(88)	24
Raw materials and consumables used		(67,512)	(118,664)
Employee benefits expense		(23,004)	(19,198)
Depreciation, amortisation and impairment of goodwill		(12,864)	(11,182)
Other operating expenses - direct		(43,396)	(39,959)
Other operating expenses - indirect		(29,315)	(29,926)
Profit from operations		35,340	35,608
Finance income		2,533	3,632
Finance expenses		(8,650)	(9,745)
Net finance expense		(6,117)	(6,113)
Share of associates companies profit/(loss)		167	(80)
Profit before tax		29,390	29,415
Income tax expense		(3,059)	(2,844)
Net profit for the period		26,331	26,571
Attributable to:			
Equity holders of the company		18,203	17,665
Minority interest		8,128	8,906
		26,331	26,571
Net profit attributable to Aitken Spence PLC		18,203	17,665
Unappropriated profit brought forward		67,624	54,240
Profit available for appropriation		85,827	71,905
Appropriations			
Transfer to general reserve		17,859	4,157
Dividend for 2008/09		2,254	938
Retained in the business		65,714	66,810
Earnings per share	US\$ cents =	67.25	65.27
Exchange rate	US\$ =	114.09	115.48

Figures in brackets indicate deductions.

Consolidated Balance Sheet in USD

As at 31st March	2010 US\$. '000	2009 US\$. '000
ASSETS		
Non-Current Assets		
Property, plant & equipment	204,478	196,013
Leasehold property	12,871	13,034
Intangible assets	1,351	945
Investment property	254	251
Investments in associates	6,727	6,517
Long-term investments	4,239	3,507
Deferred tax assets	498	641
	230,418	220,908
Current Assets		
Inventories	12,215	11,115
Trade and other receivables	46,843	50,521
Amount due from associates	1,098	1,394
Current investments	40	40
Deposits and prepayments	4,298	4,611
Current tax receivable	1,386	492
Short-term deposits	24,123	17,495
Cash at bank and in hand	7,230	7,173
	97,233	92,841
Assets classified as held for sale	1,417	1,291
Total Assets	329,068	315,040
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Stated capital	18,715	18,489
Reserves	81,665	62,587
Retained earnings	65,715	66,810
	166,095	147,886
Minority interest	40,024	39,431
Total Equity	206,119	187,317
Non-Current Liabilities		
Interest-bearing liabilities	45,199	54,048
Deferred tax liabilities	1,955	1,715
Employee benefits	2,588	2,058
	49,742	57,821
Current Liabilities		
Trade and other payables	36,734	33,846
Interest-bearing liabilities repayable within one year	13,507	16,160
Amount due to associates	26	7
Current tax payable	1,291	1,170
Short term bank borrowings	21,649	18,719
	73,207	69,902
Total Equity and Liabilities	329,068	315,040
Exchange rate	114.09	115.48

Timeline

In 1868, Scottish entrepreneurs Thomas Clark and Patrick Gordon Spence embarked on a partnership that they called 'Clark Spence and Company. Operating from the Southern port city of Galle – then a bustling trading hub - this enterprise soon attracted brothers Edward and S.R. Aitken. Together, the partners established Aitken Spence and Company in 1870, a typical colonial operation engaging in imports and exports.

In 1876, the Company was appointed the agent for the world renowned insurer Lloyds of London which proved to be the first step towards diversification into areas such as insurance and shipping, garnering agencies for major global players. The partnership with Lloyds has thrived over the entire history of the Company, contributing positively to its growth and evolution.

The growing success of the business necessitated a relocation to Colombo in the early 1900s; Aitken Spence chose the Freudenberg building as its base at the heart of Colombo and renamed it 'Lloyds Building'. The majestic building served as its home till 1995, when the Group moved to its custom built offices at Vauxhall Street. In 2010, a brand new office complex was constructed on the same premises, which now houses the entirety of the Group's Colombo-based operations.

Ceylon in the 1920s and 1930s was becoming one of the major suppliers of tea to the global market, leading to the rapid expansion of the country's plantation. The Group's inherent traits of seizing lucrative opportunities and embracing change meant it was at the forefront of the tea boom, first as an agency house and later, as a plantation management company. When the Great Depression hit trading in the 1930s, Aitken Spence dealt with the downturn by strengthening its shipping, insurance and plantations.

By 1948, when Ceylon gained independence from Britain ending colonial rule, Aitken Spence had risen to prominence among the corporate. In 1950, the enterprise was made a private limited liability company and entered a growth phase which witnessed the Company embracing new directions such as industrial printing, light engineering and travel.

For over eighty years, Aitken Spence was driven by the founding families, however with the retirement in 1952 of P W G Spence, the Chairmanship of the Company moved for the first time into the Sri Lankan hands of E.L. Van Langenberg. In 1968, Aitken Spence completed its hundredth year by becoming a wholly Sri Lankan owned business venture. The Group's wave of diversification in the 1970s included its entry into the nascent tourism industry as well as industries such as freight forwarding, marine container allied services, courier services, property

development, and garment manufacture. The extensive diversification during a period of nationalisation for the country paid rich dividend with the economic liberalisation of the 1980s. Aitken Spence was listed on the Colombo Stock Exchange in 1983, with an issued share capital of Rs. 51 million.

Aitken Spence recognised the potential of the tourism industry early on, and launched its first hotel The Neptune in 1974. Sri Lanka's first five star resort, the Triton Hotel, now known as Heritage Ahungalle, was opened in 1981. Several more benchmark properties were added to the portfolio in the ensuing years, with the Bawa masterpiece Kandalama coming on board in 1994 and Tea Factory opening in 1996.

The Group's expertise in tourism was then extended beyond the shores of Sri Lanka with the acquisition of Bathala Island resorts in the Maldives in 1993. The hotel ventures outside Sri Lanka have since grown to six owned properties in the Maldives operating under the Adaaran brand, as well as five managed properties in Oman and six in India.

Over the years, Aitken Spence has risen to prominence in several key sectors of the economy - notably maritime and logistics. The Group plays a key role in integrated logistics services allied to the Port of Colombo and is a dominant player in freight forwarding. The Group's maritime segment also has the accreditation of becoming the first company to venture overseas in the sphere of port efficiency enhancement. The Group's strategic investment in power generation infrastructure has seen it become a significant contributor with three thermal power plants with a total capacity of 140MW.

Today, Aitken Spence is among Sri Lanka's leading conglomerates and enjoys a growing presence in the region and beyond. It has the distinction of being recognised for three consecutive years by Forbes Magazine as one of the 'Best under a Billion' companies outside the United States.

The evolution and modernisation of the Group has taken place within a value system that harks back to its very beginnings; Aitken Spence continues to honour the rich traditions of its forefathers by upholding their spirit of entrepreneurship, innovation and vitality. This confidence and conviction will hold Aitken Spence in good stead as it enters a future rife with opportunity.

Group Companies

TOURISM SECTOR

INBOUND TRAVEL

Aitken Spence Travels (Pvt) Ltd. **

Destination Management Company. Represents world renowned tour operator TUI, largest in Europe.

Directors : J.M.S. Brito (Chairman), G.M. Perera (Managing Director), R. Subramaniam, A.C. Garcia Tenorio DelCerro, D.C. Schelp (Appointed w.e.f. 20/06/09), S. Dapper (Resigned w.e.f. 19/06/09).

OUTBOUND TRAVEL

Aitken Spence Aviation (Pvt) Ltd.

General sales agents for Singapore Airlines and Singapore Airlines Cargo.

Directors : J.M.S. Brito (Chairman), S. Ganeshan (Jt.Managing Director), S.K.R.B. Jayaweera (Jt.Managing Director), G.M. Perera.

Aitken Spence Overseas Travel Services (Pvt) Ltd. **

An IATA-accredited travel agent and general sales agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages.

Directors : J.M.S. Brito (Chairman), R. Subramaniam (Managing Director), G.M. Perera.

Aitken Spence Moscow (Pvt) Ltd. **

Exclusive passenger sales agents for Aeroflot.

Directors : J.M.S. Brito (Chairman), Dr. J.W.A. Perera (Managing Director), G.M. Perera, R. Subramaniam.

Royal Spence Aviation (Pvt) Ltd.

General sales agents for Kingfisher Airlines.

Directors : J.M.S. Brito (Chairman), G.M. Perera.

CONVENTION SERVICES

Ace Travels & Conventions (Pvt) Ltd. **

Professional conference, exhibition & event organiser.

Directors : J.M.S. Brito (Chairman), G.M. Perera (Managing Director), R. Subramaniam.

Aitken Spence Hotel Holdings PLC. **

The holding company of the Group's hotel interests. Owns and operates the Heritance Ahungalle Hotel.

Directors : Deshamanya D.H.S. Jayawardena (Chairman), J.M.S. Brito (Managing Director), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema, K.A.A.C. Perera, G.P.J. Goonewardena, R.N. Asirwatham (Appointed w.e.f. 01/09/09).

Aitken Spence Hotels Ltd. **

Owns and operates Neptune Hotel, holding company of Kandalama Hotels Ltd.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, N. Ratwatte.

Heritance (Private) Ltd. **

Leases the Company owned land to Aitken Spence Hotels Ltd.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda.

Kandalama Hotels Ltd. **

Owns and operates Heritance Kandalama.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema.

Hethersett Hotels Ltd. **

Owns and operates Tea Factory Hotel.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema.

Neptune Ayurvedic Village (Pvt) Ltd. **

Owns and operates Neptune Ayurvedic Village.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema.

Ahungalla Resorts Ltd. **

Owns a land for a proposed future hotel.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema.

Golden Sun Resorts (Pvt) Ltd.**

Owns and operates Golden Sun Resorts.

Directors : J.M.S. Brito, S.M. Hapugoda, C.M.S. Jayawickrema.

Crest Star (BVI) Ltd.

The holding company and managing agents of B.I.R. Hotel Management (Pvt.) Ltd., and Jetan Travel Services Company (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda (appointed w.e.f. 31.03.2010), C.M.S. Jayawickrema (appointed w.e.f. 31.03.2010), K.A.A.C. Perera (resigned w.e.f. 31.03.2010).

Jetan Travel Services Co. (Pvt) Ltd. **

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors : J.M.S. Brito (Chairman), H. Mohamed, M. Mahdy, S.M. Hapugoda (appointed w.e.f. 31.03.2010), C.M.S. Jayawickrema (appointed w.e.f. 31.03.2010), K.A.A.C. Perera, (resigned w.e.f. 31.03.2010).

Cowrie Investments (Pvt.) Ltd. **

Owns and operates Adaaran Select Meedhupparu

Island Resort - Maldives.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, M. Salih, I.M. Didi, S.M. Hapugoda (appointed w.e.f. 31.03.2010), K.A.A.C. Perera (resigned w.e.f. 31.03.2010).

A D S Resorts (Pvt) Ltd. **

Owns and operates Adaaran Select Hudhuranfushi - Maldives

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, M. Mahdy, S.M. Hapugoda (appointed w.e.f. 31.03.2010), K.A.A.C. Perera (resigned w.e.f. 31.03.2010).

Ace Ayurvedic (Pvt) Ltd. **

Operates the Ayurvedic centre in Adaaran Select Meedhupparu Island Resorts - Maldives.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, K.A.A.C. Perera (resigned w.e.f. 31.03.2010).

Unique Resorts (Private) Ltd. **

Owns and operates Adaaran Prestige Vaadhoo Resort - Maldives.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema, M.S. Hassan, S.M. Hapugoda (appointed w.e.f. 31.03.2010), T.D.U.D. Peiris (appointed w.e.f. 31.03.2010), K.A.A.C. Perera (resigned w.e.f. 31.03.2010).

PR Holiday Homes (Pvt) Ltd.

Owner of Heritance Cochin - India, currently under construction.

Directors : J.M.S. Brito, S.M. Hapugoda, C.M.S. Jayawickrema, K. Khadar, M. Narayanan.

Aitken Spence Hotel Services (Pvt) Ltd.**

Local Marketing of the Indian Hotels in India.

Directors : R.S. Rajaratne, M.P. Wijesekara, W.M.A.P.B. De Alwis.

Aitken Spence Hotel Managements (Pvt) Ltd.**

Manages resorts in Sri Lanka.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda (Managing Director), C.M.S. Jayawickrema.

Aitken Spence Hotel (International) Ltd.**

Owns and manages Maldivian Resorts.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty.

Aitken Spence Hotel Managements Asia (Pvt) Ltd. **

Manages resorts in India and in Oman.

Directors : Deshamanya D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, G.P.J. Goonewardena.

Aitken Spence Hotel Managements (South India) Pvt Ltd.

Manages resorts in India.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, Shankar Menon, Ms. A.Thiyagarajah, Ms. R. Thiyagarajah.

Triton Ltd.

The Holding Company of Aitken Spence Aviation (Pvt) Ltd

Directors : J.M.S. Brito (Chairman), S. Ganeshan.

Aitken Spence Resources (Pvt) Ltd. **

Human resource management, foreign employment & recruitment company.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, G.P.J. Goonewardena.

Crest Star Ltd.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrema.

Group Companies

CARGO LOGISTICS SECTOR

FREIGHT FORWARDING

Ace Cargo (Pvt) Ltd.

Providing International freight forwarding services.

Directors : Dr. P. Dissanayake (Chairman), H.B. Kelly, K.R.T. Peiris
(Resigned w.e.f. 06.08.09).

Ace Bangladesh (Private) Ltd.

Provides international freight forwarding services in Bangladesh.

Directors : A. Mannan (Chairman), J.M.S. Brito, Mrs. F.R. Ahmed, K.R.T. Peiris, A. Rahman, R. Rahman, H.B. Kelly.

Ace International Express (Pvt) Ltd.

Provides international air express, domestic delivery and international mailing.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), J. Brohier.

Aitken Spence Cargo (Pvt) Ltd.

International freight forwarding & general sales agents for airline cargo.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman), K.R.T. Peiris (Managing Director), H.B. Kelly.

Ace Aviation Services (Pvt) Ltd. **

Operates as general sales agents for airline cargo.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman), K.R.T. Peiris, H.B. Kelly.

Spence International (Pvt) Ltd.

Regional operating headquarters to manage operation overseas.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris.

Spence Maldives (Pvt) Ltd.

Provides air express & freight forwarding in Maldives.

Directors : J.M.S. Brito (Chairman), K.R.T. Peiris, (Managing Director), M. Firaq, J. Brohier (Appointed w.e.f. 08/04/09).

INTEGRATED LOGISTICS

Ace Containers (Pvt) Ltd. **

Operates an inland container depot and a freight station.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph.

Ace Container Terminals (Pvt) Ltd. **

Provides container storage, customs brokerage and warehousing services.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), A.M.M. Amir.

Ace Haulage (Pvt) Ltd. **

Transporters of laden and empty containers.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph.

Ace Container Repair (Pvt) Ltd. **

Undertakes container repairs and garments on hanger conversion.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph.

Ace Distriparks (Pvt) Ltd. **

Provides total logistics support and warehousing with multi country cargo consolidation.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), A.M.M. Amir.

Ace Freight Management (Pvt) Ltd.

Undertakes clearing, forwarding and operates an inland container depot.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam, J.M.A. Joseph.

MARITIME TRANSPORT

Spence Mac Holdings (Pvt) Ltd. **

Holding company of certain Maritime Transport sector companies.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Jt. Managing Director), Ms. N. Sivapragasam, J.R.U. de Silva (Resigned w.e.f. 18/08/09), Ms. S.S. Jayawardana (Resigned w.e.f. 18/08/09), R.M. Wijesinghe (Resigned w.e.f. 18/08/09).

Aitken Spence Maritime Limited. **

Holding Company of Spence Shipping (Pvt) Ltd., and Port Management Container Services (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake.

Aitken Spence Shipping Services Ltd. **

Shipping Agent.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake, I.S. Cuttilan.

Aitken Spence Shipping Ltd. **

Liner, Cruise and Tramp agency representation, NVOCC and an international freight forwarder.

Directors : Dr. P. Dissanayake (Chairman & CEO), N.D.F. Perera (Jt. Managing Director), J.M.S. Brito, A. Jayasekera, I.S. Cuttilan, Ms. T.D.M.N. Anthony, K.R. Aluwihare, J.R.U. de Silva (Resigned w.e.f. 12/08/2009).

Clark Spence & Co. (Pvt) Ltd. **

'Shipping and bunkering agents in the ports of Colombo, Galle and Trincomalee and an international freight forwarder.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Managing Director), I.S. Cuttilan.

Shipping & Cargo Logistics (Pvt) Ltd. **

Liner agency representation.

Directors : V.M. Fernando (Chairman), J.M.S. Brito (Managing Director), K.M.A.T.B. Tittawella, I.S. Cuttilan, K.M. Fernando, Dr. P. Dissanayake.

Spence Logistics (Pvt) Ltd. **

NVOCC Freight forwarding operator.

Directors : J.M.S. Brito (Chairman), N.D.F. Perera, Dr. P. Dissanayake, J.R.U. de Silva (Resigned w.e.f. 12/08/2009).

Spence Mac Bangladesh (Pvt) Ltd.

Handles shipping operations in Bangladesh.

Directors : Dr. P. Dissanayake, M. Rashid, J.R.U. de Silva (Resigned w.e.f. 12/08/2009), C.M.L. Kamal.

Port Management Container Services (Pvt) Ltd. **

Operating & productivity enhancement management in ports.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake, I.S. Cuttilan.

Spence Shipping (Pvt) Ltd. **

Liner agency representation.

Directors : J.M.S. Brito (Chairman), N.D.F. Perera.

Delta Shipping (Pvt) Ltd. **

Provide international freight forwarding services.

Directors : J.M.S. Brito (Chairman), M. Shabir (Jt. Managing Director), N.D.F. Perera (Resigned w.e.f. 31/10/2008), H.B. Kelly, K.R.T. Peiris.

** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.

STRATEGIC INVESTMENT SECTOR

MANUFACTURING SECTOR

PRINTING & PACKAGING

Ace Exports (Pvt) Ltd. **

Provides printing & packaging services to the export market.
Directors : J.M.S. Brito (Chairman), D.I. Abeywardene (resigned w.e.f. 31/01/10), D.V.H. de Mel (Appointed w.e.f. 31/01/10).

Ace Printing & Packaging (Pvt) Ltd. **

Provides printing & packaging services to the local market.
Directors : J.M.S. Brito (Chairman), D.I. Abeywardene (resigned w.e.f. 31/01/10), D.V.H. de Mel (Appointed w.e.f. 31/01/10).

Aitken Spence Printing (Pvt) Ltd. **

Hires printing machinery.
Directors : J.M.S. Brito (Chairman), D.I. Abeywardene (resigned w.e.f. 31/01/10), D.V.H. de Mel (Appointed w.e.f. 31/01/10).

APPAREL SECTOR

Aitken Spence (Garments) Ltd.

'Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.
Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, R.G. Pandithakorralage.

Aitken Spence Apparels (Pvt) Ltd.

'Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.
Directors : R.E.V. Casie Chetty, D.V.H. de Mel.

Clark Spence Garments Ltd.

'Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores in USA and EU.
Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty.

Infrastructure

Ace Power Generation Matara (Pvt) Ltd.

Owens and operates a 24MW power plant in Marara to supply power to the national grid.
Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), Deshamanya D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, R. Gupta, F.M. Chudhary, K.N. Ahsan, A. Malla.

Ace Power Generation Horana (Pvt) Ltd.

Owens and operates a 24MW power plant in Horana to supply power to the national grid.
Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), Deshamanya D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, R. Gupta, F.M. Chudhary, K.N. Ahsan, A. Malla.

Ace Power Embilipitiya (Pvt) Ltd.

Owens and operates a 100MW power plant in Embilipitiya to supply power to the national grid.
Directors : J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), Ms. N. Sivapragasam, M.S. Mohideen, Ms. Maria Spoelgen, Ms. A.M. Fernando.

Branford Hydropower (Pvt) Ltd.

Owens, a 2.5MW hydro power plant in Matale to supply electricity to the national grid, which is scheduled to commission in May 2011.
Directors : S.A.W. Manawadu (Chairman), J.M.S. Brito, D.V.H. de Mel.

** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.

Group Companies

SERVICES SECTOR

PROPERTY DEVELOPMENT

Vauxhall Property Developments Ltd.**

‘Owns and operates the multi-storied office complex ; “ Aitken Spence Towers” which serves as the Group’s corporate office at Vauxhall Street in Colombo.

Directors : J.M.S. Brito (Chairman), Dr. R.M. Fernando, Ms. N. Sivapragasam, R.G. Salgado.

Aitken Spence Property Developments (Pvt) Ltd. **

Owner and operator of a multi-storied office complex to be used by the Group and currently under construction.

Directors : J.M.S. Brito (Chairman), Ms. N. Sivapragasam, Dr. R.M. Fernando.

Vauxhall Investments Ltd.

Owns and operates the printing office complex.

Directors : J.M.S. Brito (Chairman), D.I. Abeywardene (resigned w.e.f. 31/01/10), D.V.H. de Mel (appointed w.e.f. 31/01/10).

Aitken Spence Developments (Pvt) Ltd.

Property development company.

Directors : N.P. Nallaratnam, A.M.M. Amir.

INSURANCE SURVEY & CLAIM SETTLING AGENCY

Aitken Spence Insurance (Pvt) Ltd. **

‘Survey and claim settling agents for several reputed insurance companies and organisations worldwide, ‘including Lloyd’s, Cesam, PICC and Tokio Marine & Fire Insurance Company Ltd., Oriental Insurance Co. of India. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

Directors : J.M.S. Brito (Chairman), Mrs. N.W.de A. Guneratne (Managing Director), A.N. Seneviratne.

INSURANCE BROKERING

Aitken Spence Insurance Brokers (Pvt) Ltd.**

Placement of insurance business life & general with insurance Companies in Sri Lanka.

Directors : J.M.S. Brito (Chairman), Mrs. N.W. de A. Guneratne, A.N. Seneviratne.

ELEVATOR AGENCY

Elevators (Pvt) Ltd.**

Solely responsible in Sri Lanka and Maldives for marketing, installing, ‘commissioning and maintaining OTIS Lifts, escalators and other equipment, the world leader in elevators, escalators, moving walkways and dumb waiters.

Directors : J.M.S. Brito (Chairman), R.E.V. Casie Chetty, R.G. Salgado, M.P. Quang.

FINANCIAL SERVICES

MMBL Money Transfer (Pvt) Ltd. **

Principal agent for Western Union Money Transfer Services in Sri Lanka.

Directors : J.M.S. Brito (Chairman), D.S. Mendis (Managing Director), Mrs. Y.N. Perera, K.Balasundaram, Ms. N. Sivapragasam, J.V.A. Corera, M.D.D. Peiris.

MANAGEMENT SERVICES

Aitken Spence Corporate Finance (Pvt) Ltd. **

Provider of Financial Services and secretaries to the companies of the Group.

Directors : J.M.S. Brito (Chairman), Ms. N. Sivapragasam (Managing Director), R.E.V. Casie Chetty, R.G. Pandithakorralage, Mrs. N.W.de Almeida Guneratne.

Aitken Spence Group Ltd. **

Overall management of the Aitken Spence Group Companies.

Directors : J.M.S. Brito (Chairman), Dr. R.M. Fernando, R.E.V. Casie Chetty, K.R.T. Peiris, N.P. Nallaratnam, D.I. Abeywardene (Resigned w.e.f. 31/01/2010), Ms. N.Sivapragasam, G.M. Perera, D.V.H. de Mel, Dr. P.Dissanayake, S.M. Hapugoda, Mrs. N.W. de A. Guneratne, Sasi Ganeshan, C.M.S. Jayawickrema, R.G. Pandithakorralage, D.S. Mendis, V.M. Gunatilleka (appointed w.e.f. 01/01/10).

Aitken Spence Exports Ltd. **

Exports dry rations and perishables to the Group’s resorts in the Maldives. Also bottles and markets “Hethersett bottle water”.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama.

San Spence Ltd. **

Carrying out construction management work in the Middle East.

Directors : J.M.S. Brito (Chairman), Dr. R.M. Fernando, M.D.R. Gunatilleke (Managing Director), Y. Tahara.

ASSOCIATE COMPANIES

PLANTATIONS

Aitken Spence Plantation Managements (Pvt) Ltd. **

Managing agents for Elpitiya Plantations Ltd.

Elpitiya Plantations PLC.

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,851 hectares.

Talawakelle Tea Estates PLC.

Owns 18 estates with total land extent of 6,519 hectares. The Company produces a mix of high and low grown teas.

Hayleys Plantation Services Ltd.

‘Managing agents for Talawakelle Plantations Ltd. and owns majority share of Talawakelle Plantations Ltd.

HOTELS

Browns Beach Hotels PLC.

Owns and operates Browns Beach Hotel, Negombo.

M.P.S. Hotels Ltd.

Owns and operates Hotel Hill Top, Kandy.

*** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.*

Glossary of Financial 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.

Assets Turnover

Total turnover (including share of Associate Companies turnover) divided by average total assets.

Bond

A long-term debt instrument carrying an interest coupon.

Capital Expenditure

The total of additions to property, plant & equipment and the purchase of outside investments.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Compound Shareholder Return

Total Shareholder Return (TSR) for the time length of three years.

Current Ratio

Current assets divided by current liabilities.

Debenture

A long-term debt instrument issued by a corporate.

Debt/Equity Ratio

Non-current interest bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Diluted EPS

Net profit for the period attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue during the period, adjusted for the effects of all dilutive potential ordinary shares.

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 earnings that is paid out to shareholders in cash.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividend 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.

EBIT Margin (Operating Profit Margin)

Earnings before interest and tax divided by revenue.

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.

Financial Leverage

Total average assets divided by total average equity.

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.

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 total interest.

Interest Rate Cap

An agreement where the lender agrees to compensate the borrower when the floating reference rate exceeds a pre-determined level.

Interest Rate Floor

An agreement where the borrower agrees to compensate the lender when the floating reference rate falls below a pre-determined level.

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

London Inter Bank Offered Rate.

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share.

Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the parent.

Net Profit Margin

Net profit attributable to shareholders divided by revenue.

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 Treasury Bill Rate

Weighted average treasury bill rate net of withholding tax published by the Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

Quick Asset Ratio

Total current assets less inventories divided by total current liabilities.

Related Parties

Parties who could control or significantly influence the financial and operating decisions of the business.

Return on Equity

Profit after tax and minority interest divided by average equity less minority interest at the beginning and end of the year.

Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves

Reserves set aside for future distributions and investments.

Total Equity

Total of share capital, reserves, retained earnings and minority interest.

Total Shareholder Return (TSR)

Change in market price of the share between end and beginning of the financial year, plus dividend for the year, divided by the market price of the share at the beginning of the financial year.

Unquoted Shares

Shares which are not listed in the Stock Exchange.

Yield to Maturity

The Discount rate that equals present value of all expected interest payment and the repayment of principal.

[illegible]

[illegible]

Notice of Meeting

Notice is hereby given that the Fifty Eighth Annual General Meeting of Aitken Spence PLC will be held at the Grand Ball Room of Galadari Hotel, No. 64, Lotus Road, Colombo 1, at 10.00 a.m. on Tuesday, June 29, 2010, for the following purposes :-

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company and the Report of the Auditors' thereon for the year ended 31st March 2010.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. N.J. Deva Aditya who retires in terms of Article 84 of the Articles of Association, as a Director.
- To elect Dr. P. Dissanayake, who retires in terms of Article 90 of the Articles of Association, as a Director.
- To elect Mr. R.N. Asirwatham, who retires in terms of Article 90 of the Articles of Association, as a Director.
- To re-elect Mr. G.C. Wickremasinghe who is over 70 years, as a Director by passing the following resolution:
"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G.C. Wickremasinghe who has attained the age of 75 and that he be re-elected a Director of the Company"
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

BY ORDER OF THE BOARD

R.E.V. Casie Chetty

FCA, FCMA, M.C.M.I. J Dip. M.A.

Company Secretary

Colombo

26th May, 2010

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office No. 305, Vauxhall Street, Colombo 2, not less than forty eight hours before the time fixed for the meeting.
3. It is proposed to post the dividend warrants on July 8, 2010, provided the Final Dividend recommended is approved. In accordance with the rules of the Colombo Stock Exchange the shares of the Company will be quoted ex- dividend with effect from June 30, 2010.

Form of Proxy

I/We of
 being a
 member/members of Aitken Spence PLC hereby appoint
 of (whom failing)

Don Harold Stassen Jayawardena of Colombo	(whom failing)
Joseph Michael Suresh Brito of Colombo	(whom failing)
Rohan Marshall Fernando of Colombo	(whom failing)
Gehan Marcel Perera of Colombo	(whom failing)
Mahinda Parakkrama Dissanayake	(whom failing)
Gaurin Chandraka Wickremasinghe of Colombo	(whom failing)
Charles Humbert Gomez of Gibraltar	(whom failing)
Niranjan Joseph de Silva Deva Aditya of United Kingdom	(whom failing)
Vernon Manilal Fernando of Colombo	(whom failing)
Rajanayagam Nalliah Asirwatham of Colombo	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 29th day of June 2010, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this.....day of June Two Thousand Ten.

.....
 Signature

Note : Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Registered Office of the Company, No. 305 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 27, 2010, being 48 hours before the time appointed for the holding of the meeting.

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. 305,
Vauxhall Street,
Colombo 02,
Sri Lanka

Directors

D.H.S. Jayawardena
Chairman

J.M.S. Brito *LLB, FCA, MBA*
Deputy Chairman and Managing Director

R.M. Fernando *Ph.D., MBA, FCIM (UK)*

G.M. Perera *FAIM*

M.P. Dissanayake
MBA, Ph.D., Postgraduate.Dip.Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School (appoint w.e.f. 1/09/2009)

G.C. Wickremasinghe

C.H. Gomez

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

V.M. Fernando *Attorney-at-Law*

R.N. Asirwatham *FCA (appoint w.e.f. 1/09/2009)*

Audit Committee

R.N. Asirwatham - Chairman.

G.C. Wickremasinghe

C.H. Gomez

N.J. Deva Aditya

Remuneration Committee

G.C. Wickremasinghe - Chairman.

V.M. Fernando

R.N. Asirwatham

D.H.S. Jayawardena

Nomination Committee

G.C. Wickremasinghe - Chairman

D.H.S. Jayawardena

J.M.S. Brito

V.M. Fernando

R.N. Asirwatham

Company Secretary

R.E.V. Casie Chetty
FCA, FCMA, M.C.M.I., J. Dip.M.A.

Auditors

KPMG Ford, Rhodes, Thornton & Co.,
Chartered Accountants

Contact Details

No. 305,
Vauxhall Street,
Colombo 02,
Sri Lanka.

Telephone : (94 11) 2308308

Facsimile : (94 11) 2445406

Internet : www.aitkenspence.com

Aitken

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