Here Today.
Here Tomorrow.

Aitken Spence PLC • Annual Report 2010 - 2011

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.

TODAY.
TOMORROW.
AND THE DAY AFTER...

Aitken Spence remains unmatched in diversity, strength and stability.

We have a long history. Over one hundred and forty years of operations have seen us grow both within Sri Lanka and overseas. Today, we are poised to be the leaders in the explosion of growth opportunities now occuring across the country. From power generation to leisure and beyond, we shall continue to build a strong business portfolio, one that will continuously expand our interests while ensuring that our growth is sustainable and our development beneficial to all.

Today we are stronger than ever before. Growing our organisation in a sustainable manner...we are here to stay.

Aitken Spence PLC

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Group Financial Highlights

For the year	2010/2011 Rs.'000	2009/2010 Rs.'000
Performance		
Group revenue with associates	27,949,395	27,250,326
Group revenue	25,143,811	24,168,970
Profit from operations	3,956,516	4,031,881
Profit before taxation	3,815,555	3,353,169
Profit attributable to equity shareholders of the company	2,535,956	2,059,636
Earnings per share* (Rs.)	6.25	5.07
As at 31 st March		
Total equity	26,645,874	23,460,858
Total assets	40,144,825	37,543,478
Net assets per share* (Rs.)	53.00	46.54
Current ratio	1.43	1.33
Dividends		
Dividends per share* (Rs.)	1.00	0.67
Key Indicators		
Market capitalisation on 31st March (Rs. billion)	65.9	37.2
Return on equity (ROE) %	12.55	11.45
Debt/Equity	0.16	0.22

** The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Rs. 27.9 bn
Total Revenue
(including associates)

Rs. 3.4 bn
Profit after Tax

78.3%
Total Shareholder Return

12.6%
Return on Equity

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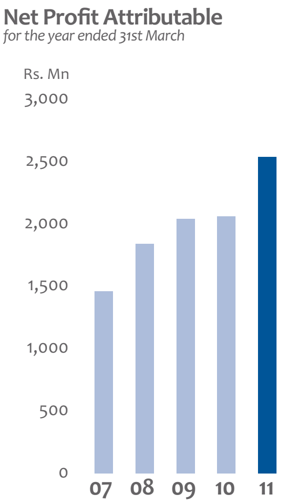

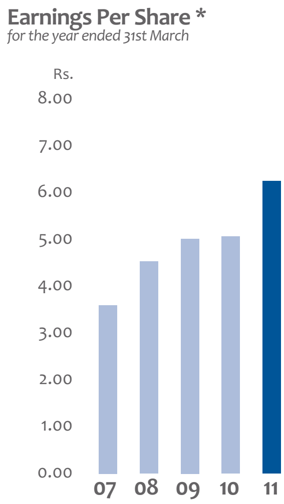

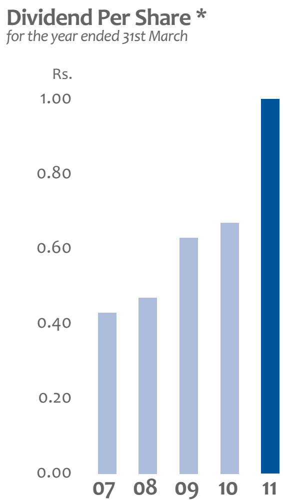

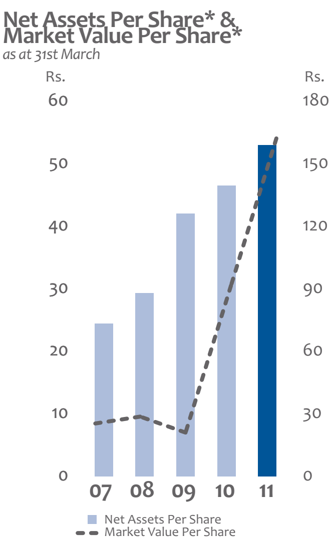

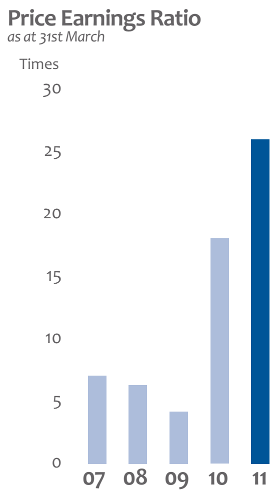

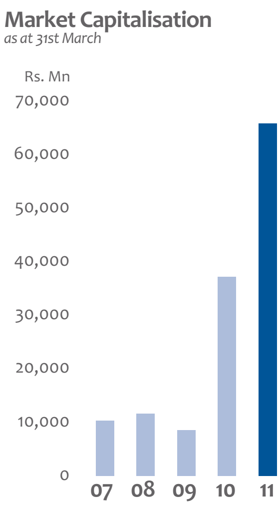

The figures for the previous years have been restated taking into consideration the subdivision of shares.

BUILT TO

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Spence

O LAST

Here Today.

"Aitken Spence performed very creditably and surpassed last year's achievement to post a profit after tax of Rs 3.4 billion, the highest ever in our history and a commendable 14.8% growth over the previous year's performance."

D.H.S. Jayawardena
Chairman

Built to last.
Chairman's Report

It is my pleasure to present to you the Annual Report and financial statements for the year ended 31st March 2011, an excellent year in which your Company posted the highest profits on record. During the year, Aitken Spence with the intention of increasing liquidity of the share and enhancing the wealth of the shareholder concluded a subdivision of shares, thereby substantially increasing the number of shares in issue.

As set forth in the annual report last year, Aitken Spence focused on opportunities in Sri Lanka during the year, positioning ourselves for a phase of expansion while consolidating overseas operations. Our solid experience in multiple sectors and markets and the entrepreneurial culture we have inculcated within the Group have enabled us to identify viable opportunities and to learn from our shortcomings as we forge ahead to build ourselves and the resurgent nation.

I welcome the spirited and upbeat sentiment in the economy and believe that the next few years will bring the transformation of Sri Lanka to a truly competitive emerging economy. For Aitken Spence, our advantage will be on our home ground and this will be reflected in our interests within the Sri Lankan economy. I can say with certainty that we will invest to expand our existing positions of strength while also aggressively exploring fresh opportunities for diversification into growth sectors of the economy.

Global Conditions and Local Economy

The global economy went into recovery mode last year, although at a sluggish pace, posting an estimated 3.9% GDP growth. We see a gradual yet marked shift from the traditional power bases of the US and European economies to the emerging markets in Asia; in fact, the real GDP growth of the developed economies was estimated to be 2.7% during the year 2010.

The global economic growth expected for 2011 by the International Monetary Fund is 3.3% with emerging markets expected to expand

"I welcome the spirited and upbeat sentiment in the economy and believe that the next few years will bring the transformation of Sri Lanka to a truly competitive emerging economy."

at a higher pace of 6% while the developed markets are targeted to grow at 2.4%. Sri Lanka's closest neighbour India and strong ally China are expected to lead the surge of the emerging economies, with their 2011 growth forecasted at 8.5% and 8.7% respectively.

The Sri Lankan economy outperformed the global economy in 2010 recording annual GDP of Rs. 2,645.4 billion at constant price, a growth of 8%. The services sector grew by 8%, the industry sector by 8.4% and the agriculture sector by 7%. Per capita GDP at market price was USD 2,399, a 16% increase over the USD 2,057 recorded in 2009. The Central Bank has targeted economic growth of 8.5% in 2011, which, if achieved, will make this the best year since independence.

Corporate Performance

In this encouraging environment, Aitken Spence performed very creditably and surpassed last year's achievement to post a profit after tax of Rs. 3.4 billion, the highest ever in our history and a commendable 14.8% growth over the previous year's performance.

In acknowledgement of our excellent results the Board has proposed to consolidate the dividend payment for the year into a final ordinary dividend of Rs. 1/- per share, which is an equivalent of Rs. 15 /- on the shares held prior to the subdivision. Accordingly the total dividend declaration for the year would be Rs. 406 million, which is a 50% growth in dividends over the previous year and is the highest ever dividend in the history of the Company.

It is with great pleasure and satisfaction that I wish to announce that the shareholder wealth of the Company increased during the year,

Built to last.
Chairman's Report

"We are grateful to His Excellency the President of Sri Lanka and the Ministry of Ports and Aviation for the confidence shown in awarding the LOI for the single largest private sector investment in the history of the country to an Aitken Spence consortium."

with the share price showing a growth of 77.2 % compared to the previous year to close the year at a price per share of Rs. 162.30.

The Tourism sector had an excellent year, with high occupancies and revised rates from our resorts in Sri Lanka contributing to a robust performance. Sri Lanka has always remained the mainstay of the Company's interest, in recognition of the potential of the destination. Thus, in previous years, despite dips in demand during the height of the conflict, we continued to invest into property infrastructure as well as human resource development. This consistent and far-sighted approach has, I strongly believe been one of the core reasons for our current position of strength. The Company's portfolio of properties is iconic and well established with each property offering a unique experience.

We believe the year ahead will also be a positive one for tourism in both Sri Lanka and the Maldives, which augurs well for the sector. As part of our expansion plans, we are launching "Heritance Ayurveda Mahagedera" as a new ayurveda wellness resort while construction will begin on three new properties in Negombo, Kalutara and in Ahungalle. The Ahungalle property will be a joint venture with Six Senses Group to operate the first Six Senses resort in the country. Heritance Kandalama is in the process of constructing a state of the art conference centre which would enhance its facilities. Golden Sun Resort would be refurbished with addition of rooms, transforming the resort to be one of the best beach resorts.

Your Company, together with partner China Merchants Holdings (International) Company Ltd, has now formally begun work on the South Container Terminal at the Port of Colombo. We are grateful to His Excellency the President of Sri Lanka and the Ministry of Ports and Aviation for the confidence shown in awarding the LOI for the single largest private sector investment in the history of the country to an Aitken Spence consortium. We also appreciate the faith shown by the China Merchant Group, in both Aitken Spence and the Government of Sri Lanka, in joining the consortium to put in the sole bid in the midst of a recession.

The long term sustainable growth of a Company is significantly dependant on sound corporate governance. Our governance structure provides direction to the senior management team and all employees in carrying out their duties in an equitable manner in the best interest of all stakeholders. Our corporate governance structure is in compliance with "the Code of Best Practice on Corporate Governance" issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2008.

We also attach great importance to protecting our environment. The Group to the best of its ability has applied very high standards to protect and nurture the environment and is committed to the Principles of United Nations Global Compact and we operate within the perimeters of its principles across all functions of the Group.

Future Outlook

I believe today, the right sociopolitical environment has been created. The present Government, which pursued and achieved peace with single minded ambition, is in a position of strength and the political stability therein, is a boost to investor confidence. The past year has seen the economy attract interest from many major markets, brands and investors across the world; it is inevitable that this interest will translate into positive action in the next few years.

Here Tomorrow.

The right economic and business climate has now been created by His Excellency the President, so that Sri Lanka realise its potential as a regional business hub. In this endeavor, it must be remembered that during the war years, the private sector has been the engine of growth in Sri Lanka, taking risks and persevering with investments to generate economic progress amid trying conditions. The private sector therefore is the strongest ally of a government seeking to uplift the economy and promote Sri Lanka to the status of the next wonder of Asia. It is very encouraging to note the increasing number and scale of public-private partnerships – this is a clear indication of the mutual value generated by such alliances.

I welcome the forward looking budget presented by the Government of Sri Lanka for 2011, which among other positive moves, simplified and reduced corporate taxes as well as personal and value added taxes. As a key member of Sri Lanka's corporate sector, Aitken Spence also welcomes the government's decision to permit Sri Lankan companies to borrow offshore and to facilitate cross border capital flows, which gives Sri Lankan companies the opportunity to establish themselves in the region.

While recognising the efforts made to streamline the public sector and create efficiencies, I call once again for a stronger focus on gearing the public sector to support government policy and help create an enabling environment for the private sector by responding with speed, efficiency and reliability.

Going forward, I see the growth of capacity of its human resource as one of the key concerns for Sri Lanka. At Aitken Spence, we have recognised this issue as a priority and have been investing heavily in building a best-in-class human resource and in honing our HR management capabilities. Being a conglomerate that employs some of the most skilled experts in the country in our chosen areas of business, we are now in a position to provide that expertise outside our Group, which we believe will help to raise the profile of the nation's skill base.

It is imperative that the country fully utilises the resources we have within. In this respect it is vital to empower the labour force of the North and East with the necessary skills and training as well as opportunities for suitable employment. The development of the North and East hinges heavily on the speed with which infrastructure development is completed in order to create a environment conducive for investment. Aitken Spence has been reviewing its options in the area, particularly for tourism and agriculture and is in the process of firming up our plans for expansion into the region.

Appreciations

I would like to thank the members of the Board of Directors for their support, counsel and expertise; and for supporting me in setting the all encompassing vision of the Company.

The Board of Management and the Sector Management Teams have played a yeoman role by directing the strategy and operations of the Company and by giving strong leadership to our team. Their ability to seek out opportunities and manage challenges is complemented by their strong expertise and skill, and collectively their strength powers the Group to greater heights.

Each member of the Aitken Spence team has exemplified the spirit of our Company, and the Board and I wish to place on record our appreciation of the contribution made by each and every employee.

As I present this report I would like to thank you, most of all, for the trust and confidence you have placed in the Company and its management by investing in Aitken Spence.

D.H.S. Jayawardena
Chairman

27th May 2011

Here Today.

"As a mainstay of the Sri Lankan economy, Aitken Spence will seek further growth opportunities within the local economy, particularly in the tourism, logistics, agriculture and IT sectors, while consolidating our operations overseas during the coming year."

J.M.S. Brito
Managing Director

Here Tomorrow.

From good to great.

Managing Director's Review

2010/11 was indeed a good year for Aitken Spence. The benefits of the global economic turnaround were amplified by the positive sentiment in post-war Sri Lanka, resulting in a year during which the Group was justly rewarded for its vision and its spirit of determination.

The Group's net profit before tax increased from Rs. 3.4 billion to Rs. 3.8 billion a growth of 13.8% while net profit attributable to shareholders was Rs. 2.5 billion, an increase of 23.1% over the Rs. 2.1 billion recorded in 2010.

The Aitken Spence share closed the year at Rs. 162.30. The Company's shares were split during the year to facilitate more liquidity and better representation of the Company's value. The subdivision of shares was on the basis of one ordinary share into fifteen ordinary shares. I am happy to announce that total shareholder return which reflects the total returns received by a shareholder for the year was a positive of 78.3% for the financial year 2010/2011.

There is a positive sentiment and increased investor confidence in the Sri Lankan economy, which was strengthened by the improvements witnessed in the global economy. These factors created the right environment for many of the sectors to perform exceptionally well in 2010/11, having fully emerged from the shadow of a prolonged war. Sri Lanka's profile as a travel destination also grew with the country featuring on several must-visit lists during the year. Many global brands and companies have been expressing interest in the Sri Lankan market and their entry over the next few years could transform the business landscape, setting new global benchmarks and standards of excellence.

As a mainstay of the Sri Lankan economy, Aitken Spence will seek further growth opportunities within the local economy, particularly in the tourism, logistics, agriculture

"The three showpiece Heritance properties in particular performed outstandingly well, maintaining above average occupancies throughout the year."

and IT sectors, while consolidating our operations overseas during the coming year. The Group's strategy of diversification with our core business will continue, as this has paid rich dividends over the years.

Tourism

The expected tourism boom became a reality in 2010/11 and Aitken Spence was in the fortunate position of having fully refurbished properties to take advantage of the substantial growth. The three showpiece Heritance properties in particular performed outstandingly well, maintaining above average occupancies throughout the year.

The Group's resort portfolio will be expanded in the short term through several new expansions; Heritance Ayurveda Mahagedara will be opened next month, while construction has begun on the Six Senses property in Ahungalle, targeted to launch in 2013. The Golden Sun Resort Kalutara is now closed for refurbishment until December 2011 and this development will see the resort being uplifted to a four-star property. Construction of an additional 100 rooms will commence in mid 2011 to increase the total room inventory of this property to 200. Browns Beach Hotel, Negombo is currently being demolished with plans afoot for a brand new 200-room luxury resort. In a bid to cater to the high-end MICE (meetings, incentives, conferences & exhibitions) segment, a state-of-the-art conference hall will be constructed during the year over the Dambulla wing of Heritance Kandalama. Plans are also being drawn up to develop 100 acres of beach front property in Nilaveli, with

From good to great.
Managing Director's Review

the aim of harnessing the property's maximum value. In April 2011 the Group acquired the ownership of Hilltop Hotel, Kandy in which previously the Group had only a minority stake.

The Group welcomes the improved investor confidence in Sri Lanka which has spurred a number of international hotel chains to invest in both city and resort properties. The inclusion of international names such as Six Senses and Shangri-la in the Sri Lankan arena will no doubt drive the value of the destination higher and also create healthy competition for existing players.

In the Maldives, the Group's resorts enjoyed a stable year during which they consolidated their position as established players in the market. Occupancies remain high and the Group is very positive about Maldives being a great tourist destination. Although the present political situation in the Maldives remains somewhat uncertain, Aitken Spence is confident that these problems will be settled shortly.

The managed hotels in India have had a stable year but returned a slight operational loss while Oman, where we manage five properties, has experienced falling occupancies towards the latter part of the year following the political instability in the Middle East, a trend that may continue into the first two quarters of the next year.

The destination management business posted robust growth as tour operators increased volumes, and traditional markets as well as new markets responded positively to the new era of peace. The segment was somewhat affected by the increase in Sri Lankan hotel rates and as major tour operators were disgruntled with the minimum rates imposed on Colombo hotels at short notice.

It is more beneficial to the industry in the long term that room rates are governed by supply and demand – as in competitor markets in the region - and not regulated by government authorities. During the year, the industry also faced some uncertainty from the now-delayed proposal to suspend the visa-on-arrival facility for tourists and it is hoped that the eventual decision will be beneficial to the country.

As a Group that operates many hotels in Sri Lanka as well as being the country's leader in destination management, Aitken Spence believes it is imperative that infrastructure and mobility is improved to grow tourism to its true potential. Furthermore it is important to create a cadre of skilled workers for the leisure sector, as the dearth of qualified personnel will impose a considerable burden on the tourism goals of the future.

The Singapore Airlines GSA, a partnership that dates back almost forty years, turned around during the year as higher occupancies generated more revenue. The Kingfisher Airlines operation continued to struggle but indications are that it will experience a positive year in 2011/12. Kingfisher has proposed the addition of three more South Indian destinations to its present schedule of one flight per day from Chennai which augurs well for its operations.

Shipping and Cargo Logistics

The highlight for the sector during the year was the finalisation of agreements with China Merchants Holdings (International) Company Ltd to design, build and operate the South Container Terminal at the Port of Colombo. During the third quarter, the consortium was awarded a Letter of Intent by the Government of Sri Lanka to build, operate and transfer (BOT) the Colombo South Container Terminal, which is regarded as the single largest ever

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“It is heartening to note the gradual increase in the number of services of the shipping lines calling at Colombo and the indicators are of a buoyant year ahead for the cargo logistics industry, as it grows in tandem with the economy.”

foreign direct investment in the country. Site investigation work is now underway and it is anticipated that the first phase of the project will be ready for operation in 2013.

The maritime segment continued to expand its operations overseas, with its solid reputation for its capabilities generating new contracts in the African continent for port efficiency enhancement projects.

The integrated logistics segment too recorded an improved performance, despite operating in an intensely competitive environment and being affected by a cutback in the transport division as a result of the curtailment of generation at the Group’s power stations. During the year the Company acquired Logilink (Pvt) Ltd, a container freight station operation with a specialised solution for the garment industry which has enabled the Group to service several key apparel sector clients. This investment is expected to bring in noteworthy returns in the coming year.

The freight forwarding segment, and in particular the courier division, enjoyed a profitable year as economic activity accelerated and business continued to thrive in the North and East, where the company specialises in the provision of logistic solutions.

It is heartening to note the gradual increase in the number of services of the shipping lines calling at Colombo and the indicators are of a buoyant year ahead for the cargo logistics industry, as it grows in tandem with the economy.

The Group’s strategic partnership with the country’s largest maritime education and training facility, Colombo International Nautical & Engineering College (CINEC) is progressing well and it hopes to further expand its activities in the field of education in the future.

Strategic Investments

The power segment performed well in 2010/11, although heavy periods of rain led to the curtailment of generation at all three plants in Horana, Matara and Embilipitiya. The two power purchase agreements for the plants in Matara and Horana are due to terminate in March and December 2012, and it is hoped that the terms of these contracts can be extended by offering the government an attractive tariff from these two plants. The segment also plans to commence two renewable energy projects in the near future – a 2.5MW hydropower plant in Matale and a 3MW wind power plant in Ambewela.

It must be noted that the Company is disappointed that the government policy of awarding power projects to the independent power producers has been suspended. The resultant non-availability of new power projects in Sri Lanka has seen the segment seeking growth avenues by aggressively tendering for projects in the region.

The Elpitiya Plantations Group posted attractive returns this year owing to the high price of rubber and the good performance of oil palm. With the healthy gains posted by the oil palm sector, the Company intends to expand its palm oil plantations to harness the growth opportunities available in the industry. During the year, the Group undertook a successful rights issue to restructure the

From good to great.
Managing Director's Review

balance sheet of Elpitiya Plantations. In keeping with our policy of owning companies in which we have control of management, we divested our stake in Talawakelle Tea Estates PLC., via the plantation management company.

The printing segment consolidated its position during the year, by enhancing its marketing activities and concentrating on high end printing projects as a new avenue of business. The segment is investing in a state-of-the-art facility in Mawaramandiya which would be operational by the end of this calendar year. This would be the most modern printing complex in Sri Lanka.

It is heartening to note that the apparel sector has begun to post continuous profits. The anticipated negative impact of the withdrawal of GSP Plus did not have an effect on the Group as European customers continued with their orders. The Sri Lankan garment industry was able to capitalise on its positive reputation, benefit from uncertainties in Egypt, the higher costs of labour in China and compliance related issues in Bangladesh.

Services

MMBL Money Transfer (Pvt) Limited posted a reasonable performance during the year, with considerable growth in volumes despite increasingly stiff competition. The prospects for the segment remain strong and its plans to undertake promotional activities at origin countries should pay off in the coming year.

As in previous years, the operations and maintenance services provided to the power generation segments delivered cost benefits to the Group although hampered by the drop in generation at the power plants. The segment is pursing similar O&M contracts overseas to utilise the experience gained through its operations in Sri Lanka, to improve efficiency and reliability of the power plants.

The OTIS elevator agency also had an encouraging year, and this trend is set to grow with the boom in construction of small and medium scale projects across the country.

The Lloyds insurance agency showed steady growth as a result of being able to exploit opportunities in the North and East. The year also saw the advent of a new subsidiary Calspence Technologies, a joint venture with California Software Company Limited. The joint venture will enable Aitken Spence to capitalise on its internal skill base by providing system integration and IT solutions to third parties.

The financial shared services centre today encompasses a large portion of the Group's back office operations, including those overseas, and the synergies of this move have been tangible. The centralised structure has automatically strengthened the quality, relevance and nature of management information and allowed for better focus on subsidiaries at management level. Encouraged by its successful transition to shared services and the expertise gained therein, the Company will seek expansion through outsourcing contracts from companies overseas.

The Group continues to modernise its IT infrastructure and speed up automation and technology. Priority is being given to the IT strategic plan geared towards creating a paperless office, an improved management system and a disaster recovery plan.

The Aitken Spence Team now numbers over five thousand, a group of skilled and qualified men and women whose can-do spirit and endurance have driven the results you see in this report. It is pertinent to note that the Group has

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> **"The Group is firmly committed to integrating principles of sustainability into its business practices and in this respect, the integrated sustainability policy introduced during the previous financial year has been a pivotal factor."**

maintained its policy against downsizing throughout the difficult times and has taken every effort to boost employee morale and encourage efficiency. The employees of the Group have shown anxiety and apprehension regarding the proposed private sector pension scheme. It is hoped that the government would address the issues and concerns raised by the private sector regarding the proposed private sector pension scheme prior to its implementation. Further discussion and thought would need to be given to the economic and financial viability including the sustainability of the scheme for the future.

The Group is firmly committed to integrating principles of sustainability into its business practices and in this respect, the integrated sustainability policy introduced during the previous financial year has been a pivotal factor. The policy has been communicated to the entire staff and each subsidiary is now in the process of implementing strategic differentiators which transform into competitive advantages, which can be aligned with global sustainability targets. Details of this process and of the Group's sustainability practices can be found in the Sustainability Report.

Appreciations

The Board of Directors has been a source of immense strength during the year, providing vision and guidance to take the Company forward in an increasingly competitive environment. I extend my appreciation to my colleagues on the Board of Directors as well as the Board of Management for their support, encouragement and advice.

The greatest strength of the Group has always been its human resource – a skilled and qualified base of internal expertise which has achieved many a milestone. I call upon my colleagues at Aitken Spence to continue to share the passion and spirit with which we have achieved so much in the past.

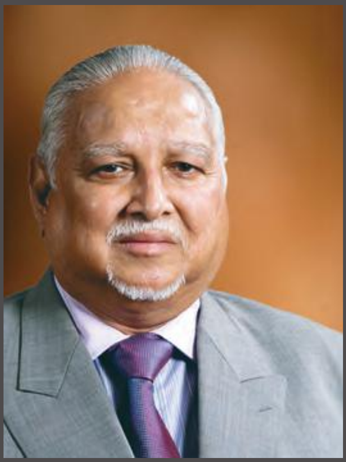
The strongest endorsement we can make of Sri Lanka is to reiterate emphatically that Aitken Spence is here to stay; a commitment made 143 years ago by our founders. I look forward to the exciting opportunities that await us as a corporate and as a country.

JMS Brito.

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

27th May 2011

Board of Directors



Mr. D.H.S. Jayawardena

Mr. J.M.S. Brito

Dr. R.M. Fernando

Mr. G.M. Perera

Dr. P. Dissanayake

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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 import 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 the present Chairman of Ceylon Petroleum Corporation.

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 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 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 in Aitken Spence PLC., holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK.

He has extensive experience in the plantation industry both in the public and private sectors and played a key role in the plantations privatisation programme.

He plays an important role in the re-branding strategy of Aitken Spence and also leads the CSR and Sustainability Initiatives of the Group. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

He has been recently appointed as Honorary President of CIM, Sri Lanka region and Chairman of United Nations Global Compact Network, Ceylon.

Mr. G.M. Perera

Mr. Gehan M. Perera heads the travel segment in the Group. He served on the board of the Sri Lanka Tourism Promotion Bureau and 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 - Aitken Spence Maritime and Director - Aitken Spence PLC., is a former Chairman/CEO 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 past 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 PIMA 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 57 years with the Company. After over a decade as a professional planter he moved to the Company's Head Office in 1965 to take over the Estate Agency

Department. In the early 70's, he also took charge of the Insurance division, including the Lloyd's Agency and the Singapore Airlines Agency. When the Insurance industry was liberalised in the late 80's, he played an active role in the formation of Union Assurance Ltd., and served a stint as its Chairman.

Mr. Wickremasinghe was appointed to the Board of Aitken Spence PLC., in 1972 and was Chairman from 1996 to 1997. He has therefore been a Director of the Company continuously for a period of over 39 years. He has a wide and varied experience in many business sectors. Mr. Wickremasinghe has the distinction of being responsible for the concept and construction of the Group's unique theme hotel - The Heritance Tea Factory.

Mr. C.H. Gomez

Mr. Charles Gomez is 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 Scared 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 the current the Chairman of Holcim (Lanka) Ltd and its subsidiary Companies. He is also Chairman and or Director of other public listed and private companies. He is also a Director of Sri Lankan Airlines Ltd., and a Trustee of Joseph Frazer Memorial Hospital.

Currently Mr. Fernando is a Member of the FIFA and AFC Executive Committee, Asian Cup Organising Committee, and the Chairman Competitions Committee AFC. In addition he is also a Member of the Players Status Committee of FIFA, and the FIFA Development Officer for South and Central Asian Countries. He has since 1990 been a Vice President of the National Olympic Committee of Sri Lanka.

Mr. R.N. Asirwatham

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford, Rhodes, Thornton & Company from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President of Sri Lanka. As at present, Mr. Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He is also a member of the Ceylon Chamber of Commerce Advisory Council and a member of the council of the University of Colombo. He also serves on the Boards of Vallibel One Limited, Ceylon Tea Services PLC, Brown & Company PLC, Browns Beach Hotels PLC, Royal Ceramics Plc, Lanka Orix Leasing Company PLC, Lanka Orix Financial Company Limited, Dial Tex Industries Private Limited, Renuka Hotels Private Limited, CIC Holdings Plc, Rajawella Holdings Private Limited, Mercantile Merchant Bank and Yaal Hotels Private Limited.

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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


Ms. N. Sivapragasam

Here Tomorrow.

Mr. D.V.H. de Mel

Mr. S.M. Hapugoda

Ms. N.W. de A. Guneratne

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 almost 40 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 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 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 in 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.

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, prior to which he headed the Group Corporate Planning Unit. 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 Colombo 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. C.M.S Jayawickrama

Mr.Susith Jayawickrama an associate member of the Chartered Institute of Management Accountants UK, is the Director General Manager of the Aitken Spence Group of Hotels and serves on the Boards of the 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. Pandithakorralage

Mr.Rohan Pandithakorralage is the Director/Chief Human Resource Officer of Aitken Spence Group Ltd. At present he is a member of the Council of the Employers Federation of Ceylon (EFC), National Labour Advisory Council (NLAC) and the Board of Governors of National Institute of Labour Studies (NLIS).

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 was 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 was a visiting lecture at the University of Colombo and Ruhuna University. He won the Prestigious HR Leadership award at the Asia Pacific 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 is additionally responsible for Calspence Technologies (Pvt) Ltd . He is also involved in new business initiatives of the Group. He holds a Bachelor of Science Degree (Magna Cum Laude) in Business Administration specialising in Marketing and Economics from Slippery Rock University of Pennsylvania, USA. During his final year he was chosen as the Outstanding Student in both Marketing and Economics of the University. He also obtained a Master's Degree in Business Administration from The University of Texas, USA. He worked in the Logistics sector of the Group for 11 years from 1994 to 2005, the last five of which was as a Subsidiary Director. During this period he also served two years in the Executive Committee of the Sri Lanka Freight Forwarders Association and a Director of SLFFA Cargo Services Ltd. He also has international experience working in the retail industry in 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 the 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 SriLankan Air Lines 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.

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TERM VIEW

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Our Network

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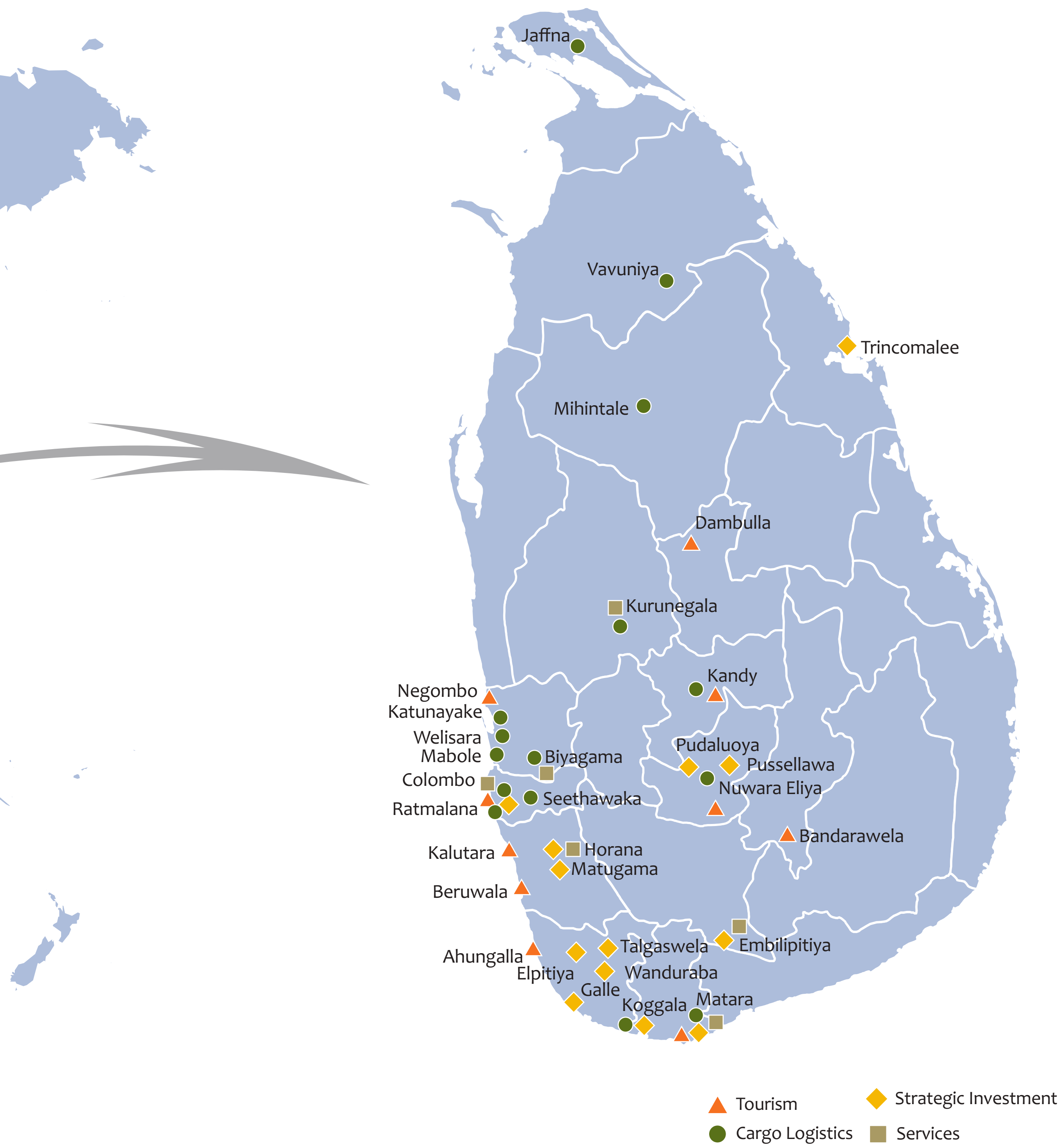


Here Today.

Management Discussion & Analysis

TOURISM SECTOR

- Hotels
- Inbound & Outbound Travel
- Airline GSA

Value Creation

THE TOURISM INDUSTRY OF SRI LANKA REALISED A MUCH ANTICIPATED REVIVAL OF FORTUNES DURING THE YEAR RECORDING THE HIGHEST EVER ARRIVALS TO THE COUNTRY. WITH THE GOVERNMENT'S VISION TO MAKE SRI LANKA THE MIRACLE OF ASIA, AITKEN SPENCE ONE OF THE LARGEST RESORT OPERATORS IN THE COUNTRY, IS WELL POISED WITH ITS WORLD RENOWNED RESORT PORTFOLIO TO CONTRIBUTE TO THE ACHIEVEMENT OF THIS VISION.

Here Tomorrow.

" The Group's tourism sector achieved a 17.1% increase in its revenue for the year 2010/11. Its profit before tax nearly doubled in comparison to the previous year to Rs. 1.6 billion which accounted for 41.0% of the total Group profit before tax..."

Global tourism posted a strong recovery in 2010, driven by emerging economies. The UN World Tourism Organisation said that Asia was the first region to recover and pronounced it as the strongest growing region in 2010, with international tourist arrivals reaching a new record of 204 million last year, up from 181 million in 2009.

In Sri Lanka, the peace dividend gathered momentum in 2010/11, with the tourism industry experiencing its best ever year on record with a growth in tourist arrivals of 46% year-on-year. As the largest resort operator and the largest inbound tour operator in the country, Aitken Spence benefited from the turnaround, recording an exceptional performance during the year.

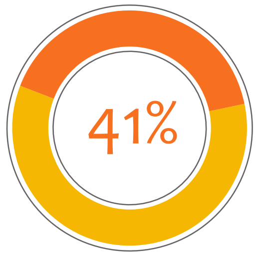
Total arrivals on record during the calendar year 2010 were 654,476. This exceeded the forecast of 600,000 and compared well with the second highest number of arrivals recorded in 2004, when 566,202 tourists travelled to Sri Lanka, taking advantage of a ceasefire. Tourism revenue hit the record USD 575.9 million mark, making the year the best ever for tourism in Sri Lanka in terms of revenue as well. India was the largest generating market with a total of 126,882 arrivals followed by the United Kingdom with 105,496 arrivals.

The arrivals figure for the financial year April 2010 to March 2011 was an even more impressive 709,191. The highest number of arrivals was recorded in December with 84,627, followed by January with 74,197 arrivals. While Sri Lanka continues to benefit from its traditional European markets, in parallel Indian and the Middle Eastern markets have shown growing dominance. Aitken Spence has over the last few years actively pursued opportunities from these new tourism markets, spreading its net wider to mitigate the inherent risks of global volatility.

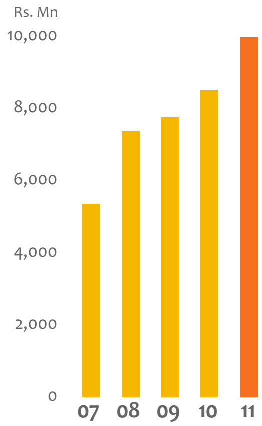
The Group's tourism sector achieved a 17.1% increase in its revenue for the year 2010/11. Its profit before tax nearly doubled in comparison to the previous year to Rs. 1.6 billion which accounted for 41.0% of the total Group profit before tax. The sector invested Rs. 706.5 million on property, plant and equipment during the year and its total asset base stood at Rs. 16.4 billion as at the end of the financial year.

The Aitken Spence strategy of investing in upgrading and refurbishment of properties and maintaining minimum brand standards even during periods of downturn has paid

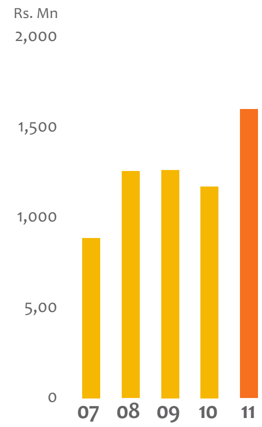
The % of Sector Profit before Tax in comparison to Group PBT
for the year ended 31st March



Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



off in the post-war era. The Group's Sri Lankan portfolio of resorts was fully prepared for the boom in tourism witnessed in the recent past and as such were able to capitalise on the new opportunities. The destination management segment also enjoyed an exceptional performance, driven by the return of the traditional markets and demand from new markets.

Aitken Spence resorts in Sri Lanka enjoyed a good year both operationally and financially when, after many years they were able to revise rates substantially to reflect a much needed correction. The Aitken Spence properties were prepared for the increase in arrivals and thus capitalised on the immediate boom with substantial price increases. With the rate correction, conditions have now been created for the higher-end properties to compete on service and facilities as opposed to the earlier price-based competition. With European economies improving, traffic from the Group's traditional markets UK and Germany has been strong. However, there has also been a substantial increase in traffic from the Asian region, while most of the resorts continued to enjoy a strong local patronage.

The fourth Heritance property, Heritance Ayurveda Mahagedara is due to be launched during the first quarter of 2011/12. Built on the site of Aitken Spence's very first resort in Sri Lanka, it is an authentic ayurveda and wellness resort which is already attracting heavy demand.

Construction will begin during the year on the Group's proposed joint venture with Six Senses Resorts & Spas to establish the first Six Senses property in Sri Lanka estimated to cost over USD 40 million. The project will comprise a Six Senses resort and spa as well as beach front residential villas on a 10.5-acre plot, adjoining Heritance Ahungalla on the Southern coast. The resort will have a further extension of approximately 16 carbon free high end luxury eco villas on a 27-acre island nearby in the back waters, and is expected to be one of the best up market resorts in Sri Lanka.

Upgrades and refurbishments earmarked for the coming year include the entire refurbishment of the newly acquired resort in Kalutara which will be re-branded in December 2011. Further construction will begin in mid-2011 on 100 additional rooms to make it a 200 room complex. The construction of an international conference hall along with limited refurbishments of the rooms on the Dambulla wing is planned during summer 2011 at Heritance Kandalama. The Group continues to examine its options to develop a resort complex that will make the best use of its 100 acre land on the Nilaveli Beach, Trincomalee.

The company's e-marketing initiatives are being continued and have paid high dividends in the year under review. Furthermore, the segment's ability to offer properties in four destinations has enabled it to sell packaged tours that cover Sri Lanka, Maldives, India and Oman.

Here Tomorrow.

" The Group's Sri Lankan portfolio of resorts was fully prepared for the boom in tourism witnessed in the recent past and as such were able to capitalise on the new opportunities. The destination management segment also enjoyed an exceptional performance..."

The Maldivian tourism industry enjoyed a good year with arrivals growing by 27% in 2010/11. Significantly, the largest segment of tourists arrived from China while demand from Europe remained high.

Operations in the Maldives have now been revamped and marketing strategies streamlined to take further advantage of a potential boom. The proposed changes to the existing tax structure of the Maldives, including the introduction of GST and corporate tax, are of concern and the Group will continue to monitor the economic policy and the political situation in the country closely. Nevertheless the Group is confident that the Maldivian government will give due attention by creating the right conditions for the country's tourism operators as it has done in the past.

During the year, the Group expanded its managed hotel portfolio in India to five with the addition of the South Indian property, Grand Palace Hotel and Spa in Yercaud. The resorts managed by the Group continued to do well within a growing economy with tremendous potential for tourism. The Group has built a solid reputation in India for its management expertise and its ability to transform existing properties into competitive star class hotels. The strategy in India will continue to be focused on providing management expertise without substantial investments for the time being.

The Group's five resorts in Oman enjoyed steady growth and a satisfactory performance, as the region recovered from the financial crisis. Unfortunately towards the end of the financial year, political turmoil in several countries in the region began having a marginal effect on demand. While Oman itself seems largely unaffected by the turmoil, the fallout for the resorts may come from apprehensions about tourist travel to the region.

Going forward the Group will consolidate its overseas operations in the resort segment, but greater focus will be on Sri Lanka where market changes present greater opportunities.

The destination management segment enjoyed a substantial year-on-year growth and continued to be the industry leader. Tour operators have increased their volumes into Sri Lanka significantly since the end of the war. Aitken Spence Travels was named the Best Destination

Management Discussion & Analysis

TOURISM SECTOR

" Looking ahead, the segment is hopeful that the myriad of proposals to build new properties get underway on an accelerated basis, since it is imperative that the current capacity of the sector is increased to meet the growing demand for Sri Lanka..."

Management Company in Sri Lanka whilst Ace Travel and Conventions was named the Best PCO (Professional Conference Organiser), for the third consecutive year at the Presidential Awards for Travel & Tourism, thereby entering the Hall of Fame in both segments.

The company has undertaken a major upgrading of its software systems and undertook a complete re-fleeting exercise this year in response to growing global trends and to cope with future growth.

The company is persisting with its exploration of new segments and tour operators to attract markets that are less sensitive to price.

The Middle East is now the third largest market for travel into Sri Lanka and as such, the political tensions in the Middle East are of concern. However the net effect of the development may be positive for the company, with a drop in travellers from the area being off-set against other

travellers to the region who opt for Sri Lanka as an alternative destination.

Looking ahead, the segment is hopeful that the myriad of proposals to build new properties get underway on an accelerated basis, since it is imperative that the current capacity of the sector is increased to meet the growing demand for Sri Lanka. If Sri Lanka is to evolve as a major destination it is essential that the tourism product is improved with a better overall offer, increase of the hotel capacity and implementing of a comprehensive marketing campaign to capture emerging opportunities.

Singapore Airline's (SIA) operations to Sri Lanka which was affected during the previous year with a cutback of flights to 5 times a week, recommenced daily frequencies from March 2010. In May 2010, SIA introduced the state-of-the-art Airbus 330-300 aircraft on the Singapore-Colombo route, a product upgrade that was well received by the market. However, global fuel prices remain a concern as the current prices are nearing the unrealistically high levels seen a few years ago, as a result of which, fuel surcharges are on the rise, which would impose a dampener on travel.

The industry is becoming increasingly more competitive as new airlines have entered the market while existing airlines have increased frequencies. Many of these airlines offer low rates and in a price-driven market such as Sri Lanka, legacy airlines struggle to remain profitable. The Group's proven

Here Tomorrow.

relationship of nearly forty years with Singapore Airlines will no doubt stand in good stead as it prepares to compete in these new market conditions.

During the year, the Kingfisher Airlines GSA continued to face challenges with just one flight operating from Colombo to Chennai daily. The new financial year will see the introduction of daily flights to three more destinations in India, which augurs well for the future growth of business.

Here Today.

Tourism Sector Senior Management Team

** Names in alphabetical order.*


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


Mr. D.J. de Crusz


Mr. C.L.B. Ekanayake


Mr. S.T.B. Ellepola


Mr. G.P.J. Goonewardene


Mr. J.T.P. Gunawardana


Mr. M.H. Jayah


Mr. N.A.N. Jayasundera


Mr. S.K.R.B. Jayaweera


Mr. T.D.U.D. Peiris

Here Tomorrow.


Mr. D.D. Perera


Mr. P.L. Perera


Mr. R.S. Rajaratne


Mr. N. Ratwatte


Mr. H.P.N. Rodrigo


Mr. B.H.R. Sariffodeen


Mr. D.D.A. Soza


Mr. R. Subramaniam


Mr. D.L. Warawita


Mr. M.P. Wijesekera

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Management Discussion & Analysis

CARGO LOGISTICS SECTOR

- Freight Forwarding
- Courier Services
- Integrated Logistics
- Maritime Transport

Growth

THE SIGNIFICANT GROWTH WITNESSED IN IMPORT AND EXPORT TRADE, THE INCREASED VOLUMES HANDLED IN THE PORT OF COLOMBO AND THE BUOYANT ECONOMIC CONDITIONS IN SRI LANKA AUGURS WELL FOR AITKEN SPENCE; A PIONEER IN THE FIELD OF CARGO LOGISTICS. THE SCALE OF FACILITIES ACQUIRED OVER THE LAST 30 YEARS PLACES THE GROUP IN GOOD STEAD TO CAPTURE THE EMERGING GROWTH OPPORTUNITIES IN SRI LANKA AND OVERSEAS.

Here Tomorrow.

"During the year under review, the Government of Sri Lanka issued a Letter of Intent in favour of Aitken Spence and its partner China Merchants Holdings (International) Company Limited for the construction and development of the South Container Terminal at the Port of Colombo... Once in operation the terminal will be the only container terminal in the region that can accommodate ultra large container carriers."

2010/11 was a turnaround year for the cargo logistics industry in Sri Lanka, as consumer demand drove imports higher and the improved global conditions had a positive effect on exports. Imports grew by 32.4% with exports recording a growth of 17.3%. Industrial exports accounted for 74.3% of export earnings with the garments sector, a key segment of the division, accounting for more than 50% of industrial exports, allaying fears of a negative impact from the withdrawal of GSP Plus trade concessions to Europe.

During 2010 the Port of Colombo saw a record throughput of 4.14 million Twenty Foot Equivalent Units (TEUs) compared to 3.46 million in 2009, and significantly higher than the previous best annual performance of 3.68 million TEUs in 2008. The throughput volume reflected a 24.1% increase of local import/export TEUs and an 18.2% increase in transshipment TEUs compared with 2009.

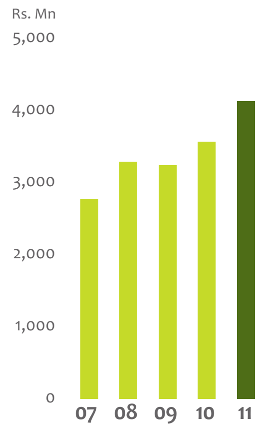
The cargo logistics sector recorded a revenue of Rs. 4.1 billion for the financial year under review which was a healthy 15.9% growth over the revenue recorded during the previous year. Its profit before taxation stood at Rs. 594.6 million, which however was a marginal dip over the previous year mainly as a result of the pressure on margins.

During the year under review, the Government of Sri Lanka issued a Letter of Intent in favour of Aitken Spence and its partner China Merchants Holdings (International) Company Limited for the construction and development of the South Container Terminal at the Port of Colombo on a build, operate and transfer agreement (BOT). Once this Terminal becomes a reality, Aitken Spence will become an entity that offers a full spectrum of shipping and logistics related services.

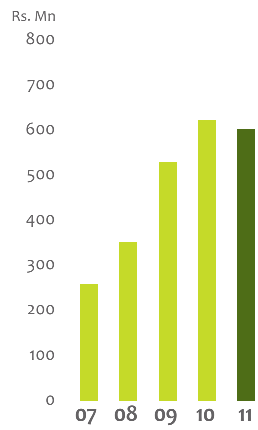
This landmark investment will be the single largest foreign direct investment in Sri Lanka's history. Once in operation the terminal will be the only container terminal in the region that can accommodate ultra large container carriers. This investment spearheaded by the maritime segment comes at an opportune time, when transshipment demand for Colombo is at an all time high. Site Investigation work has now commenced and the BOT agreement is expected to be concluded during the first

The % of Sector Profit before Tax in comparison to Group PBT
for the year ended 31st March

Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



quarter of 2011/12. The first phase of the new deep water container terminal is targeted for completion in 2013.

The maritime segment also secured an agency for a large global container operator as well as that of a Korean car manufacturer, which has been performing well on the back of increased car imports into Sri Lanka. The number of casual carriers calling in Colombo has grown driven by the growth in imports and tourists into Sri Lanka and the company was able to seize new opportunities, with the non-liner segment operations growing by 80%.

The segment made headway in its international operations, gaining entry into Mozambique for operational management at the Port of Nacala, an avenue created by the strong reputation it has built as a result of the port efficiency enhancement programmes being carried out in South Africa.

During the year, the sector undertook a streamlining exercise that enabled a rationalisation of activities and the creation of synergies within the many operating units. The sector has also focused extensively on cost management toward the end of 2010 with results being tangible.

The Group's association with Hapag Lloyd underwent a transformation during the year, with the partnership now becoming a joint venture. With the principal Hapag Lloyd

now becoming an investor in the Company, a more mutually beneficial relationship can be expected in future.

The integrated logistics segment performed creditably, moving ahead in all spheres of activity despite facing numerous obstacles midway through the year. The sector's extensive diversification into depot operations, container freight station, warehousing, mobile storage, transportation, container repairs and specialised cargo movement ensures that it maintains a clear competitive advantage and retained its position as the largest Sri Lankan logistics provider.

The Distripark operation was able to secure a large transportation project for over dimensional cargo - the results of which will be reflected in the bottom line in 2011/12. Furthermore, the segment has also made a bid for a presence at the Hambantota Logistics Hub at the newly opened Magampura Port in Hambantota. The unusual

"The segment's experience together with its knowledge driven culture has enabled it to create a pool of expertise which is best in class in the management of container yards, warehousing and logistics..."

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weather patterns in December and January filled up reservoirs and had a negative impact on fuel transportation operations to the Group's power plants.

Going forward the Group's investment in Logilink (Pvt) Ltd., has just started to bear fruit and will be a showpiece of the sector. Logilink is a specialised facility that supports the requirements of the garment industry.

The 32.4% growth in imports into Sri Lanka during the year has necessitated the expansion of container yards facilities and the segment will develop nine acres of land it owns in Welisara to extend its yard operations. Yard hard surfacing work is expected to commence shortly in Welisara and operations are earmarked to get underway by mid-year.

Numerous setbacks have been faced in development projects at the existing container yards but these will gradually be overcome during the coming financial year. A further Rs. 150 million will be invested in modern container handling equipment in 2011/12.

The segment's experience together with its knowledge driven culture has enabled it to create a pool of expertise which is best in class in the management of container yards, warehousing and logistics. As such, the segment is now prepared to expand its operations overseas on a management model and will be looking for opportunities during the coming year.

The freight forwarding segment operated in a positive market environment as global economies emerged from recession and both exports and imports enjoyed healthy growth. Despite concerns about the impact of the withdrawal of GSP Plus concessions on apparel exports, the anticipated downturn did not materialise as the garments industry saw a recovery in orders from US and Europe. Imports into Sri Lanka grew amid increased consumer demand and reconstruction and development work. The improved economic conditions led to better performance from the four segments – air freight, sea freight, brokerage and express - as well as overseas operations and the segment posted year on year growth for the third consecutive year.

The ocean freight segment returned satisfactory results on the back of improved volumes and rates, and the stability of overseas markets. The segment posted a turnaround, with revenue and profits increasing due to a strategic focus on sales.

The air freight segment experienced a growth of 18% in volumes led by garments, perishables and general cargo. The performance was somewhat affected by carriers increasing charges from July to November to manage a surge in exports versus the capacity limits. The carrier rate increases were also influenced by air transportation delays caused by a volcanic ash eruption in Europe, a Middle Eastern heat wave that limited business hours and aircraft capacity downgrades.

Here Today.

Management Discussion & Analysis
CARGO LOGISTICS SECTOR

"The Group's partnership with TNT Express enters its 30th year and the strength and confidence between the two companies has ensured mutual benefit throughout the period..."

The international express business rebounded during the year to record positive results, outperforming the industry. The sales and marketing efforts of the segment enabled the healthy performance in a scenario where external factors such as international security concerns and natural disasters had an adverse impact on operations. The Group's partnership with TNT Express enters its 30th year and the strength and confidence between the two companies has ensured mutual benefit throughout the period. The express segment was once again recognised by the National Chamber of Exporters as the Gold Award winner among service providers to exporters in the extra-large category.

The customs brokerage segment enjoyed growth in revenue but the high cost of operations, and transport rates in particular, had an impact on the bottom line. Garments and rubber continued to be the key markets for the segment, with garments accounting for 28% of cargo volumes handled and rubber amounting to 18%. The segment will focus on infrastructure development related cargo imports and logistics work as a growth area in 2011/12.

The supply chain segment saw pressure on its yields as the northern and eastern markets opened up and competition became intense. The domestic delivery and distribution segment continued to grow and the company has invested in a state-of-the-art software solution in anticipation of an expected boom.

The segment's overseas operations in Bangladesh and the Maldives performed well. Both markets have witnessed growth in demand as well as increased price competition. The segment has made strategic inroads into both markets which should ensure increased revenue generation in the coming year. A more aggressive approach is planned for the Pakistan market in 2011/12 while other overseas markets are also being considered for expansion.

Cargo Logistics Sector Senior Management Team

** Names in alphabetical order.*


Mr. K.R. Aluwihare


Mr. A.M.M. Amir


Ms. T.D.M.N. Anthony


Mr. J.E. Brohier


Mr. I.S. Cuttilan


Mr. D.R.C. Hindurangala


Mr. A. Jayasekera


Mr. H.B. Kelly


Mr. F.P. Paiva


Mr. N.D.F. Perera

Here Today.

Management Discussion & Analysis

STRATEGIC INVESTMENTS SECTOR

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

Diversity

THE DIVERSITY OF AITKEN SPENCE IS CLEARLY ILLUSTRATED BY THE INVESTMENTS MADE BY THE GROUP OVER ITS ONE HUNDRED AND FORTY YEAR HISTORY. POWER GENERATION, APPAREL MANUFACTURE, PRINTING & PACKAGING AND PLANTATIONS WHICH ENCOMPASS THIS SECTOR IS AN ACCREDITATION OF THIS DIVERSITY, THE EXCEPTIONAL PERFORMANCE OF WHICH HAS GREATLY CONTRIBUTED TOWARDS THE GROWTH ACHIEVED BY THE GROUP OVER THE YEARS.

Here Tomorrow.

"The printing segment reaped the dividends of a further intensified focus on marketing, talent management and efficiency improvement, doubling its profits and making inroads into new accounts as well as value added segments of the market..."

The Group's Strategic Investments sector which encompasses power generation, plantation, printing and garment manufacture reported a profit before tax of Rs. 861.9 million for the year under review. This was a 24.9% decline over the previous year. The revenue of the sector stood at Rs. 10.1 billion which was a 14.3% drop in comparison to the revenue recorded for last year. Rs. 14.9 billion worth of assets were attributable to the sector as at the end of the financial year.

The power segment had a satisfactory year, but performed below capacity as demand dropped with increased hydropower generation, amidst heavy rainfall in the catchment areas. The cooler climate from September 2010 onwards also had a direct impact on demand for electricity but this trend reversed towards the latter part of the financial year.

The segment's Branford hydropower project is expected to be commissioned during the third quarter of 2011/12, after delays caused by floods and earth slips in the area. In addition, a proposed 3MW wind power generation project is scheduled for completion by end 2011.

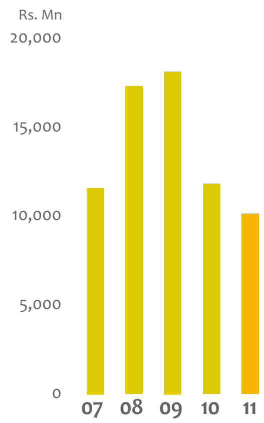
With the commissioning of the first phase of the Norochcholai coal power plant, demand for energy from oil fired power plants are likely to reduce and therefore the sector is exploring opportunities overseas for growth in the short to medium term.

The garment manufacturing segment returned positive results driven by operational and productivity enhancements focusing on optimisation initiatives and stronger marketing efforts. The segment's customer profile from key US and EU markets remained unchanged in spite of the withdrawal of the GSP Plus concessions. The segment has maintained strong labour relations through meaningful dialogue with the representatives of workers. The shortage of skilled employees available for recruitment however remains a recurrent factor of concern for the segment as well as for the industry as a whole.

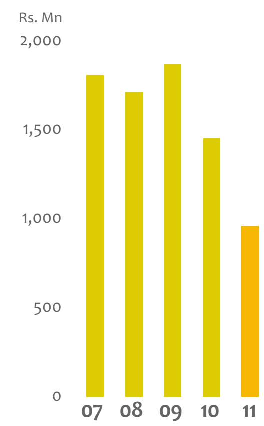
The printing segment reaped the dividends of a further intensified focus on marketing, talent management and efficiency improvement, doubling its profits and making inroads into new accounts as well as value added segments of the market. It has also sought to further diversify its product mix, with the aim of reducing dependence on the packaging business, which has only shown moderate growth this year. The segment actively pursues

The % of Sector Profit before Tax in comparison to Group PBT
for the year ended 31st March

Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



and builds long term client relationships which allow it to use its expertise to provide comprehensive printing solutions.

During the year, the segment's ERP system was upgraded to enhance management information relating to sales and marketing, production planning and control. In addition, employees were empowered to add value and deliver better service through training designed to update their knowledge.

The Group made a considerable strategic investment into the printing segment during the year and a new state of the art factory complex is being constructed in Mawaramandiya which will commence operations during the financial year 2011/12. Investments were also made by acquiring new equipment capable of providing value added finishing to printing and packaging products.

Elpitiya Plantations recorded its best year ever in 2010/11, fuelled by soaring rubber prices and its successful diversification into palm oil. The tea industry faced several challenges as erratic weather patterns across plantation areas contributed to a decline in production even as escalating costs drove production expenditure higher. The value of the company has grown substantially since Aitken Spence took over its management in 1997. Its asset value has improved significantly and forestry stock now stands at over a billion rupees.

During the year, Elpitiya Plantations undertook a successful rights issue in order to restructure its balance sheet and improve cash flows. The funds enabled the reduction of high value debt and the restructure of other debts which, together with the rapid decline in interest rates, contributed to a significant decrease in finance costs.

The market for tea is expected to perform well in the coming year, while rubber prices are expected to remain at the current high values driven by a boom in tyre production and high fuel prices. Palm oil should also benefit from stable prices although plantations on the whole are susceptible to the effects of climate change, which could affect production and drive up costs. Elpitiya plantations has been expanding its rubber and oil palm acreage, replanting 150 hectares on average a year, as diversification is considered a key strategy of the company towards sustainable growth. A wage negotiation is scheduled for the coming year and the resultant new wage regime may have an impact on the profitability in 2011/12.

Five factories have now been accredited with the ISO 22000 certification for food safety while Gulugahakanda Estate won the title of 'All Island Best Child Development Centre' for 'outstanding achievements in quality services in child development centres' for the year 2010, at a competition organised by the Plantation Human Development Trust.

The plantation's brand of tea 'Harrow Ceylon Choice' was affected by high tea prices but enjoys strong brand visibility and extensive distribution covering all regions including the North and East.

'Lifestyle Solutions' the segment's joint venture to manufacture rubber wood furniture for export turned around during the year and is well poised to return to profitability. The company has streamlined its operations and now has a pipeline of regular orders from US, UK and the Middle East.

The segment's diversification into hydropower generation now will include another 900Kw plant, which is scheduled to commence construction during 2011/12. Two more mini hydropower plants are in the pipeline for the following year.

Strategic Investments Sector Senior Management Team

** Names in alphabetical order.*


Mr. C.R.F. de Costa


Mr. J.S.A. Fernando


Mr. A.L.W. Goonewardena


Mr. P. Karunathilake


Ms. R.I.D. Katipearachchi


Mr. M.S. Mohideen


Mr. R.T.B. Navaratne


Mr. V.S. Premawardhana


Mr. S.B.C. Wijedasa

Here Today.

Management Discussion & Analysis

SERVICES SECTOR

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

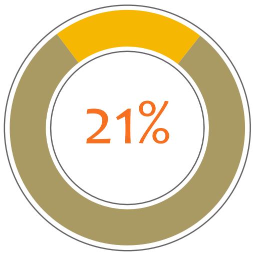
Planning

OUR SERVICES SECTOR IS WIDELY DIVERSIFIED, EMBRACING A RANGE OF BUSINESSES. THE POOL OF KNOWLEDGE AND EXPERTISE GAINED THROUGH SERVICING THESE VARIED INDUSTRIES, COMBINED WITH OUR STRATEGIC LOCATION IN THE REGION THESE STRENGTHS GIVE US AN UNMATCHED COMPETITIVE ADVANTAGE TO PLAN THE FUTURE AND SEIZE THE OPPORTUNITIES THAT WILL ARISE.

Here Tomorrow.

" The year has been a good one for the insurance segment, which has seen a gradual shift from general surveys and claims towards very specialised innovative surveys such as valuations of machinery and property and the calibration of tanks and meters, portfolio analysis and risk management..."

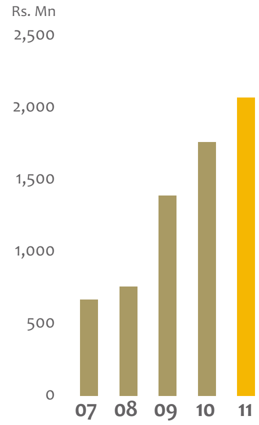
The % of Sector Profit before Tax in comparison to Group PBT
for the year ended 31st March



The services sector recorded a revenue of Rs. 2.1 billion for the year, which was a 17.6% growth over the previous year. The profit before tax for the sector was Rs. 794.8 million which accounted for 20.8% of the total Group's profit before tax. 9.6% of the total assets of the Group amounting to Rs. 3.8 billion was held by the services sector.

MMBL Money Transfer (Pvt) Limited posted a relatively good year with increases in both profitability and volumes. Average revenue per transaction continues to be under pressure particularly in the Middle East where intense competition among money transfer businesses resulted in lower transaction values. The company is focusing on the more lucrative North American and European segments which have vast potential for the inward money transfer business, especially after the opening up of the North and East regions of Sri Lanka.

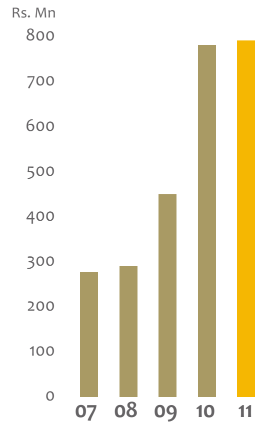
Revenue
for the year ended 31st March



The agent network continued to grow with 300 new agents added during the year at strategic rural and semi-urban locations islandwide. In the year ahead, plans are afoot to undertake promotional and research activities at origin countries in North America and Europe in collaboration with Western Union. The current political upheaval in the Middle East has not had a significant negative impact on revenue or transaction volume as the company's key markets are Saudi Arabia, Kuwait and Qatar, which are unlikely to be negatively affected. In the event that there is an adverse impact, the risk would be on the volume of total transactions rather than the total value of transactions.

The company continues to play an integral role in the Central Bank's initiatives to encourage expatriate workers to channel foreign remittances through legal methods. The illegal market remains largely untapped and if successfully converted, will create increased demand for the company's services. MMBL Money Transfers (Pvt) Ltd received recognition from Western Union at the Western Union Asia Pacific Agent Summit held in Beijing for the services rendered over ten years as the longest serving and largest principal agent in Sri Lanka.

Profit from Operations
for the year ended 31st March



The Group entered into a joint venture with California Software Company Limited (CalSoft) during the year to set up Calspence Technologies. CalSoft is a product engineering & enterprise solutions company with a strong background in development and implementation with presence in 12 global locations. Calspence Technologies became a gold level member of the Oracle Partner Network (OPN) during the year, enabling the company to market, implement and support Oracle Content Management to help customers enhance process improvements and business efficiencies. The Group also collaborated with Inatech Solutions

Management Discussion & Analysis

SERVICES SECTOR

of UK, a subsidiary of CalSoft, to reach out to the European market. Already this venture has yielded positive results and further expansion overseas is being pursued.

The Operations and Maintenance (O&M) services at the power plants in Matara, Horana, and Embilipitiya continued to deliver considerable efficiency and reliability while generating cost savings, though at a comparatively lower level due to the decline in generation at the Group's power plants. During the year, the segment obtained ISO 9001, ISO 14001 and OHSAS certification for the Embilipitiya power plant and is now fully accredited across all three plants. The Horana plant also won the National Safety Award 2010 conducted by the Department of Labour for the Engineering Services sector. In 2010/11, the segment invested extensively in human resource training with selected employees being sent overseas for specialised training while in-plant training was carried out through specialist trainers. The segment will focus on marketing its O&M capabilities and expertise overseas in order to expand its operations.

Performance of the OTIS Elevator Agency continued its positive trend. Many prestigious contracts were awarded to the company during the year, including the International Convention Centre in Hambantota. With the growth of the construction industry, demand for lifts will also improve thereby generating more demand for the segment's products and services.

OTIS is the world leader in people moving equipment and the Group's association with OTIS extends for over 20 years. The OTIS Regional Managing Directors' Conference was held in Sri Lanka this year, bringing together the key leaders of the South Asia Pacific & Gulf Areas.

The year has been a good one for the insurance segment, which has seen a gradual shift from general surveys and claims towards very specialised innovative surveys such as valuations of machinery and property and the calibration of tanks and meters, portfolio analysis and risk management. The segment also serves as superintendents of the United Nations World Food Programme in Sri Lanka and the Maldives with greater emphasis in the North and East, where volumes have steadily increased consequent to the cessation of the North and East conflict.

The segment's services are sought in Sri Lanka by Lloyds of London, Tokyo Marine, Fuji Fire and People's Insurance of China – the latter engaging the segment to carry out cargo inspections for the Norochcholai coal power plant and many other infrastructure development projects involving the Government of China, during the year. Improved economic conditions in the Maldives generated better revenue from that market as well, where the segment carries out surveys on behalf of the Websters and Allied Insurance Company.

Services Sector Senior Management Team

** Names in alphabetical order.*

Mr. J.V.A. Corera

Mr. G.P.B.N. Gunarathne

Mr. A.E.A. Perera

Mr. R.G. Salgado

Mr. A.N. Seneviratne

Ms. W.A.D.L. Silva

Here Today.

Financial Review

Profitability

Group Performance

The financial year 2010/11 continued to pose many challenges to the corporate sector, as world economies struggled to emerge from the severe economic slump that had crippled the globe. The challenging environment also provided a multitude of opportunities for discerning investors prepared to embark on new ventures in post conflict Sri Lanka. The Aitken Spence Group, true to its pioneering spirit, capitalised on prospects presented by the economic re-emergence of the country by strategically expanding its core areas of operations and consolidating profitable ventures.

The performance of the Group during the period was the best ever reported in its 143 year history. The consolidated net profit was Rs. 3.4 billion of which Rs. 2.5 billion was attributable to the equity holders. The net profit was a 14.8% increase over the previous financial year while the attributable profits increased by 23.1 %. The revenue of the Group grew by 4.0 % to Rs. 25.1 billion during the financial year 2010/11 over the previous financial year. The performance of the Group during the period was primarily driven by the turnaround in the tourism industry in Sri Lanka.

Despite the continuing adverse global operating environment the Group's overseas operations continued to yield strong results making a significant contribution to profit before tax.

Sector Revenue and Profitability

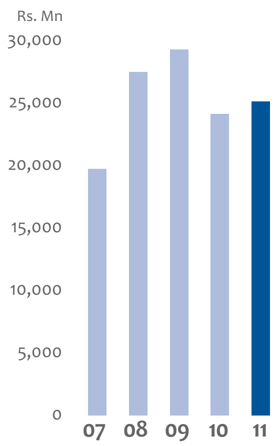
Tourism Sector

The calendar year 2010 was the best ever year for the tourism industry in Sri Lanka. During this period 654, 476 visitors arrived in the country, which was a growth of 46.1% over the previous year while the industry reported revenues of US $ 576 million, an increase of 64.8% over the previous year. India remained the number one market for Sri Lanka by recording 126,882 visitors while United Kingdom and Germany were the main Western markets. During the first three months of the calendar year 2011, the country has recorded 215,124 arrivals which is a 34.1% increase relative to the same period in the previous year.

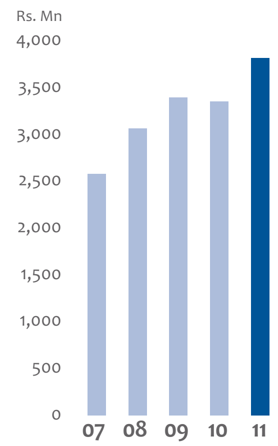
During the financial year 2010/11 the number of visitor arrivals to Sri Lanka was 709,191, which was a 41.4% increase over the previous financial year. As a result, Sri Lankan resorts reported substantial increases in occupancies while the increased demand enabled the hotel sector to command higher room rates.

During the financial year 2010/11 the Tourism sector of the Group reported a 17.1 % growth in revenue to Rs. 10.0 billion whilst recording a 36.6% increase in profit from operations to Rs. 1.6 billion. The revenue reported by the Tourism

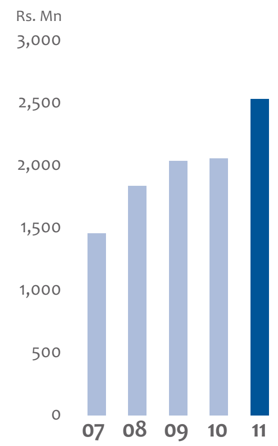
Revenue
for the year ended 31st March



Profit before Taxation
for the year ended 31st March



Net Profit Attributable
for the year ended 31st March



sector was almost 17% of the total tourism industry revenue earned by Sri Lanka. This is a clear indication of the dominant role played by the Group in the island's tourism industry. The overall sector profitability increased with improvements in occupancies and substantial price revisions which the tourism industry can now command as a result of the emergence of Sri Lanka as one of the most sought after destinations in South Asia.

The Group's hotel subsidiary, Aitken Spence Hotel holdings PLC, successfully completed the rights issue announced in the previous financial year to raise equity funding of Rs. 2.5 billion. The funds raised through this rights issue will be utilised for new projects as well as expansions and refurbishments.

Cargo Logistics Sector

The Cargo Logistics sector reported growth in revenue during the year though the profit from operations showed a marginal decline during the financial year under review. The increased costs of operations, especially the higher transport charges, had an impact on the sector profitability.

The revenue increased by 15.9% during the financial year 2010/11 to Rs. 4.1 billion whilst the profit from operations reported a marginal decline of 3.5%. The profit from operations reported during the period under review was Rs. 601.7 million. Increased levels of economic activity in the country during the year directly contributed to top line growth. Maritime transport and integrated logistics segments performed creditably in driving the sector growth.

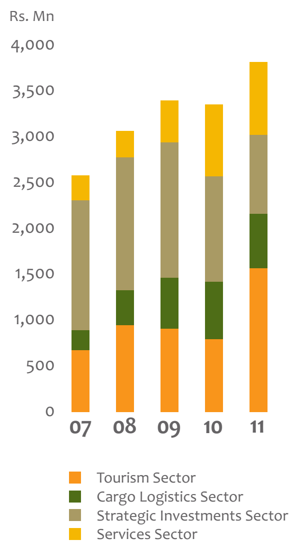
With the country's economy expected to reach high levels of growth in the future, the outlook for the Cargo Logistics sector is very promising and the Group has taken proactive measures to ensure that future performance levels would reach new standards.

Strategic Investments Sector

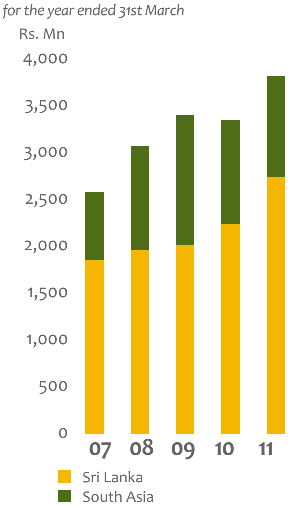
The Strategic Investments sector reported a 14.3% decline in revenue and a 33.9 % decrease in profit from operations during the financial year under review. The revenue and the profit from operations reported by the sector were Rs. 10.1 billion and Rs. 961.0 million respectively. Increased hydropower generation during the year as a result of exceptionally high rainfall which resulted in the thermal power plants being run at below capacity was one of the main reasons for the reduction in revenue and profit from these operations.

The plantations segment recorded its best year during the financial year 2010/11 as a result of high commodity prices in the world market. The performance of the printing segment was also encouraging and it is expected that the contribution from this segment will increase considerably in the future.

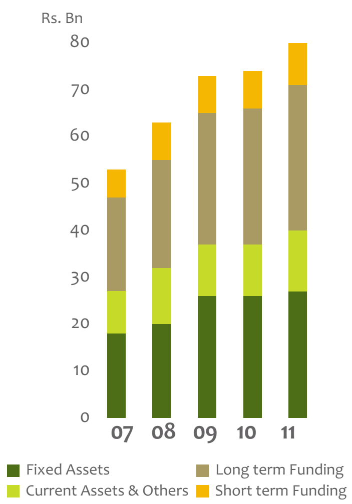
Sector Profit before Taxation
for the year ended 31st March



Geographical Analysis of Profit before Taxation
for the year ended 31st March



Assets & Funding
as at 31st March



Here Today.

Financial Review

Services Sector

The Services sector, which comprises of the Group's service based operations, reported revenue of Rs. 2.1 billion during the year under review, which is an increase of 17.6% from the previous financial year.

The profit from operations of the sector increased marginally during the financial year 2010/11 to Rs. 791.6 million. One of the main contributors to this segment is Operations and Maintenance services, the performance of which is expected to improve during the current financial year as the focus on marketing its services has been intensified with the objective of expanding operations.

Other key segments of the sector, viz, the money transfer, elevator and insurance segments performed creditably during the financial year under review and it is expected that their contribution would further improve during the current financial year.

Group Operating Costs & EBIT

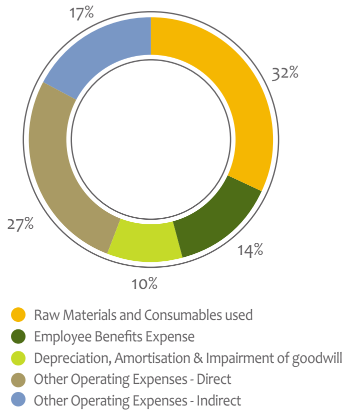
The Group operating profit or Earnings Before Interest and Tax (EBIT) marginally declined by 1.9% during the year. The EBIT for the financial year under review was Rs. 4.0 billion. Increases in other operating expenses and depreciation, amortisation and impairment of goodwill were the main reason for the marginal decline in EBIT. The Group's operating profit margin also declined from 16.7% in the previous financial year to 15.7% during the period under review.

The total operating cost of the Group amounted to Rs. 21.0 billion for the year, being 85.0% of the Group net revenue. This is in comparison to Rs. 19.9 billion recorded as Group operating cost in the previous financial year, which amounted to 83.7% of the net revenue. The marginal increase in operating costs was primarily due to the 25.2% increase in depreciation, amortisation and impairment of goodwill and the 18.8% increase in other direct operating expenses. The cost of raw materials and consumables used in the production of revenue amounting to 31.6% of the total operating costs has reduced from the previous financial year mainly due to the reduction in power generation resulting from the increased reliance on hydro power particularly during the 3rd and 4th quarters as a result of the heavy rainfall experienced in the country. Other direct operating expenses amounted to 26.9% of the total operating costs.

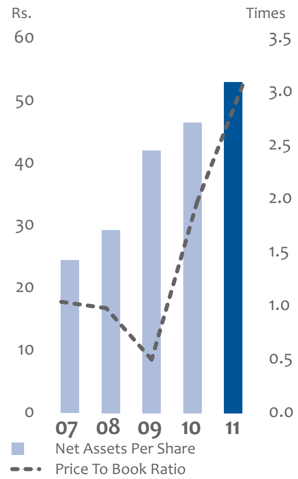
Taxation

The Group's provision for taxation for the financial year 2010/11 was Rs. 387.3 million which was a marginal increase of 5.8% (2009/10 re-stated – Rs. 366.2 million). The income tax charge for the year was Rs. 351.1 million which is a 48.8% increase over previous financial year. The increase in income tax was mainly driven by the improved performance of the

Analysis of Operating Expenses
for the year ended 31st March

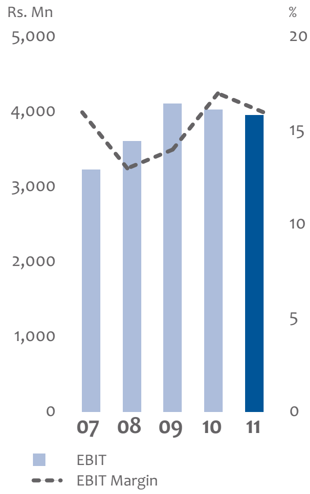


Net Assets Per Share* & Price To Book Ratio
as at 31st March



*The figures for the previous years have been restated taking into consideration the subdivision of shares.

EBIT & EBIT Margin
for the year ended 31st March



tourism sector companies which are taxed at a preferential rate and increased tax on off-shore operations.

The dividend tax for the financial year under review was Rs. 138.3 million which is a 38.5% increase from the previous financial year. The increase in the dividend tax was a result of the Group companies declaring increased dividends during the financial year. The deferred tax reversal for the financial year was Rs. 87.1 million, against a charge of Rs. 30.3 million (re-stated) in the previous financial year. The deferred tax reversal for the current financial year resulted from substantial recognition of deferred tax assets by the Group and the reduction in prospective statutory income tax rates enacted by the Parliament.

The Group's effective tax rate for the financial year was 10.2% compared to 10.9% (re-stated) in the previous year. The Group has continuously maintained a low effective tax rate as a result of its investments in priority sectors of the economy which attract reduced tax rates and industries which generate foreign exchange.

Utilisation of assets

Net Assets per Share

The net assets per share of the Group was Rs. 53.00 at the end of the financial year 2010/11. This was a 13.9% increase over the net assets per share of Rs. 46.54 at the end of the previous financial year. The Price to Book Value (PBV) of the Group increased to 3.06 at the end of the financial year from 1.97 at the end of the previous financial year. This was a 55.3% increase in the ratio and reflected the confidence in which the Group's share is held by the investors.

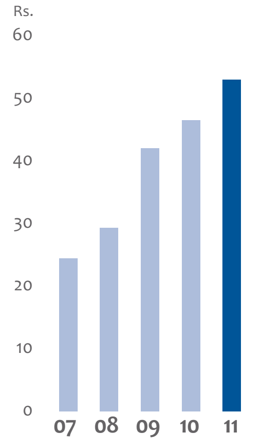
Liquidity

The working capital of the Group increased to Rs. 3.7 billion at the end of the financial year under review from Rs. 2.7 billion at the end of the previous financial year. The increase was a substantial 36.5% and was also reflected in the Group's current ratio which increased to 1.43 times from 1.33 times in the previous financial year. The quick asset ratio of the Group also increased to 1.24 times at the end of the financial year 2010/11 from 1.16 times in the previous financial year. The main reason for the improvement in liquidity ratios was the increase in short term deposits of the Group by 83.4% to Rs. 5.0 billion at the end of the financial year. This resulted from the trade and other receivables balance declining by 22.4% reflecting the improvement in the cash cycle.

Total Assets Turnover

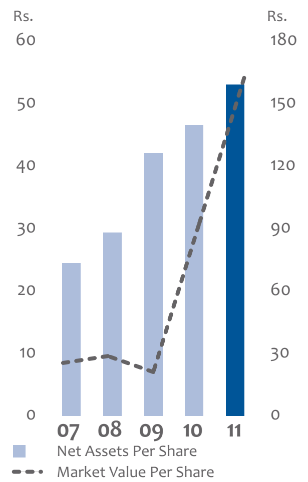
The total assets turnover ratio of the Group was 0.65 times for the financial year under review and was unchanged from the previous financial year. 41.1 % of the Group's total assets are invested in the Tourism sector, while 11.9 %, 37.4 % and 9.6 % are invested in Cargo Logistics, Strategic Investments and Services sectors respectively.

Net Assets Per Share*
as at 31st March



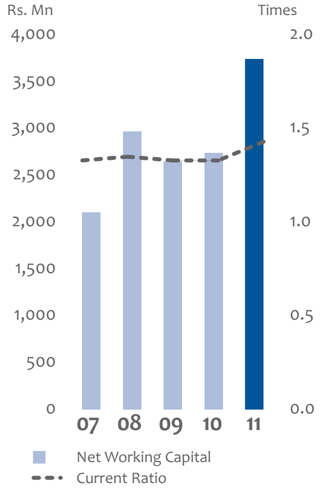
*The figures for the previous years have been restated taking into consideration the subdivision of shares.

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



*The figures for the previous years have been restated taking into consideration the subdivision of shares.

Net Working Capital & Current Ratio
as at 31st March



Here Today.

Financial Review

Capital Expenditure

The Group invested a total of Rs. 2.1 billion on non-current assets during the financial year under review which is a 4.3% growth over the previous financial year. The Group intends to carry out significantly higher capital expenditure in the coming financial years with the major portion earmarked for infrastructure related projects. The total value of the property, plant and equipment held by the Group was Rs. 24.0 billion while the total non-current assets amounted to Rs. 27.5 billion at the end of the financial year.

Return on Equity

The Group recorded a return on equity of 12.6% for the financial year under review compared to 11.5% reported in the previous year. The net profit margin improved to 10.1% from 8.5% in the previous year. The significant improvement in the profitability of the Tourism sector coupled with the results of cost rationalisation and efficiency improvement initiatives undertaken by the Group were the main reasons for the increase in profitability. Financial leverage at the end of the financial year was 1.9 times compared to 2.1 times in the previous year.

Treasury Operations

Management of Group Funding

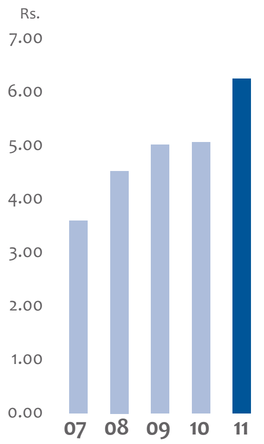
The Group treasury performs the role of managing Group funds so that any surpluses are invested in instruments that are simultaneously sound in terms of credit worthiness and offer the highest possible return. The treasury continuously explores ways and means of borrowing on behalf of Group companies, so that cost of borrowing is minimised, while ensuring idle funds above funding requirements are utilised. The treasury also engages in negotiating for optimum interest rates on deposits and borrowings of Group Companies, so that the negative impact of volatile interest spreads on the Group is minimised. Furthermore fund transfers on behalf of subsidiaries are mostly handled by the treasury.

Proactive measures deployed to invest surpluses and bridge deficits of Group companies enabled the treasury to efficiently manage the pool of funds. Improved liquidity positions facilitated a reduction in finance expenses. The net finance expense of the Group has reduced to Rs. 236.3 million during the year under review from Rs. 697.8 million in the previous financial year by 66.1%.

In order to take advantage of declining interest rates in the domestic money market, the treasury negotiated a syndicated facility on behalf of the Group during the financial year under review. Future developments in interest rates would be closely monitored to ensure interest rate risk is managed prudently.

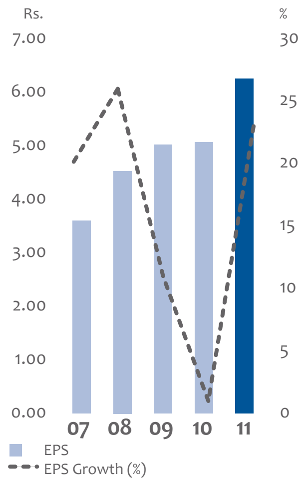
During the financial year under review, interest bearing liabilities repayable within 1 year rose to Rs. 1.7 billion from

Earnings Per Share*
for the year ended 31st March



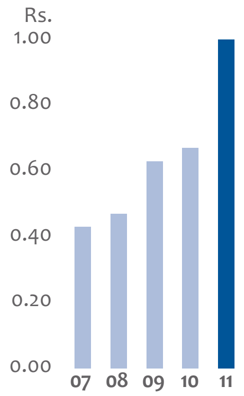
The figures for the previous years have been restated taking into consideration the subdivision of shares.

EPS* & EPS Growth
for the year ended 31st March



The figures for the previous years have been restated taking into consideration the subdivision of shares.

Dividend Per Share*
for the year ended 31st March



** The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Rs. 1.5 billion, while non-current interest bearing liabilities fell to Rs. 4.1 billion from Rs. 5.2 billion, which indicates the shift from long term borrowings to short-term borrowings, thus enabling the Group to benefit from declining interest rates. The Group held approved borrowing facilities in excess of Rs. 5 billion at the end of the financial year 2010/11, from which it could draw to fund investments and working capital. Although cash and cash equivalents were reduced by 10.8% to Rs. 736 million, from Rs. 825 million during the same period short term deposits increased by 83.4% to Rs. 5.0 billion

The treasury is exploring the implementation of a cash pooling arrangement on Group funds to realise synergetic effects and minimise interest costs and enhance the efficiency of managing funds. Adjusting the duration of the fixed income securities portfolio is also expected to draw considerable attention, depending on the direction of interest rates in the future.

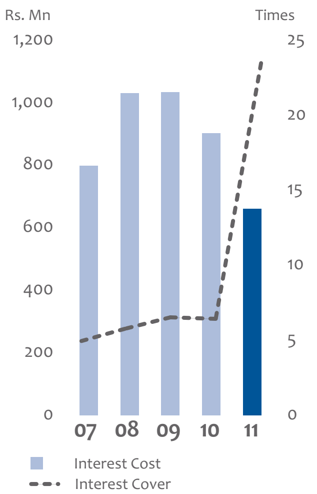
Interest and Foreign Exchange Management

During the year, commercial bank's Average Weighted Prime Lending Rate continued to ease gradually to end at 9.29% in 2010, from 10.85% in 2009. Following a gradual build up in the country's foreign reserves, the Central Bank of Sri Lanka cut its benchmark Repurchase Rate by 0.25% in two moves to 7.00% and its benchmark Reverse Repurchase Rate by 1.50% in three moves to 8.50%. During 2010 3, 6 & 12 – month weighted average Treasury Bill yields fell from 7.73%, 8.73% & 9.33% respectively to 7.24%, 7.35% & 7.55%. By monitoring interest rate movements in the money market, the treasury managed to strategically increase the duration of its fixed income securities portfolio by making purchases at opportune moments.

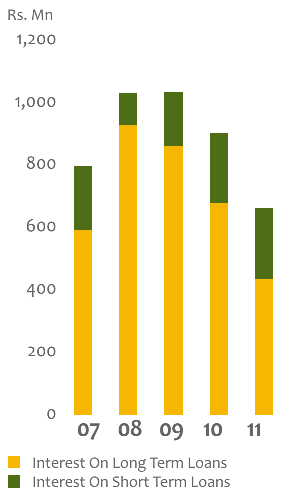
In a year during which the US Dollar declined against the Sri Lankan Rupee, the treasury managed to make use of plain vanilla forward exchange contracts to hedge the exchange rate risk of inward remittances of Group companies. Sharp vigilance by the treasury helped provide regular updates on market movements to keep Group companies up-to-date on pertinent trends, market moving factors and key support and resistance levels that prevailed thereby providing useful insights to make proper and more informed decisions on exchange rates and interest rates. The treasury was also able to recommend suitable tools for subsidiaries, to hedge their respective exposures to interest rates and exchange rates.

The relatively low forward exchange premiums prevailing at present could somewhat impact exchange gains in the near future. Interest income could also decline due to the prevailing low interest rates in the market. However, if inflationary concerns in the country begin to shows signs of escalating, the treasury would be concentrating on the short end of the yield curve in deploying excess funds in

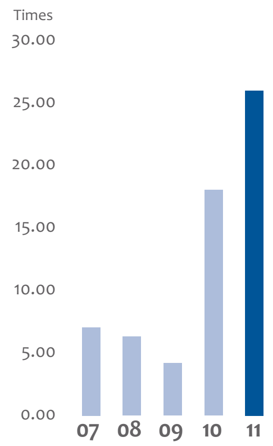
Interest Cost & Interest Cover
for the year ended 31st March



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



Price Earnings Ratio
as at 31st March



Financial Review

order to capitalise on a probable increase in long term rates in the future.

The treasury expects foreign exchange and money markets to be high in volatility during the forthcoming financial year, with quantitative easing in the United States fuelling the ongoing asset bubble, debt issues in the Euro-zone, natural disasters across the globe and political tensions in the Middle East already posing significant challenges. The treasury will continue to monitor these developments in order to provide optimum returns to the Group.

Shareholder Returns

Earnings per Share

The Group reported an earnings per share of Rs. 6.25 for the financial year under review which was a healthy 23.3% growth relative to the previous financial year. The company also announced a share split of 15 shares for every existing ordinary share in issue during the year under review thereby significantly enhancing the market liquidity of its share.

Market Price per Share and Market Capitalisation

The market price of the company's share was Rs. 162.30 as at the end of the financial year 2010/11 compared to Rs. 91.58 (adjusted for the share split) at the end of the previous financial year. The growth in the share price during the period was 77.2% which is a clear reflection of investor confidence in the company and the Group. The lowest price at which the share traded during the year under review was Rs. 89.33. (adjusted for the share split) whilst the highest traded price was Rs. 233.33 (adjusted for the share split). The total value of the shares traded during the year amounted to Rs. 19.5 billion. The market capitalisation of Aitken Spence PLC was Rs. 65.9 billion at the end of the financial year which was 2.72% of the total market capitalisation of the Colombo Stock Exchange.

Price Earnings Ratio

The price earnings ratio of the company at the end of the financial year 2010/11 was 25.97 times compared to 18.05 times at the end of the previous financial year. The price earnings ratio at the end of the financial year is both a reflection of the increased shareholder value created by the company during the year as well as the increased investor activity in the Colombo Stock Exchange which has driven market valuations to somewhat unrealistic heights. The market price earnings ratio was 25.73 times at the end of the financial year and the company's multiple was at a 0.93% premium to the market multiple.

Dividends per Share

The Board is recommending a first and final dividend payment of Rs. 1.00 making the total dividend Rs. 1.00 for the financial year. The dividend per share was Rs. 0.67 in the previous financial year.

Total Shareholder Return

The Group delivered a total shareholder return of 78.3% for the financial year 2010/11 compared to 339.3% in the previous year. The total shareholder return has declined in the financial year under review mainly due to the lower percentage share price appreciation during the year though it is a clear reflection of the Group's potential for shareholder value creation in the future.

Compliance with International Financial Reporting Standards

Sri Lanka has committed to comply with International Financial Reporting Standards (IFRS) by the year 2012. 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 fully comply with IFRS requirements.

The Group has undertaken a gap analysis exercise with the assistance of an internationally reputed accounting firm to identify any deviations in its current practices from IFRS. This exercise is aimed at ensuring the complete preparedness of the Group when IFRS based reporting becomes mandatory in Sri Lanka. The Group will also take steps to comprehensively train all employees during the financial year 2011/2012 who will be engaged in IFRS reporting.

Foreign Currency Generation

Foreign Currency Generation	2010/11 Rs.'000	2009/10 Rs.'000	2008/09 Rs.'000	2007/08 Rs.'000	2006/07 Rs.'000
Tourism Sector	10,906,775	9,367,237	7,605,646	7,659,662	5,234,708
Cargo Logistics Sector	1,103,979	859,174	610,843	417,294	627,405
Strategic Investments Sector	1,014,282	1,434,024	1,180,318	1,410,083	1,105,316
Services Sector	195,965	182,944	226,097	195,842	47,577
TOTAL	**13,221,001**	**11,843,379**	**9,622,904**	**9,682,881**	**7,015,006**

The Groups contributions towards the foreign currency generation to Sri Lanka from operations carried out either directly or indirectly amounted to Rs. 13.2 billion for the year under review. This was in comparison to Rs. Rs. 11.8 million generated the previous year.

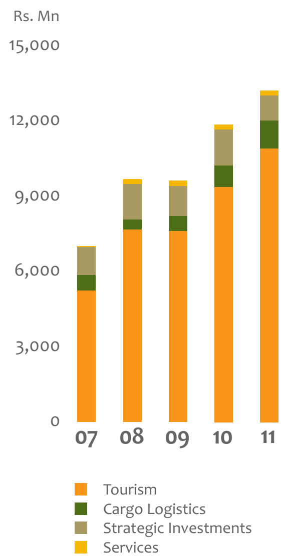
The tourism sector generated Rs. 10.9 billion and was the highest contributor accounting for 82.5% of the total generation for the year. This was a 16.4% growth over last year.

The Cargo Logistics sector recorded a generation of Rs. 1.1 billion for the year which was a 28.5% year on year increase. This was mainly fueled by the increase in revenue generation recorded by the sector for the year.

The services sector achieved a marginal growth of 7.1% for the year while the strategic investments sector recorded a decline of 29.3% to Rs. 1.0 billion for the year. The decline in strategic investments sector was due to the Group's divesture from Talawakelle Tea Estates PLC.

During financial year 2010/2011 the cross rate of USD to Sri Lankan rupee declined by 3.1% from 113.90 to 110.35. Meanwhile the EUR to Sri Lankan rupee rose 1.4% from 154.50 to 156.65, as a result of the EUR appreciating against the USD internationally in spite of debt related issues in the Euro-Zone.

Foreign Currency Generation
for the year ended 31st March



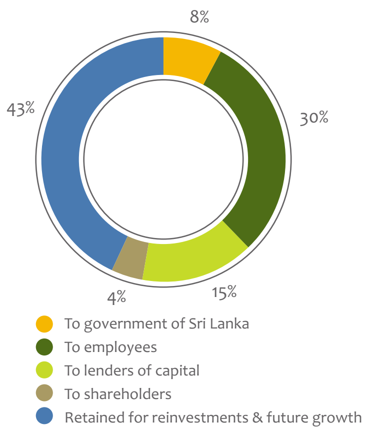
Statement of Value Added

		2010/11 Rs.'000		2009/10 Rs.'000		2008/09 Rs.'000		2007/08 Rs.'000		2006/07 Rs.'000
Total revenue		25,143,811		24,168,970		29,307,818		27,515,960		19,765,632
Purchase of goods & services		(15,947,674)		(15,700,541)		(21,862,281)		(20,514,679)		(14,098,869)
		9,196,137		8,468,429		7,445,537		7,001,281		5,666,763
Other operating & interest income		749,168		438,666		810,188		517,569		459,537
Share of associate companies profit		95,304		19,102		(9,239)		132,452		33,958
Total value added by the Group		10,040,609		8,926,197		8,246,486		7,651,302		6,160,258
Distributed as follows										
To government of Sri Lanka (income tax & turnover tax)	8%	802,155	8%	739,885	8%	635,783	7%	557,188	9%	533,925
To employees (salaries & other costs)	30%	3,055,354	29%	2,624,483	27%	2,216,935	27%	2,077,107	26%	1,588,736
To lenders of capital (interest on loan capital & minority interest)	15%	1,552,704	20%	1,829,540	25%	2,062,444	26%	2,019,058	26%	1,621,798
To shareholders (dividends)	4%	405,996	3%	270,664	3%	257,131	2%	189,465	3%	175,931
Retained for reinvestments & future growth (depreciation & retained profits)	43%	4,224,400	40%	3,461,625	37%	3,074,193	38%	2,808,484	36%	2,239,868
	100%	10,040,609	100%	8,926,197	100%	8,246,486	100%	7,651,302	100%	6,160,258

The existence of an organisation is dependent on its value creation. The value created by the operations of the Aitken Spence Group during the year 2010/11 and the distribution of this value created is presented in this statement along with a comparison of the value added by the Group for the last five years.

The Aitken Spence Group through its operations during the financial year recorded a total value addition of Rs. 10.0 billion which was a 12.5% increase over the previous year. 30% of the total value added was distributed amongst the employees of the Group while the distribution to lenders of capital saw a marked decline during the year to 15% of the total value addition. This was in comparison to a distribution of 20% of the value created to lenders of capital the previous year. The Group allocated 4% of the total value creation for the payment of dividends and 8% of the total value addition was paid out in the form of tax to the government authorities. 43% of the total value addition of the Group was retained for future re-investments and growth of the Group's operations.

2010/11 Distribution of Wealth Created



Risk Management

1. Introduction to Risk Management

Risk can be defined as the probability or threat of a liability, loss or other negative occurrence, caused by external or internal vulnerabilities which would affect the desired objectives. Vulnerabilities mean an exposure that is related in some way to an adverse outcome. Therefore Risk represents vulnerabilities that could prevent achievement of the Group's objectives.

Risk management is the process of analysing exposure to risks by identifying vulnerabilities and their probability of occurance in order to determine how best to handle such exposure. Risk management is concerned with implementing various policies, procedures and practices that work in unison to identify, analyse, evaluate, monitor and prioritise risks, followed by application of coordinated and economical solutions to minimise the probability and impact of identified vulnerabilities. Transferring risks to outside parties, lessening the negative effect of risk and avoiding risk altogether are considered as risk management strategies across the Group.

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 natural hedge against the positive correlation of business and environmental risks, it also exposures the Group to a wider range of risks and opportunities. These risks have been broadly categorised as follows,

A. Strategic Risks
B. Financial Risks
C. Operational Risks

Strategic Risk	Financial Risk	Operational Risk
Business Risk	Credit Risk	Employee Risk
Competitive Risk	Investment Risk	Legal Risk
Market Risk	Foreign Exchange Risk	Operation Risk
Political Risk	Interest Rate Risk	Fraud Risk
Socio - Economic Risk	Liquidity Risk	Reputation Risk
		Technology Risk
		Regulatory Risk

2. Importance of Risk Management

Globalisation and technology have brought about astonishing changes in both domestic and international markets. In the past, the single key recognised risk was credit risk. The changes embracing the financial world have resulted in many more new risks being added to the myriad of risks in the midst of which businesses need to operate in today. Experience shows that often in most of the downfalls in industry, the persons responsible seldom thought about risks nor had planned for them in advance.

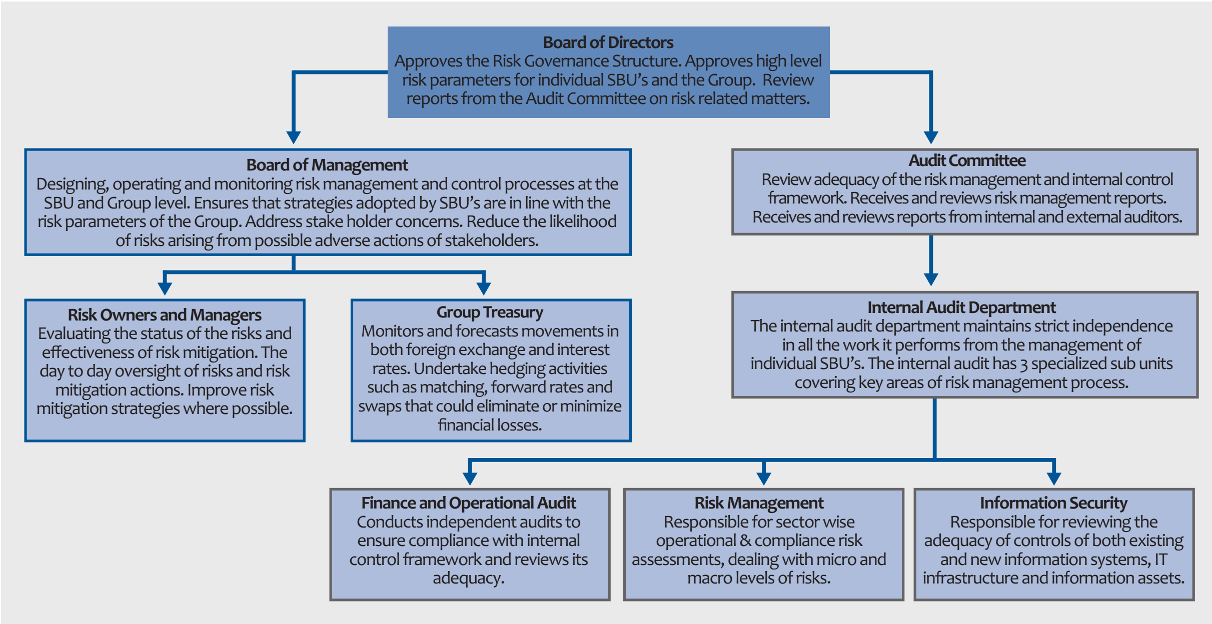
Many of the risks faced by the Group are in the form of uncertainties or emerging risks which may be difficult to quantify or control. Nonetheless, the Group has recognised the importance that these are identified and that there are options to deal with such risks if they eventuate.

As a result, the Group has identified the role of Board of Directors and their responsibilities in managing all risks affecting the Group. Further information concerning Board responsibilities, in Risk Management are described in the section on risk management structure. In each area, the Board of Directors is supported by members of the Board of Management and the Audit Committee and Managers with key functional responsibilities.

Effective risk management is critical in achieving the Group's strategic objectives in a highly uncertain and competitive environment. Aitken Spence has a comprehensive system of controls in place to manage risks. The Group conduct regular reviews of the major risks which may affect our business and its financial performance. Risks are identified, evaluated and mitigated through a combination of a 'top-down' (driven by the Board) and 'bottom-up' (originating from the operations) approach.

Risk management is also a key element of Aitken Spence 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 that give assurance to stake holders of the existence of a process that regularly reviews the risks faced by individual sectors of the Group.

3. Risk Management Structure



4. Risk Management Process at Aitken Spence

The AitkenSpence Group has established and adheres to a comprehensive risk management framework at both the Strategic Business Unit (SBU) and Group level to ensure the achievement of its corporate objectives, within a well managed risk profile. In formulating this framework, the Board of Directors and Senior Management have identified and taken in to consideration the Group's key business objectives, goals and strategies.

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 mitigate these risks.

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. Action taken to deal with these risks will range from strategies of acceptance, mitigation and avoidance or transfer of the risk, depending on the nature of the risk. 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.

5. Changes in the Risk Profile of the Group

The categories of risks faced by the Group and their significance with regard to the threat they pose to the Group's activities are shown below. The movement in the significance of these risks from the previous financial year to the current financial year is identified in the table below.

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

6. Risks faced by the Group and mitigation strategies implemented

Business Risk	Implication	Mitigation Strategies — Risk rating - High
Circumstances or factors that may have a negative impact on the operations or profitability of the business. Business performance may be adversely affected due to intense competition, new entrants, change of customer attitudes and/ or unfavourable economic conditions.	Although a gradual recovery from the global financial crisis and subsequent economic crisis was seen during the current year, this positive trend is negated by the political and environmental upheavals in some of the world's major economies. Taking into consideration the above, the Group views the upcoming year with cautious optimism, in regard to the global economy. The Group remains exposed to risks arising from competitors, new entrants and changes in customer attitudes.	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 manages to retain a large and diverse network of suppliers through close working relationships. • 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 behavior and market trends. • Maintains a diversified client portfolio, both geographically and by industry sector. • Aggressively pursuing alternative markets and improving quality. • Appropriate strategies are being undertaken to ensure sustainability of agricultural strategies.
Socio-Economic Political Risk	**Implication**	**Mitigation Strategies — Risk rating - Moderate**
The adverse impact on operations and/or profits as a result of instability in the country, arising from political changes or military activities. Such impacts could arise from a change in government, economic factors, legislative bodies and changes in foreign policy.	The peace brought about in the country by the present political regime will contribute positively towards growth in many sectors including tourism and cargo logistics sectors.	• Group continues to diversify its business activities outside of Sri Lanka so as to reduce its dependence on local operations and the Sri Lankan economy. • 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 ground 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 socio-economic stability within the country. • Concentrating on markets which has more potential in terms of purchasing power.

Risk Management

Legal and compliance Risk	Implication	Mitigation Strategies	Risk rating – Low
The potential for losses arising from the uncertainty of legal actions/or possible losses arising from the misinterpretation of prevailing laws, regulations and contracts. The risk could also arise due to legal or regulatory incapacity despite having adequate documentation which may result in the un-enforceability of contracts with counterparties.	Losses incurred due to unfavourable legal judgments, high legal costs and penalty fees. Loss of image and investor confidence on the intergrity of the Company would be a possible consequence of this risk.	• 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. • Conducting 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 recognises and accepts its responsibilities as a public quoted company, a taxpayer and an employer. Therefore, all statutory and legal requirements are met in all transactions.	
Reputation Risk	**Implication**	**Mitigation Strategies**	**Risk rating – Moderate**
Risk to the Group's reputation that is likely to destroy shareholder value or have negative effect on Group's earnings and corporate image.	Will affect the Group's ability to establish new relationships and/or service/continue existing relationships. It may expose the Group to litigation, loss of clients and partners, financial loss, decline in its customer base, exit of key employees and the resultant difficulty in recruiting talent. Reputation risk will have a direct impact on shareholder wealth and investor confidence.	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; • A business communication unit, with representation from all strategic business units of the Group ensures up to date and accurate communication with all 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 behavior for its staff. • Proactively manages customer satisfaction through regular reviews and intense interaction with customers. 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.	

Operational Risk	Implication	Mitigation Strategies	Risk rating – Moderate
Direct or indirect losses resulting from insufficient or failed internal processes, people and systems, or from external events. This includes risks arising as a result of procedural failures, manual and automated processing errors, human errors, fraud and malice, lack of internal controls, compliance requirements, corporate governance practices, and both natural and man made disasters, problems related to personnel management and commercial disputes.	Disruption of the smooth functioning of business operations and losses incurred thereby. Volatile revenues and difficulties in maintaining and sustaining profitability, business disruptions and system failures, damages to physical assets, internal and external fraud, loss of competitiveness, hampered productivity, loss of competencies over competitors, hindrance to expansion, damages to reputation, high cost of legal & penalty charges are manifestations of how this risk could affect the business.	• 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 Application software ensures adherence with the required internal controls due to automation. • Business continuity plans are formulated for all sectors of the Group to ensure smooth operations even at a time of disaster. As a part of this process, all natural and man made disasters that can have an adverse impact on each of the sectors are being identified and preventive and mitigation strategies are based on the potential loss and probabilities of occurrences. • The Groups disaster recovery (DR) plan was strengthend during the year with the implementation of the DR Site. • Strong centralised support of technology, financial and human resources covering all SBU's of the Group. • Group has established formal policies and procedures for business conduct and procurement.	

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. In the country, during 2010/11, the interest rates initially declined and later stabilised at relatively low levels.	The Group manages and mitigates its interest rate risks through its centralised treasury department. It adopts a number of strategies including the following; • 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's short-term borrowings is minimised by obtaining facilities on favorable terms from commercial banks. The Group aggressively negotiates with competing banks to obtain favorable terms for short term borrowings. • The Group through the efficient management of rupee cash flows ensures that it earns an interest yield, which is on average, higher than the market yield on short term investments. The process includes netting of subsidiary cash flows and negotiation of preferential rates by the central treasury. • The adverse impact of movements in interest rates on long term borrowings are mitigated by interest rate swaps where applicable. • 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. The Group treasury negotiates with banks and financiers to obtain the best possible interest rate for Groups' borrowings and investments.	

Risk Management

Foreign exchange Risk	Implication	Mitigation strategies	Risk rating – Moderate
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.	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.	Group Treasury manages the exposure arising from this risk as follows; • 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.	
Employee Risk	**Implication**	**Mitigation strategies**	**Risk rating – Moderate**
Risks arising from the inability to attract, motivate and retain skilled and experienced staff.	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. Loss of sensitive information could adversely affect the image of the Group. Increased human error is another potential outcome of this risk.	• 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.	

Technology Risk	Implication	Mitigation strategies	Risk rating – Moderate
Potential risks would include; • Malicious software and its impact on performance, information loss and unauthorised access. • Loss of business opportunity due to out-dated systems and non-adaptation of new technology. • The loss of business due to inadequate preparation for failures of systems, links and improper capacity planning. • Breach in systems security leading to unauthorised access, intentional or otherwise, by both internal and external users.	These risks can result in • Loss of information technology services resulting in disruptions to the Group's routine operations and replacement costs of equipment damaged and loss of data. • Breach in confidentiality.	• 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. • Link failure events are treated as likely and a dual service provider link infrastructure, 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. In addition, automated monitoring of system failures and alerting systems to minimise the down time are in place. There is a DR plan for key applications. • 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. • A comprehensive review of IT security was undertaken by the Group with external consultants. • The Group's IT policy is being updated to reflect the changes in the technological environment. • A technological road map is being developed to identify future technological changes which may need to be adopted to the Group's advantage.	
Investment Risk	**Implication**	**Mitigation strategies**	**Risk rating – Moderate**
Risk of a poor performing investment and uncertainities attached to making an investment that may not yield the expected returns.	Deterioration of shareholder value due to the loss incurred and the decline in investor confidence.	• 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 potential profitability of the investment.	

Here Today.

"We know with certainty that our Human Resource has been our foremost strength – throughout the past, at present and certainly will be, in the future. As the Group embarks on a new phase of growth and expansion, we acknowledge that the expertise and readiness of our team will play a pivotal role in how Aitken Spence realises the full potential."

Human Resources

Aitken Spence has always taken leadership in human resource management in Sri Lanka. We know with certainty that our Human Resource has been our foremost strength – throughout the past, at present and certainly will be, in the future. As the Group embarks on a new phase of growth and expansion, we acknowledge that the expertise and readiness of our team will play a pivotal role in how Aitken Spence realises the full potential of new opportunities available both in Sri Lanka and overseas.

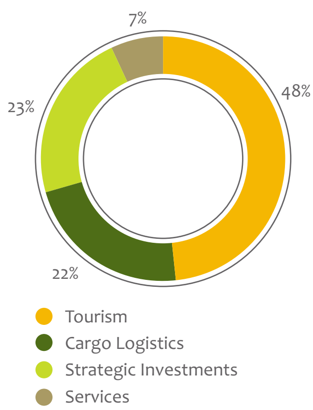
The new conditions of a post-war economy moving from a phase of stabilisation to a more vibrant level of activity, presents a unique set of challenges for HR at Aitken Spence. In response, the Aitken Spence HR Strategy for the year focused on the three strategic thrusts of consolidating its support to the Group's overall strategy and operations, investing in people and diversifying beyond the traditional role of HR.

Long-established conglomerates with a strong presence in diverse sectors of the economy, such as Aitken Spence, enjoyed a competitive advantage over others when attracting key talent and retaining it for longer within a war-affected economy. Today, many more potential employees, especially those representing the younger age groups, are willing to take bigger risks with fledgling startups, seek overseas employment, look for opportunities of migration and demand a new work culture and work ethic.

The new challenge is the retention of key employees – those who have an impact on the organisation's growth - in order to stay competitive. In facing this, we adopted a transparent approach of clearly sharing with such employees the long-term plans of the organisation and the opportunities to grow within the organisation, in order to incentivise them to consider long-term commitment to the Group.

Going forward, the goal of the Group's HR strategies will be the retention of knowledge workers, which necessitates

Sector-wise Employee Analysis



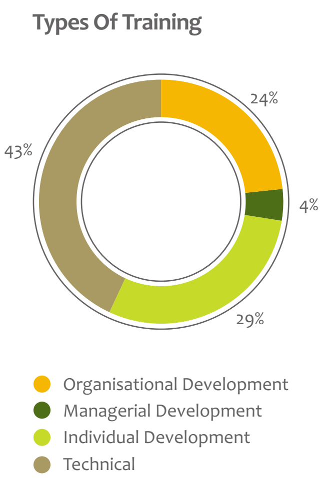
Human Resources

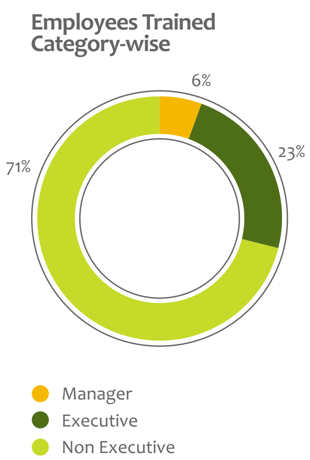
the introduction of innovative reward systems. Already, the Group has moved its entire cadre on to a pay-for-performance structure, replacing the traditional structure of employee bands and categories.

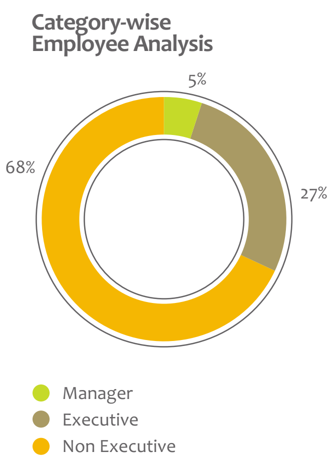
We continued with 'The Young Executives Meeting', an opportunity for some of the brightest young stars in the Group to interact with the senior management team of the Company. The forum allows them to share their ideas for the development of the Company and to raise pertinent questions to the management.

A project was initiated during the year to identify critical roles in subsidiaries with the objective of identifying those jobs that have a very high impact on productivity and thereby the profitability of the Group. The findings will facilitate the decisions on recruitment, succession planning, compensation strategies and cadre planning.

We also recognised that the new challenges could be managed through a greater focus on management development and training. The intensity of training was thus increased, with 6,998 employees participating in organisational, managerial, individual and technical







Here Tomorrow.

development programmes conducted across the Group for all levels of staff.

Over 100 employees participated in the Management Training Programme (MTP), which is recognised as the license to manage at Aitken Spence. MTP is based on the philosophy of managing scientifically with respect to humanity and gives the trainees an opportunity to simulate practical aspects of management and thereby confidently apply theory in practice.

The latest training modules included 'Marketing of HR' and 'HR for professionals' novel programmes that enable both HR and non-HR professionals to understand the HR process and internally market the same.

One more aspect of successfully facing post-war challenges was responding positively to the needs of today's youth,

"The Group's reputation as one of Sri Lanka's foremost HR practitioners has enabled Genuity, the HR outsourcing arm of Aitken Spence to cap a successful year. Genuity conducted a series of local and overseas programmes for customers during the year, including its first overseas programme in Oman..."

known as Gen Y, whose expectations are of a workplace with a flexible style of operation and a semi-formal culture sans traditional rigidity. The successful management of Gen Y employees hinges on the ability of our organisation to make faster decisions and be ahead of the pace of business. In this respect, we have taken into account their needs and ideas when taking crucial management decisions.

Yet another change we see in the new milieu is the increasing consciousness about work-life balance and at Aitken Spence, we have honed our employee-friendly policies further in order to build in a culture that values opportunities for sport and recreation. The Sports Club of Aitken Spence organised many events and activities in the past year, including a sports day, bowling tournament, club night, beach party, Christmas carols and a 31st Night Dinner Dance while the company has made available holiday bungalows in Nuwara Eliya and Nilaveli, Trincomalee for its staff.

The Human Resource Information Sysytem (HRIS) makes real time management information available at their fingertips to all key decision makers. The system has significantly reduced time, cost and man hours and has moved basic tasks such as performance appraisals, training and development, and employee life cycle into a more efficient and effective online platform. We constantly make efforts to absorb technology to make our processes simpler

Here Today.

Human Resources

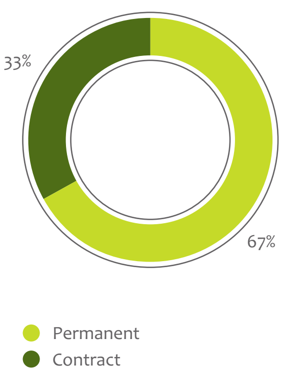
– one of the success stories in this endeavour is that today, almost all vacancies are filled online.

During the year, the Human Resources function was strengthened to support the strategic thrusts of the Company. Group HR activities in Sri Lanka and the Maldives were centralised from April 2010, creating more uniformity in the HR strategies practiced across the Group. Regular improvements were also made to existing HR policies in response to current needs.

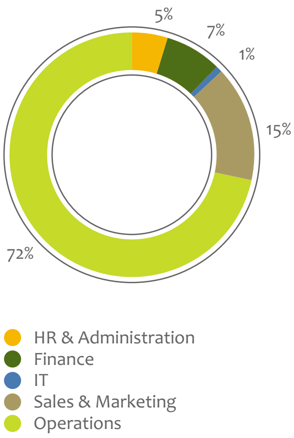
In order to infuse stronger industry knowledge in to HR specialists at Group level, an organised Industrial Training programme was implemented which gave managers first-hand experience of the operational realities of each business. It is hoped that this exposure would result in HR Managers who are more empathetic in their service, are able to customise their solutions and perform the role of a Business Partner. The programme which has already covered the hotels and logistics sectors will be rolled out in the other sectors in the coming year.

We embarked on the creation of a central database of job descriptions for all executive positions within the company. A central repository of such information was critical given

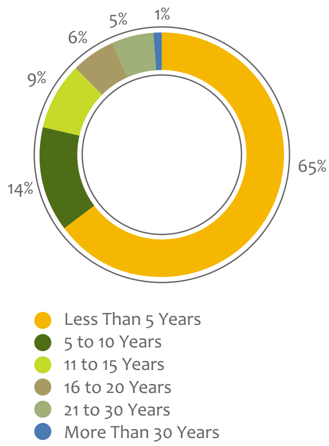
Employment Types



Functional Analysis



Length Of Service



the Group's current size and diversity and its plans for expansion.

From July 2010, we introduced compulsory HR Interviews for all executive level appointments prior to commencing employment, resulting in the involvement of GHR in every recruitment that takes place in the Company. In addition, special orientation programs were conducted for employees joining our operations in the Maldives and South Africa, as we believe in the importance of preparing them to handle situations in a foreign country in order to increase productivity and decrease turnover.

In order to garner feedback about the human resources culture and management at Aitken Spence, we streamlined our 'exit interviews' process so that the input of departing employees could be utilised to create an improved workplace for existing employees.

The 7th annual 5S competition commenced in November 2010 and included 33 subsidiaries, the highest number of participants since the launch of the competition in 2002. A highlight was the participation of all the Maldivian Resorts, the first time that a foreign subsidiary was a part of the competition. '5S Champions Competition' was the theme this year, as most subsidiaries now maintain 'Champion' standards. Three new categories were introduced into the awards list, namely 'Best Computer 5S', a novel concept highlighting the importance of organising documents maintained in the computer for increased efficiency, '5S Champion' and 'Best Cost Saving Practice'.

The Group's reputation as one of Sri Lanka's foremost HR practitioners has enabled Genuity, the HR outsourcing arm of Aitken Spence to cap a successful year. Genuity conducted a series of local and overseas programmes for customers during the year, including its first overseas programme in Oman on strategic planning, budgeting and forecasting. The event was organised in collaboration with Business Process Outsourcing Services LLC – Oman (BPOS).

We have also extended our expertise to develop the human resources of the communities in the places where we operate. In the North and East for example, we have laid the groundwork for an agriculture project on grown-owned property which will help generate new employment opportunities in the area. We have also absorbed two batches of students into our Hotel School in order to create a skilled workforce that can meet the demands of the expected tourism boom in the East.

Here Today.

Aitken

HERE TO

Here Tomorrow.

Spence

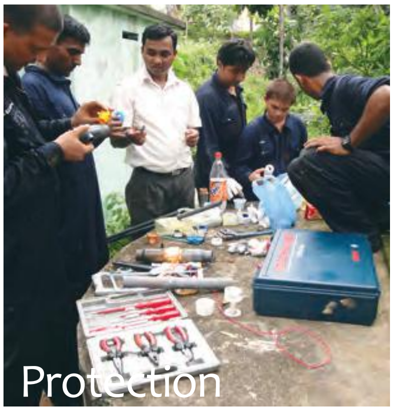
O STAY.

Today. Tomorrow. And the day after.

As one of the nation's biggest diversified conglomerates, a highly evolved vision of sustainability is crucial. At Aitken Spence, we have chosen to apply stringent governance across every one of the giant sectors we currently operate, in order to raise the benchmark of sustainability for ourselves and for all those we interact with.

In all this, the task of creating value for our shareholders and customers while taking the long term view of every project undertaken remains a priority.

Here To Stay.



"The Aitken Spence Group, over the years, has been known for its focus not merely on its financials, but more importantly on reaching our business goals under a principle of sustainable development where priority is given to the Triple Bottom Line."


Support


Accountable


Responsible

Here To Stay.

"Our integrated sustainability policy is, in effect, a proactive long term strategy that allows us to address issues that may affect future viability, right now; ensuring that we are here today, here tomorrow. Today, all of our employees know that in the final equation, our commitment to sustainability makes strong business sense – by building long term value for our shareholders."

Sustaining Good Practice.

Sustainability Report

A sustainable business model

As Aitken Spence completes a year since the roll out of the Group's Integrated Sustainability Policy, I am happy to note the progress made across our subsidiaries in instituting awareness of sustainability principles and of the manner in which corporate sustainability becomes a means of competitive advantage.

Our integrated sustainability policy is, in effect, a proactive long term strategy that allows us to address issues that may affect future viability, right now; ensuring that we are here today, here tomorrow. Today, all of our employees know that in the final equation, our commitment to sustainability makes strong business sense – by building long term value for our shareholders.

The business model of the future is one that focuses on sustainability; and the vastly changing global conditions during the past few years have been ample proof of the consequences of short sighted policies and practices. Challenges such as resource scarcity and climate change are compounded by natural disasters and man-made disasters such as financial crises and rising inequality; how the world responds today will shape our destinies tomorrow.

The Integrated Sustainability Policy, a quantum leap in the formal institution of sustainability at Aitken Spence, has now been fully unrolled and is being implemented on tier basis. An integral aspect of the strategy is to encourage subsidiaries to champion a sustainability issue which is strategic to their business and the industry in which they operate creating a competitive advantage. We are pleased to report that all strategic business units have commenced focused initiatives on this front.

The structure, spread and diversity of our businesses pose inherent difficulties to the development of a common platform for sustainability. It is then an endorsement of the in-house talent that manages issues of sustainability that Aitken Spence was ranked No 2 in the STING Corporate Accountability Index of 2011. Our Integrated Policy and its implementation framework was ranked best in Policy Coverage.

We continue to promote and protect the principles of the Global Compact within our sphere of influence. We are actively involved in its promotion within Sri Lanka, with my colleague in the Board, Dr. Rohan Fernando chairing the board of the Global Compact Local Network in Sri Lanka. The company's adoption of the principles is summarised in pages 106 to 107.

During the year, Aitken Spence embraced the United Nations Women's Empowerment Principles, in an effort to strengthen our commitment towards internationally proclaimed human rights. We believe that concerted action on these principles would help businesses perform better by facilitating the development of a stronger human resource.

This year we are making a move from level C to level B in our sustainability reporting utilising capacity built internally. I sincerely thank the sustainability champions across the subsidiaries for their commitment to make it happen.

In our report on sustainability, you will find a brief outline of Aitken Spence's drive towards a truly sustainable platform.

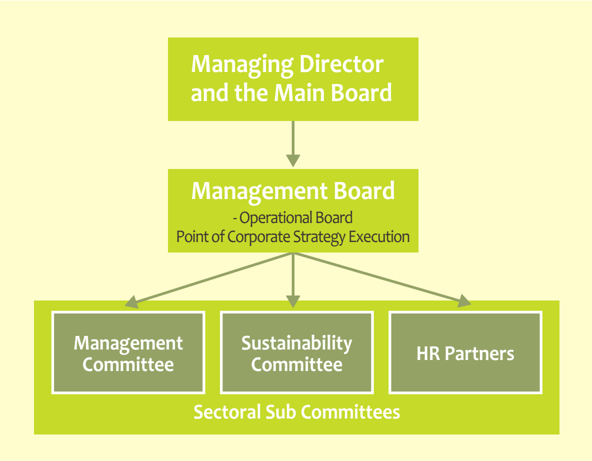
I extend my sincere appreciation to the teams behind the initiatives.

JMS Brito.

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

27th May 2011

Sustaining Good Practice.
Sustainability Report



Reporting methodology

We continue this year to report along the sustainability framework of the Global Reporting Initiative (GRI), which sets out the principles and indicators that organisations can use to measure and report on its sustainability parameters. This report uses the GRI G3 guidelines and meets the application criteria of a self claimed B Level report. The GRI reporting process was driven entirely by the internal expertise of Aitken Spence.

Report content and reporting boundary

This report is presented as an integrated report in the Aitken Spence PLC Annual Report 2010/11. The report covers information pertaining to all owned and managed operations, which includes operations in Asia and South Africa. Activities discussed in this sustainability report were performed at Group entities in Sri Lanka and the Maldives for the reporting period between 1st April 2010 to 31st March 2011.The report's disclosure covers owned operations in Sri Lanka and Maldives.

Data related to subsidiaries has been obtained through the main representative of each subsidiary's sustainability sub committee, who coordinates with the relevant personnel operationally in charge of the data to maintain records and submit information for reporting. The information so obtained includes information on energy consumption, water consumption, waste management, quality assurance, performance against targets and other activities. This process involves some limitation as there are some occassions where the required data is not available. For example, the amount of water consumed from a ground water well is not measured as opposed to the water obtained from municipal water lines.

Calculation and measurement of the data is based on generally accepted industry norms and standards, and the data is presented in the most comparable manner. For example, energy saving is calculated in multiples of joules and where information is not available to present the data in joules, such as the energy saved due to efficiency improvements in a mini hydropower plant, the electrcity consumption is given in kVA amounts or Watts. Amount of water consumption is given in cubic meters and waste resources are presented in kilograms.

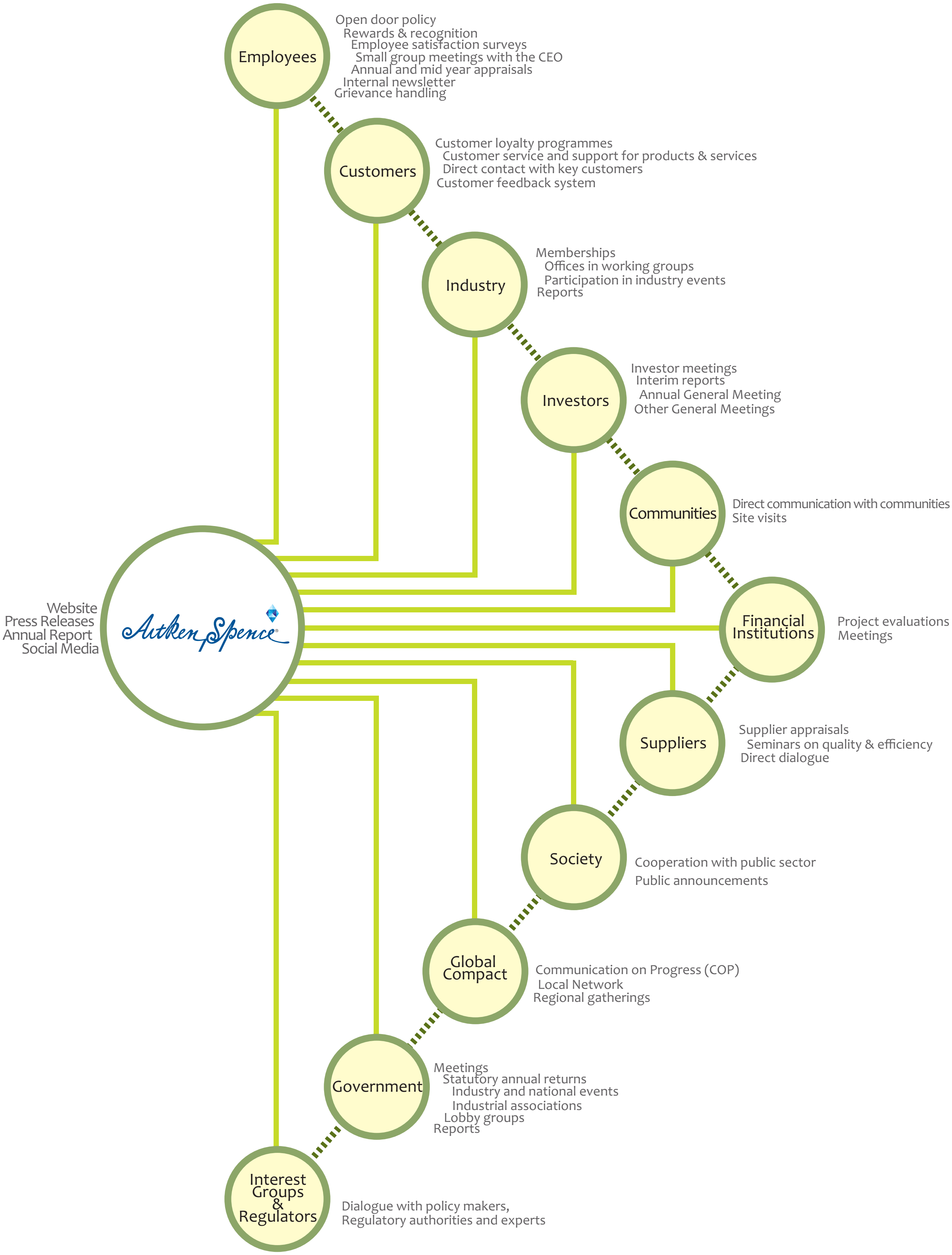
In order to identify the indicators to report on, all performance indicators of significant importance to the Company were shortlisted by the centre (Group Business Development Division). These indicators were filtered through the subsidiary sustainability representatives and the respective personnel at their subsidiaries to narrow it down further. Based on the feedback received from the subsidiaries we met with the senior management for their feedback. Throughout this process, the materiality of the performance indicators, completeness of the information available and requirements of the stakeholders played a key role in identifying the disclosures for the Group Sustainability Report of 2010/11.

Stakeholder engagement

The ability to engage with its stakeholders in healthy, mutually beneficial, lasting relationships forms the bedrock of a sustainable organisation.

The multiple and diverse relationships built by Aitken Spence across industries and society have been formed on trust, mutual respect and undertsanding and have been developed over time.

There are many channels in place, as illustrated in the diagram, to facilitate engagement with these stakeholders


Employees
Open door policy
Rewards & recognition
Employee satisfaction surveys
Small group meetings with the CEO
Annual and mid year appraisals
Internal newsletter
Grievance handling
Customers
Customer loyalty programmes
Customer service and support for products & services
Direct contact with key customers
Customer feedback system
Industry
Memberships
Offices in working groups
Participation in industry events
Reports
Investors
Investor meetings
Interim reports
Annual General Meeting
Other General Meetings
Communities
Direct communication with communities
Site visits
Website
Press Releases
Annual Report
Social Media
Aitken Spence
Financial Institutions
Project evaluations
Meetings
Suppliers
Supplier appraisals
Seminars on quality & efficiency
Direct dialogue
Society
Cooperation with public sector
Public announcements
Global Compact
Communication on Progress (COP)
Local Network
Regional gatherings
Government
Meetings
Statutory annual returns
Industry and national events
Industrial associations
Lobby groups
Reports
Interest Groups & Regulators
Dialogue with policy makers,
Regulatory authorities and experts

Sustaining Good Practice.
Sustainability Report

so that the Company and the Stakeholder both receive continuous feedback. At Aitken Spence, the feedback thus received is analysed based on the relevance and priority of each stakeholder group and informs our internal judgment about business priorities.

Stakeholders are chosen based on relevance and priority and the feedback we receive informs our own internal judgement about the priorities for our business.

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

Integrated Sustainability Policy

The Integrated Sustainability Policy, unveiled during the 2009/10 financial year was further ingrained within our businesses with the objective of creating sustainable value and driving reliable growth.

The policy attempts to encapsulate all issues related to sustainable development which we deem important to maintain the viability, profitability and integrity of the company. The policy encompasses 19 clauses on compliance, ethical conduct, environment, community outreach, sustainable processes, governance, stateholder engagement, quality, customer service, talent management, innovation, safety and health, human rights, information security, continuous improvement and credible reporting.

These clauses are linked to an implementation framework and each policy clause has actions to be completed by the subsidiaries. All actions are classified into a tier system according to essential actions, expected actions and exemplary actions where tier I outlines the essential actions which must be practiced across all subsidiaries.

Strategy

The sustainability strategy of Aitken Spence is a three pronged strategy flowing from the Integrated Sustainability Policy. At the second level of implementation, the strategy encompasses a strategic differentiation exercise at subsidiary level, which involves each subsidiary identifying a sustainability platform which can serve as a competitive advantage. Once this strategic exercise is complete, the next step will be identifying a Group differentiation for Aitken Spence, which takes into account the diversity and nature of its many businesses.

Our aim for the next year is to complete the implementation of all tier I action points of the policy by 90 – 100% by end December 2011. As of March 2011, we had already reached the 50% mark. In parallel, the Sustainability

Team is in the process of implementing a system for supporting and protecting human rights, drafting EMS documents to specify the systems and procedures, establishing OHS systems at every work place, corporate communications and the procedures on information security within the Group.

Structure

The Group's sustainability activities are driven by the Sustainability Team of Aitken Spence PLC, which is supported by subsidiary-level sustainability subcommittees which appoint a member each to the Team. The Sustainability Team meets once a month to discuss progress of ongoing activities and new initiatives.

Other significant events & key activities in the sustainability calendar - 2010/11

- Clause 'N' on Occupational Health and Safety was also formally introduced to the Sustainability Team during the year. All subsidiary teams now include a dedicated person monitoring the workplace to ensure the health, safety and welfare of the employees. Training needs for the newly appointed representatives have been identified and relevant programmes are being conducted gradually.

  Aitken Spence Logistics took a special interest in this area and conducted an internal audit of 3 of their facilities to inspect hazards to health, safety and welfare of their employees. Corrective and preventive action was taken for more than 90% of the identified risks and the remaining work is being completed. A half day training programme was conducted for 33 department heads on the Occupational Health, Safety and Welfare Act. The OHS Committee of Logistics has also been reappointed with more representation from all sites and the company hopes to redraft the OHS policy and manual of the company along the guidelines set by OHSAS 18001 and ISO 26000.

- During the last year a clause 'R' on Information Security (IS) was formerly introduced to the Integrated Sustainability Policy. Drafted by the Group IT division, the Policy aligns our systems with international IT security standards. An external audit on IS controls has also been conducted (Futher information is disclosed in the Risk Management report) and further developments to the IS policy will incorporate higher controls.

- As a Group, we are very serious about gradually making ours a paperless office. We currently segregate all paper waste and shred old records for recycling. During the year, the amount of paper recycled from Aitken Spence Towers was 6,506 kg which amounts to 110 trees, 206,760 litres of water, 26,024 kWh of electricity, 11,418 litres of oil and 19 m^3 of land fill saved. Our overall aim is to limit paper usage to only the most critical documents. Towards this goal, Group IT is implementing a Group level Document Management System to manage documents electronically where possible.

Sustaining Good Practice.
Sustainability Report

Recognition

Awards

Aitken Spence PLC	• Silver Award under the Diversified Holdings Category by the Institute of Chartered Accountants of Sri Lanka at the Chartered Accountants Annual Report Awards 2010. • Placed second at South Asian Federation of Accountants, Best Presented Accounts Award 2010 Under the Category Hospitality, Health, Transport and Shipping • Top 10 winner at the Best Corporate Citizen Award - Ceylon Chamber of Commerce 2010 • Community Relations Category Awards Winner at the Best Corporate Citizen Award - Ceylon Chamber of Commerce. • Placed 2nd out of 64 companies in the STING Corporate Accountability Index • Named as 'Best in Class for Policy Coverage' and was the Highest Ranked Diversified Holdings Company in the STING Corporate Accountability Index while maintaining the Platinum Classification for the second consecutive year.
Aviation	• Transforming Customer Services Award 2010 for Colombo won by Mr. Wasantha Kuda Liyanage at the Singapore Airlines CEO Awards Ceremony
Cargo	• Sector Winners- Best Team- Freight Forwarding & Logistics Service Providers - at Sri Lanka's First Ever International Trade & Logistics Quiz
Hotels	• Joint Winner in the Medium Scale Category at the 7th Annual ACCA Sustainability Reporting Awards
	• Only Hotel company to be ranked in the top ten with a Gold classification in the STING Corporate Accountability Index
	Heritance Kandalama
	• Gold Award for the 5 Star Resort Category at the Presidential Awards for Travel & Tourism 2010, awarded by the Ministry of Tourism
	• Presidential Award for Travel & Tourism - 5 Star Resort-Hall of Fame Awarded by the Ministry of Tourism 2010
	• National HRM Award 2009-Hall of Fame Awarded by the Chartered Institute of Human Resource
	• Gold Award Won at the Conde Nast World Saver Award 2010 for Environmental and Cultural Preservation
	• Silver Award for Energy Efficiency awarded by the National Cleaner Production Centre
	• Second place National Productivity Awards awarded by the National Productivity Secretariat
	• Wild Asia Responsible Tourism Award 2010 by Responsible Tourism Asia-Pacific
	• Best Hotel Award for Energy Efficiency 2010-North Central Province
	• Merit Award for Special Projects in the Environment Category at the Best Corporate Citizen Award - Ceylon Chamber of Commerce 2010
	• Two Gold awards, Two Silver awards and a Bronze award won at the Culinary World Cup 2010
	• Special Award presented by Jury President Aloyse Jacoby to Chef Dimuthu Kumarasinghe - Team Manager /Team Coach for Overall Commitment at the Culinary World Cup 2010
	Heritance Ahungalla
	• Service Sector Gold Award 2010, awarded by the National Cleaner Production Centre
	• Merit Award for Energy Efficiency 2010, awarded by the National Cleaner Production Centre
	• Excellence Award for Water Efficiency 2010, awarded by the National Cleaner Production Centre
	• Excellence Award for Material Efficiency 2010, Awarded by the National Cleaner Production Centre
	• Gold award and 2 Silver awards won at the Culinary World Cup 2010

	Heritance Tea Factory
	• Asia Pacific Property Awards for Best Construction & Design (Over 50 Rooms) at the Asia Pacific Property Awards 2010
	• Silver Award-National Cleaner Production- Service Sector 2010, awarded by the National Cleaner Production Centre
	• Excellence Award- Energy Efficiency 2010, awarded by the National Cleaner Production Centre
	• Excellence Award-Water Efficiency 2010, awarded by the National Cleaner Production Centre
	• Excellence Award-Material Efficiency 2010, awarded by the National Cleaner Production Centre
	• 5S Productivity Award, Best Performing Entrepreneurs - Service Sector 2010, by the Department of Industries and Enterprise Promotion, Central Province
	• Star Awards - Best Performing Entrepreneurs (Medium Scale) 2010, by the Department of Industries and Enterprise Promotion, Central Province
	Bandarawela Hotel
	• Best Tourist Hotel in Uva Provice - Wasantha Udanaya 2010, Awarded by the Uva Provicial Ministry of Tourism
	• Best Homestead Development & Landscaping in Uva Province -1st Place - Wasantha Udanaya, Awarded by the Uva Provicial Ministry of Toruism
	Adaaran Prestige Water Villas
	• The World's Leading Water Villa at the World Travel Awards 2010
	Adaaran Select Meedhupparu
	• Thomson Gold Award for Three T category in Maldives
Financial Services	• MMBL Money Transfers (Pvt) Ltd received recognition at the Western Union Asia Pacific Agent Summit in Beijing for the services rendered for over ten years as the oldest and largest Principal Agent in Sri Lanka.
Plantations	• Dunsinane Estate received a Merit Award at the Taiki Akimoto 5s Awards Ceremony Organized by Japan International Cooperation Agency
	• Gulugahande Estate was the Best Child Development Centre in the all Island Competition Organized by the Plantation Human Development Trust
Power	• Aitken Spence Power Generation Horana (Pvt) Ltd was awarded Sectoral Winner for the Safest Workplace in the Engineering Services Sector at the National Safety Awards 2010
Travels	• Ace Conventions & Exhibitions - Presidential Award for Best Conference Organiser and entered the Hall of Fame 2009
	• Aitken Spence Travels - Presidential Award for Best Destination Management Company and entered the Hall of Fame 2009
	• Top Agent Merit Award at the Singapore Airlines Top Agents Awards 2010/2011

Recognition

Certifications

ISO 14001:2004 Certification

Certifications sustained

Ace Power Generation Matara Ltd
Ace Power Generation Horana (Pvt) Ltd
Heritance Kandalama
Heritance Ahungalla
Browns Beach Hotel
Bandarawela Hotel
Earl's Regency
Ramada Resort, Kalutara
Heritance Tea Factory

New certifications

Ace Power Embilipitiya (Pvt) Ltd

EarthCheck Silver Certificate 2010

Heritance Kandalama
Earl's Regency
Ramada Resort, Kalutara
Bandarawela Hotel
Heritance Tea Factory
Heritance Ahungalla

EarthCheck Benchmarked Bronze

Browns Beach Hotel
Neptune Hotel

OHSAS 18001:2007 Certification

Certifications sustained

Ace Power Generation Matara Ltd
Ace Power Generation Horana (Pvt) Ltd

New certifications

Ace Power Embilipitiya (Pvt) Ltd

ISO 9001:2008 Certification

Certifications sustained

Ace Cargo Pvt Ltd
Aitken Spence Cargo Pvt Ltd
Ace International Express Pvt Ltd
Ace Aviation Services Pvt Ltd
Ace Power Generation Matara Ltd
Ace Power Generation Horana (Pvt) Ltd

New certifications

Ace Power Embilipitiya (Pvt) Ltd

ISO 22000/ HACCP: 2005 Certificate

Certifications sustained

Dunsinane Tea Factory
New Peacock Tea Factory
Heritance Kandalama
Heritance Ahungalla
Heritance Tea Factory
Earl's Regency

Hygenically Certified Establishment:SGS

Bandarawela Hotel

New certifications

Talgaswella Tea Factory
Deviturai Tea Factory
Nayapana Tea Factory

Forestry Stewardship Certificate (FSC)

Elpitiya Lifestyle Solutions (Pvt) Ltd. received the Forestry Stewardship Certificate (FSC) accreditation from the Control Union of Certifications of Netherlands, for Forestry Standards with the FSC Chain of Custody (COC) 'Lanka' Group.

Greening SL Hotels Certificate -

Ministry of Tourism, Sri Lanka Sustainable Energy Authority & Ministry of Environment & Natural Resources

Heritance Kandalama
Browns Beach Hotel
Ramada Resort, Kalutara
Hotel Hilltop
Bandarawela Hotel
Earl's Regency
Heritance Tea Factory

Governance
Sustainability Report

The Corporate Governance section of this report carries a detailed explanation of our governance procedures; in this section, we consider more specific efforts that ensure the ethical conduct of our business operations.

The Internal Audit Department of the Company audits all units periodically to make sure that adequate internal control systems are in place to prevent and detect fraud. All employees, including new recruits, are required to know the stipulated procedures and carry out their business activities in accordance with them.

Even in the case of our estates, while all executive staff receives training and awareness at Group learning programmes, Company procedures on anti-corruption and ethical behaviour are mentioned in all appointment letters including those of estate workers.

There have been no incidents reported of non compliance with laws and regulations of the state or voluntary codes of conduct.

Clause P of the Integrated Sustainability Policy encompasses supporting and protecting human rights. The Sustainability Teams have focused on integrating this into business management - the tier I action points of the integrated policy framework describe the essential action necessary to implement the policy clause, including creating awareness about human rights and making sure no violations occur due to lack of knowledge.

The Group has an open door policy where any employee can speak to the Chief Human Resource Officer of the Group, Senior Management or the employee's supervisors/ managers regarding their concerns. The Group Legal Division also has procedures to investigate if any incidents are reported. No incidents of violations of human rights were reported during the year in the Group.

The first of a series of awareness sessions was held for the security staff at Aitken Spence Towers, marking World Human Rights Day in 2010. All personnel in the Group Security Division and about 15 of the externally sourced

security personnel working at Aitken Spence Towers participated.

The second leg of this programme was to create awareness among the sustainability subcommittee members of each subsidiary. Taking material from UNGC guidelines and the relevant covenants on human rights, the content of this segment was checked and approved by a reputed human rights expert in the country. We conducted about 4 programmes covering almost 60% of the subcommittee members spanning almost 10 hours of training. Plans for the year 2011/12 include follow up sessions to cover the remaining 40% of the subcommittee members.

The next step is to meet the subsidiary representatives on a one-to-one basis and discuss what issues each subsidiary might face in protecting human rights at the workplace and to identify what areas need improvement in order to develop a scheme to ensure the protection of human rights at the workplace. We are currently looking into the requirements, using material from the United Nations Global Compact, The Business Leaders Initiative on Human Rights and The Women's Empowerment Principles.

Customer First
Sustainability Report

Aitken Spence believes in the tenets of reliability, trust, quality and service in all our interactions with our customers. Each of our subsidiaries has its own set of customers, whether they be end-consumers, intermediaries or internal customers. The common thread is that all the subsidiaries have a process for obtaining feedback from customers to gauge their satisfaction levels and to generate continuous improvement.

- GSA for Singapore International Airlines contacts customers through feedback forms, emails and calls to measure customer satisfaction on a monthly basis.
- The quality assurance team of Aitken Spence Printing conducts random checks on each job to guarantee service that meets the expectations of the clients.
- Aitken Spence Travels measures customer satisfaction monthly through questionnaires and spot visits.
- MMBL Money Transfer Ltd. obtains customer feedback through sub agents around the country or directly from the customers during head office visits.
- All hotels have a guest satisfaction survey form to identify areas for improvement.
- Our hotels in the Maldives also conduct informal discussions with randomly selected guests.
- Elevators (Pvt) Ltd. communicates with customers at the time of handing over new equipment, during routine service visits and other maintenance appointments.
- Aitken Spence Plantations sends a weekly feedback report with each invoice produced by brokers.
- Aitken Spence Logistics has dedicated executives assigned to each customer to attend to the customer's requirements while a routine customer satisfaction measurement is carried out each month.
- Aitken Spence Cargo conducts periodic customer satisfaction surveys as and when necessary, as per international quality standards.
- These measures are carried out in keeping with the Company's Policy towards product and service quality as well as the requirements of service standards such as ISO 9001, a certification obtained by many of our subsidiaries. Among the new certifications obtained by our subsidiaries are HACCP/ ISO 22000 for Heritance Kandalama and ISO 22000 for the Dunsinane and New Peacock tea factories for food safety management.
- All companies in the Aitken Spence Cargo sector sustained the ISO 9001: 2008 certification during the year. This includes Ace Cargo (Pvt) Ltd., Aitken Spence Cargo (Pvt) Ltd., Ace International Express (Pvt) Ltd. and Ace Aviation Services (Pvt) Ltd. covering all operations.
- Aitken Spence Garments conforms to the standards set by the Garments without Guilt programme of Sri Lanka's Apparel Industry and has received a B level certificate of compliance from Worldwide Responsible Accredited Production in 2010.

Emphasising the importance of customers' opinions to our business operations, our companies have made efforts to ensure new channels are made available for a diverse range of customers. Aitken Spence Companies maintain a strong presence in social media where customers past and present are free to leave their comments and feedback. At the same time, we strive to ensure that our marketing communications are compliant with relevant regulations and standards. This is also addressed in clause 'S' of our Integrated Sustainability Policy.

There were no incidents reported on the breach of customer privacy and loss of customer data arising from our operations during the year.

In future, we plan to influence entities within our supply chain to conform to rules, regulations, standards and best practices that Aitken Spence conforms to.

Battling Climate Change
Sustainability Report

The Environmental Management System (EMS) that is in place across the Group attempts to manage those actions that cause the most significant environmental impacts. For majority of the subsidiaries, the most significant impact to the environment is their consumption of electricity and as such, various measures are implemented to conserve electricity. The sustainability subcommittee has ongoing discussions and assists subsidiaries in identifying where energy consumption can be reduced.

Presented below are the subsidiary-level activities to save electricity. Where no savings were achieved, the reason for the increase in consumption is also explained.

Implemented and managed by Aitken Spence Property Development Ltd., (ASPDL) the Building Management System (BMS) is intended to increase the efficiency of energy usage across the building and attempts to eliminate waste wherever possible.

In addition to the BMS, the efforts of other subsidiaries assist to boost energy saving. Most subsidiaries switch off air conditioners by 5.00pm and have allocated the task to designated persons to ensure it is carried out on a routine basis. Since the air conditioner is the most energy intensive equipment for most, remote controllers for the air conditioner units are kept in accessible locations to control the temperature and to switch off units when possible. Many subsidiaries make an effort to change the behaviour of their staff members by encouraging optimum use of resources and reminding them to be conscious of their utility usage.

The energy saving at Aitken Spence Tower II, calculated after reaching full occupation in 2009/10 is 141,266.77 kWh or 508.56 GJ. The property management division is working towards analysing energy usage with a view to reducing energy wastage further.

This report does not incorporate details related to Aitken Spence Tower I as the building is being renovated and only 5 floors were occupied during the year, making accurate comparison of consumption patterns difficult.

The total quantified energy saving at Aitken Spence Hotels in Sri Lanka for the 2010/11 financial year is 4,610 GJ. The energy savings were achieved without any reductions to service capacity or outsourcing of any parts of their service. Environmental Management Systems were formally introduced to the hotels in Maldives during the last year. More details about the energy management activities of the hotels are given on pages 93 to 95 of this report.

Aitken Spence Logistics formed new sustainability sub committees at each of their operational sites and has encouraged behavioural changes to make the workplace more sustainable. Similar steps were taken at Aitken Spence Garments. Unfortunately, even though savings achieved in the previous year were sustained, the energy saving in 2010/11 could not be quantified for both Logistics and Garments sectors due to lack of accurate comparable data.

Battling Climate Change

Sustainability Report

Aitken Spence Printing experienced an increase in the energy consumption, 50% in peak units and 30% in off peak units, due to increased production capacity. However, the company practices a 'Switch Off' policy and conducts energy audits to identify where energy can be saved.

Influencing energy efficiency: products and services that are energy efficient or renewable energy based

The retrofitting at Aitken Spence Tower II, its BMS and rain water harvesting schemes ensure that we make good use of the natural environment where possible. As explained in greater detail last year, we employ energy efficient lighting, sensors, cooling systems and other equipment such as C-Bus lighting control, water heating through solar panels, LED lighting, occupancy sensors, T5 Low Bright louvre fluorescent fitting with dimming, CFL lighting and energy saving recessed type downlights to manage these initiatives automatically where possible. This is aimed at increasing the efficiency of energy use across the building.

The sustainability team at Aitken Spence Property Developments plans to set up an Energy Management Team for Aitken Spence Tower II comprised of energy champions from all subsidiaries housed at theTower. This is to ensure that the human factor of the BMS is fully utilised to increase the energy saving of the building.

Elevators (Pvt) Ltd. the agent for Otis Elevators in Sri Lanka promotes energy efficient viable frequency elevators among its customers. These have also been proposed for the new wing to be constructed at our offices at 315, Vauxhall Street. It is estimated that the energy consumption of the lifts installed at Aitken Spence Tower II consume 10 – 15% less than the lifts installed at our old building.

Aitken Spence Printing hopes to increase the resource efficiency of their operations and provide a 'Greener Product' to their customers. Their new facility is being designed with this in mind and in parallel, the company is increasing awareness of its employees and planning operations better to reduce resource wastage.

Aitken Spence Travels has taken rigorous measures to ensure vehicle engines are switched off when parked and maintain vehicle running charts to monitor mileage travelled to increase fuel efficiency. Transfers are also combined to optimise resource usage, enabling a saving of 50,000 liters of fuel during the year.

All efforts described above explain how we have tackled one of the most significant contributing factors to climate change – Green House Gas (GHG) emissions which are released when electricity is generated using non renewable energy sources such as fossil fuels and coal. Gauging from the total electricity units and fuel saved during the year, we have prevented approximately 200 tonnes of carbon dioxide from being released into the environment.

Aitken Spence Hotels continued with its initiative of replacing incandescent bulbs with CFL energy efficient

lighting. Ramada Resort and Hilltop Hotel in Sri Lanka and Rannalhi, Meedhupparu and Hudhuran Fushi hotels in the Maldives use solar panels to heat water in guest rooms, thereby reducing their dependance on electricity. Heritance Kandalama and Heritance Tea Factory use biomass gassifiers for this same purpose - the gasifier at Heritance Kandalama reduces 500 tonnes of carbon emissions in comparison with diesel fuelled boilers while the gasifier at Heritance Tea Factory reduces carbon emissions by 250 tones per annum.

Water resource management

The water consumption of all subsidiaries housed at Aitken Spence Tower II amounted to 26, 248 m^3 of water from municipal water sources (surface water). None of the waste water is treated at Aitken Spence Towers. The tower is equipped with rain water harvesting with a tank capacity of 121.67 m^3 and the harvested water is used to flush cisterns.

The environmentally friendly paving used within our premises also enables rainwater to seep through and enrich ground water sources. ASPDL is looking into increasing the efficiency of this system, while also persisting with other efforts such as dual flush mechanisms and reduced flow in faucets though the use of aerators.

Aitken Spence Printing uses about 20 m^3 water on average per day in their printing facility of which 8 m^3 is used for cooling the premises. Due to the increase in production capacity, the volume of water used in December 2010 has increased almost 50% from the figure in January. The company currently has no means to treat the waste water. However, the new facility is being designed with a waste water treatment plant.

At our garment manufacturing factory in Mathugama the primary use of water is for the welfare of the staff. The water for this purpose is sourced from a deep well on the factory premises. There is no accurate method used currently to monitor the amount of water withdrawn from the ground water sources. However, all water used in the kitchens is directed to a sandpit where solids are filtered out and the water seeps back into the ground.

Water resource management at the hotels is discussed in the case study on hotels with that of Plantations discussed in the third case study.

Biodiversity

These efforts are all towards the common goal of battling climate change. Our aim is to proactively minimise and mitigate environmental damage before it becomes a problem. As a leading blue chip conglomerate we take our responsibility towards conserving our environment very seriously.

None of our operations are located within close proximity to national reserves or protected areas. We take necessary precautions to ensure that areas of high biodiversity are protected and preserved. The Heritance Kandalama Hotel conserves 58 acres of forest area, flora and fauna within the hotel and 198 acres of forest area rich in bio diversity outside the hotel. Our power plant in Embilipitiya is situated on a 44 acre block of land, out of which 34 acres consist of flower gardens, herb gardens, tree cover, landscaped plots and animal husbandry plots. Bees are known to shun areas with noise pollution, therefore, the greatest endorsement of the environmental consciousness of the Embilipitiya power plant comes from the buzzing beehives barely 100 yards away.

We also use our interactions with our stakeholders, which are depicted in the stakeholder enagement diagram on page 81 to enhance awareness on protecting the environment and creating sustainable value. As the largest destination magement company in Sri Lanka, Aitken Spence Travels educates its chauffeurs and tour guides on environmental sustainability and they in turn pass this knowledge on to their guests.

In terms of waste resource management procedures, the Group’s hotels aim for zero waste status, setting the benchmark for other subsidiaries to follow. A case in point is the Matugama garment factory where 1,976 kgs of polythene has been recycled through a third party vendor since 2009. During the first two months of 2011, the amount of plastic recycled was 85 kg, indicating the upward trend as greater awareness and proper waste segregation

Battling Climate Change
Sustainability Report

Aitken Spence locations in Sri Lanka in relation to biodiversity hotspots

practices are established. 12,459 kg of cardboard and 7,161 kg of paper was recycled since the team at Garments started keeping records of the material reused or recycled in 2009.

It was recorded that 45 to 50 kg of food waste was donated to animal shelters and caregivers on a daily basis. Initiatives to reduce food waste will be taken during the coming year through an EMS programme.

The Group has not faced any fines or sanctions for non compliance with environmental laws and regulations this year and we hope to always maintain activities above compliance to sustain our environment. Furthermore, no significant spills of fuel or any hazardous substances arising from the Group's operations have been reported during the year.

Elevators (Pvt) Ltd. has identified a means of reducing the quantity of oil and grease used in Elevator maintenance through the use of a nozzled can to apply lubricants. The team has also launched a pilot project to productively incinerate used cotton waste by partnering with a local brick manufacturer. The cotton waste involved is soaked in lubricant and may cause soil and water pollution, if not disposed carefully.

CASE STUDY: Sustainable Development

Leading Positive Change

Heritance Kandalama is built in Dambulla where wild life has roamed for centuries. Therefore, when our project team was planning Heritance Kandalama, it was important to pay close attention to land use planning and studying all wild life trails, water trails and animal habitats to retain the fundamentals of the environment. The hotel was built on a platform in order to let the water trails run free. It is an endorsement of the hotel's design sensitivity that the animals that lived in the area before still roam free. In fact, paddy fields that had been abandoned for almost 12 years are now being cultivated after the water systems to the area were improved and maintained by the hotel.

Sri Lanka Hotels - Energy Resource Management Data

	Heritance Ahungalla	Heritance Kandalama	Heritance Tea Factory	Ramada Resort Kalutara	Hilltop Hotel
Direct non renewable energy sources	Diesel (Generator), Furnace Oil (Boiler) and LPG (Cooking)	Diesel (Generator + Boiler) and LPG (Cooking)	Diesel (Generator + Boiler) and LPG (Cooking)	Diesel (Generator + Boiler) and LPG (Cooking)	Diesel (Generator) and LPG (Cooking)
Direct renewable energy sources	None	Gliricidia Wood for the gasifier	Gliricidia Wood for the gasifier, wet garbage used in biogas plant instead of LPG	None	None
Energy produced	The standby generator - 523 GJ	Standby Generator = 1,223 GJ, Gasifier Operation = 4,770 GJ	Standby Generator = 489 GJ, Gasifier Operation = 1,359 GJ	222 GJ	1.88 GJ
Total direct energy consumption	6,153GJ	12,799GJ	5,658 GJ	4,689 GJ	769 GJ
Intermediate energy (electricity) purchased and consumed	11,150 GJ	12, 356 GJ	2,194 GJ	7,049 GJ	1,616 GJ
Energy saved due to conservation and efficiency improvements	1,819 GJ	823 GJ	1,486 GJ	Not quantified	482 GJ
Total amount of GHG emissions	2,823 tonnes	3,176 tonnes	755 tonnes	1,819 tonnes	397 tonnes
GHG emissions reduced	252 tonnes	338 tonnes	61 tonnes	Not quantified	73 tonnes

The hotel supports the natural environment, causing the least possible disturbance and has four types of primates using the green spaces of the hotel. Of these, two are endemic – the Macaque Monkey and Purple Faced Leaf Monkey, the other two being the Gray Langur and Slender Loris.

The large open areas and the green cover over the building welcome even the most timid amongst birds. Among those sighted at the hotel has been the very rare Ceylon Shama (long tail Jungle Robin).

Sanctuaries and policies against the invasion/interference with natural habitats have ensured the protection of biodiversity and ecosystems. The hotel has also invested over Rs. 10 million to maintain a conservational forest of over 200 acres in order to prevent deforestation, poaching and the construction of unauthorised artificial structures. No alien fauna and flora has been introduced and there is zero nagative impact on the Kandalama Lake due to the operations of the hotel. This investment also helps to protect the origins of 11 natural streams which provide irrigation water to 34 dry zone reservoirs.

The Impressive biodiversity indicators reported from the hotel property are 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies.

Battling Climate Change

Sustainability Report

Maldives Hotels - Energy Resource Management Data

	Adaaran Club Rannalhi	Adaaran Select Meedhupparu	Adaaran Select Hudhuran Fushi	Adaaran Prestige Vadoo
Direct non-renewable energy sources	Diesel (for Dhoni), Petrol (for Boats), LPG	Diesel (for Dhoni), Petrol (for Boats), LPG	Diesel (for Dhoni), Petrol (for Boats), LPG	Diesel (for Dhoni), Petrol (for Boats), LPG
Direct renewable energy sources	None	None	None	None
Energy produced	30,905 GJ	58,671 GJ	52,503 GJ	25,576 GJ
Total direct energy consumption	42,561 GJ	68,341 GJ	59,280 GJ	33,340 GJ
Intermediate energy (electricity) purchased and consumed	None	None	None	None
Total amount of GHG emissions	2,770 MT	4,504 MT	3,910 MT	2,184 MT
GHG emissions reduced	Not quantified	Not quantified	Not quantified	Not quantified

All hotels have a 5S system in operation and cleaner production (CP) practices. Many of the environmental sustainability efforts that are practiced across the Group have their roots in the Environmental Management Systems initiated at the Aitken Spence Hotels. Guided by a Green Philosophy, Aitken Spence Hotels – especially the iconic Heritance Kandalama - have stood as examples of best practice in environmental sustainability for many years.

With the exception of one hotel, all Aitken Spence hotels are ISO 14001 certified. Heritance Kandalama, Heritance Ahungalla, Ramada Resort Kalutara and our managed properties Earl's Regency and Bandarawela Hotel have received the EarthCheck Silver Award. Other certifications received by the hotels are listed in the 'Recognition' section on pages 84 to 86.

Energy management

The 'Switch Off Policy' that is now practiced across all Group Companies was introduced to Aitken Spence through the hotels. From turning off vehicle engines when stationary to planning hotel capacity to optimise energy usage, Aitken Spence Hotels have taken tremendous effort to reduce their energy consumption. They were also the first to calculate the carbon footprint in the Group with the calculation of the Carbon Footpring of Heritance Kandalama. The engineering team of the hotels division has been building in-house capacity to measure and monitor the energy consumption at the hotels.

Emission factors are calculated based on empirical values of renewable and non-renewable energy sources. The general sources of emissions are generator operations, boiler operations and fuel used for cooking at the hotel kitchens. At Heritance Kandalama and Heritance Tea Factory the boiler operation switches to furnace oil if the gasifier is not in operation in which case the emissions stem from renewable sources. Most of the emissions are caused indirectly through the consumption of purchased electricity.

Direct energy consumption from primary energy sources

Efforts taken by hotels to reduce green house gas emissions by controlling the amount of direct non renewable energy consumed were explained in the section on 'Battling Climate Change'. The measurements of consumption patterns are presented in the tables in this case study.

The EMS was extended to our resorts in Maldives during the latter part of 2009/10 and therefore the required data is not available to measure energy savings accurately. More initiatives have been introduced across the resorts to save energy while sustaining the efforts carried out in 2009/10; the engineering team has established data recording systems in order to report on energy saving and carbon emissions at the Maldives hotels by 2012.

In addition to the diesel generator and fuel used for cooking purposes, direct energy through primary sources is required for the diesel powered dhonis and the petrol powered

Aitken Spence Hotels - Water Resource Management Data

Hotel	Total direct water withdrawal from ground water, surface water and rain water	Water withdrawn from utilities	Percentage or quantity of water recycled or reused from the full quantity withdrawn
Heritance Ahungalla	Ground Water = 82,803 m^3/year	None	90%
Heritance Kandalama	Ground Water = 81,352 m^3/year Surface Water = 875 m^3/year	None	95%
Heritance Tea Factory	Ground Water = 26,507 m^3/year	None	90%
Ramada Resort Kalutara	Ground Water = 47,977 m^3/year	None	95%
Hotel Hilltop	None	18,110 m^3/year	95%
Adaaran Club Rannalhi	Sea Water - 141,280 m^3/year	None	All consumed water is treated - 35,350 m^3/year Water reused for flushing and gardening - 10,600 m^3/year
Adaaran Select Meedhupparu	Sea Water - 317,780 m^3/year Ground Water - 8700 m^3/year	None	Not available
Adaaran Select Hudhuran Fushi	Sea Water - 285,560 m^3/year	None	Not available
Adaaran Prestige Vadoo	Sea Water - 104,700 m^3/year	None	All consumed water is treated - 26,175 m^3/year Water reused for flushing and gardening - 7,850 m^3/year

boats. Three of the hotels in Maldives, Rannalhi, Meedhupparu and Hudhuran Fushi heat water in the guest rooms through solar panels. Ongoing activities to replace old equipment such as pumps, motors and incandescent bulbs with more energy efficient equipment and replacing two stroke boat engines with four stroke engines also help to reduce the green house gas emissions by increasing energy usage efficiency. Another effort to change human behaviour is to implement and practice the 'Switching Off' policy. Guest transportation schedules are also organised to reduce unnecessary travel and thereby reducing green house gas emissions.

The iconic Heritance Kandalama took another step in its commitment to environmental conservation and Green House Gas (GHG) emission reduction by engaging with KPMG India to estimate its GHG emissions for the year 2009/10. The Carbon Footprint was calculated for Scope 1 (Direct GHG emissions), Scope 2 (Electricity Indirect emissions) and Scope 3 (Other Indirect emissions) for day to day operations of the hotel based on The Green House Gas Protocol – A Corporate Accounting and Reporting Standard by WRI & WBCSD; and ISO 14064-GHG Accounting and Verification Standards.

Water resource management

At Heritance Hotels and Aitken Spence Hotels all waste water is treated and reused in the hotel gardens to reduce fresh water withdrawal from sources. For example, Heritance Ahungalla sources its water from two surface wells, one deep water well and the on-site water treatment unit. All waste water generated is treated and reused at the hotel grounds for landscaping.

The water consumption at our hotels is as explained in the water resources management data tables.

Battling Climate Change

Sustainability Report

Waste resource management

The World follows 3 Rs – Reduce, Reuse and Recycle. Aitken Spence Hotels follow 7Rs which were introduced to the world by the in-house consultant Mr. Ravi De Silva. They are;

Reject all non biodegradable material such as packaging material and plastic where possible. Packaging material is rejected at the purchasing point and all hotels maintain a plastic inventory with the aim of eliminating the use of plastic eventually.

Reduce the use of resources, especially those based on non biodegradable material that cannot be rejected. This includes reducing energy usage through the 'Switch Off' policy and water usage through the 'Close Tap' policy.

Reuse every possible resource, especially those that cannot be rejected or reduced. This includes paper, shampoo containers, plastic liquid containers and empty clay pots.

Reclaim what cannot be reused. For example, waste water and sewage sludge which are reclaimed and treated so that they can be reused.

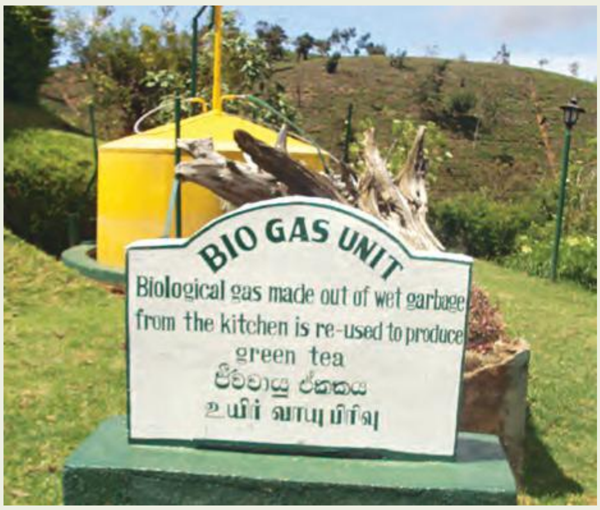
Repair what is broken and reuse them. Furniture, machinery and other equipment that can be repaired will be repaired and reused before claiming new resources.

Replace what cannot be rejected, reduced or reused with more environmental friendly options. An example is to replace oil based paints with water based emulsion paints or to replace plastic with more sustainable clay or ceramic options.

Recyle every material so that nothing goes to waste. From waste water, cooking oil and engine oil to metal cans, plastic containers, PET bottles and empty curd pots all material that cannot be rejected, reduced, reused any further, repaired or replaced are reclaimed and recycled with registered service providers. This is the key ingredient in making our hotel free of any waste dumping.

All Aitken Spence hotels can proudly claim that they dump no waste into the environment as all waste is segregated and made use of. Garbage is waste resources that are mixed up together. The hotels earn a monthly income from what could have ended up in a landfill or in the ocean and the next aim of the hotels is to take this message to the communities.

Our aim is to disclose quantified information on waste resource management activities in 2012.



Building Lives

Sustainability Report

At Aitken Spence, corporate sustainability in practice translates into creating sustainable value and driving reliable growth. One of the most effective ways of being a meaningful partner with the community is to generate livelihoods; by opting for locally based suppliers at significant locations of operation or by facilitating employment opportunities for talent from the local communities when and where possible. The definition of local is subjective and depends on the operation of each subsidiary. For most operations, we have defined the areas within a 20 km radius as 'local'. Some of our achievements in this area are listed below -

- Hotels belonging to the Group abide by a Green Purchasing Policy which mandates that optimum possible requirements are obtained locally. Overall, our hotels purchase over 75% of their produce and other resources locally. Heritance Kandalama sources 98% of their vegetables, fruits, fish, meat, eggs, dry rations and other such supplies from local suppliers while Heritance Tea Factory obtains 100% of their vegetables from local farmers.
- Of the senior management at our hotels, an average of 28% belong to the local community.
- 69% of the workforce at Heritance Ahungalla is made up of talent from the local community.
- The Gliricidia wood for the biomass gasifiers at Heritance Tea Factory and Heritance Kandalama are procured from local farmers who are guaranteed a steady income from our environmental conservation efforts.
- Treated sewage sludge is converted to organic fertiliser and is sold to local farmers at a nominal cost at Heritance Kandalama.
- Items recovered in the waste segregation process such as plastic containers, glass bottles and curd pots are also given to locals for their domestic industries at Aitken Spence Hotels
- Ramada Resort Kalutara has engaged with over 70 local suppliers to provide transport and sell other goods to the guests.
- All estates which fall under the umbrella of Aitken Spence Plantations purchase their raw materials for estate supplies from within 25 km of the estates, with the exception of fertiliser, other chemicals and packaging material.
- Aitken Spence Travels sources 100% of their safari vehicles, 50% of the transportation and 30% of the tour guides from locally based suppliers and service providers. The Company also carries out many programmes to educate and improve skills of chauffeur guides and tour guides to improve the tourism industry. Fifty such chauffeur guides were provided with skills development training during the year.
- More than 50% of the workforce at our power generation plant in Embilipitiya is from the area itself and transport vehicles for the plant is hired from local suppliers when and where possible.

In some instances, how we define 'local' may essentially depend on the community we are looking to assist. For example, subsidiaries based at our Vauxhall Street premises consider students from universities as part of the 'local community'. Ace Cargo, Ace Power Generation, Aitken Spence Travels, Aitken Spence Corporate Finance and the Group Human Resource Division thus extend internship opportunities to students at local universities and institutions such as National Apprentice and Industrial Training Authority. These programmes are discussed in greater detail in the employee engagement section of this report.

Many of our subsidiaries, especially those operating in rural locations, have engaged with their communities to develop community infrastructure. Among such initiatives taken during the year were the following:

The Embilipitiya power plant has an ongoing project to provide clean water by funding water tanks and ground water wells.

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The Matara power plant has partnered the community in projects ranging from planting trees to cleaning water wells in schools. Subsidiaries also continue to engage in community development projects that are more short term in duration and touch lives at a personal level. We believe such initiatives enable us to begin a process of engagement which can be transformed into a mutually beneficial sustainable engagement in future.

An important aspect to note is our assessment of the impact of our activities on the communities and the environment and the sustainability of our interventions before any assistance is extended. The usual practice is to conduct a need analysis that weighs the pros and cons against the negative and positive impacts to communities and the environment. Examples of this process can be found in our Gliricidia projects, which involve educating self-employed farmers and the Estate Welfare Supervisors and midwives in our plantation sector appointed to survey the needs of communities at our estates.

More details of the community engagement projects will be listed in our website.

The efforts of our Group companies were recognised at the Best Corporate Citizens Awards of 2010 organised by the Ceylon Chamber of Commerce when we emerged the category winners for Community Relations.

CASE STUDY: Sustainable Development

Shifting Paradigms

Aitken Spence Power, the Company's power generation business, was the first power generation company in the country to obtain all three certifications: ISO 9001 for quality, ISO 14001 for environmental conservation and OHSAS 18001 for occupational health and safety management. It operates three power plants - in Horana, Embilipitiya and Matara – which employ sustainable processes and international best practice to maintain and improve the quality of the power generation process.

As required by the Central Environmental Authority, our power plants are regularly monitored to ensure emissions, effluents, solid waste and noise generated are within legally accepted levels while water is treated to ensure that chemical content does not exceed stipulated limits. Furthermore, none of the power plants are within close proximity to protected areas.

Resource efficiency

The engineering teams at all 3 plants continuously improve the efficiency of equipment with a view to saving energy. Significantly, there is no reduction in production capacity to achieve these energy savings at any of the plants.

Among initiatives taken during the year was the reduction of the heavy oil used for power generation in Horana, by introducing a combustion improvement unit to the fuel system. The resulting fuel saving amounted to 1g/kWh; the total fuel saved during the year being 102,572 kg. An audit was also carried out at Horana to indentify areas of high energy consumption.

In Embilipitiya, the Company introduced new techniques and practices to save energy and provide a more energy efficient service. A special procedure was introduced for operational staff to follow during plant stops in order to reduce maximum kVA demand, which dropped by 36% as a result. Variable Speed Drive (VSD) units introduced for the engine radiator cooling fans also saved 598 MWh of energy per annum. Further improvements planned for the plant include a VSD unit for the engine hall ventilation fans and a CI unit for the engine fuel system, both of which are expected to come on board in 2011/12.

The Matara power plant uses energy efficient products and sources to save energy and converted the existing lighting to energy saving lights. The plant also performed an augmentation of its transmission line to ensure a more efficient dispatch of energy to the national grid. On the cards for 2011/12 are further energy saving measures including the replacement of existing conventional airconditioning units to inverter type units which are 20% more energy efficient and the introduction of VSD units to the auxiliary bay fans which makes the energy consumption of these fans 10% lower.

Total water withdrawal at the power plants amounted to 10,694 m^3, 18,000 m^3 and 6,349 m^3 for the Horana, Embilipitiya and Matara power plants respectively during the period from December 2009 to December 2010, with Embilipitiya sourcing water from groundwater wells. No toxic or untreated waste water is released into the environment.

Of the total water consumption at our power plants, the usage is divided between housekeeping, staff usage and usage for maintenance of engines and other electrical units. Waste water generated from general use in restrooms and kitchens is directed to sewage pits.

Waste water contaminated with oil from maintenance operations is treated at a filtration unit which separates oil from water; the sludge thus collected is sold to a third party. The separated water is stored in separate tanks which have special storage for water with a contamination level higher than 10ppm (parts per million). Usable water is reused for gardening and to clean roads. The treated water at the plants is tested for contamination every quarter by the Central Environmental Authority. The Company has been successful at all these tests.

Impact on biodiversity

The Central Environmental Authority (CEA) must issue a mandatory Environmental Protection License for the

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maintenance of power plants in Sri Lanka. While meeting the CEA criteria, Aitken Spence performs above minimum compliance and has obtained ISO 14001 certification, an indication that significant environmental impacts have been assessed and the activities that cause these impacts are controlled to minimise, and where possible mitigate, the impacts.

With any power plant, one of the impacts on the environment is the transmission line corridor from the power plant to the nearest substation. Our power plants have relatively short transmission line corridors – 500m in Horana, less than 1km in Embilipitiya and 3km in Matara. These lines restrict the height of trees along their path to 25 m but do not restrict movement of animals along pathways.

The thermal discharge or the waste heat from the power generation is dissipated to the environment through exhaust air and radiators. Thus no water is used to remove heat from the plant thereby limiting damage to aquatic biodiversity. No heated water is released to the environment from any of the three power plants. Our plants convert 40 – 43% of the total fuel energy (HFO) to electrical energy and the remaining energy is dissipated through other means such as exhaust air (30%), heat generated (20%), lubricant oil (5%). Of the heat generated, 30% is discharged into the environment through exhaust air and the amount of heat dissipated from each plant will depend on the capacity of the plant (Horana and Matara have a capacity of 25MW each and Embilipitiya has a capacity of 100MW).

Heat generated in other parts of the operation is managed through technologies which are continuously monitored. The engineering teams at all 3 plants are constantly seeking ways to improve the efficiency of the plant's operations. For example, radiator fan energy consumption at the Horana Plant was reduced by increasing the cooling capacity of air by developing a Programmable Logic Controller based system which is capable of reducing the total energy consumption of radiator fans on average by 1.6 MWh/Day. This has been in operation since November 2009. At the Embilipitiya plant, cooler modifications were carried out in 2009 leading to a cost saving of over Rs. 9 million and an energy saving of over 2,389.3 MWh per annum.

All three power plants have taken necessary steps to mitigate the significant direct and indirect impacts on biodiversity due to operations. There have been no reported incidents of significant spills during the year and no invasive species were introduced in maintaining the natural eco– systems around the power plants.

Embilipitiya model garden

The Ace Power Generation plant in Embilipitiya is a paragon of sustainable practice even in a global industry known for pollution.

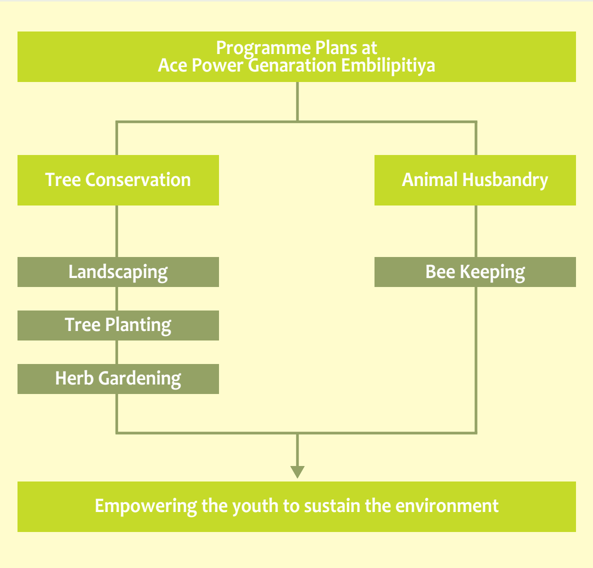
All emissions, effluents and solid waste are within legally accepted limits and robust management and control systems are in place to mitigate environmental damage.

The Embilipitiya power plant has also introduced a 'Model Garden' in a bid to improve the environment. The garden is spread across 34 of the plant's 44 acre property and accommodates about 10,000 to 15,000 plants, medicinal herbs, agricultural projects, animal husbandry and bee keeping projects.

The herb garden is home to many plants of ayurvedic value such as Eth Demata, Thelambu and Aralu and attracts rare species that are unique to the locality such as the Danduwelbaya (little bee) and Salabaya (butterflies and moths).

Recognising the area's potential for agriculture, the plant has taken steps to develop agricultural skills of youth in order to promote local industries. The animal husbandry area is used to educate youth on industrial bee keeping and the premises are also used as a teaching ground for young entrepreneurs keen on learning the art of landscaping. The plant also conducts tours of the Model Garden to educate school children and youth in the vicinity in the long term aim of preserving the biodiversity of the Embilipitiya area.

The programme plan is illustrated below:



The environmentally friendly practices of the plant have left a lasting impression on the community.

As Amal Thushara, an employee at the plant who has worked there since its inception and has risen to the rank of plant assistant technician from his former general helper status, says- " A real change, and a change for the better has taken place through the various services offered by the plant. Everyone is pleasantly surprised because as soon as they walk through the gates of the plant they can see the difference. The plant is open for viewing 3-4 times a week and this greatly benefits the school children too. Also the plant and the Company help the community no matter who they are. This good will and good reputation is beneficial to all of us who work at the plant as well. This plant is a plant with a difference"

Community development

Noting the scarcity of fresh water, the company has also provided access to fresh water to the local communities in Embilipitiya by constructing 6 water tanks and a ground well for the benefit of over 2000 families at a cost of approximately Rs. 2 million. It has also focused on the supply of electricity to the villages and developing roads in Matara, all of which have been executed with of labour sourced locally.

Our power plants in Matara and Embilipitiya have contributed significantly to the infrastructure development of their immediate communities. Details of the projects carried out by the power plants will be posted on our website.

Although Ace Power has no written policy or a standard procurement budget for local purchasing or employment, all three power plants have contributed significantly towards building the economy of their immediate neighbourhood. For example, the Embilipitiya power plant employs over 50% of its staff from the local community. The plants also work with local suppliers, who are selected through a rigorous process that includes factors such as their EMS performance, usage of resources and environmental impact.

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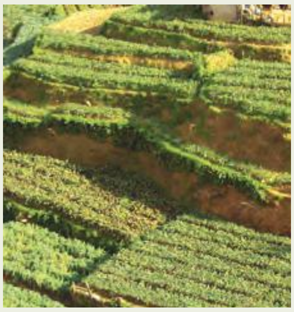
CASE STUDY: Sustainable Development



Patron of the Community

The communities and Aitken Spence Plantations interact very closely, with the company addressing critical needs of the community by enhancing education, awareness and promoting good practices.

Some of the initiatives taken during the year include the following:

- The Company has in place several committees that focus on developing plantation communities, including the Crèche Development Committee, Mid Day Meal Project committee, Road Rehabilitation Project committee, Welfare Societies and Cooperative Groups as well as holding membership in the Plantations Human Development Trust (PHDT).
- Annual staff networking functions which coincide with Staff Performance Awards at the estates. The plantations management also gets closely involved with the staff and villagers to mark festive occasions.
- The company provides crèche facilities to about 45 units, which can accommodate 1,485 children. These crèches are developed to the level of pre schools and are managed by qualified and trained Child Development Officers. A mid day meal is provided at all child development centres. The efforts of our plantations were recognised at the PHDT annual awards when the trust awarded the Gulugahakanda estate crèche facility the rank of Best Child Development Centre out of 420 estates in the country, citing high standards of quality in the health and welfare of the children and the standards of activities carried out towards imporving the literacy of estate workers' children. Total spending to maintain the creche facilities in all estates in 2010/11 was Rs. 23.9 million.
- Plantations provide health facilities including prenatal and antenatal clinics at all estates with free vaccination and medical checkups. Each estate has a medical officer who looks into these programmes. The company has also made availbale four ambulances, three for the up-country clusters and one for the low-country clusters, to minimise the time taken to transport serious patients to base hospitals.
- During pregnancy, female workers are given 'light work' at a location close to their homes and a 'Nursing Interval' of 12 months is extended to all new mothers. A qualified midwife looks after the wellbeing of expectant mothers at each estate.
- Aitken Spence Plantations in association with the the Merrill J. Fernando Charitable Foundation provides educational scholarships to children of estate workers. This includes scholarships to students who have been accepted to university and students who have performed well at their GCE Ordinary Level Examinations. Currently, there are 20 scholarship recipients and the total number of student to receive these scholarships to date is 130.
- The plantation sector recognises that its success is intrinsically linked to its workers. Therefore, the health of workers is of paramount importance. During the year, Elpitiya Estate organised free medical camps and eye camps for workers and also conducted a 'Well Woman' clinic and a workshop to create awareness of Sexually Transmitted Diseases (STD). Sheen estate conducted antenatal clinics, expanded immunization and contraception clinics for orkers which were also extended to villagers. Similar programmes were also

held at Guluahakanda, Ketandola, Talgaswella, and Dunsinane estates.

- The plantations also encouraged community spirit by organizing and supporting events such as annual trips, get togethers and pilgrimages while the community was also brought together to conduct shramadana campaigns at several instances.
- With the aim of improving the quality of life of plantation staff, many awareness programmes have been conducted, specifically addressing issues such as Dengue prevention (at Lelwala, New Peacock, Sheen and Tangaswella estates) and prenatal and antenatal care (at Talgaswella, New Peacock and Dunsinane).
- The company has also partnered the Ministry of Livestock & Rural Community Development in a special project to concrete roads in the Nuwar Eliya region. Full length of the road developed by Dunsinane, Fernlands and Sheen estates was 1.84 km at a cost of Rs. 6.7 million in 2011 in addition to which another 35 km was developed under the Plantation Development Project (PDP) at Rs. 43.4 million.
- Total spending on developing field rest rooms, water schemes, play grounds, places of worship, social development centres, re-roofing and rehabilitating internal roads was Rs. 55.3 million.
- The estates also pay special attention to the education of the children of its workers. Total spending on various activities carried out in 2010/11 at the estates is approximately Rs. 1 million with over 1600 students benefiting from these activities.
- Directing the funds granted by the PDP, skills development programmes were conducted for members of the Quality Circles at a total cost of Rs. 942,182. Funds directed towards programmes to prevent alcoholism is Rs. 233,885.

Environmental conservation

In the context of the plantations sector, environmental conservation is two pronged – controlling soil erosion, soil pollution, water pollution and land loss caused by the process of cultivation and managing the energy consumed by estates and tea/ rubber/ palm oil factories.

Rubber cultivation may cause considerable damage to water streams and soil quality if not managed properly. Our estates consumed 35,752 m^3 of water in the production of rubber during the year. Many of the rubber estates use sand pits to filter the contaminating solids from the water before it is directed to central drainage systems. At our low country estate cluster II, approximately 4.5 m^3 of water is taken from ground water wells and streams daily, for domestic use as well as for rubber manufacturing. The cluster of estates span across 952.44 ha and the cluster also manages a forest area of 29.22 ha where the forest cover is not disturbed.

At the Deviturai estate of this cluster, a new secondary level wastewater treatment unit, including anaerobic and aerobic tanks and a clarifier tank, was constructed. This followed tests carried out on a collection of water samples for contaminant levels. Henceforth, water samples will be tested randomly for Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) levels from Deviturai as well as other estates to identify and mitigate significant impacts to the environment gradually. Deviturai Estate tea factory recently received ISO 22000:2005 certification for food safety managment.

The tea estates of the Aitken Spence Plantations do not produce any effluents or waste water that can be considered significant enough to require immediate attention. The estate management has undertaken to minimise, and eventually eliminate, the spraying of pesticides to control tea tortrix by pursuing biological methods such as the collection of egg masses and moth traps.

To address soil pollution caused by chemical fertilisers, estates use compost as the preferred choice of fertiliser wherever possible. The Plantations team is in the process of replacing artificial fertiliser with organic fertiliser to minimise the impact to the soil, by moving into site specific fertilising, which provide only the required nutrients without excess chemicals. Compost pits are also maintained in the estates for this purpose with the long term goal of

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replacing one round of artificial fertiliser with compost/ organic fertiliser in all the estates.

There were no reported incidents of significant release of hazardous substances which have adversely affected human health, land, vegetation, water bodies or ground water during the year. No incidents of violations of stipulated environmental laws and regulations have been reported.

The plantations also grow leguminous cover crops in order to improve soil properties, reduce soil erosion and to control the growth of weeds which would otherwise require chemical fertilisers/ weedicide. Aitken Spence Plantations work with their communities to reduce their solid waste generation and also harvests rain water to improve moisture content in the micro environment.

Our plantations span over 4410.57 ha of mature land and 1201.98 ha of immature land and none of our estates are within a 20 km radius to any nature reserves or protected areas. Aitken Spence Plantations have a continuous Forestry Management Programme which has helped to preserve and improve the biodiversity in the plantations and enhance their environmental value at large. Currently over 700 ha of forest has been planted by the Company. The forestry management programme includes the plantation of Eucalyptus Grandis to fuel the withering process, instead of using electricity or nonrenewable fuels.

Energy Efficiency

The Plantation sector is passionate about energy efficiency and has been investing in environmentally friendly projects such as mini hydropower plants, fuel switching and process improvements in order to reduce energy costs while also reducing emissions. Among the micro level efficiency improvements carried out by the sector's engineering team are fuel switching and power factor correction systems and Fibre Reinforced Plastic (FRP) fan installation.

A comparison of consumption levels during the years between 2008 and 2011 showed that energy saving in the estates amounted to approximately 1000 kVA units per month, a saving achieved with no production cutbacks or outsourcing of production. The energy savings were also enabled through process redesigns and efficiency improvements.

Efforts taken to achieve this include;

- Workshops in collaboration with Sri Lanka Sustainable Energy Authority (SLSEA) on "Possible Energy Efficiency Improvements in Tea Factories" to educate up country estates about day-to-day best practices to reduce energy consumption.
- A tariff structure change (except rubber factories) necessitated greater control over energy usage in order to control consumption costs.

- Separate utility connection lines for estate buildings and the factory enabled closer monitoring of usage patterns of each building.
- Installed energy efficient FRP trough fans – replacing inefficient aluminum fans.
- Installed power factor correction systems at all factories, which reduces the reactive power taken from the utility and thereby helps the stability of the national grid system.

A more long term project undertaken by the Aitken Spence Plantations is the commission of Mini Hydro Power Plants (MHPP) within estates which sell generated power to the national grid. Mini-hydro is a preferred method of power generation since the damage caused to the topography of an area is eliminated from the equation and the produced energy is cleaner than that of larger scale energy projects.

The commission of a 560 kW MHPP at Sheen estate in October 2008 brought about an estimated annual income of Rs. 33 million for the first year, vis-à-vis a total project cost of Rs. 130 million. In fact, the annual generation at Sheen in 2009/10 and 2010/11 has enabled Elpitiya Plantations PLC to edge close to Energy Neutrality. In the year 2009/10, the consumption was at 3.319 GWh and generation of energy was at 2.592 GWh. This gap was closed further in 2010/11 when the consumption was 3.529 GWh and the generated power was 3.174 GWh.

Similar MHPPs are being planned for other up country plantations and four new sites have been identified for MHPPs ranging in capacities from 200 to 900 kW. Feasibility studies are presently being carried out for three of these projects totalling a capacity 1.9 MW, at an estimated investment of Rs. 360 - 400 million and projected revenue of approximately Rs. 100 million in the first year. The Group has also commenced a 2.5 MW hydro power project in Matale.

Progress on the Global Compact

Sustainability Report

The United Nations Global Compact (UNGC) is a voluntary strategic policy initiative launched by the UN in order to encourage businesses to align their operations and strategies with 10 universally accepted principles in the areas of human rights, labour standards, environment and anti-corruption. Aitken Spence PLC has been a signatory of the Global Compact since 28th May 2002 and a privileged member of the UNGC steering committee of the Sri Lanka Network. We have also been appointed to the Board of Directors of the UNGC Network Ceylon which is currently chaired by Dr. Rohan Fernando who is a Director of Aitken Spence PLC.

The UNGC Local Network's role is to root the Global Compact within Sri Lanka and to facilitate the progress of companies engaged in the Global Compact with respect to implementation of the ten principles, create opportunities for multi-stakeholder engagement, collective action and to deepen the learning experience of all participants through their own activities and promote action in support of broader UN goals.

Category	UNGC Principle	Relevant GRI Indicators Disclosed	General practices at Aitken Spence
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	LA7, LA8, LA14, HR3, HR4, HR8, PR8	• It is general practice at Aitken Spence to uphold the internationally accepted human rights of all stakeholders. • We practice an open door policy for grievance handling where all employees are encouraged to go to the highest authority figure for any complaints • The Integrated Sustainability Policy of Aitken Spence PLC formalises this practice by including a written clause on the same • The first steps towards formulating a human rights protection framework were set in motion when we conducted a training programme for the Security Personnel who are employed at Aitken Spence Towers. This programme was then extended to the sustainability subcommittee members of all the Subsidiaries as well. As per clause P of the Integrated Sustainability Policy we hope to take further action towards protecting human rights. (See page 87) • Clause P of the Integrated Sustainability Policy is entirely on the protection and support of internationally accepted human rights (See page 87)
	Principles 2: Businesses should make sure that they are not complicit in human rights abuses	HR3, HR4, HR8	
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA5, HR3	• Freedom of association is generally practiced although there is no specific written policy on this

Category	UNGC Principle	Relevant GRI Indicators Disclosed	General practices at Aitken Spence
Labour Standards	Principle 4: Businesses should uphold the elimination of all forms of forced or compulsory labour	HR3	• The Group rigidly complies with the ILO Conventions on the employment of persons. • In order to create greater awareness on human rights among all staff members we initiated a training programme with the sustainability sub committees of all subsidiaries. The purpose of this training was to use the sub committees as champions and cascade the knowledge down to all employees through them. • The Company strictly ensures that no employees below the legal minimum age is offered employment
	Principle 5: Businesses should uphold the effective abolition of child labour	HR3	
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA14, HR3, HR4, HR8	• 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. • This topic was also addressed during the human rights training programme for the subcommittee members.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	EN18 (Partially repoted, see GRI index)	• The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. • EMS manages aspects which have significant environmental impacts proactively
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	EN5, EN6, EN8, EN11, EN12, EN23, EN28 EN3, EN4, EN10, EN16, EN18 (Partially repoted, see GRI index)	• EMS and certification of the EMS where environmental conservation plays significant importance • Awareness programmes conducted by the Corporate Sustainability Team and the Sub Committees and other subsidiaries
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	EN5, EN6, EN10, EN18 (Partially repoted, see GRI index)	• The BMS • Energy efficiency improvements developed by Aitken Spence Power Generation – Horana and Matara • Herb Garden and model farm at the Embilipitiya Power Plant • Environmental conservation efforts and reforestation at Elpitiya Plantations • Renewable energy projects and energy efficiency improvements at Elpitiya Plantations • Measurement of Carbon Footprint at Heritance Kandalama
Anti - Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	SO2, SO3	• Company Code of Ethics has stringent instructions on anti-corruption • Internal audits

GRI Index and the Social Responsibility Guidelines

Sustainability Report

This section presents the GRI Index as per disclosure 3.12 in the GRI Reporting Framework which will give direction to the relevant sections where information on GRI Disclosures can be found in the annual report. The first column lists the GRI Disclosures with the second column listing the section titles where information had been added in the annual report. Column 3 illustrates the disclosure level to which we have reported. We have attempted to disclose all available information for the standard disclosures and performance indicators identified as explained in the 'Reporting Methodology' chapter on page 80. In order to maintain the relevance and significance of the information disclosed, we have also referenced the ISO 26000 guidelines to direct our sustainable development practices. Column 4 in this index refers to the ISO 26000 core social responsibility themes and subjects we have covered in this report, in line with the GRI Reporting Framework, with column 5 stating the ISO 26000 clause number. Finally, the last column states the page number(s) where the information can be found in the report.

Disclosure level: Partially disclosed - ◐ **Fully disclosed - ●**

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
1. Standard Disclosures - Strategy and Analysis						
1.1	Statement from the Managing Director and Chairman	Chairman's Report Managing Director's Review	●	Organisational governance	6.2	9-11 13-17
1.1	Key impacts, risks and opportunities	Managing Director's Review Risk Management	●	Organisational governance	6.2	13-17 61-67
2. Standard Disclosures - Organisational Profile						
2.1	Name of the Organisation	Corporate Information	●	-	-	Back Cover
2.2	Primary brands, products and/or services	Management Discussion and Analysis Group Companies	●	-	-	30-51 186-189
2.3	Operational structure of the organisation	Management Discussion and Analysis Group Companies	●	Organisational governance	6.2	30-51 186-189
2.4	Location of the organisations headquarters	Corporate Information	●	-	-	Back Cover
2.5	Number of countries where the organisation's operates	Management Discussion and Analysis Our Network	●	-	-	30-51 28-29
2.6	Nature of ownership and legal form	Corporate Information	●	-	-	Back Cover
2.7	Markets served	Management Discussion and Analysis Financial Statements	●	-	-	30-51 132-173
2.8	Scale of the organisation	Management Discussion and Analysis Financial Statements	●	-	-	30-51 132-173
2.9	Significant changes during the reporting period	Chairman's Report Managing Directors Review Management Discussion and Analysis Annual Report of the Board of Directors	●	-	-	9-11 13-17 30-51 122-128
2.10	Awards received in the period	Recognition	●	-	-	84-86
3. Standard Disclosures - Report Parameters						
3.1	Reporting period	1st April 2010 to 31st March 2011	●	-	-	-
3.2	Date of the most recent previous report	31st March 2010	●	-	-	-
3.3	Reporting cycle	Annual	●	-	-	-

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
3.4	Contact point for further information	Corporate information	●	-	-	Back Cover
3.5	Process for defining report content	Reporting Methodology	●	-	-	80
3.6	Boundary of the report	Reporting Methodology	●	-	-	80
3.7	Limitation on the scope of the boundary of the report	Reporting Methodology	●	-	-	80
3.8	Basis of reporting on joint ventures and other operations	Financial Statements	●	-	-	132-173
3.9	Data measurement techniques	Reporting Methodology	●	-	-	80
3.10	Effects of any re-statements	Financial Statements	●	-	-	132-173
3.11	Significant changes from previous reporting periods	Reporting Methodology	●	-	-	80
4.	**Standard Disclosures - Governance, Commitments and Engagements**					
4.1	Governance structure of the organisation	Chairman's Report Corporate Governance	●	Organisational governance	6.2	9-11 116-123
4.2	Indicate whether the chair of the highest governance body is also an executive member	Corporate Governance	●	Organisational governance	6.2	116-123
4.3	The Board composition	Corporate Governance	●	Organisational governance	6.2	116-123
4.4	Mechanisms for shareholders and employees to provide recommendations	Stakeholder Engagement	●	Organisational governance	6.2	80-82
4.5	Linkages between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	Remuneration Committee Report Corporate Governance	●	Organisational governance	6.2	129 116-123
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate Governance	●	Organisational governance	6.2	116-123
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy	Corporate Governance	●	Organisational governance	6.2	116-123
4.8	Internally developed statements of mission or values, codes of conduct and principles	Vision Corporate Governance Integrated Sustainability Policy	●	Organisational governance	6.2	116-123 82-83
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Risk Management report Corporate Governance	●	Organisational governance	6.2	61-67 116-123
4.10	Processes for evaluating the highest governance body's own performance	Corporate Governance	●	Organisational governance	6.2	116-123
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Battling Climate Change	●	Organisational governance	6.2	89-96
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Progress of the Performance on Global Compact	●	Organisational governance	6.2	106-107

GRI Index and the Social Responsibility Guidelines
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Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
4.13	Memberships of 'Aitken Spence PLC' in associations (such as industry associations) and/ or national/ international advocacy organisations	Membership in the Ceylon Chamber of Commerce Membership in the Steering Committee of the Global Compact Network Ceylon (GCNC) Member of the Board of the GCNC *(Detailed list for all subsidiaries to be posted on the Group website)*	◐	Organisational governance	6.2	-
4.14	List of stakeholder groups engaged by the organisation	Stakeholder Engagement	●	Organisational governance	6.2	80-82
4.15	Basis of identification and selection of stakeholder	Stakeholder Engagement	●	Organisational governance	6.2	80-82
4.16	Approaches to stakeholder engagement	Stakeholder Engagement	●	Organisational governance	6.2	80-82
4.17	Key topics and concerns raised through stakeholder engagement	Stakeholder Engagement	●	Organisational governance	6.2	80-82
Performance Indicators - Economic Performance Indicators						
EC1	Direct economic value generated and distributed	Financial Review	●	Community involvement and development Community involvement Wealth and income creation Social investment	6.8 6.8.3 6.8.7 6.8.9	52-58
EC3	Coverage of the organisations defined benefit plan obligations	Financial Statements	●	-	-	132-173
EC 6	Policy, practices, and proportion of spending on locally-based suppliers	Building Lives	●	Promoting social responsibility in the value chain Community involvement and development Employment creation and skills development Wealth and income creation	6.6.6 6.8 6.8.5 6.8.7	97-105
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Building Lives Annual Report of the Board of Directors - Donations	●	Economic, social and cultural rights Community involvement and development Community involvement Education and culture* Employment creation and skills development Technology development and access* Wealth and income creation Social investment	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9	97-105 122-128

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
Performance Indicators - Environmental Performance Indicators						
EN5	Energy saved due to conservation and efficiency improvements	Battling Climate Change Sustainable Development Case Studies: Leading Positive Change Shifting Paradigms (Sector supplement for EN8 and EN12) The Patron of the Community	●	The Environment Sustainable resource use	6.5 6.5.4	89-96 93-96 99-101 102-105
EN6	Initiatives to provide energy – efficient or renewable energy based products and services and the reduction in energy consumption as a result of these initiatives		●			
EN 8	Total water withdrawal by source		●			
EN 11	Location and size of land owned, leased managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		●	The Environment Protection of the environment & biodiversity, and restoration of natural habitat	6.5 6.5.6	
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		●			
EN 23	Total number and volume of significant spills	Battling Climate Change	●	The Environment Prevention of pollution	6.5 6.5.3	89-96
EN28	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations	Battling Climate Change	●	The Environment	6.5	89-96
EN3	Direct energy consumption by primary energy source	Sustainable Development Case Study: Leading positive change	◐	The Environment Sustainable resource use	6.5 6.5.4	93-96
EN4	Indirect energy consumption by primary source					
EN10	Percentage and total volume of water recycled and reused	Sustainable Development Case Studies: Leading Positive Change Shifting Paradigms	◐	The Environment Sustainable resource use	6.5 6.5.4	93-96 99-101
EN16	Total direct and indirect greenhouse gas emissions by weight	Sustainable Development Case Study: Leading positive change	◐	The Environment Climate change mitigation action	6.5 6.5.5	93-96
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		◐	The Environment Climate change mitigation action	6.5 6.5.5	
Performance Indicators - Social Performance Indicators						
Labour Practices and Decent Work						
LA1	Total workforce by employment type, employment contract and region	Human Resources	●	Labour Practices Employment and employment relationships	6.4 6.4.3	69-73
LA3	Benefits provided for full time employees	Bonus/ Salary increments on performance basis Festival advance Medical benefits Retirement benefits obligations	●	Labour Practices Employment and employment relationships Conditions of work and social protection	6.4 6.4.3 6.4.4	-

GRI Index and the Social Responsibility Guidelines

Sustainability Report

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
LA5	Minimum notice periods	1 month	●	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue	6.4 6.4.3 6.4.4 6.4.5	-
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	Awareness session on HIV/AIDS as a workplace issue in the Group's Orientation Programme for new recruits. Awareness programme and consultation clinic including free blood test for employees marking World Diabetes Day 2010 on the 15th November 2010.	●	Labour Practices Health and safety at work Community involvement and development Community involvement Education and culture Health	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8	-
LA11	Programmes for skills management and lifelong learning	Human Resources	●	Labour Practices Human development and training in the workplace Employment creation and skills development	6.4 6.4.7 6.8.5	69-73
LA12	Percentage of employees receiving regular performance and career development reviews	100% of the executive cadre	●	Labour Practices Human development and training in the workplace	6.4 6.4.7	-
LA14	Ratio of basic salary of men to women by employee category	1:1	●	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships Conditions of work and social protection	6.3.7 6.3.10 6.4 6.4.3 6.4.4	-
Society Performance Indicators						
SO2	Percentage and total number of business units analysed for risks related to corruption	Sustaining Good Practice - Governance	●	Fair Operating Practices Anti-corruption	6.6 6.6.3	87
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures		●	Fair Operating Practices Respect for property rights	6.6 6.6.3	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		●	Fair Operating Practices Respect for property rights Wealth and income creation	6.6 6.6.7 6.8.7*	

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects and themes	ISO 26000 Clauses	Page Number
Human Rights Performance Indicators						
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Sustaining Good Practice - Governance	●	Human Rights Avoidance of complicity	6.3 6.3.5	87
HR4	Total number of incidents of discrimination and actions taken	Sustaining Good Practice - Governance	●	Human Rights Resolving grievances Discrimination and vulnerable groups Fundamental principles and rights at work Employment and employment relationships	6.3 6.3.6 6.3.7 6.3.10 6.4.3	87
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights	Sustaining Good Practice - Governance	●	Human Rights Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.5 6.4.3 6.6.6	
Product Responsibility Performance Indicators						
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Customer First	●	Consumer Issues Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Access to essential services* Education and awareness	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	88
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship		●	Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Consumer service, support and complaint and dispute resolution Education and awareness	6.7 6.7.3 6.7.6 6.7.9	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		●	Consumer Issues Consumer data protection and privacy	6.7 6.7.7	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		●	Consumer Issues Consumer service, support and complaint and dispute resolution*	6.7 6.7.6	

VALUE

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Corporate Governance

In the present business context, stakeholder expectations of companies to deliver year on year growth in performance and simultaneously address the impact the businesses are creating on the environment has created tremendous pressure on the Board of Directors and the management of companies. Too much emphasis on profitability due to stakeholder pressure and due to poor governance structures adopted have resulted in many corporate failures worldwide. Analysis of some of the recent corporate failures revealed that most of the failed entities had very well documented governance structures but lacked the discipline in implementing such policies.

We at Aitken Spence believe that sound corporate governance principles are the foundation upon which the trust of investors and stakeholders are built. In acknowledgement of this, we place a very strong emphasis on adopting and implementing sound principles and practices of good corporate governance. The Board's primary objective is to enhance long term shareholder value whilst being committed to upholding the highest standards of integrity, accountability, transparency and business ethics in the governance of the Company and its subsidiaries.

This report details the governance structure of the Company and the practices adopted based on the guidelines issued jointly by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the listing rules of the Colombo Stock Exchange and other Codes of Professional Institutes and the Chamber of Commerce.

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
1. Company			
A. Directors			
A.1 The Board The Board comprises of a Chairman, a Deputy Chairman & Managing Director, and eight other Directors, five of whom are Independent Non Executive Directors. The names and profiles of each of the Directors are on pages 20 to 21 of this Annual Report. None of the Directors are related to each other which enables each of the Directors to express their views independently and objectively.			
Board meetings	A.1.1	Complied	Board Meetings were held five times during the financial year and were presided over by the Chairman other than at one meeting. The Board meetings are arranged in advance and all Directors are informed of the meetings. Any instance of non attendance at the meetings were due to personal commitments or illness. Number of meetings D.H.S. Jayawardena 4 J.M.S. Brito 5 R.M. Fernando 5 G.M. Perera 4 M.P. Dissanayake 5 G.C. Wickremasinghe 4 C.H. Gomez 2 N.J. Deva Aditya 4 V.M. Fernando 4 R.N. Asirwatham 5 The Directors are provided with minutes, the agenda and Board papers in advance giving them adequate time to study and formulate independent views which enable active and effective participation by each Board member. 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.

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Responsibilities of the Board	A.1.2	Complied	The Board is responsible for the formulation and implementation of the business strategies of the Group. Ensure the competencies of the Managing Director, the Board of Management and the senior management teams who are delegated with the authority to manage the operations of the Company and to ensure adherence to policies and procedures of the Group. It also ensures succession planning of the senior management team. Ensure that the company adopts and complies with all applicable statutes and accounting regulations. Recommend the appointment or removal of the external auditors subject to the approval of the shareholders at the Annual General Meeting. Responsible for appointing members to the Audit, Remuneration and Nomination committees, who possess the experience and expertise to add value to the committees to which they are appointed. Self evaluation of the Board is conducted on its own performance and that of its committees. The Board reviews and approves the operational and financial budgets and monitors the performance of the individual Strategic Business Units of the Group and introduces appropriate risk management systems to encompass all aspects of the businesses. The Board evaluates new businesses and investment proposals, in depth prior to commitment and restructures and re-engineers existing businesses of the Group where necessary.
Compliance with laws and access to independent professional advice	A.1.3	Complied	The Board ensures compliance with the applicable laws of the country, and institutes, best practices on ethical, health, environmental and safety standards for the Group. The Board further ensures that all stakeholders interests are considered in corporate decisions. When required, it obtains independent professional advice at the Company's expense in discharging its duties.
Company Secretary	A.1.4	Complied	All Directors have access to the advice and services of the Company Secretary. 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.
Independent judgment of the Directors	A.1.5	Complied	All Directors 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.
Dedicating adequate time and effort	A.1.6	Complied	The Chairman and the Board of Directors allocate adequate time for the fulfillment 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 after due preparation prior to such meetings.
Training for new and existing Directors	A.1.7	Complied	Any new director who is appointed to the Board is given if necessary appropriate training. The Board has recognised that there is a need for continuous training and development of skill for better performance of their duties.
A.2. Chairman and Chief Executive Office There is clear distinction of responsibilities between the Chairman and the Managing Director. The functions performed by the Chairman and the Managing Director are distinct and separate, which ensure the balance of power and authority within the organisation, so that no person has unfettered powers of decision making. The Chairman controls and preserves order at Board meetings and provides the Board with strategic direction and guidance. The Managing Director is responsible for the performance of the day to day operation of the Company with the support of the Board of Management and the senior management team. The Managing Director acts as the Chief Executive Officer of the Company.			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	As mentioned above the Company has segregated the duties between the Chairman and the Managing Director.

Corporate Governance

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
A.3 Chairman's Role The Chairman of the Company who is one of the most successful and experienced business leaders in this country is responsible for guiding the Board in formulating the appropriate business strategies and gives direction to the Group. He is responsible for preserving good corporate governance in the Company.			
Role of Chairman	A.3.1	Complied	The Chairman ensures that the Board effectively performs 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 are met. The Chairman encourages effective participation by the individual Directors on matters taken up for consideration, prior to taking decisions. The Chairman ensures that all Directors are adequately briefed on issues arising at Board Meetings. The Chairman ensures that shareholders are given adequate opportunity to raise relevant questions and seek clarifications at meetings of shareholders.
A.4 Financial Acumen			
Financial acumen	A.4	Complied	The Managing Director is a fellow member of the Institute of Chartered Accountants of London & Wales and holds a Degree in Law and a Masters Degree in Business Administration. The Board includes two chartered accountants and an investment banker who are Non Executive Independent Directors. These Directors add substantial value and independent judgment to decision making on matters concerning finance and investment
A.5 Board Balance			
Presence of Non Executive Directors	A.5.1	Complied	Five out of the ten Directors on the Board are Non Executive Directors which is above the requirement of the code. In the Company, the Chairman and the Managing Director are not the same person.
Independence of Non Executive Directors	A.5.2 & 5.3	Complied	There are five Non Executive Directors namely, 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 over 15% of the shares of the company, are however determined as Independent Directors after taking into consideration all the relevant circumstances including the fact that they reside overseas. Further, the Institutions in which they are Directors do not directly or indirectly get involved in the day to day management of either 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, construed Mr. G.C. Wickremasinghe to be independent.
Annual Declaration of Non Executive Directors	A.5.4	Complied	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.
Requirement to appoint a 'Senior Non Executive Director '	A.5.6 and A.5.7	Not applicable	This is not relevant to the company as the Chairman and the Managing Director roles are segregated.
Chairman conducting meetings with the Non Executive Directors	A.5.8	Complied	The Chairman meets with only the Independent non-Executive Directors when necessary.

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Recording of concerns in the Board minutes	A.5.9	Complied	Any concerns raised by the Directors which cannot be resolved unanimously are recorded in the Board minutes, if applicable.
A.6 Supply of Information			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a state of the art management information system to process and monitor the performance of the Group. The Board members have access to all the information at all times.
Adequate time for Board meetings	A.6.2	Complied	Board papers are circulated giving adequate time for individual Directors to study and formulate independent views which enable active and effective participation by each Board member.
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 and 7.2	Complied	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. The names of the members of the Committee are listed on the inner back cover of the Annual Report. 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, and to regularly review the structure, size, composition and competencies of the Board and make recommendations to the Board.
Disclosure to Shareholders	A.7.3	Complied	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 the nature of the appointment.
A.8 Re Election			
Re election of Directors including Chairman	A.8.1 and 8.2	Complied	The Directors are elected by the shareholders of the Company in terms of the Articles of Association. The Articles of Association of the Company empower 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. 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 offices of the Chairman and the Managing Director, who are 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.
A.9 Appraisal of Board performance			
Appraisals of the board and the sub committee	A.9.1 , A.9.2 and A.9.3	Complied	The performance of the Board and the sub committee is reviewed and evaluated by the Board and Chairman based on a self appraisal basis.

Corporate Governance

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
A.10 Disclosure of information in respect of Directors			
Directors disclosures	A.10.1	Complied	The names of the Board of Directors, their qualification and expertise and the profiles are disclosed on pages 20 to 21 of this report. Directors' interest in contracts is given on page 169 of this annual report. The number of board meetings attended by the Directors is given on page 116 of this report. Names of the Chairman and the names of members of the Board Committees are provided in the inner back cover of the annual report.
A.11 Appraisal of Chief Executive			
Setting of the annual targets and the appraisal of the CEO	A.11.1 and A.11.2	Complied	The Board Reviews and approves the operational and financial budgets and monitors the performance. The evaluation of performance is conducted half yearly and at the end of the financial year.
B DIRECTORS REMUNERATION			
B.1 Remuneration Procedure			
Establishment of a remuneration committee and its composition	B.1.1 ,B.1.2 and B.1.3	Complied	The Remuneration Committee comprises of three Non Executive Directors one of whom is the Chairman. No Director is involved in determining his or her own remuneration.
Determination of the remuneration of the Non Executive Directors	B.1.4	Compiled	The Board determines as per the Articles of Association of the Company the fees and reimbursable expenses payable to Non Executive Directors.
Consultation with the Chairman and the CEO	B.1.5	Complied	Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposal to Executive Directors and the senior management. No Director is involved in determining his or her own remuneration.
B.2 Level and Make up of Remuneration			
Level and make up of the remuneration of Directors and comparison of remuneration with other Companies	B.2.1, 2.2 and 2.3	Complied	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. The Committee structures remuneration packages to attract, retain, motivate Directors, the senior management and executives. The remuneration packages are based on comparative industry norms and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached.
Performance based remuneration	B.2.4	Complied	The Remuneration Committee reviews the performance of the Executive Directors and senior management and the performance bonus is based upon the achievement of the goals and targets.
Executive share options	B.2.5	Not applicable	No share options are on offer.
Designing the remuneration.	B.2.6	Complied	The procedure followed in deciding of remuneration of employees is set out in the Remuneration Committee report which is given on page 129.
Early Termination of Directors	B.2.7 and B.2.8	Compiled	Is determined by the Articles of Association.
Remuneration of non executive Directors	B.2.9	Complied	Non Executive Directors receive a fee for their participation in meetings as set out under B.1.4.

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
B.3 DISCLOSURE OF REMUNERATION			
Disclosure of remuneration	B.3.1	Complied	The names of the members of the Remuneration Committee are listed on the inner back cover. The report of the Committee is given on page 129 of this Annual Report. Please refer note 8 to the financial statements for the details of remuneration paid to Board of Directors and key management personnel.
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of Annual General Meeting			
Use of Proxy	C.1.1	Complied	The Company ensures that all proxy votes are counted and the level of proxies lodged on each resolution is conveyed to the Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issues.
Chairman of Board committee to be present	C.1.3	Complied	At the Annual General Meeting the relevant Chairman of the Remuneration, Audit, Nomination Committees are present to answer queries and provide clarification to shareholders where necessary.
Adequate notice of Annual General Meeting and summary of Procedure	C.1.4 and C.1.5	Complied	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.
C.2 MAJOR TRANSACTION			
Disclosures of Major transactions	C.2.1	Complied	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.
D. ACCOUNTABILITY AND AUDIT			
D.1 Financial Reporting			
Board responsibility to present the financial statements	D.1.1	Complied	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.
Annual report of the Directors	D.1.2	Complied	The Directors have made the required declaration in the Annual Report of the Directors on pages 124 to 128 of the Annual Report.
Statement by the Directors and the Auditors	D.1.3	Complied	The Directors responsibility statement is on page 132 of the Annual Report. The Auditors' Report on the financial statements for the year ended 31st March 2011 is presented on page 133 of this Annual Report.
Management discussion and analysis	D.1.4	Complied	The management discussion and analysis is presented as the operational review of the company and its subsidiaries on pages 30 to 51 of this Annual Report.

Corporate Governance

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Declaration by the Board as to whether the business is a going concern.	D.1.5	Complied	The relevant declaration is presented in the Annual Report of the Directors on page 126 of this Annual Report.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.6	Not applicable	This is not applicable to the Company but should the situation arise an Extraordinary General Meeting would be called upon and the shareholders would be notified.
D.2 Internal Control			
Directors to review internal Controls	D.2.1	Complied	The Board is responsible for formulating and implementing appropriate systems of internal control for the Group and in turn assess the effectiveness. The Groups internal audits division assist the Board of Directors and the Audit Committee in carrying out the above task. Any internal control system has its inherent limitations. The Board is aware of the inherent limitations and has taken appropriate steps to minimise such situations.
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group has its own internal audit division.
D.3 Audit Committee			
Composition of the Audit Committee and the Duties	D.3.1 and D.3.2	Complied	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 and is the Chairman of the Committee. 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. The annual audit plan is reviewed and approved by the Committee. The audit observations submitted to the Audit Committee are closely monitored together with remedial actions by circulating the minutes of the Committee meetings. The Audit Committee also reviews the management letters and special assignments by the Internal and external auditors and reviews and assesses risks.
Terms of Reference for Audit Committee	D.3.3	Complied	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. The Audit Committee evaluates the performance of the external auditors and makes 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.
Disclosures of names of the members of the Audit Committee	D.3.4	Complied	The Audit Committee monitors and guides the Internal Audit function. Report of the Audit Committee is on page 131 of this Annual Report.
D.4 Code Of Business Conduct and Ethics			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	The Company has developed a code of ethics which is circulated to Directors and all employees. The Board ensures that the Directors and employees strictly comply with the Code of Business Conduct and Ethics. The Violation of the code of ethics is an offence which is subject to disciplinary action.

	Reference to SEC & ICASL Code	Compliance	Details of Compliance
Affirmation of the code of conduct and ethics	D.4.2	Complied	Please refer Chairman's statement on Page 10 of the Annual Report
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	This report from 116 to 123 satisfies the above requirement
2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
Shareholder voting	E.1.1	Complied	The company conducts regular discussions with Institutional Investors. All shareholders of the Company are welcomed at the AGM, and requested to cast their vote on applicable issues.
F. OTHER INVESTORS			
F.1 investing and divesting decision			
Investing and divesting decision	F.1	Complied	The Company has no restriction on any shareholder obtaining independent advice regarding their investment in the company.
F.2 Shareholder Voting			
Individual shareholders voting	F.2	Complied	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 meet with the Directors after the meeting.

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 2011 which were approved by the Board of Directors on 27th of May 2011.

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 185 to 189 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 2011 are given on pages 134 to 171.

2. Review of Operations

A review of performance, future plans of the Company and the Group Companies are described in greater detail in the Chairman's Report, the Managing Director's Review, Management Discussion and Analysis, and the Financial Review in the Annual Report. These reports together with the financial statements reflect the state of affairs of the Company and the Group.

With the intention of facilitating greater liquidity, the shares of the company were subdivided on the basis of fifteen ordinary shares for one ordinary share held thereby increasing the number of shares in issue from 27,066,403 to 405,996,045 shares. The stated capital of the Company remains unchanged at Rs. 2,135 million.

The Company and the Group invested Rs. 2,868 million in new and existing ventures.

Aitken Spence Hotel Holdings PLC, which is a subsidiary of the Company had a successful rights issue in May 2010 of one new share for every 4 shares held at an issue price of Rs. 260.00 per share. The rights issue raised equity of Rs. 2.5 billion.

The objective of the rights issue was to finance new projects/ investments to maintain the company's leadership position in the tourism/ hotel industry which is expected to grow substantially as well as to provide investors an opportunity to participate further in the equity of the company and its growth prospects. Aitken Spence PLC, invested Rs.1.78 billion in the rights issue and retained the equity control in the Company.

Aitken Spence Hotel Holdings PLC., thereafter had a sub division of shares on the basis of seven shares for every one share held with a view to facilitating greater liquidity of the Company's shares.

Aitken Spence Hotel Holdings PLC invested Rs. 773 million in the rights issue of Browns Beach Hotel PLC increasing its equity holding of the Company from 28.69% to 33.22%. Hence

For the year ended 31 March	Group 2011 Rs.'000	Group 2010 Rs.'000 (Restated)
The net profit of the Group after providing for all expenses, all known liabilities and depreciation on property, plant and equipment	3,815,555	3,353,169
Provision for taxation including deferred tax	(387,335)	(366,193)
Net profit after tax	3,428,220	2,986,976
Profit attributable to minority shareholders	(892,264)	(927,340)
Profit attributable to equity shareholders	2,535,956	2,059,636
Income directly recognised in the equity statement	356,425	52,172
Adjusted balance brought forward from the previous year	18,894,470	17,039,793
Amount available for appropriation	21,786,851	19,151,601
Interim dividend for 2009/2010 (2008/2009)	(94,732)	(94,732)
Final dividend for 2009/10 (2008/09)	(175,932)	(162,399)
Balance carried forward	21,516,187	18,894,470

in accordance with the Takeovers and Mergers Code 1995, as amended in 2003 Aitken Spence Hotel Holdings PLC made a mandatory offer to purchase all the remaining ordinary shares of Browns Beach PLC at Rs. 21.70 per share and such offer was valid until the 29 th of April 2011.

Six Senses Group and Aitken Spence Hotel Holdings PLC signed an agreement to commence construction of the first Six Senses property in Sri Lanka.

Aitken Spence PLC acquired Logilink (Pvt) Ltd., a company specialising in warehousing and garments on hangers by investing Rs. 222.6 million.

During the period under review the Aitken Spence PLC – China Merchants Holdings (International) Company Ltd., consortium was awarded the Letter of Intent by the Government of Sri Lanka, to build, operate and transfer a new deep water container terminal in the South Container Terminal at the Port of Colombo.

The Company divested its stake in Hayleys Plantation Services Ltd., the holding Company of Talawakelle Tea Estates PLC for Rs. 280 million.

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. 377 million (2010 - Rs. 335 million). The Group revenue was Rs. 25,144 million (2010 - Rs. 24,169 million) which is an increase of 4.0% compared to the previous year. An analysis of Group revenue based on business and geographical segments is disclosed in note 6 to the financial statements on page 148.

The profit after tax of the Company was Rs. 1,657 million (2010 - Rs. 1,471 million) The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 2,536 million (2010 - Rs. 2,060 million) a 23.1 % increase over the previous year. The segmental profits are disclosed in note 6 to the financial statements on page 148.

2.2. Donations

During the year, donations amounting to Rs. 275,000/- were made by the Company, while the donations made by the subsidiaries during the year amounted to Rs. 5,109,617/-.

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

The Directors recommend a first and final dividend payment of Rs. 1.00 per share which is equivalent to Rs. 15.00 per share on the shares held prior to the subdivision. The dividend paid in respect of the previous year was Rs. 10.00 per share. Thus there is an increase of 50% in the current year's dividends over the previous year. The total dividend for the current year will be distributed entirely from exempt dividends received by the Company and will be exempt from tax in the hands of the shareholders. 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.

3. Synopsis of the Balance Sheet of the Company and the Group

3.1 Stated Capital and Reserves

As at 31st March 2011 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The total Group reserves as at 31st March 2011 were Rs. 19,381 million (2010 - Rs. 16,759 million). This consisted of capital reserves of Rs. 5,186 million (2010 - Rs. 4,751 million) and revenue reserves of Rs. 14,195 million (2010 - Rs. 12,008 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 136.

3.2 Debentures

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. Fitch Rating Lanka Limited, granted a credit rating of AA (lka) 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 an interest rate of 13.75% p.a. The applicable interest rate on these debentures was duly paid on 23rd October 2010. In accordance with the terms of the issue, 30% of the face value (Rs.30/-) of these debentures was redeemed on 25th October 2010.

Annual Report of the Board of Directors

(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 on these debentures was duly paid on 24th April 2010 and 23rd October 2010. In accordance with the terms of the issue, 30% of the face value (Rs.30/-) of these debentures was redeemed on 25th October 2010.

3.3. Property, Plant & Equipment

The carrying value of property, plant & equipment for the Company and the Group as at 31 st March 2011 amounted to Rs. 209 million and Rs. 23,926 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. 150 million and Rs. 2,013 million respectively.

3.4. Investment Property

The carrying value of land and buildings classified as investment property of the Company and the Group as at 31st March 2011 amounted to Rs. 676 million and Rs. 103 million respectively.

3.5 Market Value of Freehold Properties

The freehold land owned by companies in the Group was revalued by professionally qualified independent valuers during the financial year 2008/2009, with the exception of those owned by Aitken Spence Hotel Holdings PLC and Ahungalla Resorts (Pvt) Ltd., which were revalued during the financial year 2006/2007 and the current financial year respectively.

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, joint ventures and associate companies. Details are given in note 36 to the financial statements.

4. Events Occurring after the Balance Sheet Date

No event of material significance that require adjustments to the financial statements has arisen that would require any adjustments other than those disclosed in note 41 to the financial statements on page 171.

5. Accounting Policies

There were no changes to the accounting policies adopted by the Company or the Group during the financial year. The accounting policies adopted by the Company and the Group are disclosed in the financial statements on pages 140 to pages 147.

6. Going Concern

The Board of Directors is 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 2011 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.
G.C. Wickremasinghe.
C.H. Gomez.
N.J. de S Deva Aditya.
V.M. Fernando.
R.N. Asirwatham.

All Directors of the Company held office during the entire year. The profiles of the Directors are given on page 20 and 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)
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

Dr. R.M. Fernando and Mr. V.M. Fernando retire by rotation in terms of Article 84 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 shareholdings and their interest is provided in the Investor Information section on page 176 of the Annual Report.

7.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007.

7.6 Directors Remuneration

The Directors remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2011 are disclosed on page 149 of the financial statements.

7.7 Related party transactions

Related party transactions of the Group are disclosed on pages 169 to 170 of the Annual Report. These interests have been declared at Director's meetings.

7.8 Boards of Directors of Subsidiaries and Joint ventures

The names of Directors of the subsidiary and joint venture companies who held office as at 31 st March 2011 and Directors who ceased to hold office during the accounting period are reflected on pages 185 and 189 of the Annual Report.

8. Human Resources

Our HR strategies and practices have translated into the creation of a dynamic and competent human resource team with sound succession planning and remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The Human Resources report is set out on pages 68 to 73 of the Annual Report

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 116 to 123 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, human 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 132 and the Audit Committee Report is set out on page 131 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 132 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

Annual Report of the Board of Directors

governance systems. The Group has not engaged in any activity which is harmful and dangerous to the environment. The corporate sustainability report of the Group is included on pages 74 to 113 of the Annual Report.

13. Shareholder Information

There were 5,045 shareholders as at 31st March 2011. The distribution schedule of the number of shareholders and their share holdings are detailed in pages 174 to 176. The details of the twenty largest shareholders as at 31st March 2011 are given on page 177. The percentage of the shares held by the public as at 31st March 2011 was 57.53%.

Information relating to earnings per share, net assets per share for the Company and the Group, dividend per share and the market price per share is given in pages 174 to 175 of the Annual Report.

14. Auditors

The independent auditors' report on the financial statements is given on page 133 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. 682,000/-.

In addition to the above Rs. 1,785,771/- was payable by the Company for permitted non audit services including tax advisory services.

Messrs KPMG Ford, Rhodes, Thornton & Co., who is the auditors of the Company are also the auditors of certain subsidiaries, joint ventures and associates companies of the Group. The list of the subsidiaries, joint ventures and associate companies audited by them are included on pages 185 to 189 of the Annual Report. The amount payable by the Group to Messrs KPMG Ford, Rhodes, Thornton & Co., as audit fees is Rs. 7,717,842/- while a further Rs. 3,249,863/- was payable for permitted non audit related services including tax advisory services. In addition to the above Rs. 4,827,176/- is payable to other auditors for carrying out audits in the subsidiaries and joint ventures where the audits were not carried out by Messrs KPMG Ford, Rhodes, Thornton & Co. The amount payable to such other auditors for permitted non audit related services including tax advisory services was Rs. 3,812,606/-. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures or associates that would have an impact on their independence.

D.H.S. Jayawardena
Chairman

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

R.E.V. Casie Chetty
Company Secretary

27 th May 2011
Colombo

Remuneration Committee Report

The Remuneration Committee consists of three Non-Executive Independent Directors one of whom functions as the Chairman of the Committee. 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 Chairman and the Managing Director of Aitken Spence PLC attend 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 practised on account of gender, age, ethnicity or religion, recognises the basic needs of employees and the compensation packages address cost of living, inflation and industry norms.

The Remuneration Committee having considered the performance of the directors and executives of various Group Companies, approved promotions, the revision of individual remuneration packages based on comparative industry norms and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached. No director is involved in deciding his or her own remuneration.

G. C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
3rd May 2011

Nominations Committee Report

The Nomination Committee consist of three Independent Non Executive Directors one of whom acts as the Chairman of the Committee; whilst the Chairman of Aitken Spence PLC., and the Deputy Chairman and Managing Director of the Company are also members of the Committee. The members of the Committee individually and jointly possess a large reservoir of knowledge, experience and entrepreneurial skills which enables them to perform their responsibilities and duties effectively.

The Committee formally met once during the year under review. The primary function of the Committee is to evaluate the performance of the existing Directors, the suitability of new appointments and the re-appointments of existing Directors to Boards of Group Companies. Accordingly, the Committee reviewed and recommended changes considered necessary to the Board of Directors, on the composition of Boards of Group Companies. The Nomination Committee further evaluated the suitability of promotions of employees to higher levels of management and made recommendations to the Board of Directors.

The Nomination Committee's decisions were fair, free from any bias and were not influenced by personal or business relationships. This enabled the Committee to make sound and measured judgments in order to attract the best talent to the Group and also retain the services of the current employees by giving them fair and equal opportunities.

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
30th March 2011

Audit Committee Report

Committee Composition

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

Meetings and Attendance

The Committee formally met 8 times during the year ended 31st March 2011.

The Managing Director, The Chief Corporate Officer, the Chief Financial Officer, the Company Secretary 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, when ever the Committee considered it necessary.

Functions of the Committee

Reviewed and discussed with the Management, the annual and quarterly financial statements prior to their release, which were prepared in strict compliance with the Companies Act No 7 of 2007, the Sri Lanka Accounting Standards, appropriate statutes and regulations of relevant Institutes and Organisations .

Approved the Internal Audit Department's Plan of Activities, and monitoring its execution.

Reviewed and discussed the audit reports of Strategic Business Units within the Group, performed by the Group Internal Audit Division. Such audits covered financial & operational matters, risk assessments and IT security reviews.

Using their extensive experience, knowledge and specialised expertise, recommended additional controls and risk mitigation strategies , with a view to strengthening existing controls and strategies.

Assisted the Board in the discharge of its duties, by ensuring that adequate systems of internal control were in place.

Ensured that appropriate processes were in place for the identification, evaluation and management of significant risks faced by the Group.

Approved the appointment of a suitable firm of external consultants, to advice and assist the Group, in the implementation of the International Financial Reporting Standards.

Internal Audit

The activities of the Internal Audit Department were approved, reviewed and monitored at the meetings. The achievement of the Departments plan for the year ended 31st March 2011, was evaluated. The Committee also advised the Board, on the resource requirements of the Internal Audit Department.

External Audit

The Management Letter issued for the year ended 31st March 2010, the Managements responses thereto and the remedial actions taken, were reviewed and evaluated.

The Audit Committee met 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 looked into the independence and performance of the external auditors Messrs Ford Rhodes Thornton and Co. and also having received a certificate from them confirming their independence decided to recommend to the Board of Aitken Spence PLC their reappointment 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
25th May 2011.

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 and joint ventures for the year ended 31st March 2011 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. Material departures if any 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 payments due to employees, 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
27th May 2011

Independent Auditors' Report

KPMG Ford, Rhodes, Thornton & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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TO THE SHAREHOLDERS OF AITKEN SPENCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group") as at 31st March, 2011, 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 134 to 171 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, 2011 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2011 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, 2011 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 shareholders of the Company.

Report on Other Legal and Regulatory Requirements

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

CHARTERED ACCOUNTANTS
Colombo

27th May 2011

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C Abeyrathne ACA
M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statements

For the year ended 31st March	Notes	Group 2011 Rs.'000	Group 2010 Rs.'000 (Re-stated)	Company 2011 Rs.'000	Company 2010 Rs.'000
Revenue	6	25,143,811	24,168,970	377,485	335,379
Revenue tax		(414,820)	(373,692)	(10,141)	(9,753)
Net revenue		24,728,991	23,795,278	367,344	325,626
Other operating income	7	254,205	149,596	1,825,023	1,572,825
Changes in inventories of finished goods and work-in-progress		20,402	(9,998)	-	-
Raw materials and consumables used		(6,641,636)	(7,497,448)	-	-
Employee benefits expense		(3,055,354)	(2,624,483)	(221,813)	(197,083)
Depreciation, amortisation and impairment of goodwill	8	(2,094,440)	(1,672,653)	(44,047)	(28,541)
Other operating expenses - direct	9	(5,659,838)	(4,763,820)	-	-
Other operating expenses - indirect		(3,595,814)	(3,344,591)	(256,600)	(191,408)
Profit from operations	6	3,956,516	4,031,881	1,669,907	1,481,419
Finance income		494,963	289,070	348,846	346,403
Finance expenses	10	(731,228)	(986,884)	(361,591)	(357,263)
Net finance expense		(236,265)	(697,814)	(12,745)	(10,860)
Share of associate companies profit (net of tax)	11	95,304	19,102	-	-
Profit before tax	6 & 8	3,815,555	3,353,169	1,657,162	1,470,559
Income tax expense	12	(387,335)	(366,193)	-	-
Profit for the year		3,428,220	2,986,976	1,657,162	1,470,559
Attributable to:					
Equity holders of the company		2,535,956	2,059,636	1,657,162	1,470,559
Minority interest		892,264	927,340	-	-
Profit for the year		3,428,220	2,986,976	1,657,162	1,470,559
Earnings per Share - Basic/Diluted (Rs.) *	13	6.25	5.07	4.08	3.62
Dividends per Share (Rs.) *	14	1.00	0.67	1.00	0.67

The notes on pages 140 through 171 form an integral part of these financial statements.

** Information for the previous year has been restated to reflect the subdivision of shares in October 2010.*

Figures in brackets indicate deductions.

Balance Sheets

As at 31 March	Notes	Group 2011 Rs.'000	Group 2010 Rs.'000 (Re-stated)	Company 2011 Rs.'000	Company 2010 Rs.'000
ASSETS					
Non-Current Assets					
Property, plant & equipment	15	23,925,653	23,328,896	209,129	100,177
Leasehold properties	16	1,359,483	1,468,449	-	-
Intangible assets	17	134,026	154,185	-	-
Investment property	18	102,799	28,936	675,888	688,486
Investments in subsidiaries and joint ventures - unquoted	19	-	-	4,599,972	4,368,728
Investments in subsidiaries - quoted	19	-	-	2,458,287	679,300
Investments in associates	20	1,335,002	767,498	165,000	335,515
Long-term investments	21	473,945	483,580	167,873	167,873
Deferred tax assets	22	138,314	56,823	-	-
		27,469,222	26,288,367	8,276,149	6,340,079
Current Assets					
Inventories	23	1,607,724	1,393,586	1,755	1,791
Trade and other receivables	24	4,148,373	5,344,272	274,359	157,922
Amounts due from subsidiaries & joint ventures		-	-	2,003,004	2,338,273
Amounts due from associates		23,326	125,309	8,143	111,282
Current investments	25	261,436	4,619	436	436
Deposits and prepayments		547,022	490,378	23,205	34,075
Current tax receivable		122,298	158,160	109,659	81,271
Short-term deposits		5,047,926	2,752,209	2,700,285	2,146,059
Cash at bank and in hand		736,009	824,915	20,554	13,816
		12,494,114	11,093,448	5,141,400	4,884,925
Assets classified as held for sale	26	181,489	161,663	70,837	57,337
Total Assets	27	40,144,825	37,543,478	13,488,386	11,282,341
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	11,071,652	9,317,199	5,737,726	4,352,211
Retained earnings		8,309,395	7,442,131	1,067,320	1,066,337
		21,516,187	18,894,470	8,940,186	7,553,688
Minority interest		5,129,687	4,566,388	-	-
Total Equity		26,645,874	23,460,858	8,940,186	7,553,688
Non-Current Liabilities					
Interest-bearing liabilities	29	4,143,648	5,156,762	844,000	1,112,000
Deferred tax liabilities	30	267,078	278,408	-	-
Employee benefits	31	335,637	295,266	46,936	41,674
		4,746,363	5,730,436	890,936	1,153,674
Current Liabilities					
Trade and other payables	32	3,942,187	4,190,966	334,209	432,669
Interest-bearing liabilities repayable within one year	29	1,718,328	1,541,047	568,000	508,000
Amounts due to subsidiaries & joint ventures		-	-	1,940,706	1,172,263
Amounts due to associates		482	2,956	45	209
Current tax payable		179,647	147,326	-	-
Short-term bank borrowings		2,911,944	2,469,889	814,304	461,838
		8,752,588	8,352,184	3,657,264	2,574,979
Total Equity and Liabilities		40,144,825	37,543,478	13,488,386	11,282,341

The above balance sheet is to be read in conjunction with the notes to the financial statements on page 140 to 171.
I certify that the financial statements for the year ended 31st March 2011 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

27th May 2011
Colombo, Sri Lanka

Statement of Changes in Equity - Group

For the year ended 31st March 2011	Attributable to equity holders of the company							Minority interest	Total equity
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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
Prior period adjustments (Note 42.1)	-	-	-	-	-	(38,161)	(38,161)	-	(38,161)
Balance as at 31st March 2009 (Restated)	2,135,140	4,623,582	127,521	2,143,527	332,915	7,677,108	17,039,793	4,553,439	21,593,232
Currency translation differences	-	-	-	-	48,004	-	48,004	9,814	57,818
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	4,168	4,168	4,910	9,078
Net income recognised directly in equity	-	-	-	-	48,004	4,168	52,172	14,724	66,896
Profit for the year	-	-	-	-	-	2,059,636	2,059,636	927,340	2,986,976
Total recognised income and expenses for the year	-	-	-	-	48,004	2,063,804	2,111,808	942,064	3,053,872
Transfer to general reserve	-	-	-	2,041,650	-	(2,041,650)	-	-	-
Dividends 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	7,442,131	18,894,470	4,566,388	23,460,858
Currency translation differences	-	-	-	-	(66,000)	-	(66,000)	(41,968)	(107,968)
Share of net assets of associate companies	-	-	-	-	-	2,566	2,566	(1,208)	1,358
Surplus on revaluation	-	434,938	-	-	-	-	434,938	149,656	584,594
Issue of shares by subsidiaries	-	-	-	-	-	-	-	637,286	637,286
Direct cost on share issue	-	-	-	-	-	(14,610)	(14,610)	(5,027)	(19,637)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	(469)	(469)	(557)	(1,026)
Net income recognised directly in equity	-	434,938	-	-	(66,000)	(12,513)	356,425	738,182	1,094,607
Profit for the year	-	-	-	-	-	2,535,956	2,535,956	892,264	3,428,220
Total recognised income and expenses for the year	-	434,938	-	-	(66,000)	2,523,443	2,892,381	1,630,446	4,522,827
Transfer to general reserve	-	-	-	1,385,515	-	(1,385,515)	-	-	-
Dividends for 2009/2010 (Note 14)	-	-	-	-	-	(270,664)	(270,664)	-	(270,664)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	(1,067,147)	(1,067,147)
Balance as at 31st March 2011	2,135,140	5,058,520	127,521	5,570,692	314,919	8,309,395	21,516,187	5,129,687	26,645,874

The notes on pages 140 through 171 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 2011	Stated capital Rs.'000	Revaluation reserve Rs.'000	General reserves Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 31st March 2009	2,135,140	193,746	2,116,815	1,894,559	6,340,260
Profit for the year	-	-	-	1,470,559	1,470,559
Total recognised income and expenses for the year	-	-	-	1,470,559	1,470,559
Transfer to general reserve	-	-	2,041,650	(2,041,650)	-
Dividends 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
Profit for the year	-	-	-	1,657,162	1,657,162
Total recognised income and expenses for the year	-	-	-	1,657,162	1,657,162
Transfer to general reserve	-	-	1,385,515	(1,385,515)	-
Dividends for 2009/2010 (Note 14)	-	-	-	(270,664)	(270,664)
Balance as at 31st March 2011	2,135,140	193,746	5,543,980	1,067,320	8,940,186

The notes on pages 140 through 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Group 2011 Rs.'000	Group 2010 Rs.'000	Company 2011 Rs.'000	Company 2010 Rs.'000
Cash flows from operating activities				
Net profit before taxation	3,815,555	3,353,169	1,657,162	1,470,559
Adjustments for				
Depreciation & amortisation	2,070,436	1,652,628	44,047	28,541
Impairment of goodwill	24,004	20,025	-	-
Interest expense	660,440	902,200	355,705	356,563
Gain on sale of property plant & equipment	(41,925)	(19,786)	(10,070)	(700)
Loss on disposal of investment property	-	-	23,711	-
Gain on sale of investments	(10,691)	-	(180,564)	-
Interest income	(494,963)	(289,070)	(348,846)	(346,403)
Surplus on acquisition of companies	(30,127)	(33,785)	-	-
Share of associate companies' profit after tax	(95,304)	(19,102)	-	-
Provision / (write-back) of bad and doubtful debts	(3,894)	10,194	987	(15,146)
Effect of changes in percentage holding in subsidiaries	(8,814)	4,077	-	-
Movement in assets held for sale	(19,826)	(12,539)	-	-
Provision for fall in value of investments	(995)	4,712	4,488	150
Foreign exchange gain / (loss)	(137,068)	(69,808)	13	-
Provision for retirement benefit obligations	80,020	79,807	9,163	10,094
	1,991,293	2,229,553	(101,366)	33,099
Operating profit before working capital changes	5,806,848	5,582,722	1,555,796	1,503,658
(Increase)/decrease in trade and other receivables	1,301,776	515,318	320,984	(90,755)
(Increase)/decrease in inventories	(214,138)	(109,975)	36	3
Increase/(decrease) in trade and other payables	(251,976)	284,083	669,096	285,965
(Increase)/ decrease in deposits & prepayments	(56,644)	42,142	10,870	10,704
	779,018	731,568	1,000,986	205,917
Cash generated from operations	6,585,866	6,314,290	2,556,782	1,709,575
Interest paid	(660,440)	(902,200)	(355,705)	(356,563)
Income tax paid	(406,612)	(442,295)	(28,388)	(37,686)
Retirement benefit obligations paid	(39,863)	(32,804)	(3,901)	(1,472)
	(1,106,915)	(1,377,299)	(387,994)	(395,721)
Net cash generated from operating activities	5,478,951	4,936,991	2,168,788	1,313,854
Cash flows from investing activities				
Investments made during the year	(1,030,107)	(102,353)	(2,028,726)	(441,007)
Acquisition of subsidiaries (Note A)	(224,132)	(458,553)	-	-
Purchase of property, plant and equipment	(2,012,935)	(1,938,023)	(150,163)	(72,559)
Purchase of investment property	(56,612)	-	(14,941)	-
Purchase of leasehold rights	(5,547)	(51,341)	-	-
Proceeds from disposal of property, plant and equipment	115,896	137,694	11,062	2,167
Proceeds from disposal of investments	289,440	15,000	351,586	15,000
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(1,067,147)	(929,115)	-	-
Dividends received from associate companies	34,066	7,443	-	-
Net cash used in investing activities	(3,957,078)	(3,319,248)	(1,831,182)	(496,399)

(carried forward to next page)

The notes on pages 140 through 171 form an integral part of these financial statements.
Figures in brackets indicate deductions.

For the year ended 31st March	Group 2011 Rs.'000	Group 2010 Rs.'000	Company 2011 Rs.'000	Company 2010 Rs.'000
(brought forward from previous page)				
Cash flows from financing activities				
Interest received from deposits	494,963	289,070	348,846	346,403
Proceeds from interest-bearing liabilities	1,244,137	616,271	300,000	-
Repayment of interest-bearing liabilities	(1,891,150)	(1,978,703)	(508,000)	(370,000)
Issue of shares by subsidiaries	637,286	-	-	-
Direct cost on share issue by a subsidiary company	(19,637)		-	
Dividends paid	(269,941)	(256,715)	(269,941)	(256,715)
Net cash generated from / (used in) financing activities	195,658	(1,330,077)	(129,095)	(280,312)
Net increase in cash and cash equivalents	1,717,531	287,666	208,511	537,143
Cash and cash equivalents at the beginning of the year	1,154,460	866,794	1,698,024	1,160,881
Cash and cash equivalents at the end of the year (Note B)	2,871,991	1,154,460	1,906,535	1,698,024

A Acquisition of subsidiaries

During the year the Group acquired total control of Logilink (Pvt) Ltd., and balance control of Aitken Spence Hotel Managements (South India) Pvt Ltd. The fair value of assets acquired and liabilities assumed of these acquisitions are as follows;

	Rs.'000
Property, plant & equipment	(253,968)
Trade and other receivables	(1,952)
Deposits and prepayments	(2,923)
Interest bearing liabilities	521
Deferred taxation	(5,011)
Employee benefits	255
Trade and other payables	12,447
Cash and cash equivalents	(406)
Net assets acquired	(251,037)
Goodwill on acquisition of companies	(3,628)
Surplus on acquisition of companies	30,127
Purchase consideration paid on acquisition	(224,538)
Cash and cash equivalents acquired	406
Net cash outflow on acquisition of companies	(224,132)

B Cash and cash equivalents at the end of the year

For the year ended 31st March	Group 2011 Rs.'000	Group 2010 Rs.'000	Company 2011 Rs.'000	Company 2010 Rs.'000
Cash at bank and in hand	736,009	824,915	20,554	13,816
Short term deposits	5,047,926	2,752,209	2,700,285	2,146,059
Short-term bank borrowings	(2,911,944)	(2,469,889)	(814,304)	(461,838)
Cash and cash equivalent as previously reported	2,871,991	1,107,235	1,906,535	1,698,037
Effect of exchange rate changes	-	47,225	-	(13)
Cash and cash equivalents as restated	2,871,991	1,154,460	1,906,535	1,698,024

The notes on pages 140 through 171 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1 REPORTING ENTITIY

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 Tower II", 315 Vauxhall Street, Colombo 02.

The principal activities of the Company and the other entities consolidated with it are disclosed in page nos. 185 to 189 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 financial statements have been prepared in accordance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act. No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995.

2.2 Approval of financial statements by Directors

The financial statements for the year ended 31st March 2011 were authorised for issue by the Board of Directors on the 27th of May 2011.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis , except for certain investments, and items of property, plant & equipment which are measured at fair value and defined benefit plans which are measured at the present value of the defined benefit obligations as explained in notes 3.2, 3.3 and 3.4.1 to the financial statements.

Functional currency

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.

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.

2.5 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or to cease operations.

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 Group. 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. Control also exists when the company controls the composition of the board of directors or equivalent body, holds more than half of the issued shares of the entity, or controls more than half of the voting rights of the entity, or where control is provided by virtue of contractual arrangements.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control 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*

Associates are those entities in which the Group has significant influence, but does not have control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% - 50% of the voting rights of another entity.

Investments in associates are recognised initially at cost. The results of the associate companies are accounted for in the consolidated financial statements using the equity method, 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 *Jointly controlled operations*

Entities in which the Group has joint control over the financial and operating policies are termed joint ventures. The Group's interests 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, Business Travels LLC which is a joint venture company whose financial year ends on the 31st December. 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 transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 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 reporting 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 reporting 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 measured at cost less accumulated depreciation and accumulated impairment losses.

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

All items of property, plant and equipment are recognised initially at cost. The Group revalues land at least once in every five years which is measured 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 in shareholder's equity 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 retained earnings and is not taken into account in arriving at the gain or loss on disposal. 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 carrying amount of the parts that are replaced is derecognised from the cost of the asset.

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 *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation of property, plant and equipment of the Group is recognised in the income statement 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

Buildings of some 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 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 Leases

3.3.2.1 Finance leases

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 are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments. Leased assets are depreciated over the remaining lease period or the useful life of the asset whichever is shorter.

3.3.2.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

3.3.2.3 Leasehold property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortised over the period of the lease 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

3.3.3.1 Unquoted investments are treated as long-term investments and measured at cost in the financial statements. Investments in preference shares are treated as long-term investments and measured at cost in the financial statements.

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

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

3.3.3.4 All other quoted investments are treated as current investments and measured 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 rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes are treated as investment properties and measured 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 companies within the Group for the production or supply of goods and services or for administrative purposes is treated as property, plant and equipment while these properties are treated as investment property in the financial statements of the company owning the asset.

Notes to the Financial Statements

3.3.5 *Inventories*

Inventories are measured 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 measured 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 reporting 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 reporting date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in the income statement.

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

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

3.4 Liabilities and provisions

Liabilities classified as current liabilities on the balance sheet are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances repayable one year from the reporting date..

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

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees, in conformity with SLAS 16 (Revised 2006) on Retirement Benefit Costs.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

3.4.1.2 Defined contribution plan

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

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.

3.4.1.3 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result past service rendered by the employee and the obligation can be measured reliably.

3.4.3 Provisions

A provision is recognised in the balance sheet, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 3.3.1.3 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 from 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 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.

Notes to the Financial Statements

3.5.7 *Grants and subsidies*

Grants and subsidies which are intended to compensate a related cost are 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 expense*

Income tax expense comprises current and deferred tax. Income tax expense is 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*

The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the group balance sheet and are not offset against each other.

3.5.8.3 *Economic service charge*

As per the provisions of the Economic Service Charge Act No 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

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 148, 163 and 164.

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*

3.6.2.1 *Cash and cash equivalents*

The cash flow statement has been prepared using the "indirect method".

Cash and cash equivalents are defined as cash in hand and demand deposits, readily converted to known amounts of cash and subject to insignificant risk of changes in value.

Interest paid is classified under operating cash flows for the purpose of presentation of Cash Flow Statement and reported based on 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, 35 and 36 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.

3.6.5 *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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 The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards, which will become applicable for annual periods beginning on or after 01st January 2012. Accordingly these Standards have not been applied in preparing these financial statements as they are not effective for the year ended 31st March 2011.

5.2 These Sri Lanka Accounting Standards comprise Accounting Standard prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

5.3 The Group is currently in the process of evaluating the potential effect of the adoption of these Standards on its financial statements. Such impact has not been quantified as at the reporting date.

Notes to the Financial Statements

6 Segment analysis of group revenue and profit

6.1 Business segment

a. Revenue

	Total revenue generated 2010/2011 Rs'.000	Total revenue generated 2009/2010 Rs'.000	Inter - segmental revenue 2010/2011 Rs'.000	Inter - segmental revenue 2009/2010 Rs'.000	Intra-segmental revenue 2010/2011 Rs'.000	Intra-segmental revenue 2009/2010 Rs'.000	Revenue from external customers 2010/2011 Rs'.000	Revenue from external customers 2009/2010 Rs'.000
Tourism sector*	10,779,827	9,233,205	23,726	25,178	788,830	697,789	9,967,271	8,510,238
Cargo logistics sector	4,604,821	4,138,939	296,774	346,626	180,044	230,141	4,128,003	3,562,172
Strategic investments*	10,312,991	11,979,612	133,980	120,540	37,153	27,452	10,141,858	11,831,620
Services sector	2,251,756	1,898,570	169,456	128,136	14,238	11,485	2,068,062	1,758,949
Total segment revenue	27,949,395	27,250,326	623,936	620,480	1,020,265	966,867	26,305,194	25,662,979
Share of associate company revenue	(1,161,383)	(1,494,009)	-	-	-	-	(1,161,383)	(1,494,009)
Total revenue	26,788,012	25,756,317	623,936	620,480	1,020,265	966,867	25,143,811	24,168,970

** Includes associate companies*

b. Profit

	Profit from operations 2010/2011 Rs'.000	Profit from operations 2009/2010 Rs'.000	Profit before tax * 2010/2011 Rs'.000	Profit before tax * 2009/2010 Rs'.000	Non cash expenses 2010/2011 Rs'.000	Non cash expenses 2009/2010 Rs'.000	Income tax expense 2010/2011 Rs'.000	Income tax expense 2009/2010 Rs'.000
Tourism sector	1,602,206	1,173,069	1,564,264	791,354	44,734	62,873	48,382	48,548
Cargo logistics sector	601,670	623,401	594,566	630,374	21,380	30,302	192,751	222,834
Strategic investments	961,046	1,453,062	861,922	1,147,742	25,256	4,914	109,840	62,044
Services sector	791,594	782,349	794,803	783,699	2,256	14,525	36,362	32,767
	3,956,516	4,031,881	3,815,555	3,353,169	93,626	112,614	387,335	366,193

** Includes associate companies*

Profits from operations and profits before tax of the strategic investments segment is after recognising Rs. 24 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 2010/2011 Rs'.000	Total revenue generated 2009/2010 Rs'.000	Revenue from external customers 2010/2011 Rs'.000	Revenue from external customers 2009/2010 Rs'.000	Profit before tax 2010/2011 Rs'.000	Profit before tax 2009/2010 Rs'.000
Sri Lanka	19,483,953	18,725,161	18,321,249	17,625,187	2,738,078	2,235,724
Asia & Africa	7,304,059	7,031,156	6,822,562	6,543,783	1,077,477	1,117,445
	26,788,012	25,756,317	25,143,811	24,168,970	3,815,555	3,353,169

7 Other operating income

	Group 2010/2011 Rs.'000	Group 2009/2010 Rs.'000	Company 2010/2011 Rs.'000	Company 2009/2010 Rs.'000
Gain on sale of property, plant & equipment	41,925	19,786	10,070	700
Loss on disposal of investment property	-	-	(23,711)	-
Gain on sale of investments *	10,691	-	180,564	-
Dividend from investments	7,902	10,244	1,656,179	1,571,100
Foreign exchange profit	137,068	69,808	(13)	-
Proceeds from insurance claims	12,849	4,467	1,772	-
Government grants **	4,747	5,000	-	-
Surplus on acquisition of companies	30,127	33,785	-	-
Sundry income	8,896	6,506	162	1,025
	254,205	149,596	1,825,023	1,572,825

* The profits resulting from the divestment of investment in Hayleys Plantation Services Ltd., an associate company, amounting to Rs. 11.6 million (Company - Rs. 109.5 million) is included under current year profit on sale of investments.

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

8 Profit before tax

Profit before tax is stated after charging the following :

	Group 2010/2011 Rs.'000	Group 2009/2010 Rs.'000	Company 2010/2011 Rs.'000	Company 2009/2010 Rs.'000
Cost of inventories and services	15,792,050	15,661,748	212,650	186,989
Directors' remuneration & fees	193,544	167,242	22,896	22,108
Auditors' remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	7,718	6,834	682	620
- Other auditors	4,827	4,141	-	-
Fees paid to Auditors for non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	3,250	3,664	1,786	1,048
- Other auditors	3,813	3,160	554	-
Depreciation	2,001,576	1,582,157	44,047	28,541
Amortisation	68,860	70,471	-	-
Impairment of goodwill	24,004	20,025	-	-
Operating lease payments	394,720	523,648		
Provision / (write-back) of bad and doubtful debts	(3,894)	10,194	987	(15,146)
Provision for fall in value of investment	(995)	4,712	4,488	150
Legal Expenses	3,953	3,816	45	440
Defined contribution plan cost - EPF & ETF	205,988	170,322	22,880	19,404
Defined benefit plan cost - Retirement benifits	80,020	79,807	9,163	10,094

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

Notes to the Financial Statements

10 Finance expenses

	Group 2010/2011 Rs.'000	Group 2009/2010 Rs.'000	Company 2010/2011 Rs.'000	Company 2009/2010 Rs.'000
Interest on long-term borrowings	433,756	676,123	177,642	279,221
Interest on short-term borrowings	226,684	226,077	178,063	77,342
Bank charges	44,954	53,135	5,886	700
Finance charges on leases	25,834	31,549	-	-
	731,228	986,884	361,591	357,263

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 3.3 million (2009/2010 - nil). (Company-nil)

11 Share of associate companies profit after tax (net of tax)

	Group 2010/2011 Rs.'000	Group 2009/2010 Rs.'000
Aitken Spence Plantation Managements (Pvt) Ltd. (consolidated with Elpitiya Plantations PLC.)	93,643	9,495
Hayleys Plantation Services Ltd. * (consolidated with Talawakelle Tea Estates PLC.)	-	5,470
M.P.S. Hotels Ltd.	6,289	(931)
Browns Beach Hotels PLC.	(4,628)	5,068
	95,304	19,102

* During the period under review the Group disposed of its investment in Hayleys Plantation Services Ltd.

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 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
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 years from 1st year of profit
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
Logilink (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years ending 2014/2015
Spence International (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 Years ended 2010/2011
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

12.1 Subsidiaries/ Joint ventures (Contd.)

Companies liable to tax at concessionary rates

Company	Tax rate & statute	Period
Aitken Spence Hotels Ltd	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Holdings PLC	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Managements (Pvt) Ltd	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hethersett Hotels Ltd	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Kandalama Hotels Ltd	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Neptune Ayurvedic Village (Pvt) Ltd	15% Under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Container Repair (Pvt) Ltd	15% Under Section 52 of the Inland Revenue Act No. 10 of 2006	ending 2014/2015
Ace Exports (Pvt) Ltd	15% Under Section 52 & 56 of the Inland Revenue Act No. 10 of 2006	ending 2014/2015
Aitken Spence (Garments) Ltd	15% Under Section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Vauxhall Property Developments Ltd	2% of Turnover under Section 17 of BOI Law No. 4 of 1978	15 years ending 2018/2019

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 (dddd) of the Inland Revenue Act No. 10 of 2006.

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 Managements Asia (Pvt) Ltd	Oman	Business profits liable tax at 12% in Oman and exempt from tax in Sri Lanka, under Section 17 of BOI Law 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
Cowrie 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 37.5% as per as per Bangladesh Tax Law
Spence Mac Bangladesh (Pvt) Ltd	Bangladesh	Liable at 37.5% as per as per Bangladesh Tax Law
Business Travel Services LLC	Oman	Liable at 12% as per as per Oman Tax Law

Notes to the Financial Statements

12.2 Associate companies

Company	Tax Rate & Statute	Period
Aitken Spence Plantation Managements Ltd	15% Under Section 46 of Inland Revenue Act No. 10 of 2006	Indefinite
Elpitiya Plantations PLC	Agricultural Profits Exempt Under Section 16 of Inland Revenue Act No. 10 of 2006	5 years commencing 2006/2007
Browns Beach Hotels PLC	15% Under Section 46 of Inland Revenue Act No. 10 of 2006	Indefinite
MPS Hotels Ltd	15% Under Section 46 of 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 in Sri Lanka, as per the Finance Act No. 05 of 2005 has been accounted for and included in the income tax expense.

12.4 The companies in the Group have carried forward losses amounting to Rs. 2,196 million (2009/10 - 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. 102 million (2009/10 - Rs. 194 million). Aitken Spence PLC has a carried forward tax loss of Rs. 188 million (2009/10 - Rs. 89 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. 53 million (2009/10 - Rs. 34 million).

12.5 Income tax expense

	Group		Company	
	2010/2011 Rs.'000	2009/2010 Rs.'000 (Re-stated)	2010/2011 Rs.'000	2009/2010 Rs.'000
Tax on current year profits (Note 12.6)	351,055	236,009	-	-
Deferred tax expense (Note 12.7)	(87,136)	30,315	-	-
Tax on dividends paid by subsidiaries	138,342	99,869	-	-
Over provision in respect of previous year	(14,926)	-	-	-
	387,335	366,193	-	-

12.6 Reconciliation of the accounting profit and tax on current year

	Group		Company	
	2010/2011 Rs.'000	2009/2010 Rs.'000 (Re-stated)	2010/2011 Rs.'000	2009/2010 Rs.'000
Profit before tax	3,815,555	3,353,169	1,657,162	1,470,559
Consolidation adjustments	(6,123)	(13,760)	-	-
Profit from operations after adjustments	3,809,432	3,339,409	1,657,162	1,470,559
Income not liable for income tax	(2,897,029)	(3,089,280)	(1,652,452)	(1,561,589)
Accounting (gain) / losses adjusted for tax purposes	5,625	(9,756)	5,625	(9,756)
Adjusted profit / (loss)	918,028	240,373	10,335	(100,786)
Non - taxable receipts / gains	(16,776)	(20,886)	(184,292)	-
Aggregate disallowed expenses	983,596	657,955	170,633	116,922
Capital allowances	(471,682)	(417,417)	(38,777)	(18,836)
Aggregate allowable deductions	(230,734)	(102,775)	(48,677)	(8,225)
Utilisation of tax losses	(144,809)	(18,708)	-	-
Current year tax losses not utilised	194,157	365,184	90,778	10,925
Taxable income	1,231,780	703,726	-	-
Income tax charged at ;				
Standard rate of 35%	210,534	170,457	-	-
Concessionary rate of 15%	75,107	19,913	-	-
Income taxed at other rates	500	600	-	-
Off - shore profits at varying rates	64,914	45,039	-	-
	351,055	236,009	-	-

12.7 Deferred tax expense

	Group 2010/2011 Rs.'000	Group 2009/2010 Rs.'000 (Re-stated)	Company 2010/2011 Rs.'000	Company 2009/2010 Rs.'000
Origination / (reversal) of temporary differences	33,959	35,533	-	-
Impact of tax rate changes	(24,330)	-	-	-
Change in unrecongnised other temporary differences	166,327	(5,218)	-	-
Recognition of previously unrecognised tax losses	(263,092)	-	-	-
	(87,136)	30,315	-	-

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. Number of ordinary shares for the year 2009/2010 has been adjusted to reflect the increase in number of shares consequent to the subdivision on 5th October 2010. Accordingly Earnings per share has been adjusted retrospectively as per SLAS 34 Earnings per Share (Revised 2005).

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

	Group 2010/2011	Group 2009/2010 (Re-stated)	Company 2010/2011	Company 2009/2010
Net profit attributable to ordinary shareholders of the parent (Rs.)	2,535,955,572	2,059,636,018	1,657,162,313	1,470,559,119
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per Share (Rs.)	6.25	5.07	4.08	3.62

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

	2010/2011 Rs.'000	2009/2010 Rs.'000
Interim ordinary dividend declared (2009/10 - 3.50- per share*)	-	94,732
Final ordinary dividend recommended Rs. 1.00 per share (2009/10 - 6.50 per share*)	405,996	175,932
	405,996	270,664

Directors have recommended a Rs. 1.00 per share final dividend payment for the year ended 31st March 2011 to be approved at the Annual General Meeting on the 29th June 2011.

The entire dividend for the year will be paid out of tax exempt dividends received by the company and will be 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 final dividend recommended are not recognised as a liability in the financial statement as at 31st March 2011.

** The dividend per share is based on the share capital prior to the subdivision of shares.*

Notes to the Financial Statements

15 Property, plant & equipment

15.1 Group

	Freehold land Rs.'000	Freehold buildings Rs.'000	Plant machinery & equipment Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Leased assets Rs.'000	Capital work-in-progress Rs.'000	Total Rs.'000
Cost or valuation								
Balance as at 01.04.2010	5,630,087	10,933,187	12,121,581	876,083	1,221,109	4,854	163,769	30,950,670
Surplus on revaluation	584,594	-	-	-	-	-	-	584,594
Companies acquired during the year	82,491	147,168	38,291	1,805	2,518	-	-	272,273
Exchange difference	(3,703)	(185,580)	(35,755)	(3,209)	(10,572)	-	(862)	(239,681)
Additions	59,328	31,233	966,958	397,562	57,900	127	499,827	2,012,935
Transfers	(17,500)	-	16,768	-	(12)	-	(16,756)	(17,500)
Disposals / write-off	-	(48,466)	(70,069)	(48,739)	(6,027)	(72)	(13,573)	(186,946)
Balance as at 31.03.2011	6,335,297	10,877,542	13,037,774	1,223,502	1,264,916	4,909	632,405	33,376,345
Accumulated depreciation								
Balance as at 01.04.2010	-	2,112,128	4,420,529	484,906	594,425	2,183	7,603	7,621,774
Companies acquired during the year	-	6,745	10,077	801	682	-	-	18,305
Exchange difference	-	(48,628)	(20,112)	(2,253)	(6,746)	-	-	(77,739)
Charge for the year	-	486,442	1,317,499	97,291	98,679	676	740	2,001,327
Transfers	-	-	28	(28)	-	-	-	-
Disposals / write-off	-	(17,042)	(47,224)	(37,870)	(3,664)	(56)	(7,119)	(112,975)
Balance as at 31.03.2011	-	2,539,645	5,680,797	542,847	683,376	2,803	1,224	9,450,692
Carrying amount as at 31.03.2011	6,335,297	8,337,897	7,356,977	680,655	581,540	2,106	631,181	23,925,653
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

The value of property, plant & equipment pledged by the Group as security for facilities obtained from banks amounted to Rs.8,906 million (2009/2010-Rs. 8,168 million).

Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during 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 revalues land owned by the Group companies by an independent, professional valuers at least once in every five years. Details of the revalued land are given in the Note 15.3.1 to the financial statements. There were no tax implications or tax liabilities arising due to the revaluation of land.

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

15.2 Company

	Plant machinery & equipment Rs.'000	Motor vehicles Rs.'000	Furniture & fittings Rs.'000	Total Rs.'000
Cost or valuation				
Balance as at 01.04.2010	155,034	48,931	43,452	247,417
Additions	64,000	48,402	37,761	150,163
Disposals	(13,048)	(3,300)	-	(16,348)
Balance as at 31.03.2011	205,986	94,033	81,213	381,232
Accumulated depreciation				
Balance as at 01.04.2010	116,618	17,831	12,791	147,240
Charge for the year	24,929	9,881	5,409	40,219
Disposals	(12,956)	(2,400)	-	(15,356)
Balance as at 31.03.2011	128,591	25,312	18,200	172,103
Carrying amount as at 31.03.2011	77,395	68,721	63,013	209,129
Carrying amount as at 31.03.2010	38,416	31,100	30,661	100,177

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 amount as at 31.03.2011 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost 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 20.40 P	223,650	218,659	4,991
Aitken Spence PLC. 1	170, Sri Wickrema Mw., Colombo 15	31.03.2009	3 A 3 R 31.00 P	188,000	145,039	42,961
Aitken Spence PLC. 1	Neptune Hotel, Moragalla, Beruwala	31.03.2009	10 A 1 R 23.97 P	499,200	498,246	954
Aitken Spence PLC. 1	290/1, Inner Harbour Road, Trincomalee	31.03.2009	0 A 1 R 10.92 P	12,700	12,700	-
Aitken Spence Hotel Holdings PLC.3	"Heritance Ahungalla", Galle Road, Ahungalla	26.03.2007	11 A 3 R 34.02 P	261,600	244,159	17,441
Ace Containers (Pvt) Ltd.1	775/5, Negombo Road, Wattala	31.03.2009	22 A 0 R 24.88 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 12.23 P	424,000	337,327	86,673
Vauxhall Property Developments Ltd. 1	305, Vauxhall Street, Colombo 02	31.03.2009	0 A 2 R 37.50 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 21.08 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 27.90 P	67,900	67,865	35
Ace Power Generation Matara (Pvt) Ltd. 1	Hittetiya - Matara	31.03.2009	0 A 0 R 5.68 P	284	84	200
Aitken Spence Property Developments Ltd. 1	"Creamland Farm" , Mawaramandiya.	31.03.2009	3 A 0 R 25.08 P	30,300	5,872	24,428
Heritence (Pvt) Ltd. 2	Moragalla, Beruwala	31.03.2009	5 A 3 R 6.80 P	194,500	183,420	11,080
Ahungalla Resorts Ltd. 2	"Ahungalla Resorts", Galle Road, Ahungalla	15.06.2010	10 A 2 R 39.25 P	509,039	470,001	39,038
Ahungalla Resorts Ltd. 2	Meeraladuwa Island, Ahungalla	15.06.2010	26 A 2 R 10.40 P	423,525	333,093	90,432
Kandalama Hotels Ltd . 2	Kandalama , Dambulla	31.03.2009	169 A 2 R 22.00 P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd. 2	Ayurvedic village - Moragalla, Beruwala	31.03.2009	0 A 0 R 19.30 P	4,425	362	4,063
				5,602,910	5,137,532	465,378

The above land 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 Rs.'000	Extent	Carrying amount as at 31.03.2011 Rs.'000
PR Holiday Homes (Pvt) Ltd.	Cochin - Kerala	31.03.2007	16 A 3 R 24.00 P	144,140
Ace Distriparks (Pvt) Ltd.	80, Negombo Road, Wattala	29.09.2009	2 A 2 R 17.03 P	421,992
Golden Sun Resorts (Pvt) Ltd.	418, Parellel Road, Kudawaskaduwa, Kalutara	19.03.2010	5 A 2R 0 P	21,253
Branford Hydropower (Pvt) Ltd.	263, 1st lane, Kaludewala, Matale	11.05.2009	2 A 0 R 23.32 P	3,183
Branford Hydropower (Pvt) Ltd.	263, Gangabada Road, Kaludewala, Matale	02.11.2010	1 A 0 R 1.31 P	7,350
Logilink (Pvt) Ltd.	309/4 a, Negombo Road, Welisara	16.07.2010	2 A 1 R 9.50 P	82,491
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kaluthara	27.08.2010	1 A 3 R 23.20 P	51,978
				732,387

15.3.3 *Total carrying amount of land*

Land carried at revalued amount	5,602,910
Land carried at cost	774,058
	6,335,297

Notes to the Financial Statements

16 Leasehold properties

	Group 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000
Cost		
Balance as at 1st April	1,597,261	1,564,704
Exchange difference	(50,820)	(18,784)
Additions / transfers	5,547	51,341
Balance as at 31st March	1,551,988	1,597,261
Accumulated amortisation		
Balance as at 1st April	128,812	59,553
Exchange difference	(5,167)	(1,212)
Amortisation during the year	68,860	70,471
Balance as at 31st March	192,505	128,812
Carrying amount as at 31st March	1,359,483	1,468,449

The acquisition cost of the leasehold rights of the Island of Vadoo in the Republic of Maldives and prepaid lease rentals for the properties at Biyagama, Katunayake & Seethawake is recognised under leasehold properties.

17 Intangible assets

	Group 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000
Goodwill on consolidation		
Balance as at 1st April	154,185	109,164
Addition on acquisions	3,628	63,790
Addition on change in percentage holdings	217	1,256
Impairment during the year	(24,004)	(20,025)
Carrying amount as at 31st March	134,026	154,185

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 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000	Company 31.03.2011 Rs.'000	Company 31.03.2010 Rs.'000
Cost or valuation				
Balance as at 1st April	28,936	28,936	747,464	776,371
Additions	56,612	-	14,941	-
Transfered from property, plant & equipment	17,500	-	-	-
Disposals	-	-	(38,243)	(28,907)
Balance as at 31st March	103,048	28,936	724,162	747,464
Accumulated depreciation				
Balance as at 1st April	-	-	58,978	82,386
Charge for the year	249	-	3,828	4,246
Disposals	-	-	(14,532)	(27,654)
Balance as at 31st March	249	-	48,274	58,978
Carrying amount as at 31st March	102,799	28,936	675,888	688,486

18.2 Details of land under investment property

Location	Extent	Value of investment property Group Rs.'000	Company Rs.'000	Number of buildings
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 20.37 P	-	76,379	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	97,101	8
Neptune Hotel, Moragalla, Beruwala	10 A 1 R 23.97 P	-	298,780	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 10.92 P	-	-	1
Irakkakandi Village, VC road, Nilaweli	113 A 1 R 1.00 P	85,299	43,628	4
3/2, Seewali lane, Kudaedanda, Wattala	0 A 0 R 36.10 P	17,500	-	-
		102,799	675,888	

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 buildings 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 deemed cost of the asset as at this date.

18.3 Market value

Investment properties in the group are accounted for on the cost model. The open market value of the above property based on the Directors valuation as at 31st March 2011 for the Group was Rs. 1,676 million (2009/2010 - Rs. 779 million), and for the company was Rs. 3,461 million (2009/2010 - Rs. 2,696 million).

18.4 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 10.4 million (2009/2010 - Rs.10.6 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

19 Investments

19.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding %	Group holding %	31.03.2011 Rs.'000	31.03.2010 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
Aitken Spence Insurance (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Ace Container Repair (Pvt) Ltd. (a) (d)	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) (d)	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) (d)	4,010,000	100.0	100.0	40,100	40,100
Aitken Spence Developments (Pvt) Ltd. (d)	46,000	92.0	92.0	1,825	1,825
Ace Container Terminals (Pvt) Ltd. (a) (d)	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	40,200
Aitken Spence Hotel Management Asia (Pvt) Ltd. (b)*	4,924,500	49.0	86.9	49,245	49,245
Aitken Spence Group Ltd. (a) (b) (c) (d)	10,000	100.0	100.0	100	100
Ace Distriparks (Pvt) Ltd. (a) (d)	8,900,000	100.0	100.0	89,000	89,000
Vauxhall Property Developments Ltd. (a)	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

Notes to the Financial Statements

19.1 Investments in subsidiaries and joint ventures - unquoted *(Contd.)*

	Number of shares	Company holding %	Group holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Ace Freight Management (Pvt) Ltd. (a) (d)	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
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 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
Ace Aviation Services (Pvt) Ltd. (a) (d)*	10,001	50.0	100.0	263	100
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	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	132,717
Spence Logistics (Pvt) Ltd. (a) (d)	25,000	100.0	100.0	650	650
Logilink (Pvt) Limited	30,000,000	100.0	100.0	222,690	-
A E Lanka (Pvt) Ltd.	2	100.0	100.0	-	-
Clark Spence & Company (Pvt) Ltd. (a) (d)	-	-	-	-	357
Aitken Spence Shipping Services Ltd. (a) (d)*	-	-	-	-	1
Heritance (Pvt) Ltd. (a)*	-	-	72.7	-	-
Ahungalla Resorts Ltd. (a)*	-	-	74.4	-	-
PR Holiday Homes (Pvt) Ltd. (a)*	-	-	73.0	-	-
Ace Haulage (Pvt) Ltd. (a) (d)*	-	-	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	-	-
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	-	-
Aitken Spence Hotel Managements (South India) Pvt Ltd.*	-	-	86.9	-	-
Aitken Spence Resorts (Pvt) Ltd. (a) *	-	-	74.4	-	-

19.1 Investments in subsidiaries and joint ventures - unquoted *(Contd.)*

	Number of shares	Company holding %	Group holding %	31.03.2011 Rs.'000	31.03.2010 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)	750,000	50.0	50.0	35,566	35,566
Aitken Spence (Garments) Ltd. (a)	998,750	50.0	50.0	26,257	26,257
Calspence Technologies (Pvt) Ltd.	188,753	50.0	50.0	1,888	-
San Spence Ltd. (a) (b)	-	-	-	-	13,500
Vauxhall Shipping (Pvt) Ltd.	-	-	-	-	150
Spence Shipping (Pvt) Ltd. (a) (d)*	-	-	60.0	-	-
Clark Spence Garments Ltd. (a)*	-	-	50.0	-	-
Ace Travels & Conventions (Pvt) Ltd. (c) *	-	-	50.0	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. (c) *	-	-	50.0	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (d)*	-	-	50.0	-	-
Delta Shipping (Pvt) Ltd. (a)*	-	-	51.0	-	-
Ace Bangladesh Ltd. *	-	-	45.7	-	-
Spence Maldives (Pvt) Ltd. (a)*	-	-	55.9	-	-
Business Travels Services LLC. (b)*	-	-	43.5	-	-
				4,390,778	4,180,046
b) Preference Shares					
Aitken Spence (Garments) Ltd. (a)	4,000,000	72.7	72.7	40,000	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	-	-
				385,000	360,000
Provision for fall in value of Investments				(175,806)	(171,318)
Carrying amount as at 31st March				4,599,972	4,368,728

19.2 Investment in subsidiaries - quoted

	Number of shares	Company holding %	Group holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	239,472,667	71.2	74.4	2,458,287	679,300
Carrying amount as at 31st March				2,458,287	679,300
Market value as at 31st March				21,839,907	10,536,729

* 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., Aitken Spence Hotel Management (Pvt) Ltd., or Port Management Container Services (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 Bangaldesh Ltd., is incorporated in Bangaldesh , PR Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Management (South India) (Pvt) Ltd. are incorporated in India and Business Travels LLC. is incorporated in Oman, while all other companies are incorporated in Sri Lanka.

a, b, c, d - refer note 38.

Notes to the Financial Statements

20 Investment in associates

20.1 Investment in associates - unquoted

	Group				Company			
	No. of shares	Holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000	No. of shares	Holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000
M.P.S. Hotels Ltd. (a) (c)								
(Ordinary shares)	985,000	22.6	36,114	36,114	-	-	-	-
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)	-	-	-	170,515	-	-	-	170,515
Elpitiya Plantations PLC. (a) (b)								
(Ordinary shares)								
(Subsidiary of Aitken Spence								
Plantation Managements Ltd.)	-	24.0	-	-	-	-	-	-
Carrying amount as at 31st March			201,114	371,629			165,000	335,515
Share of movement in equity value			215,936	242,698			-	-
Equity value of investments			417,050	614,327			165,000	335,515

a, b, c - refer note 38.

20.2 Investment in associates - quoted

	Group				Company			
	No. of shares	Holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000	No. of shares	Holding %	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Browns Beach Hotels PLC. (a)								
(Ordinary shares)	44,215,764	25.4	841,101	67,810			-	-
Carrying amount as at 31st March			841,101	67,810			-	-
Share of movement in equity value			76,851	85,361			-	-
Equity value of Investments			917,952	153,171			-	-
Market value of quoted investments								
as at 31st March			941,796	206,025			-	-
Equity value					Net book value			
- unquoted			417,050	614,327	- unquoted		165,000	335,515
Equity value					Net Book Value			
- quoted			917,952	153,171	-quoted		-	-
Equity value					Net book value			
as at 31st March			1,335,002	767,498	as at 31st March		165,000	335,515

20.3 Summarised financial information of associates

Group share of balance sheet		
Total assets	2,494,656	3,459,562
Total liabilities	(1,159,654)	(2,692,064)
	1,335,002	767,498
Group share of revenue and profit		
Revenue	1,161,383	1,494,009
Profit (net of tax)	95,304	19,102
Dividends	34,066	7,443

21 Long-term investments

	Group No. of shares	Group 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000	Company No. of shares	Company 31.03.2011 Rs.'000	Company 31.03.2010 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	55,700	557,000	55,700	55,700
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	934,707	3,533	3,533
Business Process Outsourcing LLC. (Ordinary shares)	7,500	8,640	8,640	7,500	8,640	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)	-	-	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 (Pvt) Ltd. (Ordinary shares)	63,333	90,450	90,450	-	-	-
		478,656	489,286		167,873	167,873
Provision for fall in value of investments		(4,711)	(5,706)		-	-
Carrying amount as at 31st March		473,945	483,580		167,873	167,873

22 Deferred tax assets

		Group 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000
22.1	**Movement in deferred tax assets**		
	Balance at the beginning of the year	56,823	74,008
	Companies acquired during the year	5,011	2,716
	Exchange gain	674	13,058
	Impact of rate change transferred from/ (to) income statement	(27,845)	-
	Reversal of temporary differences transferred from/ (to) income statement	103,651	(32,959)
	Balance at the end of the year	138,314	56,823
22.2	**Composition of deferred tax assets**		
	Deferred tax assets attributable to ;		
	Defined benefit obligations	40,955	40,658
	Tax losses carried forward	212,868	362
	Other items	23,849	22,815
	Companies acquired during the year	5,011	2,716
	Property, plant & equipment	(144,369)	(9,728)
	Net deferred tax assests	138,314	56,823

Notes to the Financial Statements

22 Deferred tax assets *(contd.)*

22.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2011 Rs.'000	Recognised in income statement Rs.'000	Subsidiaries acquired Rs.'000	Exchange gain Rs.'000	As at 31st March 2010 Rs.'000	Recognised in income statement Rs.'000	Subsidiaries acquired Rs.'000	Exchange gain Rs.'000	As at 1st April 2009 Rs.'000
Deferred tax assets									
Defined benefit obligations	40,955	297	-	-	40,658	8,236	-	-	32,422
Other items	23,849	360	-	674	22,815	(34,614)	-	13,058	44,371
Tax losses carried forward	212,868	212,506	-	-	362	72	-	-	290
Companies acquired/ (transferred) during the year	5,011	(2,716)	5,011	-	2,716	-	2,716	-	-
	282,683	210,447	5,011	674	66,551	(26,306)	2,716	13,058	77,083
Deferred tax liability									
Property, plant & equipment	(144,369)	(134,641)	-	-	(9,728)	(6,653)	-	-	(3,075)
	(144,369)	(134,641)	-	-	(9,728)	(6,653)	-	-	(3,075)
Net Deferred tax assets	138,314	75,806	5,011	674	56,823	(32,959)	2,716	13,058	74,008

23 Inventories

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Raw materials	1,446,068	1,229,147	-	-
Work in progress and finished goods	79,244	50,803	-	-
Consumables	82,412	113,636	1,755	1,791
	1,607,724	1,393,586	1,755	1,791

Value of inventories pledged as security for facilities obtained from banks by the Group amounted to Rs.683 million (2009/2010-Rs. 636 million) (Company-nil)

24 Trade & other receivables

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Trade receivables	3,466,261	4,603,511	-	-
Other receivables	776,592	850,740	257,517	157,341
Provision for bad and doubtful debts	(113,685)	(133,894)	-	(14,086)
	4,129,168	5,320,357	257,517	143,255
Loans to employees	19,205	23,915	16,842	14,667
	4,148,373	5,344,272	274,359	157,922

The movement of loans above Rs.20,000/- given to executive staff is as follows:

Loan to company officers - summary

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Balance as at the beginning of the year	14,667	9,816
Loans granted during the year	7,510	8,149
	22,177	17,965
Recoveries during the year	(5,335)	(3,298)
Loans as at 31st March	16,842	14,667

No loans have been given to the Directors of the company.

25 Current investments

	Group			Company		
	No. of Shares	31.03.2011 Rs.'000	31.03.2010 Rs.'000	No. of Shares	31.03.2011 Rs.'000	31.03.2010 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	123	-	-	-
Hatton National Bank PLC (Ordinary shares)	127,600	4,060	4,060	-	-	-
Distilleries Company of Sri Lanka PLC (Ordinary shares)	1,500,000	256,817	-	-	-	-
Carrying amount as at 31st March		261,436	4,619		436	436
Market Value as at 31st March		322,164	27,963		2,184	2,294

26 Assets classified as held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/08 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd. & Ceyspence (Pvt) Ltd. under Assets held for sale. The liquidation of these companies are not yet concluded.

Fair value of the Group's investment in Ace Freight Logistics (Pvt) Ltd., San Spence Ltd., and Ace Ayurvedic (Pvt) Ltd., is treated under assets held for sale upon the decision made to liquidate the companies.

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 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	40,043	20,217	13,600	100
	181,489	161,663	70,837	57,337

Effect of the discontinued operations on the income statement is not material to warrant separate disclosure.

27 Segmental information - Group

a. *Business segment*

	Total assets		Total liabilities	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000 (Re-stated)
Tourism sector	16,388,280	13,135,516	5,808,687	5,793,559
Cargo logistics sector	4,722,771	4,510,170	1,396,996	1,480,890
Strategic investments	14,891,287	15,104,893	5,972,414	6,298,914
Services sector	3,826,972	4,477,051	320,854	509,257
	39,829,310	37,227,630	13,498,951	14,082,620
Goodwill on consolidation	134,026	154,185	-	-
	39,963,336	37,381,815	13,498,951	14,082,620
Assets classified as held for sale	181,489	161,663	-	-
	40,144,825	37,543,478	13,498,951	14,082,620

	Additions to property, plant & equipment		Depreciation, amortisation and impairment of goodwill	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Tourism sector	664,872	302,458	786,085	757,698
Cargo logistics sector	162,974	705,196	108,826	123,230
Strategic investments	1,096,958	874,188	1,066,779	636,222
Services sector	88,131	56,181	132,750	155,503
	2,012,935	1,938,023	2,094,440	1,672,653

Notes to the Financial Statements

27 Segmental information - Group *(Contd.)*

b. *Geographical segment*

	Total assets 31.03.2011 Rs.'000	Total assets 31.03.2010 Rs.'000	Total liabilities 31.03.2011 Rs.'000	Total liabilities 31.03.2010 Rs.'000 (Re-stated)
Sri Lanka	31,353,308	28,773,341	9,437,959	10,083,275
Asia & Africa	8,476,002	8,454,289	4,060,992	3,999,345
	39,829,310	37,227,630	13,498,951	14,082,620
Goodwill on consolidation	134,026	154,185	-	-
	39,963,336	37,381,815	13,498,951	14,082,620
Assets classified as held for sale	181,489	161,663	-	-
	40,144,825	37,543,478	13,498,951	14,082,620

	Additions to property, plant & equipment 31.03.2011 Rs.'000	Additions to property, plant & equipment 31.03.2010 Rs.'000	Depreciation, amortisation and impairment of goodwill 31.03.2011 Rs.'000	Depreciation, amortisation and impairment of goodwill 31.03.2010 Rs.'000
Sri Lanka	1,901,339	1,727,138	1,495,316	1,086,021
Asia & Africa	111,596	210,885	599,124	586,632
	2,012,935	1,938,023	2,094,440	1,672,653

28 Stated capital & reserves

28.1 Stated capital

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Stated capital as at 31st March	2,135,140	2,135,140

	31.03.2011 No. of shares	31.03.2010 No. of shares
Opening balance	27,066,403	27,066,403
Issue of shares on subdivision	378,929,642	-
Closing balance	405,996,045	27,066,403

Pursuant to the approval by the shareholders at an Extraordinary General Meeting, the shares of the Company were subdivided on 05th October 2010 on the basis of 01 ordinary share into 15 ordinary shares. Consequent to the subdivision the number of ordinary shares of the Company increased from 27,066,403 to 405,996,045, without any change to the Stated capital of the Company of Rs. 2,135 million.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

28.2 Reserves

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 shareholders.

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 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000	Company 31.03.2011 Rs.'000	Company 31.03.2010 Rs.'000
Hatton National Bank PLC.	3,332,877	3,025,268	100,000	-
Commercial Bank of Ceylon PLC.	940,950	1,202,619	540,000	660,000
Hongkong & Shanghai Banking Corporation Ltd.	439,999	736,728	-	-
DFCC Bank.	250,731	418,971	100,000	-
Nations Trust Bank PLC.	204,848	314,261	-	-
Employees' Trust Fund.	175,000	250,000	175,000	250,000
National Savings Bank.	175,000	250,000	175,000	250,000
Union Assurance PLC.	175,000	250,000	175,000	250,000
Indian Bank.	140,000	200,000	140,000	200,000
Bank of Ceylon.	20,117	34,183	-	-
Eagle Income Fund.	4,200	6,000	4,200	6,000
International Water Management Institute Pension Fund.	1,400	2,000	1,400	2,000
Incorporated Trustees of the Church of England in Ceylon.	1,400	2,000	1,400	2,000
Federal Bank Ltd.	454	596	-	-
Central Finance Company PLC.	-	633	-	-
National Development Bank PLC.	-	4,550	-	-
	5,861,976	6,697,809	1,412,000	1,620,000
Current portion of interest-bearing liabilities	(1,718,328)	(1,541,047)	(568,000)	(508,000)
Non-current interest-bearing liabilities	4,143,648	5,156,762	844,000	1,112,000

29.2 *Analysed by repayment period*

	Group 31.03.2011 Rs.'000	Group 31.03.2010 Rs.'000	Company 31.03.2011 Rs.'000	Company 31.03.2010 Rs.'000
Payable within one year	1,718,328	1,541,047	568,000	508,000
Payable between one and two years	1,911,177	1,940,292	544,000	568,000
Payable between two and five years	1,802,093	1,424,088	-	544,000
Payable after five years	430,378	1,792,382	300,000	-
	5,861,976	6,697,809	1,412,000	1,620,000

29.3 *Analysed by currency equivalent in rupees*

	Group 31.03.2011 Rs. Equivalent Rs.'000	%	Group 31.03.2010 Rs. Equivalent Rs.'000	%	Company 31.03.2011 Rs. Equivalent Rs.'000	Company 31.03.2010 Rs. Equivalent Rs.'000
United States Dollars	2,100,914	36	2,617,392	39	-	-
Sri Lankan Rupees	3,761,062	64	4,080,417	61	1,412,000	1,620,000
	5,861,976	100	6,697,809	100	1,412,000	1,620,000

Notes to the Financial Statements

29.4 Movement of interest-bearing liabilities

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Total outstanding as at 01st April	6,697,809	8,107,646	1,620,000	1,990,000
Exchange difference	(189,341)	(57,405)	-	-
Loans obtained during the year	1,244,137	616,271	300,000	-
Companies acquired during the year	521	10,000	-	-
	7,753,126	8,676,512	1,920,000	1,990,000
Loan repayments during the year	(1,891,150)	(1,978,703)	(508,000)	(370,000)
Total outstanding as at 31st March	5,861,976	6,697,809	1,412,000	1,620,000
Current portion of interest-bearing liabilities	(1,718,328)	(1,541,047)	(568,000)	(508,000)
Non-current interest-bearing liabilities	4,143,648	5,156,762	844,000	1,112,000

30 Deferred tax liabilities

	Group	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000 (Re-stated)
30.1 Movement in deferred tax liabilities		
Balance at the beginning of the year	278,408	236,177
Companies acquired during the year	-	44,875
Impact of rate change transferred to / (from) income statement	(52,176)	-
Origination of temporary differences transferred to / (from) income statement	40,846	(2,644)
Balance at the end of the year	267,078	278,408
30.2 Composition of deferred tax liabilities		
Deferred tax liabilities attributable to ;		
Property, plant & equipment	278,895	253,913
Undistributed profits of consolidated entities	12,497	9,874
Companies acquired during the year	-	44,909
Defined benefit obligations	(14,267)	(13,334)
Tax losses carried forward	(10,047)	(16,954)
Net deferred tax liabilities	267,078	278,408

30.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2011	Recognised in income statement	As at 31st March 2010	Recognised in income statement	Subsidiaries acquired	As at 1st April 2009
Deferred tax liabilities						
Property, plant & equipment	278,895	24,982	253,913	15,173	-	238,740
Undistributed profits of consolidated entities	12,497	2,623	9,874	(7,502)	-	17,376
Companies acquired/ (transferred) during the year	-	(44,909)	44,909	-	44,875	34
	291,392	(17,304)	308,696	7,671	44,875	256,150
Deferred tax assets						
Defined benefit obligations	(14,267)	(932)	(13,334)	700	-	(14,034)
Tax losses carried forward	(10,047)	6,906	(16,954)	(11,015)	-	(5,939)
	(24,314)	5,974	(30,288)	(10,315)	-	(19,973)
Net deferred tax liabilities	267,078	(11,330)	278,408	(2,644)	44,875	236,177

31 Employee benefits

31.1 Retirement benefits obligations

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Present value of unfunded obligations	335,637	295,266	46,936	41,674
Recognised liability for defined benefit obligations	335,637	295,266	46,936	41,674

31.2 Movement in present value of the defined benefit obligations

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Defined benefit obligations as at 01st April	295,266	237,639	41,674	33,052
Benefits paid by the plan	(39,863)	(32,804)	(3,901)	(1,472)
Current service cost	31,702	27,557	4,252	3,722
Interest cost	35,423	28,517	5,001	3,966
Actuarial (gains) / losses	12,895	23,733	(90)	2,406
Exchange difference	(41)	-	-	-
Defined benefit obligations of companies acquired during the year	255	10,624	-	-
Defined benefit obligations as at 31st March	335,637	295,266	46,936	41,674

31.3 Expenses recognised in profit or loss

	Group		Company	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Current service cost	31,702	27,557	4,252	3,722
Interest cost	35,423	28,517	5,001	3,966
Actuarial (gains) / losses	12,895	23,733	(90)	2,406
	80,020	79,807	9,163	10,094

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2011. The actuarial present value of the promised retirement benefits as at 31st March 2011 amounted to Rs. 335,636,877/- (Company - Rs. 46,936,183/-) The liability is not externally funded.

The principal actuarial assumptions used in determining the cost are given below;
- Discount rate 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	
	31.03.2011 Rs.'000	31.03.2010 Rs.'000	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Trade payables	1,289,858	1,575,806	-	-
Other payables	2,648,753	2,612,307	330,633	429,816
Unclaimed dividends	3,576	2,853	3,576	2,853
	3,942,187	4,190,966	334,209	432,669

Notes to the Financial Statements

33 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 19.1 and pages 185 to 189 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.

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Income	2,858,405	2,526,554
Expenses	2,631,343	2,394,590
Current assets	1,041,646	1,049,109
Non-current assets	214,268	113,610
Current liabilities	958,122	961,364
Non-current liabilities	50,683	44,731

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.

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Approximate amount approved but not contracted for	3,846,024	2,449,332
Approximate amount contracted for but not incurred	168,521	112,626
	4,014,545	2,561,958

35 Lease commitments

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
Lease rentals due on non-cancellable operating leases of the Group are as follows;		
Lease rentals payable within one year	279,955	394,720
Lease rentals payable between one and five years	1,068,968	1,135,129
Lease rentals payable after five years	962,159	1,175,953
	2,311,082	2,705,802

35.1 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels Ltd.	Dambulla	31 years
Hethersett Hotels Ltd.	Nuwara Eliya	83 years
Jetan Travel Services Company (Pvt) Ltd.	Republic of Maldives	5 years
Cowrie Investments (Pvt) Ltd.	Republic of Maldives	12 years
ADS Resorts (Pvt) Ltd.	Republic of Maldives	3 years
Unique Resorts (Pvt) Ltd.	Republic of Maldives	19 years
Ace Container Terminals (Pvt) Ltd.	Biyagama	82 years
Ace Container Terminals (Pvt) Ltd.	Katunayake	76 years
Ace Container Terminals (Pvt) Ltd.	Seethawake	41 years

36 Contingent liabilities

The contingent liability as at 31.03.2011 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,238 million. Of this sum Rs. 1,064 million and Rs.174 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to associate companies. Liability as at 31.03.2011 on guarantees given by subsidiaries to third parties amounted to Rs. 1,841 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.

Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company currently supplies power to the Ceylon Electricity Board based on a generation license validly obtained on 14th January 2004 for which payment has been received regularly. However, the Sri Lanka Electricity Act No.20 of 2009, states that for a company to be eligible to obtain a power generation license for power generation capacity of over and above 25MW, the company must be incorporated under the Companies Act No.7 of 2007, in which the government, a public corporation, a company in which the government holds more than fifty per centum of the shares or a subsidiary of such a company, holds such number of shares as may be determined by the Secretary to the Treasury with the concurrence of the Minister in charge of the subject of Finance. However such determination has not been made by the Secretary to the Treasury to-date. Based on the legal opinion obtained by the company we are of the view that the above provision of the Act will not have a material impact on the financial position of the subsidiary and/or the Group. Further, in the absence of the determination by the Secretary to the Treasury, Aitken Spence PLC is unable to determine the financial effect on the dilution, if any, of its holding in the shares of Ace Power Embilipitiya (Pvt) Ltd.

37 Directors' fees

The Directors of the Company have received fees amounting to Rs. 147,600 /- from subsidiaries for the year ended 31st March 2011.

38 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, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

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 Horana (Pvt) Ltd., and Ace Power 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 38.4.

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 or a Director of DFCC Bank., DFCC Vardhana Bank Ltd., and Palm Village Hotels Ltd., with which companies the transactions are included under note 38.4.

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.

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.

Mr.C. H. Gomez a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC.

Mr.N. J. de S Deva Aditya a Director of the company is also a Director of 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 or a Director of Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., National Olympic Committee (NOC), Dynamic AV Technologies (Pvt) Ltd., and Sri Lankan Airlines 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. He is also a Director of Ceylon Agro Industries Ltd., CIC Holdings PLC., LOLC PLC., Dialtex Industries Ltd., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Royal Ceramics PLC., Renuka Hotels (Pvt) Ltd., and Dankotuwa Porcelain PLC.

Transactions between the companies within the group and related parties are given in note no. 38.1 - 38.6.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2010/2011 Rs' 000	2009/2010 Rs' 000	2010/2011 Rs' 000	2009/2010 Rs' 000
38.1 Transactions with subsidiary companies listed in note 19				
Income from services rendered	361,392	261,054	N/A	N/A
Rent income received	10,380	10,620	N/A	N/A
Allocation of common personnel and administration expenses	41,439	41,055	N/A	N/A
Purchase of goods and services	42,741	18,408	N/A	N/A
Interest income received	175,781	83,610	N/A	N/A
Interest paid	190,039	91,702	N/A	N/A
38.2 Transactions with associate companies listed in note 20				
Sale of goods and services	9,498	5,599	31,416	1,690
Purchase of goods and services	1,013	1,309	48,177	2,421

Notes to the Financial Statements

38 Related party transactions (Contd.)

	Transactions with Aitken Spence PLC 2010/2011 Rs' 000	Transactions with Aitken Spence PLC 2009/2010 Rs' 000	Transactions with Group companies 2010/2011 Rs' 000	Transactions with Group companies 2009/2010 Rs' 000
38.3 Transactions with joint venture companies listed in note 19				
Sale of goods and services	63,781	57,666	N/A	N/A
Purchase of goods and services	38,642	3,301	N/A	N/A
38.4 Transactions with other related companies				
Sale of goods and services	-	-	183,958	131,823
Purchase of goods and services	14,246	5,214	664,202	520,629
Loans obtained	200,000	-	1,093,680	30,587
Repayment of loans and debentures	-	-	869,933	922,471
Short/ long term facilities as at 31st March	200,000	200,000	5,288,206	6,104,204

Transactions with Ambewela Livestock Company Ltd.*, Ambewela Products (Pvt) Ltd.*, Stassen Exports Ltd.*, Stassen International (Pvt) Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Stassen Foods (Pvt) Ltd.*, Milford Exports (Ceylon) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Periceyl (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Milk Foods (CWE) PLC.*, Distilleries Company of Sri Lanka PLC.*, Hatton National Bank PLC.*, Continental Insurance Lanka Ltd.*, Indo Lanka Exports (Pvt) Ltd.*, DFCC Bank., DFCC Vardhana Bank Ltd., Palm Village Hotels Ltd., Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., National Olympic Committee (NOC), Sri Lankan Airlines Ltd., Dynamic AV Technologies (Pvt) Ltd., Ceylon Agro Industries Ltd., CIC Holdings PLC., LOLC PLC., Dialtex Industries Ltd., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Royal Ceramics PLC., Renuka Hotels (Pvt) Ltd., and Dankotuwa Porcelain PLC. are reflected under transactions with other related companies, above.

	Balances with Aitken Spence PLC 2010/2011 Rs' 000	Balances with Aitken Spence PLC 2009/2010 Rs' 000	Balances with Group companies 2010/2011 Rs' 000	Balances with Group companies 2009/2010 Rs' 000
38.5 Amounts due from related parties				
Fully owned subsidiaries	1,008,612	601,563	N/A	N/A
Partly owned subsidiaries	943,333	1,645,572	N/A	N/A
Joint ventures	51,059	91,138	N/A	N/A
Amount due from subsidiaries & joint ventures	2,003,004	2,338,273	N/A	N/A
Associates	8,143	111,282	23,326	125,309
Other related companies	-	-	7,136	15,190
38.6 Amounts due to related parties				
Fully owned subsidiaries	764,960	541,079	N/A	N/A
Partly owned subsidiaries	622,175	113,602	N/A	N/A
Joint ventures	553,571	517,582	N/A	N/A
Amount due to subsidiaries & joint ventures	1,940,706	1,172,263	N/A	N/A
Associates	45	209	482	2,956
Other related companies	200,556	-	3,988,882	3,893,826

38.7 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	22,896	280,811
Post employment benefits	-	20,583

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.

39 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2011 Rs.'000	31.03.2010 Rs.'000
United States Dollar	110.46	114.09
British Pound	177.86	171.98
Euro	156.15	152.91
Oman Rial	286.73	296.25
South African Rand	16.18	15.44
Indian Rupee	2.48	2.54
Maldivian Rufiya	8.63	8.91
Bangaladesh Taka	1.52	1.65

40 Number of employees

The number of employees of the Group at the end of the year was 5,328 (2010 - 5,042). The number of employees of the Company at the end of the year was 163 (2010 - 148).

41 Events occurring after balance sheet date

Subsequent to the balance sheet date Aitken Spence Hotel Holdings PLC, a subsidiary of the Group invested Rs. 267.5 million to acquire 3.2 million additional shares of MPS Hotels Ltd. The new equity holding by the Group in MPS Hotels Ltd., after the additional purchase of shares is 73.62%.

Further, Aitken Spence Hotel Holdings PLC., concluded the mandatory offer made by them to the share holders of Browns Beach Hotels PLC., complying with the Company Takeovers and Mergers Code of 1995 (as amended) on 28th April 2011. On conclusion of this offer Aitken Spence Hotel Holdings PLC., purchased an additional 2.9 million shares at the offer price of Rs 21.70 thereby increasing the percentage holding in Browns Beach Hotels PLC., by the Group from 25.4% to 27.02%.

The Board of Directors of the Company resolved to recommend a first & final ordinary dividend of Rs. 1.00 per share for the year 2010/2011 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.

42 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year other than as mentioned in note 42.1 & 42.2 below.

42.1 Effect of application of deferred taxation as per SLAS 14 Income Taxes (Revised 2005) on entities enjoying a tax holiday period

During the year the Group commenced application of deferred taxation as per SLAS 14 Income Taxes (Revised 2005) on entities enjoying tax holiday periods under the Board of Investment Law, as recommended by the "Deferred Tax council ruling for BOI companies" issued by The Institute of Chartered Accountants of Sri Lanka. The effect of this application has been accounted for retrospectively in compliance with SLAS 10 Accounting Policies, Changes in Accounting Estimates & Errors (Revised 2005) and the above mentioned ruling.

The effect of the change on the comparative information for 2009/2010 is tabulated below. Opening retained earnings for 2009/2010 is reduced by Rs. 38,161,237/-, which is the amount of the adjustment relating to periods prior to 2009/2010.

	Group Rs.'000
Effect on 2009/2010	
- Increase in deferred tax expense	17,153
Effect on periods prior to 2009/2010	
- Decrease in retained earnings & increase in deferred tax liabilities	38,161

42.2 Re-classification of prior period expenses

Direct costs relating to the freight forwarding business of the company operating in Bangladesh has been re-classified under "other operating expenses – direct", while the direct costs relating to airline ticket sales of the travel company in Oman has been adjusted against revenue; to conform to the current year's presentation in compliance with the policy adopted by other companies in the Group.

The depreciation cost of components capitalized during machinery overhauls of the power generation companies which was previously charged against raw materials and consumables used has been re-classified under depreciation for better presentation.

Consolidated Income Statement In USD

For the year ended 31st March			2011 US$.'000	2010 US$.'000
Revenue			227,628	211,841
Revenue tax			(3,755)	(3,275)
Net revenue			223,873	208,566
Other operating income			2,301	1,311
Changes in inventories of finished goods and work-in-progress			185	(88)
Raw materials and consumables used			(60,127)	(65,715)
Employee benefits expense			(27,660)	(23,004)
Depreciation, amortisation and impairment of goodwill			(18,961)	(14,661)
Other operating expenses - direct			(51,239)	(41,755)
Other operating expenses - indirect			(32,553)	(29,315)
Profit from operations			35,819	35,339
Finance income			4,481	2,534
Finance expenses			(6,620)	(8,650)
Net finance expense			(2,139)	(6,116)
Share of associate companies profit (net of tax)			863	167
Profit before tax			34,543	29,390
Income tax expense			(3,507)	(3,210)
Profit for the year			31,036	26,180
Attributable to:				
Equity holders of the company			22,958	18,052
Minority interest			8,078	8,128
Profit for the year			31,036	26,180
Net profit attributable to Aitken Spence PLC			22,958	18,052
Unappropriated profit brought forward			67,374	69,501
Profit available for appropriation			90,332	87,553
Appropriations				
Transfer to general reserve			12,652	18,445
Dividend for 2009/2010			2,450	2,328
Retained in the business			75,230	66,780
Earnings per Share	*US$ cents*	=	5.66	4.59
Exchange rate	*US$*	=	110.46	114.09

Figures in brackets indicate deductions.

Consolidated Balance Sheet In USD

As at 31st March			2011 US$.'000	2010 US$.'000
ASSETS				
Non-Current Assets				
Property, plant & equipment			216,977	204,478
Leasehold properties			12,307	12,871
Intangible assets			1,213	1,351
Investment property			553	254
Investments in associates			12,086	6,727
Long term investments			4,291	4,239
Deferred tax assets			1,252	498
			248,679	230,418
Current Assets				
Inventories			14,555	12,215
Trade and other receivables			37,555	46,843
Amounts due from associates			211	1,098
Current investments			2,367	40
Deposits and prepayments			4,952	4,298
Current tax receivable			1,107	1,386
Short-term deposits			45,699	24,123
Cash at bank and in hand			6,663	7,230
			113,109	97,233
Assets classified as held for sale			1,643	1,417
Total Assets			363,431	329,068
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the company				
Stated capital			19,330	18,715
Reserves			100,227	81,665
Retained earnings			75,230	65,230
			194,787	165,610
Minority interest			46,439	40,024
Total Equity			241,226	205,634
Non-Current Liabilities				
Interest-bearing liabilities			37,513	45,199
Deferred tax liabilities			2,418	2,440
Employee benefits			3,039	2,588
			42,970	50,227
Current Liabilities				
Trade and other payables			35,687	36,734
Interest-bearing liabilities repayable within one year			15,556	13,507
Amounts due to associates			4	26
Current tax payable			1,626	1,291
Short-term bank borrowings			26,362	21,649
			79,235	73,207
Total Equity and Liabilities			363,431	329,068
Exchange rate	US$	=	110.46	114.09

Investor 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 "SPEN.CM".

Market Sector: Diversified Holdings

ORDINARY SHARES

Information on share trading

	31st March 2011	31st March 2010
Number of transactions	16,124	2,052
Number of shares traded during the year	63,532,950	2,512,200
Value of shares traded during the year (Rs. million)	19,529	2,158
Percentage of total value transacted	2.57%	1.01%
Market Capitalisation on 31st March (Rs. million)	65,893	37,182
Percentage of total Market Capitalisation	2.72%	3.08%

Market Value

	Highest	Lowest	Year End
2008/2009	560.00	305.00	315.00
2009/2010	1,450.00	330.00	1,373.75
2010/2011 - Pre Subdivision*	3,500.00	1,340.00	-
2010/2011 - Post Subdivision	200.10	159.00	162.30

The market value of the Ordinary share as at 24th May 2011 was Rs. 157.70

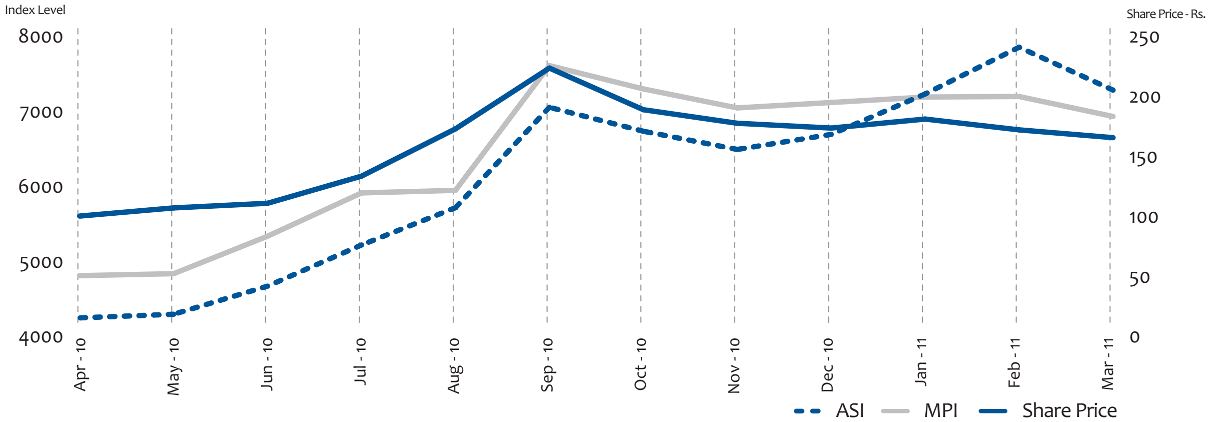
** Each ordinary share registered as at 05th October 2010 was subdivided in to 15 ordinary shares. The shares commenced trading, after the sub division on 11th October 2010.*

Net Assets per share (re-stated)

	31st March 2011	31st March 2010	31st March 2009
The Group (Rs.)	53.00	46.54	42.06
The Company (Rs.)	22.02	18.61	15.62

The above figures are restated taking in to consideration the sub division of shares.

Share Prices* vs Indices - 2010/2011
12 Month Trend

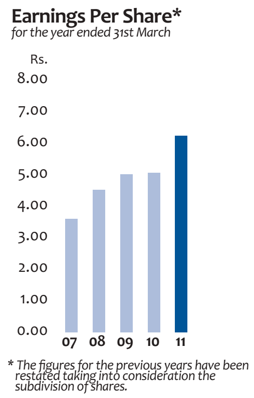


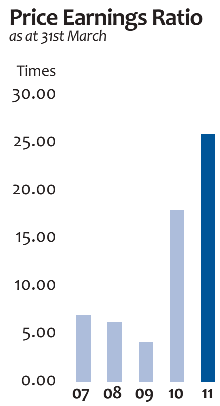
** The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Earnings

	31st March 2011	31st March 2010	31st March 2009
Earnings per share for (Rs.) (re-stated)*	6.25	5.07	5.02
Price Earnings ratio (P/E)	25.97	18.06	4.18

** The above figures are restated taking in to consideration the sub division of shares.*





Shareholder Base – Voting Ordinary Shares

There were 5,045 voting registered shareholders as at 31st March 2011 (31st March 2010 - 1,659). The distribution schedule of the number of shareholders and the percentage holdings are as follows:

Range of shareholding	31st March 2011			31st March 2010		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	2,937	1,046,723	0.26	1,292	266,188	0.99
1,001 - 10,001	1,588	5,257,778	1.29	275	882,211	3.26
10,001 - 100,000	402	12,150,286	2.99	62	2,089,847	7.72
100,001 - 1,000,000	80	23,380,370	5.76	25	7,934,254	29.31
1,000,001 - above	38	364,160,888	89.70	5	15,893,903	58.72
Total	5,045	405,996,045	100.00	1,659	27,066,403	100.00

Analysis of Shareholders

Resident/Non-Resident

	31st March 2011		31st March 2010	
	No. of shares	%	No. of shares	%
Nationals	249,004,786	61.33	13,511,634	49.92
Non- Nationals	156,991,259	38.67	13,554,769	50.08
Total	405,996,045	100.00	27,066,403	100.00

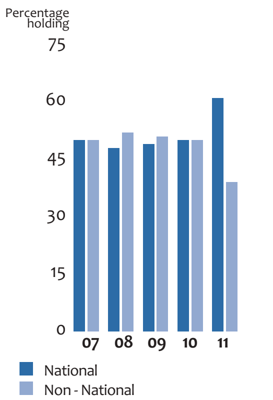
Investor Information

Individuals / Institutions

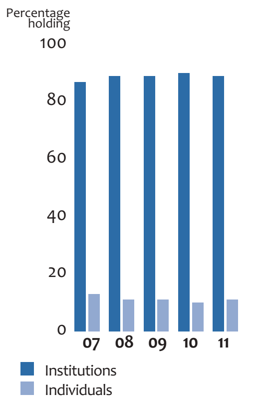
	31st March 2011		31st March 2010	
	No. of shares	%	No. of shares	%
Institutions	363,033,649	89.42	24,313,254	89.83
Individuals	42,962,396	10.58	2,753,149	10.17
Total	405,996,045	100.00	27,066,403	100.00

As per the rule No 7.6 (iv) of The Colombo Stock Exchange, percentage of public holding as at 31st March 2011 was 57.53%.

Nationals & Non-Nationals
as at 31st March



Institutions & Individuals
as at 31st March



Shareholding of Directors together with their spouses in Aitken Spence PLC

	31st March 2011	31st March 2010
Mr. J.M.S. Brito	288,495	19,233
Mr. G.C. Wickremasinghe	7,607,070	487,216

Indirect holding by Directors

	31st March 2011	31st March 2010
Mr. G.C. Wickremasinghe – Manohari Enterprises Ltd	298,830	19,922
Mr. D.H.S. Jayawardena – Stassen Exports Ltd	3,244,500	216,300
– Milford Exports (Ceylon) Ltd	4,321,500	288,100

In Group Companies

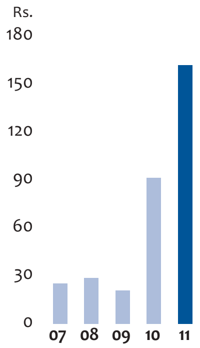
Aitken Spence Hotel Holdings PLC	31st March 2011	31st March 2010
Mr. J.M.S. Brito	106,596	9,000
Mr. G.C. Wickremasinghe	2,852,241	316,551

Hethersett Hotel Limited	31st March 2011	31st March 2010
Mr. G.C. Wickremasinghe	1,041,500	1,041,500

Twenty largest shareholders as at 31st March 2011

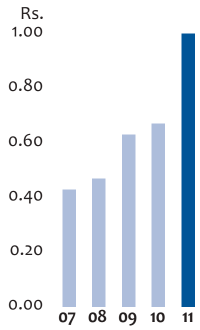
	Name	No. of shares	%
1.	Distilleries Company of Sri Lanka PLC	90,666,925	22.33
2.	Rubicond Enterprises Limited	65,990,145	16.25
3.	Sri Lanka Insurance Corporation Ltd - General Fund	26,032,575	6.41
4.	Commercial Bank of Ceylon PLC/Distilleries Company of Sri Lanka PLC	23,122,000	5.69
5.	Sri Lanka Insurance Corporation Ltd-Life Fund	18,000,000	4.43
6.	HSBC International Nominees Ltd-BPSS LDN- Aberdeen Asia Pacific Fund	17,331,000	4.27
7.	Employees Provident Fund	16,922,335	4.17
8.	HSBC International Nominees Limited-BPSS LUX-Aberdeen Global-Asian Smaller Companies Fund	12,397,500	3.05
9.	HSBC International Nominees Ltd-SSBT-Aberdeen Institutional Commingled Funds, LLC	10,043,500	2.47
10.	Mr. G. C. Wickremasinghe	7,308,240	1.80
11.	Ceylon Guardian Investment Trust PLC A/C # 01	6,919,500	1.70
12.	Placidrange Holdings Limited	5,521,500	1.36
13.	HSBC International Nominees Ltd-SSBTL-Aberdeen New Dawn Investment Trust XCC6	4,503,555	1.11
14.	HSBC Inernational Nominees Ltd-BPSS LDN-Aberdeen Investment Fund ICVC Aberdeen Emerging Markets Fund	4,342,500	1.07
15.	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
16.	HSBC International Nominees Ltd-BPSS LUX-Aberdeen Global-Emerging Markets Equity Fund	4,311,000	1.06
17.	Mellon Bank N.A.-Florida Retirement System	4,164,200	1.03
18.	HSBC International Nominees Ltd.-SSBT-Janus Overseas Fund	3,768,000	0.93
19.	Stassen Exports Limited	3,244,500	0.80
20.	Ms. A.T. Wickremasinghe	3,211,975	0.79
	Total	332,122,450	81.78

Market Value Per Share*
as at 31st March



** The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Dividend Per Share*
for the year ended 31st March



** The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Investor Information

Dividends

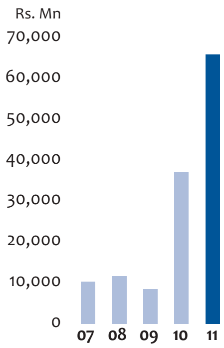
An ordinary dividend of Rs. 1.00 per share (2009/2010 – Rs.10.00 per share - pre subdivision) has been recommended to the shareholders for approval at the forth coming Annual General Meeting.

History of Dividend Per Share and Dividend Yield for the past 10 years

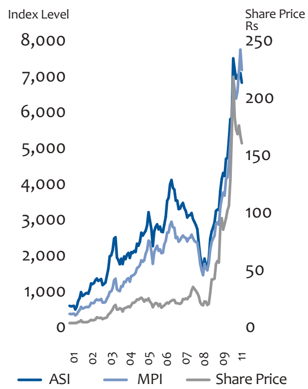
Year	Dividend Per Share (Rs)	Dividend Cover
2001/02	0.27	3.26
2002/03	0.30	4.34
2003/04	0.40	7.88
2004/05	0.40	6.88
2005/06	0.43	6.90
2006/07	0.43	8.30
2007/08	0.47	9.72
2008/09	0.63	7.93
2009/10	0.67	7.61
2010/11	1.00	6.25

The above figures are restated taking in to consideration the sub division of shares.

Market Capitalisation
as at 31st March



Share Prices* vs Indices
12 Month Trend



* *The figures for the previous years have been restated taking into consideration the subdivision of shares.*

UNSECURED REDEEMABLE DEBENTURES 2006-2012

The Company, in a private placement, raised Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/- each. Fitch Ratings Lanka Limited assigned a credit rating of AA (lka) 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 rate of 13.75% p.a. The applicable interests on these debentures were duly paid on 25th October 2010. In accordance with the terms of the Issue, 30% of the face value (Rs. 30/-) of these debentures were redeemed on 25th October 2010.

(ii) Floating rate

6,600,000 Floating rate unsecured redeemable debentures of Rs. 100/- each were issued on 25th October 2006 (4,100,000) and 24th November 2006 (2,500,000) with interest payable semi annually at an interest rate of six months gross Treasury Bill rate + 1.25% p.a. The applicable interests on these debentures were duly paid on 23rd April 2010 and 25th October 2010. In accordance with the terms of the Issue, 30% of the face value (Rs. 30/-) of these debentures were redeemed on 25th October 2010.

Ten Year Summary

Year ended 31st March	2011	2010 (Re-stated)	2009	2008	2007	2006	2005	2004	2003	2002
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Revenue	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160	7,030,843	4,536,324
Profit before taxation	3,815,555	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
Taxation	387,335	366,193	328,385	235,110	298,018	197,623	162,599	184,005	145,576	105,280
Profit after taxation	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496	732,416	439,543
Profit attributable to Aitken Spence PLC	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523	525,185	346,082
Equity & Liabilities										
Stated capital	2,135,140	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
Reserves	11,071,;652	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
Retained earnings	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517	2,405,847	1,626,591	1,303,856
Minority interest	5,129,687	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
Non-current liabilities	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832	3,439,933	2,517,504
Current liabilities	8,752,588	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
	40,144,825	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
Assets										
Property, plant & equipment	23,967,324	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
Leasehold property	1,359,483	1,468,449	1,505,151	1,356,987	-	-	-	-	-	-
Intangible assets	134,026	154,185	109,164	122,520	159,407	191,811	170,058	92,017	98,117	102,251
Investments	1,870,075	1,280,014	1,186,518	1,057,001	896,145	932,544	1,231,412	1,150,139	856,579	933,971
Deferred tax assets	138,314	56,823	74,008	39,342	-	-	-	-	-	-
Current assets	12,494,114	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
Assets classified as held for sale	181,489	161,663	149,124	161,951	-	-	-	-	-	-
	40,144,825	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
Share Information										
Earnings per share* (Rs.)	6.25	5.07	5.02	4.53	3.60	2.99	2.75	3.16	1.31	0.87
Market value per share (Rs.) - post share subdivision	162.30	-	-	-	-	-	-	-	-	-
Market value per share (Rs.) - pre share subdivision	-	1,373.75	315.00	430.00	380.00	339.00	380.00	263.50	140.00	90.00
Market capitalisation on 31st March (Rs. mn)	65,893	37,182	8,526	11,639	10,285	9,176	10,282	7,113	3,754	2,391
Price earnings ratio	25.97	18.05	4.18	6.32	7.05	7.56	9.20	5.56	7.11	6.90
Net assets per share* (Rs.)	53.00	46.54	42.06	29.32	24.46	21.01	18.64	16.24	11.72	10.56
Employees Information										
No. of employees	5,328	5,042	5,045	5,090	4,199	4,209	4,209	4,112	3,590	3,783
Value added per employee (Rs.'000)	1,884	1,770	1,635	1,503	1,467	1,038	857	897	697	482
Ratios & Statistics										
Ordinary dividend (Rs. '000)	405,996	270,664	257,131	189,465	175,931	175,931	162,341	161,969	120,974	106,243
Dividend per share* (Rs.)	1.00	0.67	0.63	0.47	0.43	0.43	0.40	0.40	0.30	0.27
Dividend cover (times covered)	6.25	7.61	7.93	9.72	8.30	6.90	6.88	7.88	4.34	3.26
Dividend - payout ratio	0.16	0.13	0.13	0.10	0.12	0.14	0.15	0.13	0.23	0.31
Current ratio (times covered)	1.43	1.33	1.33	1.35	1.33	1.07	1.43	1.30	1.35	1.04
Debt-equity ratio	0.16	0.22	0.29	0.41	0.49	0.48	0.45	0.27	0.52	0.43
ROE (%)	12.55	11.45	14.08	16.86	15.82	15.08	15.79	22.60	11.77	8.47
Interest cover ratio	23.48	6.44	6.54	5.78	4.93	6.38	9.66	12.12	5.10	4.55

*Note: * The figures for the previous years have been restated taking into consideration the subdivision of shares.*

Economic Review

"The overall economic optimism was reflected in the stock market, with the Colombo Stock Exchange emerging the second best performing market in the world. The All Share Price Index rose 96% during the year, as investors scrambled for stocks with exposure to infrastructure, banking and leisure sectors.."

Overview

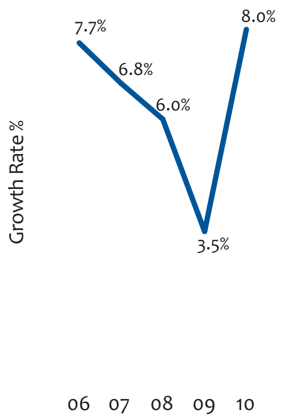
Sri Lanka's economy bounced back strongly in 2010, reflecting post-war optimism. The economy expanded by an impressive 8.0% in 2010, over a low growth of 3.5% in 2009. The growth was helped mainly by the post-war bullish business sentiment which increased both consumer and investor confidence, resurgence in the tourism and construction industries and, growth in agriculture output and export commodity prices.

The overall economic optimism was reflected in the stock market, with the Colombo Stock Exchange emerging the second best performing market in the world. The All Share Price Index rose 96% during the year, as investors scrambled for stocks with exposure to infrastructure, banking and leisure sectors. New share issues also rose during 2010 with eight new initial public offers (IPOs) being announced which were significantly oversubscribed reflecting positive sentiment.

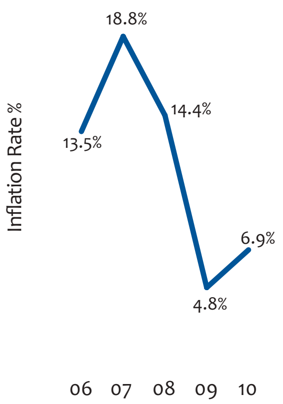
The year-on-year Colombo Consumers' Price Index rose to 6.9% in 2010, from 4.8% in 2009, while the annual average inflation for 2010 rose to 5.9% from 3.4%. Commercial banks' average weighted prime lending rate continued to ease gradually to end at 9.29% in 2010, from 10.85% in 2009. The Central Bank cut the reverse repurchase rate, its main policy rate, twice in 2010 and once in 2011, to spur economic growth. As interest rates nudged down, private sector credit demand rose by 25.1%. Meanwhile, the Government continued to keep a tight grip on its budget deficit, narrowing it to 7.9% of GDP in 2010 from 9.9% in 2009.

With the drop in exports by 12.7% in 2009, the exports industry grew by 17.3% in 2010. Exports recorded a significant growth despite the European Union withdrawing concessions under the Generalised System of Preferences (GSP +) in August 2010. Imports also rose by 32.4% during the year mainly due to the increase in the oil bill and rising cost of food imports. The steeper rise in imports over

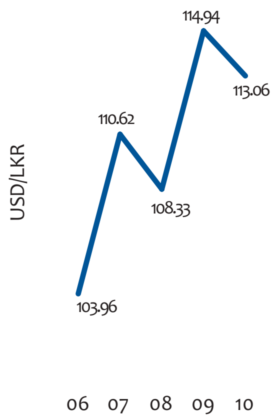
GDP Growth Rate



Annual Inflation Rate
(Year-on-Year)



Annual Exchange Rate



exports pushed up the trade deficit to 10.5% of GDP, from 7.4% the previous year.

Foreign remittances and Foreign Direct Investments grew with the Balance of Payments recording a surplus of USD 921 million. Investor sentiment was strengthened by the simultaneous approval of the third and fourth tranches of the International Monetary Fund (IMF) standby arrangement in June, and the fifth tranche in September, 2010. Both Standard and Poor's and Moody's raised the country's outlook to "Stable" and Fitch Ratings to "Positive". Supported by the success of the bond issue and the release of IMF funding tranches, Gross Official Reserves reached $6.6 billion, covering almost six months of imports. In September 2010, the Government issued its third international sovereign bond offering of USD1 billion. The 2010 issue was oversubscribed six times, with a yield substantially lower than the two previous issues. The Rupee gained around 3.0% against the US dollar to 110.95 by end-2010.

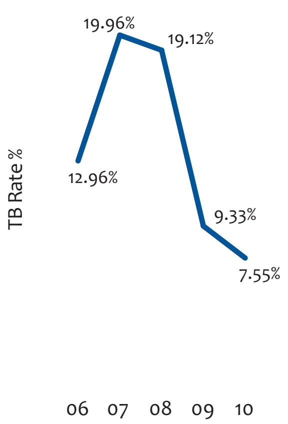
Future prospects

The country's economic activity is expected to remain robust in 2011 and beyond. It is expected that the service and industry sectors will drive growth in 2011 though agriculture is likely to be hampered by the heavy rains and consequent flooding that affected several provinces in January and February 2011. Inflationary pressures are likely to be exacerbated during the year due to rising global commodity prices as a fall-out of the quantitative easing carried out by major economies of the world in an attempt to stimulate flagging growth. This is likely to lead to a gradual increase in interest rates during the second half of the year.

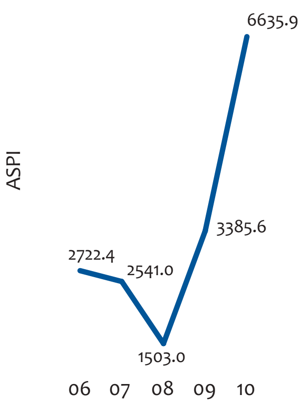
With the government prioritising controlling of expenses and increasing revenue, the budget deficit is expected to come down to 6.8% of GDP. The government expects to further reduce the deficit as a percentage of GDP in 2012. To this end, it would be necessary to cap loopholes in the tax system and to improve efficiency in tax collection, in addition to broadening the tax base. Rising global prices, especially of food and petroleum, as well as increasing domestic demand, are expected to push up imports in 2011.

Foreign Direct Investments are projected to increase, supported by policy measures reinforced in the 2011 budget, including streamlining the role of the Board of Investment. These investments are expected to lead to rapid development in the infrastructure of the country providing the foundation to achieve rising prosperity in the future.

1 Year TB Rate



All Share Price Index



Time Line

1868
Thomas Clark and Patrick Gordon Spence established Clark Spence & Co.

1871
Clark Spence & Co. was appointed as Lloyds Agents and opened a branch office in Colombo under the partnership name Britton, Aitken & Co.

1873
Name of the partnership was changed to Aitken & Co. when Britton terminated his connection with Britton Aitken & Co. and joined E. Aitken, P. Gordon Spence and S.R. Aitken to form Aitken Spence & Co., Colombo and Clarke Spence & Co., Galle.

1876
Lloyd's agency was obtained by Aitken Spence & Co.

1880
Rapid growth with acquisition of Streamer Agencies and appointment of Lloyds Agents Ceylon. Acquisition of Konninklijge Rotterdam, Lloyd Stoomvaart Matsatschaig Nederland and Dansk East India Shipping Agencies.

1912
General reorganisation of the group in light of the rubber boom.

1918
Purchased the Freudenberg Building in Colombo which was renamed Lloyd's Building.

1997/1998
Aitken Spence Plantation Managements (Pvt) Ltd. purchased a 51% stake in Elpitiya Plantations Ltd. and took over as managing agents.

1999/2000
Kandalama Hotel received the Green Globe 21 Certificate (1999) awarded by the World Travel & Tourism Council making it amongst the first ten hotels in the world to receive the certification and the first in Asia.

The United States Green Globe Building Council's LEED Green Building rating system certified Kandalama Hotel as one of the first 12 Green Buildings in the world and it became the first building outside USA to receive the certification.

2000/2001
Tea Factory Hotel won the Building Conservation Award following a worldwide competition conducted by the Royal Institute of Chartered Surveyors London (RICS).

Aitken Spence Travels (Pvt) Ltd., received the Green Globe 21 certificate becoming the first destination management company in the world to be Green Globe certified.

2001/2002
Marking the Group's entry into power generation, the first 20MW thermal power plant was completed at Matara.

Tea Factory Hotel won the UNESCO Asia Pacific Heritage Merit in recognition of its unique conversion of an old tea factory to an extraordinary hotel.

2002/2003
The Group's second 20MW thermal power plant located at Horana was completed.

2003/2004
Aitken Spence was listed among the 200 most successful companies outside the USA, with annual revenue of under a billion US dollars by the Forbes magazine,in October 200. Aitken Spence received this accreditation for three consecative years.

Elpitiya Plantations began its diversification into oil palm.

2004/2005
Aitken Spence Travels enters into a joint venture with TUI AG of Germany, Europe's leading travel company.

2005/2006
The Group's premier hotels Triton and Kandalama were refurbished and rebranded as Heritance Ahungalla and Heritance Kandalama.

The Water Villas, a cluster of 20 exclusive luxury villas at Meedhupparu island was launched.

Construction of a 100MW thermal power plant at Embilipitiya was completed and commenced commercial operations.

2006/2007
Aitken Spence enters the Indian hospitality industry by securing the management of five hotel properties in India.

The Aitken Spence hotel properties in Maldives were grouped under the Adaaran brand.

Aitken Spence breaks new ground by becoming the first Sri Lankan company to venture into port efficiency management outside Sri Lanka.

1919
J.J. Dickson and Ian W. Aitken were admitted as Partners and the Estate Agency enjoyed major growth.

1920-1940
Withdrew from trading and coordinated operations of the Port of Colombo during the Second World War. Ian W. Aitken, R.D. Kenyon and F.O. Francillon were made Directors in 1938.

1950-1952
The partnership was converted to a private limited liability company.

Obtained the IATA travel agency.

1955
Incorporated the shipping and bunkering agencies of Clark Spence & Co., which was one of the premier agency houses to embark on a programme of diversification.

1968
The first Sri Lankan chairman is appointed.

1970
Incorporated Aitken Spence Travels Ltd, travel agents, Inbound/Outbound tour operators and agents for Eurails and Britrail passes.

1971
The company became wholly owned by Sri Lankans.

1973
Set up Aitken Spence Exports Ltd. to process and export essential oils

1974
The first resort hotel of Aitken Spence, Neptune Hotel completed construction.

The General Sales Agency of Singapore Airlines was obtained.

1980
Appointed as a principal agent of the National Insurance Corporation.

1981
Appointed agents for TNT Express, one of the world's leading courier companies.

Commenced operations of The Triton, Sri Lanka's first five-star beach resort.

1983
Aitken Spence was listed in the Colombo Stock Exchange with an issued share capital of Rs. 51 million.

1984
The insurance department was converted to Aitken Spence Insurance (Pvt) Ltd., as per the process to convert all departments within the holding Company to subsidiaries.

1985
Aitken Spence Printing (Pvt) Ltd., was incorporated.

Ace Containers (Pvt) Ltd., was incorporated taking over the inland container terminal at Mattakkuliya which was considered the best in the South Asian region.

1986/1987
Ace Air Cargo Ltd., changed its name to Ace Cargo Ltd., now covering air, sea and courier work.

Established Ace Exports (Pvt) Ltd., to handle export printing orders.

1987/1988
Established Ace Container Terminals (Pte) Ltd to handle the first inland dry port in the country.

1989/1990
Aitken Spence acquires the Otis Elevator agency.

1991/1992
Aitken Spence Hotels is listed in the Colombo Stock Exchange with an issued share capital of Rs. 150 million

1992/1993
In keeping with the 200 garment factory programme launched by the Government of Sri Lanka, the Company constructed a garment factory in Matugama which provided employment for 500 people.

1993/1994
Aitken Spence invests overseas for the first time by acquiring the majority stake in Bathala Island Resort in Maldives.

1994/1995
Commenced operations of the iconic Kandalama Hotel, the first five-star hotel in the famed Cultural Triangle..

The Aitken Spence head office was relocated Vauxhall Tower, Colombo 2.

1996/1997
The Tea Factory hotel, the Sri Lanka's first theme hotel commenced operations.

2007/2008
Aitken Spence obtains the management of four hotel properties in Oman, becoming the first Sri Lankan hospitality company to enter the Middle East.

2008/2009
Aitken Spence obtains the General Sales Agency for Kingfisher Airlines.

Adaaran Prestige Vadoo, the Group's latest property in Maldives commenced operations.

Group Human Resources successfully branded itself as Genuity to provide HR solutions to external parties in Sri Lanka and overseas.

2009/2010
Aitken Spence acquires Logilink (Pvt) Ltd., a Company specialisIng in warehousing and garments on hangers.

2010/2011
The Government of Sri Lanka awarded the Letter of Intent to Aitken Spence and its partner China Merchants Holdings (International) Company Ltd., for the construction and development of the South Container Terminal at the Port of Colombo.

Glossary of Terms

Asset Bubble
Assets are over- inflated due to excess demand.

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.

BOT
Build Operate and Transfer

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 Proft Margin)
Earings 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.

Gross Treasury Bill Rate
Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

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 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.

Plain Vanilla Forward Exchange Contracts
The most basic or standard version of financial Instrument.

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.

Treasury Bill
Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond
Medium to Long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (Interest) paid on semiannual basis.

Unquoted Shares
Shares which are not listed in the Stock Exchange.

Yield to Maturity
The Discount rate that equals present value of all expected interest payment and the repayment of principal.

Group Companies

TOURISM SECTOR

INBOUND TRAVEL

Aitken Spence Travels (Pvt) Ltd. **

Leading Destination Management Company in Sri Lanka. A joint venture with TUI, one of the largest tourism company's in the world.

Directors: J.M.S. Brito (Chairman), G.M. Perera (Managing Director), R. Subramaniam, A.C. Garcia Tenorio DelCerro, D.C. Schelp

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) (Resigned w.e.f. 30/12/2010), 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) (Resigned w.e.f. 31/01/2011), 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. Also offers destination management services.

Directors : J.M.S. Brito (Chairman) (Resigned w.e.f. 31/01/2011), 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. Jayawickrama, G.P.J. Goonewardena, R.N. Asirwatham, C.H. Gomez (Appointed w.e.f. 01/07/2010), N.J. de Silva Deva Aditya (Appointed w.e.f. 01/07/2010).

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. Jayawickrama, 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. Jayawickrama.

Hethersett Hotels Ltd. **

Owns and operates Tea Factory Hotel.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama.

Neptune Ayurvedic Village (Pvt) Ltd. **

Owns and operates Neptune Ayurvedic Village.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama,

Ahungalla Resorts Ltd. **

Owns a land for a proposed future hotel.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama.

Golden Sun Resorts (Pvt) Ltd.**

Owns and operates Golden Sun Resorts.

Directors : J.M.S. Brito, S.M. Hapugoda, C .M.S. Jayawickrama.

Crest Star (BVI) Ltd.

The holding company and managing agents of Jetan Travel Services Company (Pvt) Ltd.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama.

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, C.M.S. Jayawickrama.

Cowrie Investments (Pvt.) Ltd. **

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors : J.M.S. Brito (Chairman), I.M. Didi, M. Salih, C.M.S. Jayawickrama, S.M. Hapugoda.

A D S Resorts (Pvt) Ltd. **

Owns and operates Adaaran Select Hudhuranfushi – Maldives

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrama, M. Mahdy, S.M. Hapugoda.

Ace Ayurvedic (Pvt) Ltd. **

Operated the Ayurvedic centre in Adaaran Select Meedhupparu Island Resorts - Maldives, during the year company ceased commercial operations and it is to be liquidated.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrama.

Unique Resorts (Private) Ltd. **

Owns and operates Adaaran Prestige Vaadhoo Resort – Maldives.

Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrama, M.S. Hassan, S.M. Hapugoda, T.D.U.D. Peiris.

PR Holiday Homes (Pvt) Ltd.

Owner of Heritance Cochin - India, currently under construction.

Directors : J.M.S. Brito, S.M. Hapugoda, C.M.S. Jayawickrama, 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.

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. Jayawickrama.

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.

*** The companies financial statements are audited by KPMG Ford,Rhodes,Thornton & Co.*

Group Companies

TOURISM SECTOR

Aitken Spence Hotel Managements (South India) Pvt Ltd.
Manages resorts in India.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama, C.L.B. Ekanayake.

Triton Ltd.
The Holding Company of Aitken Spence Aviation (Pvt) Ltd

Directors : J.M.S. Brito (Chairman), S. Ganeshan (Resigned w.e.f. 30/12/2010).

Aitken Spence Resources (Pvt) Ltd. **
Human resource management, foreign employment & recruitment company.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama, G.P.J. Goonewardena.

Crest Star Ltd.
Directors : J.M.S. Brito (Chairman), C.M.S. Jayawickrama.

Nilaveli Resorts (Pvt) Ltd.
Constructing, owning and operating a beach resort.

Directors : J.M.S. Brito (Appointed w.e.f. 20/10/2010), S.M. Hapugoda (Appointed w.e.f. 20/10/2010), C.M.S. Jayawickrama (Appointed w.e.f. 20/10/2010).

Nilaveli Holidays (Pvt) Ltd.
Constructing, owning and operating a beach resort.

Directors : J.M.S. Brito (Appointed w.e.f. 20/10/2010), S.M. Hapugoda (Appointed w.e.f. 20/10/2010), C.M.S. Jayawickrama (Appointed w.e.f. 20/10/2010).

Aitken Spence Resorts Ltd.
To operate a future hotel project.

Directors : J.M.S. Brito, C.M.S. Jayawickrama, S.M. Hapugoda (Appointed w.e.f. 14/07/2010).

Business Travel Services LLC
Destination Management Company organising inbound and outbound tours in Oman. A joint venture with Oman Holdings International SAOG.

CARGO LOGISTICS SECTOR

FREIGHT FORWARDING

Ace Cargo (Pvt) Ltd.
Providing International freight forwarding services.

Directors : Dr. P. Dissanayake (Chairman), H.B. Kelly.

Ace Bangladesh (Private) Ltd.
Provides international freight forwarding services in Bangladesh.

Directors : A. Mannan (Chairman), R. Rahman (Managing Director), J.M.S. Brito, Mrs. F.R. Ahmed, K.R.T. Peiris, A. 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.

INTEGRATED LOGISTICS

Ace Containers (Pvt) Ltd. **
Operates an inland container depot and a freight station.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), N.D.F. Perera (Appointed w.e.f. 30/08/2010), N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010), J.M.A. Joseph (Ceased w.e.f. 24/01/2011).

Ace Container Terminals (Pvt) Ltd. **
Provides container storage, customs brokerage and warehousing services.

Directors : J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010), A.M.M. Amir, Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010).

Ace Haulage (Pvt) Ltd. **
Transporters of laden and empty containers.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010), J.M.A. Joseph (Ceased w.e.f. 24/01/2011).

Ace Container Repair (Pvt) Ltd. **
Undertakes container repairs and garments on hanger conversion.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010), J.M.A. Joseph (Ceased w.e.f. 24/01/2011).

Ace Distriparks (Pvt) Ltd.**
Provides total logistics support and warehousing with multi country cargo consolidation.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), A.M.M. Amir, N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010).

*** The companies financial statements are audited by KPMG Ford,Rhodes,Thornton & Co.*

CARGO LOGISTICS SECTOR

Ace Freight Management (Pvt) Ltd.
Undertakes clearing, forwarding and operates an inland container depot.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), N.P. Nallaratnam (Managing Director) (Resigned w.e.f. 23/12/2010), J.M.A. Joseph (Ceased w.e.f. 24/01/2011).

Logilink (Pvt) Ltd **
Act as a Container Freight Station and to deal in the deconsolidation of imports and the storing, distribution and consolidation of Exports.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman), K.R.T. Peiris, N.P. Nallaratnam (Resigned w. e. f. 23/12/2010).

MARITIME TRANSPORT

Spence Mac Holdings (Pvt) Ltd. **
Holding company of certain Maritime Transport sector companies .

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake, Ms. N. Sivapragasam.

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.

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 : Dr. P. Dissanayake, V.M. Fernando (Chairman), J.M.S. Brito (Managing Director), K.M.A.T.B. Tittawella, I.S. Cuttilan, K.M. Fernando.

Spence Logistics (Pvt) Ltd. **
NVOCC Freight forwarding operator.

Directors : J.M.S. Brito (Chairman), Dr. P. Dissanayake, N.D.F. Perera.

Spence Mac Bangladesh (Pvt) Ltd.
Handles shipping operations in Bangladesh.

Directors : Dr. P. Dissanayake, M. Rashid, 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), Dr. P. Dissanayake (Appointed w.e.f. 10/09/2010), K.R. Aluwihare (Appointed w.e.f. 06/12/2010), M.E.G. Elizalde (Appointed w.e.f. 15/07/2010), A.M. Thakkar (Appointed w.e.f. 15/07/2010), N.D.F. Perera. (Resigned w.e.f. 06/12/2010).

Delta Shipping (Pvt) Ltd. **
Provide international freight forwarding services.

Directors : J.M.S. Brito (Chairman), M. Shabir (Jt. Managing Director), H.B. Kelly, K.R.T. Peiris.

*** The companies financial statements are audited by KPMG Ford,Rhodes,Thornton & Co.*

Group Companies

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.V.H. de Mel, P. Karunatilake (Appointed w.e.f. 02/08/2010).

Ace Printing & Packaging (Pvt) Ltd. **

Provides printing & packaging services to the local market.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel. P. Karunatilake (Appointed w.e.f. 01/10/2010)

Aitken Spence Printing (Pvt) Ltd. **

Hires printing machinery .

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel, P. Karunatilake (Appointed w.e.f. 02/08/2010).

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.

INFRASTRUCTURE

Ace Power Generation Matara (Pvt) Ltd.

Owns and operates a 24MW power plant in Matara 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 (Resigned w.e.f. 20/12/2010), K.N. Ahsan, A. Malla.

Ace Power Generation Horana (Pvt) Ltd.

Owns 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 (Resigned w.e.f. 20/12/2010), K.N. Ahsan, A. Malla.

Ace Power Embilipitiya (Pvt) Ltd.

Owns 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.

Owns, a 2.5MW hydro power plant in Matale to supply electricity to the national grid, which is scheduled to commision in 2011.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel, S.A.W. Manawadu. Ms. N. Sivapragasam (Appointed w.e.f. 06/01/2011) M.S. Mohideen (Appointed w.e.f. 06/01/2011) G.P.B.N. Gunarathne (Appointed w.e.f. 06/01/2011)

Ace Wind Power (Pvt) Ltd

Owns a 3 MW Wind Power plant in Ambewela to supply electricity to the national grid, which is scheduled to commission in 2012

Directors : J.M.S. Brito, D.V.H. De Mel, Ms. N. Sivapragasam.(Appointed w.e.f. 01/12/2010), M.S. Mohideen. (Appointed w.e.f. 01/12/2010), G.P.B.N. Gunarathne (Appointed w.e.f. 01/12/2010).

*** The companies financial statements are audited by KPMG Ford,Rhodes,Thornton & Co.*

SERVICES SECTOR

PROPERTY DEVELOPMENT

Vauxhall Property Developments Ltd.**

'Owns and operates the multi-storied office complex ; " Aitken Spence Tower I".

Directors : Ms. N. Sivapragasam, R. Pandithakorralage (Appointed w.e.f. 28/09/2010). J.M.S. Brito (Chairman)(Resigned w.e.f. 28/09/2010), Dr. R.M. Fernando (Resigned w.e.f. 28/09/2010), R.G. Salgado (Resigned w.e.f. 28/09/2010).

Aitken Spence Property Developments (Pvt) Ltd. **

'Owns and operates the multi-storied office complex ; " Aitken Spence Tower II" which serves as the Group's corporate office at Vauxhall Street in Colombo.

Directors : J.M.S. Brito (Chairman), Ms. N. Sivapragasam, Dr. R.M. Fernando, R.G. Salgado (Resigned w.e.f. 28/09/2010).

Vauxhall Investments Ltd.

Owns and operates the printing office complex.

Directors : J.M.S. Brito (Chairman), D.V.H. de Mel, P. Karunatilake (Appointed w.e.f. 02/08/2010).

Aitken Spence Developments (Pvt) Ltd.

Property development company.

Directors : A.M.M. Amir, Dr. P. Dissanayake (Deputy Chairman) (Appointed w.e.f. 04/08/2010), N.P. Nallaratnam (Resigned w.e.f. 23/12/2010).

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 Progarmme 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, Ms. T.L. Cordes-Fei (Appointed w.e.f. 12/01/2011), M.P. Quang (Resigned w.e.f. 12/01/2011).

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.

Calspence Technologies (Pvt) Ltd

Provision of IT enabled services

Directors : Dr. R.M. Fernando, D.S. Mendis, Ms. N. Sivapragasam, S. Santhosh, Mrs. N. Anita, K.R. Suresh.

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, Mrs. N.W.de Almeida Guneratne, R.G. Pandithakorralage.

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, Ms. N.Sivapragasam, G.M. Perera, D.V.H. de Mel, Dr. P. Dissanayake, S.M. Hapugoda, Mrs. N.W. de A. Guneratne, C.M.S. Jayawickrama, R.G. Pandithakorralage, D.S. Mendis, V.M. Gunatilleka, N.P. Nallaratnam (Resigned w.e.f. 23/12/2010), Sasi Ganeshan (Resigned w.e.f. 30/12/2010).

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. **

The company is under liquidation.

Directors : J.M.S. Brito (Chairman), M.D.R. Gunatilleke (Managing Director), Dr. R.M. Fernando, 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.

HOTELS

Browns Beach Hotels PLC **

Owns and operates Browns Beach Hotel, Negombo.

M.P.S. Hotels Ltd.

Owns and operates Hotel Hilltop, Kandy.

Negombo Beach Resorts (Pvt) Ltd.

Constructing, owning and operating a beach resort in Negombo.

CARGO LOGISTICS

Colombo International Container Terminals Ltd.

China Merchants Holdings (International) Company Ltd. and Aitken Spence PLC has been issued the Letter of Intent by the Government of Sri Lanka to design, build, manage and operate the South Container Terminal under the Colombo Port Expansion Programme on BOT basis.

*** The companies financial statements are audited by KPMG Ford,Rhodes,Thornton & Co.*

Notes

Notice of Meeting

Notice is hereby given that the Fifty Ninth Annual General Meeting of Aitken Spence PLC will be held at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 07., at 10.00 a.m. on Wednesday, June 29, 2011, 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 2011.
- To declare a dividend as recommended by the Directors.
- To re-elect Dr. R M Fernando who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr. V M Fernando who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr G C Wickremasinghe who is over 70 years, as a Director by passing the following resolution:

  "That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G C Wickremasinghe who has attained the age of 77 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
F.C.A, F.C.M.A, M.C.M.I. J Dip. M.A.
Company Secretary
Colombo

27th May, 2011

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. 315, 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 8th, 2011 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 30th, 2011.

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 Parakrama Dissanayake of Colombo	(whom failing)
Gaurin Chandraka Wickremasinghe of Colombo	(whom failing)
Charles Humbert Gomez of Gibraltar	(whom failing)
Niranjan Joseph de Silva Deva Aditya of United Kingdom	(whom failing)
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 2011, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Eleven.

....

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. 315 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 27, 2011, 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.315,
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

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

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

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.315,
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