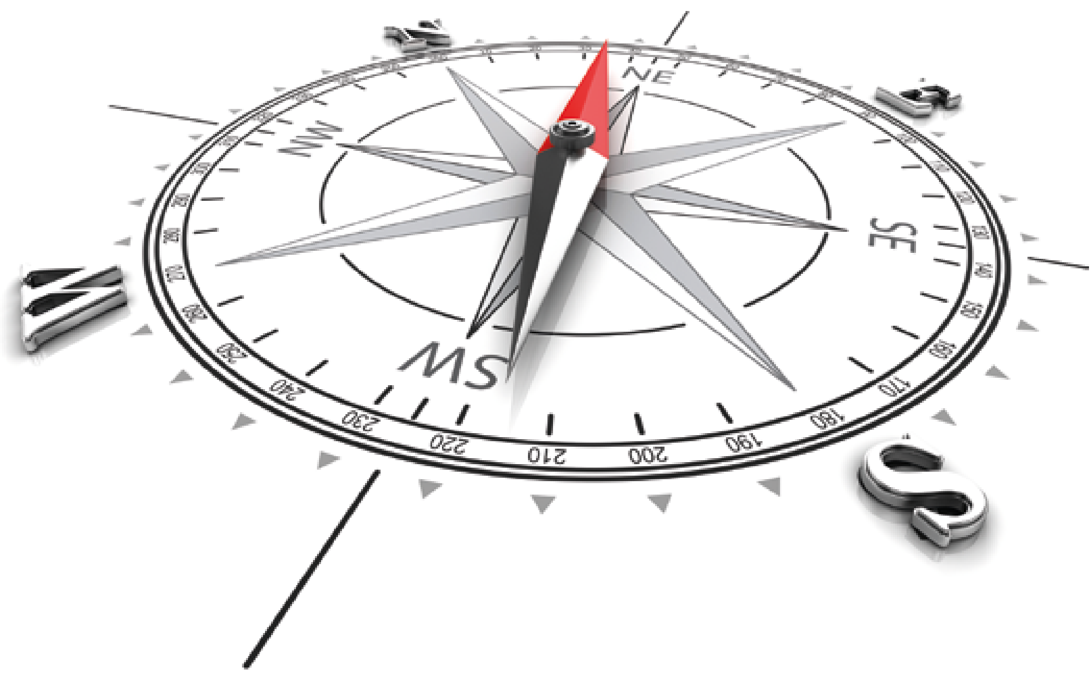
Aitken Spence

Annual Report 2014-2015

Navigating change



Navigating change

Aitken Spence PLC is one of Sri Lanka's oldest and most successful diversified conglomerates with a history going back for over 150 years. Today we have expanded our reach and influence to become a model of corporate excellence, combining the strength of our heritage with our solid commitment to organic expansion, to deliver our promise of increasing returns each year.

There are many reasons for the myriad accomplishments we record here today, yet chief among them is our unrivalled passion for innovation; the ground-breaking ideas and pioneering enterprises that add such distinctive value to the diverse industry sectors we now operate in.

In this integrated annual report, we analyse in detail all that we have achieved in the year under review as we navigate the fast changing business environment we operate in today; the strategies and philosophies we rely on to keep your company strong, relevant and progressive. We are strengthened by our proven ability to chart a steady course through stormy waters and the years that we have spent confidently piloting your company through the challenges we have encountered on the way to becoming the icon of stability and resilience we are today.

Aitken Spence

Contents

An Introduction to the Contents of this Report

We are pleased to present to our stakeholders the integrated annual report for the year ended 31st March 2015.

The report covers the integrated economic, social and environmental performance of the companies in which Aitken Spence PLC., has significant operational and management control, including activities in Asia, Africa and the South Pacific. The report provides information on our Group level operations and financial performance of subsidiaries and equity accounted investees. The names and details of the companies are set out on pages 236 to 242.

We have continued to report our performance "In Accordance" – Core with the Global Reporting Initiative's G4 Reporting Framework for disclosure on sustainability performance which was launched in May 2013. We also follow the guidelines of the International Integrated Reporting Council's <IR> framework. With the guidelines from these two reporting standards, the reporting practices across the Group were improved to capture more comprehensive performance disclosures across Aitken Spence PLC.

Selection of sustainability priorities and the assessment of materiality are detailed on pages 22 to 33. This study is still, mostly an internally conducted scientific study, guided by the historical data of the organization, feedback from specific key stakeholders that the organization has engaged with through the years, feedback from the Group's sustainability team members and guidance from senior management. The material aspects thus reviewed by the Company will be verified with the assistance of an independent organisation through an ongoing stakeholder engagement study. The methods used to analyse the data, assumptions made and exclusions are explained in detail in the Group Performance Review.

We have provided material disclosures on governance, ethics, strategies, risk and opportunities in relation to our financial, economic, ethical, social and environmental performance and the future outlook, at both the Group and operating segment level. It is our hope that the annual integrated report will set the basis for meaningful engagement with our stakeholders in the year ahead.

The financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) in alignment with the International Financial Reporting Standards (IFRS), the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange as well as the Code of Best Practice on Corporate Governance Principles 2013 and other related guidance.

A limitation in this report is that the sustainability performance is monitored for our operations only in Sri Lanka and the Maldives. Also, where sustainability systems are still in the implementation process, comprehensive data is not yet available. Our reporting process is driven and supervised entirely by the internal expertise of the Group and our short to medium term goal is to make the disclosures inclusive of all operational activities, material and relevant to the impacts and risks within our systems and is focused on educating the stakeholders about the operations of Aitken Spence. A comprehensive shareholder feedback form is available at the end of the report so that the disclosures in future reports can be improved to suit the reader's needs better. Further our social media could also be used to get in touch with us for feedback and comments.

Report Navigation Aid

Further reading within this report.

Web link provides reference

WEP Performance data relevant to the Women's Empowerment Principles

UNGC Performance data relevant to the UNGC Communication on Progress

www.aitkenspence.com

Group Highlights

IN BUSINESS SINCE 1868

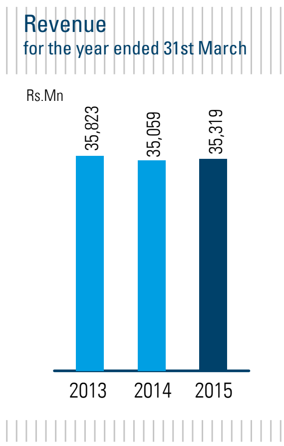
Ranked among the ten best corporate citizens of Sri Lanka for the 9th consecutive year, and Platinum rated for corporate accountability.

7000+
Total Employees

35.3
Total Revenue (Rs. Bn)

40.4
Market Capitalisation (Rs.Bn)

65.4
Total Assets (Rs.Bn)



Today, operations of Aitken Spence are categorised under four sectors, namely, Tourism, Maritime & Logistics, Services and Strategic Investments.The Company's operations have a global reach spanning South Asia, the Middle East, Africa and the South Pacific.

Business Geographies

Sri Lanka**

Location: Sri Lanka is an island nation state in the Indian Ocean. It is located 880 kilometres north of the equator, off the southern tip of India.

Population: 20.7 million

GDP Growth: 7.4%

Currency: Sri Lankan Rupee (LKR)

USD Rate: 133.32**

Maldives*

Location: A series of 1,190 coral islands grouped into 26 atolls located in the Indian Ocean.

Population: 345,023

GDP Growth: 3.7%

Currency: Maldivan Rufiyaa (MVR)

USD Rate: 15.19***

India*

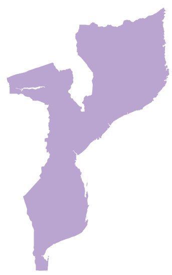
Location: Located in the south of the Asian continent, bordering the Arabian Sea and the Bay of Bengal.

Population: 1.25 billion

GDP Growth: 6.9%

Currency: Indian Rupee (INR)

USD Rate: 62.51***



Bangladesh*

Location: Situated in southern Asia, on the delta of the 2 largest rivers. It borders with India, Burma in the southeast, and with the Bay of Bengal in the south.

Population: 156.6 million

GDP Growth: 6.0%

Currency: Bangladeshi Taka (BDT)

USD Rate: 77.80***

Oman*

Location: The Sultanate of Oman borders the Arabian Sea, the Gulf of Oman, and the Persian Gulf and shares borders with Yemen, the United Arab Emirates, and Saudi Arabia.

Population: 3.6 million

GDP Growth: 5.1%

Currency: Omani Riyal (OMR)

USD Rate: 0.38***

Mozambique*

Location: In southeast Africa, Mozambique borders the Mozambique Channel and the Indian Ocean. To the north of Mozambique lies Tanzania, to the northwest Malawi and Zambia, to the west Zimbabwe, and to the southwest South Africa and Swaziland.

Population: 25.8 million

GDP Growth: 7.4%

Currency: Mozambican New Metical (MZN)

USD Rate: 36.35***

Fiji*

Location: Melanesian island group located in the South Pacific at 175 degrees east longitude and 18 degrees south latitude.

Population: 881,065

GDP Growth: 3.5%

Currency: Fijian Dollar (FJD)

USD Rate: 2.06***

* *Data as at 2013 (Source: World Bank)*
** *Data as at 2014 (Source: Central Bank Report -2014)*
*** *Conversion rate to USD as at 31st March 2015*

Performance Highlights 2014-2015

Social

60.7% of total employees are below 35 years

32% of employees are Females

150,000+ hours of training of employees

Financial

10.6% Return on equity

8.82 Earnings Per Share (Rs.)

86.26 Net assets per share (Rs.)

6.6% Growth in profit after tax

4.9 Profit for the year (Rs.Bn)

35.0 Shareholders' funds (Rs.Bn.)

Environment

11.40% Increase in renewable energy production from 2013-2014

2,096 tonnes of paper recycled or sold for reuse / recycling

44% of the total water withdrawn is treated and reuse or recycled for safe discharge

8,822 tonnes CO2 of GHG emissions reduced and/or offset

Rs. 140 Mn

Total funds channelled for community development

Gold Award HRM 2014

	2014/2015 Rs. Mn	2013/2014 Rs.Mn	Change %
Results for the year			
Group revenue with equity-accounted investees	**39,824**	39,487	0.9
Group revenue	**35,319**	35,059	0.7
Profit from operations	**5,657**	5,504	2.8
Profit before tax	**5,710**	5,445	4.9
Profit attributable to equity holders of the Company	**3,579**	3,672	(2.5)
As at 31st March			
Total assets	**65,433**	61,064	7.2
Total liabilities	**23,154**	22,138	4.6
Current ratio (times)	**2.05**	1.85	10.8
Debt to equity (times)	**0.22**	0.19	15.8
Return on equity (%)	**10.6**	12.2	(13.1)
Per Share (Rs.)			
Earnings per share	**8.82**	9.04	(2.5)
Dividends per share	**2.00**	2.00	-
Net asset value per share as at 31st March	**86.26**	79.46	8.6
Market price per share as at 31st March	**99.50**	97.90	1.6

Rs. 115 Mn

Investment on environmental sustainability

61,675 (GJ) of energy produced from renewable sources in 2014-2015

16,700 (GJ) of energy saved in 2014 – 2015

Aitken Spence at a Glance

Tourism

- Hotels
- Inbound & Outbound Travels
- Airline GSA

Maritime & Logistics

- Maritime Services
- Integrated Logistics
- Freight Forwarding & Courier

22
Hotels
Owned & Managed

100,000 +
Inbound Tourists
Handled by Destination Management

300,000+
Supply Chain
Warehouse capacity (Sq Ft)

17,000+
Students
Annual Student Intake (CINEC)

2,178
Rooms
Owned & Managed

2,873
People

400+
Supply Chain
Total Vehicle Fleet

1,571
People

Rs. 16.8 Bn
Total Revenue

Rs. 33.7 Bn
Total Assets

Rs. 7.5 Bn
Total Revenue

Rs. 7.9 Bn
Total Assets

Strategic Investments

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

Services

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

6,240
Total Hectares in Cultivation

31
Production Sites

15
Best practice accreditations

2,378
People

First Company
to install the fastest high speed elevator in the tallest building in Sri Lanka

139 Years
Number of years representing Lloyds of London

2,700+
MMBL Locations

309
People

Rs. 15.1 Bn
Total Revenue

Rs. 20.3 Bn
Total Assets

Rs.1.1 Bn
Total Revenue

Rs.2.9 Bn
Total Assets

jou

Directing our journey

EXECUTIVE REVIEWS >

Chairman's Statement

We welcome the statements made by the new government that the corporate sector will be given its due place in the economy and hope that they will permit the corporates to participate in vital infrastructure development. The corporate sector must be given every support to play a meaningful role in the resurgence of this country.

I have the pleasure of presenting to you the Annual Report and the financial statements of Aitken Spence PLC for the year ended 31st March 2015, which convey the story of your Company's resilience and entrepreneurship amid pervasive challenges.

Economic environment

The Global economy recorded a modest 3.3% growth in 2014, as some advanced economies turned around while the pace of growth in emerging markets slowed down. Overall, global growth is projected by the IMF to reach 3.5% in 2015 and 3.8% in 2016. South Asia has been earmarked by the World Bank to lead global growth, with regional growth expected to reach 7% by 2015 and 7.6% by 2017 as more productive capital is brought on stream.

The Sri Lankan economy grew by 7.4% in 2014, up from 7.2% in 2013 but slightly lower than the projected 7.8%. The country's GDP amounted to USD 74.9 billion in 2014, compared to USD 67.2 billion in 2013, with GDP per capita at USD 3,625. Inflation remained at the low single digit levels, with falling commodity prices leading to annual average headline and core inflation of 3.3% and 3.5% in 2014, compared to 6.9% and 4.4% the previous year.

The World Bank estimates GDP growth of Sri Lanka to decline to 6.5% in 2015 due to the slowdown in construction activity with the new government reassessing the investment-led growth model. The World Bank's South Asia

Economic Focus report also expects this trend to be partially set off by consumption growth, thanks to increased public sector wages and higher disposable income.

A Challenging Business Environment

We welcome the good governance measures that are being proposed and implemented at present. We hope the general elections due in the second half of 2015 will lead to further political stability, thereby creating a conducive business environment. We look forward to a consistent policy framework, which gives the private sector the freedom to operate and the guidance to plan ahead. It is important that a healthy business environment is promoted through a low tax regime targeting a broader base and through a policy of minimizing concessions. We welcome the statements made by the new government that the corporate sector will be given its due place in the economy and hope that they will permit the corporates to participate in vital infrastructure development. The corporate sector must be given every support to play a meaningful role in the resurgence of this country.

Businesses need a level playing field to create optimal value by maximizing their potential. Greater transparency and accountability in an environment free of unsolicited bidding, are critical factors in ensuring such an equitable environment. Liberalisation is important during a period of development but being an economy just five years out of a debilitating war, we must take precautions to ensure that Sri Lanka's interests are preserved until our economy matures. In this respect, I wish to suggest revisiting the Strategic Development Projects Act to align it closer to government policy and to ensure greater transparency, while the Board of Investment should be empowered further so it may play a meaningful role as a partner in development.

Performance

Your Company posted a revenue of Rs. 35.3 billion and a consolidated profit before tax of Rs. 5.7 billion, which is an year on year growth of 4.9%. The net profit attributable to the Shareholders was Rs. 3.6 billion. The earnings per share stood at Rs. 8.82.

I commend the exceptional performances of segments such as printing and packaging, port management, garments and destination management which grew by 62.2%, 59.4%, 5.4% and 7.5% respectively. The Power generation segment also recorded a better performance compared to the previous year due to the sale of two idling power plants which resulted in a lower costs for the segment. The performance of these segments pushed overall growth after tax to Rs. 4.9 billion a growth of 6.6 % over the previous year.

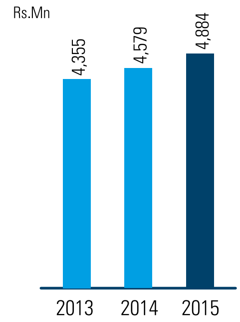
The tourism sector profits after tax declined by 1.2%, mainly due to the decline in profits from hotels in Sri Lanka and overseas whilst the destination management segment performed exceptionally well. We operate a well diversified product mix in Sri Lanka and in the Maldives catering to a wide range of clientele. The segment's fortunes are closely connected to the global political and economic climate and the external environment we faced this year is reflected in our bottom line. We are optimistic that our marketing strategies would enable us to attract higher occupancies in our owned and managed resorts in the coming year.

We have adopted a long term strategy for hotel operations in India by moving to an owner operator model, from the previous management contract model by acquiring a 143 room Hotel property in Chennai which would be operated under the brand "Turyaa". The hotel which is now complete would commence operations as soon as the required regulatory licenses are obtained.

The Maritime and Logistics sector experienced weaker performances from the freight forwarding and the logistics segments; our overseas investments in the Maritime and Logistics sector performed well and we are pleased with the path of diversification within the sector. From the new financial year, we have restructured the Maritime and Logistics sector in order to capitalize on market changes and future trends. The new structure enables greater synergies among divisions and will make Aitken Spence a one stop shop for integrated logistics solutions.

In the Strategic investments sector, the printing and garments segments have sustained their strong performances while the results of the plantations segment speak volumes about your Company's foresight to embrace change and diversify to remain competitive.

Profit After Tax
for the year ended 31st March



Rs. 3.6 Bn
Profit Attributable to Equity Shareholders

Rs. 2.00
Dividend per share

Chairman's Statement

The success of our Group is the strong foundation we lay looking at long term sustainable growth over the immediate short term. It is with that in mind that each year we diversify our products and services into new market segments knowing that the returns would be generated in the years to come.

The power purchase agreement of Ace Power Embilipitiya concluded in April 2015 and we are optimistic of a mutually beneficial extension of this agreement. We successfully concluded the sale of our thermal plant in Matara after the expiration of the power purchase agreement. As a group, we will continue to seek opportunities in renewable energy, especially mini hydropower and wind power, and in addition continue to seek opportunities overseas.

It was a very disappointing year for the Services sector with many of it segments, other than insurance, elevators and property, recording dismal performances. The information technology segment accounted for a significant share of the losses in this sector and we have already addressed the poor performance by restructuring the company, which should lead to a better performance the next financial year.

Shareholder Returns and Governance

The success of our Group is the strong foundation we lay looking at long term sustainable growth over the immediate short term. It is with that in mind that each year we diversify our products and services into new market segments knowing that the returns would be generated in the years to come.

Although this year has been a difficult year in terms of performance, it must be noted that while riding the wave of external challenges, we have turned inwards to strengthen ourselves to reap the opportunities of the future. We are thus optimistic about the future growth of the Company, and in keeping with our policy of providing attractive returns to shareholders even during difficult times, the Board recommends a final dividend of Rs. 2.00 per share.

The performance of the Aitken Spence share is disappointing with the share price closing at Rs. 99.50 as at year end. This price does not reflect the true value of your investment. We are hopeful that an era of economic and political stability would buoy the share price of your Company towards actual value.

We are aware that as our valued shareholders, you have a keen interest in the governance and risk management structures in place within our Group. We consider it vital to have in place an appropriate system of governance and risk management to safeguard the investments of our 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.

Outlook

Our history of over 150 years has earned us a reputation as a solid enterprise that offers best in class expertise together with a commitment to good governance, compliance and sustainable business. We have forged a multitude of mutually beneficial partnerships with some of the largest businesses in the world and we will leverage on the length and success of these collaborations to approach new principals.

Innovation will be the catalyst that drives businesses ahead in the next decade. Innovation encompasses multiple factors from introducing new products and services to better ways of delivering business solutions and adopting better business models that suit changing market conditions. As a Group, we have a proud history of innovation which has driven us to leadership positions, and we have demonstrated strong business sense to transform or exit businesses where changing business environments were likely to influence our long term prospects. We have imbued this culture of innovation across Aitken Spence today by instilling strong business intelligence and research and development skills within, and by encouraging every employee to think creatively and to embrace change fearlessly.

Appreciations

I wish to place on record my appreciation of my fellow Board members for their expertise and perspectives, which have helped set the direction of the Group. We have been fortunate to have the support of a strong network of business partners including principals and agents. Their trust in us has helped us forge mutually beneficial partnerships and resulted in competitive advantages.

On behalf of the Board, I would like to thank the Group Management Committee and the Sector Management Teams for skillfully steering the Group to consistently high standards of performance, both financially and otherwise. We also recognize the contributions made by each and every member of the Aitken Spence team, and wish them continued success.

My sincere gratitude goes to our shareholders for their confidence in the Board and their conviction in the Company's future.

D.H.S. Jayawardena
Chairman

25th May 2015

Managing Director's Review

The strength of Aitken Spence lies in its diversification; over the years, our entrepreneurial and pioneering spirit has enabled us to explore new ground and establish our presence in vital sectors of the economy, both in Sri Lanka and overseas.

In 2014/15, Aitken Spence once again proved that we can steer our Company successfully to achieve our objectives, in spite of the challenges presented by the macroeconomic environment. Our history of over 150 years has seen us strategically navigating our way, forging ahead with courage and fortitude to become the strong, sustainable business we are today. Through good times and bad, we have innovated and transformed to push ourselves harder and further.

This year too, I am satisfied with how we have performed as a team to create value across the many businesses we operate in. In our journey, we have listened to our stakeholders, understanding what drives them and devising responses that manage the overall impacts we have on them.

Performance

The strength of Aitken Spence lies in its diversification; over the years, our entrepreneurial and pioneering spirit has enabled us to explore new ground and establish our presence in vital sectors of the economy, both in Sri Lanka and overseas. This diversification held the Group in good stead in 2014/15, to grow amidst challenging global economic conditions and intense competition. The Group successfully achieved a revenue of Rs. 35.3 billion and a profit before taxation of Rs. 5.7 billion. Profit after tax for the year of the Group was Rs. 4.9 billion, a gain of 6.6%.

The Group recorded a net profit attributable to equity holders of Rs. 3.6 billion, paving the way for an earnings per share of Rs. 8.82. This was a comparative decline of 2.5%, even though the

Managing Director's Review

The proximity and vast potential of India led us to restructure our long term vision for the Indian market, to a model of owning and operating our own properties under the brand "Turyaa". The first such property, a 143 roomed hotel in Chennai was acquired in June 2014.

profit after tax grew over the previous year, due to a 43.7% increase in the profit attributable to non controlling interests. The share price of your company was Rs. 99.50 at the end of the financial year, having reached a high of Rs. 120.50 during the year. The price earnings ratio of your company stood at 11.3 times at the end of the financial year, indicating high potential for growth in share price when supported by fundamentally strong economic and political conditions.

This year was no exception in providing healthy returns to shareholders. The Group provided a return on equity of 10.6% for the financial year with net assets per share of Rs. 86.26 as at year end. This was a 8.6% increase in net assets per share over the previous year. A final dividend of Rs. 2.00 per share is proposed by the Board of Directors of your Company, thus maintaining the dividend payment per share.

Aitken Spence remains true to its commitment of positive wealth creation for all its stakeholders while maintaining its excellent track record of being an ethical and socially responsible corporate citizen. We are confident that our strategic direction will lead Aitken Spence to greater heights in the years to come regardless of the ever increasing competition and rapidly changing socio-economic landscape. A detailed discussion of the performance of the four key sectors of the Group is presented in the Management Discussion and Analysis of this report, which would provide greater insight to the operational highlights of the year.

Sector Performance

Tourism Sector

During the year under review the sector had a revenue growth of 5.8% over the previous year although the sector profit before tax declined by 2.2% mainly due to the decline in profits from the Sri Lankan hotels and the Maldives sector. The decline in profits was seen at all our resorts on the Southern coastal belt due to stiff competition posed by the informal sector in the region.

The Maldivian hotel segment recorded a decline in profits before tax of 2.0%, the contributing factors being lower occupancy due to the Russian and Ukraine crisis and the ocean villas at Adaaran Select Hudhuranfushi being out of operation during the first half of the year after being destroyed in a fire the previous year. Further an increase in the lease rent paid in respect of one of the resorts, as per the initial contact, impacted the profitability of the segment.

Aitken Spence remains bullish about the tourism potential in the Maldives and with a view to expand our operations in this segment, we acquired two more island resorts. We will commence construction of the two new resort properties on these two islands, A'arah in Ra Atoll and Raafushi in Noonu Atoll over the next two years. The Maldivian government has been consistent in its vision to promote its tourism industry; in fact, it must be admired for the foresight it had to strategically develop the Chinese market at a time when Europe was heading for a downturn. The government has recently also been considering the extension of the current 50 year leases to 99 year leases; we welcome the move and look forward to its implementation.

Of the Sri Lankan hotels, Heritance Kandalama and Heritance Tea Factory were the top performers while Heritance Ahungalla experienced the competitive pressure along the south-west coast. Heritance Ayurveda Maha Gedara was impacted by the downturn of its key market in Europe, which witnessed a depreciation of the Euro making travel more expensive. The coming year will be an exciting one for the sector, as we add Heritance Negombo to our portfolio and also expand capacity at The Sands, Kalutara by 91 rooms. Construction of the RIU Hotel in Ahungalla is well on target and we are excited by the possibilities offered by our partnership with RIU Hotels, Spain which is owned by TUI Group AG.

We are encouraged by the performance of the resorts in Oman, where our strong portfolio has enabled us to consolidate our position. We currently manage six resorts in Oman, covering all the key tourist locations of the sultanate. Located in the volatile Middle East, Oman benefits from its political stability and the government's commitment to investing in the industry, including expanding its airport and facilities.

The proximity and vast potential of India led us to restructure our long term vision for the Indian market, to a model of owning and operating our own properties under the brand "Turyaa". The first such property, a 143 roomed hotel in Chennai was acquired in June 2014. The property will focus and cater mainly to business travellers into the IT hub and local traffic from India. The hotel is now ready for launch, subject to regulatory approvals and licenses.

The importance of India and China as source markets has grown in significance given the downturn and devaluation experienced by the European markets. The national carrier now flies to a number of destinations in both Indian and China, offering a good launch pad for the local tourism industry.

It is imperative that the tourism industry is supported at policy level, given its importance within the economy as a key revenue generator and creator of jobs. The post-war infrastructure boom was critical in the development of the industry and it is hoped that the momentum will continue.

The destination management segment enjoyed a positive year and we are very encouraged by the commitment shown by our partner TUI to Sri Lanka. In addition to the RIU Hotel, TUI has plans in place to build more hotels with their direct involvement while bringing in regular charters to the country. Our business model in the destination management segment has enabled us to constantly innovate and offer creative solutions that differentiate our product and enable us to maintain market leadership.

It must also be mentioned that our proactive approach to embracing the digital space via a booking engine has started paying dividends; we would continue to fine tune our digital offering in order to capture this growing market.

Our airline General Sales Agency (GSA) partnership with Singapore Airlines has been a challenging one this year, but we have retained our market share despite heavy competition. We are hopeful that Singapore Airlines would add more flights to Sri Lanka in order to offer more options to our passengers. In March 2015, the Group also successfully obtained the passenger GSA for Turkish Airlines.

Maritime & Logistics Sector

The Maritime and Logistics sector had an year of mixed performances, with its overseas operations performing above expectations to enable a 4.4% increase in revenue and a 4.3% increase in profit before tax. Our port management operations overseas have proven to be an exceptional operational success with many efficiency improvements achieved during the year. The freight forwarding segment experienced tough market challenges as higher volumes could not be converted to higher revenue given the eroding margins of the industry. The segment was also adversely impacted by the European Union ban on Sri Lankan fish exports.

The CINEC Maritime Campus performed below expectations due to the rescheduling of some courses. However, towards the end of the financial year the campus had a high volume of enrolments and is expected to perform well in the next financial year.

A milestone for the sector was the opportunity to handle the import and re-export of all cargo related to the visit to Sri Lanka by His Holiness Pope Francis in January 2015.

We boosted the integrated logistics segment by developing its infrastructure to enable future growth. The renovation work restricted business as usual and this is reflected in the segment's performance.

We have now restructured the sector in order to create a seamless supply chain solution that encompasses all services in the value chain from shipper to the recipient. The new structure will allow for greater synergies within the segments and will come on board in 2015/16. The main change is the amalgamation of the freight divisions within the maritime segment with the freight forwarding segment which should lead to streamlined operations and better management of cost.

The merger of our principal Hapag-Lloyd with CompañíaSud Americana de Vapores (CSAV) to become the world's fourth largest ocean carrier will open new markets for us especially in South America. We are closely watching developments that may impact us in the proposed global merger between TNT and FedEx.

Strategic Investments Sector

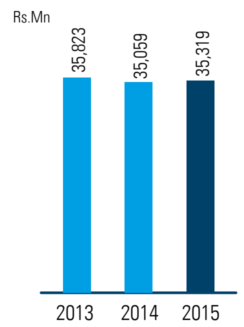
The Strategic Investments sector ended the year on a positive note, recording a 207% increase in profit before tax despite a 6.3% dip in revenue. This was mainly due to the disposal of the two non operational power plants at Matara and Horana which led to an end of the maintenance costs incurred on these plants.

The power purchase agreement contracted by Ace Power Embilipitiya (Private) Ltd, with the Ceylon Electricity Board for a period of ten years concluded in the first week of April 2015. The company is at present in discussions with the Ceylon Electricity Board on a possible extension to the power purchase agreement for its 100MW plant in Embilipitiya, which contributes towards system stability in the South. If we are not successful in reaching mutually agreeable terms for an extension, the Group will be taking steps to dispose of the plant during the coming year.

We remain bullish about renewable energy and wind power in particular. In the future we hope that granting of licenses for renewable projects would be carried out in a transparent and efficient manner.

The Group's plantation interests returned a good performance during the year, driven by the

Revenue
for the year ended 31st March



Rs. 5,657 Mn

Operating Profit for the Year

Rs. 65.4 Bn

Total Assets

Managing Director's Review

The possibilities offered by technology today are endless – from robotics and nanotechnology to 3D printing and smart spaces, the digital age is truly upon us. Embracing the new digital way of life means not just changing the way we do business but also changing the way we interact with our stakeholders.

diversification undertaken in the recent past, and by our efforts to increase labour efficiency. The markets for Ceylon tea were almost uniformly under pressure –the Middle East due to political instability, Russia and Ukraine due to the Crimean crisis and Europe, due to a dwindling economy. Rubber continued to lag with no recovery in sight. We are buoyed by the prospects for palm oil which performed well. Also performing well were our commercial forestry venture, hydro power generation and our joint venture to export tea to China. The year ahead will see further diversification of the segment into eco tourism and agriculture as a means of addressing food security.

The printing segment once again performed well, and continues on its strong trajectory of growth. It is with much pride that we operate the first LEED (Gold) certified and carbon neutral printing complex in South Asia, which has helped our green products to secure wide acceptance among high end international brands. During the year, we invested in enhanced manufacturing capabilities and processes in order to deliver cutting edge products to our clientele. In addition to its traditionally strong packaging base, the company has been exploring high-yield niche markets for publications.

I am delighted by the results posted by the Garments segment, which has recorded an excellent year. We expanded our production capacity by up to 40% by commissioning a new environment-friendly production facility in Koggala; the plant was built in four months and will create 750 jobs once in full operation. The increased capacity would allow us to penetrate high-end markets for improved yields. We are also hopeful that improved relations with the West would help restore the GSP+ preferential tariffs on exports to the European Union. The competitive strength of the segment continues to be its record of on-time, reject free delivery and order fulfillment; this, together with its quality assurance and compliance, has made Aitken Spence garments a preferred supplier for some of the world's best known clothing brands.

Services Sector

The Services sector has seen mixed fortunes and as always, our diversification has enabled the Group to balance weaker performances in some companies with strong growth in others. Overall, the sector revenue was up 15.7% due mainly to a strong performance from the elevator agency segment, while sector profit before tax recorded a 38.3% decline.

The money remittance business MMBL, the agent for Western Union, retained its market leadership in the cash to cash remittance segment and invested in 'Send' country initiatives on several important corridors to generate new business. It is encouraging that the white collar segment of the Sri Lankan expatriate community which can command higher salaries, keeps steadily growing. The remittance industry is very competitive and illegal channels remain a threat; the company however will counteract these by forging ahead on its own path through user-friendly convenient service, new products including on mobile and web channels, a focus on compliance and an island wide presence.

The insurance segment had a steady inflow of opportunities in Sri Lanka and the Maldives and continued its partnership with the World Food Programme to supervise aid and assistance to the North. The segment is focusing on establishing the recoveries business in Sri Lanka, utilising our expertise to spearhead this much needed aspect of the insurance industry.

The infrastructure developments taking place in Sri Lanka offer great prospects to our elevator agency segment, which represents OTIS in Sri Lanka. During the year, we were awarded contracts for several prestigious projects that will change the skyline of Sri Lanka in the coming years.

'Heritage Grove' was launched during the last financial year as a high end retirement community. However, having gained market feedback, we have strategically changed the concept and positioning of the project to a country club, thereby expanding the target market. The project is now being marketed among high net worth individuals who wish to make Sri Lanka their second home.

Our technology business is growing satisfactorily and has successfully completed several installations of Enterprise Content Management and Enterprise Resource Management systems. We are positive about the future of this business and have built a strong resource base with the capacity to support out future plans.

Recognising the exciting possibilities that nanotechnology offers to businesses, we invested during the year in Ecocorp Asia (Private) Ltd., which markets a nanotechnology based coating solution manufactured under license in Germany. The coating made of nanoparticles protects multiple surfaces, from moulds and machines in industrial settings to walls, floors, furniture and fabric in hospitals, hotels and even homes. The coating leads to lower maintenance costs, shorter down times and maintenance hours and longer life-spans.

Embracing Technology

The possibilities offered by technology today are endless – from robotics and nanotechnology to 3D printing and smart spaces, the digital age is truly upon us. Embracing the new digital way of life means not just changing the way we do business but also changing the way we interact with our stakeholders. We have been proactive in identifying the ways in which we may enhance our business by embracing technology and even our communication with stakeholders has begun moving to digital platforms, including social media.

Internally, the Aitken Spence Group is embracing technology to bring in greater efficiencies, with the IT improvements focused this year on security, the roll out of Active Directory which is in progress, and a log management system to facilitate migration to Cloud computing in the near future.

An IT CRM system was set up during the year with a help desk to scientifically monitor and analyse customer issues, in a bid to improve the IT service delivery within the Group. The IT systems of Aitken Spence achieved ISO 27001 systems certification during the year.

The Shared Services Centre which manages centralized processing and analytics for sectors within the Aitken Spence Group, ventured into Thailand this year to offer outsourced finance and accounting services for clients in Thailand. Similar work is already being undertaken for clients in Australia, where a promotional campaign was launched to expand our business.

As a Group, we are committed to improving productivity and efficiency, and to managing costs in a prudent manner. We have persistently evaluated how we may leverage on the synergies among our various business units and how best we may exploit the scale and footprint of our businesses. This year too, many such initiatives – big and small - were implemented at various locations.

HR and Sustainability

Aitken Spence has built a reputation as a good employer and we were humbled to be recognized with the Gold Award at the HRM Awards held in March 2015. Our commitment to good HR management practices stems from our conviction that our employees are the driving force of our business. Being a service-based organization, it is primarily the professionalism, loyalty and attitude of our team that make up the spirit of the Company.

Aitken Spence was among the first businesses to sign up to the United Nations Global Compact in Sri Lanka. We remain committed to champion its principles within our businesses and the wider private sector, by giving leadership to the Global Compact Network Sri Lanka. Aitken Spence PLC., was also amongst the first in the world to become signatories to the Women's Empowerment Principles and we remain committed to internalize these principles within our operations sustainably.

Sustainable thinking has now become a part of our DNA and I am happy to note that today, all our business decisions are considered not just in the light of their financial rewards but also in terms of their long term impact on our stakeholders. Creating positive value wherever possible and managing negative value creation to minimize our impacts will remain a strategic priority, as we work towards a holistic mindset that unifies our performance goals with our social and environmental responsibilities.

Appreciations

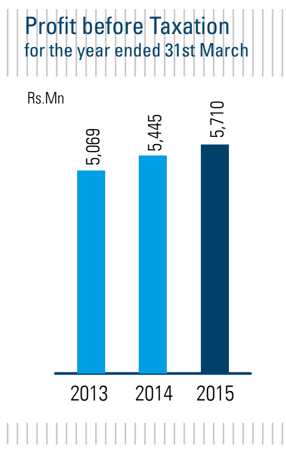
The Chairman and Board of Directors have been a source of enormous strength to me and my management team as we navigate the Company through the many challenges to seize the right opportunities. I thank them for their vision and professional advice, so generously imparted. My colleagues on the Board of Management and Sector Management Teams have supported me throughout the year, by leading their people with great fortitude to reach beyond the goals we have set for ourselves. I thank them sincerely. I would also like to thank our shareholders, customers and business partners for their continued trust in Aitken Spence.

And finally, I take this opportunity to recognize the yeoman contribution made by every member of our team; with their commitment and support, I am optimistic that the year ahead will be one of accomplishment and triumph for Aitken Spence.

J.M.S. Brito

Managing and Finance Director

25th May 2015



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MANAGEMENT DISCUSSION AND ANALYSIS >

Management Discussion & Analysis

About Aitken Spence and Our Operating Environment

Our Vision:

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

Our Brand Values:

Reliable
Honest
Warm
Genuine
Inspiring Confidence

With a history spanning 150 years, Aitken Spence PLC is a leading player in Hotels, Travels, Maritime Services, Logistic Solutions and Power Generation in Sri Lanka. The diversified conglomerate has significant interests in Plantations,KPO/BPO Services, Insurance, IT, Printing and Garments. Listed in the Colombo Stock Exchange since 1983, Aitken Spence has operations in seven countries spanning South Asia, the Middle East, Southern Africa and the South Pacific. The Company believes in leading strategic growth businesses and possesses a credible record of working with global leaders across diverse sectors.

The Company acts as agents for Lloyd's of London in Sri Lanka since 1876 and represents Singapore Airlines, TNT and OTIS for several decades. It is also a principal agent in Sri Lanka for Western Union Money Transfer.

The Aitken Spence chain of hotels spans 22 hotels and resorts in four countries. It is the largest resort chain in Sri Lanka and the largest international resort operator in the Maldives. Its range of award-winning hotels and management expertise has set industry benchmarks for service quality, culinary standards and sustainable tourism.

Partnered with the world's largest name in travels - TUI for over three decades our travel arm represents over 200 leading tour operators worldwide. Aitken Spence acts as the general sales agent for Turkish Airlines in Sri Lanka, as well as being the general sales agents for Sri Lankan Airlines in the Maldives.

Aitken Spence is Sri Lanka's largest provider of logistics solutions,with an unrivalled gamut of services that include maritime services, cargo, express, container-related services, warehousing, supply chain management and specialised transport. Strengthening its maritime portfolio, the Company ventured into a partnership with the Fiji Ports Corporation to oversee the management and operations of Suva and Lautoka ports, the largest in Fiji; marking the first- ever public-private partnership by a Sri Lankan company overseas.

Aitken Spence is Sri Lanka's leading print and packaging service provider for over five decades. Its modern facility outside Colombo is the region's only LEED Gold certified and carbon neutral printing plant.

Aitken Spence continues to lead in breaking new ground by introducing the country's first Luxury Living Community -Heritage Grove, aimed at attracting expatriates to the country for their retirement.

The Company is amongst the first signatories to the United Nations' Global Compact in Sri Lanka and plays a leading role in its local network. Aitken Spence has been repeatedly recognised by the country's leading business chamber as one of the best corporate citizens in Sri Lanka for the past nine years, and was adjudged as the winner in 2012.

Our Operating Environment:

The Aitken Spence Brand is built on the core essence of RELIABILITY. In striving towards achieving excellence in all our activities; establishing high growth businesses in Sri Lanka and across new frontiers; aiming towards becoming a globally competitive market leader in the region; we aspire to be an organisation that is reliable, transparent, friendly, genuine and inspiring confidence while going the extra mile and a half to deliver value and provide an exceptional service.

In doing so, we hope to maintain our core strengths;

- Wealth of experience and professional management
- Financial stability
- Corporate reputation
- Diverse business portfolio
- Best talent in service

Core strengths

	Strengths	Advantage	Our Approach
Wealth of experience and professional management	• Management expertise	• Strong domain knowledge • Proven experience in building businesses • Reputed for intellectual capital.	• Contemporary talent management and human resource management strategies, succession planning to train and mentor next line of leadership.
Financial stability	• Stable financial structure • Governance and risk management • Property and physical infrastructure • Stability and consistency	• Ability to attract and retain strategic partnerships, capacity to expedite new investments/ventures, greater access to funds and more advantageous negotiation powers with financial institutions, greater efficiency in day-to-day operations. • Strong focus on internal controls, well established policies and procedures with in house internal auditor and risk management unit. • Resolute culture of doing business ethically at all times and inculcating strong corporate values at all levels. • A strong base of land and infrastructure in sought-after locations; iconic physical infrastructure considered benchmarks in respective industries. • A good investment for shareholders; stable partner for stakeholders and a just and meaningful contributor towards the economy.	• Focused strategic decision making in choosing areas of investment, diversified portfolio of businesses, tactical decision making in business entry and exit strategies, management of Group wide cash flows. • Regular training and awareness sessions to employees at all levels. • Regular interactions with the members of the Board Audit Committee and external auditors to discuss key concerns or early warning signs. • Evaluating opportunities to utilise existing land and property base for further expansion; strong ethic on maintaining high standards of infrastructure with sound construction processes utilising best available inputs and environmental friendly designs. • A positive but conservative philosophy towards growth and expansion to ensure long-term performance and sustainability; agile decision making.
Corporate reputation	• Reputation • Brand	• Has earned the respect and trust of existing and potential stakeholders as a responsible corporate citizen. • Strong corporate brand with high equity allows for easy recognition and recall; strategy of umbrella branding results in wide acceptance and synergy.	• Strong focus on governance and sustainable development; commitment to long-standing global partners. • Brand and perception managed through positive and consistent brand communication; brand awareness education for employees.
Diverse business portfolio	• Diversity of industries and business sectors • Geographical and regional diversity	• Presence in many key industry sectors insulates overall Group performance against potential risks and negative impacts that may occur in a particular business sector. • The geographic distribution of operations allows the Group to spread its risk among several regions, leaving it better prepared to offset a potential downturn in one region with the performance from another.	• Regular strategic evaluation of micro and macroeconomic fundamentals with a view to invest and/or divest to maintain optimum portfolio. • Seeking expansion in overseas markets utilising management capabilities, investment capacity and acumen.
Best talent in service	• Job satisfaction and security of employees	• An empowered, motivated workforce, driven towards performance and aware of the wider goals of the organization.	• Proactive engagement with employees to address mutual concerns; extensive training for personal and skills development; responding to the changing nature of the workforce; promotion of work - life balance; regular benchmarking of remuneration and benefits with those offered by the market.

Global Trends, Opportunities, Challenges and the Impact on Our Business

Opportunity	Addressing the opportunities
• Emerging global niche markets and new customer segments provide opportunities to attract new investors, international fund managers and new growth opportunities.	• Developing products to address global trends and demands. • Efficiency and productivity enhancement and management of ports.
• Macroeconomic growth, rapidly advancing middle-class and emerging unique business opportunities in the Asian and African continents make way for new business ventures.	• Exploring business ventures beyond existing geographical presence. • Increasing commitments in overseas operations by investing in hotel properties.
• Evolution of technology and business connectivity create boundless opportunities for products and services that cater to evolving customer needs.	• Integrating digital concepts and technology to business strategies. • Diversity in operations and the product/ service offering. • Implementation of a sustainability performance management software solutions to streamline disclosure of performance information. • Hospitality sector investing in new technology as an interface to connect with consumers.
• As organisations increase efforts to enhance cost efficiency within the operations, focus is shifting towards outsourcing business operations.	• Investing in a KPO operation to cater to the global market demands.
• Focus on climate change has opened doors to many opportunities for new products and services that contribute positively towards mitigation on adverse fallouts from climate change and ensuring a sustainable future. • Provision of eco-friendly and socially responsible products and services create opportunity to increase brand equity.	• Leadership in eco-friendly products and services. • Positioning in the country as a responsible corporate citizen. • Ecosystem conservation efforts. • Renewable energy projects of the Group companies. • Carbon neutral printing facility. • Carbon neutral destination management operations and owned fleet of vehicles. • Investment in innovative agricultural projects.
• Infrastructure developments in the country is enabling a growth in the opportunities for businesses.	• Partnering with new hotel operators and brands.
• There is an increased demand for business intelligence education as evolving business opportunities require a more skilled workforce.	• Development of internal educational capabilities and engagement with external academic institutions and industry associations.
• Global businesses exploring the potential of disruptive technologies and generating patents and licenses which developing countries are capitalizing on.	• Venturing into nanotechnology based application and products aiming towards futuristic growth.
• Consumers relating to brands more strongly for their values, positioning and differentiated services.	• Exploring medical tourism and differentiating each property to offer a unique experience.
• Increasing interest to benefit from operational synergies in integrated businesses.	• Logistics sector is in transition towards integrating their diverse Strategic Business Units (SBUs).
• Global and national interest towards initiatives for food security.	• Exploring opportunities in the agricultural sector.

Challenges	Addressing the challenges
Impacts on environment, ecosystem services and biodiversity from human activities and depletion of non-renewable natural resources.	• Environmental Management Systems and network of trained and certified internal EMS auditors. • Pollution control across the Group. • Green Philosophy implemented across the hotel operations in Sri Lanka and the Maldives. • Energy management systems across the hotel chain; ISO 50001 certified energy management system at Heritance hotels. • Obtaining and retaining LEED certified architecture.
Retention and attraction of talent in view of the demand from competing business and generational expectations.	• Sustainable talent management schemes. • Succession planning. • Encouraging worklife balance for employees. • Employee competency development. • Proactive employee relations.
Data Security in an environment where sophisticated malware have been developed for spying and business disruption.	• Ongoing monitoring and risk management of the IT systems. • Information Security certification.
Competition from new entrants in traditional businesses offering cheaper but inferior products and services.	• Quality assurance of products and services. • Total solution product offering through diversification.
Increasing energy cost resulting from the rising global demand and the depletion of fossil reserves.	• Energy management activities across the Group. • Creating awareness on the importance of energy conservation amongst all stakeholders. • Investments in renewable energy.
Fluctuating weather patterns due to climate change resulting in unpredictable and extreme weather patterns affecting diverse communities throughout the world.	• Forestry management. • Renewable energy investment. • Monitoring and control of emissions. • Energy and environmental management systems. • Innovative management techniques at the estates.
Regulatory barriers and adverse macroeconomic trends locally and globally	• Diversification in geographical markets. • Diversification of products.

Engagement with Our Stakeholders

Key Stakeholder Categories:

- Employees
- Investors, Shareholders
- Banks and Financial Institutions
- Customers
- Industry Partners & Associations
- Suppliers/ Service Providers & Community
- Environment/ Environmental Interest Groups
- Government and Regulatory Bodies

Organisations working towards sustainability must engage with their stakeholders in a healthy, and mutually beneficial manner which foster lasting relationships. We value the multiple relationships built by Aitken Spence across industries and developed over time, and believe that regular engagement with these stakeholders is critical to maintain these bonds.

The diversity of the Group's operations in both scale and nature means that each industry segment has its own unique set of stakeholders, concerns, impacts, risks, opportunities and benefits. Therefore a 'one size-fits-all' solution is neither suitable nor sustainable for the Group. As such what we practice is both unique and diverse.

Our key stakeholders can be clustered into the following broad categories:

Stakeholders within the organisation (stakeholders directly related to our operations);

- Employees
- Investors
- Shareholders
- Partners

Stakeholders outside or external to the organisation:

(stakeholders indirectly related to the operations);

- Customers, principles and agents
- Banks and financial institutions
- Suppliers/ Service providers
- Industrial, Trade and Professional Associations

Stakeholder in the broader scope of operations:

- Government and regulatory bodies
- Social & environmental interest groups
- Community

The stakeholder engagement process is explained in more detail in the pages 28 to 29.

Channels of Engagement:

The Group uses many channels of engagement, which facilitate continuous feedback to both the Company and its stakeholders. The feedback thus received is analysed based on:

- the relevance and priority of each stakeholder,
- severity of any significant impacts,
- business priorities and
- striking the triple bottom line balance

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

The Group conducts scientific study and maintains regular contact with significant stakeholder groups that are directly related. These include shareholders, partners, employees, interest groups, and associations such as the Global Compact Network links and communities that are directly related to us. We constantly assess our businesses and their stakeholders and monitor the current business and operational environments with a view to identifying the potential opportunities and challenges for the Company and in order to evaluate the Group's competitive strengths and advantages. This process allows the Group to proactively address each opportunity and challenge in order to improve our readiness and mitigate our risks, thereby achieving our ultimate goals of building a sustainable business.

Results of Stakeholder Engagement Practices

The detailed 'Shareholder Feedback Form' was added to the 2013/14 Annual Report with the aim of providing a channel for shareholders to provide feedback. The feedback form included specific as well as open ended questions to encourage shareholders to give their comments on the organisation's communication with them including the usefulness of the information added in the Annual Report. Many shareholders reverted with constructive feedback using this feedback form. The feedback form can be found on pages 249 to 250 in this report.

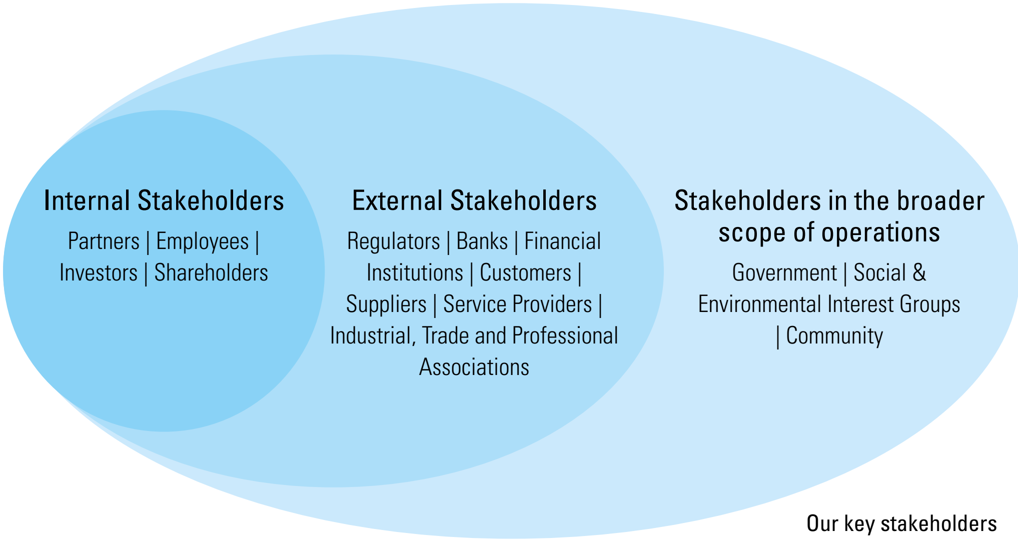
'Peer Education Forums' were organised and first launched in October 2013 as a means to bring together individuals across Aitken Spence companies handling similar responsibilities with the objective of improving interaction between participants. We expect this initiative would lead to learning opportunities and better awareness of their roles from shared expertise and experience of team members across the Group. Separate forums were organised for the Group's network of Environmental Management Representatives (EMRs), Occupational Health and Safety (OHS) Representatives, the Group's network of support givers on human rights at the workplace (support givers network). During the last financial year, the support givers network were brought together for their first Peer Forum to discuss grievance handling and their role in the process. The Sustainability Team of Aitken Spence (main sustainability representatives of the SBUs) were also brought together for a separate Peer Forum and the Team had their first forum at the Aitken Spence green printing facility at Mawaramandiya in March 2015. While being an opportunity for the team members to network and learn, it is also an opportunity for the organisation to engage with all Sustainability Team members and maintain an open channel of communication. Feedback given within these forums are taken into account when Group level action is planned and carried out.

At present our stakeholder engagement process is internally driven. During 2014/15, the Company has engaged with STING Consultants and their team of researchers to conduct an independent stakeholder engagement study.

The Group's community outreach initiative, Empowering Sri Lanka First, engages with children, their parents as well as teachers from our communities in Ahungalla, Dambulla and Mawaramandiya once a week through the English language lessons and computer lessons. The teachers were given 60 hours of teacher training for the second year of the programme with British Council educators and this training is an additional occasion to engage with them to get their feedback.

At present our stakeholder engagement process is internally driven. During 2014/15, the Company has engaged with STING Consultants and their team of researchers to conduct an independent stakeholder engagement study. In this process, senior team members from all sectors and segments were involved in 22 hours of workshops and discussions to reassess the key stakeholder groups for each sector and the results can be seen in the respective Sector Reviews. The research team will carry out the study in 2015 and a full report will be published in the 2015/16 Annual Report once the study is complete.

www.aitkenspence.com/sustainability/



Our key stakeholders

Our Stakeholder Engagement Process

	Employees	Investors & Shareholders Banks and Financial Institutions	Industry Partnerships and Associations	Customers
Channels of Engagement	• Employee satisfaction surveys • Internal newsletters and intranet • Performance reviews • Open door policy • Grievance handling procedures • Small group meetings with the Managing Director • Group and SBU level events • Staff conventions	• Annual General Meeting and other meetings • Financial reporting • Website and social media • Media • Investor discussions	• Direct contact • Participation in forums and training programmes • Communication via sub agents or representatives • Site visits and service level agreements • Meetings and lobby groups	• Customer satisfaction surveys • Buyer inspections/ audits • Direct contact • Customer service and support points-of-contact
Key areas of interest for stakeholders and the organisation	• Occupational health and safety • Remuneration and benefits • Career progression • Skills development • Human Rights at the workplace • Work life balance	• Return on investment/ ROE • Ethical conduct • Environmental and social governance • Resilient balance sheet • Sustainable profitability • Corporate communication	• Adherence to international benchmarks • Prevention of corruption • Assurance of products / services • Progress on agreed activities / procedures • Capitalising on new business opportunities by catering to the needs of the clientele	• Quality and reliability of products and services • Ethical production • Value for given price • Data security and privacy of information disclosed to the organisation • Innovation of products and services to meet new trends in markets and customer needs

The strong interactions we have built with our stakeholders have provided us the impetus of creating a sustainable growth over the years. The diversity of the Group's operations makes it necessary that we build relationships with all the stakeholders in each and every industry segment as our businesses are reliant on the strength of these relationships.

Suppliers / Services Providers	Community	Government & Regulatory Authorities	Environment / Environmental Interest Groups
• Direct dialogue • Participation in seminars on quality and efficiency • Supplier appraisals	• Direct communication • Local purchasing engagements • Dialogues with community groups • Media and annual reports	• Dialogue with policymakers, regulatory authorities and experts • Reports and meetings • Participation in industry / national level events • Compliance reviews • Media	• Dialogue with policymakers, regulatory authorities and experts • Direct communication • Compliance reviews • Media
• Ethical conduct and production • Profitability • Assurance for service requirements, concerns, solutions • Professionalism and on time service • Efficiency and effectiveness of operations • Competitive advantage	• Development of infrastructure • Employment generation and extending opportunities for local entrepreneurs/ students • Environmental conservation • Building sustainable social relationships • Safety, health and welfare	• Compliance • Generation of employment • Foreign income generation • Payment of taxes / fees / levies due to government / regulatory bodies • Prevention of corruption	• Climate change mitigation • Management of environmental impacts • Waste management • Compliance with environmental standards, laws and regulations of the country

Our Strategy

Aitken Spence PLC., a premier diversified blue chip conglomerate listed on the Colombo Stock Exchange, has continuously augmented its business successes over its rich history of over 150 years. Its foresight in proactively understanding ever changing market dynamics and customer preferences has led and continue to lead the Group in pioneering ventures both locally and in hitherto untapped overseas segments in its pursuit of achieving sustainable value creation for all stakeholders. This entrepreneurial spirit combined with the passion for excellence and the drive to continuously innovate the product offering and the business processes have enabled the Group to be a market leader and a most sought after business partner in core areas in which it operates.

The Group's success story is based on a strategy of diversification. The pillars of our diversification strategy are the four core sectors in which the Group operates namely; Tourism, Maritime and Logistics, Strategic Investments, and Services. Over the years we have expanded our operations and built core competencies in those key sectors while expanding our horizons beyond geographical borders. The Group's operations are spread across the globe, from Asia to Africa, and from the Middle East to the South Pacific.

The inherent diversity of the Group makes it impractical to have a common business model for the four core sectors. Hence to ensure the agility of each sector the business models are tailor made and synergistic businesses are amalgamated to form an operational whole. This year in our report we took the opportunity to include the business models of each of the sectors which are presented along with management discussions.

The Group's vital strength to success remains its experienced, committed and motivated employees. Their years of experience in the areas we operate and the commitment to continuous learning and development has led to where we are today. The ever evolving world of today has brought to the forefront the requirement to continuously pioneer and innovate new business segments and new opportunities to facilitate sustainable business growth and development. With the above in mind we encourage research and development to ensure continuous innovation to maintain our pioneering nature We depict our operational interaction within the core sectors of Aitken Spence along with the strategic direction that is provided by the Board of Directors in page 31.

The short term strategy of the Group entails consolidating its position in core areas, improving efficiency of operations, and enhancing effectiveness of internal processes in order to move ahead vis-à-vis competition and thereby deliver progressively superior returns to stakeholders. In the medium to long term we would seek opportunities for diversification and expansion into new and already existing business segments through organic and inorganic growth. Partnering global leaders in businesses and brands is a strategy adopted by the Group for this purpose. In line with our strategy during the year the group ventured into the following areas,

1. The Group acquired a partially completed 143 roomed hotel property in Chennai for a consideration of USD 25 million. The hotel, a five star property under our brand " Turyaa" is now completed and is ready to be launched, subject to regulatory approvals and licenses.

2. The Group signed up a new head lease agreement for another island in the Maldives adjacent to our already existing resort in Meedhupparu and the Group is presently finalizing on the architectural drawings. Construction of the resort is expected to commence during the next financial year. With the target of further expanding our presences in the Maldives the Group acquired another island for future development subsequent to the financial year end.

3. Aitken Spence Hotel Holdings PLC., acquired a stake with management in Amethyst Resort in Pasikudah, with which it marks the entrance to the eastern coast of Sri Lanka.

4. Recognising the potential of the rapidly growing and developing global market for nanotechnology based products and solutions, Aitken Spence invested as 50% joint venture partner in Ecocorp Asia (Pvt) Ltd., which is a provider of nanotechnology based surface protection solutions under an exclusive distribution agreement with Nanopool GmbH of Germany. This nanotechnology based surface protector has a wide spectrum of applications and can be used in manufacturing industries, hotels, hospitals and residences.

5. With the intention of providing comprehensive solutions to our valuable Maritime and Logistic segment customers, we have restructured the business operations in the Maritime and Freight segments of the sector. This would enable

Aitken Spence remains wholly committed to deliver profitable and sustainable growth and a return to all its stakeholders through,

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

our customers to obtain a total logistic solution from a single point of contact.

6. Our Maritime education institute "CINEC" which expanded its operations to manage the Maritime Academy of the Fiji National University and the Maritime Training Centre of Seychelles had a successful year of operations.

7. With the intention of diversifying its product offering our printing segment invested in acquiring technology necessary for digital printing while setting up a marketing office at Aitken Spence Tower II at Vauxhall Street.

8. Expanding our portfolio of airline representation, Aitken Spence was appointed as the Passenger General Sales Agent for Turkish Airlines.

As much as the Group requires business strategy for further growth, a sustainability strategy is also a vital element to meet the requirement of our stakeholders. The Group has evolved very rapidly

Our strategy of diversification is focused on both organic and inorganic initiatives geared towards creating value to our stakeholders. In achieving this we place emphasis in building collaborations with world renowned partners and brands.

in this area and we give below the sustainability strategy of the Group.

The sustainability strategy of Aitken Spence was developed to guide Strategic Business Units (SBUs) on the sustainability commitments of the Group and to incorporate strategic focus to the existing sustainability efforts of the SBUs where necessary and to guide them on future action.

Implementation of the integrated sustainability policy is the foundation of the strategy. It is meant to assist SBUs to identify any gaps in achieving sustainability as expected, and also to recognise opportunities and new aspects in their operations. Simultaneously, Group companies are encouraged to champion an area in sustainability that will enable the most sustainable value creation for that specific SBU and their key stakeholders. This is the second platform of the Aitken Spence sustainability strategy which we refer to as ***'Strategic Differentiation of the SBUs'***. All SBUs have identified areas that add value to their operations and are taking action to create differentiation in their efforts. Group differentiation is the next platform in the strategy where a common sustainability programme is launched to create sustainable value where all companies within the Group can come under one umbrella to support a cause that is of national importance. 'Empowering Sri Lanka First' was developed after much discussion with education experts and stakeholders to provide English language and computer skills education for children within our communities. This is a platform in the strategy which is meant to create differentiation for Aitken Spence, as one Company and provide opportunities for SBUs and employees to get involved in and support.

The Integrated Sustainability Policy

Development of a formal 'Sustainability Strategy' for the Group commenced in 2007 with the identification of gaps in the operations of Aitken Spence in a sustainability context. The compilation of a comprehensive set of areas that could affect the long term viability, profitability and integrity of Aitken Spence was the start of the Aitken Spence Integrated Sustainability Policy.

The areas identified included;

A. Compliance
B. Internalisation of UNGC principles
C. Ethical Conduct
D. Environmental Conservation
E. Stakeholder Inclusiveness
F. Supply Chain Management
G. Strategic Focus of Sustainability
H. Sustainable Processes
J. Innovation
K. Quality Management
L. Community Development
M. Support for Local Economic Development
N. Occupational Health & Safety
O. Human Resources
P. Human Rights
Q. Reporting
R. Information Security
S. Communication
T. Annual Performance Review and Planning

These areas were listed into an Integrated Sustainability Policy as 'policy clauses' reflected in the policy which is available in English, Sinhala and Tamil in the Group's website www.aitkenspence.com/sustainability.

The integrated sustainability policy aims to benchmark the expected behaviour of the Group and to provide guidance to identify areas where the operations could be improved. Many SBUs had already demonstrated leadership in specific sustainability areas, and the integrated policy is meant to ensure all SBUs achieve specified standards in sustainability performance.

As such the policy was further expanded into an implementation framework so that the aspirations of the Company do not remain as mere words on a document. The implementation framework is made up of action points for each policy clause.

"The Implementation Framework" as shown in the following diagrams, is segregated into tier levels and stages of relevance to the SBUs. For all action points, the following aspects were considered for grouping into tiers.

- Environmental/ Social impact of the aspect
- Frequency of occurrence
- Legal requirements/ Requirements of voluntary endorsements such as the UN Global Compact
- Requirements of management systems for key areas of focus (ex: environment, quality, health & safety)
- Concerns highlighted by investors, shareholders or regulators

Current priorities in the implementation framework

We have prioritised the action points to be spearheaded at Group level. Out of all clauses (focus areas) in the integrated sustainability policy, the current priorities for implementation are action on;

A. Compliance
B. Awareness and internalisation of local and global voluntary commitments such as the United Nations Global Compact, Women's Empowerment Principles and Carbon Disclosure Project
D. Environment:
    a. Energy management
    b. Waste management (emissions, effluents and solid waste)
    c. Water
    d. Biodiversity
E. Stakeholder engagement: independent stakeholder engagement study
F. Supply chain management
G. Strategic focus on sustainability
L. Development of local communities
M. Support for local economic development
N. Occupational health and safety
    a. Hazard spotting and mitigation
    b. Emergency evacuation
O. Human resource concerns
P. Human rights at the workplace
Q. Reporting on sustainability performance
R. Annual Performance Review and Planning: Use of the Social and Environmental Governance checklist in the annual sustainability performance reviews and planning

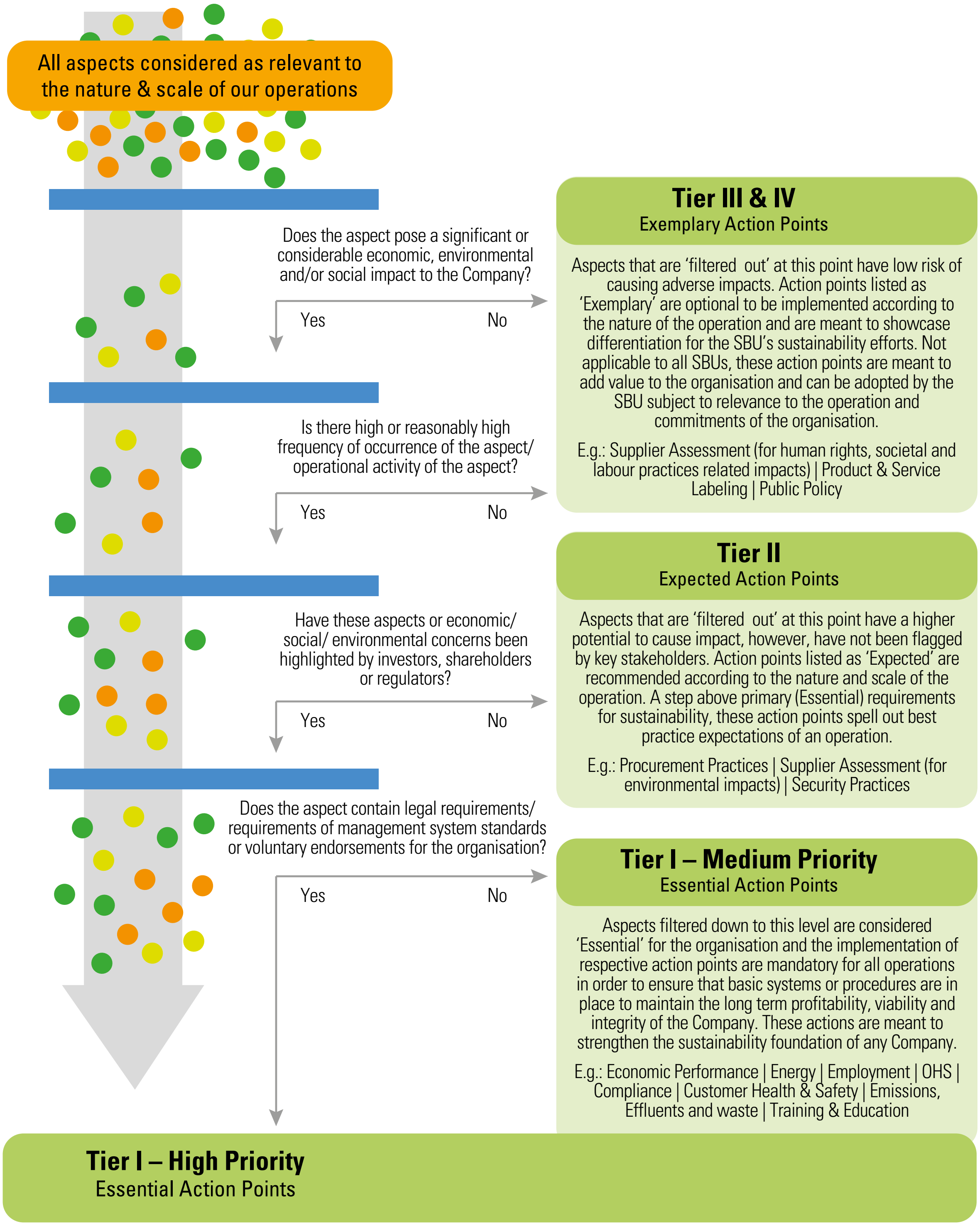
Benchmarking sustainability performance management and reporting

We adopt the sustainability reporting framework of the Global Reporting Initiative (GRI) which has had significant influence on how we capture and monitor sustainability performance data.

With this report, we report ***"In Accordance – Core"*** with the GRI G4 Reporting Framework. To shortlist the GRI aspects material to Aitken Spence, we used a similar approach to the integrated policy framework and applied the following 'filters' to the list of aspects.

- Environmental/ social impact of the aspect
- Frequency of occurrence
- Legal requirements/ requirements of management system standards
- Concerns highlighted by investors, shareholders or regulators

Aspects are thus shortlisted and prioritised into tier levels as illustrated in the figure on page 33. In this process, the GRI aspects were shortlisted by relevance to the organisation and further 'filtered' through engagement with the SBUs.



Selection of Material Aspects and Action Points of the Implementation Framework

Our People

Human Resources are at the core of Aitken Spence – the Company derives the highest value from the collective skills and expertise of our team and consequently, we strive to create value for our people through HR excellence, which promotes professional and personal growth. During the year, we have embedded enhanced value to employees with a plethora of new resources as well as improvements on existing channels of employee development.

Our key focus in 2014/15 was improving and promoting employee development as well as introducing new ways in which to motivate and engage our employees in the hopes of further enhancing our best practices in HR.

Aitken Spence' efforts at maintaining these practices in HR were recognized at the 2014 HRM Awards held in March 2015. The HRM awards are widely considered the pre-eminent awards that recognize organizations with outstanding HR practices, in compliance with globally accepted standards. The awards are adjudicated by SHRM, the largest HR body in the world. Aitken Spence PLC was awarded the prestigious Gold Award and Heritance Kandalama won a Silver Award and a category award for best practices in 'Talent Supply' which further endorses the current recruitment strategy of the company. Aitken Spence was also honoured to be the only organization that won 3 awards at this year's awards ceremony.

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

As at 31st March 2015, the employee strength of Aitken Spence was 7131, consisting of 4861 males and 2270 females. We have transparently maintained equal standards for all employees, void of any discrimination. A good example of our commitment to transparency is our performance appraisal system, which ensures that remuneration and promotions are based solely on performance.

Grievance handling is another integral aspect of HR at Aitken Spence, and we practice an "open-door" policy where employees are encouraged to voice their opinions and concerns, while maintaining utmost confidentiality which has always been a priority.

Continuing the Leadership Pipeline

The Management Development Centre, which was established in the previous year to nurture future leaders within the organization, entered its second phase during the year. The 24 employees in the programme, ranging from the Middle Management to the General Manager level were given guidance on identified development needs, through one to one coaching sessions conducted by two well experienced professionals. In an effort to increase their theoretical knowledge, the participants were offered company sponsored MBA level certificate programmes conducted by eCornell, the online learning subsidiary of the Ivy League university, Cornell University.

Talent Attraction

Attracting the right talent hinges on a strong sourcing effort and in a bid to tap into those entering the job market, the Group participated in several job fairs with the aim of expanding the pool of talent available to us.

A project was initiated this year where Trainee Executives were recruited and offered entry level opportunities at different subsidiaries within the Group, in a bid to strengthen the talent pool from the entry level of the executive cadre. The viability of this project and our reputation as an employer of choice were proven by the impressive number of applications received.

The applicants faced a rigorous selection process that included an aptitude test, assessment centre, interviews as well as a presentation where each candidate was tested on core competencies, including communication skills. In addition to identifying capabilities, the selection process was also a means to identify the specific areas in which improvements were needed.

The Groups' sourcing efforts have evolved to embrace social media as a key channel of communication to reach mass audiences. This year, we increased the promotion of vacancies on various social media sites and were rewarded with a higher response rate, cementing the use of social media in our sourcing needs.

Talent Development

704 training programmes were conducted for over 12,000 participants in 2014/15, a 20% increase year on year. These programmes were conducted for employees across categories with 70% of the participation being from Non-Executives,

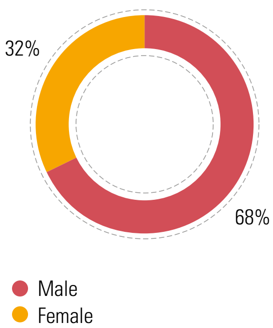
22% from Executives and 8% from Managers. The programmes were also diverse in their targeted training areas, with 11% focusing on individual skills, 17% on managerial skills, 17% organizational skills and 55% on technical skills, and were conducted in English, Sinhala or Tamil wherever relevant.

The “Battle of the Diamonds”, an outbound training programme provided a unique learning experience for participants. The programme was conducted over a weekend at the Thalgaswela Estate in February 2015, and involved over 30 participants whose teamwork and team building skills were put to the test through various tasks that required cohesive teamwork. The tasks were designed to evaluate and develop the participants’ ability to work within a team based on predetermined criteria.

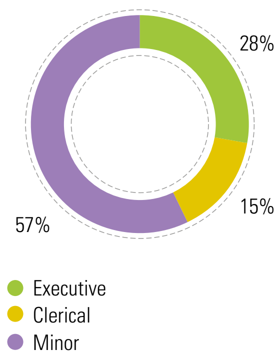
The Management Training Programme (MTP) was conducted for the benefit of employees working in Sri Lanka as well as the Maldives, with six such programmes held during the year. The programme is designed to develop skills pertaining to leadership, decision making, attitude building, team building, networking, and overall management skills.

In addition, the Corporate HR division, with the support of internal and external trainers, conducted many in-house training programmes to fulfill development needs of employees. Being a corporate sponsor of prestigious entities such as Chartered Institute of Management Accountants (CIMA), the Institute of Chartered Accountants of

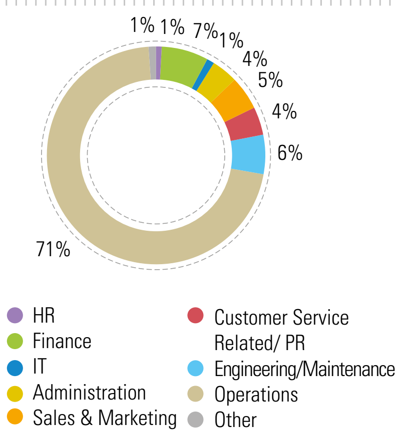
Employee Gender Analysis
as at 31st March 2015



Categorywise Employment
as at 31st March 2015



Functional Analysis of Employees
as at 31st March 2015



Sri Lanka, and the Sri Lanka Institute of Directors has given us the opportunity to conduct numerous training programmes. These partnerships enable Aitken Spence to reach a larger audience and provide high quality developmental services at a higher frequency.

The training expertise within the Group enabled us to continue to extend our services and consultancy to third parties; the Group's outsourcing arm steered several training programmes for companies in Sri Lanka and overseas, including a series of productivity improvement programmes. The company's Corporate HR team conducted a soft skills training for a group of foreign corporate professionals in March 2015, an endorsement of the high standards we offer.

We take care to design each training programme to address specific needs of employees and the industries/companies they represent. These training requirements are identified by each subsidiary and by the employees themselves. This allows for a high degree of customization and targeted training, resulting in a more effective learning outcome which impacts both professional and personal development.

In a business environment where the only constant is change, it is critical to instill attitudes that embrace change towards the greater good. Aitken Spence believes that the most effective way of driving change is developing its people.

Process Improvements

The fundamental automated system at Aitken Spence is the EHRM system, introduced in 2007 to create a more effective and efficient method of processing employee information, while enabling a move towards a paper-free environment. Having a system which allows for a greater level of transparency in the HR processes was considered an additional benefit.

With the EHRM system being in effect, the subsequent step was to improve the current system to incorporate more facilities for employees. Thus, the company has decided to upgrade the current system to include new modules and additional features – including access through mobile devices.

Service Improvements

As a service-based company, continuous improvement in service standards is a priority for the Group. Focusing on this aspect, Corporate HR was invited by subsidiaries to conduct 06 surveys in 2014/15. Four of these surveys were conducted on customer satisfaction levels of Aitken Spence Maritime and Ace International Express (AIX), while another two surveys were conducted for AIX focusing on the customer service standards, measured through a mystery caller/shopper process. The surveys helped gauge areas of strength and improvement.

Productivity Improvements

Driving higher levels of productivity is important to enable the Group to maintain its competitive edge; we continuously monitor and improve productivity related factors according to globally accepted standards of practice.

The annual '6S and HR Excellence Awards,' an inter-company competition has been a staple in the Group's event calendar since 2002. This year, we unveiled a 7th 'S' into the already expanded 6S factors – 'Shape'. This addition, which focuses on creativity, was introduced as a method to encourage employees to find new and creative ways to implement standards within the workplace.

The competition saw the participation of 51 subsidiaries, inclusive of all Maldivian resorts. The participants were evaluated via a series of audits conducted by Corporate HR with the assistance of an expert auditor. A combined total of 58 awards and certificates were awarded to the winning subsidiaries at an awards ceremony held in February 2015. Aitken Spence Garments walked away with 08 awards, the most by any subsidiary this year. They emerged winners of the 'Best 6S – Mixed Sector', 'Excellence in HR – Mixed Sector', 'Most Creative Practice' and the Group winners of the '6S and HR Excellence' award.

Improving Communication

The size and geographic spread of our operations necessitates effective and efficient communication; people must be able to share their ideas and views with each other, and we must ensure that the right messages always reach our team, wherever they may. We addressed the communication factor through many initiatives.

The staff convention is a much awaited tri–annual event in the Aitken Spence calendar where the senior management of the organization meets with the business leaders of the Group. This convention is the pre-eminent forum where Aitken Spence's future direction, business performance, new initiatives and other pertinent matters are shared in an open forum.

Each convention is conducted in a varied form where a theme is decided in the context of current internal and external business trends. The conventions conducted thus far have featured guest lectures by distinguished professionals, panel discussions and presentations by top management on different topics. Knowledge sharing by senior staff experienced in overseas training and international forums, launching of new Group-wide initiatives such as the Aitken Spence School of Management and debates where divergent opinions on sensitive matters are discussed openly by the employees in the presence of business leaders are measures that we believe will promote a culture driven upon creativity and inventiveness.

An important segment of the event is the question and answer session where the future leaders of the organization are given an opportunity to ask questions about the operations and strategies of the Group. This also serves as an opportunity for the employees to put forward their suggestions to the top management. The event is attended by approximately 120 senior employees from across the Group and thus provides a great opportunity for peers to socialize with each other and expand their professional network.

Another forum which has been promoting awareness and communication about the subsidiaries of the Group among all employees are the internal publications of Aitken Spence. The Ace Magazine for example offers internal and external stakeholders a glimpse into the Groups' events and achievements. The popular Sinhala online newsletter "Athwela" also details company events as well as highlight employee accomplishments both within and outside the Group.

Benefits & Facilities

The demographics of our cadre are constantly changing and accordingly, we consider it important to regularly review the benefits and facilities that we offer employees.

This year, the Group introduced a new facility enabling employees to have flexibility with their leave utilization. Under the facility, employees are given the option of carrying forward their annual leave entitlements to the following calendar year.

Structural adjustments were also made to the existing incentive scheme to accommodate one that is better suited to a conglomerate. The new scheme takes consideration of a number of factors which were analysed based on the highly diversified nature of the subsidiaries; it enables us to recognize the individual, subsidiary and Group efforts from a more holistic perspective. The development of this new scheme was undertaken by an external consultancy agency and the improved incentive scheme was brought into operation in mid-2014.

Special Programmes

As a group, we firmly believe that it is important to strike a balance by encouraging employees to give back to the community.

Aitken Spence has been organizing an annual blood donation campaign for over a decade. The campaign has always been a massive success with impressive numbers in attendance to donate blood. This year's campaign under the theme "Save a Life. Give Blood." was held in March 2015 with the assistance of the National Blood Transfusion Service. Our efforts at promoting the event led to a large turnout that included donors from external organisations as well.

Staff Welfare

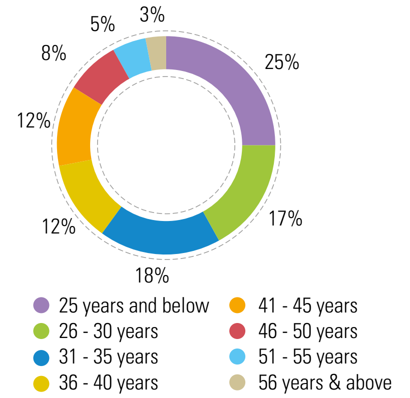
Work life balance is not just a buzzword at Aitken Spence; HR personnel and the Group Sports Club take an active role in driving many initiatives that promote work life balance.

In this regards, the monthly 'Chillax Evening' sessions have been a great success; they allow employees from all subsidiaries to network with other members of the Group in an atmosphere of camaraderie and relaxation.

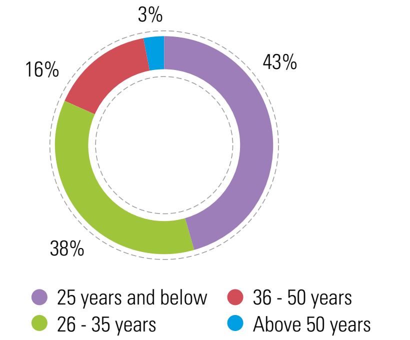
Considering the composition of our workforce – with 61% of employees below 35 and 39% above 35, it is critical that we cater to multiple and diverse needs. Our capacity to be sensitive to employees' needs has resulted in 34% of our employees staying with the Company for over 6 years.

The Sports Club has been instrumental in garnering the enthusiasm of employees for numerous events promoting work-life balance, including the Chillax Evening, Spence Talent Show, Different Strokes Children's Art Competition (for employees' children), Christmas

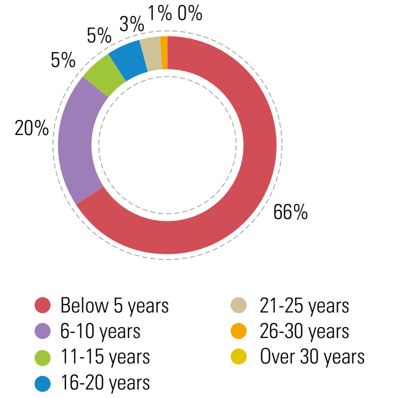
Employee Age Analysis
as at 31st March 2015



Age Analysis of Employee Turnover
for the year ended 31st March 2015



Employee Length of Service
as at 31st March 2015



Our People

Party, Sport-O-Rama, Beach Party, Spence Badminton Tournament and the consistently popular Bowling Tournament which saw nearly 50 teams from various subsidiaries participating this year. New additions to the Aitken Spence sports calendar were the Beach Volleyball Tournament and the Spence Table Tennis Tournament. While enhancing employee satisfaction, the events also help us to identify those with special talents.

In the past, we introduced Yoga as an attempt to promote health and wellness among employees. In January 2015, bi-weekly Zumba sessions were introduced and have seen enthusiastic participation.

We also offer employees two holiday bungalows - in Meddecombra for the executive cadre and the recently refurbished Nuwara Eliya bungalow for the Managerial staff.

Aitken Spence partnered with Falck - Sri Lanka: Emergency Medical Services offering employees the benefit of acquiring their services in case of emergency. Under the partnership, Aitken Spence employees are eligible for their services during the time they remain on Aitken Spence premises.

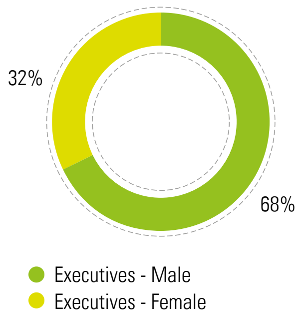
We extended our training to immediate families of employees, through a knowledge enhancement programme aimed at the siblings and children of our employees. Most of the participants were school children who found the programme invaluable for their educational endeavours.

A Special Internship Programme for employees' children and siblings continued for a second year, under which we offer internships to youth whom have completed their Advanced Level examinations. The interns spent 3 months in various subsidiaries, gaining valuable corporate experience.

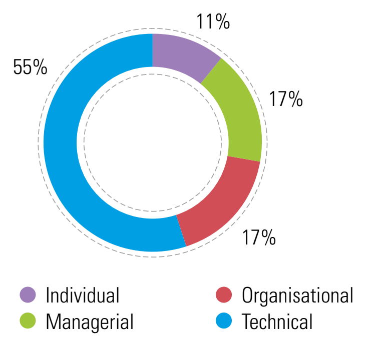
The Toastmasters Club has played an influential role in the enhancement of communication and leadership skills of employees. As in previous years, club members have gone onto represent the area at divisional level competitions throughout the year and were able to win a number of competitions such as the "Impromptu Speech Competition" and were runners up in the "International Speech Competition" and "Evaluation Speech Competition." The club secured the 'President's Distinguished Club' status, highest status awarded for a club by Toastmasters International, for the third consecutive year.

In a business environment where the only constant is change, it is critical to instill attitudes that embrace change towards the greater good. Aitken Spence believes that the most effective way of driving change is developing its people, the core of its organization. The Group practices best in class HR strategies that are clearly aligned to the Group's long term goals, and are designed to create optimal value. Our capacity to remain competitive hinges entirely on our employees becoming committed partners in our vision for the future.

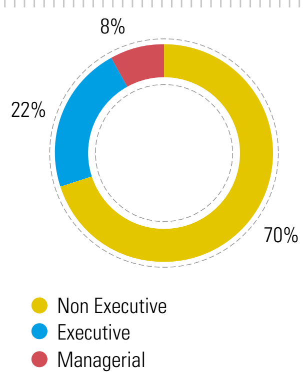
New Employees Recruited
for the year ended 31st March 2015



Types of Training Conducted
for the year ended 31st March 2015



Employees Trained - Categorywise
for the year ended 31st March 2015



Risk Management

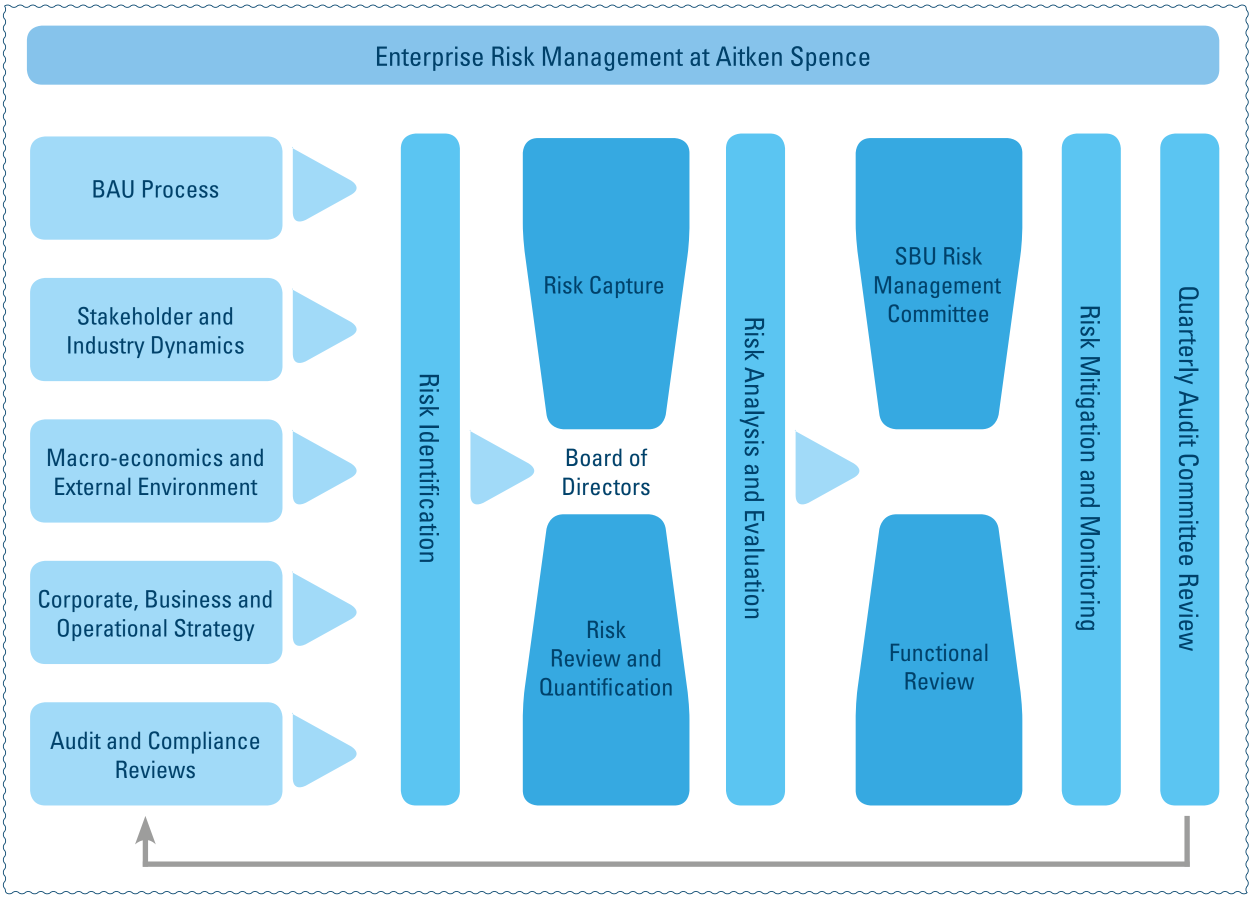
"By practicing effective risk management, we strive to create a disciplined environment to facilitate successful decision making in the business"

Active risk management has always been a continuous journey for Aitken Spence, where we strive to develop the process furthermore in response to the changes in the business and operating environments. At Aitken Spence "risk is everyone's business", where we have embedded risk management in to the routine business operations, such that it is effective at all levels.

Aitken Spence recognizes risk management as a key priority and ensures that it remains a key component of its' corporate strategy framework.

Furthermore risk management entwines itself with corporate governance, sustainability , internal audit and corporate social responsibility and ensures the effective identification and management of key potential risks. However, the Group tries to differentiate itself by attempting to create a suitable balance between the organisational entrepreneurial attitude and level of risk associated with the business opportunities, keeping pace with its' reputation of having an innovative and exciting corporate culture.

Group's Risk Management Process



Risk Management

The Group has embedded a risk management process which would assess, identify, analyse, prioritize, evaluate and manage the risks being faced by the business in the most efficient and effective manner.

The risk management process of the Group in fact ignites itself from the individual SBUs. We have empowered each SBU to appoint their own risk management committee, consisting of responsible senior managers and executives who continuously scan their internal and external environments for potential risks.

The risk management committees of SBUs would report to the sector risk management committees consisting of top management members of that sector, who would analyse, evaluate, prioritize and monitor key risks and their mitigation plans pertaining to individual SBUs or the sectors as a whole. The sector risk management committees will develop risk response plans for each of their sectors and will present to the Group Management Board, whom in turn would recommend such to the main board (which consists of the audit committee as well) who would validate and govern the process thereby discharging the responsibilities endowed to them by the shareholders.

Group internal audit and the strategic risk division will continuously identify and monitor potential risks whilst conducting internal audits and reviews across the Group.

Managing risk

Globally renowned risk management strategies are being adopted by the Group, which cover transfer of risk, acceptance of risk ,minimization of risk and mitigation of risk via a comprehensive risk evaluation process. In addition to this, comprehensive business continuity plans (BCPs) and disaster response plans (DRPs) are being drawn to ensure minimum business disruption, in the event of unforeseen circumstances.

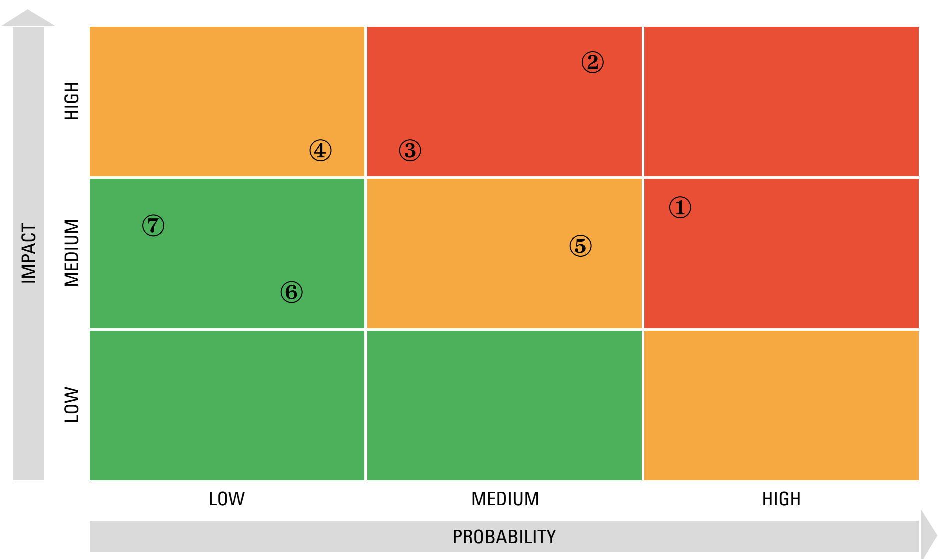
Strategic risk division

The strategic risk division (SRD) of the Group provides the technical guidance on effective risk management, where it would continuously provide support, assistance and guidance to the sectors and individual SBUs to facilitate relevant, accurate and timely administering of risks.

Furthermore the SRD conducts ongoing environment scanning and routinely updates the SBUs on potential threats and opportunities in the market, executes strategic and operational risk analysis and engages continuously on elevating the quality of the Groups' risk management practices to become on par with world class corporates.

A few of the key risks, their potential impact and opportunities faced by the Group can be specified as below.

Group's Enterprise Risk Heat Map



Risk Description

1. Competitive environment trends
2. Managing human capital
3. Developments in the regulatory & legislative environment
4. Eco-environment and sustainability risk
5. Financial risk
6. Risk of default
7. System failure, data security and cyber attack

Risk and description	Key mitigation	Assessment	Trend		
			12/13	13/14	14/15
1 Competitive environment trends The risk of adverse commercial impact on the Group can be significant as a result of the highly competitive environment in which the Group operates.	Competitor activity and performance is monitored routinely at a financial as well as strategic level to ensure the Group's competitiveness is sustained at all levels. The Group refrains it self from extremely aggressive or controversial investments irrespective of its sole monetary benefit and focuses more on financially and socially sustainable business ventures with acceptable shareholder returns. The Group continuously looks at diversifying its investment portfolio and adding value to its existing ones by methods such as investing in R&D, process improvements and obtaining ISO certifications. This helps the Group to obtain efficiencies and economies of scale which enable it to stay abreast of its competition.	HIGH			
2 Developments in the regulatory and legislative environment Fuelled with the post war era growth, Sri Lanka has been fast evolving in its' regulatory and legislative environment to keep pace with the world economy. However, the pace of change has been fast accelerating towards the latter part of the year, creating more uncertainties and emphasizing the need for rapid acclimatization.	The Group's strategic risk division (SRD) is engaged in continuous environment scanning and is geared to accurately forecast any potential threat / opportunity and will actively facilitate the management to steer towards the best direction. In addition to the individual SBU risk management committees conducting routine assessment of risks in their course of business , the SRD also will independently carry out structured risk reviews of all the SBUs in the Group in view of minimizing the susceptibility for potential disruptions and to ensure minimum turnaround time in case of radical developments in this arena Also, the division maintains active relationships with key stakeholder groups to keep abreast of the latest developments among the civil circles, and will undertake swift actions to protect the interests of the Group within the least possible lead time.	HIGH			
3 Managing human capital The Group recognizes the competitive labour environment and difficulty to attract and retain high calibre employees as well as key employees in leadership positions. As a result of the Group's reputation in the market, potential employers and competitors tend to continuously tap our talent pool, challenging our retention and development strategies.	Group HR perceives risk, predominantly on the facets of strategy, process compliance, investment and organizational change and adopts dynamic strategies to manage this risk effectively. The following activities are undertaken in this regard. • ***Process*** Corporate HR has gone in to great lengths by even adopting social media in an aggressive manner in communicating and attracting the talent pools of the "new" generation. The Group's visibility as an attractive "Employer Brand" has gone from strength to strength via numerous accreditations at the HR awards 2012 and corporate citizen awards 2014. With regard to the talent management and development fronts, Group HR with the support of the SBUs conduct a training and development needs analysis for each employee linked to their comprehensive performance appraisals, supported by an annual training calendar which are tailor made to the demand as well as HR's own frequent assessment of the program's quality, applicability and timeliness. This ensures the talent of the Group stays up to date as well as making them equipped with the latest technical capabilities to support their routine work. • ***Investment*** Group HR extensively works with CINEC, local universities and professional bodies such as CIMA, ICASL etc. and building partnerships for talent attraction and providing members of these bodies, with suitable training opportunities. Also, the Group ensures superior recognition and due appreciation for extraordinary achievements and significant contributions to important events by our employees.	HIGH			

Risk Management

Risk and description	Key mitigation	Assessment	Trend 12/13	Trend 13/14	Trend 14/15
	• *Organizational Change* In terms of managing the organizational change ,we ensure the building of succession plans and strong leadership pipelines to facilitate effective succession planning at all levels. In order to promote good governance even senior levels of management, are subject to evaluations on an annual basis. Also the Group will ensure measures are on multiple work facets. In enforcing the truest sense of lifetime employment, Elpitiya plantations has successfully concluded a project, which is the first of its' nature in Sri Lanka, where the company now maintains a home for the elders dedicated to the retired estate employees who face extreme living hardships. This further strengthens the Group's spirit of virtually taking care of the employees from "womb" to "tomb". • *Strategy* On the facet of strategy, the Group has undertaken many initiatives such as salary benchmarking, long service recognition etc. to communicate to employees of their value to the organisation. • *Compliance* Compliance becomes an integral element to the Group, especially ensuring that the organizational practices conform strictly and precisely to the compliance requirements laid out by the relevant regulatory bodies. In recognition of this, the EFC in conjunction with the ILO has recognized the Group by awarding the prestigious "Compliance (+)" employer brand status.	HIGH			
4 Eco-environment and sustainability The Group's strong presence in the hospitality, leisure, transport and production sectors exposes it to a wide variety of risks in the ecological environment.	The Group being a primary player in the hospitality and leisure sector, the conservation of the ecosphere and sustainability have become key principles for the operation. Rather than conducting mere lip service to the term, from the top team member to the grounds-man truly embrace the concept and voluntarily indulge in activities which truly support sustenance. • Energy conservation, adoption of eco friendly alternate energy sources and minimizing emissions have been rigorous Group initiatives especially in the hotel sector. The Group takes pride itself in winning the title of the "Most energy efficient hotel chain" for many consecutive years. • The Heritance Kandalama, is today studied by many, as an ideal example of a commercial establishment's sustainably seamless integration to the ecosphere and prides itself as the world's first LEEDS certified hotel. Also, Heritance Ahungalla was the world's first ISO 50001 certified hotel. Our latest addition to the family, Heritance Negombo is already compliant to the requirements of the LEEDS gold category. • The usage of bio gas, solar diesel hybrids, and the acquisition of the latest energy efficient equipment have been keeping the Group and the hotel sector as forerunners and an industry benchmark on the conservation of the environment whilst conducting successful business. Our plantation sector (Elpitiya Plantations) also has been recognized by many international environment organisations where all the estates have received the Forest Stewardship Council (FSC) certificate, and the Rainforest Alliance has certified all the upcountry estates, and we are engaged in the process for obtaining the certification for all our low country plantations in 2015.	MED			

Risk and description	Key mitigation	Assessment	Trend 12/13	Trend 13/14	Trend 14/15
	• Whilst being one of the major players in the packaging sector Aitken Spence Printing is well ahead of the competition on the environment and sustainability front. The company's recent certification in integrated management systems (IMS) include prestigious achievements such as ISO 9001,14001 and 18001.	MED			
5 Financial Risk Being a billion rupee company operating in multiple countries exposes the organisation to many financial risks.	The Group treasury plays a vital role in managing multiple facets of financial Risks being faced by the Group whilst functioning in the ever dynamic financial markets. However, the extensive expertise within the group, has facilitated the achievement of positive results in the minimization of financial risk . • The Group was able to successfully ascribe for significant USD funding from foreign banks , enabling the Group to have access to mega scale expansion opportunities locally and overseas tagged with highly favourable costs of debt servicing, in turn generating more returns on equity • Latest available forex hedging techniques are adopted by the Group to mitigate possible losses due to the volatility of the currency markets and the Group treasury conducts continuous around the clock scanning of the financial markets to protect the Group interests from negative market behaviour. • To counter liquidity risks, which may impact on the Group, proactive measures have already being undertaken by Group treasury , where pre- negotiated standby facilities exceeding the Rs. 4 billion mark has been established with leading banks in Sri Lanka. • The Group's excess liquidity is always re-invested in short term government securities and is actively managed by the Group treasury to maximize the returns on the investment at the lowest possible risk exposure.	MED			
6 Risk of counterparty default Being a highly diversified conglomerate, it is intrinsic that the Group faces elevated levels of default risks from its counterparties, predominantly the clients.	Each company rigorously involve themselves in managing their receivables at an optimum level, where the total receivable figure of the Group is closely monitored. Also, • Group internal audit ensures a rigorous review of the receivables management during routine operational audits and reviews. • Group legal undertakes swift and continuous actions to recover overdue debts, thus maintaining the bad debt ratio at highly satisfactory levels.	LOW			
7 System failure, data security and cyberattack Risk of data security or system failure incident which could be driven via a cyberattack, virus, data loss or technology failure.	The Aitken Spence Group IT was awarded with the ISO 27001:2005 standard on Information security management systems (ISMS) and a dedicated Group IT security and systems audit division operates ensuring the respective system defences are up to date and with the least of vulnerabilities. In case of disaster recovery, comprehensive disaster recovery plans and routine testing are being conducted to identify vulnerabilities in this area, facilitate rapid rectification and ensure minimum business disruptions. The Group's controls to counter cyber threats and attacks are being tested and aligned with industry best practices. On-going security improvements will continue to be made to the cloud services and mobile devices being used in the Group.	LOW			

Board of Directors

Mr. D.H.S. Jayawardena
Appointed in April 2000

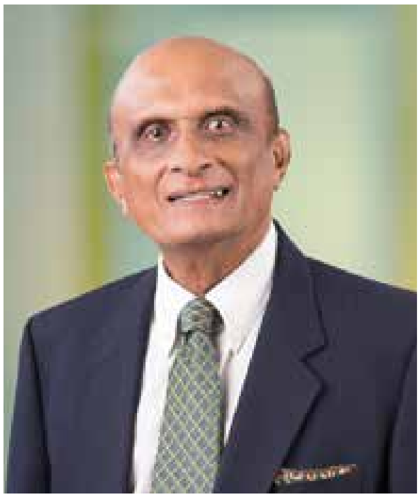
Mr. J.M.S. Brito
Appointed in April 2000

Dr. R.M. Fernando
Appointed in April 2005

Dr. P. Dissanayake
Appointed in September 2009

Ms. D.S.T. Jayawardena
Appointed in December 2013

Mr. G.C. Wickremasinghe
Appointed in April 1972



Mr. C.H. Gomez
Appointed in May 2002

Mr. N.J. de Silva Deva Aditya
Appointed in September 2006

Mr. V. M. Fernando
Appointed in May 2008

Mr. R.N. Asirwatham
Appointed in September 2009

Today we have expanded our reach and influence to become a model of corporate excellence, combining the strength of our heritage with our solid commitment to organic expansion, to deliver our promise of increasing returns each year.

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 export and import trade, and the Chairman of Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC., Browns Beach Hotels PLC., Balangoda Plantations PLC., and Madulsima Plantations PLC. In addition to being the Chairman of Lanka Bell Ltd., Melstacorp Limited, Milford Exports (Ceylon) (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Periceyl (Pvt) Ltd., Texpro Industries Ltd., Ceylon Garden Coir (Pvt) Ltd., he is also the Chairman / Managing Director / Director of several other successful and reputable companies. He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

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 prestigious honour of "Knight Cross of Dannebrog".

He has also been awarded in November 2005, the title, "Deshamanya" in recognition of his services to the Motherland.

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 has a LLB (University of London) and MBA (London City Business School) degrees and is a Fellow of both Institutes of Chartered Accountants of Sri Lanka and England and Wales. Together with this multi-disciplined knowledge, he also brings with him a wealth of 35 years of international experience working with a number of international organizations. Presently Mr. Brito is the Managing & Finance Director of Aitken Spence PLC. He is a former Chairman of DFCC Bank, DFCC Vardhana Bank, Sri Lankan Airlines, The Employers' Federation of Ceylon and a former Director of Sri Lanka Insurance Corporation.

Mr. Brito was appointed to the Board of Aitken Spence PLC., in April 2000.

Dr. R.M. Fernando

Dr. Rohan Fernando, who heads Plantations and Business Development at 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 plantation privatisation programme.

He 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 is the Chairman of United Nations Global Compact Network, Ceylon and the former President of the Chartered Institute of Marketing Sri Lanka Region.

He was recently appointed as a Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT).

He was appointed to the Board of Aitken Spence PLC in April 2005

Dr. P. Dissanayake

Dr. Parakrama Dissanayake, is Chairman/CEO of Aitken Spence Maritime and Logistics and Director - Aitken Spence PLC. He was appointed to the Board of Aitken Spence PLC., in September 2009.

Dr. Dissanayake who commenced his career at the national carrier Ceylon Shipping Corporation is a former Chairman/CEO of Sri Lanka Ports Authority and also a former Chairman of state owned Jaya 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 and Shipping is a Past Chairman of the Institute of Chartered Shipbrokers, Past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch) and a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board. He is the Chairman of Ceylon Chamber of Commerce - Steering Committee on Ports, Shipping, Aviation and Logistics, Jt. Managing Director of CINEC Maritime Campus and Director of Fiji Ports Terminal Ltd.

Dr. Dissanayake a University of Oxford (UK) Business Alumni is a Fellow of Harvard Business School USA (EEP) on "Global Economy" and a Fellow of NORAD and JICA.

He is also a Board Director of Urban Development Authority and the Hon. Consul General for the Republic of Fiji Islands in Sri Lanka.

Ms. D.S.T. Jayawardena

Ms. Stasshani Jayawardena is overall responsible for the leisure sector of the Group that includes hotels, incoming destination management and overseas travel.

Ms. Jayawardena is a graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom.

She joined Aitken Spence PLC in January 2010, gaining experience in several of its key strategic business units and across the parent group companies. She was appointed to the Board of Aitken Spence PLC in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC in July 2014.

Ms. Jayawardena is a member of the Young Leaders Steering Committee and the Banking, Finance & Capital Markets Steering Committee of the Ceylon Chamber of Commerce. She is the Chairperson of Splendor Media, a leading advertising and communication company.

She is also a Director at Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C D B Exports (Pvt) Ltd., Ecocorp Asia

(Pvt) Ltd., Amethyst Leisure Ltd., and Paradise Resort Passikuda (Pvt) Ltd.

She was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003. She is a member of EY Next Generation Club.

Ms. Jayawardena leads a team of young professionals that is endeavouring to develop a strategic development plan for future growth of Aitken Spence PLC.

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 60 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 liberalized 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 April 1972 and was Chairman from 1996 to 1997. He has therefore been a Director of the Company continuously for a period of 43 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 a former Investment Banker with over 30 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez is a partner of a financial services company based in Gibraltar and serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence PLC., in May 2002.

Mr. N.J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, who was appointed to the Board of Aitken Spence PLC., in September 2006, is an aeronautical engineer, scientist and economist, is a Conservative Member of the European Parliament elected from the SE England. He is the Vice President of the Development Committee; ECR Co-ordinator and Conservative Spokesman for Overseas' Development and Co-operation. He was the Co Leader of the Parliamentary 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 Co-ordinator Assembly of 79 Parliaments of the EU-ACP 2004 and the President EU India Chamber of Commerce from 2005. In 2012 he stood for and came runner up, beating the Liberal candidate into 3rd place to be the President (Speaker) to the European Parliament. 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 was nominated as a candidate to succeed Kofi Annan as Secretary General to the UN in 2006. 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 "ViswaKirthi Sri Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est: 1765).

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 was appointed to the Board of Aitken Spence PLC., in May, 2008.

He is the Chairman of Stallion Holdings (Pvt) Ltd., Dynamic AV Technologies (Pvt) Ltd., Hyundai Lankan Limited and Shipping and Cargo Logistics (Pvt) Ltd. He is also a Director of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC, and a Trustee of Joseph Frazer Memorial Hospital.

Mr. R.N. Asirwatham

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

Mr. Asirwatham, is a fellow member of the Institute of Chartered Accountants of Sri Lanka. He is also a 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., Royal Ceramics PLC., Dial Tex Industries (Pvt) Limited, Renuka Hotels (Pvt) Limited, CIC Holdings PLC., Rajawella Holdings (Pvt) Limited, Mercantile Merchant Bank, Yaal Hotels (Pvt) Limited, Dankotuwa Porcelain PLC., Ceylon Agro Industries Ltd., Colombo City Holdings PLC., Peninsular Properties (Pvt) Ltd., and Fentons Limited.

Mr. Asirwatham was appointed to the Board of Aitken Spence PLC., in September 2009.

Group Management Committee

Mr. J.M.S. Brito

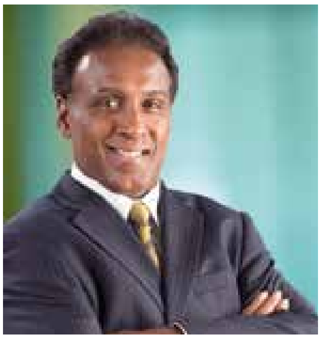
Dr. R.M. Fernando

Dr. P. Dissanayake

Ms. D.S.T. Jayawardena

Mr. R.E.V. Casie Chetty

Mr. K.R.T. Peiris



Ms. N. Sivapragasam

Mr. S.M. Hapugoda

Ms. N.W. de A. Guneratne

Mr. C.M.S. Jayawickrama

Mr. R.G. Pandithakorralage

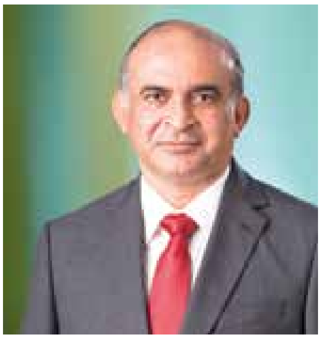
Mr. D.S. Mendis

Mr. V.M. Gunatilleka

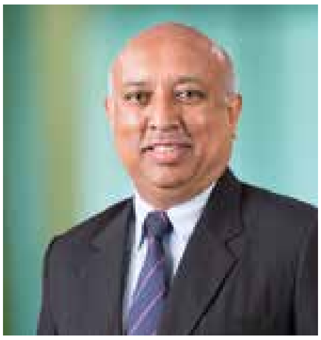
Mr. P. Karunathilake

Mr. L. Wickremarachchi

Mr. J.S.A. Fernando



Mr. S.K.R.B. Jayaweera



Mr. R. G. Salgado

Mr. N.A.N. Jayasundera

Mr. N.P. Wakwella

We take pride in our unrivalled passion for innovation; the ground-breaking ideas and pioneering enterprises that add such distinctive value to the diverse industry sectors we now operate.

Group Management Committee

Mr. J.M.S. Brito

See Board of Directors profile.

Dr. R.M. Fernando

See Board of Directors profile.

Dr. P. Dissanayake

See Board of Directors profile.

Ms. D.S.T. Jayawardena

See Board of Directors profile.

Mr. R.E.V. Casie Chetty

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC., and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has over 40 years post qualifying experience. During this period he has held very senior and responsible positions in many reputable private sector organisations. He continues to be actively involved in 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 Divisions and he brings into the industry a depth of knowledge and valuable expertise. He is responsible for operations in Bangladesh, Pakistan and Maldives. He was also a Director of American Chamber of Commerce for two consecutive years and presently represents the Company at all American Chamber of Commerce activities and is also a Committee Member of the Singapore –Sri Lanka Business Council. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them on an advisory capacity. He is also 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 also a Director of several subsidiaries and joint venture companies in the Group.

She 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 currently a Board Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board and is a Council Member of the Sri Lanka Institute of Directors. She is also the Co-Chairperson of the Taxation Steering Committee and a member of the Accounting Standards & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce.

Ms. Sivapragasam is the Chairperson of the Financial Reporting Faculty and serves as a committee member of the Taxation Faculty and the Financial Reporting Standards Implementation & Interpretation Committee of the Institute of Chartered Accountants of Sri Lanka, and previously served on the Statutory Accounting Standards Committee and the Statutory Auditing Standards Committee.

She was also on the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division during the years 2010 to 2012.

She is presently on the Board of Women and Media Collective, a non-governmental organization.

She completed her Articles at Ernst & Young Colombo and has nearly 30 years of post qualifying experience in the industry.

Mr. S.M. Hapugoda

Mr. S. Malin Hapugoda was the Head of the Hotel Sector of the Group till July 2014 and continues full time as the Director/Executive Consultant. 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 De A. Guneratne who is the Chief Legal Officer of the Group is also the Managing Director of Aitken Spence Insurance (Pvt) Ltd and Aitken Spence Insurance Brokers (Pvt) Ltd. She is also the General Manager of the Lloyd's Agency in Colombo and the Maldives. 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 a Past President of the Sri Lanka Insurance Institute.

She currently serves on a subcommittee that has been appointed by the Ministry of Justice in connection with the setting up of an International Arbitration Centre in Sri Lanka

She is also a Director of the CINEC Maritime Campus.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama a fellow member of the Chartered Institute of Management Accountants UK, is the Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd., the company managing all the Group Hotels in Sri Lanka and overseas. He serves on the Boards of all the hotel companies in the Group. He has extensive experience at senior management positions in the Group's hotel sector for more than two decades and has considerable exposure in the tourism industry in Sri Lanka and overseas. He was also the Ex Vice President, Resort Hotels of the Tourist Hotels Association of Sri Lanka (THASL).

Mr. R.G. Pandithakorralage

Mr. Rohan Pandithakorralage is the Director/Chief Human Resources Officer of Aitken Spence Group Ltd. At present he is a member of National Labour Advisory Council (NLAC), the Board of Directors of CSR Lanka (Guarantee) Ltd and a member of the Council of the Employers Federation of Ceylon (EFC), Member of the subcommittee on Training Professional Development & Capacity Building at Sri Lanka Administrative Service (SLAS) reforms.

He is a Business Graduate of Victoria University of Australia with an executive training at NUS Business School in Singapore and has received extensive management training at Nippon - Keidanren International Cooperation Center (NICC) in Japan.

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/Fellow member and a past President of the Association of Human Resource Professionals in Sri Lanka (HRP).He was a member of The Board of Governors of National Institute of Labour Studies (NILS).

He was a visiting lecturer at the University of Colombo and University of Ruhuna. He won the Prestigious HR Leadership award at the Asia Pacific Congress (APHRM) 2007/08. He was recognized 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 heads the Financial Solutions segment. He is also involved in new business initiatives of the Group and Aitken Spence Technologies. 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 currently serves as a Director on the Board of The American Chamber of Commerce in Sri Lanka. He also has international experience working in the retail industry in USA.

Mr. V.M. Gunatilleka

Mr. Vipula Gunatilleka currently serves as the Group Chief Corporate Officer/Director of Aitken Spence Group Ltd. He is a fellow member of CIMA - UK, ICA - Sri Lanka, CPA - Australia and holds a MBA from the University of Colombo. He is also a GE Trained Six Sigma.

He started his accounting career at KPMG in Sri Lanka and counts over 20 years of senior leadership experience with some of the leading conglomerates and multinational corporations in Sri Lanka, Singapore and Australia.

Prior to joining Aitken Spence, he worked as the Group CFO of Dialog Axiata PLC. He was a key member of the senior management team responsible for re-structuring the Dialog Group and implementing many key strategic initiatives to turnaround the Dialog Group. He was also the CFO/Acting CEO of Sri Lankan Airlines and played a pivotal role during the management transition of the National Carrier from Emirates to the Government of Sri Lanka in 2008.

He has been a board member of CIMA Sri Lanka from 2010 and held the positions of Vice Chairman in 2013, Deputy Chairman in 2014, and currently serves as the Chairman of CIMA Sri Lanka. He is a Council Member of SLASSCOM & a Board Member of Sri Lanka Auditing and Accounting Standards Monitoring Board (SLAASMB).

Mr. P. Karunathilake

Mr. Prasanna Karunathilake joined the Printing Department of Aitken Spence & Co. Ltd., as a Trainee Production Executive in 1980. Whilst at Aitken Spence he pursued his higher studies in Printing, and obtained his Diploma in Printing Technology and Management at the prestigious Sri Lanka Institute of Printing, and is today a fellow of the Institute. On completion of his Diploma, he was promoted as Senior Executive and in the year 1988 as Production Manager. In 1993 he left the company, but continued to serve the industry in a Senior Managerial capacity for a period of 17 years. During this time he proceeded to the Netherlands where he underwent advanced training in Printing Technology & Didactics at the Netherlands INGRIN Institute.

Thereafter he migrated to the USA, and on his return in 2010, rejoined the Company as the Managing Director of Aitken Spence Printing (Pvt) Ltd. In September 2012, he was promoted as a Director of the Aitken Spence Group. He is a Director of the INGRIN Institute of Printing & Graphics Sri Lanka, and serves the Institute as a Lecturer as well. He is also a Lecturer of the Sri Lanka Institute of Printing.

He is currently serving the Export Development Board in the capacity of an Adviser for the Printing and Packaging Industry in Sri Lanka, and is also an Adviser on the Wages Board for the Printing Trade.

Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi is the Deputy Chairman/Managing Director of all power sector subsidiaries of Aitken Spence PLC and Director of Aitken Spence Group Ltd. Mr. Wickremarachchi has held senior positions both in the public and the private sector organizations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a Consultant in Liberia under a USAID funded project in the renewable energy sector for two years from 2011 to 2012.

He was Director General of the Public Enterprises Reform Commission (PERC) from 2004 to 2006. During his tenure at PERC he managed to resolve various post privatization disputes of privatized State Owned Enterprises (SOEs) and restructured a defunct SOE for recommencement of operation as a Public Private Partnership entity. He also did a consultancy assignment for the Asian Development Bank for evaluating the feasibility of establishing a Public Private Infrastructure Financing Facility for the Government of Pakistan. He worked at USAID (Sri Lanka) as Senior Project Management Specialist (Finance and Infrastructure).

He possesses an MSc in Engineering and an MBA. He had attended many Executive Development Programs including the programs

Group Management Committee

conducted by the JFK School of Government of Harvard University, USA and the National University of Singapore.

Mr. J.S.A. Fernando

Mr. Jayantha Fernando started his career in the apparel industry in 1977 and joined Aitken Spence Garments at its inception in 1978. He was appointed as a Director of Aitken Spence Garments in 2009 and at present he functions as Director / Chief Executive Officer of this segment.

During his tenure he was instrumental in relocating the garment manufacturing facility from Galle Fort to a more sophisticated plant at the Koggala Free Trade Zone.

Mr. S.K.R.B. Jayaweera

Mr. Keethi Jayaweera joined Aset Airways Ltd, the General Sales Agency for Singapore Airlines in Colombo, in 1978 as a Junior Executive in the Ticket Office. He climbed the ranks within the company with regular promotions and in 1994 was appointed as a Director. He was appointed as Joint Managing Director of the company in April 2008 and as Managing Director on 1st February 2011.

He has served various industry related bodies i.e. as Treasurer of the Sri Lanka Association of Airline Representatives (SLAAR – an Association of Airlines GSA's) since June 2009, as a member of SKAL International Colombo (an International Association of Travel and Tourism Professionals) and is currently the Immediate Past President of SKAL Colombo as well as an Auditor of the SKAL Asian Area, in the Committee of Management of the Travel Trade Sports Club in various capacities including a two-year term as President in 2004 and 2005.

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

Mr. R.G. Salgado

Mr. Gihan Salgado is a Mechanical Engineer with a B.Sc. (Hon) Degree, from the University of Birmingham, United Kingdom. In 1999 he obtained a MBA Degree in Management from the Sri Jayewardenepura University.

On his return to Sri Lanka in 1979 he joined Walker Sons & Co. Ltd., as a trainee engineer. He was trained in the mechanical workshops for one year and thereafter he joined the Elevator Department and served as the Maintenance Engineer. In 1989 he moved to Aitken Spence & Company Ltd., along with the OTIS Agency and was one of the key members of the management team of the company, who was instrumental in driving the Agency forward.

In April 1999 he was promoted as the General Manager of Elevators (Pvt) Ltd., and in December 2003 he was appointed as a Director of the company. In July 2008 he was appointed as the Managing Director of Elevators (Pvt) Ltd., in which capacity he serves up to date.

Gihan Salgado also serves as a Director of Interlifts International Private Limited and at Aitken Spence Property Developments (Pvt) Ltd.

Mr. N.A.N. Jayasundera

Mr. Nalin Jayasundera is the Managing Director of Aitken Spence Travels (ASTL) the leading destination management company in Sri Lanka a joint venture between TUI Group AG the world's largest integrated tourism company and Aitken Spence PLC.

He is the Hon. Secretary of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and was an Executive Committee Member of the PATA Sri Lanka Chapter.

Mr. Jayasundera counts 31 years of experience in tourism and possesses a wide knowledge of the travel industry. He played an important role in the development of the tourism sector by venturing into many new markets.

Mr. N.P. Wakwella

Mr. Nilantha Wakwella who holds a Master's Degree in Business Administration from the University of Chittagong accounts for over thirty years of experience in Integrated Logistics of which 14 years was in Bangladesh. During his tenure in Sri Lanka he was responsible in the set up of four large internal terminal facilities in Colombo. In Bangladesh, he was an instrumental and driving force in the transformation and the development of its inland logistics industry. He was a founder member of the Bangladesh Inland Container Depot Association and was a member of its Executive Committee for eight years. He also served in the advisory committee for the Chittagong Terminal Planning during the period 2008 – 2009.

He returned to the island in April 2013, to join Aitken Spence as the Managing Director of its Integrated Logistics Segment.

Tourism Sector

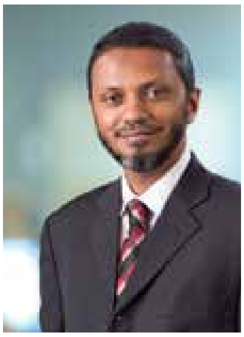
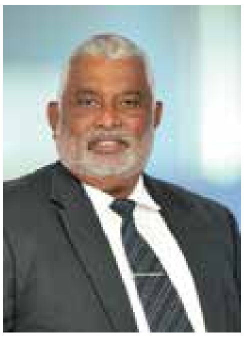
Senior Management Team









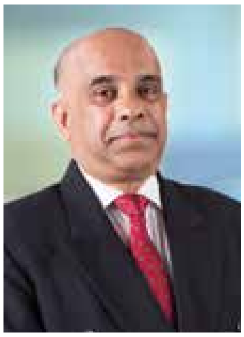
Left to right *(in alphabetical order)*

Mr. D.J. de Crusz
Mr. S.N. de Silva
Mr. C.C.S. Dissanayake
Mr. S.T.B. Ellepola
Mr. G.P.J. Goonewardene
Mr. J.T.P. Gunawardena
Mr. A.S. Hapugoda
Mr. M.H. Jayah
Mr. A.A.H. Mohamed Ali
Mr. T.D.U.D. Peiris
Mr. D.D. Perera
Mr. K.A.A.C. Perera

Tourism Sector

Senior Management Team





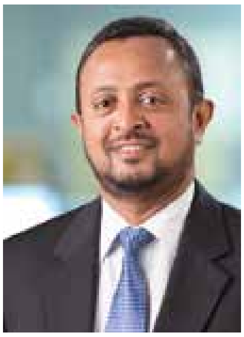



Left to right *(in alphabetical order)*

Mr. P.L. Perera
Mr. R.S. Rajaratne
Mr. N. Ratwatte
Mr. H.P.N. Rodrigo
Mr. B.H.R. Sariffodeen
Mr. D.L. Warawita
Mr. J.C. Weerakone
Mr. M.P. Wijesekera

Maritime & Logistics Sector

Senior Management Team







Left to right *(in alphabetical order)*

Mr. A.M.M. Amir
Mr. C.A.S. Anthony
Ms. T.D.M.N. Anthony
Mr. J.E. Brohier
Mr. I.S. Cuttilan
Mr. H. Dela Bandara
Mr. A. Jayasekera

Strategic Investments Sector

Senior Management Team








Left to right *(in alphabetical order)*

Mr. C.R.F. de Costa
Mr. A.L.W. Goonewardena
Ms. R.I.D. Katipearachchi
Mr. R.T.B. Navaratne
Ms. R.D. Nicholas
Mr. V.S. Premawardhana
Ms. W.A.D.L. Silva
Mr. K.A.K. Wanniarachchi

Services Sector

Senior Management Team




Left to right *(in alphabetical order)*

Mr. J.V.A. Corera
Mr. T.D.S. Dasa
Mr. A.E.A. Perera
Mr. A.N. Seneviratne

Group Performance

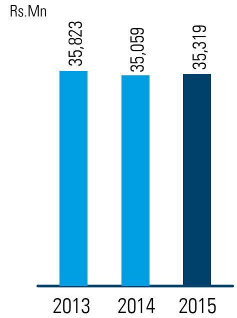
Operating Environment

Sri Lanka went through an unexpected major political change during the year 2014/2015 opening the doors of the legislature to a new group of policy makers. The country's economy remained stable despite uncertainty stemming from a presidential election and subsequent regime change in the last quarter of the financial year. Real GDP growth marginally improved to 7.4% while the annual average inflation came down to 3.3% by the end of the calendar year. Growth has been broad based with the exception of the agriculture sector which was affected by adverse weather for most part of the period under review. Decline in global commodity prices subsequent to the ending of the Quantitative Easing program in the USA has been the main contributor to deceleration of local consumer prices. Average per capita income grew to USD 3,625 from USD 3,280 a year ago by a commendable 10.5%. Policy makers and monitoring authorities envisage the real GDP growth to be around 6.5% for 2015 with a broadly stable outlook.

Sri Lanka has been named as one of "The Ten Coolest Places to Visit in 2015" by the Forbes magazine. Earnings from Tourism recorded a healthy growth in 2014 with inflows recording USD 2.4 billion, the highest ever recorded by the country. The Group being one of the leaders in the tourism industry enjoyed a successful year in terms of growth and profitability. Tourist arrivals to the country showed a YoY increase of 19.8% surpassing the 1.5 million mark. In this encouraging back-drop the construction of a 501 room five star resort at Ahungalla which is a joint venture with the RIU hotels group in Spain commenced during the financial year and is slated to be completed by winter 2016. On completion the additional capacity will provide a further fillip to the Tourism sector of the Group.

During the financial year the Group acquired its first ever hotel in India thus enhancing the business model from managing third party properties to owning and managing properties in India. This property, a five star city hotel situated in a bustling business suburb of Chennai, will commence operations in the near future. In Maldives, the industry has experienced revival subsequent to the political turmoil in the early part of the financial year. Arrival numbers have increased significantly with February 2015 marking the best ever month in the history of the archipelago.

Revenue
for the year ended 31st March



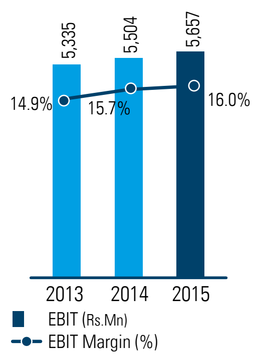
The Group recorded many highlights in its overseas port management operations carried out by the Maritime and Logistics sector, recording exceptional increases in ship crane productivity and reductions in berthing delays. These operational successes were acknowledged with the shipping lines removing the port congestion charge imposed in Fiji and the extension of the management agreement of the Port of Nacala in Mozambique. Several capacity expansion projects were implemented by the manufacturing companies in the Strategic Investments sector. The printing and packaging segment installed new machinery in both pre and post press sections while the garments segment commissioned a new manufacturing facility in the Koggala Export Processing Zone. In the Services sector, the elevator agency secured supply contracts with several high profile building projects thereby enhancing the returns to the Group.

Operating Results

Group Revenue

Consolidated revenue of the Group stood at Rs. 35.3 billion for the period under review, which is a marginal growth of 0.7% from the previous comparative period. Revenue of the Tourism sector increased by 5.8% driven by the destination management and airline GSA segments, whilst increased average room rates in our flagship Heritance properties Heritance Tea Factory and Heritance Kandalama and increased all inclusive rates at the Adaaran properties also contributed to the growth in revenue for the sector. The Maritime and Logistics sector recorded an increase of 4.4% in revenue due to contributions from overseas operations despite lower revenue from the freight forwarding and the logistics segments due to intense competition in the industry. The Strategic Investments sector recorded a 6.3% decline in revenue primarily due to lower generation and the lower tariff applicable to the sole thermal power plant in the sector which was in its tenth year of operation. The decline in revenue was despite the significant contributions from the garment manufacturing and printing and packaging segments. The Services sector reported a growth of 15.7% in revenue primarily supported by the enhanced performance of the elevator agency segment which benefited from the infrastructure boom in the country, registering a growth in sales and securing several major projects.

EBIT & EBIT Margin
for the year ended 31st March

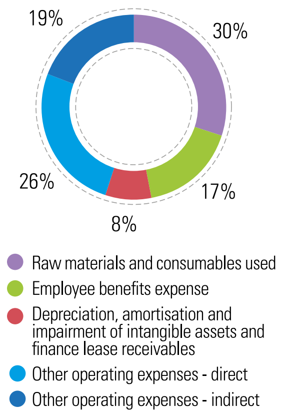


EBIT, EBITDA and Operating Costs

Earnings before interest and tax (EBIT) of the Group grew by 2.8% and the operating profit margin recorded a slight improvement from 15.7% to 16.0% during the year.

The Tourism sector recorded a marginal decline of 1.4% in operating profits due to lacklustre performance of the resorts in the southern coastal belt and additional lease rentals paid by one of the Maldivian resorts, as per the initial contract. The Maritime and Logistics sector recorded a growth of 9.7% in operating profits as a result of better contribution from the sector's overseas operations. The Strategic Investments sector showed an increase in operating profits primarily due to the disposal of the two non-operational

Analysis of Operating Expenses
for the year ended 31st March 2015

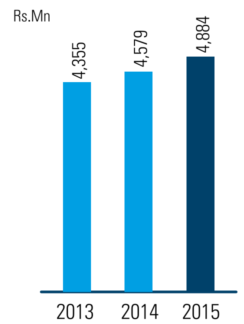


24MW thermal power plants in Matara and Horana which accounted for high maintenance costs incurred in the previous year. The enhanced performances of the manufacturing companies in the sector also contributed positively to the final results of the sector. The Services sector showed a decline in its operating profit owing to the reduction in margins as a result of the intense competition faced in some of the segments within the sector and the promotional expenses incurred by the new ventures.

The Group's other income stood at Rs. 507.6 million, an increase of 8.7% over the previous year, which included the balance of the insurance claim relating to the fire damaged ocean villas at Adaaran Select Hudhuranfushi. The comparative figure for the previous year was lower than the current year's figure as the former included the losses recognised in relation to the destroyed ocean villas and the sale of a power plant.

The Group experienced a marginal increase in operating expenses which amounted to Rs. 29.8 billion for the period. Depreciation, amortization and impairment expenses increased by 64.2% primarily due to a Rs. 957.2 million provision for impairment in respect of the thermal power plant at Embilipitiya. Cost of raw materials and consumables used decreased by 16.7%, driven mainly by the lower generation at the thermal power plant at Embilipitiya.

Profit After Tax
for the year ended 31st March



Taxation

The Group's provision for taxation for the financial year 2014/2015 was Rs. 826.3 million which was a decline of 4.5% from the previous year (2013/14 – Rs. 865.5 million). The income tax charge for the year was Rs. 705.4 million which is a marginal increase over the previous financial year. The dividend tax for the year under review was Rs. 83.7 million which is an increase of 30.6% over the previous year due to the increase in dividends declared and paid from Group companies which were liable to a dividend tax of 10%. The deferred tax charge for the financial year was Rs. 38.8 million, a reduction of 61% over the previous year. The reduction in the deferred tax charge for the year was the effect of the reduction in the provision of dividend tax on undistributed profits on consolidated entities. The Group's effective tax rate for the financial year was 14.5% compared to 15.9% in the previous year mainly due to the reduction in the deferred tax charge.

Equity Accounted Investee Profits

The Group increased its investments in equity accounted investees by Rs. 1.0 billion with the acquisition of a stake in Amethyst Leisure Ltd, EcoCorp Asia (Pvt) Ltd and the additional investment made in Ahungalla Resorts (Pvt) Ltd., the company constructing the 501 room resort in partnership with RIU hotels of Spain. The total amount invested in joint ventures and associates (equity accounted investees) as at the end of the financial year stood as at Rs. 5.4 billion. Profits from equity accounted investees declined by 23.0% with the main contributors to the decline being maritime education segment and some of the new investments yet to come on stream. The Group's new investments show promise as they have been selectively made in to already profitable or potentially high-growth sectors.

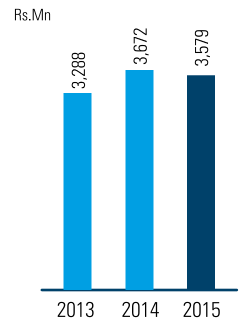
The Group adopted SLFRS 10- Consolidated Financial statements and SLFRS 11- Joint Arrangements which were applicable for the year under review. Consequently the results of Aitken Spence Travels and its subsidiaries were accounted as equity accounted investees and the comparatives figures for the previous year were restated. Thereby the profits from operation in the Tourism sector for the current and previous years excludes the profits of the destination management segment.

Earnings For The Year

The Group recorded a consolidated profit of Rs. 4.9 billion after tax achieving an increase of 6.6% over the previous year. The net profit margin increased slightly to 13.8% from 13.1% in the last year. All sectors contributed to profit after tax with the Tourism sector taking the biggest share with a profit of Rs. 3.7 billion. The Maritime and Logistics sector reported a profit of Rs. 613.9 million while the Strategic Investments and Services sectors reported profits of Rs. 508.9 million and Rs. 82.5 million respectively. Income Tax provision for the financial year was Rs. 826.3 million.

Profit attributable to non-controlling interest for the financial year 2014/2015 increased by a significant 43.7% over the previous financial year to reach Rs. 1.3 billion. In the previous financial year losses reported by some of the companies in the Strategic Investments sector having significant non-controlling interests resulted in the profit attributable to non-controlling interests

Net Profit Attributable
for the year ended 31st March



Group Performance

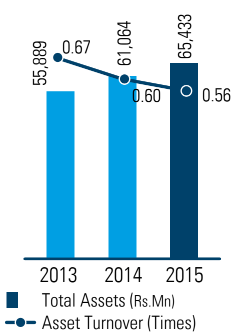
being lower than for the current year. This factor, coupled with increases in profits in the financial year 2014/2015 for some companies with a relatively higher non-controlling interest has resulted in the profits attributable to non-controlling interest increasing substantially. As a result the profit attributable to equity holders declined marginally by 2.5% to Rs. 3.6 billion compared to the previous financial year.

Financial Position and Resources

Total Assets

Total assets of the Group at the end of the reporting period was Rs. 65.4 billion comprising of non-current assets of Rs. 39.7 billion and current assets of Rs. 25.5 billion. Non-current assets increased by 11.3% primarily owing to the growth in property, plant and equipment which represented 72.2% of non-current assets. In terms of asset distribution over the sectors, the Tourism sector held 52.1 % of total assets amounting to Rs. 33.7 billion and the Strategic Investments sector held 31.3% of total assets amounting to Rs. 20.3 billion. The Maritime and Logistics and Services sectors held 12.2% and 4.5% of total assets amounting to Rs. 7.9 billion and Rs. 2.9 billion respectively.

Total Assets & Asset Turonver
as at 31st March



The asset turnover ratio of the Group was 0.56 for the period under consideration as opposed to 0.60 in the previous financial year. The decline in the asset turnover ratio can be attributed to the expansion projects undertaken recently by the Group mainly in the tourism sector which are yet to produce revenue streams.

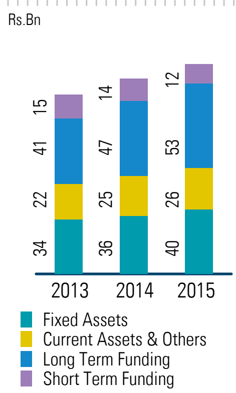
Capital Expenditure

The Group invested a total of Rs. 7.0 billion in non-current assets during the financial year. The major component was in the Tourism sector totaling up to Rs. 5.9 billion.

During the year the Group acquired a hotel property in India while the construction of the new five star hotel in Ahungalla commenced. In addition an equity stake was acquired in a resort property in Pasikudah signifying the Group's entry to the pristine east coast of Sri Lanka. The construction of a further 91 rooms at The Sands, in Kalutara was almost completed during the year. The garments segment expanded its capacity by establishing a new factory at the Koggala Export Processing Zone while the printing and packaging segment enhanced capacities by installing new machinery in the pre and post press areas.

Financial Management, Cost of Funding and Liquidity

Assets & Funding
as at 31st March



Financial Leverage

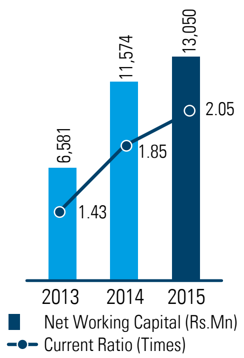
As at the end of the financial year, total equity and liabilities of the Group was Rs. 65.4 billion. This comprised of equity of Rs. 42.3 billion, an increase of 8.6% over the previous reporting period, and non-current liabilities of Rs. 10.7 billion and current liabilities of Rs. 12.4 billion. The financial leverage was a very healthy 1.56 times thus enabling the Group to raise further debt funding if required to finance future projects.

Non-current interest bearing borrowings

Non- current interest bearing borrowings of the Group at the end of the financial year stood at Rs. 9.4 billion which was an increase of 29.0% during the year. This increase was mainly owing to the expansion efforts of the Tourism sector. The Group's acquisition of a hotel in South India, the expansion of the resort in Kalutara and acquisition of a new island in Maldives was chiefly financed through debt funding. The Holding company also increased its debt levels by further draw downs on its USD denominated funding line obtained from DEG (Germany) and these funds have been earmarked for capacity expansion in the printing and packaging segment.

The Group saw a slight movement in debt to equity to 0.19 times from 0.22 times a year ago. The Group makes every effort to maintain a well balanced relationship between debt and equity in the capital structure with the objective of maximising shareholders' return on equity without exposing the Group to the risk of an excessive debt burden. The current level of debt to equity is a comfortable level for the Group to service due to adequate and sustainable cashflows. The debt to EBITDA cover was at a satisfactory 1.17 times allowing sufficient financial flexibility to the Group in managing its debt obligations and covenants.

Net Working Capital & Current Ratio
as at 31st March



Working Capital

The working capital position of the Group improved to Rs. 13.1 billion from Rs. 11.6 billion a year ago while the Group's cash and deposits in banks together with the investment in government securities increased by 5.2% up to Rs. 13.8 billion from last year. Overdraft and short term borrowings have reduced significantly by 54.2% to close the year at Rs. 2.1 billion. Trade and other receivables were at Rs. 7.8 billion showing a decline of 14.1 % while trade and other payables stood at Rs. 7.1 billion recording a decline of 10.5% at the end of the period under consideration.

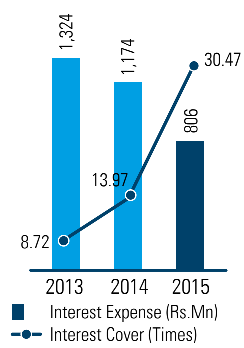
The Group's current ratio improved to 2.05 times from 1.85 times in the previous year. Along with this the Group's quick asset ratio also improved from 1.72 times to 1.93 times reinforcing the Group's ability to meet its short term obligations.

Finance Income and Finance Expenses

Finance expenses declined by 29.4% to Rs. 901.5 million while finance income also reduced by 20.8% to Rs. 623.9 million. The net effect of these changes was that the Group was able to reduce its net finance expenses by 43.2% to Rs. 277.7 million.

The Government's decision to maintain an accommodative monetary policy to achieve a higher level of credit growth helped the Group to reduce its finance expenses as the borrowing rates declined. At the same time the lower interest rates on government securities and bank deposits lowered the Group's investment income. Reduced loan repayments which helped the build-up of cash reserves coupled with low interest rates helped the Group to maintain total interest cost at a lower level than in the previous financial year. Consequently the interest cover of the Group increased to 30.47 times from 13.97 times in the previous year indicating its strong liquidity position in meeting debt obligations to lenders.

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



Treasury Operations

Interest Rate and Cash Management

The low interest rate regime continued with the regulators deciding on an unchanged accommodative monetary policy despite the risk of foreign funds moving out of emerging markets in anticipation of an interest rate hike by the Federal Reserve. The decline in yields on government securities was less dramatic than in the previous year. However the yields declined by almost 100 basis points by the end of the calendar year, and climbed marginally only to start declining again. At the close of the financial year, the one year treasury bill rate stood at 6.80% compared to 7.05% at the beginning of the year. The six-month and three-month treasury bill rates ended the year at 6.70% and 6.60% compared to 6.82% and 6.65% at the start of the year respectively. As a result of the downward trend in the yields of government securities re-investments were made at lower interest rates than in the previous year. In this challenging environment the Group treasury adopted a strategy of maintaining a designated trading portfolio in order to benefit from any arbitrage opportunities in the market. The announcement of the presidential election, however, resulted in the government securities market becoming virtually inactive thereby reducing trading opportunities. However, by actively monitoring the secondary market the Group treasury was able to earn an appreciable amount of capital gains to supplement the interest income.

The Group treasury continues to manage the liquidity in order to create cash flow synergies within the Group. The Group treasury monitors cash flows of over 75 individual companies in order to ensure that deficits and surpluses are matched in an optimal manner and external borrowing is minimised. The Group treasury uses electronic banking platforms offered by international banks in this endeavour whilst assisting the subsidiaries to obtain working capital and long term financing facilities and facilitating any other banking transaction as needed.

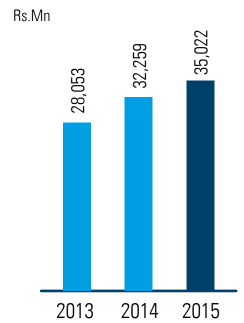
Over 60% of the long term USD loan facility obtained from DEG (Germany) has been drawn down by the end of the financial year. The Group continues to benefit from the relative low cost of funds by using this facility to source equity capital required for its investments in projects, both in Sri Lanka and overseas.

Foreign Exchange Management

The local currency remained stable for two quarters but began to depreciate by mid October 2014, mainly as a result of several foreign investors repatriating profits generated from the government securities market. Foreign reserves depleted from USD 9 billion to USD 7 billion and the currency depreciated marginally against the USD during the period under consideration. The Rupee reached its peak of 130.13 on the 19th of August 2014 and recorded the lowest on 20th March 2015 at 133.10. Although a previously planned sovereign bond issue was postponed, the Central Bank entered into a USD 1.5 billion swap agreement with the Reserve Bank of India which supplemented the country's foreign reserves. Foreign remittances from migrant workers continued to grow and foreign portfolio investments into the Colombo Stock Exchange remained positive and counteracted to minimize the influence of reduced exports earnings.

The Group treasury is also involved in managing the foreign exchange risk of the Group and requirements of subsidiaries. The treasury monitors global and local trends that may impact the market and assists Group companies to mitigate their exchange risks and maximize profits by providing timely advise and assistance in negotiations. The Group remains a net earner of foreign currency with inflows from the Tourism sector, the Maritime and Logistics sector and the Garments segment recording substantial amounts. The Group treasury engages in a minimum risk strategy avoiding exotic options and strategies available for foreign exchange hedging and

Shareholder's Funds
as at 31st March



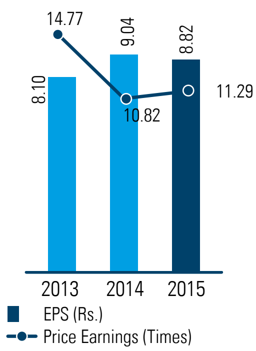
Group Performance

instead uses the Group's internal cash flows to create a natural hedge wherever permissible.

The Group treasury implemented the dissemination of market news by means of a weekly report to the entire Group. This report is a comprehensive compilation of both local and international financial markets data and also shows the weekly movement of currencies relevant to Group activities. In addition to this report the Group treasury shares market data which includes market liquidity, interest rates, currency rates, SLIBOR, LIBOR and other indicators useful for the finance divisions of subsidiaries by circulating a market update on a daily basis.

The immediate future is expected to bring forth a plethora of challenges to the foreign exchange markets. The uncertainty with regard to the timing of the Federal Reserve's much anticipated interest rate revision announcement is one of the major factors influencing the daily fluctuations of the US Dollar. At the same time the revival of the Euro zone is continuing to be hampered by the woes in Greece. Multiple interest rate cuts by the global economic powerhouse China, and the continuing weakness in the Australian economy has affected global currency markets. As a net foreign exchange earner the Aitken Spence Group continues to monitor these world economic events and responds in a manner which would help it to progress further in achieving its objectives.

EPS & Price Earnings Ratio
as at 31st March



Shareholder Returns

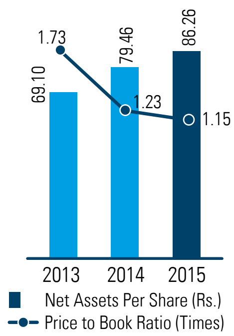
Earnings Per Share (EPS)

EPS at the end of the period was Rs. 8.82, a decline of 2.5% in comparison to Rs. 9.04 of last year. The total number of shares issued remained unchanged from the previous year at 405,996,045 resulting in the EPS decline being identical to the decline in the profit attributable to equity holders.

Net Assets and Return on Equity

The equity attributable to the shareholders of the parent company increased by 8.6% to Rs. 35.0 billion and net assets per share increased to Rs. 86.26 compared to Rs.79.46 at the end of the last financial year. The Group's return on equity was 10.6% compared to 12.2% the previous year.

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



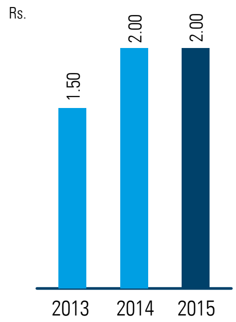
Market Price Per Share and Market Capitalisation

Market price of the company's share was Rs. 99.50 at the end of the financial year 2014/2015 indicating an increase of 1.6% compared to previous period's closing of Rs. 97.90. Total value of shares traded during the year amounted to Rs. 2.8 billion with the share price reaching a high of Rs. 120.50 and a lowest of Rs. 95.50. Market capitalisaton also increased to Rs. 40.4 billion which was 1.4% of the total market capitalization of the Colombo Stock Exchange.

Dividends

The Board has recommended a first and final dividend of Rs. 2.00 per share for the financial year 2014/2015 which is the same as the dividend declared in the previous financial year. The payout portion in absolute terms will remain at Rs. 812.0 million while the payout ratio will increase to 22.7% from 22.1%

Dividend Per Share
for the year ended 31st March



Price to Earnings Ratio and Price to Book Value

The price to earnings (PE) multiple increased to 11.29 times compared to 10.82 times in the previous year. The increase in the share price despite a slight drop in EPS has contributed to the increase in the PE multiple. Market PE ratio was 18.3 times making the Group's PE stand at a discount of 38.3 %. Price to book value decreased to 1.15 times as the share price increase was 1.6% in comparison to an increase of 8.6% in the net assets per share.

Compliance with Sri Lanka Accounting Standards

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) effective from 1st January 2012. In the reporting period the Group adopted the new Sri Lanka Accounting Standards, SLFRS 10 – Consolidated Financial Statements, SLFRS 11 – Joint Arrangements, SLFRS 12 – Disclosure of Interests in Other Entities and SLFRS 13 – Fair Value Measurement; which are applicable for financial periods ending after 1st January 2014. Further, as a result of the adoption of the amendments to SLAS 1- Presentation of Financial Statements the presentation of certain items in the statement of profit or loss and other comprehensive income have been modified.

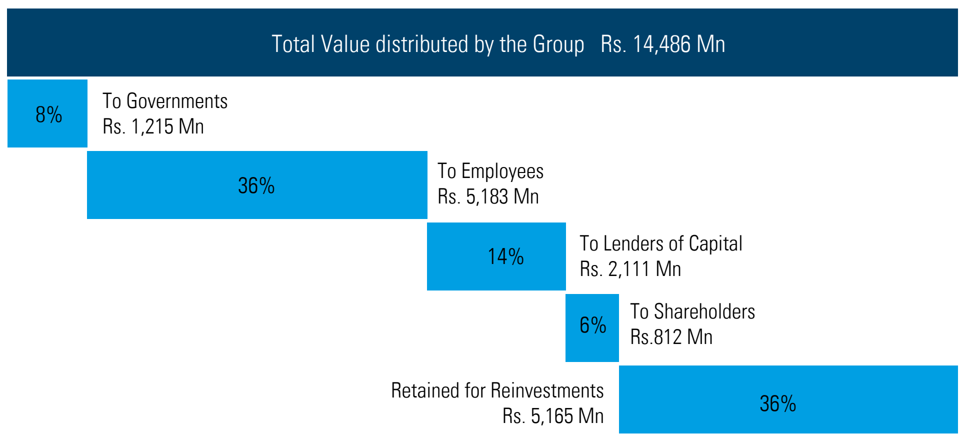
Comparative information for the previous financial year has been re-stated and represented in accordance with the above changes.

Financial Value Creation

The Value added statement indicates the value generated by the Group during a financial year and how it is appropriated amongst the various stakeholders. Value addition of the Group was Rs. 14.5 billion a growth of 9.7% over the previous financial year.

Of the total value generated, 36% (Rs. 5.2 billion) was distributed among the employees of the Group while the allocation of 6% (Rs. 812 million) made for the dividends remained unchanged. The Group paid out 8% (Rs. 1.2 billion) of the value addition to Government authorities in the form of taxes (Excluding Value added tax and Goods and Services Tax). The contribution to lenders of capital remained at 14% with Rs. 2.1 billion. The Group increased its allocation into re-investments and future growth to 36% from last year's 34%, further strengthening its financial stability for future strategic growth initiatives.

Distribution of Wealth Created - 2014/2015



Statement of Value Added

		2014/2015 Rs.'000		2013/2014 Rs.'000
Revenue		35,318,891		35,059,123
Purchase of goods and services		(22,294,865)		(23,548,197)
		13,024,026		11,510,926
Other operating and interest income		1,131,429		1,254,334
Share of profits of equity-accounted investees		330,887		429,461
Total value added by the Group		14,486,342		13,194,721
Distributed as follows				
To governments (income tax and revenue tax)	8%	1,214,721	10%	1,347,201
To employees (salaries and other costs)	36%	5,183,101	35%	4,633,215
To lenders of capital (interest on loan capital and minority interest)	14%	2,110,957	16%	2,081,857
To shareholders (dividends)	6%	811,992	6%	811,992
Retained for reinvestments and future growth (depreciation & retained profits)	36%	5,165,571	33%	4,320,456
	100%	14,486,342	100%	13,194,721

Tourism Sector

- Hotels
- Inbound & Outbound Travels
- Airline GSA

The array of tourism products we offer includes a portfolio of iconic resorts owned and managed by us and the provision of inbound and outbound travel solutions partnered by several airlines whose General Sales Agencies are managed by us.

Rs. 2.0 Bn
Total contribution to the Governments
(by direct and indirect taxes)

100%
of total waste water at the hotels is treated/reused

6,390
tonnes CO_{2e} GHG emissions reduced and / or offset

Rs. 33.7 Bn
Total Assets

Rs.16.8 Bn
Total Revenue

754 additional hotel rooms within the next two years

11,072GJ
Reduction in energy consumption

2,873
People

As a step towards widening our footprint in South Asia we acquired a 143 room hotel property in Chennai. The hotel would be the first hotel that would operate under the brand "Turyaa".

Tourism Sector

	2014/2015 Rs. Mn	2013/2014 Rs. Mn	Change %
Revenue	16,844	15,928	5.8
Profit from operations	3,975	4,030	(1.4)
Profit before tax	4,230	4,327	(2.2)
As at 31st March			
Total invested in PPE	16,464	12,642	30.2
Total Assets	33,709	26,748	26.0

Sector Overview

The Tourism sector represents the largest sector of the Aitken Spence Group, which has been a key player in the country's tourism industry for over forty years. The array of tourism products we offer includes a portfolio of iconic resorts owned and managed by us and the provision of inbound and outbound travel solutions partnered by several airlines whose General Sales Agencies are managed by us. In addition to the resorts in Sri Lanka, Aitken Spence enjoys a growing footprint in the global tourism ecosystem, with resorts in the Maldives, Oman and India.

In Sri Lanka, the sector owns and operates four properties under its "Heritance" brand – the acclaimed Heritance Kandalama, Heritance Tea Factory, Heritance Ahungalla and wellness resort Heritance Ayurveda Maha Gedara. Aitken Spence also operates and manages four more properties in Kalutara, Bandarawela, Kandy and Pasikudah. In the Maldives, Aitken Spence owns and operates five resorts under the brand name "Adaaran" while in Oman, it manages six, star class properties in the preferred tourist locations of the sultanate.

Aitken Spence Travels is the largest destination management company in Sri Lanka, having handled over 100,000 visitors to Sri Lanka in 2014/15. The sector is also the General Sales Agent (GSA) for Singapore Airlines, a partnership spanning over four decades, and is one of the longest running partnerships within the airline's network. The segment had a very successful year, with the Sri Lankan Airlines GSA operations in the Maldives performing exceptionally well. In March 2015, we were appointed the Passenger General Sales Agent for Turkish Airlines. Turkish Airlines who have won the "Best Airline in Europe" award at the prestigious Skytrax Awards consecutively for the last four years, perfectly complements our partnership with Singapore Airlines who has a Five-Star Airline rating by Skytrax.

Industry Overview

1,138 million tourists travelled the world in 2014, 51 million more than in 2013 representing a 4.7% increase. 588 million of these travellers visited Europe while 263 million tourists arrived in the Asia Pacific region, with strong performances from North-East Asia and South Asia both of which grew by over 7%. The numbers contradict the many issues that posed a threat to world travel in 2014, such as escalating tensions and terrorism in several regions including Russia, the Middle East and the African continent, the Ebola epidemic, several high profile aviation disasters as well as economic uncertainties.

A handful of large emerging markets have contributed towards tourism growth during the

Significant highlights

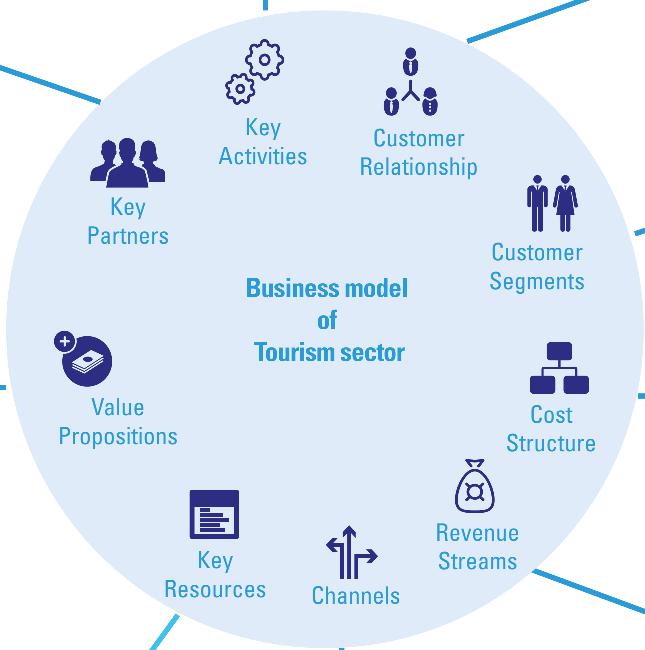
Destination Management	Hotels	Airline GSA
• During the year Aitken Spence Travels handled 100,000+ inbound tourists, becoming the first destination management company to do so in Sri Lanka • Official travel agent for ICC Cricket World Cup 2015 • Winning the L'tur business from Germany • First destination management company to develop B2B booking engine in Sri Lanka • Appointed as the Agent for "Flight Center Business" Australia	• Acquisition of 143 room hotel in Chennai, which is to commence operations under the brand name "Turyaa" • Acquisition of an new island in Maldives adjacent to Meedhupparu resort. Subsequent to the financial year end another island was acquired by the sector in the Maldives. • Acquisition of a strategic stake in Amethyst Resort-Pasikudah • Completion of the reconstruction of the fire damaged 20 Ocean Villas and an addition of 20 Garden Villas, which commenced operations in September 2014 at Adaaran Select Hudhuranfushi.	• Appointed as the Passenger General Sales Agent (GSA) for Turkish Airlines in Sri Lanka • Ace Aviation Services Maldives (Pvt) Ltd., agreement was renewed for the second time as the GSA for Sri Lankan Airlines in the Maldives

- Tour operators
- Joint venture partners
- Principal airlines
- Local community
- Hotel owners / partners

- Providing accommodation
- Food & beverage
- Spa
- Excursions
- Diving and water sports experience
- Organising of customer specialised itineraries with all ancillary services
- Tour itineraries for international sports events
- Wellness holidays

- Loyalty programs "Diamond Club"
- Interactive websites
- Continuous ongoing relationships with the tour operators.
- Service excellence which results in repeat customers
- On brand service experience delivery

- Tour operators
- MICE segment
- Free independent travellers - local and foreign
- Regular holiday makers from overseas
- Ayurveda clients
- Destination weddings



- Unique experience
- Budget value for money
- Premium segment value for money
- Niche/wellness segment
- Iconic architecture
- Premium all inclusive offering
- Selection of destinations from Sri Lanka, Oman Maldives and India

- Accommodation, food & beverage cost
- Cost of construction and maintenance of Hotels
- Cost of transport
- Staff cost
- Cost of technology
- Finance cost
- Operational and marketing cost

- Brand values – Aitken Spence / Heritance / Adaaran / Turyaa
- Strategically positioned iconic properties
- Exceptional service relationship with suppliers
- Expertise of staff
- Technology

- Web
- Travel fairs and exhibitions
- Tour operators
- Direct personalized marketing
- Promotional campaigns

- Income from Hotel rooms and functions
- Income from tour packages
- Commissions received on Airline GSAs
- Food and Beverage
- Spa income
- Event Management

Tourism Sector

last few years; in 2014, growth from China slowed down but it remained the single largest outbound market with 109 million Chinese tourists traveling overseas.

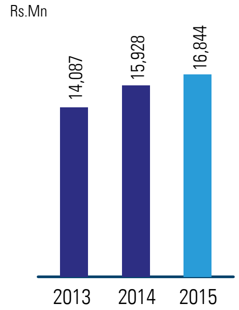
A notable rebound in demand was witnessed across all traditional source markets in Europe and the US which augurs well for Sri Lanka as the European markets have been closely associated with the country's tourism industry. A trend to watch is the emerging importance of several markets which are in close proximity to our own operations; Saudi Arabia, India, Philippines and Qatar all reported growth of over 30% in tourism expenditure in 2014.

Internationally, "Sun & Beach" holidays continue to be in demand, growing by 18%, while "Touring Holidays" have grown by 32%, majority travellers being Asians. The "City Trips" segment has grown by 58% with the increase in low cost flights and budget accommodation across the world according to World Travel Monitor. In the business travel market, the MICE (meetings, incentives, conferences and excursions) segment has overtaken the traditional business trip segment, which is on the decline due to new technologies that allow alternative methods of business interaction. The UNWTO World Tourism Barometer forecasts international tourism to grow by 3% to 4% in 2015, with Asia and the Pacific expected to grow between 4% to 5%.

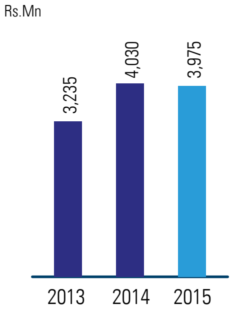
The tourism surge continued in Sri Lanka in 2014, with the market growing by 19.8% to a record 1.52 million arrivals who contributed towards tourism earnings of USD 2.4 billion against a target of USD 1.8 billion. It is of concern however that these growth figures were not matched by the corresponding figures of the formal sector as the expanding informal sector has begun to attract a larger share of the arrivals.

Of the source countries into Sri Lanka, a dramatic 136.1% increase was recorded from China, with 128,166 Chinese tourists visiting Sri Lanka in 2014 compared with 54,288 in the previous year. India continued to be the biggest source market for Sri Lanka, with 242,734 arrivals – a growth of 16.3% compared to last year. The high value Western European market totaled over 400,000 arrivals with traditionally strong markets such as Germany recording an increase of 20.5% to 102,977 arrivals and the United Kingdom growing by 4.9% to 144,168 arrivals.

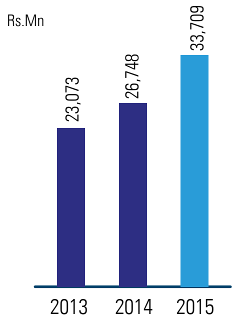
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Total Assets
as at 31st March



The Sri Lankan tourism offering continues to expand, with 1,855 rooms added to the inventory in 2014. The growing importance of Sri Lanka as a destination is evident in the number of international hotel chains and airlines expressing their interest in entering the market.

The tourism authorities are gearing for focused promotional campaigns to market the destination internationally, which has been a long felt need for the Sri Lankan tourism industry. It is more effective for the travel industry as a whole to focus on a central destination marketing message than it is for individual companies to undertake expensive isolated marketing campaigns which would not succeed in gaining visibility among a global audience.

The pervasive digitization of tourism bookings contributed to 66% of all travel bookings being made online in 2014; the World Travel Monitor reports that the global market share of travel agencies has stabilized at 24% of global bookings. Smart phone bookings have also increased in key markets such as China, USA and Japan. Many of today's travellers plan their trips based on information available on social media channels including review portals and travel blogs; hotels now target consumers directly through their websites while the web is usually the first stop for budget travellers seeking low cost accommodation. It is important that Sri Lanka amongst other marketing strategies also undertakes web-based marketing strategies to stimulate interest.

Sector Financial Review

During the year under review the sector had a revenue growth of 5.8% over the previous year although the sector profit before tax declined by 2.2% mainly due to the declining in profits from the Sri Lankan and the Maldives hotels. The decline in profits was seen at all our resorts on the Southern coastal belt due to stiff competition posed by the informal sector in the region.

The Maldivian hotel segment recorded a decline in profits before tax of 2.0%. The Russian and Ukraine crisis, the ocean villas at Adaaran Select Huduranfushi being out of operations during the first half after being destroyed in a fire the previous year and the change in the operating lease terms of one of the resorts contributed to this drop in performance. The water villas destroyed at Huduranfushi were constructed during the year and reopened in September 2014. We are optimistic of growth in the future years.

The destination management services segment performed well with profit before tax growing by 7.5% over the previous year.

Airline GSA segment had an exceptional year of performance with its profitability growing by over 200% compared to the previous year.

Hotels

Sri Lanka

Our Flagship properties Heritance Kandalama and Heritance Tea Factory returned good performances, with a revenue growth of 3.8% and 11.5% respectively and growth in profit before tax of 4.7% and 11.6% respectively. Heritance Kandalama attracted a significant portion of the MICE market, which holds strong growth potential. The uniqueness of Heritance Tea Factory continued to attract travellers, with the property performing exceptionally well during the year.

Our beach front property Heritance Ahungalla did not perform as expected with a decline in revenue of 6.0%. The resort was under pressure from the high room inventories and competition from the low end and informal segments operating along the coastal belt.

The Sands, our property in Kalutara had another disappointing year with the resort not performing to its expectations or potential. The additional 91 rooms that are currently under construction would enhance the resort's capacity to 200-rooms. It is anticipated that the economies of scale generated through the addition of this new wing will turn around the performance of this property. The Sands offers a complete value for money package for holidaymakers as an all-inclusive hotel, enabling visitors to enjoy every facility to the fullest, with no restraints.

Heritance Ayurveda Maha Gedera - the 64 roomed, ayurveda wellness resort, offering a range of ayurveda experiences was affected by the economic downturn in Europe as the property is patronised mainly by European clientele. The depreciation of the Euro against the US dollar had a further negative impact on the property's performance. However we strongly believe that the wellness proposition of the property will continue to offer immense potential, backed by the already impressive market acceptance it has gained.

The 73 roomed hotel property Hilltop will undergo the second stage of its phased refurbishment during the upcoming financial year in order to maximize its potential as a value for money round trip destination.

Substantial progress has been made in the construction of the RIU Hotel in Ahungalla; the 501 roomed resort is on target for completion by winter 2016. The project is a joint venture between Aitken Spence and RIU Hotels and Resorts of Spain, and upon completion will be managed by RIU as an all-inclusive hotel.

Aitken Spence entered the Eastern coast beach front market segment through the acquisition of a strategic stake in Amethyst Resort, Pasikudah in October 2014. The Resort, managed by Aitken Spence, further enhances the Group's offering in its round-trip options.

The 143-roomed Heritance property in Negombo will be added to our portfolio during the coming financial year; the property is already being marketed and has generated positive responses.

Competition increased on the South Coast and in Kandy, as several star class properties were added to the market while several existing properties are undergoing extensive refurbishments at present and will be back in operation the next year.

Sri Lanka as a destination continues to be impacted by the lack of destination marketing in comparison with its regional competitors such as Thailand, Malaysia and Vietnam. Major tour operators have channelled their European charters away from Sri Lanka over the last few years. It is important that we strategically target this segment through promotions and incentives.

Outlook

Going forward, it is imperative that Aitken Spence retains its position as the leading resort operator in Sri Lanka. As such, we consider it important to optimise the differentiated experiences offered within our portfolio.

Our marketing investments will continue to target the traditional Western European markets which

Tourism Sector

generate year-round business, while strategically targeting emerging markets such as China and India. We have also made intensive efforts to tap into specialised segments such as MICE and wellness in order to reap the full benefits of our product offering.

Growing the higher-yielding online bookings segment is another imperative and increased emphasis will be placed on maximizing revenue generation through online channels.

It is important that we develop niche products to reach untapped markets - the proposed Clan House within the Galle Fort thus remains an important project in our pipeline. The approval process for the proposed property is a complex one, given its protected status as a heritage site.

The revision of energy and fuel costs during the latter part of the year by the government of Sri Lanka, led to a comparative drop in energy costs at the hotel properties and we are expectant of this benefit continuing to the next financial year. However the proposed minimum increase to the wage structure, if implemented during the coming year, would weigh considerably on our bottom line.

Maldives

The Maldivian tourism industry grew by 7.1% in 2014, despite the weakening of its key European source markets. The Central/Eastern Europe segment declined by 8.3%, on the back of a 22.2% drop in Ukrainian arrivals and a 13.3% drop in Russian arrivals. Strong growth of 37.3% and 18.3% were recorded from South East Asia and South Asia respectively, while America too surged by 24.5%. Of concern was the lacklustre year on year growths recorded by North East Asia (China) and Western Europe, both very important feeder markets for the Maldives.

Adaaran resorts have traditionally enjoyed high levels of patronage from the Russian and Ukrainian markets; as such, the Crimean crisis has had a direct impact on the properties which have consequently experienced pressure on occupancy and profits. This has been exacerbated by the depreciating Euro which has led to a dampening of enthusiasm in Western European markets, traditionally a strong base for Adaaran resorts. The Adaaran properties had a revenue growth of 3.3% with the net profit before tax declining by 3.6%. The decline in profit before tax was mainly due to an increase in the lease rent paid by one of the resorts as per the initial contract.

In response to the Russian and Ukraine slowdown, we shifted our focus to better performing markets such as UK, Germany and emerging Asian markets such as Korea, Singapore and Taiwan, which enabled us to remain competitive in the last quarter.

The Ocean Villas at Hudhuranfushi, that were destroyed by a fire in 2013, were back in operation in September 2014, resulting in the property operating at full capacity for little over half of the year. In addition Hudhuranfushi also added 20 Garden Villas to its offering in September 2014.

The construction of a reef protection and removal of the sea wall at Meedhupparu was completed during the year, resulting in reduced beach erosion and thereby an expansion of the beach area on the island. The improvements have led to increased levels of guest satisfaction with the profit before tax increasing by 10.4% over the previous year.

During the latter part of the year, Aitken Spence acquired a new island close to Meedhupparu for the development of a new 162 room five star resort. The construction of the proposed new resort would commence within the next financial year with the project expected to be completed within two years. Subsequent to the financial year end the Group acquired another island in the Maldives which would be developed as a resort in the future.

In November 2014, the Government of Maldives revised Tourism GST to 12% from 8%; the increase poses a cost to our Maldivian resorts as they would have to bear the incremental cost pertaining to tour operator business that had already been contracted when the increase was imposed. We have paid close attention to currency forecasts and amended our pricing strategies accordingly.

The falling fuel prices brought in savings in fuel expenses at all resorts compared to the previous year. Fuel prices are however expected to increase in the short to medium term and therefore, prudent energy saving measures such as ‘energy audits’ have been introduced at the resorts to mitigate the potential risks.

A robust cost management mindset is in place at the Maldivian resorts where regular training programs are conducted to ensure that all employees are aware of best practices in cost management and energy efficiency. A culture of innovation and team-work is fostered to ensure that new ideas are encouraged and implemented if viable.

Outlook

The destination has shown positive growth signs during the first quarter of 2015 recording encouraging increases in arrivals in February and March 2015. The summer season however is expected to be sluggish amid intense competition among the resorts.

Our focus would remain on consolidating feeder markets such as China, India and the Middle East while also targeting potential regional markets such as Korea, Taiwan, Singapore and Malaysia. Our marketing would also target specialised segments through bundled offers that include wellness options such as spa treatments and water-sports options for the adventure segment.

India

As a step towards widening our foot print in South Asia, and acknowledging that a pure hotel management business model may not be financially adequate in India, we acquired a 143 room hotel property in Chennai. The hotel is expected to commence operations under our brand, "Turyaa" and is ready for launch subject to regulatory approvals and licenses.

With the acquisition of this property, the Group streamlined its presence in India by terminating the management contracts. This was due mainly to a lack of enthusiasm from property owners to reinvest, which is fundamental to maintain the quality of the properties. The Group also divested its 20% stake in Barefoot Island Resorts, the 20 room property in Andaman Islands.

Hotel Management

The Hotel Management segment of the Group is involved in the management of hotel operations in Sri Lanka, Maldives, Oman and India. At present the Group has 22 hotel management contracts of which 10 are not of our owned hotels; this is ample demonstration of the confidence shown by hotel owners in the competency and expertise of our staff. The segment achieved an year on year revenue growth of 6.2%.

Managing of Oman Hotels

Oman has been growing in significance as a tourism hotspot in recent years, as the Sultanate embraces tourism as a key path of diversification for its economy. Tourism revenues reached USD 2.9 billion (1.1 billion Oman Riyal) while 41,000 tourism related jobs were created in 2014. The state has been actively promoting tourism and a flurry of new hotels is expected to be opened during the next three years, adding to the room inventory in Oman.

The market attracts intense interest from Asian travellers, especially those stopping over during their Hajj and Umrah pilgrimages. The Western European markets, including UK are the second largest source market for the destination. Air traffic into Oman is expected to grow by 7.5% annually over the next three years while a new airport is presently under construction to handle increased passenger numbers. The government of Oman is also considering an Open Skies policy to encourage air traffic.

Aitken Spence manages six properties spread over the key tourist cities of Muscat, Sur and Wahiba Sands. The strong portfolio has enabled us to offer round trip packages which gained much popularity over the years.

Outlook

Tensions in the Middle East, including political unrest in neighbouring Yemen may impact Omani tourism in 2015. Hotel operators in Oman meanwhile are faced with the challenge of

1972	The general sales agency of Singapore Airlines was obtained by the Group; which we have continuously retained todate.
1974	The first resort hotel, 'Neptune Hotel' was constructed in Beruwala designed by the renowned architect Geoffrey Bawa. Neptune is now re-branded as 'Heritance Ayurveda Maha Gedara'.
1977	The Group obtains IATA membership and enters into inbound and outbound travel, with this 'Aitken Spence Travels Ltd' was incorporated.
1978	'Aitken Spence Travels' enters into an agency agreement with TUI which is a one of the world's leading leisure travel companies.
1981	The first five star resort 'Triton' was constructed in Ahungalla designed by the renowned architect Geoffrey Bawa. Triton Hotel is now branded as 'Heritance Ahungalla'.
1992	Aitken Spence Hotels was listed in the Colombo Stock Exchange with an issued share capital of Rs. 150 million.
1993	The first Sri Lankan hospitality company to broaden its horizons and develop an overseas portfolio by entering into the Maldives tourism sector with the acquisition of Bathala Island resort in Maldives.
1994	Commenced commercial operations of 'Heritance Kandalama' one of the world's defining ecologically conscious hotels to become the first Asian hotel to receive the prestigious 'Green Globe 21' certification.
1996	'The Tea Factory' the first theme hotel in Sri Lanka commences operations.
2004	Aitken Spence Travels enters into a JV partnership with TUI of which the results are exceptional.
2005	Launched 'Adaaran Prestige Water Villa' with twenty exclusive luxury water villas at Meedhupparu Island; Maldives.
2006	Entering the Indian hospitality industry by securing the management of five hotel properties in India.
2007	Obtains the management of four hotel properties in Oman, becoming Sri Lanka's first hospitality company to enter the Middle East.
2008	The Group opens 'Adaaran Prestige Vadoo' the fifth resort with fifty luxury villas in close proximity to the Male atoll.
2010	The Group is appointed as the general sales agents for Sri Lankan Airlines in Maldives.
2013	The Group enters into a joint venture with RIU Hotels, Spain to build a 501 room five star Luxury resort hotel in Ahungalla.

Tourism Sector

The Group has 22 hotel management contracts of which 10 are not of our owned hotels; this is ample demonstration of the confidence shown by hotel owners in the competency and expertise of our staff.

attracting a wider clientele in spite of a ban on live entertainment and the possible impact of a proposal currently before parliament broaching the ban of alcohol in the Sultanate.

Destination Management Services

In 2014/15, Aitken Spence Travels became Sri Lanka's first destination management company to surpass the 100,000 traveller landmark, consolidating its position as the largest destination management company (DMC) in the country. Aitken Spence is also the highest travel industry contributor to the Tourism Development Levy. The consistent growth we have achieved stands testimony to our capacity to adjust to changing market conditions in order to fuel our trajectory.

This year we enjoyed strong numbers from UK, Germany, India, Russia and China while our focus on new markets in the Middle East has led to considerable growth from that region as well. The destination management services segment achieved a 6.8% growth in revenue during the year while the profit before tax grew by 7.5% as a result of its outstanding operational performance during the year.

The online market showed double digit growth for Aitken Spence Travels during the year, while we witnessed the B2C segment driven by internet booking engines penetrating into the traditional DMC domain. The growth of the low margin online segment has necessitated a paradigm shift in the way companies such as ours do business. During the year, Aitken Spence Travels became the first destination management company to develop a B2B booking engine from Sri Lanka, allowing tour operators access to instant availability checks and confirmations of hotels, transfers and tour packages.

Aitken Spence was appointed the official travel agent for the 2015 ICC Cricket World Cup hosted by Australia and New Zealand. Concentrated marketing and communication activities enabled us to double our target for ticket sales while establishing the company and its service quality in the minds of travellers.

Aitken Spence also successfully won two key tour operator businesses during the year - Flight Center, the largest operator in Australia and L'tur, Europe's premier last minute tour operator. These partnerships will enable us to increase passengers from those markets while expanding our market share.

During the year, we set up a Nature and Adventure tourism unit headed by a conservation biologist to cater to increasing demand from the specialised market segment. Similarly, we would evaluate the demands for such specialised holidays and fine tune our offering accordingly.

The devaluation of currencies of several key markets - the Euro, Australian Dollar, and Ruble - against the US Dollar impacted exchange gains during the latter part of 2014/15. Aitken Spence Travels encourages payments in US Dollars to mitigate the potential currency losses arising from billing in Euro. However, a strengthening of the Sri Lankan Rupee will lead to the erosion of margins with the destination becoming too expensive for some travellers.

Outlook

We are hopeful that a positive political climate within Sri Lanka will help improve relations with key markets, leading to a softening of travel advisories and a greater focus by European operators towards Sri Lanka.

The Chinese and Indian markets have much potential as their growing middle class has the resources for destinations such as Sri Lanka which offer value for money. In fact, China has the potential to overtake India as the foremost feeder market for Sri Lanka and we will continue to focus on attracting Chinese group arrivals. We work closely with airlines operating between the two countries and will aggressively target new cities to generate greater passenger numbers.

Ukraine has been a bulk purchaser of rooms in Sri Lanka during the winter season and the market must quickly look for alternatives to avoid the profound implications of losing Ukrainian business. We are also closely following the political situation in the Maldives, as potential issues in that market would impact on our ability to sell packages that combine both destinations.

The slowdown in Spain, Portugal, Italy and Greece continues to drag down European sentiment, dampening appetite for long haul travel to destinations such as Sri Lanka with travellers opting instead for cheaper short haul destinations.

Sri Lanka's offering caters to many niche segments – from the young and adventurous seeking to explore exotic tropical destinations to upmarket travellers seeking luxurious boutique-style hideaways. These niche segments which offer greater margins will be an area of focus in future. We have also strategically begun focusing on short duration shore excursions that target the unutilized time of cruise passengers while we will work with direct cruise operators to grow arrivals.

In the medium term, our strategies are designed to compliment our tour operator base from traditional European markets with steady volumes of business from emerging markets. Growing our share of online business is also a priority, as volume increases will allow us to negotiate better deals and offer competitive pricing.

The deregulation of the industry in Sri Lanka has resulted in many new companies launching DMC operations, naturally leading to frenzied competition and margin pressure. The market which had about 200 operators in 2009 is estimated to have grown to 600 since then, many of them are small informal operations involving minimal set up costs. Many of the informal DMCs operate off the grid and therefore avoid regulatory restrictions and payments which in turn allow them to offer competitive pricing that the larger, formal players find difficult to match. The industry and the economy may therefore benefit in the long term from greater consolidation.

Airline GSA

The Airline GSA segment accomplished a turnover growth of 26.8% and a record high growth of over 200% in profit before tax with the main contributor being the Maldives passenger operations where Aitken Spence holds the GSA for Sri Lankan Airlines' passenger and cargo operations.

We renewed our GSA agreement with Sri Lankan Airlines for a further three years in December 2014. Sri Lankan Airlines operates 35 flights to Male per week, and is the most frequent carrier into the Maldives. During the year, our passenger, cargo and airport operations involved 137,000 passengers and 3.1 million kg of cargo. Customer service enhancements during the year included opening dedicated counters to serve Fly Smiles customers and a 24-hour facility at the Male airport to issue flight tickets to passengers arriving from the Atolls needing urgent travel arrangements to Colombo and beyond. The Airline

Aitken Spence Travels became the first destination management company to develop a B2B booking engine from Sri Lanka allowing tour operators access to instant availability checks and confirmations of hotels, transfers and tour packages.

was selected as the leading International Airline by Maldives Association of Travel Agents & Tour Operators (MATATO) at the Maldivian Travel awards.

The Singapore Airlines GSA, a partnership that is now into its fifth decade, enjoyed a positive year in 2014/15 with the passenger segment performing well. The cargo segment however was hindered by increased competition and a space crunch. The passenger segment benefited from external realities as competing airlines faced periodic issues such as reduced flights, a suspension of operations and air disasters.

Our main markets continued to perform well. We are also concentrating on North and South Asia and the South West Pacific, areas which are traditionally Singapore Airline's strengths. China and Vietnam in particular shows immense growth potential and we have undertaken marketing communication campaigns to support this sector.

Singapore Airlines has been keen to promote inbound tourism to Sri Lanka as it sees the potential that the country has to offer. The airline has therefore undertaken the sponsoring of media and travel agent familiarisation tours to Sri Lanka, working in partnership with Aitken Spence Travels. An awareness campaign was also launched at Singapore Airline's World Marketing Conference last year in a bid to encourage its stations, particularly in North Asia, to market Sri Lanka.

Price competition is on the increase within the market, with competitor airlines pricing well below their priceline potential. Singapore Airlines however will continue to pursue a policy of differentiating its product with service offerings and value additions capitalizing on their strengths of safety, security and superior in-flight service.

We have pursued prudent cost management practices and have reduced ancillary expenses and increased the use of electronic documentation and processes while a conscious effort is being made to save energy and reduce waste.

During the year, the segment was also successful in being appointed the GSA for the passenger operations of Turkish Airlines; operations under this GSA began in March 2015.

Outlook

In the short to medium term we seek to improve our performance holistically by capitalizing on travel generated through improved trade relations between Sri Lanka and other countries. We also anticipate an increase in inbound tourism resulting from increased promotions overseas to showcase Sri Lanka.

We will look to further improve its corporate base whilst capitalizing on the close relationship between China and Sri Lanka, which we hope will trigger a surge in travel between the two countries. We will also work closely with Aitken Spence Travels to improve inbound tourism, which will boost the Passenger Load Factor on our trunk route.

Sustainability Review

The Tourism sector has been a pioneer of the sustainable tourism movement in the region, setting benchmarks for the industry and changing the fabric of sustainability in Sri Lanka. The sector has led by example within the Group and cascaded their learnings to guide Group companies to become more sustainable.

A good example is the sector's leadership on an essential action point in the integrated sustainability policy - that all Aitken Spence companies follow internationally benchmarked standards such as the ISO 14001: 2004 system standard to establish and maintain Environmental Management Systems (EMS) to manage environmental protection activities. The first EMS within the Group was established at Heritance Kandalama, which was also the first hotel in

Tourism Sector

the world and the first property outside USA to receive a LEED certification for its building design. The Group has since established a printing facility that is LEED certified and is constructing another hotel property which will seek LEED certification.

Across the sector, companies regularly engage with employees to create awareness of sustainability and educate them on commitments enshrined in the environmental management systems. These programs are extended to suppliers and community members wherever possible to extend the reach of our sustainability message.

Energy

The Energy Management System (EMS) of the Tourism Sector identifies direct and indirect energy consumption as a significant aspect.

The Group's hotels in Sri Lanka and Maldives all maintain EMSs and, with the exception of Amethyst Resort Pasikudah, Heritance Ayurveda Maha Gedara and Hotel HillTop, all owned Sri Lankan properties are ISO 14001:2004 certified. All hotels also maintain energy management systems in line with ISO 50001:2011 guidelines, with Heritance being the first hotel chain in Sri Lanka to obtain this certification. On a daily basis, effort is taken across the hotels to increase energy efficiency through maximum use of daylight, energy efficient equipment, operating energy intensive equipment during off-peak hours and using timers to control lighting load and mini bars. Heritance Tea Factory and Heritance Kandalama use biomass as an alternative to diesel to heat water. At Heritance Tea Factory, 90% of hot water is generated through biomass while waste heat from the gasifier has been captured to provide heating for public areas.

One of the simplest processes introduced to the Group by Heritance Kandalama is the "Switch Off" policy, whereby any electrical equipment is switched off when not in use. Corporate operations of Aitken Spence Aviation and Aitken Spence Travels adopt the "Switch – Off" policy to eliminate energy wastage.

Aitken Spence Travels has enhanced its process efficiency to reduce energy consumption; combined transfers and route planning have helped save over 40,000 litres of fuel amounting to about Rs. 6.5 million. New vehicle parking yards at Aluthgama and Seeduwa have reduced

The Tourism sector has been a pioneer of the sustainable tourism movement in the region, setting the benchmarks for the industry and changing the fabric of sustainability in Sri Lanka.

empty mileage on hotel pickups along the Southern coastal belt and on airport transfers, with combined transfers offered wherever possible. Aitken Spence Travels also continued to operate hybrid vehicles while vehicles in the fleet are inspected twice a year to ensure good maintenance. The company extends its EMS awareness to its chauffeur guides as well, to ensure shared commitment. The company maintains ISO 14001: 2004 certification and the company's Environmental Management Representative (EMR) oversees all activities of the EMS.

Water

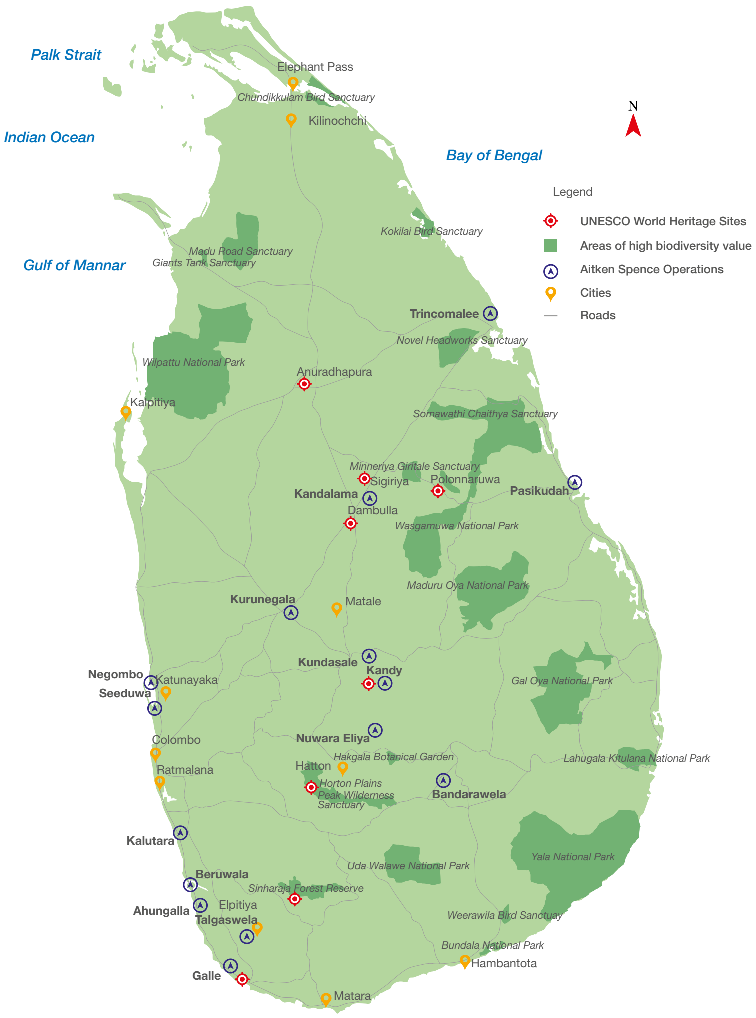
Consumption of water is another significant aspect in the EMS of the tourism sector, and across the sector, companies now use aerator taps to reduce the flow of water from the faucets. At Aitken Spence Hotels, water efficiency is a priority and of the total water withdrawn for the hotel operations, 100% of the waste water is reclaimed and treated for reuse in gardening. All hotels have waste water treatment units and conduct routine tests to ensure compliance.

Biodiversity

Conservation of biodiversity is a significant aspect (material aspect) for the sector. None of our operations are located in close proximity to national reserves or protected areas. The sector takes necessary precautions to ensure that areas of high biodiversity value are protected and preserved.

We take care to maintain the environment surrounding our hotels, including beach cleaning programmes with staff and community volunteers. At Heritance Tea Factory, vermin composting and organic compost fertilizer are used in the tea plantation and hotel gardens to increase soil quality; furthermore, hotel staff manually weed the garden instead of using toxic weedicides. The Sands Kalutara takes effort to protect Pandana plants, which is part of the ecosystem of the hotel.

Heritance Kandalama maintains relationships with over 30 schools within a 30km to 40km radius of the hotel and creates awareness amongst their students on environmental sustainability. The long term objective therein is to inculcate environmental conscientiousness in these students, so that any of them who wish



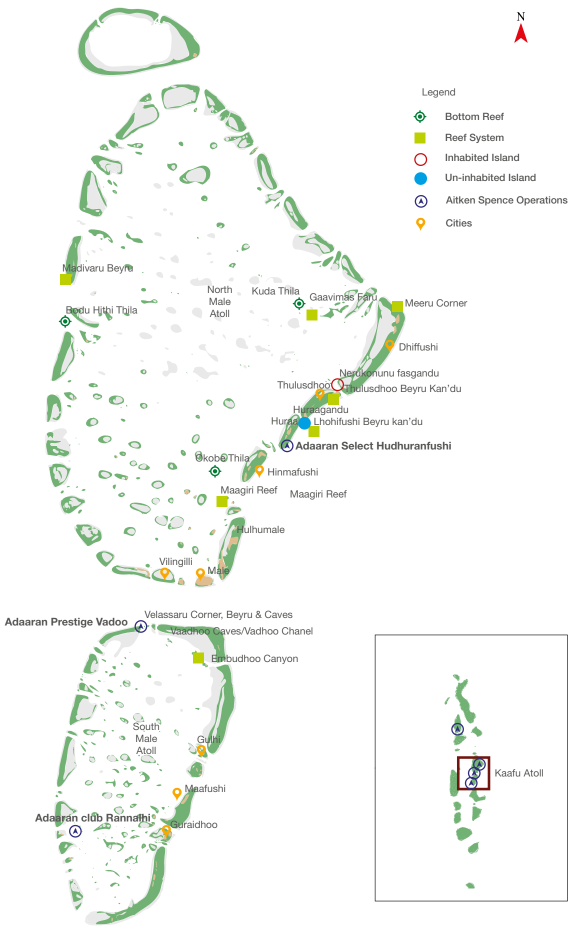
to join the hotel later would understand and maintain its culture.

Heritance Kandalama conserves 58 acres of forest area, flora and fauna within the hotel premises and 198 acres of forest area rich in bio diversity outside the hotel. The hotel has invested over Rs. 10 million to maintain the conservational forest in order to prevent deforestation, poaching and the construction of unauthorised artificial structures. Heritance Kandalama is built in an ecosystem where wild life has roamed for centuries. Therefore, when the 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. This helps to protect the origins of 11 natural streams which provide irrigation to 34 dry zone reservoirs. In fact, paddy fields that had been abandoned for almost 12 years are now being cultivated after the hotel improved and maintained irrigation in the area. It is an endorsement of the hotel's design sensitivity that the animals that lived in the area before its construction still roam free. The impressive biodiversity indicators reported from the hotel property are 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies. The hotel supports the natural environment, ensuring that the least possible disturbance is caused and has four types of primates using the green spaces of the hotel. Of these, two are endemic – the Macaque Monkey and Purple Faced Leaf Monkey, the other two being the Gray Langur and Slender Loris. The large open areas and the green cover over the building welcome even the most timid birds. Among those sighted at the hotel has been the very rare Ceylon Shama (long tail Jungle Robin). Sanctuaries and policies against the invasion/interference with natural habitats have ensured the protection of biodiversity and ecosystems. No alien fauna and flora has been introduced and there is zero negative impact on the Kandalama tank due to the operations of the hotel.

The Eco Park at Heritance Kandalama became a healing centre for injured animals when the Naturalists of the hotel started bringing animals to the Eco Park to heal. The Naturalist, Mr. Sanath Leelarathna, was a farmer from the Kandalama

Tourism Sector



community who joined the hotel as a stores clerk and realised that a desk job was not suitable for him. The Hotel appointed him as a Naturalist and he has been with the hotel for almost two decades. The Eco Park is now also a healing centre for injured animals who are then released back into the wild. The Eco Park also serves as an education centre on the biodiversity of the area and around 2.7 million visitors have joined educational tours since the inception of the hotel.

Emissions, Effluents & Waste

Management of emissions, effluents and solid waste is another significant aspect (material aspect) for the sector.

Environmental Protection Licenses specify the waste management requirements for hotels and all Group hotels have been in full compliance. The hotels use only biodegradable solvents and detergents in housekeeping activities. Waste (byproduct) generated in the biomass gasifier of Heritance Tea Factory is used as organic fertilizer at the hotel. The hotel has also introduced rainwater harvesting to reduce freshwater withdrawal for its operations.

The Sands Kalutara has ensured that exhaust chimneys extend over 60ft and the boiler/ generator units of the facility are soundproof. All hotels have water treatment units where 100% of the waste water is treated and the sludge collected is treated and converted to fertilizer. This is sold to villagers at cost. All hotels follow the 7R principle to achieve "Zero Waste to landfill" status and hence every item of solid waste is Reclaimed, segregated, Repaired if necessary and is either Reused, sold for Reuse or Recycled through a certified vendor. All hotels take effort to Reject non-biodegradable items where possible and consumption of plastic/ polythene material is Reduced year on year by maintaining a plastic/ polythene inventory for each hotel.

Aitken Spence Aviation monitors its paper consumption and electronic waste generation; all paper waste is directed towards recycling and electronic waste is handled as per Company policy and is either sold for reuse or handed over to a certified vendor for recycling.

Occupational Health & Safety (OHS)

As an 'Essential Action Point' of the Group's integrated sustainability policy, all SBUs practice 'HIRAC' (Hazard Identification Risk Assessment and Control) for occupational health and safety (OHS). All SBUs within the sector carry out HIRAC inspections at least once a year and record the findings and action taken. Training needs of the OHS representatives and committees are identified by the OHS teams and required training and education is provided accordingly, especially on fire safety, first-aid and personal hygiene.

At Aitken Spence Hotels, OHS teams with representation from different divisions implement effective OHS practices and continual improvement. Housekeeping staff at the hotels are provided with instructions on safe usage of solvents and cleaning detergents; these are printed on the packaging with Material Safety Data Sheets (MSDS) in the storage rooms.

The Group Sustainability Division carries out OHS Peer Forums where OHS representatives share their experiences and learning with other OHS representatives handling similar responsibilities.

Heritance Ayurveda Maha Gedara carries out regular meetings with local drivers and tour guides to encourage safe working practices to ensure quality of service to guests.

Community Development and Employee Volunteerism

Each SBU has its own strategic initiatives for local economic development and to enable employee volunteerism.

The Aitken Spence Aviation team engages in community development activities with the intent of giving back to the community they have been working in for the past 42 years. The most recent effort was the donation of an English library to the Empowering Sri Lanka First centre in Dambulla as part of the Group's strategic

	2013/14	2014/15
Direct Energy Consumption	263,949 GJ Diesel – 77.5 % Petrol – 10.4% Furnace oil – 3% LPG – 4.7% Biomass/ fuel wood – 4%	260,978 GJ Diesel – 78.2% Petrol – 11.5% Furnace oil – 3.2% LPG – 3.8% Biomass/ fuel wood – 3.4%
Indirect Energy Consumption	37,289 GJ	38,616 GJ
Amount of energy saved	11,379 GJ	11,072 GJ
Total energy produced from nonrenewable sources (GJ)	242,254 GJ	245,166 GJ
Total energy produced from renewable sources (GJ)	11,713 GJ	8,869 GJ
Total water withdrawal	850,969 m^3	577,750 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water recycled and reused by the organisation	271,075 m^3	310,766 m^3
Gross direct (Scope 1) GHG emissions	23,400 tonnes CO2e	16,737 tonnes CO2e
Energy indirect (Scope 2) GHG emissions	7,665 tonnes CO2	7,938 tonnes CO2
Amount of GHG emissions reduced and/ or offset	2,858 tonnes CO2e	6,390 tonnes CO2e
Paper recycled or sold for recycling	12,099 kg	14,336 kg
Cardboard sold for recycling	29,517 kg	24,829 kg
Plastic sold for recycling and/ or disposed according to requirements of the Environmental Protection License (EPL)	11,284 kg 1,321 cans	13,826 kg
Polythene sold/ handed over for recycling and/ or disposed according to requirements of the EPL	3,168 kg	4,955 kg
CFL bulbs handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	360 bulbs 773 kg	1,345 bulbs
Lead acid batteries handed over for recycling and/ or disposed according to requirements of the EPL	30 units 706 kg	572 units 23 kg
Alkaline batteries handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	20 units 286 kg	485 units 360 kg
Tires reused and/ or sold for reuse	153 tyres 1,116 kg	876 tyres
Scrap metal sold for reuse	18,225 kg	15,207 kg
Glass handed over for recycling	25,416 kg	30,453 kg
Soiled cotton handed over for recycling to a Central Environmental Authority (CEA) approved vendor and/ or disposed according to requirements of the EPL	580 kg	620 kg
Food waste handed over for recycling and/ or to be used as animal feed	1,108,355 kg	2,118,127 kg
E – waste sold for recycling and/ or disposed according to requirements of the EPL	2 units 328 kg	269 units 25 kg
Total investment on environmental protection	Rs. 5.88 million	Rs. 5.4 million

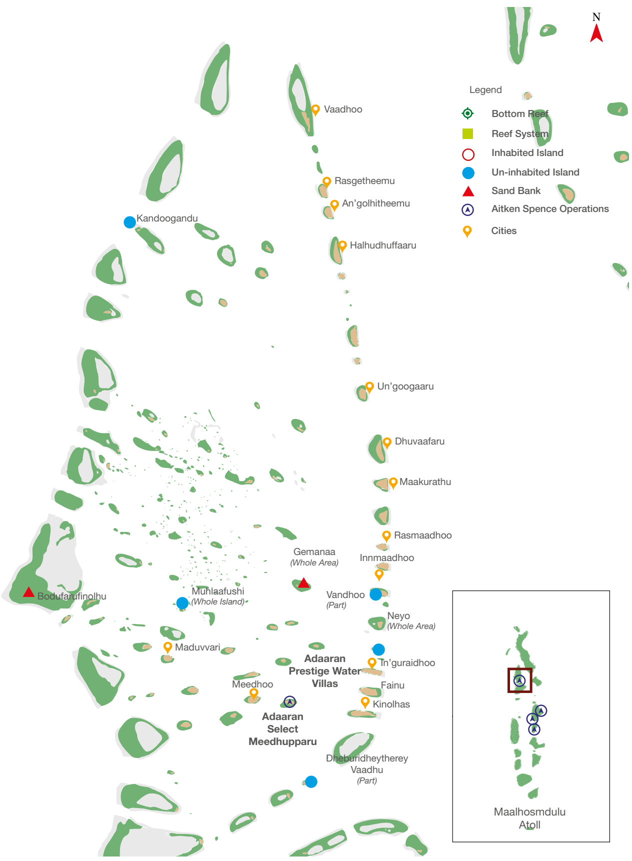
community development efforts. A team from Singapore International Airlines General Sales Agent in Sri Lanka attended a lesson with the students, enabling an opportunity for employee volunteerism.

During recruitment, Group hotels give priority to local applicants with 'local' defined as the vicinity within a 40km radius of each hotel. Accordingly, at Heritance Ayurveda Maha Gedara, 50% of the Managers are from the local community. At Heritance Tea Factory, 62% of the staff and 45% of the Management are from within 20km radius of the hotel. 20% of the Managers at The Sands Kalutara are from the local community and 45% of the procurement budget is spent on local suppliers. Heritance Hotels have a written policy for local purchasing and accordingly, produce and other supplies available in the local community are sourced from the local community. A significant proportion of the procurement budget at the hotels is spent on local suppliers.

Heritance Ayurveda Maha Gedara also gives opportunities for craftsmen from the community to perform at the hotel premises. The arts and crafts centre of the hotel is dedicated for this task. A comfortable working area, meals and traveling allowances are provided to these craftsmen while they also obtain voluntary assistance from the hotel staff to communicate with guests. While promoting local traditional arts and crafts to an international audience, the effort spurs local economic development by providing livelihood support to local community members who provide art and craft lessons and sell their creations to guests. The hotel undertakes this unique effort on 100% non-profit basis.

Community engagement activities allow the local community in the vicinity of hotels to voice their concerns; many activities undertaken by hotels in 2014/15 were based on needs identified during these engagement activities. These included the donation of equipment and required items for community groups and differently abled persons, educational scholarships, and assistance extended for infrastructure development. The Sands provided beach operators with access to freshwater. Heritance Kandalama has a dedicated officer for community engagement activities who maintains contact with a network of schools, government institutions and officials, religious institutions, village heads and other community members. The hotel also oversees the Empowering Sri Lanka First (ESLF) centre in

Tourism Sector



Dambulla which provides English language and computer lessons to almost 60 students from low income families in the community. The centre also provides English teachers from the community with training by British Council educators; this year, each teacher received 120 hours of training. Heritance Ahungalla also manages an ESLF centre in Katuwila which also caters to almost 60 students in the community and with value added for community teachers through training on new teaching techniques and English language skills. ESLF is an effort that was initiated as part of the Group's strategic sustainability efforts and has been implemented at exemplary lengths by the management team of the hotel to create long term value for the communities around the hotels.

Aitken Spence Travels opts for local suppliers at most destinations to source products and services required for their operations. More than 75% of the procurement budget of the company is spent on local suppliers of each destination.

The sector's total spending on community development in 2014/15 was Rs. 6.2 million.

Compliance

All SBUs within the sector maintain Legal Registers as part of their respective management systems and ensure that the operations comply with relevant laws, regulations and standards applicable to the industry.

Aitken Spence Aviation follows industry standards for service delivery as well the policies and procedures of their principals, such as the Singapore International Airlines (SIA) Safety Policies and SIA Data Governance Privacy Policy.

In addition to the laws, regulations and industry standards, Aitken Spence Travels complies with the requirements of TUI Group AG.

Aitken Spence hotel managements also comply with the requirements of the respective management systems implemented at the hotels. Heritance Hotels recently obtained the Travelife certification, which has elevated the compliance standards of the hotels above the local laws and regulations, and the administrative teams of the hotels have accordingly strengthened many systems and operations.

Human Rights at the Workplace

As signatories of the UN Global Compact (UNGC), Aitken Spence Companies are obliged to protect human rights at the workplace and not be complicit in any violation of human rights. As such, the Company's policies, practices and procedures were assessed against the human rights protection matrix of the UNGC and the Business Leaders Initiative on Human Rights. A network of support givers for human rights at the workplace was appointed across all SBUs and during the year, a Peer Forum was launched among the Human Rights Support Givers to enable increased awareness of human rights at the workplace. The tourism sector nominated 7 support givers to this network with representation from diverse management levels and operational divisions. The support givers work with the human resource partners of the sector to ensure human rights at the workplace are protected.

In addition, all Heritance Hotels received the Travelife Gold award for Hotels and Accommodations. Travelife is an international sustainability certification scheme which assesses the performance of an operation and/or destination in managing social, environmental and economic impacts. To gain Travelife Gold certification, a hotel must meet 150+ sustainability foci set by the scheme spanning across environmental issues, such as waste management, energy consumption, water and chemicals; positive action on social issues, such as employee welfare, working with the local communities, child protection and human rights. Hotels must display how they support local businesses and protect local traditions and wildlife. The Gold award achieved by Heritance Hotels is a testament to the high level of commitment Aitken Spence Hotel Managements has towards sustainability.

Product & Service Responsibility

Towards uplifting product quality and reliability, each SBU adopts specific practices.

Aitken Spence Aviation focuses on developing the skills of the staff members to deliver the best service to their customers. During the last financial year, training and education was provided to staff members on multidisciplinary areas including management practices, customer service, reservations, ticketing, marketing communications, time management and language skills spanning over 272 man hours. Aitken Spence Aviation believes that employee skills development can elevate the quality of employee engagement with key stakeholders, especially customers.

Standard labelling instructions are followed by the hotels for consumable items to ensure best quality in the services provided to the guests. Water, food and waste water samples are regularly tested by accredited third party laboratories. Aitken Spence Hotels maintain food safety management systems in line with the ISO 22000/ HACCP system standard: four (04) of the hotels in Sri Lanka and four (04) resorts in the Maldives have certified their systems. Accordingly, routine system audits are conducted to ensure quality of service. At The Sands Kalutara, 85% of the products and services are assessed for improvements and 80% of the participants in customer satisfaction surveys returned positive comments. Heritance Tea Factory has also obtained the SLSI organic certification for its tea - the first hotel to do so.

Aitken Spence Travels maintains Quality Management Systems (QMS) certified in line with ISO 9001: 2008 system standard. As per the requirements of the QMS, customer satisfaction surveys have been carried out where over 80% of the participants have rated the services as excellent.

Marketing activities of the sector are carried out according to the brand guidelines of the Group with the assistance of the Group's Corporate Communications team. Customer privacy is maintained at all times and client information is not shared without permission from the clients. All staff at SIA's General Sales Agency are required to follow a Customer Data Protection Program with compulsory annual refreshers delivered on-line.

For recruitment of hotel employees the Group gives priority to local applicants with 'local' defined as the vicinity within a 40km radius of each hotel.

The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None
Total number of substantiated complaints received concerning breaches of customer privacy	None
The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Maritime & Logistics Sector

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

The strategic foresight which led Aitken Spence to invest in the maritime and logistics industries nearly forty years ago remains a driving force even today. The company has become a leader in the country's maritime and logistics sector while recording many firsts in its business initiatives both locally and in its overseas investments.

Rs. 338.6 Mn
Total contribution to the Governments
(by direct and indirect taxes)

57%
Reduction in water consumption

Rs. 9.5 Mn
Total investment on environmental sustainability

Rs. 7.9 Bn
Total Assets

Rs. 7.5 Bn
Total Revenue

70%
Increase in ship crane productivity at Fiji ports

60%
Reduction in berthing delays at Fiji ports

1,571
People

It is a testament to the effectiveness of improvements we brought into port operations and management in Fiji that the shipping lines removed a port congestion charge previously slapped due to inefficiency and low levels of productivity.

Maritime & Logistics Sector

	2014/2015 Rs. Mn	2013/2014 Rs. Mn	Change %
Revenue	7,519	7,205	4.4
Profit from operations	706	644	9.7
Profit before tax	735	705	4.3
As at 31st March			
Total invested in PPE	4,128	3,952	4.5
Total Assets	7,868	7,803	0.8

The strategic foresight which led Aitken Spence to invest in the maritime and logistics industries nearly forty years ago remains a driving force even today. During this period the company has become a leader in the country's maritime and logistics sector, providing seamless integrated solutions from shipper to recipient while recording many firsts in its business initiatives both locally and in its overseas investments. The Maritime and Logistics sector of Aitken Spence consists of three primary clusters; namely, maritime, integrated logistics and freight forwarding and courier.

The maritime segment is engaged in shipping agency services, port management and efficiency enhancement services and maritime education. The integrated logistics cluster specializes in inland container terminal services, container repair, rigging and conversions, container freight stations, warehousing, third party logistics management, mobile storage solutions, bulk liquid transportation and all types of cargo from containerized to heavy and over dimensional. The freight cluster offers air freight, sea freight, brokerage and supply chain solutions, operating through a worldwide network of agents. The cluster also operates a subsidiary engaged in international express, domestic delivery and international mail solutions being the exclusive associate in Sri Lanka for TNT Express. In cargo aviation the sector is the Cargo General Sales Agent (GSA) for Qatar Airways in Sri Lanka, for Sri Lankan Airlines and Mihin Lanka in the Maldives and in Bangladesh for United Airlines, Sri Lankan Airlines and Mihin Lanka through associate companies. Following an internal restructuring, the sea freight logistics operations offered under the maritime segment will be merged with the freight cluster commencing the next financial year, a move designed to ensure greater synergies between business segments.

2014 was a year of excess supply due to a growth in ship board capacity. Global container capacity at the end of 2014 was up 6% year on year to 18.1 million Twenty-foot Equivalent Units (TEUs). Global demand for container traffic however lagged behind at 5.2% in 2014. Analysts expect capacity to grow by 30% to 24 million TEUs by 2019, while demand will be slower, resulting in freight rates declining between 1.6% and 2.6% per year, during the same period. This trend is bound to place enormous pressure on the profitability of shipping lines, leading to pressure on agents. However in Sri Lanka, export volume TEUs grew by 5.3% while import volume TEUs grew by 8.8% during the year.

Alarming drops were recorded in freight rates during 2014, with rates from Asia to Europe declining by 20.7% and from Asia to the Mediterranean by 14.5% lower by the end of the year. The trend has continued into 2015 with the corresponding rates declining by a further 12.4% and 15.5% respectively by March 2015.

Despite erratic industry conditions, better than expected contributions from overseas operations saw the sector sustaining its performance. The consolidated revenue of the sector recorded a growth of 4.4% compared to the last financial year, whilst profit before tax recorded an increase of 4.3%, led mainly by the improved performance of the port management operations.

Significant highlights

Maritime Services	Freight Forwarding & Courier	Integrated Logistics
• Achievement of highest ever export liftings. • Elimination of port congestion surcharge due to increased efficiency levels in Fiji ports. • Extension of port management service agreement in port of Nacala (Mozambique).	• Achievement of 25% market share on Maldives air freight exports through our cargo GSA operations. • Proposed restructuring to enhance synergies across sector. • Expansion into the Record Management business.	• Re-fleeting and Infrastructure development. • Venturing into high value bulk cargo transportation. • Focus on differentiation based on flexibility and technology.

Business model of Maritime & Logistics sector

Key Partners

- Principals
- Overseas agents
- Service providers
- Carriers
- Component Manufacturers
- Affiliated universities linked with CINEC
- Regulatory Authorities
- Labour Unions

Key Activities

- Transportation
- Terminal and Depot operations
- Freight station operations
- Warehouse/storage operations
- Port management services
- Contract and Regulatory logistics
- Third party logistics
- Domestics and international courier
- Cargo GSA operations
- Project cargo solutions
- Maritime education
- Shipping Agency Services
- Freight forwarding
- Customs House agency
- Record management

Customer Relationship

- Brand reliability
- Providing customer specific total logistics solutions
- Continuous ongoing relationships with customers

Customer Segments

- Importers
- Exporters
- Forwarders
- Corporate clients
- Financial Institutions
- Shipping lines and airlines
- Knowledge seekers/ Students

Value Propositions

- Service excellence
- Value for money
- Efficiency enhancement
- Value creation
- Integrated/ 'One Stop' solutions

Cost Structure

- Infrastructure cost
- Staff cost
- Freight expenses
- Network expenses
- Energy cost
- Finance cost

Key Resources

- People
- Infrastructure
- Fleet of vehicles
- Financial strength
- Relationships
- Expertise
- Technology
- Strategic location

Channels

- Direct sales
- Overseas agents
- Promotions/ Advertisements
- Web
- Historical presence

Revenue Streams

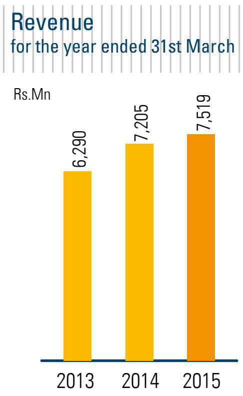
- Agency fees
- Freight income
- Terminal service income
- Management/Technical service income
- Student fee income

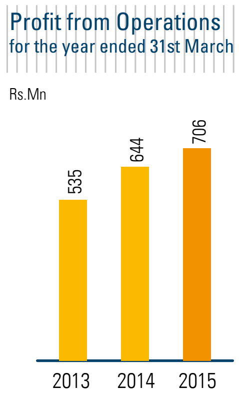
Maritime & Logistics Sector

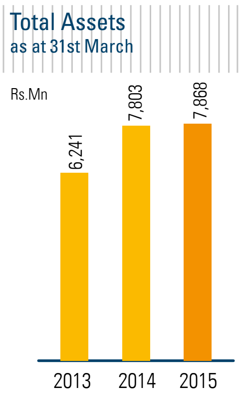
Policy consistency is critical to the growth of the maritime and logistics sector; while the policy direction of the new government is still unclear, it is hoped that an investment-friendly environment will ensue. A slowdown in infrastructure development projects is anticipated in the short term, which may impact the logistics industry which has been an active partner of the infrastructure boom during the post-war years.

Furthermore, in order to encourage a competitive environment, it is imperative that the government allows market forces to determine pricing and commercial activities of shipping lines. It is also important that any liberalization of the shipping agency and freight forwarding businesses takes place only after careful consideration and extensive discussions with all stakeholders.

The Sri Lanka Ports Authority and Customs implemented Electronic Data Interchange (EDI) facilities for reporting manifests as well as exports and transhipments. Shippers and consignees however are yet to become compliant with the system. Legislation making it compulsory to report manifests through the EDI in addition to Customs Data has led to a duplication of work. Technology became further embedded within the industry, with shipping lines investing in information technology for closer monitoring and cost reduction. New technology also offers us an opportunity to improve our services, by introducing new tools such as tracking equipment and mobile devices to drive efficiency.







Maritime

The ship agency segment serves as agents for 3 of the world's top 25 lines in addition to handling nearly 40% of cruise vessels calling in Sri Lanka. The segment achieved its highest ever export liftings during the year. With the recommencement of car carriers calling at the Hambantota Port, we successfully persuaded our principals to use Hambantota as a transhipment hub for vehicles, opening another key revenue stream. The segment's operations were impacted by a drop in import volumes as well as increased competitor activity, including new alliances that have begun to call at the Port of Colombo.

Fiji Ports Terminal Limited (FPTL) which is a public private partnership where Aitken Spence owns 51% of the company, manages the operations in the two international ports in Fiji situated at Suva and Lautoka. It is a testament to the effectiveness of improvements we brought into port operations and management in Fiji that the shipping lines removed a port congestion charge previously levied due to inefficiency and low levels of productivity. Since the takeover of the management of the two ports we have increased the ship crane productivity by 70%, reduced the equipment downtime by 60% and significantly reduced berthing delays resulting in faster ship turn around.

Our port management operations in Mozambique have also been a resounding success. As a result of the continued improvements we have brought in to the operations of the Port of Nacala, during the year, our agreement for the management of the port was extended.

The maritime segment is the single largest shareholder in the CINEC (Colombo International Nautical and Engineering College) maritime campus, a large private degree awarding institution with emphasis on maritime education. It is also the largest maritime academy in South Asia. The segment performed below expectations during the year, with a decline in profitability mainly due to the rescheduling of some of the degree courses to the next financial year. Volumes remained high with an annual intake numbering over 17,000 students. Expanding its operations overseas CINEC presently manages the Maritime Academy of the Fiji National University and the Maritime Training Centre of Seychelles.

The performance of the sea freight logistics business suffered during the year under review. While volumes increased, the margins eroded due to a number of factors including the drop in freight rates due to surplus capacity; a trend of shipping lines going direct to customers, and customers demanding high service levels at low rates. Being a CIF dominant service provider, it must be noted that despite low freight rates from Sri Lanka we were well above the average performance of the industry. The segment successfully handled project cargo for bridges, relating to infrastructure development in the country. A milestone during the year was being responsible for the import and re-export of all cargo related to the visit of His Holiness Pope Francis to Sri Lanka in January 2015.

Overall, the maritime segment continued to record exceptional performance, with the profit before tax growing by 27.7%. These results were achieved on top of over 50% growth achieved last year which in perspective constituted a highly commendable performance for the financial year.

Outlook

We anticipate the low margins in the maritime industry to continue as addition of larger ships to operational fleets brings in excess capacity thereby pushing freight rates downwards. The reduced commission will only be offset through demand driven volume gains.

The merger of our principal Hapag-Lloyd with CompañíaSud Americana de Vapores (CSAV) to become the world's fourth-largest ocean carrier will allow us to look at new markets, particularly in South America. Other shipping lines too are forming new alliances to consolidate resources, creating new competition within the market.

Going forward, the Port of Colombo needs to secure more transhipment volumes by promoting itself as a transhipment hub in order to sustain growth in the medium to long term. This is especially important given the change in stance of the Indian Government which is now keen to promote transhipment services at Indian Ports.

Overall, the segment seeks to expand its reach overseas whilst augmenting its operations in the countries that it already operates in, especially in the field of port efficiency enhancement and management.

Freight Forwarding & Courier

The freight forwarding industry has been experiencing a continuous moderate growth during the last few years. However this trend failed to stimulate performance of established players in the market due to intense price competition and shifting business dimensions, impacting both volumes and margins. The freight forwarding and courier segment witnessed an overall drop in revenue of 18.0% and the profit before tax took a dip during the financial year, due to some products performing poorly.

The air cargo market has been adversely impacted by the ban imposed by the European Union on Sri Lankan fish exports, due to alleged violations of international regulations on deep-sea fishing. Sri Lanka is the second largest exporter of fresh and chilled swordfish and tuna to the EU; the loss of this business has led to intense competition, as operators scramble to fill excess capacity. Furthermore, a screening requirement for US cargo transhipping via Doha has limited the opportunities of targeting chilled fish exports to the United States.

The growth in freight operations in the Maldives remained restrained due to stiff competition faced by its key export, chilled and dried fish to Europe. The limitations in the commodities market in Maldives restrict our revenue growth and therefore, we are exploring the introduction of new services such as a hub operation to route cargo originating in China via the Maldives to feed the Sri Lankan Airlines network.

Revenue from sea freight has been negatively impacted by the government's decision to remove the Terminal Handling Charge from January 2015. Margins on consolidated shipments remain low

Expanding its operations overseas CINEC presently manages the Maritime Academy of the Fiji National University and the Maritime Training Centre of Seychelles.

1873	Commencement of Aitken Spence & Co. in Colombo as the largest shipping agency.
1980	Diversified the operations into international freight forwarding in Sri Lanka.
1981	The Group was appointed as agents for TNT express, one of the world's leading courier companies.
1985	Commenced container transportation services and a inland container terminal in Mattakkuliya.
1987/88	Established Ace Container Terminals (Pte) Ltd to handle the first free trade zone inland dry port in the country.
2007	The first Sri Lankan Company to venture into 'Port Efficiency Management' outside Sri Lanka.
2009	Acquires 'Loglink (Pvt) Ltd' a container freight station operation with specialized solutions for warehousing and garments on hangers.
2011	The Group becomes the largest shareholder of CINEC which is the Sri Lanka's largest private sector maritime and higher education campus.
2012	The Group is appointed as the general sales agents (Cargo) for Qatar Airways.
2013	The Group acquires a majority stake in Fiji Ports Terminal Limited., through a Public Private Partnership to operate, manage, maintain and develop the two major ports of Suva and Lautoka in Fiji.

Maritime & Logistics Sector

The Qatar Airways cargo GSA increased capacity by upgrading its three narrow body flights to three wide body flights.

due to rate pressure from competition and higher freight rates to North America.

The local market for garments and apparel export is undergoing a shift, with exporters opting for the use of sea freight to manage costs. While this provides us a new opportunity to increase our sea freight volumes, margins will continue to be under pressure. At the same time, the introduction of "All In" rates instead of surcharges may encourage some exporters to shift to air freight from sea freight.

The express segment showed encouraging growth year-on-year, with volumes growing across its service segments, except for the product "World Express Freight" which recorded a marginal drop. The rapid decline of the Euro against the US Dollar helped increase business yields, but those gains were offset by the reduction in fuel surcharges. The express segment has extended its services into the "Store and Deliver" segment of the market while aggressively expanding the "Record Management" area of its business. The segment has also enabled efficiency gains through the development of new customized software.

Yields from the customs brokerage dropped during the year on the back of lower than expected volumes from existing clients and lower margins from transport activity.

The growing e-commerce market in Sri Lanka, offers high potential in the B2C segment of the delivery market. Presently, we exclusively handle delivery services for two of the biggest online retailers in Sri Lanka, and will aggressively pursue this segment which is set to boom over the next few years.

In Bangladesh, where we have been in operation for the past 20 years, the growing presence of multinational players has limited our opportunities to secure new business. As a result we have adopted a strategy of growing through nominated business. The unstable political environment in Bangladesh is forcing buyers to move their orders to other countries, which may impact our volumes in the coming year. We are pursuing opportunities within the growing FOB (Free On Board) import market to offset potential loss of existing business. Security concerns continue to restrict our growth in Pakistan, where we offer freight and logistics services through an alliance.

The Qatar Airways cargo GSA increased capacity by upgrading its three narrow body flights to three wide body flights. The GSA also operated a dedicated freighter to Lahore, Pakistan during Ramadan. The performance of the GSA grew appreciably over the previous year despite the availability of increased capacity in the industry.

In the Maldives, the airline segment has targeted transhipments from the Far East to fill excess space, a strategy that has already enabled us to increase load factors from 25% to 45%.

Outlook

The merger of the freight forwarding segment with the maritime sea freight logistics operations of the sector will enable us to bring in a greater focus on the market and better cost management techniques, while promoting total integrated solutions that are customized to customer needs. The merger is expected to open up a much larger base of clientele as well as partners, changing the way we deliver our supply chain solutions. The overall cost benefits garnered through the new operating model will eventually be passed to our customers, thereby helping us grow in competitiveness.

Across our operations, we will continue to leverage on our reputation and expertise to represent more foreign principals and to acquire more nominated business; the rising importance of compliance means that the integrity and financial stability of partners has begun to matter much more than previously, which augurs well for the Group.

The demand for traditional import/export logistic services is inextricably linked to the fortunes of the manufacturing sector, which in turn requires a stable policy environment to grow. A favourable political climate should lead to increased trade with the US, Europe and India while we also anticipate increased trade between China and Sri Lanka following the implementation of a proposed free trade agreement.

Integrated Logistics

The growth pattern of the logistics industry is no longer driven by the exports, and has become more fragmented, unpredictable and volatile. Infrastructure is becoming a major determinant for growth.

The integrated logistics segment focused on strengthening its offering through infrastructure development. While the development work restricted operations to some extent, the upgraded infrastructure and machinery, once commissioned, should propel the segment to new levels of performance. Despite the restrictions however, the subsector successfully retained its leading position within an intensely competitive market, where smaller players capitalised on price sensitivity and several accounts changed hands due to nominated business through local and international players. The segment was in prime position also to respond to increased demand for end to end supply chain solutions as well as real time tracking and ERP backed solutions.

With the envision of making Sri Lanka the region's maritime and aviation transport hub, the Government embarked to triple Colombo port's capacity, which has already increased by over half since the Colombo South Terminal opened last July. Upgrading physical infrastructure and building capacity resulted in the port having an abundance of space, which enforced the Port's management to offer free storage space to main line vessel operators. Under the increasing availability of space, the main line operators opted to store their empty containers inside the port by directing consignee drop off containers at the Port's yards, resulting in a chain effect reducing the availability of storage opportunities to private inland container terminals and increasing the competitiveness amongst the off dock operators.

During the year, yard development activities at the depot resulted in space restrictions for container storage and increased the turnaround time for vehicles. The development work also resulted in higher maintenance expenditure on fleet and equipment. Gearing ourselves for the future, we also invested in our fleet to increase capacity.

The container freight station (CFS) returned a steady performance in general consolidations. The garments on hangers CFS facility also operated at limited capacity during the year due to structural renovations and is due to be completed during early part of the next financial year.

A less than optimum business environment, disruptions to operations due to ongoing development work and stiff competition in the market had an adverse impact on the performance of the segment. The combined effect of these factors resulted in a drop in revenue of 4.7% which together with increased pressure on margins, resulted in a further decline in the profit before tax.

The segment ventured into the transportation of high value bulk products such as LP Gas, to offset the price competition from smaller players in the market. High rainfall during the year resulted in the reduction of thermal power generation, impacting our fuel transportation business.

We increased the capacity of our warehouse during the year, while the investment in the new Oracle Warehouse Management System (WMS) helped to improve process efficiencies and customer confidence.

Outlook

The future of the segment lies in catering to the increasing demand for end to end supply chain solutions that encompass multimodal transportation. While seeking avenues of growth within Sri Lanka, the segment is also actively exploring opportunities to offer its expertise to overseas markets that require inland container terminal/dry port operations. International and emerging markets will be focused as a part of the overall business growth strategy.

We welcome proposals to extend Free Port status to the local ports as this will expand opportunities for the Sri Lankan logistics industry. Sri Lanka's journey towards becoming a logistics hub is on course, with supply expanding through capacity building and concessions in regulations (free port benefits). The transhipment and MCC (Multi-Country Consolidation) volumes are likely to grow on the back of these developments, offering operators such as the opportunity to invest in the "Free ports" for "Entrepot" and "Bonded Warehousing and MCC" operations. Such large capital outlays would of course depend on extensive financial feasibilities that consider guaranteed annual export revenue commitments.

The segment is also closely watching developments such as the Sri Lanka Ports Authority's plans to set up a container freight station outside the port as well as a proposal that envisages Sri Lankan ports offering shipping lines free storage facilities for empty containers.

Sustainability Review

All SBUs in the sector have implemented environmental management systems in line with the ISO 14001 system guidelines to manage environmental aspects material to the sector. Aitken Spence Cargo has successfully re-certified its EMS, which includes the corporate operations and the activities of the warehouse within its boundary. The boundary of the EMS of the Maritime segment covers its corporate operations while the EMS of the Logistics segment includes operational sites in Mabole, Mattakkuliya, Welisara and Katunayake. The Logistics segment has revised its EMS during the financial year and is awaiting certification.

Energy

Energy consumption is a material aspect for the Maritime and Logistics sector. As part of their EMSs, all SBUs maintain programmes to reduce air conditioning and raw power consumption in their corporate operations. Aitken Spence Cargo has appointed "Electricity Conservation Champions" to monitor EMS programmes to reduce electricity consumption. Separate energy meters have been fixed at all divisions at Aitken Spence Logistics for better monitoring and control of electricity consumption. Energy meters have also been fixed on all 55 reefer container points to measure electricity consumption. Among other steps taken to reduce environmental impacts in energy consumptions, Aitken Spence Logistics invested Rs. 5 million to install solar panels at the premises in Mabole. The unit has a capacity of 30kW and it is estimated that the solar panels

Maritime & Logistics Sector

would reduce grid electricity consumption by 43,200 kWh (155.52GJ). The initiative will reduce GHG emissions of the operation by about 40 tonnes CO2e in the first year. Aitken Spence Logistics is planning to expand this investment to other locations at Wattala and Katunayake during the coming financial years.

Water

In line with the aspects identified through the EMS, each SBU implements measures to monitor water usage and to create awareness on the efficient use of water. Further, Aitken Spence Logistics commissioned a waste water treatment plant for the container washing facility in Mabole. Another waste water treatment plant is due to be constructed at Mabole.

Emissions, Effluents & Waste

All companies within the sector segregate and quantify solid waste generated through operations. Paper and cardboard are collected and sold for recycling. In addition, Aitken Spence Cargo uses shredded waste paper as packing material thereby reducing the need for non–biodegradable packing material. Packing material is also reused where possible. Used tyres, scrap metal and batteries are sold to registered contractors for recycle/reuse. The Group Sustainability Division provided compliance checks on the eligibility of service providers to provide waste management services.

During the last financial year Aitken Spence Logistics experienced one vehicle accident which resulted in 6,000 litres of furnace oil spilling into a stream. The team from Aitken Spence Logistics responded on time to contain the spill with sand bags and filter the oil out. Representatives of the National Water Board and the Public Health Inspector of the location inspected the site and verified that there was minimal impact on the water system. All safety precautions were taken to ensure that the team was protected from the health and safety hazards of the task.

Occupational Health & Safety (OHS)

As an 'Essential Action Point' of the Group's integrated sustainability policy, all SBUs practice 'HIRAC' (Hazard Identification Risk Assessment and Control) for Occupational Health and Safety

	2013/14	2014/15
Direct Energy Consumption (nonrenewable sources)	68,306 GJ Diesel – 99% Petrol – 1% Furnace oil – Not used LPG – Not used Biomass/ fuel wood – Not used Solar power – not used	71,722 GJ Diesel – 99% Petrol – 1% Furnace oil – Not used LPG – Not used Biomass/ fuel wood – Not used Solar power – installed, not yet in use
Indirect Energy Consumption	6,021 GJ	6,683 GJ
Reductions achieved in energy consumption	7 GJ	No reductions achieved
Total water withdrawal	43,848 m^3	18,893 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water recycled and reused by the organisation	None	None
Gross direct (Scope 1) GHG emissions	4,957 tonnes CO2e	5,207 tonnes CO2e
Energy indirect (Scope 2) GHG emissions	1,238 tonnes CO2	1,374 tonnes CO2
Reductions achieved in emissions	1.4 tonnes CO2e	11 tonnes CO2e
Shredded waste paper, wood wool reused as packing material	219 kg	100 kg
Cardboard packing material reused	320 cartons	217 cartons
Plywood reused as packing material	237 sheets	440 sheets
Polythene packing material reused	34 kg	49 kg
Tires reused and/ or sold for reuse	20 nos	20 nos.
Lead acid batteries exchanged with vendors for new units	5 nos.	14 nos.
E – waste handed over to be recycled at the Aitken Spence E – Waste drive	-	306 units
Total investment on environmental protection	(Negligible)	Rs. 9.5 million

(OHS). Accordingly, the SBUs in Maritime and Logistics sector have taken necessary action to provide a healthy and safe environment for its staff and customers. Each SBU has either an OHS representative or a committee of OHS representatives with adequate training in fire safety, first aid and conducting hazard spotting inspections. Each SBU has trained Fire Wardens and First Aid Officers representing diverse divisions and levels of management.

During the financial year, Aitken Spence Logistics provided over 621 man-hours of training for 181 employees, covering the topics of fire safety, health and fitness. In addition, a "Four-zone" fire alarm control panel was installed at the Container Freight Warehouse. Total investment on OHS activities at Aitken Spence Logistics amounted to over Rs.1 million.

Aitken Spence Cargo developed a Dengue hazard inspection checklist for the SBUs, which was used in inspections carried out at the office premises. The segment communicates its OHS policy to transport service providers in services agreements and insists on compliance.

Community Development and Employee Volunteerism

Across the sector, SBUs engage in various strategic initiatives on community development and to provide employees an opportunity to volunteer their services to the community.

Investment in the new Oracle Warehouse Management System helped improve process efficiencies and customer confidence.

Aitken Spence Cargo engages with local community through development activities, which include ongoing engagement with schools close to key business operations. The segment and its employees also provided assistance for national disaster relief efforts during the year, by making contributions towards landslide victims in the Badulla district. Internship opportunities are extended to family members of staff. During the last financial year, three such interns obtained training on the corporate working environment with the Aitken Spence Cargo segment.

Aitken Spence shipping segment facilitated employee book donations and medical welfare donations. In addition, Aitken Spence Shipping also provides training and internship opportunities for youth to explore new career opportunities in the maritime industry. During the financial year Logistics segment has engaged in employee volunteerism activities impacting over 1,200 beneficiaries.

Several fund raising initiatives, driven by employee volunteerism have been carried out across the segment and channelled towards community development.

Total funds channelled for community development efforts, relevant to the scope and nature of the operations, is Rs. 269,000/-

Compliance

Aitken Spence Cargo is seeking the alignment of its service providers with ISO 14001:2004 and ISO 9001:2008 system requirements and as such, conveyed the segment's sustainability commitments to 102 key suppliers/transporters, inviting them to register and provide details of their company/ establishment and vehicle fleet. Team members were assigned to carry out the inspections and monitor the initiative; consequently, 19 service providers were screened and registered. The segment's commitments were also conveyed to key customers, international agents and principals at management meetings. These sessions included details on the segment's management systems including the EMS, Quality Management System (QMS) as well as the Ten Principles of the UN Global Compact.

The Cargo segment also conducted training and awareness for staff on the segment's environmental sustainability activities to encourage compliance and co-operation. Logistics segment trained 8 staff members representing all 4 sites as Internal EMS Auditors and is currently working with local authorities to obtain environmental protection licenses.

Human Rights at the Workplace

As signatories of the UN Global Compact, the sector has been educated on Group wide policies, practices and procedures regarding the human rights protection matrix of the UNGC and the Business Leaders Initiative on Human Rights. The sector nominated 9 employees to a network of support givers for human rights at the workplace. The sector also follows an open-door policy where staff can approach the management including top management or Group's Human Resource Division for any concerns or suggestions.

Product & Service Responsibility

Aitken Spence Cargo and Aitken Spence Shipping maintain QMS that are ISO 9001:2008 certified, with services continually assessed for quality improvements. Customer feedback is obtained, considered and improvements implemented accordingly. Aitken Spence Logistics is at present assessing service processes at the Mabola operational site as per the ISO 14001:2004 EMS guidelines, with a view to obtaining certification. All operations are also regularly checked for occupational and health hazards.

The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None
Total number of substantiated complaints received concerning breaches of customer privacy	None
The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Strategic Investments Sector

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

Our strategic investments are always aligned with the Group's core values as well as their potential to create long term value for the Group.

Rs. 80.5 Mn
Total contribution to the Governments
(by direct and indirect taxes)

Rs. 132 Mn
funds channelled for community development

Rs.100 Mn
Investment on environmental sustainability

Rs. 20.3 Bn
Total Assets

Rs. 15.1 Bn
Total Revenue

5,456GJ
energy saved

37%
Reduction in total water consumption

2,378
People

Our success has been our agility in embracing new strategic investments and our prudence in exiting those segments where value no longer exists.

Strategic Investments Sector

	2014/2015 Rs. Mn	2013/2014 Rs. Mn	Change %
Revenue	15,110	16,132	(6.3)
Profit from operations	826	599	37.8
Profit before tax	613	199	207.2
As at 31st March			
Total invested in PPE	5,671	5,746	(1.3)
Total Assets	20,253	22,769	(11.0)

As one of the country's foremost conglomerates, the Aitken Spence Group has always had strategic pursuits in economic sectors with present and future potential. At present, our strategic investments are focused on industries such as plantations, power generation, garment manufacture and printing and packaging. Our strategic investments are always dictated by their alignment with the Group's core values as well as their potential to create long-term value for the Group. Our success has been our agility in embracing new strategic investments and our prudence in exiting those segments where value no longer exists.

The sector recorded a revenue of Rs. 15.1 billion for the period under review, a decline of 6.3% from the previous year. This drop was as a result of the drop in revenue in the power segment. Net profit before tax for the sector returned a growth of over 200% compared to the previous year, as a result of positive contributions from all segments, but mainly due to the cessation of the expenses incurred on the maintenance of the two non operational power plants at Matara and Horana, following the sale of these power plants.

Power Generation

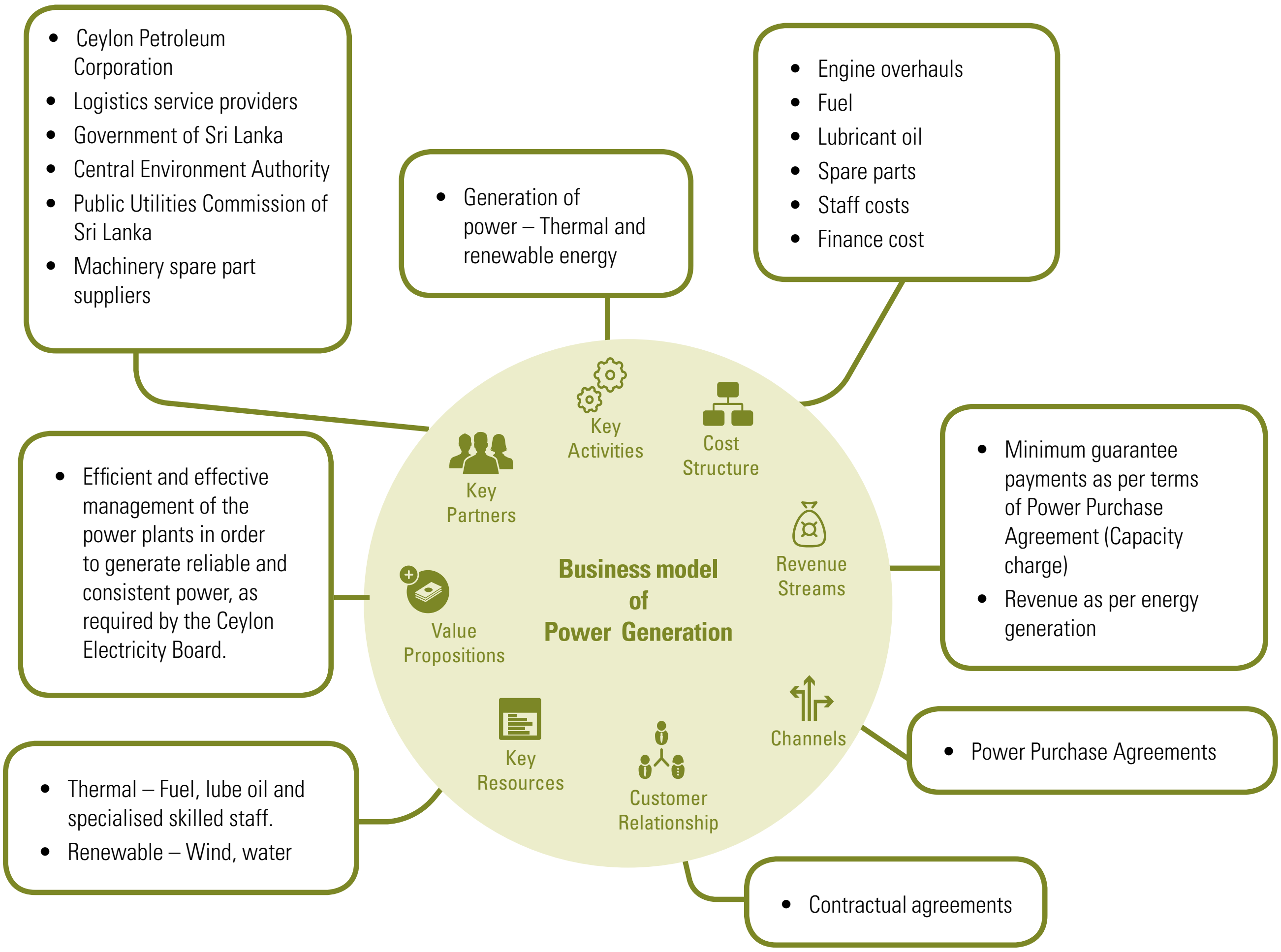
The power generation segment operates a 100MW thermal and two small renewable energy plants; a 2.5MW hydro power plant and a 3MW wind power plant generating power for the national grid. The 100MW thermal power plant in Embilipitiya was the first company in the power sector in Sri Lanka to be certified for environmental quality as well as occupational health and safety management systems.

The thermal power generation segment for private sector participation continued to shrink in 2014/15; in fact, the only IPP established during the past decade has been one in the North while the Ceylon Electricity Board (CEB), the main stakeholder, has not invited any private sector proposals for thermal projects. The renewable energy segment for under 10MW remains open for private sector participation, however CEB's grid capacity limitation has hindered the expansion of this sector.

The Government has strategies in place to expand both thermal and renewable power generation; two 500MW coal power plants have been proposed in Sampur and Trincomalee while a 100MW wind plant has been proposed in Mannar. The CEB is contemplating developing a wind park in the Mannar region where the estimated wind potential is around 375MW. The Government has also inked a bilateral agreement with India for use of nuclear energy. Although nuclear energy is a good source of green energy, the feasibility of such projects must be closely examined taking into account safety aspects and waste disposal. In the case of Sri Lanka, factors such as the availability of natural resources in the form of

Significant highlights

Power Generation	Printing & Packaging	Garment Manufacture	Plantations
• Higher operational efficiencies due to optimum plant maintenance and cost management initiatives • Following the expiry of the Power Purchase Agreement of Ace Power Matara, the Company was successfully disposed of during the year.	• Product differentiation, process optimization and value addition has been our competitive edge • Higher margins due to focus on niche market segments offering value added solutions • Investment in sustainability initiatives to expand green product offerings	• Commissioning of the USD 3 million new manufacturing facility in Koggala • Higher demand due to rebound in the US economy resulted in growth in export quantities • Rising costs not been compensated by a devaluation of the LKR against the USD resulted in margins coming under pressure	• New Peacock estate recorded the highest ever tea yield in Sri Lanka of 3,008 kgs per hectare • Adverse weather conditions that prevailed during the year affected crop levels • Volatility in the export markets for tea and all time low rubber prices had a negative impact



wind and solar, and population density must also be considered by policy makers.

The power generation segment's last of the three power purchase agreements for thermal power generation- for its Embilipitiya power plant - expired in April 2015. The company's continued operations as an IPP hinge solely on the requirement of the CEB, and the company is in discussions with the CEB on a mutually agreeable proposal to extend operations for another 5 years. The power generated at Embilipitiya contributes towards transmission and distribution system stability in the Southern Province and its continued operation must be viewed in this context.

The actual quantum of power generated by IPPs depends on CEB requirements; higher rainfall during the year significantly enhanced the CEB's hydro power generation capacity, resulting in lower demand for thermal power generation. As a result, the dispatch from the Embilipitiya plant was curtailed in 2014/2015 resulting in a decline of 12% over the previous year. Under the Power Purchase Agreement (PPA), tariffs and fees remain fixed for the entire duration of the agreement, therefore profitability can only be increased through internal efficiencies, including optimal plant maintenance and cost management initiatives. The segment practices a rigorous operation and management procedure to drive operational efficiencies.

The sale of the Horana and Matara thermal power plants had a positive impact on the segment's bottom line compared to the previous year, as there were no expenses incurred for maintenance of the two non operational plants.

We consider waste to energy conversion projects extremely important to Sri Lanka to generate renewable energy while protecting the environment. However, waste conversion in an environmentally and socially safe manner requires high levels of investments and adequate and appropriate land. The complex dynamics of the business model of such projects are yet to gain wide popularity, however we will continuously explore opportunities in this area.

Strategic Investments Sector

Outlook

Aitken Spence remains a major player in the industry, owning a 100MW thermal power generation capacity and the segment is committed to further invest in both renewable and non renewable energy, within a conducive environment for private sector participation. .

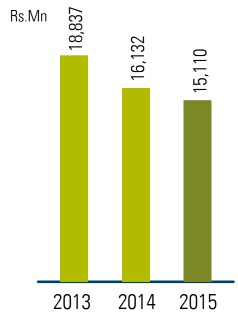
While the outlook for thermal IPPs seems uncertain, with regulatory restrictions on any private party applying to generate above 25MW, the future for renewable power projects for less than 10MW is more positive. In terms of renewable energy, our short term goal is to improve the operational efficiencies of our two existing renewable power projects. We continuously seek to identify resource availability for renewable power generation both locally and overseas to translate those into feasible projects. It is important however that a transparent competitive tender process is in place for selecting investors for renewable energy projects which would provide equitable economic benefits to the CEB and the investor.

Given the importance of the Embilipitiya power plant to the national grid, the segment hopes for a positive response from the CEB to our proposal to extend the now expired PPA. Our negotiations will be on the basis of acceptable commercial terms and margins to support the entrepreneurial risks of the business. In the event that the PPA extension is not feasible, we will seek to sell the plant and machinery to an overseas buyer. We are actively pursuing overseas opportunities for thermal power generation, given our proven capability in the implementation and management of such projects.

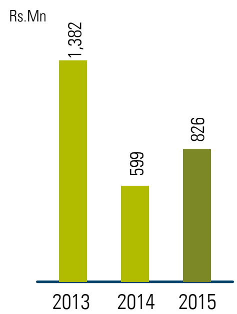
Printing & Packaging

Aitken Spence Printing and Packaging is one of Sri Lanka's leading providers of offset printing solutions for packaging, point of sales material, tags, books, coffee table books, corporate publications, and magazines for the local and export markets. Our value proposition is to provide innovative printing solutions with short lead-times and by focusing on the high quality niche product segments. Thus we have been able to penetrate several lucrative markets. At present, more than 70% of our business is based on the 'recurring revenue model' driven by high service levels.

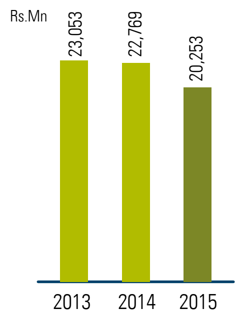
Revenue
for the year ended 31st March



Profit from Operations
for the year ended 31st March



Total Assets
as at 31st March



The printing market in Sri Lanka is valued at over Rs. 55 billion per annum with at least 5% - 7% growth expected annually. The overcrowded market has an estimated 4,000 players of different sizes offering excessive capacity, leading to heavy price competition locally. The trend in the local industry however favours larger operators such as ours, as Small and Medium Scale Enterprise (SME) printers are on the decline with a few large scale printers serving a major portion of the market. The way forward for us is to enhance printing and packaging quality, offer value addition and introduce new technology that offers a greater variety in the printing processes.

The segment continued to show a promising growth for the period under review as well, recording a growth in revenue of 14.6%. This growth in revenue coupled with production efficiencies of the sector resulted in the segment achieving a commendable increase in its profitability.

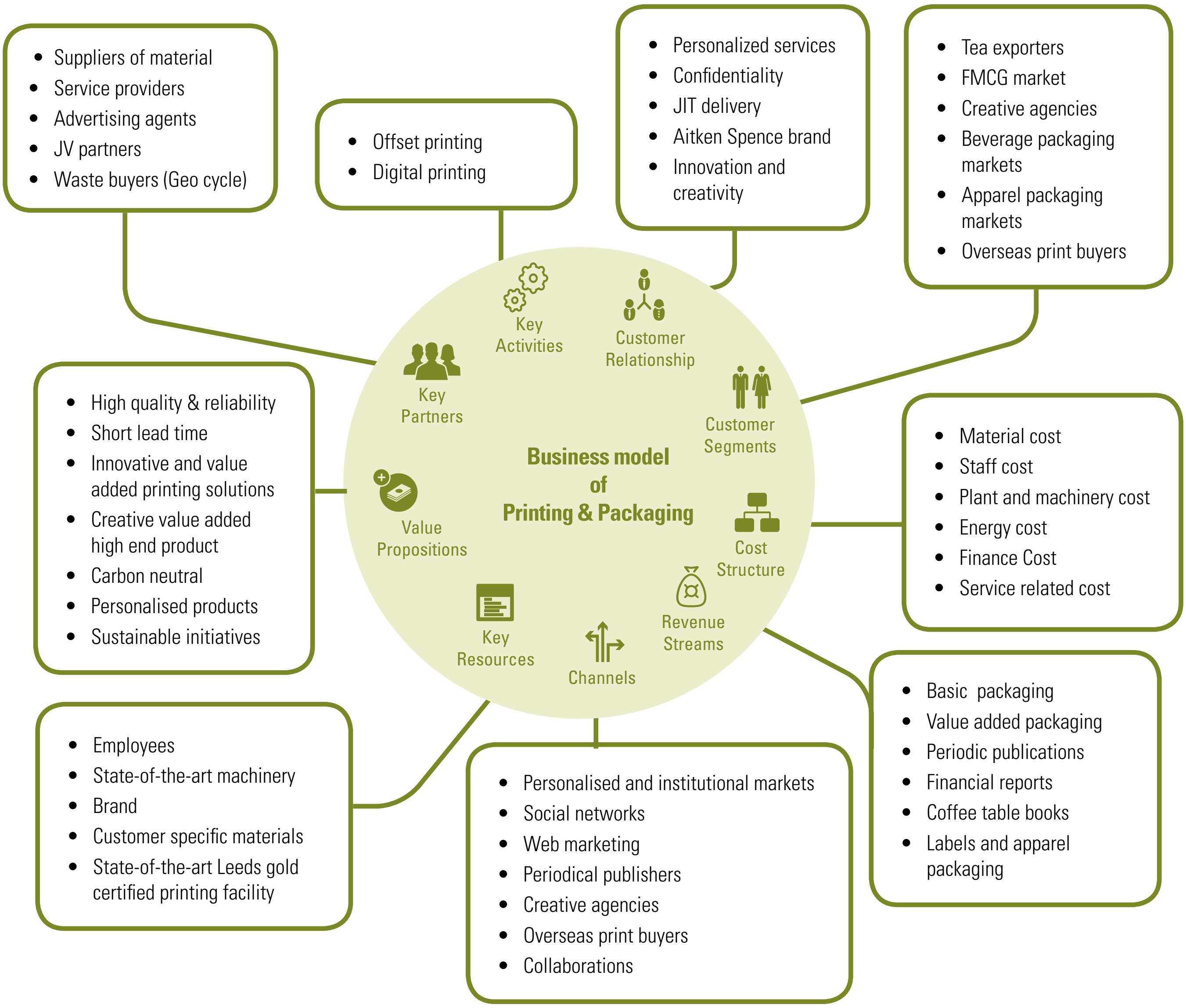
During the year, the segment increased its capacity by 15% - 20% while achieving a 10% increase in operational efficiency and utilisation. We successfully maintained an order-to-dispatch cycle time of 7 days through best practices in manufacturing, designing, planning and control as well as effective shop floor control. During the year, we grew our revenue per impression rate by over 20% due to yield optimization strategies. It is also noteworthy that the number of customer complaints decreased significantly, a reflection of the professional and proactive service ethic of our team. On the technology front, we invested further in our Computer-To-Plate (CTP) capabilities while a new Bobst machine enhanced our capacity. This being the latest technology in pre press and post press.

The packaging industry in particular is sensitive to developments in the tea, milk powder and confectionery markets. The decline of tea exports to Eastern Europe in 2014/15 led to a decline in our quantum of value added tea packaging business, while the milk powder market remained under strain, forcing us to redeploy our resources in new segments of the market. This year we also tapped into the niche market of high yield and high volume beverage market, a segment which we will focus on going forward.

Sustainable, green-friendly printing capability is becoming a competitive advantage and we are keen to extend our lead in this space. We have focused on new investments that expand our green offering while seeking partnerships with suppliers within the sustainability chain. The segment which is ISO 14001 and ISO 12000 certified, is working towards obtaining Forest Stewardship Council (FSC) certification in 2015/16.

Outlook

Market trends indicate that demand for 'low volumes and high varieties' will increase along with value added packaging, as customization becomes a priority over mass production. Demand is on the rise for technology driven value innovation, minimum lead time and cost effective high quality solutions. The overall competitiveness of companies will thus depend on the product/service quality levels, the strength of partnerships, speed and cost of solutions, agility



and availability. Innovation has always been a strength at Aitken Spence and the segment invests in extensive research and development to offer solutions utilising the latest packaging material and trends.

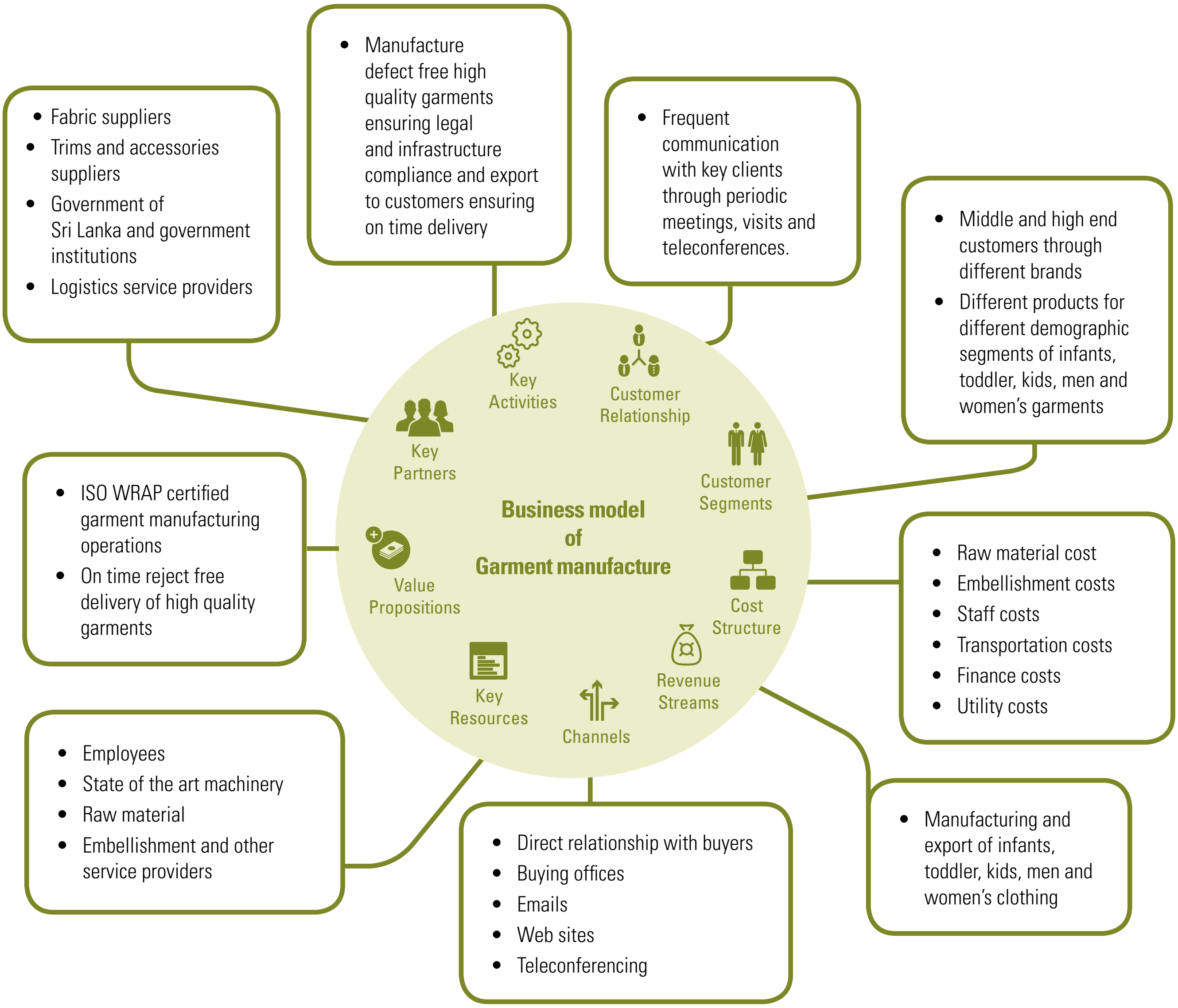
The segment is committed to implementing principles and practices of lean production using Lean-Six Sigma tools. Several other initiatives have been identified to increase efficiency, including investments in low volume high variety equipment, competence and processes; space expansion to improve the material flow; purchase of special equipment to reduce queuing time between work stations and to improve throughput rate. The segment will also expand its footprint by exploring more partnerships and collaborations with the direct export market.

The demand for packaging is closely linked to socio-economic trends, with food and beverages claiming the largest share of the global paper and board packaging market. Some of the shifts expected to impact the industry in the future are smaller pack sizes as households become smaller, busy consumers seeking more conveniences, increasing awareness of health and environmental issues, and the adoption of new regulatory requirements on packaging recycling. We are keeping abreast of these changes and are ready to respond to changing market conditions with speed and agility.

Garment Manufacture

The Garment manufacture segment specializes in manufacturing high quality woven-based apparels including a niche market of children's garments. The majority of the segment's exports are destined for the US market while the EU, Hong Kong, China and Canada are also important markets. Some of the segment's main clients include prestigious brands such as GAP Inc., Fruit

Strategic Investments Sector



of the Loom Inc., Dimensions Corporate Wear PLC and Next PLC.

The business model of the segment prioritizes product quality assurance and compliance, which is a distinct competitive advantage in the present industry context. The segment has also built a reputation for on-time and reject free delivery to the market, having completed the last several years without a single late delivery. Price pressure arises mainly from competitors that operate at a lower cost base; however our competitive strengths enabled us to grow our business by 25.9% in 2014/2015, in comparison with an industry growth of 9.4%. We increased production by 28.0% during the year by adding production lines and increasing the overall production efficiency of the factories.

During this financial year the economic rebound in our main market – the US – contributed towards the segment's growth whereas the economic downturn in Europe had a negative impact but the contribution from this region being small to the segment it did not have a major impact on our performance. Price pressure from clients persisted throughout the year; however productivity enhancements drove the business towards its profitability levels, recording a growth in net profit before tax of 5.4%

During the year we commissioned a new manufacturing facility in Koggala at an investment of approximately USD 3 million. The new facility accommodates 16 production lines and at full capacity, will provide 750 employment opportunities. The plant's production capability will enable us to attract new high end clientele and is scheduled to increase business volume by 30%-40% during the coming year. The environmentally friendly building was constructed in the space of about four months and includes a sky light system to reduce the use of artificial lighting and an evaporative cooling system to eliminate the usage of air conditioners.

The segment successfully obtained WRAP (Worldwide Responsible Accredited Production) Certification, as well as the ISO 9001:2008

Quality Management Systems and Compliance+ compliance certifications. The high standards of compliance complement Sri Lanka's industry branding strategy "Garments without Guilt". This enables us to defend our markets against non-compliant low cost vendors from regional countries.

Outlook

Our unique selling proposition will remain our track record of on-time, reject free delivery and order-fulfilment, which has given us, preferred vendor status with key customers. We will invest further towards strengthening these aspects by bringing in operational efficiencies. The strategic expansion of the business will continue apace, in order to enhance production facilities and to drive efficiency. As we expand, we would also consider investing into areas of backward integration. The segment is also focusing on penetrating the high-end market which enables better yields.

Our results in the coming year would be closely related to the macro-economic conditions in the country. A proposal by the Government to increase private sector salaries substantially, if implemented, will lead to a sharp rise in our wages bill, negatively impacting the bottom line.

Plantations

The Plantations segment engages in the cultivation, manufacture, and marketing of black tea, rubber and oil palm. The Company has also ventured in to several diversified projects including commercial forestry, hydro power generation, eco tourism, tea branding and forward integration projects such as oil palm milling.

The segment's revenue dropped by 6.5% for the period under review, resulting from the lower contribution from rubber and tea. The financial year 2014/2015 proved to be a challenging year for the plantation sector, as geo-political issues affected the Russian market for tea while rubber prices hit an all time low and erratic weather featuring heavy rain and long droughts took their toll. However, diversification into palm oil, hydropower, commercial forestry and the joint venture with China for production of value added teas reduced the impact.

Tea brings in the highest revenue to the segment, contributing a share of 74% in 2014/15. Of our total output, 92% is produced as single origins from the mid /high grown tea areas, while the balance production is derived from the low country plantations. We produced 5 million kilograms of tea in 2014/15, on over 2,200 hectares of tea plantations. Efficiency measures at our estates resulted in Elpitiya Plantations becoming number one in terms of profitability per hectare among 22 Regional Plantation Companies (RPCs) in 2014 and first in the high grown elevation average. Elpitiya Plantations also commanded number one position for CTC high grown elevation tea prices and was third in combined (High, Mid and Low) tea prices among 22 RPCs.

During the year we commissioned a new manufacturing facility in Koggala at an investment of approximately USD 3 million.

Despite adverse weather, tea production in the year 2014/15 was significantly higher and one of our estates - New Peacock recorded the highest ever tea yield in Sri Lanka of 3,008 kilograms per hectare, for a large estate.

Another of our estates - Talgaswella was adjudged as the No. 1 estate in terms of social development amongst all RPC estates.

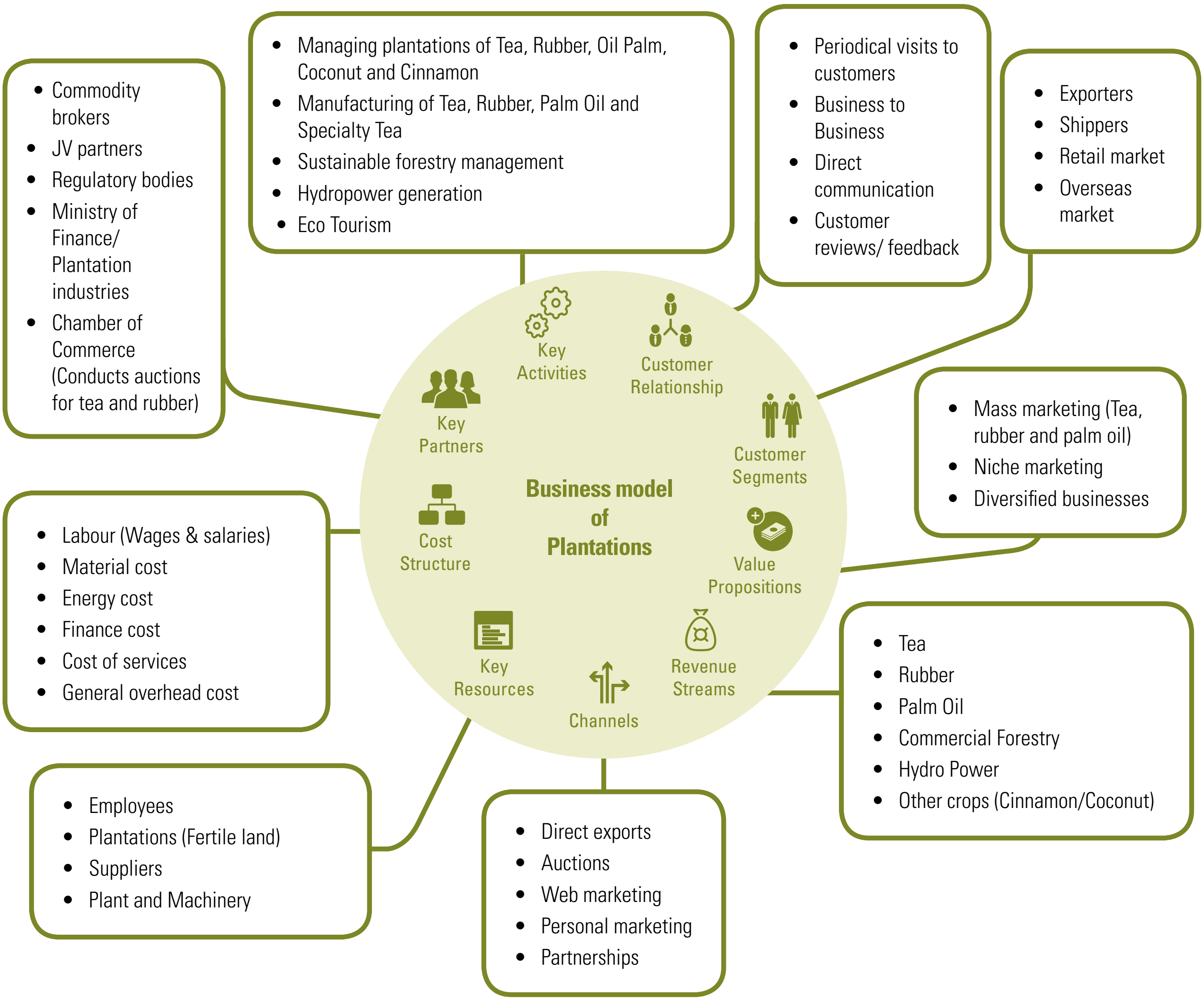
Elpitiya Plantations estates are Rain Forest Alliance, ISO 22000:HACCP, Forest Stewardship Council and Ethical Tea Partnership certified.

We sell tea under our own brand "Harrow Ceylon Choice" in both the local and overseas markets. We have also reaped strong dividends from our entry into China through a joint venture partnership with a Chinese party, to produce specialty tea for the Chinese market. During 2014/15, we began direct exports of bulk tea and value added teas to China, Kuwait and Vietnam.

Rubber contributed 8% of the segment's revenue and is grown on low country estates, covering over 967 hectares in bearing and producing 0.7 million kilograms in 2014/15. Rubber prices hit an all time low during the year with no improvement likely in the short term. In order to minimise our risk within the rubber segment, we have entered in to a forward contract with a British buyer to export premium quality sole crepe.

Oil palm now contributes 17% of revenue; it is now grown on all of our low country estates, covering 950 hectares in bearing. Oil palm is a relatively recent introduction to Sri Lanka with substantial opportunities for growth. During the year, we sold 100% of our oil palm production locally, catering to heavy demand mainly from soap and biscuit manufacturers. The nascent industry remains unregulated, even though the Ministry of Plantations Industries estimates that by 2020, 50% of the country's edible oil

Strategic Investments Sector



requirement will be met locally through palm oil and coconut oil.

The segment's diversification into mini hydro power projects (MHPP) has been very successful and we plan to expand such projects in the future. Currently we operate three mini hydro power projects with a total generation capacity of 4.46MW. Sheen mini hydro power project has been ranked among the first 15 of all grid connected MHPPs, on annual plant factor. Four more mini hydro projects are currently in the pipeline: with a combined generation capacity of 2.65MW.

The segment made its foray into commercial forestry 17 years ago and today, commercial forestry has been undertaken and trees have been planted on 850 hectares; the stock will be available for harvesting over the next few years.

We also further entrenched in field mechanization in the tea and rubber plantations while new poly drive systems and temperature monitoring systems were introduced for tea withering. Pilot projects were also carried out for bio fertilizer application in the tea fields and to explore viability of Agarwood plantations. We undertook the development of several factories – New Peacock, Nayapana, Dunsinane – to enable better quality manufacture of tea.

The macro developments surrounding the plantations have not helped create a conducive environment, with the proposed wage hike threatening bottom lines in the coming year. The agriculture sector continues to benefit from the Government fertiliser subsidy, and we hope the Government persists with this favourable policy.

Outlook

The Plantation segment's challenge for the future is improving productivity and managing cost through good agro practices, mechanization on estates, and right-sizing the workforce. While consolidating our production base, we are also exploring segments such as agro tourism that offer great promise.

Production cost within the industry increases with profit margins declining year on year. We are pursuing effective mechanisation as a strategy to reduce labour costs while diversifying into less labour intensive crops such as oil palm. We continuously introduce Energy Efficiency Measures (EEMs) while from a marketing perspective; we will seek high value markets that generate better margins. Measures are being taken across our operations to optimize the cost of production; these will include reducing our energy usage and introducing viable mechanization as well as ICT improvements. In the medium term, we are exploring alternative renewable energy solutions to meet our energy requirements.

Labour is the largest cost component of the plantation industry and presents multiple challenges including labour shortages, low productivity and unionisation, which is often politically influenced. The industry is gearing for the biennial wage increase in 2015/16, a regulation imposed by a Collective agreement irrespective of the segment's performance. In order to optimize our human resources, we have undertaken effective training to increase productivity and have engaged with unions to maintain good relationships that honour the collective agreements.

Changing weather patterns and climatic conditions have impacted on our crop yields as well as market prices; unfortunately the effects of global warming remain pervasive, forcing us to look at mitigating strategies. We have counteracted the adverse impacts by adopting best agricultural practices, planting selected cultivars and importing hybrid varieties of seeds. We also carry out soil and foliar analysis for fertilizer programs to optimize our yields. Among other strategies adopted are rain water harvesting, shade planting and safe pest and disease control.

The competitive environment will continue to exert immense pressure in the short term, with low cost teas offered by Kenya and Vietnam even as the lucrative tea markets in Russia and the Middle East remain restricted. Also globally, there is growing demand for substitute beverages

Efficiency measures at our estates resulted in Elpitiya Plantations becoming number one in terms of profitability per hectare among 22 Regional Plantation Companies.

1955	Started 'Aitken Spence Printing division' which provides printing and packaging services to the local market.
1977	Established 'Aitken Spence Garments' even before the birth of an open economy; with the aim of manufacturing and exporting garments to apparel importers in the USA and EU.
1985	Aitken Spence Printing (Pvt) Ltd was incorporated to provide printing and packaging services which was initially successfully operated as a division of Aitken Spence & Co.
1997	Aitken Spence Plantation's purchased a majority stake in 'Elpitiya Plantations' which owns 15 tea and rubber estates.
2002	The first 20 MW thermal power plant of the Group commences commercial operations in Matara.
2003	The second 2 MW thermal power plant commences commercial operations in Horana.
2004	Entered into a joint venture to build and operate a 100 MW power plant in Embilipitiya.
2008	Elpitiya Plantations' installed and commissioned a mini hydropower plant at its Sheen estate in Nuwara Eliya.
2012	Aitken Spence Printing relocates to a state-of-the-art printing facility which is the first LEED certified printing facility in Sri Lanka.
2013	The Group commissions the first wind power project at Ambewela and the Hydro power project in Matale.

Strategic Investments Sector

which could restrict the growth of tea in future. The fall in crude oil prices has led to synthetic rubber being sought at lower prices, as an alternative to natural rubber. We are seeking more forward contracts for sole crepe exports, and will increase our sole crepe manufacturing capacity.

Several growth avenues have been identified to drive the segment's strategic diversification– these include commercial forestry, enlarging the value added tea segment in overseas markets, mini hydro power plants and tourism, which will allow us to leverage on group strengths to market the natural scenic values of our estates.

Sustainability Review

The Strategic Investments sector has made huge strides in taking forward the Group's sustainability agenda. Today, it operates the first green printing facility in South Asia. From renewable energy generation to conducting biodiversity surveys, the Strategic Investments sector has made significant gains in managing aspects material to the businesses.

As an essential action point, all companies in the sector follow ISO 14001: 2004 Environmental Management Systems (EMS) guidelines to manage activities to protect the environment.

Energy

Direct and indirect energy consumption is a significant aspect in the EMS of all SBUs in the Strategic Investments sector.

Elpitiya Plantations has taken steps to educate technical personnel on energy management, while providing training and awareness for all staff members including harvesting assistants, on the Company's energy conservation commitments and programmes. The segment, which recently obtained the Rainforest Alliance certification for the upcountry cluster of estates, successfully generated 16,209.83 GJ of energy to the national grid through its mini hydropower projects. The sector has also taken steps to optimize processes and centralize the administration of machine maintenance.

The garment segment's facilities optimize the use of natural resources, as discussed earlier, and also adopt a 'Switch Off' policy to eliminate waste in the indirect energy consumption of the factory.

Our power plant in Embilipitiya was one of the first power generation companies in Sri Lanka to obtain an integrated management system, and has an ISO 14001:2004 certified EMS, pending recertification. All processes at the power plant are maintained well above local environmental compliance requirements. At the sector's corporate office, a Switch Off policy has been implemented along with 6S practices to encourage environmental friendly behaviour. The installation of Variable Speed Controllers has resulted in reducing internal energy consumption substantially.

Aitken Spence Printing has obtained the Integrated Management System certification for its environmental, OHS and quality management procedures. These systems follow the requirements of ISO 9001: 2008 quality management systems, ISO14001: 2004 EMS and 18001: 2007 OHS systems. During manufacturing, the Printing segment adheres to a switching off policy. Identified machines with high load are operated at various intervals to minimize the 'maximum demand' limit: 'high electricity consuming' machinery is not operated during peak hours. The green printing facility in Mawaramandiya remains a benchmark in environment sustainability. The efficacy of the energy management practices and facilities was reflected in the segment's energy consumption growing by just 6% despite turnover rising by 14%.

Water

Consumption of water is a significant aspect in the EMS of the Strategic Investments sector.

Elpitiya Plantations team has identified and mapped all bodies of water (both perennial and non-perennial) within the estates and demarcated buffer zones, maintaining a minimum of 5m – 8m on both sides of these bodies of water. All employees and harvesting assistants have been educated on the conservation of water and sprayers have been provided with specific training on the prevention of water pollution. Chemical mixing points have been identified and specifically constructed at each division in each estate, with the intention of avoiding natural water mixing with chemicals.

Students and teachers from estate schools have also been educated on water conservation while sign boards have been displayed at public places to educate the estate community as well. Waste water tanks (septic tanks) have been constructed at all the tea factories to separate the oil content of the water. Water testing points have been identified and test reports have been produced by the relevant regulatory institutions. Endemic plants such as Kumbuk and Green Bamboo have been introduced along the water bodies to improve water purity.

Aitken Spence Garments takes effort to reduce water wastage and plans to introduce rainwater harvesting for gardening use, at its facility.

Aitken Spence Printing harvests rain water for use in cisterns and for gardening; the factory also uses push type faucets to eliminate excess water consumption.

Biodiversity

Conservation of biodiversity is a material aspect for Elpitiya Plantations. The Rainforest Alliance certification for its upcountry cluster of estates involved the implementation of systems to manage activities across 100+ foci within the operation. In this effort, most of the flora and fauna within the estates have been identified, with daily records maintained by field officers. Rearing of animals in captivity is no longer allowed on the estates. Small scale jungles have been mapped and animal corridors have been developed at each site. Sign boards have been erected at public places and awareness has been conducted on the importance of biodiversity conservation. Invasive plants have been identified and replaced while all natural water streams and water bodies have been protected. Buffer zones of at least 20m from natural forests have been demarcated and maintained. Areas with soil erosion and the likelihood of landslides have been identified, and cover crops introduced to mitigate the hazards.

Emissions, Effluents & Waste

The management of emissions, effluents and solid waste is a material aspect for the Strategic Investments sector.

Elpitiya Plantations has controlled emissions by prohibiting open fires on all estates, ensuring factory chimneys are at a minimum height of 20ft above ground level, and by fumigating estates with pruned tea branches to avoid the use of artificial chemicals. Where worker housing units (line rooms) are located in close proximity to natural water bodies, separate waste water management systems have been constructed at each housing unit to mitigate waste water discharge to the fresh water.

The water withdrawn from the water bodies is used mainly for cleaning and washing in the factories. Proper drainage systems are maintained to ensure that contaminated water does not mix with natural water systems, while uncontaminated water is channelled to tea fields. Waste segregation units have been placed at all divisions while hazardous waste is collected at central points in each estate, overlooked by a responsible person. A Government approved waste collector removes the waste once every quarter. Sign boards have been displayed in public places and all staff members and employees have been given appropriate training and awareness on the waste management processes of the company.

A polythene free policy is in practice on each estate - estate employees have been given biodegradable bags for their daily household purposes to encourage environmental friendly lifestyle choices. Empty chemical cans, fertilizer sacks and fluorescent bulbs are collected separately at the stores and sent to government approved waste collectors periodically. All empty chemical cans are washed at least thrice and punctured before being handed over to avoid reuse in domestic tasks. Elpitiya Plantations has a waste management policy which is displayed in public places and the expected outcome is effectively communicated to all estate communities and estate staff members. Inorganic waste dumping is prohibited on all estates.

Aitken Spence Garments has a primary level water treatment unit through which solids and oils are separated from water. The team is exploring ways of improving their waste management processes.

Aitken Spence Power plant in Embilipitiya treats all water used before it is allowed to leave the facility. All precautions are taken to ensure that natural water systems are not affected by the water withdrawn by the facility. Stack emissions,

Occupational Health and safety is a primary area of concern for Aitken Spence Garments and the team routinely trains and educates all staff members and OHS teams on first aid, fire safety and welfare.

Strategic Investments Sector

waste water and effluents are routinely tested to ensure process efficacy and compliance. A Continuous Emission Monitoring System is attached to each engine, that promptly responds in the event when emission level goes beyond the stipulated time. The corporate office of Aitken Spence Power is the first group company to implement a polythene free zone in the office environment. The team also supports the waste segregation and recycling efforts of the Group.

Waste water generated at the Aitken Spence Printing facility (during the cleaning of machinery) is chemically treated at the factory's effluent treatment plant (on average, $39m^3$ per month). Treated water is then sent out for further treatment and disposal. Solid waste is segregated and all polythene, cardboard, plastic containers, scrap metal is sold for recycling. Soiled cotton, gold foil (printing material) and ink contaminated containers are handed over to a certified vendor for recycling.

Occupational Health & Safety (OHS)

The sector practices 'HIRAC' (Hazard Identification Risk Assessment and Control) for occupational health and safety (OHS). OHS is a significant factor for companies within the sector and strong focus is given to OHS activities.

At Elpitiya Plantations, all employees including sprayers, factory employees and others who perform high risk jobs are provided with appropriate Personal Protective Equipment (PPEs); they are regularly examined by either a medical practitioner or estate medical officer. Store keepers and sprayers have been trained in the proper handling of chemicals including chemical identification, contamination and safety precautions. Material Data Sheets (MDSs) are displayed on all notice boards and the expected behaviour to ensure safe operation is effectively communicated to relevant parties. First–aid boxes have been distributed among all field officers at each division. Portable drinking water units have been made available at each division to allow access to fresh water.

The emergency preparedness procedure of the company has been effectively communicated to all employees. Field officers are informed of the emergency contact person while the estate ambulance is made available to assist in such

	2013/14	2014/15
Direct Energy Consumption	4,220 TJ Diesel – 0.2% Petrol – 0.01% Furnace oil – 96% LPG – 0.01% Biomass/ fuelwood – 3.78%	3,724 TJ Diesel – 0.2% Petrol – 0.02 Furnace oil – 95% LPG – 0.01 Biomass/ fuel wood – 5.03%
Indirect Energy Consumption	27,083 GJ	87,053 GJ
Amount of energy saved	7,991 GJ	5,456 GJ
Total energy produced from nonrenewable sources	1,564 TJ	1,379 TJ
Total energy produced from renewable sources	43,627 GJ	52,806 GJ
Total water withdrawal	133,527 m^3	83,891 m^3
Total volume of water recycled and/ or reused	6,484 m^3	1,188 m^3
Water sources significantly affected by the withdrawal of water	None	None
Gross direct (Scope 1) GHG emissions	294,774 tonnes CO2e	257,145 tonnes CO2e
Energy indirect (Scope 2) GHG emissions	5,567 tonnes CO2	17,894 tonnes CO2
Amount of GHG emissions reduced and/ or offset	1,911 tonnes CO2e	2,372 tonnes CO2e
Paper sold for recycling	1,434,099 kg	2,070,866 kg
Cardboard sold for recycling	2,928 kg	161,548 kg
Plastic sold for recycling and/ or disposed according to requirements of the EPL	1,254 items	1,250 items and 160 kg
Polythene sold/ handed over for recycling and/ or disposed according to requirements of the EPL	31 items	2,265 tonnes
CFL bulbs handed over for recycling and/ or disposed according to requirements of the EPL	5 bulbs	21 bulbs
Fluorescent bulbs handed over for recycling, kept in storage to be recycled and/ or disposed according to requirements of the EPL	-	903 units
Tires reused and/ or sold for reuse	97,142 kg	20 nos.
Scrap metal sold for reuse	Negligible quantities	375 items 215 kg
Glass handed over for recycling	12,930 kg	3kg
Soiled cotton handed over for recycling to a CEA approved vendor and/ or disposed according to requirements of the EPL	25,340 kg	42,780 kg
Food waste handed over for recycling and/ or to be used as animal feed	25,340 kg	42,408 kg
Empty steel barrels sold for reuse	-	50 nos
E – waste sold or handed over for recycling and/ or disposed according to requirements of the EPL	9 items	247 items
HFO sludge disposed in line with CEA requirements	627,000 litres	597,300 litres
Used lubricant oil disposed in line with CEA requirements	13,200 litres	9,900 litres
Total investment on environmental protection	Rs. 103 million	Rs. 100 million

The green printing facility in Mawaramandiya remains a benchmark in environment sustainability.

incidents. Separate OHS committees have been formed at each estate to effectively address OHS concerns. All moving parts of machines have been covered with machine guards and special heat resistant overalls have been provided for employees who work with ovens. Elpitiya Plantations does not allow employees to work under extreme weather conditions such as lightning, strong winds and heavy rain. Employees have been educated on the probable uncertainties and also preventive measures that have to be adopted under such conditions. Separate bathing places have been constructed at each division for employees to encourage hygienic practices.

OHS is a primary area of concern for Aitken Spence Garments and the team routinely trains and educates all staff members and OHS committee members on first aid, fire safety and welfare. As a standard procedure, each staff member must go through a structured OHS training programme at least once. Fire drills are carried out on a routine basis and PPEs are provided where necessary. Both factories are routinely inspected by the Fire Brigade to check for the presence of fire hazards and to ensure proper functionality of fire safety equipment. A Chartered Engineer also inspects the electrical equipment in the factories as well as electricity usage of the facilities in Koggala and Mathugama to ensure the electrical equipment will not cause hazards to fire safety. As a result of these procedures, the company has not had any major accidents in the last several years. Education on OHS and awareness on welfare takes priority in employee education. Counselling facilities are also available on a daily basis to all employees of the segment.

Aitken Spence Power plant in Embilipitiya had OHS systems certified in line with the OHSAS 18001:2007 system, as part of the facility's integrated management system. The facility has its own OHS team headed by a safety engineer. No significant operational accidents have taken place during the last financial year. HIRAC inspections are also conducted at the segment's corporate office at Aitken Spence towers.

The OHS management system at Aitken Spence Printing is certified in line with the ISO 18001: 2007 standard, as part of the segment's Integrated Management System certification. The segment has trained first aid and fire fighting teams and special training is provided to staff members on annual basis on health and safety at the workplace, emergency evacuation processes and first aid. The segment has also introduced an accident and incident reporting procedure and representatives carry out annual HIRAC inspections for hazard analysis risk assessment and team members are encouraged to propose required improvements. Safety instructions on handling chemicals are communicated to relevant team members and are displayed to others in their respective departments. A Company doctor is available on the premises three days a week for consultations.

Community Development and Employee Volunteerism

The Companies within the sector undertake multiple strategic initiatives for local economic development and to enable employee volunteerism.

Elpitiya Plantations has constructed an elders' home at the Meddecombra Estate in Pundaluoya to accommodate thirty retired workers as a tribute to the services rendered. The home was built in collaboration with the French donor "Foundation Abbe Pierre" at a fund commitment of over Rs. 23 million. This elders' home is the first of its kind in the plantation sector in Sri Lanka and includes facilities such as hot water, recreation room with television, kitchen, washrooms with accessibility for differently abled persons as well as features for aesthetic appeal such as fish ponds and walk ways to enable the elders to spend the rest of their lives in a peaceful and healthy environment. The elder's home was ceremonially declared open on 16th October 2014.

The estate community includes many differently abled persons and improving their quality of life has become a priority for Elpitiya Plantations. The company has identified 26 persons who are suffering from various physical disabilities to provide assistance. Preliminary medical checkups

Strategic Investments Sector

have been conducted at all the estates with the consultation of medical practitioners and adequate awareness has been communicated to all the Estate Medical Officers (EMOs) for whom a general training programme was also facilitated at the Kalubovila Teaching Hospital.

Areas prone to landslides have been identified at the Dunsinane estate with the assistance of National Building Research Organization (NBRO) and the estate community has been provided with temporary accommodation facilities. A new housing scheme of 400 units is in progress at Dunsinane estate to re-home the internally displaced people who live in temporary shelters. Elpitiya Plantations is also upgrading the water schemes at three divisions of New Peacock estate. Total investment on this project is approximately. Rs. 2.1 million and the effort is expected to create value for 1,550 beneficiaries. In addition, funds have already been granted for a large scale cooperative outlet at the New Peacock division which is being launched by the "Workers Housing Cooperative Society" (WHCS) at New Peacock estate. The project is expected to create value for about 650 families in the estate community.

At Aitken Spence Garments, more than 80% of the workforce is female and almost all of the workforce is from the local community. The segment has undertaken many programmes to develop the community, including assistance for education.

For Aitken Spence Power, local community development and assistance to local development efforts is a priority in order to maintain good relationships with the community. The company gives priority to local suppliers where possible and 4.31% of the procurement budget in Embilipitiya power plant, 7% of the procurement budget of the Brandford hydropower plant and 5% of the procurement budget of the Ambewela wind power plant was spent on local suppliers.

Aitken Spence Power plant in Embilipitiya treats all water used before it is allowed to leave the facility. All precautions are taken to ensure that natural water systems are not affected by the water withdrawn by the facility.

After Aitken Spence Printing shifted to the new facility in Mawaramandiya, many employees have been recruited directly or indirectly from the village. Local suppliers (from Mawaramandiya) contribute to 10% of the procurement budget of the company. The Group's strategic sustainability effort, Empowering Sri Lanka First (ESLF) has a centre at the temple in Mawaramandiya which is overseen by Aitken Spence Printing. The centre provides English language and computer literacy lessons for nearly 50 students from the neighbouring community. The company also engages with the Pradeshiya Sabha and assists community efforts to organize social activities.

Total spending on community development efforts in the sector is Rs. 132 million.

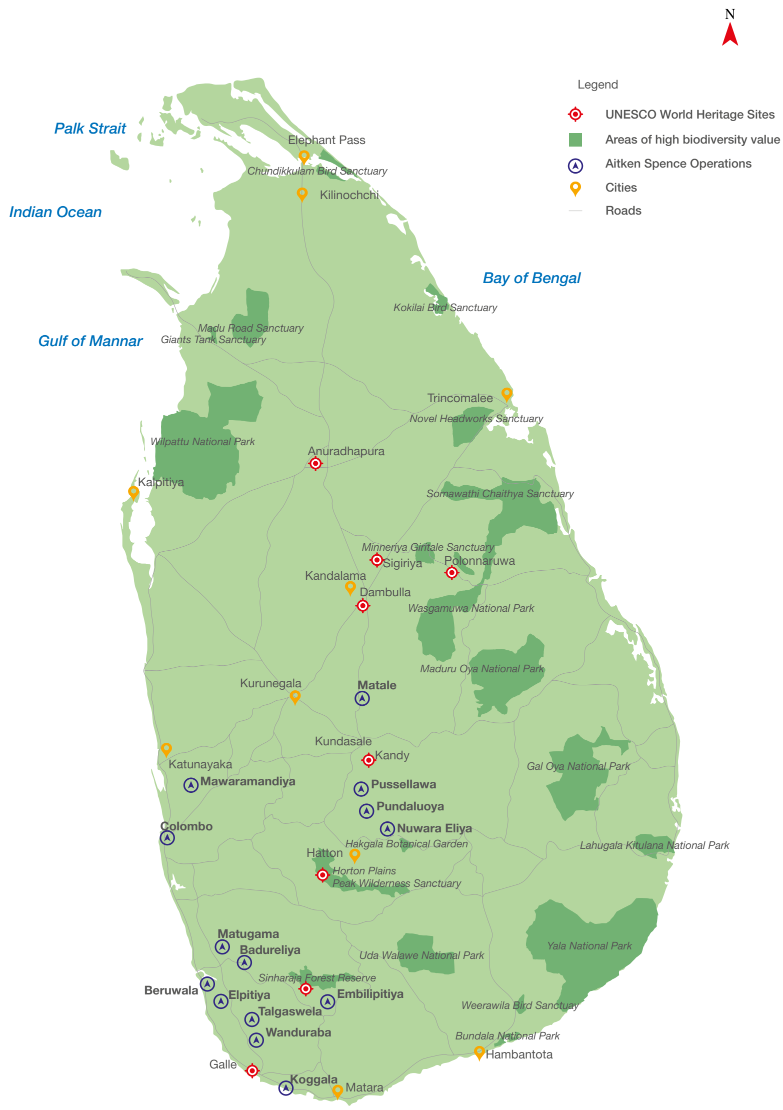
Compliance

Elpitiya Plantations team has established policies, processes and procedures to comply with the requirements of the Rainforest Alliance Certification (RFA), HACCP/ ISO 22000: 2005 food safety management systems, Ethical Tea Partnership (ETP), Forestry Stewardship Council (FSC) certification, Environment Protection License (EPL), Energy Permits required for the operation, Plant Quarantine Certificate (PQC) and respective Import Permits.

Aitken Spence Garments complies with applicable legal requirements, requirements of the Environmental Protection License as well as the industry standards above compliance requirements. The facility is certified in line with the Worldwide Responsible Accredited Production (WRAP) certification and has been awarded with a Compliance+ certification. Aitken Spence Garments has also obtained the ISO 9001:2008 certification for quality management.

Ace Power Embilipitiya maintains energy management systems in line with ISO 14001:2004 system standard, occupational health and safety systems in line with OHSAS 18001:2007 system standard and quality management systems in line with ISO 9001:2008 system standards.

Aitken Spence Printing complies with the requirements of the Environmental Protection License, ISO 14001: 20014, ISO 9001:2008 and OHSAS18001:2007 among other industry standards.



Human Rights at the Workplace

The Strategic Investments sector has nominated 11 support givers for human rights at the workplace; they ensure increased awareness of human rights in line with the Group's commitment to the UN Global Compact.

Product & Service Responsibility

Elpitiya Plantations recently obtained the Rainforest Alliance certification for the upcountry cluster of estates. The management systems established for this certification complements the existing systems maintained for the HACCP/ISO 22000: 2005 certifications, Ethical Tea Partnership and FSC certification. These systems assess the products from the cultivation to final packaging and dispatch, maintaining quality standards in all areas of production, thereby assuring quality, health and safety.

To manage responsible marketing communications, Elpitiya Plantations attends weekly tea auctions and carries out routine visits to buyers' destinations, while frequently engaging with buyers through various mediums. Issues raised by buyers are conveyed to respective estates.

Aitken Spence Garments obtained the ISO 9001:2008 certification during the year. The company won the National Silver Award in the Medium Category Manufacturing Sector at the Ceylon National Chamber of Industries (CNCI) Achiever Awards 2014. The facility also complies with standards and best practices stipulated by key customers.

Aitken Spence Printing maintains the ISO 9001:2008 quality management. The company uses heavy metal free, food grade materials for manufacturing processes. The systems and procedures have been established in order to ensure contamination free products are available to their customers. In addition the segment complies with health and safety standards set out by clients.

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None
Total number of substantiated complaints received concerning breaches of customer privacy	None
Total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Services Sector

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

The Group continues to expand its leadership in the services sector by constantly venturing into new areas of business while also exploring overseas opportunities by leveraging on its expert knowledge and domain expertise.

Rs. 97.8 Mn
Total contribution to the Governments
(by direct and indirect taxes)

49 tonnes
of carbon emission reduced

CO_2

2,700 +
MMBL locations

Rs. 2.9 Bn
Total Assets

Rs.1.1 Bn
Total Revenue

First Company to install the **fastest high speed** elevator in the tallest building in Sri Lanka

1

12 tonnes
of paper recycled

309
People

The Services sector of the Group, comprises of diverse businesses including financial services, insurance, elevator agency, real estate, property management and technology.

Services Sector

	2014/2015 Rs. Mn	2013/2014 Rs. Mn	Change %
Revenue	1,057	913	15.7
Profit from operations	150	231	(35.0)
Profit before tax	132	213	(38.3)
As at 31st March			
Total invested in PPE	2,434	2,459	(1.0)
Total Assets	2,928	3,098	(5.5)

The Services sector of the Group, comprises of diverse businesses including financial services, insurance, elevator agency, real estate, property management and technology. The business units of the sector represent some of the world's largest companies such as Lloyds of London, OTIS Elevators, Western Union and Oracle. The Group continues to expand its leadership in the services sector by constantly venturing into new areas of business while also exploring overseas opportunities by leveraging on its expert knowledge base / domain expertise and financial strength.

The revenue of the Services sector recorded a 15.7% growth over the previous financial year, led mainly by the elevator segment which benefited from the boom in infrastructure development witnessed in the country. The consolidated operating profits before tax was Rs 131.6 million which was a decline of 38.3% owing to the reduction in margins as a result of the intense competition faced in some of the segments within the sector and the promotional expenses incurred by the new ventures. The elevators and property management segments showed a growth in revenue as well as net profit before tax where as the inward money transfer segment and the technologies segment showed declines in revenue as well as net profit before tax due to the stiff competition. In addition the marketing and promotional expenses of "Heritage Grove", the luxury country homes and club complex in Negombo also had a negative impact on the profitability of the sector. We are optimistic that all three segments which showed a decline in profits this financial year would have an improved performance in the next financial year as a result of the changes and restructuring implemented to improve profitability.

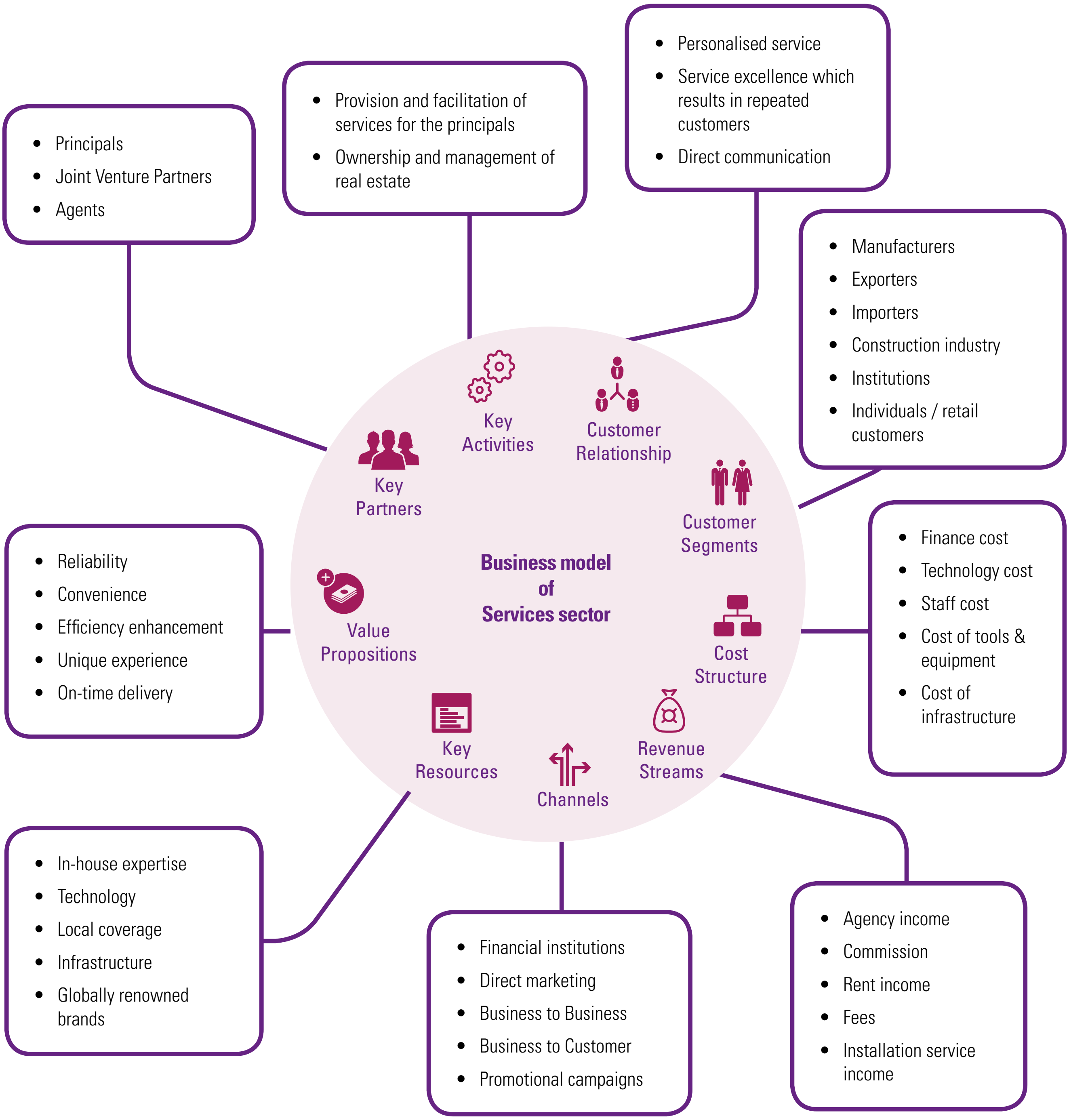
Inward Money Transfer

MMBL Money Transfer (Pvt) Ltd., (MMBL) is the largest principal agent in Sri Lanka for Western Union Money transfer services, a partnership that has thrived since its establishment in 1995. MMBL operates branches across the country to provide fast, reliable, and convenient services with the sub-agency network expanded to over 2,700 locations, including banks, financial institutions and retail outlets.

Remittances from expatriate workers are the single largest foreign income earner for Sri Lanka, with the market worth over USD 7 billion per annum; MMBL is the market leader in the cash to cash segment, which is estimated at about 15%-20% of the total remittance market. The remittance market continues to grow, as the

Significant highlights

Inward Money Transfer	Insurance	Elevator Agency
• In recognition of consistent performance in the Western Union network, MMBL was granted the opportunity to expand its product portfolio. • MMBL was selected to represent the Asia-Pacific region in the Western Union Global strategy meeting in Islamabad.	• Successfully obtained an AA rating for claims and settlements from Tokyo Marine and Fire Insurance, following a systems audit	• Securing the contract to install the fastest high-speed elevators for the tallest building under construction in the country. • Undertaking the single largest installation project in Maldives to date.
Property Management & Heritage Grove	**Information Technology**	**Nanotechnology**
• Successfully completed construction of three model houses in Negombo, for our "Heritage Grove" project.	• Successfully completed ERP implementation projects for two of the largest financial institutions of the country. • Launch of plant ERMTM, an award winning ERP solution, tailor-made for plantation industry.	• Entered into a joint venture to promote a nano technology based solution for surface protection and efficiency enhancements in industries.


Business model of Services sector
Key Partners
- Principals
- Joint Venture Partners
- Agents
Key Activities
- Provision and facilitation of services for the principals
- Ownership and management of real estate
Customer Relationship
- Personalised service
- Service excellence which results in repeated customers
- Direct communication
Customer Segments
- Manufacturers
- Exporters
- Importers
- Construction industry
- Institutions
- Individuals / retail customers
Value Propositions
- Reliability
- Convenience
- Efficiency enhancement
- Unique experience
- On-time delivery
Cost Structure
- Finance cost
- Technology cost
- Staff cost
- Cost of tools & equipment
- Cost of infrastructure
Key Resources
- In-house expertise
- Technology
- Local coverage
- Infrastructure
- Globally renowned brands
Channels
- Financial institutions
- Direct marketing
- Business to Business
- Business to Customer
- Promotional campaigns
Revenue Streams
- Agency income
- Commission
- Rent income
- Fees
- Installation service income

Services Sector

profile of the Sri Lankan expatriate worker undergoes a transformation to include a higher number of skilled professionals and white collar workers with the capability to earn higher income.

MMBL recorded a slight growth in the total volume of remittances handled but a decline in revenue of 5.7% was witnessed. The remittance industry is highly competitive, with new entrants crowding the market, leading to price competition and resultant reduced margins. The illegal channels remain a threat to the formal industry, even though it has declined over the last five years.

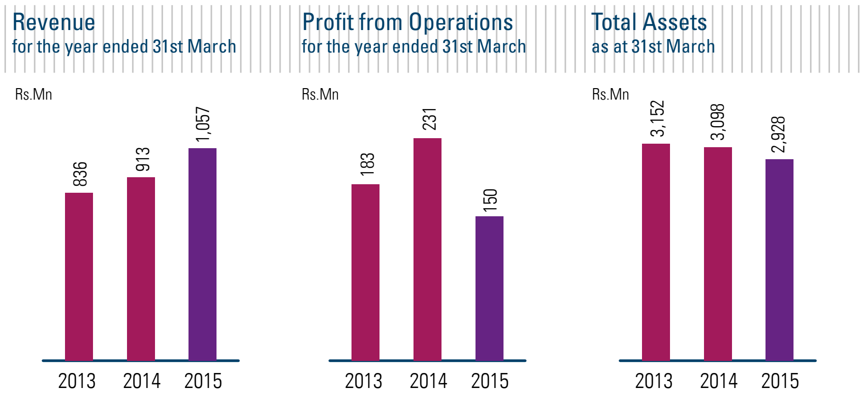
The Middle East and the Europe remain the main 'Send' regions– our marketing efforts focus on these two regions with special emphasis on emerging markets such as South Korea. During the year, key send country initiatives were launched in Canada, Qatar and Saudi Arabia with similar plans in the pipeline for several other countries. Locally, the promotional and marketing activity involves an element of education, in a bid to encourage users to opt for legal channels of remittance. Formal sub agent education, training and awareness are also conducted at their operating locations to ensure a shared philosophy and approach.

The remittance market is poised to grow as newer services including mobiles and web channels are offered to fulfill customer demand. In 2015/16, MMBL will introduce a "direct to account" service in order to offer greater convenience to its customer base. We will pursue a strategy of consolidating the cash to cash business in our current markets and tapping into hitherto unexplored corridors with potential. We would continue to invest in new products and compliance mechanisms, while expanding our local network and service levels to enlarge our footprint.

MMBL offers an unmatched value proposition – the largest network in the world complemented by the largest network of locations in Sri Lanka, together with cutting edge technology and strict compliance with laws and regulations worldwide. This will continue to be our competitive edge as we fortify our leadership position.

Insurance

The Insurance segment has served as survey and claims settlement agents in Sri Lanka and the



Maldives for Lloyds of London, since 1876. Today, we act as agents for several global insurance leaders, while our portfolio of insurance related services includes quality surveys, hull and machinery surveys among an array of services.

Although the revenue of the segment declined by 9.5% the insurance segment had a good year with a steady inflow of opportunities, in Sri Lanka. In addition a number of cargo surveys were undertaken in the Maldives and we have witnessed a growing trend of medical investigations, with several claims from foreign underwriters. The net profit before tax showed a growth of 3.4%. The main reason for the decline in revenue was the drop in pre shipment surveys for tea exports, whereas the growth in profits was due primarily to the enhanced control of expenditure and the recovery of bad debts. In comparison to last financial year the superintendence activities contributed to the profitability of the segment. The general cargo surveys however recorded a decline in profits due to reduced imports and improved shipping/ transportation methods.

We continue our association with the World Food Programme, securing a long term contract during the year to serve as superintendents for their aid and assistance to the North and East. We also successfully obtained an AA rating for claims and settlements from Tokyo Marine and Fire Insurance, following a systems audit.

The future direction of the industry makes recoveries an essential aspect to be explored by the ancillary service providers to the insurance industry. The lack of an effective mechanism and machinery results in most insurers failing to pursue recovery action against wrongdoers,

The demand for elevators and escalators continues to increase in Sri Lanka with the construction boom. It is our belief that in the medium and long term the demand will rise for greener energy efficient superior OTIS products.

allowing companies to be satisfied with settling claims under subrogation and closing the file.

Going forward, we would capitalize on our long term association with Lloyds, by using its extensive network across the world to coordinate and carry out cargo surveys in other countries in particular the Far East.

Elevators

The Elevator agency segment is the representative in Sri Lanka and the Maldives for OTIS, the world leader in the manufacture of people-moving equipment. The segment enjoyed a positive year, registering a growth in sales and securing several major projects. The installation of the fastest elevators we have offered to Sri Lanka todate, is now in progress and it must be noted that projects delivered during the year have all been completed as scheduled, adhering to strict deadlines. The segment revenue and profit before tax grew by 65.0% and 18.5% respectively.

The demand for elevators and escalators continues to increase in Sri Lanka with the construction boom leading to new high rise office buildings, hotels, apartment complexes, shopping malls and mixed development projects. However, OTIS products face stiff competition in a price conscious market – our strategy therefore has been to target more quality conscious clients that seek high end products and to differentiate the products by marketing core competencies such as safety, quality, energy efficiency and green philosophy.

It is our continuous belief that in the medium and long term, demand will rise for greener, energy efficient, and superior OTIS products. In order to drive our future growth, we engage in collaboration with our principal, OTIS to enhance its involvement in all aspects of our operations.

Property Management

The Property Management segment manages the Aitken Spence Towers at Vauxhall Street, Colombo. In addition to being the Group's headquarters, the Towers also house several corporate tenants; leading to 100% occupancy of the rentable space of nearly 200,000 square feet.

1876	The Group was appointed as agents for Lloyds of London: position which the company holds to this date by providing survey and claim settling agents for reputed insurance companies.
1989	Aitken Spence acquires a majority stake in Elevators (Pvt) Ltd, which provides marketing, installing and maintaining services of OTIS lifts, escalators and other equipment.
1995	Construction and operation of "Aitken Spence Tower" at Vauxhall Street.
2006	Entering into the financial services market by becoming a principal agent for Western Union Money Transfer Services in Sri Lanka.
2008	Aitken Spence Corporate office is relocated to 'Aitken Spence Tower II', with the completion of the construction of a modern office complex.
2013	The Group enter into a joint venture with US partners to build and operate luxury villas in a gated community in Negombo branded as " Heritage Grove".

Services Sector

The Towers represent some of the best planned office space in the capital with an advanced environmental management system, details of which are discussed later in this section.

Heritage Grove

Our new venture "Heritage Grove" which initially commenced as a luxury retirement living concept underwent a strategic shift in marketing with the scope of the market expanding in response to stakeholder feedback.

Heritage Grove now offers the "country club" living concept of the luxury high-end living, with luxury villas and all amenities and conveniences, and is an ideal alternative for those who want to avoid the boxed in living style offered by apartments. The property in Negombo is just minutes away from Colombo via the Katunayake Expressway. The target market of Heritage Grove would remain high net worth individuals who wish to make Sri Lanka their second home and Sri Lankans of the same stature. We have now expanded the scope of the market by styling the property as a high end country home, with no age limit on potential occupants. Our main objective has been to promote Sri Lanka as a safe and healthy destination for those expatriates who wish to live in this facility and provide Sri Lankans with a hitherto not available product.

Market feedback also indicated that potential buyers were interested in seeing a completed model of the concept; the prototype of the villas has just been completed and an integrated marketing campaign has been launched featuring these villas.

Heritage Grove now offers the "country club" living concept of the luxury high-end living, with luxury villas and all amenities and conveniences, for those who want to avoid the boxed in living style offered by apartments.

Information Technology

Aitken Spence Technologies is an Oracle Gold Level partner and a member of the IBM partner world program, offering IT services to implement Enterprise Content Management and Enterprise Resource Management systems.

The segment which is still in its infancy, had a difficult year with the Company reporting a loss for this financial year although successfully completing several system installations during the year including key customers such as KIA, Commercial Bank and Nations Trust Bank. Despite the initial setback this year, the new management team of the segment is now gearing itself for an improved business development drive in the next financial year and has already won several new contracts.

In the short term, our focus will be on building a resource base capable of implementing Oracle related services. We will continue to focus on the Oracle E-business installation market, which holds great potential, while also seeking to tap into the small and medium enterprise (SME) market. While the local market offers room to expand, we are also seeking to venture overseas.

Nanotechnology

During the year we invested as a joint venture partner in Ecocorp Asia (Pvt) Ltd, a provider of nanotechnology based solutions for businesses. Working on an agency model, the company provides expertise and skill for applications of a surface-protection coating made of nanoparticles which is manufactured under license in Germany. The product can be customized to many settings and is especially effective for industrial purposes where machines and moulds when coated with this solution, sees a dramatic reduction in maintenance costs and downtime, leading to much higher efficiencies. The product also has a good utility value for hotels and hospitals, where the no-residue coating may be used to enhance the sanitation and protection of almost all surfaces.

Sustainability Review

All Service sector businesses are aligned to the Group's integrated sustainability policy and have implemented Environmental Management Systems (EMSs) in line with the ISO 14001:2004 system guidelines

Energy

Direct and indirect energy consumption is a material aspect for all SBUs in the Services sector. The sector is committed to reducing AC and raw power consumption in their corporate operations.

The Building Management System of the Aitken Spence Towers at Vauxhall Street is managed by Aitken Spence Property Development (Pvt) Ltd. (ASPDL). The building is fitted with many features to facilitate energy efficiency, including the use of natural lighting, LED lamps, T5 fluorescent lamps, and lighting controls with lux level sensors to reduce electricity usage in periphery lights, and capacitor bank for power factor correction.

Water

Each SBU takes measures to monitor water usage and to create awareness on efficient use of water. At Aitken Spence Towers, water efficiency is pursued by installing fixtures that reduce the flow rate of water, motion sensors that prevent excess flow of water and dual flush systems in cisterns. Aitken Spence Towers also harvests rainwater which is used in the cisterns to reduce freshwater consumption.

Emissions, Effluents & Waste

The sector's businesses all segregate and quantify the solid waste they generate; paper and cardboard are collected and sold for recycling at Group level. Aitken Spence Property overlooks the waste management process for Aitken Spence Towers and sells paper and cardboard for recycling. CFL bulbs, fluorescent bulbs and batteries are handed over to recycling service providers. The Group Sustainability Division provided compliance checks on the eligibility of service providers to provide waste management services. As an incentive to reduce waste of food, ASPDL set up notices and placards in the executive lunch room at Aitken Spence Towers to encourage staff members to share excess food instead of discarding it. Awareness was increased by publicly displaying the quantum of food waste collected at the end of each day; boxes were placed on all tables at the lunch room for employees to place excess food. As a result of this effort, the average food waste in the lunch room has reduced by 25%. During the last financial year, ASPDL collaborated with the Group Sustainability Division to organise an e-waste collection drive. This effort was carried out to create awareness amongst employees and Aitken Spence SBUs and to facilitate a process to dispose electronic waste in a responsible manner. Altogether, 772 e-waste items were handed over to certified recycling companies at the event. ASPDL maintains storage units to collect scheduled waste items such as CFL bulbs till sufficient quantities have been accumulated so that it can be handed over to certified recycling vendors.

For MMBL Money Transfer Ltd. (MMBL), solid waste generation arises mainly from the use of printer cartridges and paper. In order to reduce the generation of solid waste, MMBL Money Transfer Ltd., has implemented a fax solution system at an investment of Rs. 1.8 million. The solution led to an 80% reduction in paper and printing material use in a week.

Occupational Health & Safety (OHS)

As set out in the Group's integrated sustainability policy, the Services sector practices 'HIRAC' (Hazard Identification Risk Assessment and Control) for occupational health & safety (OHS). At ASDPL, personal protective equipment has been provided to all staff and the OHS team has engaged in training events and planning discussions towards increasing fire safety and emergency evacuation preparedness of Aitken Spence Towers.

The OHS representative of MMBL conducts awareness sessions on road safety, vehicle maintenance and general OHS at internal induction programmes and monthly sales meetings.

Community Development and Employee Volunteerism

Total spending on community development efforts in the sector is Rs. 1.8 million, with the sector undertaking strategic initiatives at SBU level.

MMBL uses its expertise in the remittance industry to conduct awareness campaigns designed to increase financial literacy among customers and also to create awareness of the benefits of using legal channels for remittances. MMBL also conducts monthly training programmes on financial literacy for potential migrant workers through 22 island wide training centres of the Sri Lanka Bureau of Foreign Employment (SLBFE). The programme emphasizes effective management of finances and the safe, reliable and convenient transfer of money.

Services Sector

Human Rights at the Workplace

The Services sector nominated 3 support givers for human rights at the workplace with representation from diverse management levels and operational divisions. The support givers work with the HR partners of the sector to ensure awareness and protection of human rights at the workplace.

At MMBL, a customer/agent hotline is promoted in all communication material to ensure the customer grievances are heard and accommodated.

Product & Service Responsibility

In a bid to improve the emergency evacuation and fire safety systems of Aitken Spence Towers, ASPDL obtained records of all tenants and their employees; routine HIRAC inspections were also conducted at the premises to ensure safety and employee welfare.

MMBL takes a proactive approach to its customer management, with stringent processes in place to identify the right customers and to maintain their privacy. Business Development Officers (BDOs) and Customer Service agents engage with lapsed customers to identify reasons for dissatisfaction with the aim of service improvement.

The Building Management System of the Aitken Spence Towers is fitted with many features to facilitate energy efficiency, including the use of natural lighting and lighting controls with lux level sensors to reduce electricity usage in periphery lights.

Compliance

MMBL appointed a compliance officer in May 2014 with a view to strengthening the compliance aspect of their operations; the officer's primary responsibilities include monitoring and investigating incidences of concern and training staff members and the agent network. The compliance officer is required to ensure that the agent network complies with the requirement of Central Bank of Sri Lanka and Western Union. An external party carries out quarterly compliance audits to ensure that all MMBL sub agents are in line with overall compliance requirements. MMBL is also overseen by the Central Bank of Sri Lanka with all details of the transactions being submitted to them monthly.

	2013/14	2014/15
Direct Energy Consumption (nonrenewable sources)	1,300 GJ Diesel – 3% Petrol – 97% Furnace oil – Not used Biomass/ fuel wood – Not used LPG – Not used	1,312 GJ Diesel – 4% Petrol – 96% Furnace oil – Not used Biomass/ fuel wood – Not used LPG – Not used
Indirect Energy Consumption	11,015 GJ	10,831 GJ
Total energy produced from nonrenewable energy sources	7.68 GJ	3,051 GJ
Reductions achieved in energy consumption	No saving achieved	173 GJ
Total water withdrawal	28,899 m^3	28,504 m^3
Water sources significantly affected by the withdrawal of water	None	None
Total volume of water recycled and reused by the organisation	None	None
Gross direct (Scope 1) GHG emissions	90 tonnesCO2e	91 tonnesCO2e
Energy indirect (Scope 2) GHG emissions	2,264 tonnesCO2	2,226 tonnesCO2
Amount of emissions reduced and/ or offset	10 tonnes (from the recycling of paper	49 tonnes
Paper sold for recycling to a certified vendor	10,428kg	11,746 kg
Cardboard sold for reuse	165 kg	-
Plastic sold for reuse/ recycling	240 cans	334 cans
Bulbs handed over for recycling to a certified vendor	564 CFL bulbs	36 CFL bulbs, 105 TFL bulbs
Lead acid batteries sold to a certified vendor	375 batteries	394 batteries
Alkaline batteries handed over to a certified vendor	60 batteries	-
Food waste handed over to municipal waste collectors	~40kg per day	~30kg per day (8,101 kg)
E-waste handed over for recycling	-	53 nos.
Total investment on environmental protection	Rs. 27,210/-	Rs. 25,250/-

The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None
Total number of substantiated complaints received concerning breaches of customer privacy	None
The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Guiding our way

GOVERNANCE REPORTS >

Corporate Governance Report

Being a leading conglomerate in Sri Lanka, we at Aitken Spence are committed to ensure the best practices in the area of Corporate Governance and believe that it's not merely the compliance of a set of regulations but a mechanism that entrusts the optimism of the value of our stakeholders scattered around the globe. We believe in doing the right thing, the right way and that it is essential that transparency and accountability is maintained in all areas of business at all times. It is our view that good governance is not just a matter for the Board but a culture which must be fostered throughout the Group.

The Board strives to ensure effective management and control of business while maintaining high level of business ethics optimizing the value for all its stakeholders. The Board acts as trustees of its shareholders and thus plays a pivotal role in ensuring good governance in all areas concerned. The Board further ensures the compliance of the regulations set out in the Listing Rules of the Colombo Stock Exchange (CSE), the Code of Ethics jointly issued by the Securities Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Companies Act No. 7 of 2007 (Companies Act) and other Codes issued by Chambers of Commerce, Professional Institutions and Industry Associations.

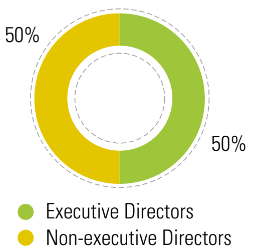
The Company

Board Composition

Board Balance and Independence

The Board consists of a Chairman, Managing and Finance Director and eight other Directors.

Board Balance



The Board has an equal number of Executive and Non-Executive Directors which ensures that when decisions are made no faction could dominate the Board's decision making.

As evident from the profiles of the Board of Directors (pages 44 to 47), the Board of Aitken Spence PLC consists of professionals as well as entrepreneurs who have many years of experience in the corporate world. Their proficiency in the diverse areas of business, academic and/or entrepreneurial financial skills, business acumen, broad practical wisdom and unique perspectives enable the efficient and effective decision making and leadership of the Group.

Although the Chairman, Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other, they act independently in the best interest of the Company in spirit, intention, purpose and attitude in their decision making.

The Independent Directors remain independent from day-to-day management and are free from any business and/or other relationship which may hinder their exercise of unbiased judgment. This enables them to act critically and independently in the best interest of the Company. They refrain from participating in decision making in any instance where they have any material business interest (which are permitted by the applicable regulations). They carry out the following responsibilities:

- contributing with their experience and skill, they provide unbiased independent judgement on issues related to strategy, financial and operational performance, key appointments, standards of business conduct, ethics and all matters pertaining to the Board,
- offering constructive criticism of strategies brought before the Board,

Independence of Non-Executive Directors

Mr. G. C. Wickremasinghe : The Board having considered the circumstances and the criterion of independence in relation to Mr. G.C. Wickremasinghe, has construed Mr. Wickremasinghe to be independent due to his frequent overseas travels and the fact that he refrains from any involvement in the day-to-day management of the Company or any of its subsidiaries.

Mr. C. H. Gomez : The Board construed Mr. C.H. Gomez as an Independent Director as he resides overseas and therefore refrains from any involvement in the day-to-day management of the Company or any of its subsidiaries..

Mr. N. J. de Silva Deva Aditya : Although a Director of the Company and a Director of Institutions that hold over 15% of the shares of the Company, is determined as an Independent Director after taking into consideration all the relevant circumstances, including the fact that he resides overseas. Furthermore, neither he nor the Institution in which he is a Director, directly or indirectly get involved in the day-to-day management of either the Company or its subsidiaries.

Mr. V. M. Fernando : Appointed to the Board as an Independent Director.

Mr. R. N. Asirwatham : Appointed to the Board as an Independent Director.

- scrutinising and challenging performance across the Group's business sectors,
- assessing the risk and the integrity of financial information and controls,
- determining the Company's policy for executive remuneration, and the remuneration packages.

Annually each Non-Executive Director declares his independence/non-independence in compliance with the relevant statutory regulations.

The Board

The Role of the Board

The Board is responsible for the formulation and implementation of sound business strategies within the Group and is responsible to ensure that the Group adheres to relevant laws/regulations of the country, international laws, regulatory authorities, professional institutes and trade associations. The Board is responsible for:

- ensuring that the Managing and Finance Director, Board of Management and the Senior Management Teams demonstrate the right balance of independence, knowledge, skill, background and experience to discuss and implement strategy and initiate fresh perspectives,
- overseeing those delegated with the responsibility to conduct the operations of the Company is adhering to the policies and procedures of the Group effectively and efficiently,
- effective implementation of senior management succession strategy,
- reviewing the reports of the Board Sub Committees and where applicable implementing their recommendations,
- ensuring that the Company's values and principles are aligned with the adoption of and compliance of appropriate and applicable statutes, accounting and financial regulations, environmental and ethical standards, and compliance with regulatory and stakeholder requirements with satisfactory framework for reporting,
- approving quarterly accounts and annually audited accounts and any audited accounts for special purposes,
- recommending the appointment or removal of the External Auditors subject to the approval of the shareholders at the Annual General Meeting,
- appointing Directors 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 that is conducted on its own performance and that of its committees,
- reviewing and approving the operational and financial budgets and monitoring the performance of the individual Strategic Business Units of the Group, whilst seeking complete information to form views, critique management and take strategic decisions,
- identification of principle risks and ensuring the implementation of suitable systems to manage and mitigate risks,
- reviewing the appropriateness and reliability of the Company's internal control and risk and management information systems to secure the integrity of all that encompass various aspects of the businesses,
- evaluation and approval of the Group's Business Plan that consist of all new businesses and investment proposals in depth prior to creation and/or where necessary termination of existing business activities of the Group,
- advising on and approving mergers, acquisitions and divestures (not excluding strategic business partnerships, acquisitions or disposal of investments and equity interests) that results in corporate re-structuring/re-engineering,

In addition, the Board of Directors, both individually and collectively, strive to comply with best practices on environmental, health, safety and ethical standards whilst ensuring that the interest of all stakeholder groups are considered when taking decisions.

Board Commitment

The Directors of Aitken Spence PLC allocates adequate time for the fulfilment of their responsibilities as Directors of the Company. In addition to attending Board Meetings, individual Directors are members of various sub committees of the Board and attend meetings after due preparation prior to such meetings. They dedicate sufficient time before such meetings to review respective documentation relating to the meeting and call for additional information for any further clarifications where necessary. Further the Directors pay due attention to the documentation and the information so provided and make well informed decisions. They also ensure that adequate measures are taken for the implementation and follow up of the decisions so made.

The Board is aware of other commitments of its Directors and is satisfied that these neither conflict nor impair their performance of duties at the optimal level as Directors of the Company, with sufficient time being allocated by each member to fulfil his/her duties. Each Director is expected to report his/her intention to join the Board of another company outside the Group with relevant changes of their commitments reported to the Board as and when they occur.

Board Meetings

The Board convened six times during this financial year and the meetings were presided over by the Chairman. An annual calendar of Board meetings are prepared beginning of each financial year and it is circulated among the Directors enabling them to plan their commitment and facilitate effective participation. In an instance of a Director's non-attendance at the meetings due to personal commitments or illness, he/she is provided with briefing material for discussion with the Chairman or the Managing and Finance Director on a later date. Attendance at the 2014/2015 Board Meetings are indicated in the Table in the following page.

Name of Director	Board Meetings	Direct/ Indirect Interest in Shareholding	Involvement/ Interest in Supply Contract
Chairman			
Deshamanya D.H.S. Jayawardena	6/6	Indirect	Yes
Managing and Finance Director			
Mr. J.M.S. Brito	6/6	Direct	Yes
Executive Directors			
Dr. R.M. Fernando	6/6	-	Yes
Dr. M.P. Dissanayake	5/6	-	Yes
Ms. D.S.T. Jayawardena	6/6	Direct	Yes
Independent/Non-Executive Directors			
Mr. G. C. Wickremasinghe	5/6	Direct/ Indirect	No
Mr. C. H. Gomez	3/6	-	Yes
Mr. N. J. de Silva Deva Aditya / Mr. A.L. Gooneratne	5/6	-	Yes
(Alternate Director to Mr. N.J. de Silva Deva Aditya)			
Mr. V. M. Fernando	6/6	-	Yes
Mr. R. N. Asirwatham	6/6	Direct	Yes
Dates of Meetings	03/06/2014 30/06/2014 07/08/2014 28/10/2014 11/12/2014 10/02/2015		

The notices of Board Meetings are provided along with the agenda well ahead of the scheduled meeting. The Board Papers are circulated among the Directors ahead of the meeting providing adequate time to review and call for any additional information and clarification to assist them to formulate independent views.

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

The Role of the Company Secretary

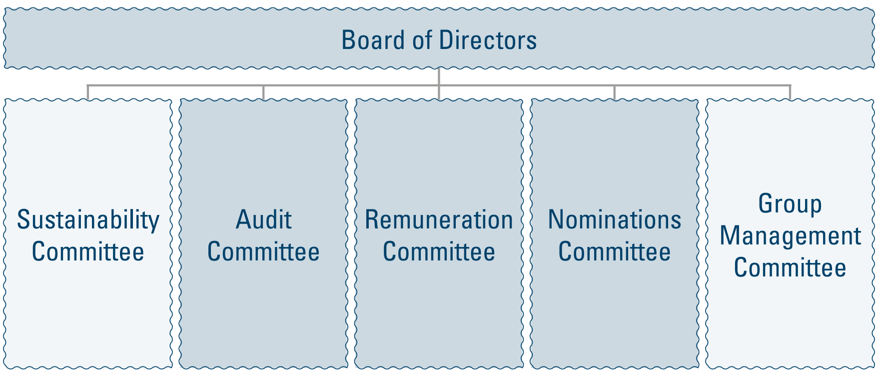
Mr. R. E. V. Casie Chetty acts as Secretary to the Board and is responsible for the collection, review and distribution of all papers submitted to the Board for consideration and the preparation of the respective agenda. He is present at all Board Meetings and Sub Committee meetings. Additionally he:

- assists the Chairman in ensuring that the Board Members have full and timely access to all relevant information/documentation whilst making sure that appropriate facilities are available for the proper conduct of meetings and effective decision making,
- coordinates with the Chairman in the organization of initial formal induction and subsequent periodic training programs for the Directors,
- ensures that Board procedures are complied with and provides advice on corporate governance and regulatory compliances,
- ensures the compliance with the Companies Act, CSE Listing Rules and other relevant statutory regulations,

Board Committees

The Board has established Board Committees to assist with developing and discharging its duties and responsibilities effectively and efficiently. In addition to the Main Board, the individual Directors are members of the various sub committees of the Board: the Nomination Committee, the Audit Committee and the Remuneration Committee each of which is attended by the respective Director with due preparation prior to such meetings. The Directors dedicate sufficient time before such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification, in addition to familiarising the micro and macroeconomic factors, legal risk and political changes in the global business environment.

The committees are provided with all essential resources to empower them to undertake their duties in an effective manner. The Company Secretary acts as secretary to the sub committees, and the recorded minutes of each committee meeting are circulated to all directors on completion.



Name of Director	Nomination Committee	Remuneration Committee	Audit Committee
Chairman Deshamanya D. H. S. Jayawardena	1/1	1/1 Present on Invitation	-
Managing and Finance Director Mr. J. M. S. Brito	1/1	1/1 Present on Invitation	-
Executive/Non-Independent Directors Dr. R. M. Fernando Dr. M. P. Dissanayake Ms. D.S.T. Jayawardena	- - -	- - -	- - -
Non-Executive/Independent Directors Mr. G. C. Wickremasinghe Mr. C. H. Gomez Mr. N. J. de Silva Deva Aditya/ Mr. A. L. Gooneratne (Alternate Director to Mr. N. J. de Silva Deva Aditya) Mr. V. M. Fernando Mr. R. N. Asirwatham	Chairman 1/1 - - 1/1 1/1	Chairman 1/1 - - 1/1 1/1	 5/6 3/6 5/6 - Chairman 6/6
Dates of Meetings	01/07/2014	28/06/2014	01/07/2014 08/08/2014 24/09/2014 27/10/2014 09/12/2014 09/02/2015

Division of Roles and Responsibilities between the Chairman and Managing Director

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

The Chairman - Deshamanya D. H. S. Jayawardena

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

- ensuring that the Board adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company,
- ensuring that its obligations to the various stakeholders and regulatory bodies are met,
- encouraging effective participation by both Executive and Non-Executive Directors on matters taken up for consideration,
- ensuring that all Directors are adequately briefed on issues arising at Board Meetings and that they effectively contribute with their respective capabilities towards the best benefit of the Company; and,
- ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders.

The Managing and Finance Director - Mr. J. M.S. Brito

A fellow member of the Institute of Chartered Accountants of Sri Lanka, London and Wales, with a Degree in Law and a Master's Degree in Business Administration, Mr. J. M. S. Brito is responsible for:

- Day-to-day management of the Group's business operations, with the support of the Executive Directors, Board of Management, and the senior management team,
- revision and implementation of the Company's strategies and policies,
- maintaining a close working relationship with the Chairman, and being a sounding board for the Chairman as and when necessary,
- is accountable for guaranteeing that the correct Board procedures are followed, and that the applicable rules and regulations are reviewed regularly and complied with,
- advises the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary,
- manages the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their/its duties,
- reviews and approves the operational and financial budgets/targets in line with the short-, medium- and long-term objectives of the Company and The Group,
- ensuring that the Company and the Group achieves the budgets or targets approved,
- evaluation of performance conducted by the Board on a regular basis, as well as bi-annually, along with assessment of whether failure to meet such set targets was reasonable under the given circumstances,
- providing the Board explanations for variances and recommend any corrective action that needs to be adopted.

Appointment of Directors

Upon an appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief résumé of the Director, containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.

Induction and Professional Development

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

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

Company Structure and Strategy: includes Group structure, history, vision, mission, goals, employees, succession plans, Board procedures including ethics and corporate governance practices, Board Committees, Board Minutes, Board effectiveness reviews, action plans and financial matters.

Company's functions at operational levels: of all business areas, key relationships with all stakeholders including suppliers and customers, major contracts, Group Risk Profile and our approach to risk.

Industry and competitive environment: not limited to customer trends, consumer and regulatory environment, including governance and all relevant consumer and industry bodies, CSR, environment and sustainability.

Sentiment and reputation: includes brand positioning and media profile marketing campaigns, brand values, analyst and investor opinion, review of investor surveys, key stakeholder relationships inclusive of employees, customers, suppliers, service providers, opinion leaders, an overview of our remuneration policy and pensions.

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

Independent Advice

The Board acknowledges that certain occasions may arise when one or more of the Directors may feel it necessary, whether as a full Board or in their individual capacities, to seek impartial professional guidance at the Company's expense. The agreed upon formal procedure enabling such advice is managed by the Company Secretary and is also extended to all Board Committees to enable the execution of duties in respect of matters being deliberated.

Re-election of Directors

In accordance with the Companies Act and the Articles of Association of the Company, the relevant Directors submit themselves for re-election at each Annual General Meeting. The Nomination Committee declares to the Board that the contributions made by the Directors offering themselves for re-election at the Annual General Meeting are effective and affirms the Company's continuous support of their re-election.

Appraisal of the Board and the Chief Executive Officer

Assessment of the performance of the Board, its Committees and individual Directors forms an integral part and takes place annually on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined on the

The Articles of Association of the Company empowers the Board of Directors to either fill a casual vacancy in the directorate or to appoint additional Directors. Directors so appointed hold office until the next Annual General Meeting at which they are eligible for 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 and Finance Director, who are not subject to retirement by rotation.

The retiring Directors are selected on the basis of the longest serving member in office since their last election. In the event that 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.

Nomination Committee Report (see page 131). This provides an avenue to highlight improvement areas and remedial actions on the Board's administration processes with evaluation of the progress of such areas identified whilst ensuring that any gaps pertaining to investor relations and Board administration and processes are rectified.

The Remuneration Committee consults the Chairman and the Managing and Finance Director regarding the remuneration proposal including establishment and revision of salary packages (as and when necessary) to Executive Directors and the Senior Management, taking into consideration the internal and external socio-economic factors. No Director is involved in determining his/her own remuneration.

A portion of the remuneration is in the form of a performance bonus which is based upon the achievement of both individual and corporate goals and targets.

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

Indemnification of Directors

In accordance with the Company's Articles of Association and the Companies Act, Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. For this purpose the Company maintains a Directors' and Officers' liability insurance policy throughout the financial year. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly, fraudulently or held to be liable for any act or omission in his capacity as a Director.

Internal Controls and Risk Management

The Board is responsible for formulating and implementing sound systems of internal control and risk management for the Group and for periodically reviewing its effectiveness and integrity in safeguarding the Company's assets and prevention of their misuse or unauthorised disposal. The Group's internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task.

Any internal control system has its inherent limitations. We are aware of the inherent limitations in that the systems are designed to manage risk, and hence we have taken appropriate steps to minimise situations of misstatements or loss. We have a fully equipped internal audit division to assist the maintenance of our sound system of internal control for purposes of protecting stakeholder investment and assets.

Review Effectiveness

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

Code of Business Conduct and Ethics

The Company has developed and institutionalised a strong set of corporate values and a Code of Conduct that is circulated to Directors and all employees. The Board ensures that Directors and employees strictly comply with the Code of Business Conduct and Ethics at all levels in the performance of their official duties, communications, role modelling and in any other circumstances, so as to prevent the tarnishing of our Company's image in any manner. The violation of the code of ethics is an offence that is subject to disciplinary action.

Furthermore as an industry leader in sustainability, Aitken Spence PLC also subscribes to various international voluntary codes of practice including The United Nations Global Compact (UNGC), Global Reporting Initiatives (GRI) and those outlined on pages 220 to 230 of this report.

Going Concern

The relevant Declaration/Going Concern Statement is set out in the 'Annual Report of the Directors' on pages 136 to 139 of this Annual Report.

Risk Management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 39 to 43.

Annual Report

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

All financial statements are in accordance with the Companies Act, the Sri Lanka Accounting and Auditing Standards Act and the Listing Rules of the CSE. We have duly complied with all the requirements prescribed by the regulatory authorities including the CSE and the Registrar of Companies. Messrs KPMG Chartered Accountants audited the consolidated financial statements and the financial statements of the Company.

The Shareholders

Relationship with Shareholders and Other Stakeholders

Aitken Spence PLC has many stakeholders and is aware of the importance of maintaining a two way communication with each of the stakeholders. As such all stakeholders seeking non price sensitive information are welcome to contact the Company throughout the year.

In addition the Board conducts regular discussions with institutional investors based on mutual understanding of objectives, particularly those relating to governance and strategy. Existing and prospective investors are able to make well informed decisions in their dealings with the Company through comprehensive and balanced reports/financial statements published quarterly and on an annual basis. The Company further conducts meetings between major shareholders on an ongoing basis, whilst at the same time answering queries from all shareholders and analysts, through the Company Secretarial Division and/or Communications Team.

The principle communication with individual investors is via the company website, the quarterly financial statements, corporate disclosures, annual report and through the Annual General Meeting at which they are encouraged to be present, actively participate in and vote. The Annual General Meeting provides an opportunity for shareholders to make any applicable comments or observations, seek clarifications and cast their vote on relevant issues. Shareholders are free to informally meet with the Directors after the conclusion of the meeting.

The comprehensive Annual Report equips both existing and potential stakeholders with up-to-date information and facilitates appropriate decision making. Additionally, all investors/shareholders are encouraged to carry out adequate analysis and obtain independent advice regarding their investment in the Company.

Further the following external and internal communication platforms enable the Company to effectively engage in a two way dialogue with existing and potential shareholders as well as all stakeholders – sharing applicable comments or observations, seeking clarifications and a means to respond to queries regarding various aspects about the Company.

External Communication Platforms

- Above-the-line-advertising
- Collaborative marketing platforms
- Aitken Spence PLC Integrated Annual Report
- Aitken Spence PLC editorials and opinion pieces placed in relevant media
- Aitken Spence PLC Stakeholder/Institutional Investor discussion sessions
- Aitken Spence PLC Sustainability Disclosures
- Aitken Spence PLC Website
- Digital Signage in Public Spaces
- Media round tables
- Independently run client satisfaction surveys
- Participation in local and international industry events and trade shows
- Press releases and press conferences
- Social media platforms such as Facebook, Twitter, LinkedIn and Foursquare

Internal Communication Platforms

- Group Intranet
- Employee Meetings (various structures)
- Memos
- Departmental Meetings
- Key Performance Indicators (KPI) Goal Setting and Assessment Meetings
- The Group's Newsletters

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
1. Company			
A. Directors			
A.1 / 7.10.1(a), 7.10.2(a) and 7.10.3(c-d) The Board (see pages 44 - 47)			
The Board consists of a Chairman, a Managing and Finance Director, and eight other Directors, five of whom are Non-Executive Directors .The Board considers the long term interest of all stakeholders of our Group in their continuous efforts to ensure good governance and the effective functioning of our Company. The names and profiles of each of the Directors are on pages 44 to 47 of this Annual Report. Although Deshamanya D.H.S. Jayawardena and Ms. D.S.T. Jayawardena are related to each other they act independently in the best interest of the Group, none of the other Directors are related to each other, enabling each of the Directors to express their views independently and objectively.			
Company Board meetings	A.1.1	Complied	Please refer Page 120
Responsibilities of the Board	A.1.2	Complied	Please refer Pages 119
Compliance with laws and access to independent professional advice	A.1.3	Complied	Please refer Page 122
Company Secretary	A.1.4	Complied	Please refer Page 120
Independent judgment of the Directors	A.1.5	Complied	Please refer Page 118
Dedicating adequate time and effort	A.1.6	Complied	Please refer Pages 119 - 121
Training for new and existing Directors	A.1.7	Complied	Please refer Pages 122
A.2. Chairman and Chief Executive Officer			
There is a clear demarcation of the responsibilities between our Chairman and our Managing and Finance Director who is the Chief Executive Officer. The functions performed by our Chairman and our Managing and Finance Director are distinct and separate, ensuring the balance of power and authority within the organisation, so that no person has unfettered powers of decision-making and implementation.			
Clear division of responsibilities of the Chairman and the CEO	A.2	Complied	As mentioned above, our Company has segregated the duties between our Chairman and Managing and Finance Director (pages 121 and 122).
A.3 Chairman's Role			
The Chairman of our Company is one of the most successful business leaders in this country. He is responsible for preserving order within the Board and good corporate governance of our Group whilst facilitating the effective discharge of Board functions business strategies.			
Role of Chairman	A.3.1	Complied	Please refer Page 121
A.4 Financial Acumen			
Financial acumen	A.4	Complied	Our Directors with their academic and/or entrepreneurial financial skills, business acumen and wide practical wisdom contribute substantial value, knowledge and independent judgment to decision making on matters concerning finance and investment (see pages 44 - 47, 118)

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
A.5 Board Balance			
Presence of Non-Executive Directors	A.5.1 7.10.1(a), 7.10.2(a) and 7.10.3(a)	Complied	Please refer Page 118
Independence of Non-Executive Directors	A.5.2, 5.3 and 5.5 7.10.2(a-b) and 7.10.3(a-b)	Complied	Please refer Pages 118
Annual Declaration of Non-Executive Directors	A.5.4 7.10.2(b)	Complied	Please refer Page 118
Requirement to appoint a 'Senior Non-Executive Director '	A.5.6, A.5.7 and 5.8	Not applicable	This is not relevant to the Company as the Chairman and the Managing and Finance Director roles are segregated.
Chairman conducting meetings with the Non-Executive Directors	A.5.9	Complied	The Chairman meets with the Independent non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.10	Complied	Please refer Page 120
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. Appropriate and timely information is made available to the Board members who make further inquiries when necessary.
Adequate time for circulation of respective Board documents	A.6.2	Complied	Please refer Page 120
A.7 Appointments to the Board			
Nomination Committee and the assessment of composition of the Board	A.7.1 and 7.2	Complied	The names of the members of the Committee are on page 131 and on the inner back cover of this Annual Report.
Disclosure to Shareholders	A.7.3	Complied	Please refer Page 124
A.8 Re-election			
Re-election of Directors	A.8.1 and 8.2	Complied	Please refer Page 122
A.9 Appraisal of Board performance			
Appraisals of the Board and the subcommittees	A.9.1, A.9.2 and A.9.3	Complied	Please refer Page 122 and 123
A.10 Disclosure of information in respect of Directors:			
Directors' disclosures	A.10.1 7.10.3(c-d)	Complied	The names of the Directors of the Board, their leadership expertise, skills, and their profiles are disclosed on pages 44 to 47 of this Annual Report. Directors' interests in contracts are indicated in Note 44 of the financial statements of this Annual Report.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
			The number of board meetings attended by the Directors is given on page 120 of this Annual Report. Names of the Chairmen and the members of the Board Committees are provided on page 131 to 134, 137 and in the inner back cover of this 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	Please refer Page 122 and 123
B.1/ 7.10.5 Remuneration Procedure			
Establishment of a Remuneration Committee and its composition	B.1.1 ,B.1.2 and B.1.3 7.10.5 (a) and 7.10.5 (b)	Complied	Please refer Page 134 and in the inner back cover of this Annual Report.
Determination of the remuneration of the Non-Executive Directors	B.1.4	Compiled	Please refer Page 123
Consultation with the Chairman and the CEO	B.1.5	Complied	Please refer Page 123
B.2 Level and Makeup of Remuneration			
Level and makeup of the remuneration of Directors and comparison of remuneration with other Companies	B.2.1, 2.2 and 2.3	Complied	Please refer Page 123,134
Performance-based remuneration	B.2.4	Complied	Please refer Page 123,134
Executive share options	B.2.5	Not applicable	As of date, the Company has no share options made available to the Directors, Executives or employees of the Company.
Designing the remuneration	B.2.6	Complied	The procedure followed in deciding the remuneration of employees is set out in the Remuneration Committee report that is given on page 134.
Early Termination of Directors	B.2.7 and B.2.8	Compiled	Is determined by the Articles of Association of the Company.
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors are paid a fee and/or a reimbursement for their participation in Board and Committee meetings as set out under B.1.4.
B.3 / 7.10.5 (C) DISCLOSURE OF REMUNERATION			
Disclosure of remuneration	B.3.1	Complied	The names of the members of our Remuneration Committee are indicated in page 137 and listed on the inner back cover. The report of the Committee is given on page 134 of this Annual Report. Please refer note 9 to the financial statements for the details of remuneration paid to Board of Directors and key management personnel.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of Annual General Meeting			
Use of Proxy	C.1.1	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue.
Chairman of Board Committees to be present	C.1.3	Complied	At the Annual General Meeting the respective Chairmen of the Remuneration, Audit and Nomination Committees are present to provide any clarification to shareholders as 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 COMMUNICATION WITH SHAREHOLDERS			
Effective communication with the Shareholders	C.2.1, C.2.2, C.2.3, C.2.4	Complied	The Board maintains a two-way communication with all investors providing an opportunity to seek non-price sensitive information throughout the year by conducting meetings and discussions and answering queries through our Company Secretarial Division and/or Communications Teams
C.3 MAJOR TRANSACTION			
Disclosures of Major transactions	C.3.1	Complied	There were no major transactions during the financial year that materially altered our 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	Please refer Pages 123 and 124
Annual Report of the Directors	D.1.2	Complied	The Directors have made the required declarations on pages 136 to 139 of this Annual Report.
Statement by the Directors and the Auditors	D.1.3	Complied	The Statement of Directors' Responsibilities is on page 135 of this Annual Report. The Auditor's Report on the financial statements for the year ended 31st March 2015 is presented on page 142 of this Annual Report.
Management discussion and analysis	D.1.4	Complied	The management discussion and analysis of the company and its subsidiaries on pages 22 to 115 of this Annual Report.

	Reference to SEC & ICASL Code, CSE Listing Rules	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 137 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 us however should the situation arise, an Extraordinary General Meeting would be called upon and our shareholders would be notified accordingly.
Disclosure of related party transactions	D.1.7	Complied	The Directors disclose their interest in transactions in companies in as and when basis. However, they make disclosures of their interest in transactions with the Company in compliance with the requirements of the companies act and other relevant statutory requirements. The Company maintains an interest register as stipulated in the Companies Act.
D.2 Internal Control			
Directors to review Internal Controls	D.2.1	Complied	Please refer Pages 123, 138
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group already has an Internal Audit Division, to assist in the maintenance of internal control for protecting stakeholder investments and assets. Please refer Page 123
D.3 /7.10.6 Audit Committee			
Composition of the Audit Committee and its Duties	D.3.1 and D.3.2/ 7.10.6(a) and 7.10.6(b)	Complied	Please refer Pages 132 and 133 and in the inner back cover of this Annual Report.
Terms of Reference of the Audit Committee	D.3.3	Complied	Please refer Page 132 and 133
Disclosures of names of the members of the Audit Committee	D.3.4 7.10.6(c)	Complied	The names of the members of the Audit Committee are indicated on page 137 and in the inner back cover of this Annual Report. The Audit Committee reviews the scope and results of the audits, its effectiveness, and the independence and objectivity of our Internal Audit function. Report of the Audit Committee is on pages 132 and 133 of this Annual Report.
D.4 Code of Business Conduct and Ethics We are committed to carrying out all business activities to the highest standards of integrity, ethical values and professionalism, whilst following the laws of the country, international laws and compliance as per our stakeholders' expectations.			
Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	Please refer Page 123
Affirmation of the code of conduct and ethics	D.4.2	Complied	As per our Chairman's statement on Page 14 of this Annual Report, we affirm our adherence to good business conduct and ethics.

	Reference to SEC & ICASL Code, CSE Listing Rules	Compliance	Details of Compliance
D.5 Corporate Governance Disclosures			
Disclosures of Corporate Governance	D.5.1	Complied	We aim to achieve greater year-on-year growth and value creation, improve stakeholder satisfaction and relationships in all our business activities, whilst adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 118 to 139.
2. SHAREHOLDERS			
E. INSTITUTIONAL INVESTORS			
Shareholder voting	E.1.1	Complied	Please refer Pages 124, 187
F.1 Investing and divesting decision			
Investing and divesting decision	F.1	Complied	Please refer Page 119
F.2 Shareholder Voting			
Individual shareholders' voting	F.2	Complied	Please refer Page 124, 187

Nomination Committee Report

NOMINATION COMMITTEE MEMBERS

Chairman

Mr. G.C. Wickremasinghe[1]

Members

Deshamanya D.H.S. Jayawardena[2]

Mr. J.M.S. Brito[3]

Mr. V.M. Fernando[1]

Mr. R.N. Asirwatham[1]

Secretary

Mr. R.E.V. Casie Chetty

Composition of the Committee

The Committee is composed of the Chairman and the Managing /Finance Director of Aitken Spence PLC along with three Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director. The members of the Committee possess wide experience and business acumen.

The Chairman and the Managing /Finance Director of the Company made valuable contributions to the deliberations of the Committee.

Number of Committee Meetings

The Committee formally met once during the year under review where all members were present.

Terms of Reference of the Committee

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

Key functions performed during the year under review

- Considered and promoted Board diversity and effectiveness,
- Reviewed and recommended changes to the Boards of Group Companies where necessary,
- Evaluated and recommended suitable internal and external candidates to higher levels of management,
- Actively contributed to Board discussions and decision making.

Methodology of the Committee

The Committee works closely with the Board of Directors and makes recommendations on matters that are referred to it for consideration.

The year ahead

The Committee will continue to review and to make decisions and recommendations that are fair, free from any bias and not influenced by personal and business relationships. This enables the Committee to make sound and measured judgments in attracting the best talent to the Group while retaining the services of talented employees by providing them fair and equal opportunities for promotion within the Group.

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
11th May 2015

[1] *Independent Non-Executive Director*
[2] *Chairman of Aitken Spence PLC*
[3] *Managing / Finance Director of Aitken Spence PLC*

Audit Committee Report

AUDIT COMMITTEE MEMBERS

Chairman

Mr. R.N. Asirwatham[1],

Members

Mr. G.C. Wickremasinghe[1],

Mr. C.H. Gomez[1],

Mr. N.J. de S. Deva Aditya[1]/ Mr. A.L. Gooneratne (Alternate Director for Mr. N.J. de S. Deva Aditya)

Secretary

Mr. R.E.V. Casie Chetty

Composition of the Committee

The Committee consists of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director.

Number of Committee Meetings

The Committee formally met six times during the year under review.

Attendance by Invitation

The Managing and Finance Director, Chief Financial Officer, Chief Corporate Officer and the Chief Internal Auditor attended the meetings by invitation.

Summary of key terms of reference

Risk Management

- Ensuring the Group's internal controls and risk management systems are adequate,
- Ensuring that the business is conducted in accordance with the relevant laws of the country, international laws and codes of regulatory authorities, professional institutes and trade associations.

Financial Reporting and Financial Control

- Review the operational and any other management information reports submitted to the Committee,
- Review the Group quarterly and annual financial statements that are prepared in strict compliance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards currently applicable and the requirements of any other regulatory bodies as applicable,
- Evaluation of the adequacy and effectiveness of the Group's accounting policies and all proposed changes in accounting policies and practices.

External Audit

- Review and approve the external audit plan presented by the External Auditors,
- Review and monitor the progress of the external audit,
- Review the management letter issued by the External Auditors, and ensuring that the management takes appropriate action to satisfactorily resolve issues highlighted,
- Assess the independence and effectiveness of the External Auditors on an annual basis,
- Review the fees proposed by the External Auditors and make recommendations to the Board on their re-appointment which is subjected to approval of the shareholders at the forthcoming Annual General Meeting which would be effective until the conclusion of the succeeding Annual General Meeting.

Internal Audit

- Review the adequacy of the Internal Audit coverage of the Group,
- Approve and monitor the internal audit plan. A separate plan is prepared for the IT Security unit, in the Internal Audit Division,
- Review the financial and operational audit reports, IT security reports and risk reports of the Internal Auditors' and management's response to same,
- Evaluate the independence and effectiveness of the internal audit function,
- Review the effectiveness and resources required by the Group's Internal Audit Division.

[1] *Independent Non-Executive Director*

Summary of key focus areas in the year ended 31st March 2015

- Reviewed the Risk Management System and highlighted the areas which required attention,
- Reviewed the operational and any other management information reports submitted to the Committee,
- Reviewed the quarterly and annual financial statements submitted by the Group to the Colombo Stock Exchange, and recommended improvements in the content and presentation,
- Evaluated significant accounting issues and recommended appropriate action wherever necessary,
- Reviewed, approved, monitored and suggested necessary changes to the external audit and internal audit plans,
- Reviewed and ensured the adequacy of the Group's internal controls and recommended corrective measures where necessary,
- Discussed the reports of the Internal Auditors, considered the response from the Management and suggested suitable action,
- Assessed the performance of the Internal Auditors and set out guidelines for the effective discharge of duties,
- Assessed the independence and evaluated the performance of External Auditors,
- Reviewed the fees and out of pocket expenses proposed by the External Auditors and made recommendations to the Board.

Re-appointment of Auditors

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

R.N. Asirwatham
Chairman
Audit Committee

Colombo
6th May 2015

Remuneration Committee Report

REMUNERATION COMMITTEE MEMBERS

Chairman

Mr. G.C. Wickremasinghe[1]

Members

Mr. V. M. Fernando[1]

Mr. R.N. Asirwatham[1]

Secretary

Mr. R.E.V. Casie Chetty

By Invitation

Deshamanya D.H.S. Jayawardena[2]

Mr. J.M.S. Brito[3]

Composition of the Committee

The Committee consists of a majority of Independent Non-Executive Directors and is also chaired by an Independent Non-Executive Director. The members of the Committee have wide experience and knowledge of business and industry.

Attendance by Invitation

The Chairman and the Managing/Finance Director attended the meeting on invitation and contributed greatly by making valuable recommendations.

Independence of the Committee

The Committee is independent of the management and is totally free from any business, personal or other relationships that may interfere in making independent judgments.

Number of Committee Meetings

The Committee formally met once during the year under review.

Terms of Reference of the Committee

- Recommending a remuneration policy for the Directors and the Management team,
- Reviewing, monitoring and evaluating the performance of the Managing Directors, Executive Directors and the individual as well as the collective performance of the Directors and the Senior Management of the Strategic Business Units,
- Evaluating and recommending the individual remuneration packages of the Managing Directors, Executive Directors and Senior Management after giving due consideration to their skills, experience, level of responsibility, performance and industry norms,
- Determining compensation packages on termination of employment.

Key functions performed during the year under review

- Approved promotions after evaluating the performance of the Group, the Strategic Business Units and the contribution made by employees to their respective Strategic Business Units,
- The employee incentive scheme was revised based on a study conducted by AON Hewitt, a renowned human capital and management consulting services provider. Cost of living, inflation and comparative industry norms were also considered when determining the remuneration packages,
- Recommended revision of remuneration packages based on performance, cost of living and comparative industry norms,
- Abiding by the principles of good governance.

Methodology of the Committee

- The Group Remuneration policy remained unchanged during the year under review,
- The Committee approved promotions and revision of individual remuneration packages after evaluating performance of the Group, Strategic Business Units and the contribution of employees to their respective Strategic Business Unit,
- One of the key purposes of the policy with regard to remuneration is to attract the best talent and retain them in the organisation,
- The Committee adopts a structured and unbiased methodology to evaluate employee performance to ensure equality among employees to prevent discrimination based on gender, age, ethnicity and religion.

The year ahead

The Committee would continue to propose remuneration policies and practices to attract and retain the best talent to the Group.

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
11th May 2015

[1] Independent Non-Executive Director
[2] Chairman of Aitken Spence PLC
[3] Managing / Finance Director of Aitken Spence PLC

Statement of Directors' Responsibilities

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements and other statutory reports. The responsibilities of the Directors, in relation to the financial statements of Aitken Spence PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2015 incorporated in this report have been prepared in accordance with the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records which reflect the true financial position of each such Company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed and its impact to the Company.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the financial statements.

The financial statements presented in this Annual Report for the year ended 31st March 2015, have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs) which came into effect from 1st January 2012. The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2015 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2015 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiaries have been either duly paid or adequately provided for in the financial statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board,

R.E.V. Casie Chetty
Company Secretary

Colombo
26th May 2015

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 best accounting practices. The Board of Directors of Aitken Spence PLC has the pleasure in presenting the Annual Report and the Audited Financial Statements for the year ended 31st March 2015 which were approved on 26th of May 2015.

1. Principal Activities

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

The activities of the Group are categorised into four main sectors namely Tourism, Maritime & Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 236 to 242 of this Annual Report.

2. Review of Operations

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

3. Accounting policies and changes during the year

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs /LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group other than the adoption of SLFRS 10-Consolidated Financial Statements, SLFRS 11-Joint Arrangements, SLFRS 12-Disclosure of Interests in Other Entities and SLFRS 13-Fair Value Measurement. The Group also adopted the amendments to SLAS 1 - Presentation of Financial Statements and modified the presentation of items of other comprehensive income in the statement of profit or loss and other comprehensive income.

A detailed note of the accounting policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 150 to 163.

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

4.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs. 593 million (2014 – Rs. 612 million). The Group revenue was Rs. 35,319 million (2014 – Rs. 35,059 million). An analysis of Group revenue based on business and geographical segments is disclosed in note 6 to the financial statements. The profit after tax of the Group was Rs. 4,884 million (2014- Rs. 4,579 million).The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 3,579 million (2014 - Rs.3,672 million). The segmental profits are disclosed in note 6 to the financial statements.

4.2. Donations

During the year, donations amounting to Rs. 4.3 million were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 5.4 million.

4.3 Taxation

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

For the year ended 31 st March	Group 2015 Rs. '000	Group 2014 Rs. '000
Net profit before tax	5,709,923	5,444,946
Provision for taxation including deferred tax	(826,323)	(865,457)
Net profit after tax	4,883,600	4,579,489
Other comprehensive income	2,907	1,289,379
Total comprehensive income for the year	4,886,507	5,868,868
Total comprehensive income attributable to non-controlling interests	(1,313,001)	(1,071,005)
Total comprehensive income attributable to equity shareholders	3,573,506	4,797,863
Transactions directly recognised in the equity statement	1,729	16,432
Balance brought forward from the previous year	30,123,418	25,918,117
Amount available for appropriations	33,698,653	30,732,412
Final Dividend for 2013/2014 (2012/2013)	(811,992)	(608,994)
Total reserves and earnings	32,886,661	30,123,418
Stated Capital	2,135,140	2,135,140
Balance Attributable to Equity holders of the Company at the end of the period	35,021,801	32,258,558

12 to the financial statements. It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 23 and 31 to the financial statements.

4.4 Dividends

The Directors recommended a first and final dividend payment of Rs. 2.00 per share for the year, the total dividend is paid out of dividends received by the Company where 10% withholding tax on dividends has been deducted. The Directors are 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 dividend.

5. Synopsis of the Statement of Financial Position of the Company and the Group

5.1 Stated Capital and Reserves

As at 31st March 2015 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The Company's reserves as at 31st March 2015 were Rs.10,595 million (2014- Rs. 10,794 million) whereas the total Group's reserves as at 31st March 2015 were Rs. 32,887 million (2014-Rs. 30,123 million). The movement in these reserves is shown in the Statement of Changes in Equity – Company and Group on pages 146 and 147.

5.2. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2015 amounted to Rs. 143 million and Rs. 28,697 million respectively. The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company and the Group amounted to Rs. 43 million and Rs. 6,477 million respectively.

5.3. Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2015 amounted to Rs. 3,437 million and Rs.1,648 million respectively.

5.4 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the Group is recorded at either fair value or revalued amounts. The land carried at revalued amounts of the Group was revalued by professionally qualified independent valuers during the financial year 2013/2014, with the exception of those owned by Aitken Spence Hotel Holdings PLC, Golden Sun Resorts (Pvt) Ltd and PR Holiday Homes (Pvt) Limited which were revalued during the financial year 2011/2012. Revaluation of these lands is performed with sufficient regularity so that the carrying value of the lands do not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

Details of the revalued land, revaluation surplus and the original cost are given in note 15.3.1 to the financial statements. Group records all other assets at cost and checks for any impairment of these assets when the Group identifies any trigger for impairment.

5.5 Contingent Liabilities

The details of contingent liabilities are disclosed in note 42 to the financial statements.

6. Events occurring after the Reporting Date

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

7. Going Concern

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

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

8.1 Board of Directors

The Board of Directors of the Company as at 31st March 2015 comprised of :

Deshamanya D.H.S. Jayawardena (Chairman)

Mr. J.M.S. Brito (Managing and Finance Director)

Dr. R.M. Fernando

Dr. M.P. Dissanayake

Ms. D.S.T. Jayawardena

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya

Mr. V.M. Fernando

Mr. R.N. Asirwatham

All above Directors of the Company held office during the entire year. The profiles of the Directors are given on pages 44 to 47 of this Annual Report.

8.2 Board Sub Committees

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

Audit Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)

Mr. V.M. Fernando

Mr. R.N. Asirwatham

Nomination Committee

Mr. G.C. Wickremasinghe (Chairman)

Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito

Mr. V.M. Fernando

Mr. R.N. Asirwatham

8.3 Re-election of Directors

Dr. R. M. Fernando who retires in terms of Article 84 of the Articles of Association of the Company as a Director offers himself for re-election at the forthcoming Annual General Meeting.

Mr. V. M. Fernando who retires in terms of Article 84 of the Articles of Association of the Company as a Director offers himself for re-election at the forthcoming Annual General Meeting.

Deshamanya D.H.S. Jayawardena attained the age of 70 years on 17th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, 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 Deshamanya D.H.S. Jayawardena who has attained the age of 72 years and that he be re-elected as a Director at the 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, 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 who has attained the age of 81 years and that he be re-elected as a Director at the Annual General Meeting.

Mr. R.N. Asirwatham attained the age of 70 years on 26th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, 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. R.N. Asirwatham who has attained the age of 72 years and that he be re-elected as a Director at the Annual General Meeting.

8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor section on page 234 of this Annual Report.

8.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. The share ownership of the Directors is indicated on pages 234 of this Annual Report.

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2015 are disclosed on page 166 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 44 to the financial statements. These interests have been duly declared by the Directors.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2015 and Directors who ceased to hold office during the accounting period are indicated on pages 236 to 242 of this Annual Report.

9. Human Resources

The Human Resources strategies applied and practised by the Group have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. The Group's employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The Human Resource Report is set out on pages 34 to 38 of the Annual Report.

10. Governance

The Group has not engaged in any activity, which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules and regulations and codes of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out appropriate analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 118 to 134 of the Annual Report.

11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 40 to 43 of this report.

12. Internal Controls

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

The Statement of Directors' Responsibilities on page 135 and the Audit Committee Report set out on pages 132 and 133 of this report provide further information in respect of the above.

13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 135 of this Annual Report

14. Corporate Sustainability

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year are a testament to the Group's commitment as it continue to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this report and at www.aitkenspence.com/sustainability.

15. Shareholder Information

There were 4,324 shareholders as at 31st March 2015. The distribution schedule of the number of shareholders and their share holdings are detailed in pages 231 to 235 of this Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2015 are given on page 233 of this Annual Report. The percentage of the shares held by the public as at 31st March 2015 was 38.65%.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the market price per share are given on pages 231 to 235 of this Annual Report.

16. Auditors

The independent auditors' report on the financial statements is given on page 142 of the Annual Report. The retiring auditors Messrs KPMG Chartered Accountants have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

The audit fees payable for the year to the Company auditors Messrs KPMG Chartered Accountants was Rs. 1.05 million.

In addition to the above Rs. 2.05 million was payable by the Company for permitted audit related and non audit related services. Messrs KPMG Chartered Accountants the auditors of the Company are also the auditors of certain subsidiaries, joint ventures and associate companies of the Group. The list of the subsidiaries, joint ventures and associate companies audited by them are included on pages 236 to 242 of this Annual Report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 11.52 million while a further Rs. 2.99 million was payable for permitted audit and non audit related services. In addition to the above Rs 5.03 million was payable to other auditors for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit and non audit related services including tax advisory services was Rs. 6.25 million. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and equity accounted investees that would have an impact on their independence.

D.H.S. Jayawardena
Chairman

J.M.S Brito
Managing & Finance Director

R.E.V. Casie Chetty
Company Secretary

Colombo
26th May 2015

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Exploring our potential

FINANCIAL STATEMENTS >

Independent Auditors' Report

KPMG
(Chartered Accountants)
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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 ("Group"), which comprise the statement of financial position as at March 31, 2015 and the income statement, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 143 to 216 of the annual report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS

Colombo
26 May 2015

Income Statements

For the year ended 31st March	Notes	Group 2015 Rs.'000	Group 2014 Rs.'000 (Restated)	Company 2015 Rs.'000	Company 2014 Rs.'000
Revenue	7	35,318,891	35,059,123	593,174	612,246
Revenue taxes		(388,398)	(481,744)	(10,990)	(11,519)
Net revenue		34,930,493	34,577,379	582,184	600,727
Other operating income	8	507,572	466,891	847,437	650,785
Changes in inventories of finished goods and work-in-progress		58,757	94,604	-	-
Raw materials and consumables used		(9,023,459)	(10,837,263)	-	-
Employee benefits expense		(5,183,101)	(4,633,215)	(412,093)	(375,091)
Depreciation, amortisation and impairment of intangible assets and finance lease receivable	9	(2,398,555)	(1,460,578)	(64,627)	(63,540)
Other operating expenses - direct	10	(7,712,699)	(7,315,595)	-	-
Other operating expenses - indirect		(5,522,299)	(5,388,111)	(333,355)	(491,257)
Profit from operations	9	5,656,709	5,504,112	619,546	321,624
Finance income	11	623,857	787,443	449,815	620,066
Finance expenses	11	(901,530)	(1,276,070)	(394,123)	(518,614)
Net finance income / (expense)		(277,673)	(488,627)	55,692	101,452
Share of profit of equity-accounted investees (net of tax)	22	330,887	429,461	-	-
Profit before tax		5,709,923	5,444,946	675,238	423,076
Income tax expense	12	(826,323)	(865,457)	(52,050)	(13,653)
Profit for the year		4,883,600	4,579,489	623,188	409,423
Attributable to:					
Equity holders of the company		3,579,008	3,671,870	623,188	409,423
Non-controlling interests		1,304,592	907,619	-	-
Profit for the year		4,883,600	4,579,489	623,188	409,423
Earnings per share - Basic/Diluted (Rs.)	13	8.82	9.04	1.53	1.01
Dividends per share (Rs.)	14	2.00	2.00	2.00	2.00

The notes on pages 150 through 216 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Notes	Group 2015 Rs.'000	Group 2014 Rs.'000 (Restated)	Company 2015 Rs.'000	Company 2014 Rs.'000
Profit for the year		4,883,600	4,579,489	623,188	409,423
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment	15	90,961	1,164,688	-	-
Actuarial gains / (losses) on defined benefit obligations	32	(48,207)	(51,302)	(6,915)	(2,200)
Share of other comprehensive income of equity-accounted investees (net of tax)	22	(15,912)	6,880	-	-
Income tax on other comprehensive income	12	7,478	8,228	-	-
		34,320	1,128,494	(6,915)	(2,200)
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		(111,954)	183,465	-	-
Net change in fair value of available-for-sale financial assets		71,109	(24,397)	2,404	(2,476)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		9,432	1,817	(6,212)	-
		(31,413)	160,885	(3,808)	(2,476)
Other comprehensive income for the year, (net of tax)		2,907	1,289,379	(10,723)	(4,676)
Total comprehensive income for the year		4,886,507	5,868,868	612,465	404,747
Attributable to:					
Equity holders of the parent		3,573,506	4,797,863	612,465	404,747
Non-controlling interests		1,313,001	1,071,005	-	-
Total comprehensive income for the year		4,886,507	5,868,868	612,465	404,747

The notes on pages 150 through 216 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statements of Financial Position

As at	Notes	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 (Restated)	Group 01.04.2013 Rs.'000 (Restated)	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	15	28,696,631	24,799,321	23,534,930	143,187	143,967
Investment property	16	1,648,301	1,648,301	1,661,596	3,437,195	3,439,945
Intangible assets	17	507,171	600,927	350,368	30,862	53,059
Leasehold property	18	1,906,527	1,461,100	1,463,930	-	-
Pre-paid operating leases	19	1,072,370	1,010,199	980,681	-	-
Finance lease receivable	20	-	2,245,884	2,325,091	-	-
Investments in subsidiaries	21	-	-	-	7,740,483	7,839,662
Investments in equity-accounted investees	22	5,403,518	3,367,589	3,059,987	498,980	367,576
Deferred tax assets	23	215,907	224,495	225,749	-	-
Other financial assets	24	279,346	339,540	414,409	89,733	134,170
		39,729,771	35,697,356	34,016,741	11,940,440	11,978,379
Current Assets						
Inventories	25	1,484,504	1,723,718	1,873,771	1,999	2,167
Pre-paid operating leases	19	930	50	50	-	-
Finance lease receivable	20	1,333,200	146,948	168,964	-	-
Trade and other receivables	26	7,770,650	9,049,706	9,691,280	2,849,860	2,768,751
Current tax receivable		229,366	243,779	182,233	204,687	215,560
Deposits and prepayments		799,353	867,318	1,021,509	34,350	44,151
Other financial assets	24	10,947,256	10,514,376	6,726,161	4,863,453	4,322,147
Cash and short-term deposits	27	2,911,135	2,672,100	2,059,378	185,561	62,504
		25,476,394	25,217,995	21,723,346	8,139,910	7,415,280
Assets classified as held for sale	28	226,923	149,125	149,125	135,035	57,237
Total Assets		65,433,088	61,064,476	55,889,212	20,215,385	19,450,896
EQUITY AND LIABILITIES						
Equity						
Stated capital	29	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	29	13,864,351	13,884,656	12,695,793	6,507,996	6,357,104
Retained earnings		19,022,310	16,238,762	13,222,324	4,086,727	4,437,146
Total equity attributable to equity holders of the company		35,021,801	32,258,558	28,053,257	12,729,863	12,929,390
Non-controlling interests		7,257,649	6,667,889	5,560,028	-	-
Total Equity		42,279,450	38,926,447	33,613,285	12,729,863	12,929,390
Non-Current Liabilities						
Interest-bearing liabilities	30	9,436,495	7,312,336	6,216,851	2,690,920	3,426,394
Deferred tax liabilities	31	655,224	635,979	495,385	-	-
Employee benefits	32	635,684	545,527	421,726	98,240	86,426
		10,727,403	8,493,842	7,133,962	2,789,160	3,512,820
Current Liabilities						
Interest-bearing liabilities	30	2,723,741	1,626,693	1,363,236	1,161,334	371,837
Provisions	33	-	457,751	272,083	-	-
Trade and other payables	34	7,074,023	6,402,722	7,448,976	3,279,879	2,324,439
Current tax payable		538,103	594,741	489,222	-	-
Other financial liabilities	35	639	-	-	530	-
Bank overdrafts and other short-term borrowings	27	2,089,729	4,562,280	5,568,448	254,619	312,410
		12,426,235	13,644,187	15,141,965	4,696,362	3,008,686
Total Equity and Liabilities		65,433,088	61,064,476	55,889,212	20,215,385	19,450,896

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 150 to 216.
I certify that the financial statements for the year ended 31st March 2015 are in compliance with the requirements of the Companies Act No. 7 of 2007.

Ms. N. Sivapragasam
Chief Financial Officer

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

D.H.S. Jayawardena
Chairman

J.M.S. Brito
Managing & Finance Director

26th May 2015
Colombo, Sri Lanka

Consolidated Statement of Changes in Equity

For the year ended 31st March 2015	Attributable to equity holders of the company								Non-controlling interests	Total equity
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Available for sale reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2013	2,135,140	5,478,094	127,521	6,359,580	707,064	23,534	13,222,324	28,053,257	5,560,028	33,613,285
Profit for the year	-	-	-	-	-	-	3,671,870	3,671,870	907,619	4,579,489
Other comprehensive income for the year (note 29.3.1)	-	1,063,175	-	-	111,818	(16,740)	(32,260)	1,125,993	163,386	1,289,379
Total comprehensive income for the year	-	1,063,175	-	-	111,818	(16,740)	3,639,610	4,797,863	1,071,005	5,868,868
Share of net assets of equity-accounted investees	-	-	-	-	-	-	10,385	10,385	(239)	10,146
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	6,047	6,047	439,526	445,573
Transfer to general reserve	-	-	-	30,610	-	-	(30,610)	-	-	-
Dividends for 2012/2013 (note 14)	-	-	-	-	-	-	(608,994)	(608,994)	-	(608,994)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(402,431)	(402,431)
Total contributions and distributions recognised directly in equity	-	-	-	30,610	-	-	(623,172)	(592,562)	36,856	(555,706)
Balance as at 31st March 2014	2,135,140	6,541,269	127,521	6,390,190	818,882	6,794	16,238,762	32,258,558	6,667,889	38,926,447
Profit for the year	-	-	-	-	-	-	3,579,008	3,579,008	1,304,592	4,883,600
Other comprehensive income for the year (note 29.3.1)	-	67,757	-	-	(89,742)	68,106	(51,623)	(5,502)	8,409	2,907
Total comprehensive income for the year	-	67,757	-	-	(89,742)	68,106	3,527,385	3,573,506	1,313,001	4,886,507
Share of net assets of equity-accounted investees	-	-	-	-	-	-	(1,827)	(1,827)	(625)	(2,452)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	3,556	3,556	(133,675)	(130,119)
Transfer of revaluation reserve on disposal	-	(221,126)	-	-	-	-	221,126	-	-	-
Transfer to general reserve	-	-	-	154,700	-	-	(154,700)	-	-	-
Dividends for 2013/2014 (note 14)	-	-	-	-	-	-	(811,992)	(811,992)	-	(811,992)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(588,941)	(588,941)
Total contributions and distributions recognised directly in equity	-	(221,126)	-	154,700	-	-	(743,837)	(810,263)	(723,241)	(1,533,504)
Balance as at 31st March 2015	2,135,140	6,387,900	127,521	6,544,890	729,140	74,900	19,022,310	35,021,801	7,257,649	42,279,450

The notes on pages 150 through 216 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Company Statement of Changes in Equity

For the year ended 31st March 2015	Stated capital Rs.'000	General reserves Rs.'000	Available for sale reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 01st April 2013	2,135,140	6,332,868	(3,898)	4,669,527	13,133,637
Profit for the year	-	-	-	409,423	409,423
Other comprehensive income for the year (note 29.3.2)	-	-	(2,476)	(2,200)	(4,676)
Total comprehensive income for the year	-	-	(2,476)	407,223	404,747
Transfer to general reserve	-	30,610	-	(30,610)	-
Dividends for 2012/2013 (note 14)	-	-	-	(608,994)	(608,994)
Total contributions and distributions recognised directly in equity	-	30,610	-	(639,604)	(608,994)
Balance as at 31st March 2014	2,135,140	6,363,478	(6,374)	4,437,146	12,929,390
Profit for the year	-	-	-	623,188	623,188
Other comprehensive income for the year (note 29.3.2)	-	-	(3,808)	(6,915)	(10,723)
Total comprehensive income for the year	-	-	(3,808)	616,273	612,465
Transfer to general reserve	-	154,700	-	(154,700)	-
Dividends for 2013/2014 (note 14)	-	-	-	(811,992)	(811,992)
Total contributions and distributions recognised directly in equity	-	154,700	-	(966,692)	(811,992)
Balance as at 31st March 2015	2,135,140	6,518,178	(10,182)	4,086,727	12,729,863

The notes on pages 150 through 216 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Group		Company	
	2015 Rs.'000	2014 Rs.'000 (Restated)	2015 Rs.'000	2014 Rs.'000
Cash flows from operating activities				
Profit before tax	5,709,923	5,444,946	675,238	423,076
Adjustments for				
Depreciation and amortisation	1,391,376	1,410,578	64,627	63,540
Impairment of intangible assets and finance lease receivables	1,007,179	50,000	-	-
Interest expense	806,365	1,174,238	384,516	509,732
(Gain) / loss on disposal of property plant and equipment	(16,100)	96,669	(8,011)	(5,688)
Loss on disposal of investment property	-	12,543	-	12,543
(Gain) / loss on disposal of group investments	(6,724)	-	128,974	-
(Gain) / loss on disposal of equity securities classified as available-for-sale financial assets	9,315	(26,570)	(6,212)	-
Interest income	(623,857)	(787,443)	(449,815)	(620,066)
Share of profit of equity-accounted investees (net of tax)	(330,887)	(429,461)	-	-
Impairment of investments in subsidiaries	-	-	14,292	159,198
Impairment losses / (reversals) of inventories	152	133,178	27	-
Impairment losses / (reversals) and write offs of trade & other receivables	(20,051)	427,270	3,635	26,881
Movement in assets held for sale	(77,798)	-	-	-
Net unrealised foreign exchange (gain) / loss	(70,929)	(77,674)	5,867	(17,969)
Provision for retirement benefit obligations	127,216	103,867	18,669	17,222
	2,195,257	2,087,195	156,569	145,393
Operating profit before working capital changes	7,905,180	7,532,141	831,807	568,469
(Increase)/decrease in trade and other receivables	997,620	542,657	(84,744)	519,876
(Increase)/decrease in inventories	116,210	23,922	141	317
(Increase)/ decrease in deposits and prepayments	65,417	215,923	9,801	8,924
Increase/(decrease) in trade and other payables	927,200	(1,346,871)	819,245	(32,091)
Increase/(decrease) in provisions	(457,751)	185,668	-	-
	1,648,696	(378,701)	744,443	497,026
Cash generated from operations	9,553,876	7,153,440	1,576,250	1,065,495
Interest paid	(795,702)	(1,166,270)	(373,853)	(501,764)
Income tax paid	(841,593)	(729,835)	(41,177)	(60,618)
Retirement benefit obligations paid	(81,785)	(53,355)	(13,770)	(6,401)
	(1,719,080)	(1,949,460)	(428,800)	(568,783)
Net cash generated from/(used in) operating activities	7,834,796	5,203,980	1,147,450	496,712
Cash flows from investing activities				
Interest received from deposits	635,116	775,423	462,106	606,918
Investment in subsidiaries & equity-accounted investees	(1,013,638)	(216,692)	(270,540)	(796,742)
Purchase of equity and debt securities	(5,000)	-	(5,000)	-
Proceeds from disposal of subsidiary (note A)	289,587	-	17,252	-
Purchase of property, plant and equipment	(6,477,417)	(1,307,212)	(42,601)	(40,291)
Purchase of intangible assets	(7,541)	(6,756)	(332)	(1,531)
Purchase of leasehold rights	(464,842)	-	-	-
Purchase of pre-paid operating leases	(44,003)	-	-	-
Proceeds from disposal of property, plant and equipment	191,565	404,276	12,044	7,535
Receipts on finance lease receivables	147,725	176,776	-	-
Proceeds from sale of equity and debt securities	144,684	331,096	60,346	47,708
Proceeds / (purchase) of other financial assets and liabilities (net)	(450,742)	(4,028,461)	(561,572)	(1,033,890)
Dividends paid to non-controlling interests	(588,941)	(402,431)	-	-
Dividends received from equity-accounted investees	186,259	186,384	-	-
Net cash generated from/(used in) investing activities	(7,457,188)	(4,087,597)	(328,297)	(1,210,293)

(carried forward to next page)

For the year ended 31st March	Group		Company	
	2015 Rs.'000	2014 Rs.'000 (Restated)	2015 Rs.'000	2014 Rs.'000
(brought forward from previous page)				
Cash flows from financing activities				
Proceeds from interest-bearing liabilities	5,825,248	2,500,163	394,560	1,265,363
Repayment of interest-bearing liabilities	(2,729,268)	(1,468,032)	(382,500)	(172,500)
Issue of shares by subsidiaries	2,382	-	-	-
Dividends paid to equity holders of the parent	(675,796)	(607,561)	(675,796)	(607,561)
Net cash generated from / (used in) financing activities	2,422,566	424,570	(663,736)	485,302
Net increase in cash and cash equivalents	2,800,174	1,540,953	155,417	(228,279)
Cash and cash equivalents at the beginning of the year	(1,890,180)	(3,509,070)	(249,906)	(36,996)
Effect of movements in exchange rates	(88,588)	77,937	25,431	15,369
Cash and cash equivalents at the end of the year (note 27)	821,406	(1,890,180)	(69,058)	(249,906)

Notes to the Cash Flow Statements

A. Divestment of subsidiaries.

Consequent to the expiration of the power purchase agreements signed between the Ceylon Electricity board and Ace Power Matara (Pvt) Ltd., and Ace Power Horana (Pvt) Ltd, during 2011/2012 and 2012/2013 respectively, the Group disposed its investment in Ace Power Matara (Pvt) Ltd., and commenced liquidation of Ace Power Horana (Pvt) Ltd., during the financial year. Further the Group divested 40% stake in Ahungalla Resorts Ltd., a subsidiary, in a stratergic partnership with RIU Spain resulting in the company now being treated as an equity accounted investee. The fair values of assets and liabilities thus divested are as follows;

	Rs.'000
Property, plant and equipment	1,278,299
Inventories	122,852
Trade and other receivables	301,487
Deposits and prepayments	2,548
Employee benefits	(1,701)
Trade and other payables	(392,094)
Cash and cash equivalents	(272,335)
Total identifiable net assets disposed	1,039,056
Reclassified under equity-accounted investees	(900,548)
Non-controlling interest disposed	(127,980)
Loss on disposal	6,724
Purchase consideration received	17,252
Cash and cash equivalents disposed	272,335
Net cash inflow on disposal of subsidiary	289,587

The notes on pages 150 through 216 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1 Reporting Entity

Aitken Spence PLC., (the "Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business is located at "Aitken Spence Tower II", 315 Vauxhall Street, Colombo 02.

The consolidated financial statements of the Company as at, and for the year ended 31st March 2015 comprise the financial statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 136,236 to 242 of this report.

Aitken Spence PLC does not have an identifiable parent.

2 Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

2.2 Responsibility for financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements

2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2015 were authorised for issue by the Board of Directors on the 26 th of May 2015.

2.4 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except that land and short-term investments are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs)

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.5 Functional currency

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

2.6 Use of estimates and judgements

The preparation of financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported values of assets, liabilities, income 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 a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, is provided below:

2.6.1 Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.6.2 Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.6.3 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.6.4 Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.6.5 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.6.6 Recognition of deferred tax assets

Management applies significant judgment to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.7 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future, confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group other than those disclosed in the notes to the financial statements.

3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company.

3.1 Basis of consolidation

3.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquire If the business combination is achieved in stages; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group

3.1.3 Non-controlling interest

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non – controlling interests "in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non – controlling interests" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments by non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3.1.4 Loss of control

On the loss of control, the Group immediately derecognises the assets including goodwill and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available–for-sale financial asset depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.1.5 Equity accounted investees (investments in associates and joint ventures)

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

Joint ventures are arrangements in which the Group has joint control and have rights to the net assets of the arrangement. The group has Joint Control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control

Associates and Joint ventures are treated as equity accounted investees and are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted at each reporting date to recognise changes in the Group's share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity-accounted investees are recognised against the equity value of the Group's investment.

The income statement reflects the Group's share of the results of operations of the equity accounted investees. When there is a change recognised directly in the equity of the entity, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees.

The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement and represents profits or loss after tax of the entity and the non-controlling interests in the subsidiaries of the equity-accounted investees.

Adjustments are made if necessary, to the financial statements of the equity accounted investees to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise on impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in 'share of losses of an equity accounted investee' in the income statement.

Upon loss of significant influence over the associate or the joint control over the joint venture , the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

3.1.6 Reporting date

All the Group's subsidiaries, and equity-accounted investees has the same reporting period as the parent company other than Fiji Ports Terminal Limited, a subsidiary company, whose financial year ends on the 31st of December.

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.

3.1.8 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currencies

3.2.1 Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available for sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at exchange rate approximating to the actual rate at the dates of the transactions. For practical purposes this is presumed to be the average rate during each month.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity except to the extent the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in the subsidiary but retains control, the relevant portion of the translation reserve is transferred to the non-controlling interest. When the Group disposes of only part of its interest in an equity accounted investee that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount is reclassified to the income statement.

3.3 Financial instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

3.3.1 Non-derivative financial assets

3.3.1.1 Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets including assets designated at fair value through profit or loss are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

Attributable transaction costs of fair value through profit or loss financial assets are recognised in the income statement when incurred.

Financial assets at fair value through profit or loss comprise of its portfolio of investments in treasury bills and treasury bonds. The Group has not designated any equity instruments in this category

3.3.1.1.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction costs are significant. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

3.3.1.1.3 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to–maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

3.3.1.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to the income statement.

The Group designates listed and unlisted equity investments that are not held for trading purposes as available-for-sale financial instruments. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold or redeemed in response to needs for liquidity or in response to changes in market conditions.

Interest income on available-for-sale debt securities calculated using the effective interest method and dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

3.3.1.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

3.3.1.2.1 Loans & Receivables

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

3.3.1.2.2 Available for sale

For equity instruments classified as available for sale financial assets a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

Impairment losses of an available-for-sale security investment are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.3.1.3 Derecognition of financial assets

The Group derecognises a financial asset when;

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
- The entity has transferred substantially all the risks and rewards of the asset, or
- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received together with receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

3.3.2 Non–derivative financial liabilities

3.3.2.1 Initial recognition and measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.3.2.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

3.3.2.1.2 Other financial Liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

3.3.2.2 Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.3.4 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

3.3.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.4. Property, plant & equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment other than land, are measured at cost less accumulated depreciation and accumulated impairment losses.

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

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land are disclosed in note 15.3.1to the financial statements.

3.4.2 Significant components of property plant & equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

3.4.3 Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

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

Power generation plants of some of the Group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

The cost of major planned overhauls capitalised are depreciated over the period until the next planned maintenance.

3.5 Investment properties

3.5.1 Recognition and measurement

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as investment properties

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS 40) -"Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

3.5.2 Depreciation

No depreciation is provided on land treated as investment property.

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

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

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

3.6 Leases

3.6.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate interest on the remaining balance of the liability.

3.6.2 Operating leases

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

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.6.3 Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, If the Group concludes that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently as payments are made the liability is reduced and imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3.7 Intangible assets

3.7.1 Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

3.7.2 Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.7.3 Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.7.4 Intangible assets recognised by the Group.

3.7.4.1 Computer software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

The Group amortises computer software over period of 3 to 5 years.

3.7.4.2 Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

The Group amortises website costs over a period of 3 to 5 years.

3.7.4.3 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 3.1.1.

3.7.5 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on normal operating capacity.

3.9 Non-current assets held for sale

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

3.10 Impairment – Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

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

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

3.10.1 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.

3.10.2 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.

3.11 Liabilities and provisions

Liabilities classified as current liabilities in the statement of financial position 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 that become repayable after one year from the reporting date.

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

3.12 Employee benefits

3.12.1 Short-term employee benefits

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

3.12.2 Defined contribution plan

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

3.12.2.1 Employee provident fund and Employee trust fund

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

3.12.2.2 Employees pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme

3.12.2.3 Employee provident fund – South India

Group companies in South India contribute a sum of 12% of the basic salaries of all employees as provident fund benefits to the Employee Provident Organization of India.

3.12.2.4 Employee provident fund – Fiji

Group company, Fiji Ports Terminal Ltd., contributes a sum of 10% (8% till December 2014) of the basic salaries of all employees as provident fund benefits to Fiji National Provident Fund.

3.12.3 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 statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. 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.

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

The liability is not externally funded.

Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur.

3.13 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13.1 Provision for major overhauls

Provision is made on a monthly basis for major overhaul costs based on the estimated overhauls to be carried out within the estimated interval between two major overhauls. The cost of the actual overhaul carried out is set off against the provision. The adequacy of the provision balance is reviewed at a consistent frequency, and any under / over provision which arises due to a change in estimate and the timing of the major overhauls, is adjusted in the income statement for the period in which such under / over provision is identified.

3.14 Revenue

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

3.14.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

3.14.2 Sale of goods

Revenue from the sale of goods is recognised on accrual basis when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

3.14.3 Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period

3.14.3.1 Hotel operation

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

3.14.3.2 Loyalty points programme of Hotel Companies,

'Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group's hotels in Sri Lanka which could be redeemed for future hotel accommodation, subject to a minimum number of points being obtained. Consideration received on hotel rooms occupied is allocated between the current sales and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

3.14.3.3 Lease income

Minimum lease payments receivable under a finance lease are apportioned between the finance income and the reduction of the outstanding receivable. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the financial asset.

3.14.3.4 Installation of elevators

Revenue on installation of elevators is recognised in the income statement by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to cost incurred to date as a percentage of estimated total cost for each installation.

3.14.3.5 Commission income

When the Group acts in the capacity of an agent rather than the principal in a transaction, the revenue recognition is the net amount of commission earned by the Group.

3.14.4 Use by others of entity assets

3.14.4.1 Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

3.14.4.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

3.14.4.3 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the lease.

3.15 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

3.16 Finance Income /(Expenses)

Finance income comprises interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss , and gains on the disposal of interest generating investments whether classified under fair value through profit or loss or available-for-sale financial assets

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 11to the financial statements.

3.17 Government grants and subsidies.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Grants and subsidies which intend to compensate an expense or loss already incurred or received for the purpose of immediate financial support with no future related costs, are recognised in the income statement in the period in which the grant becomes receivable.

Grants and subsidies related to assets are immediately recognised in the statement of financial position as deferred income, and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and recognised in the income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the applicable market rate, the effect of this favourable interest is regarded as a government grant.

3.18 Income tax expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

3.18.1 Current Tax

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

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

3.18.1.1 Companies incorporated in Sri Lanka

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

3.18.1.2 Companies incorporated outside Sri Lanka

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to the relevant tax statutes as disclosed in note 12.3 to the financial statements.

3.18.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

3.18.3 Economic service charge

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

3.19 Operating Segments

An operating segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses that relate to transactions with the Group's other segments.

The operations of the Group are categorised under four segments based on the nature of the products or services provided by each segment and the risks and rewards associated with the economic environment in which these segments operate. The performance of the Group is evaluated based on the performance of these four main segments by the Group's Managing Director (chief operating decision maker). The internal management reports prepared on these segments are reviewed by the Group's Managing Director on a monthly basis. Details of the Group companies operating under each segment and the products and services offered under each segment are provided under Group Companies in pages 236 to 242

3.20 Movement of reserves

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

3.21 Cash flow

The cash flow statement is reported based on the "indirect method".

3.22 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control.

Commitments and Contingent liabilities are disclosed in Note 38 and 42 to the financial statements.

3.23 Earnings per share

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

3.24 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4 New Accounting Standards issued

4.1 New and amended standards and interpretations adopted during the year

For the first time, the Group applied, the following new Sri Lanka Accounting Standards and amendments which became applicable to the financial statements with effect from 1st January 2014

4.1.1 SLFRS 10 - Consolidated Financial Statements

With the adoption of SLFRS 10, the Group changed its accounting policy for determining whether an investee is a subsidiary based on the definition of control as explained in note 3.1.2.

On adoption of this standard, the Group reassessed the control conclusion for its investees and changed the control conclusion for Shipping & Cargo Logistics (Pvt) Ltd., Spence Maldives (Pvt) Ltd., Ace Aviation Services Maldives (Pvt) Ltd.,Aitken Spence Garments Ltd., and MMBL Money Transfer (Pvt) Ltd., and treated them as subsidiaries based on de facto circumstances. These investees were previously accounted for as Joint Ventures using the proportionate consolidation method.

4.1.2 SLFRS 11 - Joint Arrangements

With the adoption of SLFRS 11 in Sri Lanka, the Group changed its accounting policy for its interests in joint arrangements. Under SLFRS 11,the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group re-evaluated its involvement in its joint arrangements and identified the investments in Aitken Spence Travels (Pvt) Ltd., and its subsidiaries, Colombo International Nautical & Engineering College (Pvt) Ltd., Aitken Spence C & T Investments (Pvt) Ltd., and Ace Bangladesh Ltd., as joint ventures. Application of this standard impacted the Group financial statements by replacing proportionate consolidation of these companies with the equity method of accounting.

Changes to the basis of accounting for the investments in companies mentioned in 4.1.1 and 4.1.2 above were applied with retrospective effect as per the transitional provisions under the relevant standards. Quantitative impact of adoption of these two standards on the financial statements of the group is provided in the note 22.1 to the financial statements

4.1.3 SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Disclosures required under this standard are provided in Notes 21 and 22.

4.1.4 SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other SLASs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. Application of this standard has not materially impacted the fair value measurements carried out by the Group. However the Group has included additional disclosures in this regard in Notes 37 in the financial statements

4.1.5 Amendments to SLAS 1 - Presentation of Financial Statements

As a result of the amendment to SLAS 1, the Group modified the presentation of items of other comprehensive income in the statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would not be. Comparative information has been re-presented accordingly.

4.2 New and amended standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing theses financial statements. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date. The Group will be adopting these standards as and when they become effective.

SLFRS 9 – Financial Instruments – effective for annual periods beginning on or after 1st of January 2018

SLFRS 14 – Regulatory Deferral Accounts– effective for annual periods beginning on or after 1st of January 2016

SLFRS 15 – Revenue from Contracts with Customers– effective for annual periods beginning on or after 1st of January 2018

Amendment to LKAS 16 and LKAS 41 – Agriculture; Bearer Biological Plants - effective for annual periods beginning on or after 1st of January 2016

Amendments to SLFRS 10, SLFRS 12 and LKAS 28 – Investment Entities: Applying the Consolidation Exception - effective for annual periods beginning on or after 1st of January 2016

Amendments to LKAS 27 – Equity Method in Separate Financial Statements - effective for annual periods beginning on or after 1st of January 2016

Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - effective for annual periods beginning on or after 1st of January 2016

Amendments to SLFRS 11 – Accounting for Acquisitions of Interests in Joint Operations - effective for annual periods beginning on or after 1st of January 2016

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability

5.1 Property, plant and equipment acquired in business combinations

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction. The fair value of items of plant, equipment fixtures and fittings is based on market prices for similar items when available and depreciated replacement cost when appropriate.

5.2 Property, plant and equipment owned by the Group

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on the market values. This is the estimated amount for which land could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

5.3 Investment property

Investment property is valued for disclosure purposes by the Directors based on the market value, being the estimated amount for which the property could be exchanged on the reporting date between a willing buyer and a willing seller in an arm's length transaction.

5.4 Equity securities

The fair value of the equity securities is determined by reference to their quoted share price at the reporting date if quoted; or if unquoted either using discounted cash flow analysis using expected future cash flows and a market related discounted rate, or based on the net assets of the investee company.

5.5 Financial instruments other than equity securities carried at fair value through profit or loss and available-for-sale investments

Fair value of these financial instruments is estimated by discounting the difference between the contractual price of the instrument and the current price of the instrument for the residual maturity of the contract based on quoted price, or obtained from brokers if not quoted, using a credit adjusted risk free interest rate.

5.6 Defined benefit plan – retirement benefit obligations

The define benefit plan is valued by a professionally qualified external actuary using the projected unit credit method using the standard rate of inflation, an appropriate discount rate and anticipation of future salary increases.

5.7 Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated based on the expected payment amount and their associated probabilities discounted to present value when appropriate.

6 Operating segments

6.1 Business segments

6.1.1 Business segment analysis of group revenue and profit

	Tourism sector		Maritime & logistics sector		Strategic investments		Services sector		Total	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total revenue generated	17,829,450	16,965,337	7,738,781	7,447,979	15,165,970	16,196,090	1,086,303	943,434	41,820,504	41,552,840
Intra-segmental revenue	(985,772)	(1,037,701)	(219,414)	(242,581)	(56,365)	(64,473)	(29,619)	(30,320)	(1,291,170)	(1,375,075)
Total revenue with inter - segmental revenue	16,843,678	15,927,636	7,519,367	7,205,398	15,109,605	16,131,617	1,056,684	913,114	40,529,334	40,177,765
Inter - segmental revenue	(23,496)	(21,972)	(290,652)	(294,784)	(213,041)	(197,193)	(178,086)	(176,517)	(705,275)	(690,466)
Total revenue with equity-accounted investees	16,820,182	15,905,664	7,228,715	6,910,614	14,896,564	15,934,424	878,598	736,597	39,824,059	39,487,299
Share of equity-accounted investees' revenue	(3,006,134)	(2,807,867)	(482,162)	(545,496)	(1,015,408)	(1,074,813)	(1,464)	-	(4,505,168)	(4,428,176)
Revenue from external customers	13,814,048	13,097,797	6,746,553	6,365,118	13,881,156	14,859,611	877,134	736,597	35,318,891	35,059,123
Profit from operations	3,974,501	4,029,969	706,411	643,871	825,635	599,215	150,162	231,057	5,656,709	5,504,112
Finance income	265,989	276,243	44,839	51,703	297,811	439,311	15,218	20,186	623,857	787,443
Finance expenses	(237,587)	(236,451)	(60,596)	(71,602)	(595,628)	(960,192)	(7,719)	(7,825)	(901,530)	(1,276,070)
Share of profit of equity-accounted investees (net of tax)	227,326	257,198	44,830	81,400	84,772	121,080	(26,041)	(30,217)	330,887	429,461
Profit before tax	4,230,229	4,326,959	735,484	705,372	612,590	199,414	131,620	213,201	5,709,923	5,444,946
Income tax expense	(551,968)	(602,566)	(121,611)	(137,465)	(103,644)	(83,927)	(49,100)	(41,499)	(826,323)	(865,457)
Profit for the year	3,678,261	3,724,393	613,873	567,907	508,946	115,487	82,520	171,702	4,883,600	4,579,489
Depreciation and amortisation	837,755	781,662	235,882	221,963	238,543	329,209	79,196	77,744	1,391,376	1,410,578
Impairment losses / (reversals) and write offs	(6,283)	(1,549)	6,662	8,391	974,974	601,041	11,927	2,565	987,280	610,448
Other non cash expenses	30,850	25,231	42,482	30,462	43,129	38,948	10,755	9,226	127,216	103,867

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 9.97 billion of revenue, which amounts to 28% of the Group's total revenue for the year, is attributable to one customer (state owned enterprise) recorded under the strategic investment sector.

6.1.2 Business segment analysis of group assets and liabilities

	Tourism sector		Maritime & logistics sector		Strategic investments		Services sector		Total	
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segment assets	29,979,653	24,866,154	7,235,126	7,179,046	19,426,671	22,014,526	2,713,376	2,990,215	59,354,826	57,049,941
Investments in equity -accounted investees	3,729,241	1,881,534	633,300	623,894	826,780	754,001	214,197	108,160	5,403,518	3,367,589
Goodwill on consolidation	-	-	-	-	-	-	-	-	447,821	497,821
Assets classified as held for sale	-	-	-	-	-	-	-	-	226,923	149,125
Total assets	33,708,894	26,747,688	7,868,426	7,802,940	20,253,451	22,768,527	2,927,573	3,098,375	65,433,088	61,064,476
Segment liabilities	11,044,120	6,743,366	2,072,735	2,025,388	9,339,114	12,651,125	627,204	638,978	23,083,173	22,058,857
Eliminations / adjustments	-	-	-	-	-	-	-	-	70,465	79,172
Total liabilities	11,044,120	6,743,366	2,072,735	2,025,388	9,339,114	12,651,125	627,204	638,978	23,153,638	22,138,029
Additions to non current assets	5,870,907	900,588	576,077	221,427	486,620	137,436	60,199	54,517	6,993,803	1,313,968

6.2 Geographical information

Geographical analysis of the Group's revenue and non current assets is stated based on the country where the sale occurred or the service was rendered.

6.2.1 Geographical information - revenue

	Total revenue generated		Revenue from external customers	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Sri Lanka	28,617,345	29,820,773	22,611,478	23,956,793
Maldives	11,210,295	10,337,613	10,749,979	9,733,880
Other countries	1,992,864	1,394,454	1,957,434	1,368,450
	41,820,504	41,552,840	35,318,891	35,059,123

6.2.2 Geographical information - non current assets

	Non current assets	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Sri Lanka	20,264,515	22,867,551
Maldives	8,971,134	7,790,829
Other countries	4,642,783	1,173,566
	33,878,432	31,831,946
Investments in equity-accounted investees	5,403,518	3,367,589
Goodwill on consolidation	447,821	497,821
	39,729,771	35,697,356

7 Revenue

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Rendering of services	31,011,252	31,410,606	528,080	547,152
Sale of goods	3,852,346	3,163,735	-	-
Lease interest income	455,293	484,782	-	-
Royalty income	-	-	65,094	65,094
	35,318,891	35,059,123	593,174	612,246

8 Other operating income

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Dividends from group subsidiaries and equity-accounted investees	-	-	966,551	639,479
Dividends on available-for-sale financial assets	2,742	3,069	142	125
Gain / (loss) on disposal of subsidiaries*	6,724	-	(128,974)	-
Gain / (loss) on disposal of equity securities classified as available-for-sale financial assets	(9,315)	26,570	6,212	-
Gain / (loss) on disposal of property, plant and equipment	16,100	(96,669)	8,011	5,688
Loss on disposal of investment property	-	(12,543)	-	(12,543)
Insurance income arising from loss of operation **	350,967	391,365	-	-
Net foreign exchange gain / (loss)	125,268	146,246	(5,913)	17,966
Sundry income	15,086	8,853	1,408	70
	507,572	466,891	847,437	650,785

* Gain / (loss) on disposal of subsidiaries includes the loss on disposal of Ace Power Matara (Pvt) Ltd., and the surplus on the loss of control of Ahungalla Resorts (Pvt) Ltd., a former subsidiary now accounted as a equity accounted investee.

** During 2013/2014, sixteen ocean villas of ADS Resorts (Pvt) Ltd.,(Adhaaran Select Hudufanfushi) – Maldives was destroyed due to a fire. Insurance income reflected above is the compensation agreed by the insurance company for the loss of operations due to business interruption and loss of material for the two years.

9 Profit from operations

Profit from operations is stated after charging the following:

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Cost of inventories and services	22,366,413	23,362,420	397,077	361,072
Directors' remuneration and fees	353,389	338,491	84,493	72,790
Auditors' remuneration				
- KPMG	11,517	10,296	1,050	950
- Other Auditors	5,028	5,859	-	-
Fees paid to Auditors for non-audit services				
- KPMG	2,986	1,560	2,047	391
- Other Auditors	6,248	3,684	-	-
Depreciation of property, plant and equipment and investment property	1,286,496	1,308,316	42,098	39,031
Amortisation of intangible assets and operating leases	104,880	102,262	22,529	24,509
Impairment losses / (reversals) and write offs				
- Impairment of intangible assets	50,000	50,000	-	-
- Impairment of finance lease receivables	957,179	-	-	-
- Impairment losses / (reversals) and write offs of trade & other receivables	(20,051)	427,270	3,635	26,881
- Impairment losses / (reversals) of inventories	152	133,178	27	-
- Impairment of investments in subsidiaries	-	-	14,292	159,198
Operating lease payments	505,838	450,643	-	-
Legal expenses	8,720	9,254	1,181	73
Defined contribution plan cost - Provident Fund and Trust Fund	333,808	296,011	40,388	35,709
Defined contribution plan cost - Overseas (Maldives, South India and Fiji)	57,858	52,664	-	-
Defined benefit plan cost - Retirement benefits	127,216	103,867	18,669	17,222

10 Other operating expenses-direct

Direct operating expenses as disclosed in the income statement refers to the cost of services other than staff costs which are directly related to revenue.

Since most of the companies in the Group operate in service industries, other direct operating expenses represents a substantial portion of the total operating costs.

11 Finance income and finance expenses

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Finance income				
Interest income on financial assets classified as fair value through profit or loss	123,575	158,568	123,575	158,568
Interest income on loans and receivables	499,250	628,875	314,427	449,685
Dividend income on preference shares	-	-	11,813	11,813
Net change in fair value of financial assets classified as fair value through profit or loss	1,032	-	-	-
	623,857	787,443	449,815	620,066
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(804,836)	(1,173,110)	(384,516)	(509,732)
Net change in fair value of financial assets classified as fair value through profit or loss	(1,529)	(1,128)	(530)	-
Other finance charges	(95,165)	(101,832)	(9,077)	(8,882)
	(901,530)	(1,276,070)	(394,123)	(518,614)

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 119.5 million.(2013/2014 - nil). (Company-nil). The average rate of borrowing costs eligible for capitalisation for the foreign currency borrowing was 3.98% and for the rupee denominated borrowing was 6.62%.

12 Income Tax Expense

The income tax provision of Aitken Spence PLC., its subsidiaries and equity accounted investees which are resident in Sri Lanka have been calculated on their adjusted profits at 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto (other than in respect of companies set out in notes 12.1, 12.2 and 12.3 below).

Tax status of companies in the Group which are;

- Enjoying income tax exemptions/concessionary tax rates are given in note 12.1
- Incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.2
- Incorporated and operating outside Sri Lanka are given in note 12.3

12.1 Companies exempt from income tax /liable to tax at concessionary rates

Companies exempt from tax

Company	Statute	Period
Aitken Spence Hotels (International) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite
Negombo Beach Resorts (Pvt) Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years from 1st year of profit
Aitken Spence C & T Investments (Pvt) Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years from 1st year of profit
Aitken Spence Resorts (Pvt) Ltd	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years from 1st year of profit
Ace Apparels (Pvt) Ltd	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 years from 1st year of profit
Ace Wind Power (Pvt) Limited	Section 17 of BOI Law No. 4 of 1978	5 years ending 2018/2019
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 years ending 2018/2019
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ended 2014/2015
Logilink (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 years ended 2014/2015

Companies liable to tax at concessionary rates

Company	Tax Rate & Statute	Period
Ace Container Repair (Pvt) Ltd	12% under section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Exports (Pvt) Ltd	12% under section 52 & 56 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence (Garments) Ltd	12% under section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Apparels (Pvt) Ltd	12% under section 56 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Holdings PLC	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Managements (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Plantation Managements PLC	12% under section 46 of Inland Revenue Act No. 10 of 2006	Indefinite
Browns Beach Hotels PLC	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Elpitiya Plantations PLC	Agricultural profits liable for tax at 10% under section 48A of Inland Revenue Act No. 10 of 2006	Indefinite
Golden Sun Resorts (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hethersett Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Kandalama Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
MPS Hotels Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Paradise Resort Pasikudah (Pvt) Ltd	12% under section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Property Developments (Pvt) Ltd	10% under section 17 of BOI Law No. 4 of 1978 20% under section 17 of BOI Law No. 4 of 1978	2 years ended 2014/2015 Indefinite
Vauxhall Property Developments (Pvt) 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 following income tax exemptions / concessions are available to companies operating in the Group in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto;

- Profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka for which payments received in foreign currency, are exempt from income tax in terms of section 13 (ddd).

- Profits and income from transhipment agency fees are liable to tax at the rate of 12% in terms of section 59.

- Profits and income earned in foreign currency from the supply of any services by an agent of a ship operator to such agent's foreign principal are liable to tax at the rate of 12% in terms of section 58.
- Profits and income from any undertaking for the operation and maintenance of facilities for storage, development of software and educational services carried out in Sri Lanka are liable to tax at the rate of 10%.
- Maximum of 25% qualifying payment deduction under section 34 (2)(s), for expansion purposes with investments in fixed assets of not less than Rs. 50 million made by any undertaking on or after April 1, 2011 but prior to April 1, 2014 on investments specified in section 16C or section 17A.

12.2 Companies Incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits liable to tax at 12% in Oman and income derived from Maldives is subject to withholding tax*. Such profits and income are exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006
Port Management Container Service (Pvt) Ltd	Mozambique, Fiji	Profits and income derived from Mozambique and Fiji are subject to withholding tax* and exempt from tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006.

* Profits and income derived from the provision of services to non-resident companies operating in Maldives, Fiji and Mozambique are subject to withholding tax at 10%, 15% and 20% respectively.

12.3 Companies Incorporated and operating outside Sri Lanka

Company	Country	Tax Status
Crest Star (BVI) Ltd	British Virgin Islands	Nil
Crest Star Ltd	Hong Kong	Nil
Ace Aviation Services Maldives (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
ADS Resorts (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Cowrie Investments (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Interlifts International (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Jetan Travel Services Company (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Spence Maldives (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Unique Resorts (Pvt) Ltd	Maldives	Liable at 15% as per Maldives tax law
Fiji Ports Terminal Ltd (Ports Terminal Ltd)	Fiji	Liable at 20% as per Fiji tax law
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Liable at 30.9% as per Indian tax law
Aitken Spence Hotel Services (Pvt) Ltd	India	Liable at 30.9% as per Indian tax law
PR Holiday Homes Private 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

12.4 Tax recognised in income statements

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Current tax expense				
Tax on current year profits (note 12.6)	705,440	702,111	4,008	13,653
Under / (over) provision in respect of previous years	(1,624)	4	48,042	-
Withholding tax on dividends paid by subsidiaries	83,711	64,089	-	-
	787,527	766,204	52,050	13,653
Deferred tax expense				
Deferred tax expense (note 12.7)	38,796	99,253	-	-
	826,323	865,457	52,050	13,653

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 59.1 million (2013/2014 - Rs. 75.6 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.5 Tax recognised in other comprehensive income

	Group					
	2014/2015			2013/2014		
	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000
Revaluation of property, plant and equipment	90,961	-	90,961	1,164,688	-	1,164,688
Actuarial gains / (losses) on defined benefit obligations	(48,207)	7,478	(40,729)	(51,302)	8,228	(43,074)
Exchange differences on translation of foreign operations	(111,954)	-	(111,954)	183,465	-	183,465
Net change in fair value of available-for-sale financial assets	71,109	-	71,109	(24,397)	-	(24,397)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	9,432	-	9,432	1,817	-	1,817
Share of other comprehensive income of equity-accounted investees (net of tax)	(15,912)	-	(15,912)	6,880	-	6,880
	(4,571)	7,478	2,907	1,281,151	8,228	1,289,379

Tax recognised in other comprehensive income excludes, the Group's share of tax expense of the equity-accounted investees recognised in the other comprehensive income of Rs. 3.0 million - tax income (2013/2014 - Rs. 1.5 million - tax expense) which is included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.6 Reconciliation of the accounting profit and tax for the current year

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Profit before tax	5,709,923	5,444,946	675,238	423,076
Consolidation adjustments	(434,639)	(538,660)	-	-
Profit after adjustments	5,275,284	4,906,286	675,238	423,076
Income not liable for income tax	(1,110,301)	(1,243,803)	(24,766)	(12,743)
Effect of revenue subject to tax at source	784,173	685,298	40,076	36,531
Adjusted profit	4,949,156	4,347,781	690,548	446,864
Non - taxable receipts / gains	(49,230)	(20,501)	(966,550)	(651,417)
Aggregate disallowed expenses	2,208,904	2,446,106	397,665	426,399
Capital allowances	(1,772,103)	(2,166,887)	(37,975)	(52,780)
Aggregate allowable deductions	(984,117)	(2,235,950)	(87,119)	(80,833)
Utilisation of tax losses	(97,575)	(135,740)	-	(18,096)
Qualifying payment deductions	(83,176)	(83,176)	-	-
Current year tax losses not utilised	427,711	2,456,694	43,507	-
Taxable income	4,599,570	4,608,327	40,076	70,137
Income tax charged at;				
Standard rate of 28%	92,647	111,340	-	10,000
Concessionary rate of 10% or 12%	97,640	101,581	-	-
Other rates	837	750	-	-
Varying rates on off - shore profits	514,316	488,440	4,008	3,653
	705,440	702,111	4,008	13,653

12.7 Deferred tax expense

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Deferred tax expense arising from ;				
Property, plant and equipment	77,860	41,286	-	-
Defined benefit obligations	(4,339)	(10,565)	-	-
Tax losses carried forward	(25,191)	23,192	-	-
Undistributed profits of consolidated entities	(8,707)	46,817	-	-
Deferred interest expense	-	(300)	-	-
Other items	(827)	(1,177)	-	-
	38,796	99,253	-	-

12.8 Tax losses carried forward

	Group		Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Tax losses brought forward	5,014,324	2,455,610	132,995	151,296
Adjustments to tax loss brought forward and tax losses arising during the year	(802,979)	2,694,454	(49,753)	(205)
Utilisation of tax losses	(97,575)	(135,740)	-	(18,096)
	4,113,770	5,014,324	83,242	132,995

As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted in respect of these losses amounted to Rs. 587.0 million (2013/2014 - Rs. 888.2 million). Deferred tax asset not accounted on the carried forward losses of the Company amounted to Rs. 23.3 million (2013/2014 - Rs. 37.2 million).

12.9 Super Gain Tax

The interim budget proposals presented by the Minister of Finance on 29th January 2015 and the pursuant bill gazetted on 30th March 2015, impose a one off tax of 25% on taxable profits for the year of assessment 2013/2014 on any company or each company in a group of companies, if the company's/Group's profit before income tax exceeds Rs. 2,000 million.

In the absence of applicability and measurement criteria for the computation of this tax at the time of publishing these financial statements, the Group is not in a position to assess the impact of this one-off tax on these financials for the year ended 31 March 2015 and therefore no provision has been made on account of the said tax in these financial statements.

The liability will be recognised in the financial statements when the bill is enacted.

13 Earnings per share

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

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

	Group		Company	
	2014/2015	2013/2014	2014/2015	2013/2014
Net profit attributable to ordinary shareholders of the parent (Rs.)	3,579,007,541	3,671,870,041	623,187,932	409,422,660
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	8.82	9.04	1.53	1.01

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

14 Dividends per share

	2014/2015 Rs.'000	2013/2014 Rs.'000
Final ordinary dividend recommended - Rs. 2.00 per share (2013/2014 - Rs.2.00 per share)	811,992	811,992
	811,992	811,992

The Directors have recommended a final dividend payment of Rs. 2.00 per share for the year ended 31st March 2015 to be approved at the Annual General Meeting on 30 June 2015.

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2015.

15 Property, plant and equipments

15.1 Group

	Freehold Land Rs.'000	Freehold buildings Rs.'000	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Leasehold motor vehicles Rs.'000	Furniture and fittings Rs.'000	Capital work-in-progress Rs.'000	Total Rs.'000
Cost or revaluation								
Balance as at 01st April 2014	8,506,328	13,619,801	8,353,104	2,615,518	23,774	1,557,708	1,126,972	35,803,205
Surplus on revaluation*	90,961	-	-	-	-	-	-	90,961
Companies disposed during the year	(284)	(248,821)	(609,229)	-	-	(4,154)	-	(862,488)
Reclassified under equity-accounted investees	(855,000)						(142,664)	(997,664)
Exchange difference	(3,113)	135,040	22,468	(108,171)	2,441	6,868	2,246	57,779
Additions	507,349	764,203	783,552	274,207	11,924	85,833	4,050,349	6,477,417
Transfers	-	(12,467)	11,181	-	-	1,286	-	-
Disposals / write-off	-	(4,135)	(72,999)	(74,335)	(8,305)	(4,149)	(138,265)	(302,188)
Balance as at 31st March 2015	8,246,241	14,253,621	8,488,077	2,707,219	29,834	1,643,392	4,898,638	40,267,022
Accumulated depreciation								
Balance as at 01st April 2014	-	3,838,741	4,439,649	1,706,944	9,833	1,008,717	-	11,003,884
Companies disposed during the year	-	(102,719)	(476,747)	-	-	(2,387)	-	(581,853)
Exchange difference	-	48,662	12,990	(79,672)	1,860	4,747	-	(11,413)
Charge for the year	-	397,755	551,239	220,497	12,119	104,886	-	1,286,496
Transfers	-	(4,530)	4,596	-	-	(66)	-	-
Disposals / write-off	-	(336)	(60,602)	(56,484)	(7,996)	(1,305)	-	(126,723)
Balance as at 31st March 2015	-	4,177,573	4,471,125	1,791,285	15,816	1,114,592	-	11,570,391
Carrying amount as at 31st March 2015	8,246,241	10,076,048	4,016,952	915,934	14,018	528,800	4,898,638	28,696,631
Carrying amount as at 31st March 2014	8,506,328	9,781,060	3,913,455	908,574	13,941	548,991	1,126,972	24,799,321

* Related to revaluation of land prior to reclasification of Ahungalla Resorts Ltd., under equity-accounted investees.

The value of property, plant and equipment pledged by the Group as security for facilities obtained from banks amounted to Rs.651.7 million (2013/2014- Rs. 668.8 million).

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

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

In compliance with the accounting policy, the Group revalues land owned by the Group companies by 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.

Property plant and equipment as at 31st March 2015 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1,735.1 million that are still in use.

15.2 Company

	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Total Rs.'000
Cost or revaluation				
Balance as at 01st April 2014	132,612	134,061	91,525	358,198
Additions	13,613	28,091	897	42,601
Disposals	(1,095)	(25,806)	-	(26,901)
Balance as at 31st March 2015	145,130	136,346	92,422	373,898
Accumulated depreciation				
Balance as at 01st April 2014	111,943	60,650	41,638	214,231
Charge for the year	10,996	20,406	7,946	39,348
Disposals	(1,061)	(21,807)	-	(22,868)
Balance as at 31st March 2015	121,878	59,249	49,584	230,711
Carrying amount as at 31st March 2015	23,252	77,097	42,838	143,187
Carrying amount as at 31st March 2014	20,669	73,411	49,887	143,967

There was no property plant and equipment pledged by the Company as security for facilities obtained from banks.

Property plant and equipment as at 31st March 2015 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 110.7 million that are still in use.

15.3 Freehold land

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2015 Rs.'000	Revaluation surplus and exchange difference Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence PLC.[a]	315, Vauxhall Street, Colombo 02	31.03.2014	1 A 0 R 12.78 P	907,095	905,938	1,157
Aitken Spence PLC.[b]	316, K. Cyril C. Perera Mw., Colombo 13	14.06.2013	1 A 0 R 20.40 P	402,570	397,579	4,991
Aitken Spence PLC.[a]	170, Sri Wickrema Mw., Colombo 15	27.01.2014	3 A 3 R 31.00 P	313,000	270,039	42,961
Aitken Spence PLC.[a]	Moragalla, Beruwala	21.01.2014	10 A 1 R 23.97 P	540,750	539,796	954
Aitken Spence PLC.[a]	290/1, Inner Harbour Road, Trincomalee	15.03.2014	0 A 1 R 4.95 P	14,500	14,500	-
Ace Containers (Pvt) Ltd.[a]	775/5, Negombo Road, Wattala	24.01.2014	22 A 0 R 24.88 P	1,329,300	1,233,909	95,391
Ace Containers (Pvt) Ltd.[a]	385, Colombo Road, Welisara	24.01.2014	8 A 3 R 12.23 P	458,975	372,302	86,673
Ace Distriparks (Pvt) Ltd.[a]	80, Negombo Road, Wattala	24.01.2014	2 A 2 R 17.03 P	417,000	47,438	369,562
Meeraladuwa (Pvt) Ltd. [a]	Meeraladuwa Island, Ahungalla	23.01.2014	29 A 2 R 9.00 P	450,830	350,568	100,262
Aitken Spence (Garments) Ltd.[a]	222, Agalawatte Road, Matugama	08.02.2014	2 A 3 R 0 P	25,300	20,140	5,160
Aitken Spence Hotel Holdings PLC.[a]	"Heritance Ahungalla", Galle Road, Ahungalla	31.03.2012	11 A 3 R 34.02 P	565,000	547,559	17,441
Aitken Spence Property Developments Ltd.[a]	90, St. Rita's Estate, Mawaramandiya.	06.02.2014	3 A 0 R 25.08 P	50,500	26,072	24,428
Aitken Spence Resorts Ltd.[a]	Kudawaskaduwa, Kalutara	21.01.2014	1 A 3 R 23.20 P	86,000	34,022	51,978
Aitken Spence Resorts Ltd.[a]	Kudawaskaduwa, Kalutara	21.01.2014	0 A 1 R 34.30 P	16,700	2,725	13,975
Branford Hydropower (Pvt) Ltd.[a]	263, 1st lane, Gangabada Road, Kaludewala, Matale	14.03.2014	2 A 0 R 14.00 P	13,350	2,817	10,533
Clark Spence and Co., Ltd.[a]	24-24/1, Church Street, Galle	04.03.2014	0 A 1 R 27.90 P	169,750	169,715	35

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2015	Revaluation surplus and exchange difference	Carrying amount at cost
				Rs.'000	Rs.'000	Rs.'000
Golden Sun Resorts (Pvt) Ltd.[a]	418, Parallel Road, Kudawaskaduwa, Kalutara	20.10.2012	5 A 1R 37.90 P	280,500	260,727	19,773
Golden Sun Resorts (Pvt) Ltd.[a]	49, Sea Beach Road, Kalutara	20.10.2012	0 A 1R 30.32 P	21,000	19,520	1,480
Heritance (Pvt) Ltd.[a]	Moragalla, Beruwala	23.01.2014	5 A 3 R 6.80 P	278,000	266,920	11,080
Kandalama Hotels Ltd.[a]	Kandalama, Dambulla	23.01.2014	169 A 2 R 22.00 P	9,000	1,616	7,384
Logilink (Pvt) Ltd.[a]	309/4 a, Negombo Road, Welisara	24.01.2014	2 A 1 R 9.50 P	129,325	46,834	82,491
M.P.S. Hotels Ltd.[a]	200/21, Peradeniya Road, Kandy	29.01.2014	3 A 3 R 1.52 P	300,500	59,324	241,176
Neptune Ayurvedic Village (Pvt) Ltd.[a]	Ayurvedic village - Moragalla, Beruwala	23.01.2014	0 A 0 R 19.30 P	4,425	362	4,063
PR Holiday Homes Private Ltd.[c]	Cochin - Kerala, India	31.03.2012	14 A 0 R 7.52 P	186,026	41,886	144,140
Vauxhall Investments Ltd.[b]	316, K. Cyril C. Perera Mw., Colombo 13	14.06.2013	0 A 1 R 21.08 P	137,430	115,591	21,839
Vauxhall Property Developments Ltd.[a]	305, Vauxhall Street, Colombo 02	31.03.2014	0 A 2 R 24.73 P	549,832	535,101	14,731
				7,656,658	6,283,000	1,373,658

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

[a] Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)

[b] Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)

[c] Valuation of the land was carried out by Mr. T.T. Kripananda Singh, B.S.C.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of N. Raj Kumar and Associates, India.

15.3.2 Land carried at cost / fair value

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2015
				Rs.'000
Aitken Spence Hotel Holdings PLC.	"Heritance Ahungalla", Galle Road, Ahungalla	10.06.2013	0 A 0 R 39.26 P	5,207
Ace Containers (Pvt) Ltd.	No.377, Negombo Road, Welisara, Ragama	18.07.2013	1 A 1 R 17.80 P	87,065
Perumbalam Resorts (Pvt) Ltd.	Cochin - Kerala, India	30.04.2012	4 A 0 R 9.00 P	8,851
Aitken Spence Hotel Managements (South India) Ltd.	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	09.06 2014	0 A 3 R 15.14 P	488,460
				589,583

15.3.3 Total carrying amount of land

	Carrying amount as at 31.03.2015
	Rs.'000
Land carried at revalued amount	7,656,658
Land carried at cost	589,583
	8,246,241

16 Investment property

16.1 Movement during the year

	Group 2014/2015 Rs.'000	Group 2013/2014 Rs.'000	Company 2014/2015 Rs.'000	Company 2013/2014 Rs.'000
Cost or revaluation				
Balance at the beginning of the period	1,648,301	1,663,350	3,494,039	3,509,088
Disposals / write-off	-	(15,049)	-	(15,049)
Balance at the end of the period	1,648,301	1,648,301	3,494,039	3,494,039
Accumulated depreciation				
Balance at the beginning of the period	-	1,754	54,094	53,093
Charge for the year	-	752	2,750	3,507
Disposals / write-off	-	(2,506)	-	(2,506)
Balance at the end of the period	-	-	56,844	54,094
Carrying amount as at 31st March	1,648,301	1,648,301	3,437,195	3,439,945

16.2 Details of land under investment property

Location	Extent	Carrying value of investment property Group Rs.'000	Carrying value of investment property Company Rs.'000	Number of buildings
315, Vauxhall Street, Colombo 02	1 A 0 R 12.78 P	-	900,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.40 P	-	223,650	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	193,605	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	548,439	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 4.95 P	-	12,700	1
Irakkakandi Village, VC road, Nilaweli	113 A 1 R 1.00 P	1,630,801	1,558,801	-
3/2, Seewali lane, Kudaedanda, Wattala	0 A 0 R 36.10 P	17,500	-	-
		1,648,301	3,437,195	

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. These properties are treated as investment property in the relevant company's statement of financial position, if such company has rented out the property to other Group companies.

16.3 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of the above properties based on the Directors valuation as at 31st March 2015 and 31st March 2014 for the Group was Rs. 1,648 million and for the company was Rs. 3,792 million (2013/2014 - Rs. 3,794 million).

16.4 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 18.1 million (2013/2014 - Rs. 15.7 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

There were no restrictions on the realisability of any investment property or on the remittance of income or proceeds of disposal.

17 Intangible assets

17.1 Group

	Goodwill Rs.'000	Software Rs.'000	Other intangibles Rs.'000	Total Rs.'000
Cost or valuation				
Balance as at 01st April 2014	596,590	321,406	1,884	919,880
Exchange difference	-	757	-	757
Additions	-	7,163	378	7,541
Balance as at 31st March 2015	596,590	329,326	2,262	928,178
Accumulated amortisation / impairment				
Balance as at 01st April 2014	98,769	219,692	492	318,953
Exchange difference	-	727	-	727
Amortisation for the year	-	50,596	731	51,327
Impairment during the year	50,000	-	-	50,000
Balance as at 31st March 2015	148,769	271,015	1,223	421,007
Carrying amount as at 31st March 2015	447,821	58,311	1,039	507,171
Carrying amount as at 31st March 2014	497,821	101,714	1,392	600,927

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

Intangible assets as at 31st March 2015 includes fully amortised assets having a gross carrying amount (cost) of Rs. 113.2 million that are still in use.

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.

17.2 Company

	Software 2014/2015 Rs.'000	Software 2013/2014 Rs.'000
Cost or valuation		
Balance at the beginning of the period	159,912	158,381
Additions	332	1,531
Balance at the end of the period	160,244	159,912
Accumulated amortisation		
Balance at the beginning of the period	106,853	82,344
Charge for the year	22,529	24,509
Balance at the end of the period	129,382	106,853
Carrying amount as at 31st March	30,862	53,059

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

Intangible assets as at 31st March 2015 includes fully amortised assets having a gross carrying amount (cost) of Rs. 51.9 million that are still in use.

18 Leasehold properties

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Cost		
Balance at the beginning of the period	1,830,220	1,776,460
Exchange difference	41,371	53,760
Additions	464,842	-
Balance at the end of the period	2,336,433	1,830,220
Accumulated amortisation		
Balance at the beginning of the period	369,120	312,530
Exchange difference	8,128	9,458
Amortisation for the period	52,658	47,132
Balance at the end of the period	429,906	369,120
Carrying amount as at 31st March	1,906,527	1,461,100

Leasehold properties represent the acquisition cost of leasehold rights of some of the hotel properties in the Maldives. The amount paid for the acquisition of the leasehold rights of A'arah island during the year is recognised under additions during the year.

19 Operating leases

19.1 Pre-paid operating leases

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance at the beginning of the period	1,010,249	980,731
Additions during the period	44,003	-
Amortisation for the period	(895)	(50)
Exchange difference	19,943	29,568
Balance at the end of the period	1,073,300	1,010,249
Current portion of pre-paid operating leases	930	50
Non current portion of pre-paid operating leases	1,072,370	1,010,199

Prepaid lease rentals for the properties marked "*" in note 19.3 are recognised under pre-paid operating leases.

Amortisation for properties marked "**" in note 19.3 will commence on or after the financial year 2016/2017.

19.2 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	Group	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Lease rentals payable within one year	504,152	508,912
Lease rentals payable between one and five years	2,354,880	2,368,030
Lease rentals payable after five years	7,312,789	7,766,098
	10,171,821	10,643,040

19.3 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels Ltd.	Dambulla	27 years
Hethersett Hotels Ltd.	Nuwara Eliya	79 years
Jetan Travel Services Company (Pvt) Ltd. * **	Maldives	26 years
Cowrie Investments (Pvt) Ltd. * **	Maldives	33 years
ADS Resorts (Pvt) Ltd. * **	Maldives	11 years
Unique Resorts (Pvt) Ltd. * **	Maldives	30 years
Ace Container Terminals (Pvt) Ltd. *	Biyagama	72 years
Ace Container Terminals (Pvt) Ltd. *	Katunayake	72 years
Ace Power Embilipitiya (Pvt) Ltd.	Embilipitiya	18 years
Branford Hydropower (Pvt) Ltd.	Matale	18 years
Ace Windpower (Pvt) Ltd	Ambewela	12 years
Ace Apparels (Pvt) Ltd. *	Koggala	49 years
Fiji Ports Terminal Ltd.	Fiji	12 years

20 Finance lease receivable

The power plant owned by Ace Power Embilipitiya (Pvt) Ltd., which is being operated in accordance with a power purchase agreement entered into with the Ceylon Electricity Board, is recognized under IFRIC 4, and the arrangement is accounted as a finance lease where Ace Power Embilipitiya (Pvt) Ltd., is treated as the lessor. The non escalable capacity charge in the tariff which is included in income is treated as the capital and interest recovery of the lease.

Due to the expiry of the above power purchasing agreement on 06th April 2015 the residual value of the asset as at 31st March 2015 was re-assessed based on the market price of the asset and the residual value was reduced to the value obtained from the equipment manufacturer.The decrease in residual value amounted to Rs. 957 million.

20.1 Movement during the year

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance at the beginning of the period	2,392,832	2,494,055
Settlements during the period	(147,725)	(176,776)
Impairment for the year	(957,179)	-
Exchange difference	45,272	75,553
Balance at the end of the period	1,333,200	2,392,832
Current portion of finance lease receivables	1,333,200	146,948
Non current portion of finance lease receivables	-	2,245,884

20.2 Ageing of gross finance lease receivable and present value of lease receivable

	31.03.2015			31.03.2014		
	Gross investment Rs.'000	Unearned income Rs.'000	Present value Rs.'000	Gross investment Rs.'000	Unearned income Rs.'000	Present value Rs.'000
Not Later than one year	1,333,200	-	1,333,200	600,118	453,170	146,948
One to five years	-	-	-	2,245,884	-	2,245,884
Over five years	-	-	-	-	-	-
	1,333,200	-	1,333,200	2,846,002	453,170	2,392,832

21 Investments in subsidiaries

21.1 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2015 Rs.'000	31.03.2014 Rs.'000
a) Ordinary Shares							
Ace Apparels (Pvt) Ltd.	Sri Lanka	13,100,000	100.00	100.00	-	131,000	-
Ace Cargo (Pvt) Ltd. (c)	Sri Lanka	990,000	100.00	100.00	-	245,173	245,173
Ace Container Repairs (Pvt) Ltd. (c)	Sri Lanka	2,250,000	100.00	100.00	-	22,500	22,500
Ace Container Terminals (Pvt) Ltd. (c)	Sri Lanka	1,550,002	100.00	100.00	-	15,500	15,500
Ace Containers (Pvt) Ltd. (c)	Sri Lanka	4,010,000	100.00	100.00	-	40,100	40,100
Ace Distriparks (Pvt) Ltd. (c)	Sri Lanka	8,900,000	100.00	100.00	-	89,000	89,000
Ace Exports (Pvt) Ltd.	Sri Lanka	1,400,000	100.00	100.00	-	14,000	14,000
Ace Freight Management (Pvt) Ltd. (c)	Sri Lanka	5,222,500	100.00	100.00	-	36,307	36,307
Ace International Express (Pvt) Ltd. (c)	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Printing and Packaging (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Windpower (Pvt) Ltd.	Sri Lanka	13,250,000	100.00	100.00	-	132,500	132,500
Aitken Spence Apparels (Pvt) Ltd.	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd. (c)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd.	Sri Lanka	52,500	100.00	100.00	-	514	514
Aitken Spence Group Ltd. (b) (c)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Hotel Managements (Pvt) Ltd.	Sri Lanka	4,020,000	100.00	100.00	-	40,200	40,200
Aitken Spence Insurance (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd.	Sri Lanka	150,000	100.00	100.00	-	1,500	1,500
Aitken Spence Maritime Ltd. (c)	Sri Lanka	140,000	100.00	100.00	-	1,400	1,400
Aitken Spence Printing and Packaging (Pvt) Ltd.	Sri Lanka	10,000,000	100.00	100.00	-	100,000	100,000
Aitken Spence Shipping Ltd. (c)	Sri Lanka	2,038,072	100.00	100.00	-	132,717	132,717
Aitken Spence Technologies (Pvt) Ltd. (b)	Sri Lanka	1,577,506	100.00	100.00	-	13,888	13,888
Branford Hydropower (Pvt) Ltd.	Sri Lanka	16,400,100	100.00	100.00	-	223,000	223,000
Logilink (Pvt) Ltd. (c)	Sri Lanka	30,000,000	100.00	100.00	-	222,690	222,690
Royal Spence Aviation (Pvt) Ltd.	Sri Lanka	50,000	100.00	100.00	-	500	500
Spence International (Pvt) Ltd. (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Spence Logistics (Pvt) Ltd. (c)	Sri Lanka	25,000	100.00	100.00	-	650	650
Triton (Pvt) Ltd.	Sri Lanka	10,000	100.00	100.00	-	50	50
Vauxhall Cargo Logistics (Pvt) Ltd. (c)	Sri Lanka	10,000,000	100.00	100.00	-	50,000	50,000
Vauxhall Investments (Pvt) Ltd.	Sri Lanka	1,320,000	100.00	100.00	-	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd.	Sri Lanka	11,270,000	100.00	100.00	-	153,401	153,401
Aitken Spence Developments (Pvt) Ltd. (c)	Sri Lanka	46,000	92.00	92.00	8.00	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd. (b)	Sri Lanka	74,865,000	90.00	99.96	0.04	748,650	748,650
Western Power Company (Pvt) Ltd.	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd. (a)	Sri Lanka	154,686	77.35	77.35	22.65	11,542	7,302
Aitken Spence Moscow (Pvt) Ltd.	Sri Lanka	37,500	75.00	75.00	25.00	375	375
Ace Power Embilipitiya (Pvt) Ltd. (a)	Sri Lanka	124,033,413	74.00	74.00	26.00	1,404,415	1,404,415
Ace Aviation Services (Pvt) Ltd. (c)*	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd.	Sri Lanka	998,750	50.00	50.00	50.00	26,257	26,257
MMBL Money Transfer (Pvt) Ltd. (a) (b)	Sri Lanka	3,000,000	50.00	50.00	50.00	35,566	35,566
Aitken Spence Hotel Management Asia (Pvt) Ltd. (b)*	Sri Lanka	4,924,500	49.00	86.99	13.01	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd. *	Sri Lanka	10,323,225	49.00	86.99	13.01	99,000	99,000
Kandalama Hotels (Pvt) Ltd. *	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050
Aitken Spence Corporate Finance (Pvt) Ltd.	Sri Lanka	2	100.00	100.00	-	-	-

	Country of incorporation	Number of shares	Company holding	Group holding	Non-controlling holding	31.03.2015	31.03.2014
			%	%	%	Rs.'000	Rs.'000
Ace Power Generation Horana (Pvt) Ltd.	Sri Lanka	-	-	-	-	-	200,470
Ace Power Generation Matara (Pvt) Ltd.	Sri Lanka	-	-	-	-	-	215,234
Ace Aviation Services Maldives (Pvt) Ltd.	Maldives	490	49.00	49.00	51.00	639	-
Interlifts International (Pvt) Ltd.	Maldives	38,550	65.00	65.00	35.00	3,258	-
Ace Alliance Power Ltd. (a)	Bangladesh	6,400	64.00	64.00	36.00	96	96
Alliance Spence Power Ltd. (a)	Bangladesh	5,100	51.00	51.00	49.00	80	80
Fiji Ports Terminal Ltd. (a) (c)	Fiji Islands	1,572,993	51.00	51.00	49.00	749,242	749,242
A E Lanka (Pvt) Ltd. *	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Aviation (Pvt) Ltd. (a) *	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Resources (Pvt) Ltd. *	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Shipping Services Ltd. (c)*	Sri Lanka	-	-	100.00	-	-	-
Clark Spence and Company (Pvt) Ltd. (c) *	Sri Lanka	-	-	100.00	-	-	-
Port Management Container Services (Pvt) Ltd. (c)*	Sri Lanka	-	-	100.00	-	-	-
Aitken Spence Resorts (Pvt) Ltd. *	Sri Lanka	-	-	74.49	25.51	-	-
Golden Sun Resorts (Pvt) Ltd. *	Sri Lanka	-	-	74.49	25.51	-	-
M.P.S. Hotels (Pvt) Ltd. *	Sri Lanka	-	-	74.49	25.51	-	-
Neptune Ayurvedic Village (Pvt) Ltd. *	Sri Lanka	-	-	74.49	25.51	-	-
Heritance (Pvt) Ltd. *	Sri Lanka	-	-	73.00	27.00	-	-
Aitken Spence Hotels Ltd. *	Sri Lanka	-	-	72.99	27.01	-	-
Hethersett Hotels Ltd. *	Sri Lanka	-	-	65.22	34.78	-	-
Hapag-Lloyd Lanka (Pvt) Ltd. (a) (c)*	Sri Lanka	-	-	60.00	40.00	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (c)*	Sri Lanka	-	-	50.00	50.00	-	-
Aitken Spence Hotel Managements (South India) Ltd. *	India	-	-	86.99	13.01	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	India	-	-	86.99	13.01	-	-
PR Holiday Homes (Pvt) Ltd. *	India	-	-	73.57	26.43	-	-
Perumbalam Resorts (Pvt) Ltd. *	India	-	-	73.57	26.43	-	-
Crest Star Ltd. *	Hongkong	-	-	74.49	25.51	-	-
Crest Star (BVI) Ltd. (a)*	British Virgin Islands	-	-	74.49	25.51	-	-
ADS Resorts (Pvt) Ltd. *	Maldives	-	-	86.99	13.01	-	-
Unique Resorts (Pvt) Ltd. *	Maldives	-	-	86.99	13.01	-	-
Jetan Travel Services Company (Pvt) Ltd. *	Maldives	-	-	70.77	29.23	-	-
Spence Maldives (Pvt) Ltd. (c) *	Maldives	-	-	60.00	40.00	-	-
Cowrie Investments (Pvt) Ltd. (a)*	Maldives	-	-	44.69	55.31	-	-
						5,223,513	5,500,080
b) Preference Shares							
Aitken Spence Aviation (Pvt) Ltd.	Sri Lanka	500,000	100.00	100.00	-	5,000	5,000
Aitken Spence Hotel Holdings PLC. (a)	Sri Lanka	16,500,000	100.00	100.00	-	165,000	165,000
Aitken Spence (Garments) Ltd.	Sri Lanka	4,000,000	72.70	72.70	27.30	40,000	40,000
						210,000	210,000
Provision for impairment of investments						(151,317)	(328,705)
						5,282,196	5,381,375

21.2 Investment in subsidiaries - quoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	Sri Lanka	239,472,667	71.20	74.49	25.51	2,458,287	2,458,287
						2,458,287	2,458,287
Market value of quoted investments as at 31st March						16,044,669	16,763,087

21.3 Carrying amount as at 31st March

	31.03.2015	31.03.2014
Investment in subsidiaries - unquoted	5,282,196	5,381,375
Investment in subsidiaries - quoted	2,458,287	2,458,287
	7,740,483	7,839,662

During the period under review the Company impaired an investment in the renewable power sector and recognised an impairment loss of Rs.50 million under other operating expenses - indirect, in the income statement.

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels Ltd., Ace Cargo (Pvt) Ltd., Triton 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., Aitken Spence Hotel Management (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd., Port Management Container Services (Pvt) Ltd., or PR Holiday Homes (Pvt) Ltd.

The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs.112.5 million (2013/2014 - 223 million)

Principal activities of the Group's interest in subsidiaries are described in pages 236 to 241.

a,b,c - refer note 44

21.4 Non-controlling interests

The following table summarises the financial information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	31.03.2015			31.03.2014		
	Aitken Spence Hotel Holding PLC and Group Rs.'000	Other individually immaterial subsidiaries Rs.'000	Total Rs.'000	Aitken Spence Hotel Holding PLC and Group Rs.'000	Other individually immaterial subsidiaries Rs.'000	Total Rs.'000
Non - current assets	22,776,605			16,745,283		
Current assets	10,011,662			9,231,645		
Non - current liabilities	(5,707,821)			(3,235,046)		
Current liabilities	(5,211,214)			(3,574,040)		
Net assets	21,869,232			19,167,842		
Carrying amount of non-controlling interests	5,709,105	1,548,544	7,257,649	5,076,986	1,590,903	6,667,889
Revenue	13,270,918			12,947,076		
Profit for the year	3,435,622			3,517,015		
Other comprehensive income for the year, (net of tax)	138,795			514,461		
Total comprehensive income for the year	3,574,417			4,031,476		
Profit for the year allocated to non-controlling interests	924,825	379,767	1,304,592	918,322	(10,703)	907,619
Other comprehensive income for the year, (net of tax) allocated to non-controlling interests	55,450	(47,041)	8,409	152,012	11,374	163,386
Total comprehensive income for the year allocated to non-controlling interests	980,275	332,726	1,313,001	1,070,334	671	1,071,005
Cash flows from operating activities	3,986,307			3,820,890		
Cash flows from investing activities	(6,137,551)			(3,446,368)		
Cash flows from financing activities	2,412,926			(607,312)		
Net increase in cash and cash equivalents	261,682			(232,790)		
Dividends paid to non-controlling interests	347,533	241,408	588,941	329,719	72,712	402,431

22 Investments in equity-accounted investees

	Note	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Recognised in statement of financial position					
Interest in joint ventures	22.1.1	3,061,899	1,273,093	333,980	202,576
Interest in associates	22.2.1	2,341,619	2,094,496	165,000	165,000
Carrying amount as at 31st March		5,403,518	3,367,589	498,980	367,576
Recognised in income statement					
Interest in joint ventures	22.1.2	261,053	273,394	-	-
Interest in associates	22.2.2	69,834	156,067	-	-
Share of profit of equity-accounted investees (net of tax)		330,887	429,461	-	-
Recognised in statement of profit or loss and other comprehensive income					
Interest in joint ventures	22.1.2	(4,205)	(6,005)	-	-
Interest in associates	22.2.2	(11,707)	12,885	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		(15,912)	6,880	-	-

22.1 Interest in joint ventures

22.1.1 Investment in joint ventures

	Group No. of shares	Group Holding %	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company No. of shares	Company Holding %	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Aitken Spence Travels (Pvt) Ltd. (a) (consolidated with Ace Travels & Conventions (Pvt) Ltd.* and Aitken Spence Overseas Travel Services (Pvt) Ltd.*) (Ordinary shares - Unquoted)	1,704,000	50.00	60,876	60,876	1,704,000	50.00	60,876	60,876
Aitken Spence C & T Investments (Pvt) Ltd. (a) (b) (Ordinary shares - Unquoted)	14,170,000	50.00	141,700	141,700	14,170,000	50.00	141,700	141,700
EcoCorp Asia (Pvt) Ltd. (Ordinary shares - Unquoted)	125,100	50.00	131,404	-	125,100	50.00	131,404	-
Ahungalla Resorts Ltd. *	33,846,957	60.00	1,586,852	-			-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (a)(c)* (consolidated with Cinec Skills (Pvt) Ltd) (Ordinary shares - Unquoted)	253,334	40.00	502,950	502,950			-	-
Ace Bangladesh Ltd. (a) * (Ordinary shares - Unquoted)	7,350	49.00	4,790	4,790			-	-
Delta Shipping (Pvt) Ltd. * (Ordinary shares - Unquoted)	-	-	-	128			-	-
Carrying amount as at 31st March			2,428,572	710,444			333,980	202,576
Share of movement in equity value			633,327	562,649				
Equity value of investments			3,061,899	1,273,093			333,980	202,576

22.1.2 Summarised financial information of joint ventures - Group

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Carrying amount of interest in joint ventures	3,061,899	1,273,093
Group's Share of :		
- Profit for the year, (net of tax)	261,053	273,394
- Other comprehensive income for the year, (net of tax)	(4,205)	(6,005)
Total comprehensive income for the year	256,848	267,389

* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Ace Cargo (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., or Port Management Container Services (Pvt) Ltd.

Ace Bangladesh Ltd., is incorporated in Bangladesh while all other joint venture companies are incorporated in Sri Lanka.

Principal activities of the Group's interest in joint ventures are described in pages 241 to 242.

a,b,c - refer note 44

22.2 Interest in associates

22.2.1 Investment in associates

	Group				Company			
	No. of shares	Holding %	31.03.2015 Rs.'000	31.03.2014 Rs.'000	No. of shares	Holding %	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Aitken Spence Plantation Managements PLC (b) (consolidated with Elpitiya Plantations PLC (a) (b)) (Ordinary shares - Quoted)	8,300,000	38.95	165,000	165,000	8,300,000	38.95	165,000	165,000
Browns Beach Hotels PLC. (a)* (consolidated with Negombo Beach Hotels (Pvt) Ltd.) (Ordinary shares - Quoted)	48,627,103	27.96	928,077	928,077	-	-	-	-
Amethyst Leisure Ltd * (consolidated with Paradise Resorts Pasikudah (Pvt) Ltd) (Ordinary shares - Unquoted)	86,532,335	17.46	191,409	-	-	-	-	-
Carrying amount as at 31st March			1,284,486	1,093,077			165,000	165,000
Share of movement in equity value			1,057,133	1,001,419			-	-
Equity value of investments			2,341,619	2,094,496			165,000	165,000
Market value of quoted investments as at 31st March			1,593,328	1,301,565			377,650	377,650

22.2.2 Summarised financial information of associates - Group

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Carrying amount of interest in associates	2,341,619	2,094,496
Group's Share of :		
- Profit for the year, (net of tax)	69,834	156,067
- Other comprehensive income for the year, (net of tax)	(11,707)	12,885
Total comprehensive income for the year	58,127	168,952

* Investments are held by Aitken Spence Hotel Holdings PLC.

All associate companies are incorporated in Sri Lanka.

Principal activities of the Group's interest in associates are described in pages 241 to 242.

a,b - refer note 44

23 Deferred tax assets

23.1 Movement in deferred tax assets

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance at the beginning of the year	224,495	225,749
Exchange difference	1,097	541
Reversal of temporary differences transferred from/ (to) income statement		
Recognised in profit / (loss)	(14,479)	(7,091)
Recognised in other comprehensive income	4,794	5,296
Balance at the end of the year	215,907	224,495

23.2 Composition of deferred tax assets

	Group	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Deferred tax assets attributable to;		
Defined benefit obligations	65,796	63,661
Tax losses carried forward	192,270	240,581
Other items	22,673	23,079
Property, plant and equipment	(64,832)	(102,826)
Net deferred tax assets	215,907	224,495

23.3 Movement in tax effect of temporary differences - Group

	As at 31.03. 2015 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 31.03. 2014 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 01.04 2013 Rs.'000
Deferred tax assets									
Defined benefit obligations	65,796	(2,659)	4,794	-	63,661	7,641	5,296	-	50,724
Tax losses carried forward	192,270	(48,311)	-	-	240,581	(32,768)	-	-	273,349
Other items	22,673	(406)	-	-	23,079	1,079	-	(1,936)	23,936
	280,739	(51,376)	4,794	-	327,321	(24,048)	5,296	(1,936)	348,009
Deferred tax liability									
Property, plant and equipment	(64,832)	36,897	-	1,097	(102,826)	16,957	-	2,477	(122,260)
	(64,832)	36,897	-	1,097	(102,826)	16,957	-	2,477	(122,260)
Net deferred tax assets	215,907	(14,479)	4,794	1,097	224,495	(7,091)	5,296	541	225,749

24 Other financial assets

	Notes	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Other financial assets - non-current					
Unquoted debt securities and equity securities	24.1	279,346	339,540	89,733	134,170
		279,346	339,540	89,733	134,170
Other financial assets - current					
Unquoted debt securities and equity securities	24.1	45,711	63,158	45,711	55,686
Quoted equity securities	24.2	39,837	29,632	5,111	3,641
Bank deposits	24.3	9,447,159	8,901,681	3,398,789	2,743,481
Government securities	24.4	1,413,842	1,519,339	1,413,842	1,519,339
Forward foreign exchange contracts	24.5	707	566	-	-
		10,947,256	10,514,376	4,863,453	4,322,147

24.1 Unquoted debt securities and equity securities

	Group No. of shares	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company No. of shares	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd. (Redeemable Debentures)	-	106,659	159,027	-	106,659	159,027
Rainforest Ecolodge (Pvt) Ltd. (Ordinary shares)	3,500,000	35,000	30,000	3,500,000	35,000	30,000
Palm Village Hotels Ltd. (Ordinary shares)	-	-	4,410	-	-	1,766
Business Process Outsourcing LLC. (Ordinary shares)	30,000	8,640	8,640	30,000	8,640	8,640
Poovar Island Resorts (Ordinary shares)	988,764	126,650	126,650	-	-	-
Barefoot Resorts and Leisure (Pvt) Ltd. (Ordinary shares)	-	-	86,590	-	-	-
Cargo Village Ltd. (Ordinary shares)	38,571	357	357	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd. (Ordinary shares)	10,000	100	100	-	-	-
		277,406	415,774		150,299	199,433
Adjustment for fair value of investments		47,651	(22,685)		(14,855)	(9,577)
Exchange difference		-	9,609		-	-
Carrying amount as at 31st March		325,057	402,698		135,444	189,856
Current unquoted debt and equity securities		(45,711)	(63,158)		(45,711)	(55,686)
Non current unquoted debt and equity securities		279,346	339,540		89,733	134,170

24.2 Quoted equity securities

	Group No. of shares	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company No. of shares	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
DFCC Bank (Ordinary shares)	24,770	399	399	24,770	399	399
Overseas Realty (Ceylon) PLC. (Ordinary shares)	3,750	37	37	3,750	37	37
Colombo Dockyard PLC. (Ordinary shares)	13,543	123	123	-	-	-
Hatton National Bank PLC. (Ordinary shares)	191,400	4,060	4,060	-	-	-
		4,619	4,619		436	436
Adjustment for fair value of investments		35,218	25,013		4,675	3,205
Carrying amount as at 31st March		39,837	29,632		5,111	3,641

24.3 Bank deposits

Bank deposits include fixed deposits, call deposits and bank reverse repos which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

24.4 Government securities

Government Securities are treasury bills and treasury bonds held for trading purposes and are measured at fair value through profit or loss.

24.5 Forward foreign exchange contracts

24.5.1 Net capital exposure of forward foreign exchange contracts

The Group's financial assets at fair value through profit or loss include forward foreign exchange contracts, which at the reporting date comprised of US Dollar contracts.

	Group		Company	
	31.03.2015 USD.'000	31.03.2014 USD.'000	31.03.2015 USD.'000	31.03.2014 USD.'000
Net capital exposure	7,693	4,291	1,000	-

24.5.2 Derivative financial asset

Derivative financial asset recognised, in respect of forward foreign exchange contracts arises due to the positive movement in fair value of forward contracts.

	Group	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Derivative financial asset recognised	69	566

25 Inventories

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Raw materials	860,305	1,393,637	-	-
Work-in-progress and finished goods	79,401	170,783	-	-
Consumables	561,129	306,433	2,026	2,167
	1,500,835	1,870,853	2,026	2,167
Impairment of inventories	(16,331)	(147,135)	(27)	-
	1,484,504	1,723,718	1,999	2,167

Consequent to the divestment of the Groups investment in Ace Power Matara (Pvt) Ltd and Ace Power Horana (Pvt) the Group wrote off the carrying amount of the inventories of the two companies against the provision made in the previous year.
Value of inventories pledged as security for facilities obtained by the Group from banks, amounted to Rs. 148.3 million as at 31st March 2015. (2013/2014 - Rs. 145.5 million) (Company-nil).

26 Trade and other receivables

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Trade receivables	5,619,715	7,140,710	31,073	26,924
Other receivables	1,532,316	2,045,330	408,722	438,788
Amounts due from subsidiaries	-	-	2,340,808	2,284,520
Amounts due from equity-accounted investees	680,684	197,576	77,393	19,599
Loans to employees	28,694	35,296	22,380	25,801
	7,861,409	9,418,912	2,880,376	2,795,632
Impairment of trade and other receivables	(90,759)	(369,206)	(30,516)	(26,881)
	7,770,650	9,049,706	2,849,860	2,768,751

Consequent to the divestment of the Groups investment in Ace Power Matara (Pvt) Ltd and Ace Power Horana (Pvt) the Group wrote off the carrying amount of the trade and other receivables of the two companies against the provision made in the previous year.

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

	Company	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance as at the beginning of the year	25,801	23,654
Loans granted during the year	7,700	14,275
	33,501	37,929
Recoveries during the year	(11,121)	(12,128)
Balance at the end of the year	22,380	25,801

27 Cash and cash equivalents

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Cash at bank and in hand	1,913,062	2,185,569	185,561	62,504
Short term deposits	998,073	486,531	-	-
Cash and short-term deposits in the statement of financial position	2,911,135	2,672,100	185,561	62,504
Bank overdrafts and other short-term borrowings	(2,089,729)	(4,562,280)	(254,619)	(312,410)
Cash and cash equivalents in the statement of cash flows	821,406	(1,890,180)	(69,058)	(249,906)

28 Assets classified as held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/2008 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd. & Ceyspence (Pvt) Ltd. under assets held for sale.

Further, subsequent to the expiration of the power purchase agreements signed between the Ceylon Electricity board and Ace Power Horana (Pvt) Ltd during 2012/2013, Group commenced liquidation of Ace Power Horana (Pvt) Ltd during 2014/2015 and recognised the fair value of the investment under assets held for sale.

The liquidation of these companies are not yet concluded.

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Share of net assets of equity-accounted investees classified as held for sale	141,446	141,446	57,237	57,237
Net current assets of group companies classified as held for sale	85,477	7,679	77,798	-
	226,923	149,125	135,035	57,237

There were no discontinued operations recognised in the income statement during the period.

29 Stated capital and reserves

29.1 Stated capital

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Stated capital as at 31st March	2,135,140	2,135,140

	31.03.2015 No. of shares	31.03.2014 No. of shares
No. of shares as at 31st March	405,996,045	405,996,045

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

29.2 Reserves

Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group.

Other capital reserves

This represents the portion of share premium of subsidiaries attributable to the Group.

Available-for-sale reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

29.3 Other comprehensive income accumulated in reserves

29.3.1 Group

	Attributable to equity holders of the company					Non-controlling interests	Total equity
	Revaluation reserve	Exchange fluctuation reserve	Available for sale reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2015							
Revaluation of property, plant and equipment	67,757	-	-	-	67,757	23,204	90,961
Acturial gains / (losses) on defined benefit obligations	-	-	-	(42,113)	(42,113)	(6,094)	(48,207)
Exchange differences on translation of foreign operations	-	(89,742)	-	-	(89,742)	(22,212)	(111,954)
Net change in fair value of available-for-sale financial assets	-	-	63,512	-	63,512	7,597	71,109
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	4,594	-	4,594	4,838	9,432
Share of other comprehensive income of equity-accounted investees (net of tax)	-	-	-	(15,987)	(15,987)	75	(15,912)
Income tax on other comprehensive income	-	-	-	6,477	6,477	1,001	7,478
Total	67,757	(89,742)	68,106	(51,623)	(5,502)	8,409	2,907
For the year ended 31st March 2014							
Revaluation of property, plant and equipment	1,063,175	-	-	-	1,063,175	101,513	1,164,688
Acturial gains / (losses) on defined benefit obligations	-	-	-	(52,829)	(52,829)	1,527	(51,302)
Exchange differences on translation of foreign operations	-	111,814	-	-	111,814	71,651	183,465
Net change in fair value of available-for-sale financial assets	-	-	(18,557)	-	(18,557)	(5,840)	(24,397)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	1,817	-	1,817	-	1,817
Share of other comprehensive income of equity-accounted investees (net of tax)	-	4	-	12,292	12,296	(5,416)	6,880
Income tax on other comprehensive income	-	-	-	8,277	8,277	(49)	8,228
Total	1,063,175	111,818	(16,740)	(32,260)	1,125,993	163,386	1,289,379

29.3.2 Company

	Available for sale reserve	Retained earnings	Total equity
	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2015			
Acturial gains / (losses) on defined benefit obligations	-	(6,915)	(6,915)
Net change in fair value of available-for-sale financial assets	2,404	-	2,404
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(6,212)	-	(6,212)
Total	(3,808)	(6,915)	(10,723)
For the year ended 31st March 2014			
Acturial gains / (losses) on defined benefit obligations	-	(2,200)	(2,200)
Net change in fair value of available-for-sale financial assets	(2,476)	-	(2,476)
Total	(2,476)	(2,200)	(4,676)

30 Interest-bearing liabilities

30.1 Movement of interest-bearing liabilities

30.1.1 Group as at 31 March 2015

Bank / financial institute	Balance as at 31.03.2015 Rs.'000	Transaction cost amortised Rs.'000	Impact of exchange rate fluctuation Rs.'000	New loans obtained during the year Rs.'000	Capital repayment Rs.'000	Balance as at 01.04.2014 Rs.'000	Total interest paid 2014/2015 Rs.'000
HSBC	6,234,487	-	94,750	4,630,165	(1,719,155)	3,228,727	210,367
DFCC Bank	2,204,847	-	3,128	800,523	(329,205)	1,730,401	123,883
DEG	1,733,160	-	31,300	394,560	-	1,307,300	51,561
Hatton National Bank PLC	1,093,125	-	3,628	-	(621,230)	1,710,727	158,953
Commercial Bank of Ceylon PLC	751,916	-	-	-	(37,079)	788,995	62,610
Fiji Ports Corporation Ltd	168,607	-	(18,242)	-	(22,599)	209,448	7,607
Transaction cost to be amortised	(25,906)	10,663	-	-	-	(36,569)	
	12,160,236	10,663	114,564	5,825,248	(2,729,268)	8,939,029	614,981
Current portion of interest -bearing liabilities	(2,723,741)					(1,626,693)	
Non current portion interest -bearing liabilities	9,436,495					7,312,336	

30.1.2 Company as at 31 March 2015

Bank / financial institute	Balance as at 31.03.2015 Rs.'000	Transaction cost amortised Rs.'000	Impact of exchange rate fluctuation Rs.'000	New loans obtained during the year Rs.'000	Capital repayment Rs.'000	Balance as at 01.04.2014 Rs.'000	Total interest paid 2014/2015 Rs.'000
DEG	1,733,160	-	31,300	394,560	-	1,307,300	51,561
DFCC Bank	945,000	-	-	-	(242,500)	1,187,500	75,497
Commercial Bank of Ceylon PLC	675,000	-	-	-	(17,500)	692,500	54,015
Hatton National Bank PLC	525,000	-	-	-	(122,500)	647,500	41,303
Transaction cost to be amortised	(25,906)	10,663	-	-	-	(36,569)	-
	3,852,254	10,663	31,300	394,560	(382,500)	3,798,231	222,376
Current portion of interest -bearing liabilities	(1,161,334)					(371,837)	
Non current portion interest -bearing liabilities	2,690,920					3,426,394	

30.2 Analysed by capital repayment

30.2.1 Group as at 31 March 2015

Bank / financial institute	Payable in less than 3 months Rs.'000	Payable within 3 - 12 months Rs.'000	Payable within 1 - 2 years Rs.'000	Payable within 2 - 5 years Rs.'000	Payable after 5 years Rs.'000	Total Rs.'000
HSBC	267,592	1,030,515	1,381,922	2,182,018	1,372,440	6,234,487
DFCC Bank	100,472	353,917	639,979	714,455	396,024	2,204,847
DEG	266,640	266,640	533,280	666,600	-	1,733,160
Hatton National Bank PLC	83,794	253,613	410,651	267,652	77,415	1,093,125
Commercial Bank of Ceylon PLC	8,496	77,989	156,484	508,947	-	751,916
Fiji Ports Corporation Ltd	5,791	17,728	24,480	51,989	68,619	168,607
Transaction cost to be amortised	(2,582)	(6,864)	(7,323)	(9,137)	-	(25,906)
	730,203	1,993,538	3,139,473	4,382,524	1,914,498	12,160,236

30.2.2 Company as at 31 March 2015

Bank / financial institute	Payable in less than 3 months Rs.'000	Payable within 3 - 12 months Rs.'000	Payable within 1 - 2 years Rs.'000	Payable within 2 - 5 years Rs.'000	Payable after 5 years Rs.'000	Total Rs.'000
DEG	266,640	266,640	533,280	666,600		1,733,160
DFCC Bank	80,000	292,500	502,500	70,000	-	945,000
Commercial Bank of Ceylon PLC	5,000	67,500	142,500	460,000		675,000
Hatton National Bank PLC	35,000	157,500	262,500	70,000		525,000
Transaction cost to be amortised	(2,582)	(6,864)	(7,323)	(9,137)	-	(25,906)
	384,058	777,276	1,433,457	1,257,463	-	3,852,254

30.3 Analysed by interest rate

	Group				Company			
	31.03.2015		31.03.2014		31.03.2015		31.03.2014	
	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000	Total borrowing Rs.'000	Secured borrowing Rs.'000
Term loans linked to AWPLR								
DFCC Bank.	2,051,056	1,106,058	1,547,848	360,350	945,000	-	1,187,500	-
Hatton National Bank PLC.	901,369	376,369	1,085,712	438,212	525,000	-	647,500	-
Commercial Bank of Ceylon PLC.	751,916	76,916	788,995	96,495	675,000	-	692,500	-
	3,704,341	1,559,343	3,422,555	895,057	2,145,000	-	2,527,500	-
Term loans linked to LIBOR								
HSBC.	5,383,038	5,383,038	3,228,583	2,604,263		-	-	-
DEG	1,733,160	-	1,307,300	-	1,733,160	-	1,307,300	-
DFCC Bank.	153,791	153,791	182,553	182,553		-	-	-
Hatton National Bank PLC.	-	-	183,107	183,107		-	-	-
	7,269,989	5,536,829	4,901,543	2,969,923	1,733,160	-	1,307,300	-
Term loans linked to AWDR								
Hatton National Bank PLC.	191,756	-	441,908	-	-	-	-	-
	191,756	-	441,908	-	-	-	-	-
Fixed rate term loans								
HSBC.	851,449	851,384	144	-	-	-	-	-
Fiji Ports Corporation Ltd.	168,607	-	209,448	-	-	-	-	-
	1,020,056	851,384	209,592	-	-	-	-	-
Transaction cost to be amortised	(25,906)	-	(36,569)	-	(25,906)	-	(36,569)	-
Total interest bearing loans and borrowings	12,160,236	7,947,556	8,939,029	3,864,980	3,852,254	-	3,798,231	-

Secured bank loans are secured over the carrying amount of property, plant & equipment of Rs. 651.7 million, inventory of Rs. 148.3 million, investment in shares of Rs. 112.5 million, corporate guarantees and leasehold rights of Maldives hotel properties of Rs. 10,767.5 million.

30.4 Analysed by currency equivalent in Rupees

	Group			Company		
		31.03.2015	31.03.2014		31.03.2015	31.03.2014
	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000	%	Rs. Equivalent Rs.'000	Rs. Equivalent Rs.'000
United States Dollars	60%	7,269,989	4,901,543	45%	1,733,160	1,307,300
Sri Lankan Rupees	32%	3,896,163	3,864,607	55%	2,145,000	2,527,500
Other currencies	8%	1,019,990	209,448			-
Transaction cost to be amortised		(25,906)	(36,569)		(25,906)	(36,569)
	100%	12,160,236	8,939,029	100%	3,852,254	3,798,231

31 Deferred tax liabilities

31.1 Movement in deferred tax liabilities

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance at the beginning of the year	635,979	495,385
Companies acquired during the year	-	47,355
Exchange difference	(2,388)	4,009
Origination of temporary differences transferred to / (from) income statement		
Recognised in profit / (loss)	24,317	92,162
Recognised in other comprehensive income	(2,684)	(2,932)
Balance at the end of the year	655,224	635,979

31.2 Composition of deferred tax liabilities

	Group	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Deferred tax liabilities attributable to ;		
Property, plant and equipment	733,261	621,505
Undistributed profits of consolidated entities	70,466	79,173
Defined benefit obligations	(39,837)	(30,693)
Tax losses carried forward	(106,652)	(33,150)
Other items	(2,014)	(856)
Net deferred tax liabilities	655,224	635,979

31.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2015 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	As at 31.03.2014 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Exchange difference Rs.'000	Companies acquired Rs.'000	As at 01.04.2013 Rs.'000
Deferred tax liabilities										
Property, plant and equipment	733,261	114,757	-	(3,001)	621,505	58,243	-	4,165	54,745	504,352
Undistributed profits of consolidated entities	70,466	(8,707)	-	-	79,173	46,817	-	-	-	32,356
Deferred interest expense	-	-	-	-	-	(300)	-	-	-	300
	803,727	106,050	-	(3,001)	700,678	104,760	-	4,165	54,745	537,008
Deferred tax assets										
Defined benefit obligations	(39,837)	(6,998)	(2,684)	538	(30,693)	(2,924)	(2,932)	(138)	(6,650)	(18,049)
Tax losses carried forward	(106,652)	(73,502)	-	-	(33,150)	(9,576)	-	-	-	(23,574)
Other items	(2,014)	(1,233)	-	75	(856)	(98)	-	(18)	(740)	-
	(148,503)	(81,733)	(2,684)	613	(64,699)	(12,598)	(2,932)	(156)	(7,390)	(41,623)
Net deferred tax liabilities	655,224	24,317	(2,684)	(2,388)	635,979	92,162	(2,932)	4,009	47,355	495,385

32 Employee benefits

32.1 Retirement benefits obligations

	Group		Company	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded obligations	635,684	545,527	98,240	86,426
Total present value of the obligation	635,684	545,527	98,240	86,426

32.2 Movement in present value of the defined benefit obligations

	Group		Company	
	2014/2015	2013/2014	2014/2015	2013/2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined benefit obligations at the beginning of the period	545,527	421,726	86,426	73,405
Expenses recognised in profit or loss				
Current service cost	75,886	52,979	9,594	8,414
Interest cost	51,330	50,888	9,075	8,808
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	38,605	50,805	4,476	5,470
- demographic assumptions	-	-	-	-
- experience adjustment	9,602	497	2,439	(3,270)
Exchange difference	(1,780)	266	-	-
Others				
Benefits paid by the plan	(81,785)	(53,355)	(13,770)	(6,401)
Defined benefit obligations of companies acquired during the year	-	21,721	-	-
Defined benefit obligations of companies disposed during the year	(1,701)	-	-	-
Defined benefit obligations at the end of the period	635,684	545,527	98,240	86,426

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 2015. The actuarial present value of the promised retirement benefits as at 31st March 2015 amounted to Rs. 635,683,563/- (Company - Rs. 98,239,706/-) The liability is not externally funded.

32.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

32.3.1 Financial assumptions

	2014/2015	2013/2014
- Discount rate	9.5% p.a.	10.5% p.a.
- Salary increments		
* Executive staff	11.0% p.a.	11.0% p.a.
* Non Executive & other staff	7.5% p.a.	7.5% p.a.

It's also assumed that the company will continue in business as a going concern.

32.3.2 Demographic assumptions

- Mortality & Disability	Based on published statistics and mortality tables.	
- Retirement age	55 years	55 years
- Staff turnover rates at each age category		
* 20 years	0.07	0.07
* 25 years	0.05	0.05
* 30 years	0.05	0.05
* 35 years	0.04	0.04
* 40 years	0.03	0.03
* above 40 years	0.00	0.00

32.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	31.03.2015		31.03.2014	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Discount rate (1% movement)	(44,590)	50,548	(34,733)	43,126
Salary increments (1% movement)	51,139	(45,834)	44,381	(36,425)

33 Provisions

	Group	
	2014/2015 Rs.'000	2013/2014 Rs.'000
Balance at the beginning of the period	457,751	272,083
Additional provision for the year	180,526	377,114
Amounts used during the year	(112,849)	(191,446)
Adjustment due to impending expiry of the Power Purchase Agreement	(525,428)	-
Balance at the end of the period	-	457,751

Provision was made in the financial statements on a monthly basis for major overhaul costs of the power plant in Embilipitiya based on the estimated overhauls to be carried out within a reasonable period. The management revisited the carrying value of the provision in the light of the impending expiry of the power purchase agreement. Accordingly an amount of Rs. 525 million was written back to the income statement during the year.

34 Trade and other payables

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Trade payables	1,181,065	1,808,957	-	-
Other payables	4,162,499	3,390,561	280,398	267,584
Amounts due to subsidiaries	-	-	1,281,662	861,673
Amounts due to equity-accounted investees	1,586,824	1,195,764	1,574,184	1,187,742
Unclaimed dividends	143,635	7,440	143,635	7,440
	7,074,023	6,402,722	3,279,879	2,324,439

35 Other financial liabilities

Other financial liabilities includes derivative financial liability, which arises due to the negative movement in fair value of foreign exchange forward contracts. Refer note 24.5.1 for Group's holding of forward contracts details.

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Derivative financial liability recognised	639	-	530	-
	639	-	530	-

36 Financial instruments - Accounting classifications and fair values

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities of the Group and the Company.

36.1 Accounting classifications & fair values of financial instruments - Group

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2015									
Financial assets									
Trade and other receivables	26	-	7,503,078	-	-	267,572	7,770,650	7,770,650	(a)
Deposits and prepayments		-	287,874	-	-	511,479	799,353	799,353	(a)
Other financial assets	24								
- Unquoted debt securities and equity securities		-	106,659	218,398	-	-	325,057	325,057	
- Quoted equity shares		-	-	39,837	-	-	39,837	39,837	
- Other bank deposits		-	9,447,159	-	-	-	9,447,159	9,447,159	
- Government securities		1,413,842	-	-	-	-	1,413,842	1,413,842	
- Forward foreign exchange contracts		707	-	-	-	-	707	707	
Cash and short-term deposits	27	-	2,911,135	-	-	-	2,911,135	2,911,135	(a)
		1,414,549	20,255,905	258,235	-	779,051	22,707,740	22,707,740	
Financial liabilities									
Interest-bearing liabilities	30	-	-	-	12,160,236	-	12,160,236	12,160,236	
Trade and other payables	34	-	-	-	5,458,765	1,615,258	7,074,023	7,074,023	(a)
Other financial liabilities	35								
- Forward foreign exchange contracts		639	-	-	-	-	639	639	
Bank overdrafts and other short-term borrowings	27	-	-	-	2,089,729	-	2,089,729	2,089,729	(a)
		639	-	-	19,708,730	1,615,258	21,324,627	21,324,627	

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2014									
Financial assets									
Trade and other receivables	26	-	8,955,794	-	-	93,912	9,049,706	9,049,706	(a)
Deposits and prepayments		-	153,860	-	-	713,458	867,318	867,318	(a)
Other financial assets	24								
- Unquoted debt securities and equity securities		-	159,027	243,671	-	-	402,698	402,698	
- Quoted equity shares		-	-	29,632	-	-	29,632	29,632	
- Other bank deposits		-	8,901,681	-	-	-	8,901,681	8,901,681	
- Government securities		1,519,339	-	-	-	-	1,519,339	1,519,339	
- Forward foreign exchange contracts		566	-	-	-	-	566	566	
Cash and short-term deposits	27	-	2,672,100	-	-	-	2,672,100	2,672,100	(a)
		1,519,905	20,842,462	273,303	-	807,370	23,443,040	23,443,040	
Financial liabilities									
Interest-bearing liabilities	30	-	-	-	8,939,029	-	8,939,029	8,939,029	
Trade and other payables	34	-	-	-	5,583,614	819,108	6,402,722	6,402,722	(a)
Bank overdrafts and other short-term borrowings	27	-	-	-	4,562,280	-	4,562,280	4,562,280	(a)
		-	-	-	19,084,923	819,108	19,904,031	19,904,031	

36.2 Accounting classifications & fair values of financial instruments - Company

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2015									
Financial assets									
Trade and other receivables	26	-	2,832,293	-	-	17,567	2,849,860	2,849,860	(a)
Deposits and prepayments		-	704	-	-	33,646	34,350	34,350	(a)
Other financial assets	24							-	
- Unquoted debt securities & equity securities		-	106,659	28,785	-	-	135,444	135,444	
- Quoted equity shares		-	-	5,111	-	-	5,111	5,111	
- Other bank deposits		-	3,398,789	-	-	-	3,398,789	3,398,789	
- Government securities		1,413,842	-	-	-	-	1,413,842	1,413,842	
Cash and short-term deposits	27	-	185,561	-	-	-	185,561	185,561	(a)
		1,413,842	6,524,006	33,896	-	51,213	8,022,957	8,022,957	
Financial liabilities									
Interest-bearing liabilities	30	-	-	-	3,852,254	-	3,852,254	3,852,254	
Trade and other payables	34	-	-	-	2,949,231	330,648	3,279,879	3,279,879	(a)
Other financial liabilities									
- Forward foreign exchange contracts		530	-	-	-	-	530	530	
Bank overdrafts and other short-term borrowings	27	-	-	-	254,619	-	254,619	254,619	(a)
		530	-	-	7,056,104	330,648	7,387,282	7,387,282	

	Notes	Trading at fair value Rs.'000	Loans and receivables Rs.'000	Available for sale Rs.'000	Other financial liabilities Rs.'000	Non financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2014									
Financial assets									
Trade and other receivables	26	-	2,756,413	-	-	12,338	2,768,751	2,768,751	(a)
Deposits and prepayments		-	704	-	-	43,447	44,151	44,151	(a)
Other financial assets	24								
- Unquoted debt securities & equity securities		-	159,027	30,829	-	-	189,856	189,856	
- Quoted equity shares		-		3,641	-	-	3,641	3,641	
- Other bank deposits		-	2,743,481	-	-	-	2,743,481	2,743,481	
- Government securities		1,519,339		-	-	-	1,519,339	1,519,339	
Cash and short-term deposits	27	-	62,504	-	-	-	62,504	62,504	(a)
		1,519,339	5,722,129	34,470	-	55,785	7,331,723	7,331,723	
Financial liabilities									
Interest-bearing liabilities	30	-	-	-	3,798,231	-	3,798,231	3,798,231	
Trade and other payables	34	-	-	-	2,131,924	192,515	2,324,439	2,324,439	(a)
Bank overdrafts and other short-term borrowings	27	-	-	-	312,410	-	312,410	312,410	(a)
		-	-	-	6,242,565	192,515	6,435,080	6,435,080	

(a) The carrying amount of financial assets and financial liabilities is a reasonable approximation of the fair value.

The Group and the Company does not have any financial instruments designated as fair value through profit or loss on initial recognition as at 31st March 2015.

None of the financial assets were pledged by the Group and Company as securities for facilities obtained from banks for 2014/2015. (Group and Company 2013/2014 - 297 million).

37 Fair value measurement

The Group and the Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

37.1.1 Fair value measurement hierarchy - Group

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2015				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	7,656,658	7,656,658
Other financial assets				
- Unquoted equity securities	-	180,191	38,207	218,398
- Quoted equity shares	39,837	-	-	39,837
- Government securities	1,413,842	-	-	1,413,842
- Forward foreign exchange contracts	-	707	-	707
	1,453,679	180,898	7,694,865	9,329,442
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,648,301	1,648,301
Other financial assets				
- Unquoted debt securities	-	106,659	-	106,659
- Other bank deposits	-	9,447,159	-	9,447,159
	-	9,553,818	1,648,301	11,202,119
Liabilities measured at fair value :				
Other financial liabilities				
- Forward foreign exchange contracts	-	639	-	639
	-	639	-	639
Liabilites for which fair values are disclosed :				
Interest-bearing liabilities	-	12,160,236	-	12,160,236
	-	12,160,236	-	12,160,236
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	226,923	226,923
	-	-	226,923	226,923
As at 31st March 2014				
Financial assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	243,671	243,671
- Quoted equity shares	29,632	-	-	29,632
- Government securities	1,519,339	-	-	1,519,339
- Forward foreign exchange contracts	-	566	-	566
	1,548,971	566	243,671	1,793,208

37.1.2 Fair value measurement hierarchy - Company

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2015				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,785	28,785
- Quoted equity shares	5,111	-	-	5,111
- Government securities	1,413,842	-	-	1,413,842
	1,418,953	-	28,785	1,447,738
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	3,382,350	3,382,350
Other financial assets				
- Unquoted debt securities	-	106,659	-	106,659
- Other bank deposits	-	3,398,789	-	3,398,789
	-	3,505,448	3,382,350	6,887,798
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	3,852,254	-	3,852,254
Other financial liabilities				
- Forward foreign exchange contracts	-	530	-	530
	-	3,852,784	-	3,852,784
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	135,035	135,035
	-	-	135,035	135,035
As at 31st March 2014				
Financial assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	30,829	-	30,829
- Quoted equity shares	3,641	-	-	3,641
- Government securities	1,519,339	-	-	1,519,339
	1,522,980	30,829	-	1,553,809

37.2 Reconciliation of fair value measurement of “Level 3” financial instruments

	Group		Company
	Unquoted equity securities	Freehold land	Unquoted equity securities
	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2013	270,832	7,247,675	33,646
Exchange difference	-	(13,416)	-
Purchases	-	107,381	-
Sales	(99)	-	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	(27,062)	-	(2,817)
- Revaluation of property, plant and equipment (unrealised)	-	1,164,688	-
Balance as at 31st March 2014	243,671	8,506,328	30,829
Exchange difference	(9,609)	(3,113)	-
Companies disposed / transferred	-	(855,284)	-
Purchases	5,000	507,349	5,000
Sales	(91,000)	-	(1,766)
Total gains and losses recognised in other comprehensive income			
- Net change in fair value of available-for-sale financial assets (unrealised)	60,904	-	934
- Net change in fair value of available-for-sale financial assets reclassified to profit or loss (realised)	9,432	-	(6,212)
- Revaluation of property, plant and equipment (unrealised)	-	90,961	-
Transfers out of Level 3	(180,191)	-	-
Balance as at 31st March 2015	38,207	8,246,241	28,785

37.2.1 Transfers between Levels of fair value hierarchy

An investment under equity securities which is classified as available-for-sale, was categorised under Level 2 from Level 3 during the year with the change in valuation technique used to fair value the investment to market return on a comparable investment. The fair value of this investment was categorised as Level 3 as at 31st March 2014.

Other than the above there were no transfers between Level 1, Level 2 and Level 3 during 2014/2015. There were no transfers between Level 1, Level 2 and Level 3 during 2013/2014.

37.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used for both Group and Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used.

37.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment - Freehold land	- Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	- Price per perch of land	Estimated fair value would increase/ (decrease) if ; - Price per perch increases/(decreases)
Other financial assets - Unquoted equity securities	- Net assets basis	- Carrying value of assets and liabilities adjusted for market participants' assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	- Market return on a comparable investment	- Current market interest rates	Not applicable
Other financial assets / liabilities - Forward foreign exchange contracts	- Market comparison technique The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	- Forward exchange rates as at reporting date.	Not applicable

37.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property - Freehold land	- Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	- Price per perch of land
Other financial assets - Unquoted debt securities - Other bank deposits	- Discounted cash flows	- Current market interest rates
Interest-bearing liabilities	- Discounted cash flows	- Current market interest rates

37.3.1 Assets and liabilities measured at fair value - Non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	- Valued at the cash available with the disposal group held for sale.	Not applicable

38 Financial risk management objectives and policies

Please refer the comprehensive risk report on pages 39 to 43 of the annual report for a detailed description of the Group's risk management structure, process and procedures.

The use of financial instruments has an inherent risk due to changes in a myriad variables that reflect market conditions. Unmanaged risks can lead to undesirable outcomes where the Group is unable to achieve its financial objectives and falls short of budgeted targets. The financial risk management strategy of the Group endeavours to minimise the risks associated with the use of financial instruments by establishing a number of policies and guidelines that are followed throughout the Group. The Group periodically reviews and updates these policies to ensure that they are kept relevant in today's fast changing market conditions.

In this part of the report we would be covering the financial impact that would arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

38.1 Market risk

The market risk occurs due to the actual cashflow originating from a financial instrument being different to the expected cashflow. This anomaly could occur due to the impact of external factors such as fluctuations in market interest rates and exchange rates. Market risk could possibly result in the revenues and expenses of the Group being adversely affected thereby impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk the Group has put into practice a number of policies and procedures.

38.1.1 Currency risk

The Group has businesses spread across the globe and transacts in a multitude of currencies. The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to the contract being denominated in a foreign currency. Translation exposure arises to the extent to which financial reporting is affected by exchange rate movements when the reporting currency is different to those currencies in which revenues, expenses, assets and liabilities are denominated.

The Group transacts in many foreign currencies other than the functional reporting currency. Therefore the Group is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Maldives, India and Fiji whose net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in these countries are exposed to foreign currency transaction risk.

The total interest bearing liabilities of the Group denominated in USD amounted to Rs 7.3 billion. Recent overseas acquisitions in the hotels sector were mostly financed through USD denominated borrowings. The Company has negotiated a USD 20 million term loan facility from DEG (Germany) and USD 13 million has been drawn down so far of which approximately 46% has been invested in an overseas project which generates cashflows mainly in USD. The translation exposure resulting from the USD borrowing has been minimised to a high degree through these investments. The investments made by the hotels sector in acquiring properties overseas were made using USD borrowings. These investments will generate a significant portion of their cashflows in USD and hence would minimise the currency risk to a great extent.

A major portion of the foreign currency borrowings have been made by Group companies with matching incomes which act as a natural hedge against translation exposure. Transaction exposures are minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy. The Group treasury monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

Significant movement in exchange rates during the year ended 31st March 2015

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	133.32	26, 27 & 31.03.2015	130.15	20.08.2014	3.1750	133.32
EUR/USD	1.3928	06.05.2014	1.0496	13.03.2015	0.3432	1.0731

Foreign currency sensitivity

The main foreign currencies the Group uses to transact are the US Dollar and the Euro. The exposure to other foreign currencies is not considered as it is insignificant. In order to estimate the approximate impact of the currency risk on financial instruments a 5% fluctuation was considered in USD/LKR exchange rates. In calculation of this risk it is assumed that all other variables are held constant. The sensitivity analysis relates only to assets and liabilities depicted in financial statements as at the end of the financial year.

Group

	2014/2015			2013/2014		
	Effect on profit before tax		Effect on equity	Effect on profit before tax		Effect on equity
	USD net financial assets	USD forward contracts		USD net financial assets	USD forward contracts	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Net exposure as at 31st March	4,957	(7,693)	81,275	23,770	(4,291)	56,351
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
LKR depreciates against the USD by 5%	33,045	(51,484)	541,780	155,374	(28,223)	368,337
LKR appreciates against the USD by 5%	(33,045)	51,484	(541,780)	(155,374)	28,223	(368,337)

The effect on the equity arises from the investments made by the Group in the Maldives, India and Fiji.
We have not accounted for the sensitivity arising in any of the other investments as the Group's exposure to such is not significant.

Company

	2014/2015		2013/2014
	Effect on profit before tax		Effect on profit before tax
	USD net financial assets	USD forward contracts	USD net financial assets
	USD'000	USD'000	USD'000
Net exposure as at 31st March	(4,337)	1,000	(2,958)
	Rs' 000	Rs' 000	Rs' 000
LKR depreciates against the USD by 5%	(28,909)	6,708	(19,332)
LKR appreciates against the USD by 5%	28,909	(6,708)	19,332

38.1.2 Interest rate risk

Changes in market interest rates result in the fluctuation of present values of future cash flows derived from financial instruments thereby giving rise to interest rate risk. Values of financial instruments could rise or decline depending on the variations in interest rates resulting in mark to market gains or losses in investment portfolios. Mark to market values could have an impact on the reported financial results of the Group.

The Group has in its investment portfolio, a range of financial instruments with both fixed and variable interest rates such as treasury bills and treasury bonds. These financial instruments are subject to interest rate risk depending on the volatility of market interest rates. Liabilities with variable interest rates such as LIBOR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on market interest rates. Investments with fixed interest rates would expose the Group to variations in fair values in the process of marking to market of portfolios. It is important for the Group to maintain these variations within acceptable limits to ensure the predictability and consistency of reported results.

Appropriate interest rate risk management strategies are used by the Group treasury to manage the interest rate risk in portfolio investments. The Group treasury attempts to forecast long term interest rate trends in order to determine the most suitable tenure of investments with the objective of minimising the re-investment risk as well as to minimise any adverse impact on marking to market of the portfolio. Interest rate swaps are used when there is a need to hedge the risks on debt instruments with variable rates. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The Group treasury continuously monitors the interest rate environment to advise SBUs on the most suitable strategy with regard to borrowings. The Group's long term borrowings are usually negotiated during troughs in the interest rate cycle in order to extend the favourable impact to future reporting periods.

Significant movement in interest rates during the year ended 31st March 2015

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Period	Rate	Period		
LKR Interest rate *	7.37%	March-2015	5.89%	September-2014	1.48%	6.80%
USD Interest rate **	0.41%	March-2015	0.32%	October-2014	0.09%	0.40%

* *One year Government Treasury bill rate*
** *Six months USD LIBOR*

Interest rate sensitivity

At the reporting date the interest rate sensitivity profile of the Group's interest bearing financial instruments and its impact on the profit before tax was as follows.

Group

	2014/2015			2013/2014		
	Financial assets	Rupee financial liabilities	USD financial liabilities Rs. Equivalent	Financial assets	Rupee financial liabilities	USD financial liabilities Rs. Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure as at 31st March	1,413,842	3,896,097	7,269,989	1,519,339	3,864,463	4,901,543
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	3,678	38,961	N/A	6,484	38,645	N/A
Increase of 100 basis points in rupee interest rates	(3,653)	(38,961)	N/A	(6,415)	(38,645)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	7,270	N/A	N/A	4,902
Increase of 10 basis points in USD interest rates	N/A	N/A	(7,270)	N/A	N/A	(4,902)

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows.

Company

	2014/2015			2013/2014		
	Financial assets	Rupee financial liabilities	USD financial liabilities Rs. Equivalent	Financial assets	Rupee financial liabilities	USD financial liabilities Rs. Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure as at 31st March	1,413,842	2,145,000	1,733,160	1,519,339	2,527,500	1,307,300
Impact on profit before tax						
Decrease of 100 basis points in rupee interest rates	3,678	21,450	N/A	6,484	25,275	N/A
Increase of 100 basis points in rupee interest rates	(3,653)	(21,450)	N/A	(6,415)	(25,275)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	1,733	N/A	N/A	1,307
Increase of 10 basis points in USD interest rates	N/A	N/A	(1,733)	N/A	N/A	(1,307)

38.1.3 Equity price risk

The Group has adopted that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore scoped out from LKAS 32 and 39 - Financial Instruments.

The Investments made by the Group which do not belong to the above categories are classified as financial assets and categorized as available for sale (AFS).

At the reporting date the value of investments classified as AFS are as follows;

Listed equity instruments - Rs. 40 million (As at 31.03.2014; Rs. 30 million)
Unlisted equity instruments - Rs. 218 million (As at 31.03.2014; Rs. 244 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

38.2 Liquidity risk

Liquidity refers to the availability of cash or assets which can be converted to cash in a short period of time in order to meet future liabilities of a business. An entity would require sufficient funds for a number of purposes such as operational requirements, debt servicing and investments. Additionally, a shortage of liquidity would have a negative impact on stakeholder confidence in a business entity. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Management of working capital by shortening the working capital cycle is given a high priority by the Group. All sector finance heads do constantly monitor the adequacy of working capital of their sectors and take corrective action when necessary. The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain maximum credit in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows both at a consolidate and sector levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

Funding requirements of the sectors and consolidated levels are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital. At opportune moments funds are mobilised by accessing capital markets and the Group ensures that future interest expenses are minimised on borrowings by negotiating attractive interest rates with the respective lenders. The Group has regularly made use of attractive interest rates offered by international banks on foreign currency denominated fundings mostly to finance its overseas investments.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2015	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	730,203	1,993,538	3,139,473	4,382,524	1,914,498	12,160,236
Bank overdrafts and other short term borrowings	2,089,729	-	-	-	-	-	2,089,729
Trade payables	903,193	153,762	124,110	-	-	-	1,181,065
Other Payables	2,878,604	379,424	1,019,672	-	-	-	4,277,700
	5,871,526	1,263,389	3,137,320	3,139,473	4,382,524	1,914,498	19,708,730

As at 31st March 2014	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	351,855	1,274,838	1,984,224	4,163,462	1,164,650	8,939,029
Bank overdrafts and other short term borrowings	4,562,280	-	-	-	-	-	4,562,280
Trade payables	1,485,530	176,001	147,426	-	-	-	1,808,957
Other Payables	1,819,228	1,309,699	645,730	-	-	-	3,774,657
	7,867,038	1,837,555	2,067,994	1,984,224	4,163,462	1,164,650	19,084,923

The Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2015	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	384,058	777,276	1,433,457	1,257,463	-	3,852,254
Bank overdraft and other short term borrowings	254,619	-	-	-	-	-	254,619
Other payables	2,894,630	1,250	53,352	-	-	-	2,949,231
	3,149,249	385,308	830,628	1,433,457	1,257,463	-	7,056,104

As at 31st March 2014	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 2 years Rs.'000	2 to 5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Interest bearing liabilities	-	64,838	306,999	889,514	2,216,318	320,562	3,798,231
Bank overdraft and other short term borrowings	312,410	-	-	-	-	-	312,410
Other payables	2,062,742	19,182	50,000	-	-	-	2,131,924
	2,375,152	84,020	356,999	889,514	2,216,318	320,562	6,242,565

Liquidity position

As at	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Cash in hand and at bank	2,911,135	2,672,100	185,561	62,504
Trade & other receivable within 30 days	2,961,387	3,178,364	439,795	465,712
Short Term deposit	10,861,001	10,421,020	4,812,631	4,262,820
Total Liquid assets	16,733,523	16,271,484	5,437,987	4,791,036
Less:				
Bank overdraft and other short term borrowing	2,089,729	4,562,280	254,619	312,410
Trade payable on demand	903,193	1,485,530	-	-
Other payable at on demand	2,878,604	1,819,228	2,894,630	2,062,742
Total on demand liabilities	5,871,526	7,867,038	3,149,249	2,375,152
Excess / short Liquidity through operating cycle	10,861,997	8,404,446	2,288,739	2,415,884
Undrawn approved bank facilities	13,757,653	11,083,012	6,207,153	6,022,990
Market value of discounted securities	1,413,842	1,519,339	1,413,842	1,519,339
Liquidity available on demand	15,171,495	12,602,351	7,620,995	7,542,329

38.3 Credit risk

Credit risk refers to the risk borne by the Group owing to the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

	Group				Company			
	31.03.2015		31.03.2014		31.03.2015		31.03.2014	
	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %
Trade and other receivables	7,503,078	34.22	8,955,794	39.56	2,832,293	35.53	2,756,413	37.88
Deposits and prepayments	287,874	1.31	153,860	0.68	704	0.01	704	0.01
Other financial assets								
- Unquoted debt securities and equity securities	325,057	1.48	402,698	1.78	135,444	1.70	189,856	2.61
- Quoted equity shares	39,837	0.18	29,632	0.13	5,111	0.06	3,641	0.05
- Other bank deposits	9,447,159	43.08	8,901,681	39.33	3,398,789	42.64	2,743,481	37.71
- Government securities	1,413,842	6.45	1,519,339	6.71	1,413,842	17.74	1,519,339	20.88
- Forward foreign exchange contracts	707	0.00	566	0.00	-	-	-	-
Cash and short-term deposits	2,911,135	13.28	2,672,100	11.80	185,561	2.33	62,504	0.86
Total	21,928,689	100.00	22,635,670	100.00	7,971,744	100.00	7,275,938	100.00

The Group treasury manages the risk arising from investments made in financial institutions in accordance with the policy direction provided by the Board. The transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimize the unsystematic risk.

38.3.1 Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas.

The majority of the Group's trade receivables are due for settlement within 90 days comprising of 86.8% of trade receivables as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility for this rests with the head of finance and the senior management teams.

The credit policies of Group companies are prepared subsequent to analysing credit profiles of customers. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. Reference from bankers or credit information databases are obtained when it is considered necessary. Each Group company has identified credit limits for their customers. In the event a customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained.

Apart from the state owned enterprise who is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state owned enterprise is 48.4 % of total trade receivables of the Group as at 31st March 2015. Out of the total receivables outstanding over 90 days, 77.7% is from the state owned enterprise.

The Group is confident that these receivables will be recovered in the immediate future.

Trade receivable settlement profile

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Less than 30 days	2,961,387	3,178,364
More than 30 days but less than 60 days	1,311,056	2,002,219
More than 60 days but less than 90 days	607,404	1,626,979
More than 90 days but less than 180 days	651,429	96,811
More than 180 days but less than 365 days	45,327	24,789
More than 365 days	43,112	211,547
Total gross trade receivables	5,619,715	7,140,710
Impairment provision for trade receivables	(56,601)	(48,758)
Total net trade receivables	5,563,114	7,091,952

Collateral acquired for mitigating credit risk

The Group as a policy does not offer credit to individuals unless collateral in the form of bank guarantees or advances are provided to cover the receivable. The total collateral obtained on trade receivables is Rs. 240.3 million as at the balance sheet . The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

38.3.2 Bank deposits

The Group's bank deposits have been made in several banks in order to minimise the credit risk in accordance with the policy directions provided by the Board. As a further step in order to minimise the credit risk the Group's exposure and credit ratings of investee banks are continuously monitored and a diversified investment portfolio is maintained. In the event of any weakening of credit metrics of an investee bank the Group may decide to liquidate its investments and move to an institution with a higher credit rating.

Other bank deposits consist of fixed and call deposits made in financial institutions. Following is an analysis other bank deposits, based on the credit rating of financial institution, of such deposits are placed with.

		Group				Company			
		31.03.2015		31.03.2014		31.03.2015		31.03.2014	
			Distribution		Distribution		Distribution		Distribution
		Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Credit Rating									
Fitch ratings	; AAA(lka)	181,318	1.9	32,000	0.4	-	-	-	-
	AA+(lka)	4,418,041	46.8	4,530,221	50.9	1,866,361	54.9	1,291,057	47.1
	AA-(lka)	4,643,135	49.1	4,321,750	48.5	1,532,428	45.1	1,452,424	52.9
JCR-VIS	; AAA	3,372	0.0	-	-	-	-	-	-
Fitch ratings (Australia)	; AA-	201,293	2.1	17,710	0.2	-	-	-	-
Total other bank deposits		9,447,159	100.0	8,901,681	100.0	3,398,789	100.0	2,743,481	100.0

39 Capital management

The capital management strategy of the Group has the twin key objectives of ensuring the availability of a sufficient amount of capital for long term investments and growth while maintaining an adequate liquidity buffer for business operations. Sustaining the financial health to withstand economic cycles while maintaining stakeholder confidence in the Group is another vital requirement that it has integrated into the capital management strategy.

Capital not being available in sufficient quantities or at a reasonable cost is a factor which can retard the performance of the Group. The management, being conscious of these factors, has implemented the capital management policy to ensure the long term sustainability and competitiveness of the Group. In this regard another important factor that the Group is aware of is to make certain that there is no idle capital which will act as a drag on the returns generated. Too much capital invested in a business will have a dampening impact on the performance while too little capital will prevent an organization from achieving its long term objectives.

39.1 Types of capital

Equity and debt are the two components of the financial capital of the Group. The equity capital consists of the stated capital, retained earnings and reserves while the debt capital is made up of the long and short term debt. The debt capital is sourced from lending institutions and capital markets. Although the Group raises debt capital often it has not raised new equity capital from shareholders for a number of years.

The Group periodically evaluates its projected capital requirements for the future considering investment needs and other capital utilisation requirements. Such evaluations may point out gaps in the required amount of capital which would be filled through either the issue of new equity or debt. The debt to equity ratio (defined as the ratio between non-current interest bearing borrowings to the total equity and minority interest) is carefully monitored to ensure the efficient use of shareholder's equity. Managing the debt to equity ratio is a vital element of capital management as it has a direct bearing on the Group's ability to raise low cost capital.

In the past the Group has raised debt capital both from lending institutions as well as from the capital market. Debt capital is sourced subsequent to detailed evaluation of lender proposals. Important factors such as the tenure of the debt, interest rates, capital repayment terms including any grace periods and repayment amounts and other terms and conditions including covenants are taken into account prior to making a decision. Minimising the weighted average cost of capital is one of the key considerations in determining sourcing options. The Group has raised debt both in LKR and in USD. Since the Group is a net foreign exchange earner taking advantage of the relatively low interest rates on USD denominated debt is a sensible option.

Whilst raising of capital is carried out both at Group and sector levels the Group treasury plays an active role in ensuring that the cost of capital is maintained at the optimum level and the financial and other covenants linked to the sourcing arrangements are acceptable.

39.2 Capital allocation and investment

Implementation of the Group's long term strategy for growth requires continuous capital investments in the different sectors in which the Group carries out business. The allocation of limited capital available is done pursuant to careful evaluation of investment opportunities to ascertain expected returns. The Group's capital investment decisions are supported by complex financial modelling, thorough sensitivity analysis and legal, financial and technical due diligence. IRR hurdle rates are consistently used to both identify and rank suitable investment opportunities.

Once a decision is taken to proceed with a capital investment the Group takes relevant steps to ensure that the investment is carried out in the optimum manner. When the investment involves external shareholders, the Group take steps to protect its rights by entering into carefully drafted legal agreements. Post investment evaluations are carried out at frequent intervals to ensure that the returns envisaged at the evaluation stage are actually delivered. Exposure limits are used to control the default risk especially in portfolio investments. At the evaluation stage for capital investments financial modelling, sensitivity analysis, and the calculation of internal rate of return are carried out either by the Group's Corporate Finance division, or the respective Sector through which the investment will take place with the assistance of the former.

39.3 Adequate financial reserves

The Group continuously endeavours to maintain adequate reserves of capital so as to ensure the long term financial health of the organization. Possible risks that could result in financial losses are identified and steps are taken to mitigate the probabilities. Sound cashflow planning practices have been implemented Group-wide ensuring efficient collection of receivables and shortening the cash cycle. A special emphasis is placed on minimizing operating costs through critical evaluation and justification of all cost elements.

The Group policies regarding managing receivables have been communicated to respective heads of finance of all sectors. The corporate finance division of the Group monitors the Group-wide status of receivables and submits exception reports to the management for advise on required action.

39.4 Capital management policy

The capital management policy of the Group is aimed at maximising the return on scarce capital whilst safeguarding the already invested capital. Ensuring that there is adequate capital for the Group to invest and grow while continuing with its regular business operations requires decision makers to look at many facets of the business and consider a number of variables, both internal and external. The rapid pace of change in the operating environment has a profound impact on many factors affecting the use of capital, and a deep understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

The Group's capital management policy fundamentally stems from various decisions the Board has taken regarding capital investments and the optimum utilization of cash resources. This policy is a reflection of the current thinking of the Board on present and future industry, market and economic risks and conditions. Potential investments and divestments are discussed at length by the Group directors and various aspects of risk and return parameters are considered prior to making capital investment decisions. Exception reports on receivables are discussed either by the Board or Board Committees and appropriate decisions are taken.

The Group treasury and the corporate finance division play a vital role in implementing the capital management policy. The corporate finance division provides management information necessary to base policy decisions such as key performance indicators of sectors highlighting financial performances. Some of the important parameters which guide the capital management policy include the tolerance for gearing, interest risk appetite and the view on the exchange rate movement. The underlying variables such as the market borrowing and lending rates, exchange rates, inflation and other macro- economic indicators are constantly monitored by the Group treasury and recommendations regarding the appropriate policy changes are made to the management.

Capital management is a vital function in ensuring the long term survival and growth of the Group. The decisions that are taken at the present time will have far reaching implications in the future. The Group's capital management policy, therefore, is constantly evolving and attempts to link its future strategy to present day financing decisions.

40 Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March have not been provided for in the financial statements.

40.1 Commitments for capital expenditure for subsidiaries

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Approximate amount approved but not contracted for	3,487,253	20,401,297
Approximate amount contracted for but not incurred	718,246	1,076,493
	4,205,499	21,477,790

The above includes commitments for the acquisition of property, plant and equipment of Rs. 4,134.7 million (2013/2014- Rs. 21,362.3 million) and for the acquisition of intangible assets of Rs. 70.8 million (2013/2014- Rs. 115.5 million).

40.2 Commitments for capital expenditure for joint ventures

	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Approximate amount approved but not contracted for	61,368	192,059
Approximate amount contracted for but not incurred	1,655,951	6,770
	1,717,319	198,829

The above includes commitments for the acquisition of property, plant and equipment of Rs. 1,712.0 million (2013/2014- Rs. 194.1 million) and for the acquisition of intangible assets of Rs. 5.3 million (2013/2014- Rs. 4.7 million).

41 Cessation of power purchase agreement of Ace Power Embilipitiya (Pvt) Ltd

The Power Purchase Agreement (PPA) dated 9 May 2003 signed between Ace Power Embilipitiya (Pvt) Ltd and the Ceylon Electricity Board (CEB) expired on 6th April 2015. In response to a formal letter of intent from the Ceylon Electricity Board the Company submitted a proposal for an extension of the PPA. The outcome of the sought extension is uncertain. Based on the negotiations that have taken place with the CEB up to the date of approval of these financial statements the Board of Ace Power Embilipitiya (Pvt) Ltd has made an assessment of the entity's ability to continue as a going concern, and does not intend to either liquidate or cease trading.

42 Contingent liabilities

The contingent liabilities as at 31.03.2015 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,261.3 million. Of this sum Rs. 962.0 million and Rs. 299.3 million relates to facilities obtained by subsidiaries and equity-accounted investees respectively and none to other related companies listed in note 44.5 to the financial statements. Liabilities as at 31.03.2015 on guarantees given by subsidiaries and equity-accounted investees to other companies amounted to Rs. 11,092.8 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.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee now under liquidation, and the share of net assets of which is reflected under assets classified as held for sale in the consolidated financial statements of the Group was issued an income tax assessment under the Inland Revenue Act in relation to the year of assessment 2007/2008. The Tax Appeals Commission hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Tax Appeals Commission the company has appealed against the determination to the Court of Appeal. The contingent liability to the Group is estimated to be Rs. 70 million inclusive of any penalties. Based on expert advice the Directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

43 Directors' fees

The Directors of the Company have received fees amounting to Rs. 108,000 /- from subsidiaries for the year ended 31st March 2015.

44 Related party transactions

The Aitken Spence Group and the Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures. Transactions and outstanding balances between the companies within the group and related parties are given in note no. 44.2 - 44.8.

44.1 Parent and ultimate controlling party

Company does not have an identifiable parent of its own.

44.2 Transactions with key management personnel

44.2.1 Aitken Spence PLC., considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of such companies.

44.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

44.2.3 Compensation paid to / on behalf of key management personnel of the Company is as follows;

	Company Rs.'000	Group Rs.'000
Short term employee benefits	84,493	472,100
Post-employment benefits	-	41,819

No post-employment benefits were paid to key management personnel of Aitken Spence PLC during the financial year. The Company/Group did not have any material transactions with its key management personnel or their close family members during the year.

44.2.4 Key management personnel of Aitken Spence PLC hold positions in other companies, some of which had trading transactions with the Group during the year. Such companies the Group had transactions with are identified below.

Mr. D.H.S. Jayawardena Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC, and Aitken Spence Hotel Management Asia (Pvt) Ltd., which are subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC., and Negombo Beach Resorts (Pvt) Ltd., which are equity-accounted investees of the Group, and the Chairman, Managing Director or a Director of companies indicated by "*" in the list of companies disclosed under note 44.5.

Mr. J.M.S. Brito, Managing & Finance Director of the company is also the Chairman or a Director of the subsidiaries and equity-accounted investees that are indicated by "a" in notes 21 and 22 to the financial statements. He is also a Director of SriLankan Airlines Ltd., (Appointed w.e.f. 12th February 2015).

Dr. R.M. Fernando a Director of the company is also the Managing Director or a Director of the companies marked by "b" in note 21 and 22 to the financial statements.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "c" in note 21 to the financial statements.

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

Mr. N. J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of Distilleries Company of Sri Lanka PLC.

Mr. V.M. Fernando a Director of the company is also the Chairman of Shipping and Cargo Logistics (Pvt) Ltd., which is a subsidiary company of the Group and a Director of Eco Corp Asia (Pvt) Ltd., which is a equity-accounted investee of the Group. He is also the Chairman or a Director of Hyundai Lanka (Pvt) Ltd., Dynamic AV Technologies (Pvt) Ltd., and SriLankan Airlines Ltd., (Resigned w.e.f. 10th January 2015).

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of CIC Holdings PLC, Ceylon Agro Industries Ltd., Dankotuwa Porcelain PLC., Dialtex Industries Ltd., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., and Royal Ceramics Lanka PLC.

Miss. D.S.T. Jayawardena a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC., which is a subsidiary of the Group, Director of Eco Corp Asia (Pvt) Ltd., Amethyst Leisure Ltd., and Paradise Resorts Pasikudah (Pvt) Ltd., which are equity-accounted investees of the Group. She is also the Chairperson or a Director of Splendor Media (Pvt) Ltd., Stassen Exports (Pvt) Ltd,. Stassen Foods (Pvt) Ltd., and Stassen Natural Foods (Pvt) Ltd.

44.3 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Income from services rendered	521,352	557,527	N/A	N/A
Rent income received	17,049	14,655	N/A	N/A
Allocation of common personnel and administration expenses	40,315	35,137	N/A	N/A
Purchase of goods and services	44,796	47,051	N/A	N/A
Net borrowings under finance arrangements	11,539	130,611	N/A	N/A
Interest income received	51,214	71,774	N/A	N/A
Interest paid	50,931	52,599	N/A	N/A
Sales of assets	6,680	-	N/A	N/A

Transactions with A.D.S. Resorts Private Ltd., Ace Alliance Power Ltd., Ace Aviation Services (Pvt) Ltd., Ace Aviation Services Maldives Private Ltd. , Ace Cargo (Pvt) Ltd., Ace Container Repair (Pvt) Ltd., Ace Container Terminals (Pvt) Ltd., Ace Containers (Pvt) Ltd., Ace Distriparks (Pvt) Ltd., Ace Exports (Pvt) Ltd., Ace Freight Management (Pvt) Ltd., Ace International Express (Pvt) Ltd., Ace Power Embilipitiya (Pvt) Ltd., Ace Power Generation Horana (Pvt) Ltd., Ace Power Generation Matara (Pvt) Ltd., Ace Printing & Packaging (Pvt) Ltd., Ace Wind Power (Pvt) Ltd., AE Lanka (Pvt) Ltd., Aitken Spence (Garments) Ltd., Aitken Spence Apparels (Pvt) Ltd., Aitken Spence Aviation (Pvt) Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Developments (Pvt) Ltd., Aitken Spence Exports (Pvt) Ltd., Aitken Spence Hotel Holdings PLC., Aitken Spence Hotel Managements (Pvt) Ltd., Aitken Spence Hotel Managements (South India) Private Ltd., Aitken Spence Hotel Managements Asia (Pvt) Ltd., Aitken Spence Hotels International (Pvt) Ltd., Aitken Spence Hotels Ltd., Aitken Spence Insurance (Pvt) Ltd., Aitken Spence Insurance Brokers (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Moscow (Pvt) Ltd., Aitken Spence Printing & Packaging (Pvt) Ltd., Aitken Spence Property Developments (Pvt) Ltd., Aitken Spence Resorts (Pvt) Ltd., Aitken Spence Resources (Pvt) Ltd., Aitken Spence Shipping Ltd., Aitken Spence Shipping Services Ltd., Aitken Spence Technologies (Pvt) Ltd., Alliance Spence Power Ltd., Branford Hydropower (Pvt) Ltd., Clark Spence & Company (Pvt) Ltd., Cowrie Investment Private Ltd., Crest Star (B.V.I.) Ltd., Elevators (Pvt) Ltd. , Golden Sun Resorts (Pvt) Ltd. , Hapag-Lloyd Lanka (Pvt) Ltd. , Heritance (Pvt) Ltd. , Hethersett Hotels Ltd., Interlifts International Private Ltd., Jetan Travel Services Company Private Ltd., Kandalama Hotels (Pvt) Ltd., Logilink (Pvt) Ltd., M.P.S. Hotels (Pvt) Ltd., Meeraladuwa (Pvt) Ltd., MMBL Money Transfer (Pvt) Ltd., Neptune Ayurvedic Village (Pvt) Ltd., Port Management Container Services (Pvt) Ltd., Royal Spence Aviation (Pvt) Ltd., Shipping & Cargo Logistics (Pvt) Ltd., Spence International (Pvt) Ltd., Spence Logistics (Pvt) Ltd., Spence Maldives Private Ltd., Unique Resorts Private Ltd., Vauxhall Cargo Logistics (Pvt) Ltd., Vauxhall Investments (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd., Western Power Company (Pvt) Ltd. are reflected under transactions with subsidiary companies above.

44.4 Transactions with equity-accounted investees

44.4.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Sale of goods and services	38,318	32,861	1,461,757	1,452,492
Rent income received	1,080	1,080	1,080	1,080
Allocation of common personnel and administration expenses	12,490	11,546	12,490	11,546
Purchase of goods and services	858	863	113,440	23,795
Net borrowings under finance arrangements	497,000	-	497,000	-
Interest paid	62,925	67,078	62,925	134,156
Sales of assets	-	-	11	-

Transactions with Ace Bangladesh Ltd., Ace Travels & Conventions (Pvt) Ltd., Ahungalla Resorts Ltd., Aitken Spence C & T Investments (Pvt) Ltd., Aitken Spence Overseas Travel Services (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., Colombo International Nautical & Engineering College (Pvt) Ltd., Delta Shipping (Pvt) Ltd., EcoCorp Asia (Pvt) Ltd. are reflected under transactions with joint ventures above.

44.4.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Sale of goods and services	10,132	6,123	25,029	21,822
Allocation of common personnel and administration expenses	682	532	682	532
Purchase of goods and services	3,543	1,153	7,204	4,997
Net transfers under finance arrangements	34,500	-	34,500	-
Interest paid	689	-	689	-
Sales of assets	-	5,300	-	5,300

Transactions with Aitken Spence Plantation Managements PLC and its Group, Browns Beach Hotels PLC and its Group, Paradise Resorts Pasikuda (Pvt) Ltd., are reflected under transactions with associates above.

44.5 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Sale of goods and services	183	-	335,756	457,789
Purchase of goods and services	30,043	11,626	665,773	494,492
Interest income received	-	-	-	20,600
Interest paid	-	140,853	-	201,972
Loans obtained	-	-	-	24,158
Repayment of loans and debentures	-	112,500	-	254,316

Transactions with Ambewela Livestock Company Ltd.*, Bell Solutions (Pvt) Ltd.*, Ceylon Agro Industries Ltd., CIC Holdings PLC, Continental Insurance Lanka Ltd., Dankotuwa Porcelain PLC, Dialtex Industries Ltd., Distilleries Company of Sri Lanka PLC*, Dynamic AV Technologies (Pvt) Ltd., Hyundai Lanka (Pvt) Ltd., Indo Lanka Exports (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Lanka Milk Foods (CWE) PLC*, Melsta Logistics Pvt Ltd., Melsta Regal Finance Ltd., Mercantile Merchant Bank Ltd ., Pattipola Livestock Company Ltd.*, Periceyl (Pvt) Ltd.*, Rajawella (Holdings) Pvt. Ltd., Royal Ceramics PLC, Splendor Media (Pvt) Ltd., Sri Lankan Airlines Ltd., Stassen Exports (Pvt) Ltd.*, Stassen Foods (Pvt) Ltd.*, Stassen International (Pvt) Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Telecom Frontier (Pvt) Ltd.*, Texpro Industries Ltd.* are reflected under transactions with other related companies, above.

44.6 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2014/2015 Rs.'000	2013/2014 Rs.'000	2014/2015 Rs.'000	2013/2014 Rs.'000
Contributions to the provident fund	175,841	158,867	32,957	27,155

Contributions to the Aitken Spence & Associated Companies Executive Staff Provident Fund., and the Aitken Spence & Associated Companies Clerical Staff Provident Fund., are reflected under transactions with post-employment benefit plans, above.

44.7 Amounts due from related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
44.7.1 Amount due from subsidiaries				
Fully owned subsidiaries	1,702,851	1,580,701	N/A	N/A
Partly owned subsidiaries	637,957	703,819	N/A	N/A
	2,340,808	2,284,520	N/A	N/A
Provision for doubtful debts	3,635	-	N/A	N/A
44.7.2 Amount due from equity-accounted investees				
Joint ventures	55,773	12,329	618,892	188,357
Associates	21,620	7,270	61,792	9,219
	77,393	19,599	680,684	197,576
Provision for doubtful debts	-	-	-	-
44.7.3 Amount due from other related companies				
Other related companies	-	-	42,503	31,287
Provision for doubtful debts	-	-	293	465

44.8 Amounts due to related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000	31.03.2015 Rs.'000	31.03.2014 Rs.'000
44.8.1 Amount due to subsidiaries				
Fully owned subsidiaries	1,006,462	708,515	N/A	N/A
Partly owned subsidiaries	275,200	153,158	N/A	N/A
	1,281,662	861,673	N/A	N/A
44.8.2 Amount due to equity-accounted investees				
Joint ventures	1,527,686	1,187,612	1,537,939	1,195,504
Associates	46,498	130	48,885	260
	1,574,184	1,187,742	1,586,824	1,195,764
44.8.3 Amount due to other related companies				
Other related companies	-	-	17,320	14,033

44.9 Terms and conditions of transactions with related parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms .The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties, other than those disclosed in note 42 to the financial statements.

45 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2015	31.03.2014
United States Dollar	133.32	130.73
British Pound	197.24	217.41
Euro	144.29	179.67
Oman Rial	345.18	339.49
Fiji Dollar	64.67	70.84
South African Rand	10.96	12.33
Indian Rupee	2.12	2.18
Maldivian Rufiyaa	8.61	8.39
Bangladesh Taka	1.71	1.68

46 Number of employees

The number of employees of the Group at the end of the year was 7,131 (2013/2014 - 6,797) The number of employees of the Company at the end of the year was 207 (2013/2014 - 205).

47 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs. 2.00 per share for the year 2014/2015 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

Aitken Spence Hotels International (Pvt) Ltd., a subsidiary of the Aitken Spence Group, invested USD 5 million in Ace Resorts (Pvt) Ltd., to acquire the leasehold rights of Raafushi island in Noonu Atol of the Maldives.

The Power Purchase Agreement (PPA) dated 9th May 2003 signed between the Company and the Ceylon Electricity Board (CEB) and Ace Power Embilipitiya (Pvt) Ltd., a subsidiary of Aitken Spence PLC., expired on 6th April 2015.

There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the financial statements.

48 Comparative information

Except for the adoption of new accounting standards in Sri Lanka with effect from 1st January 2014, (refer note 4.1) the Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

The following tables summarise the material impacts for the comparative periods resulting from the changes in accounting policies on the Group's financial statements.

48.1 Impact on consolidated income statement for the year ended 31st March 2014.

	As previously reported Rs.'000	Application of SLFRS 10 Rs.'000	Application of SLFRS 11 Rs.'000	Re-classifications Rs.'000	As restated Rs.'000
Revenue	36,598,095	1,814,391	(3,353,363)	-	35,059,123
Revenue taxes	(489,725)	(278)	8,259	-	(481,744)
Net revenue	36,108,370	1,814,113	(3,345,104)	-	34,577,379
Other operating income	455,093	35,453	(23,655)	-	466,891
Changes in inventories of finished goods and work-in-progress	57,895	36,709	-	-	94,604
Raw materials and consumables used	(10,435,289)	(401,974)	-	-	(10,837,263)
Employee benefits expense	(4,381,840)	(199,964)	274,095	(325,506)	(4,633,215)
Depreciation, amortisation and impairment of intangible assets	(1,499,420)	(13,000)	51,842	-	(1,460,578)
Other operating expenses-direct	(9,152,620)	(1,033,123)	2,544,642	325,506	(7,315,595)
Other operating expenses-indirect	(5,449,197)	(152,462)	213,548	-	(5,388,111)
Profit from operations	5,702,992	85,752	(284,632)	-	5,504,112
Financial income	800,721	234	(13,512)	-	787,443
Financial expenses	(1,250,669)	(9,599)	(15,802)	-	(1,276,070)
Net financing income / (expenses)	(449,948)	(9,365)	(29,314)	-	(488,627)
Share of profit of equity-accounted investees (net of tax)	156,067	-	273,394	-	429,461
Profit before tax	5,409,111	76,387	(40,552)	-	5,444,946
Income tax expenses	(900,476)	(5,533)	40,552	-	(865,457)
Profit for the year	4,508,635	70,854	-	-	4,579,489
Attributable to:					
Equity holders of the parent	3,671,870	-	-	-	3,671,870
Minority interest	836,765	70,854	-	-	907,619
Profit for the year	4,508,635	70,854	-	-	4,579,489

48.2 Impact on consolidated statement of profit or loss and other comprehensive income for the year ended 31st March 2014

	As previously reported Rs.'000	Application of SLFRS 10 Rs.'000	Application of SLFRS 11 Rs.'000	Re-classifications Rs.'000	As restated Rs.'000
Profit for the year	4,508,635	70,854	-	-	4,579,489
Other comprehensive income					
Revaluation of property, plant and equipment	1,160,838	3,850	-	-	1,164,688
Acturial gains / (losses) on defined benefit obligations	(56,676)	(1,379)	6,753	-	(51,302)
Exchange differences on translation of foreign operations	183,091	378	(4)	-	183,465
Net change in fair value of available-for-sale financial assets & reclassified to profit or loss	(22,580)	-	-	-	(22,580)
Share of other comprehensive income of equity-accounted investees (net of tax)	12,885	-	(6,005)	-	6,880
Income tax on other comprehensive income	8,724	248	(744)	-	8,228
Other comprehensive income for the year, (net of tax)	1,286,282	3,097	-	-	1,289,379
Total comprehensive income for the year	5,794,917	73,951	-	-	5,868,868
Attributable to:					
Equity holders of the parent	4,797,863	-	-	-	4,797,863
Non-controlling interests	997,054	73,951	-	-	1,071,005
Total comprehensive income for the year	5,794,917	73,951	-	-	5,868,868

48.3 Impact on consolidated cash flow statement for the year ended 31st March 2014

	As previously reported Rs.'000	Application of SLFRS 10 Rs.'000	Application of SLFRS 11 Rs.'000	Re-classifications Rs.'000	As restated Rs.'000
Net cash from operating activities	5,297,677	72,338	(166,035)	-	5,203,980
Net cash from investing activities	(4,240,047)	(13,737)	166,187	-	(4,087,597)
Net cash from financing activities	407,539	8,123	8,908	-	424,570
Net increase / (decrease) in cash and cash equivalents	1,465,169	66,724	9,060	-	1,540,953

48.4 Impact on consolidated statements of financial position

48.4.1 Impact on consolidated statements of financial position as at 01.04.2013

	As previously reported Rs.'000	Application of SLFRS 10 Rs.'000	Application of SLFRS 11 Rs.'000	Re-classifications Rs.'000	As restated Rs.'000
Property, plant and equipment	24,041,780	63,711	(570,561)		23,534,930
Investment property	1,661,596	-	-		1,661,596
Intangible assets	654,056	363	(304,051)		350,368
Investments in equity-accounted investees	1,931,205	-	1,128,782		3,059,987
Deferred tax assets	222,147	3,863	(261)		225,749
Inventories	1,824,723	55,547	(1,479)	(5,020)	1,873,771
Trade and other receivables	9,972,627	190,725	(472,072)		9,691,280
Current tax receivable	180,918	1,507	(192)		182,233
Deposits and prepayments	1,129,843	15,779	(124,113)		1,021,509
Other financial assets	7,226,280	847	(86,557)		7,140,570
Cash and short-term deposits	2,217,994	76,811	(235,427)		2,059,378
Others	5,087,841	-	-		5,087,841
Total Assets	56,151,010	409,153	(665,931)	(5,020)	55,889,212
Interest bearing liabilities	7,615,444	14,370	(49,727)		7,580,087
Deferred tax liabilities	504,743	1,561	(10,919)		495,385
Employee benefits	447,390	18,283	(43,947)		421,726
Trade and other payables	7,713,638	136,640	(401,302)		7,448,976
Current tax payable	501,238	3,141	(15,157)		489,222
Bank overdrafts and other short-term borrowings	5,588,753	124,574	(144,879)		5,568,448
Others	277,103	-	-	(5,020)	272,083
Total Liabilities	22,648,309	298,569	(665,931)	(5,020)	22,275,927
Non-controlling interests	5,449,444	110,584	-	-	5,560,028
Others	28,053,257	-	-	-	28,053,257
Total Equity	33,502,701	110,584	-	-	33,613,285

48.4.2 Impact on consolidated statements of financial position as at 31.03.2014

	As previously reported Rs.'000	Application of SLFRS 10 Rs.'000	Application of SLFRS 11 Rs.'000	Re-classifications Rs.'000	As restated Rs.'000
Property, plant and equipment	25,220,920	71,424	(493,023)		24,799,321
Investment property	1,737,575	-	(89,274)		1,648,301
Intangible assets	902,600	208	(301,881)		600,927
Investments in equity-accounted investees	2,094,496	-	1,273,093		3,367,589
Deferred tax assets	220,021	4,768	(294)		224,495
Inventories	1,639,400	92,255	(2,917)	(5,020)	1,723,718
Trade and other receivables	9,312,667	219,542	(482,503)		9,049,706
Current tax receivable	241,230	2,629	(80)		243,779
Deposits and prepayments	1,059,688	13,370	(205,740)		867,318
Other financial assets	10,974,820	283	(121,187)		10,853,916
Cash and short-term deposits	2,728,514	74,517	(130,931)		2,672,100
Others	5,013,306	-	-		5,013,306
Total Assets	61,145,237	478,996	(554,737)	(5,020)	61,064,476
Interest bearing liabilities	8,956,887	23,980	(41,838)		8,939,029
Deferred tax liabilities	639,486	1,761	(5,268)		635,979
Employee benefits	576,416	23,896	(54,785)		545,527
Trade and other payables	6,576,453	187,912	(361,643)		6,402,722
Current tax payable	597,793	4,732	(7,784)		594,741
Bank overdrafts and other short-term borrowings	4,557,167	88,532	(83,419)		4,562,280
Others	462,771	-	-	(5,020)	457,751
Total Liabilities	22,366,973	330,813	(554,737)	(5,020)	22,138,029
Non-controlling interests	6,519,706	148,183	-	-	6,667,889
Others	32,258,558	-	-	-	32,258,558
Total Equity	38,778,264	148,183	-	-	38,926,447

Ten Year Summary

Year ended 31st March	2015 Rs.'000	**2014 Rs.'000	**2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2010 Rs.'000	2009 Rs.'000	2008 Rs.'000	2007 Rs.'000	2006 Rs.'000
Operating Results										
Revenue	35,318,891	35,059,123	35,822,630	31,021,623	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632	13,593,263
Profit before taxation	5,709,923	5,444,946	5,069,032	5,183,354	3,815,555	3,353,169	3,396,916	3,064,792	2,582,088	1,910,115
Taxation	826,323	865,457	713,755	746,090	387,335	366,193	328,385	235,110	298,018	197,623
Profit after taxation	4,883,600	4,579,489	4,355,278	4,437,264	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070	1,712,492
Profit attributable to Aitken Spence PLC	3,579,008	3,671,870	3,287,607	3,487,669	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774	1,213,661
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	13,864,351	13,884,656	12,695,793	12,454,684	11,071,652	9,317,199	7,227,545	3,505,284	2,673,510	2,370,383
Retained earnings	19,022,310	16,238,762	13,222,324	10,564,698	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472	4,022,929
Non-controlling interest	7,257,649	6,667,889	5,560,028	4,708,800	5,129,687	4,566,388	4,553,439	3,881,704	3,193,710	2,679,745
Non-current liabilities	10,727,403	8,493,842	7,133,962	6,563,195	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112	5,815,540
Current liabilities	12,426,235	13,644,187	15,141,965	14,558,490	8,752,588	8,352,184	8,072,337	8,495,631	6,393,881	6,182,957
	65,433,088	61,064,476	55,889,212	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694
Assets										
Property, plant and equipment	28,696,631	24,799,321	23,534,930	22,585,836	23,925,653	23,328,896	22,635,636	16,982,305	16,770,495	15,450,267
Investment property	1,648,301	1,648,301	1,661,596	1,662,349	102,799	28,936	28,936	28,936	28,936	28,936
Intangible assets	507,171	600,927	350,368	643,600	134,026	154,185	109,164	122,520	159,407	191,811
Leasehold property	1,906,527	1,461,100	1,463,930	1,521,101	1,354,028	1,462,903	1,499,514	1,351,259	-	-
Pre paid operating leases	1,072,370	1,010,199	980,681	1,028,164	5,455	5,546	5,637	5,728	-	-
Finance lease receivables	-	2,245,884	2,325,091	2,512,923	-	-	-	-	-	-
Investments in equity-accounted investees	5,403,518	3,367,589	3,059,987	1,770,117	1,335,002	767,498	752,636	764,489	697,111	690,374
Deferred tax assets	215,907	224,495	225,749	209,769	138,314	56,823	74,008	39,342	-	-
Other financial assets	279,346	339,540	414,409	392,737	473,945	483,580	404,946	263,576	170,098	213,234
Current assets	25,476,394	25,217,995	21,723,346	18,509,286	12,494,114	11,093,448	10,721,243	11,465,087	8,524,778	6,632,072
Assets classified as held for sale	226,923	149,125	149,125	149,125	181,489	161,663	149,124	161,951	-	-
	65,433,088	61,064,476	55,889,212	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694
Share Information										
Earnings per share (Rs.)	8.82	9.04	8.10	8.59	6.25	*5.07	*5.02	*4.53	*3.60	*2.99
Market value per share (Rs.) - post share sub division	99.50	97.90	119.60	112.70	162.30	-	-	-	-	-
Market value per share (Rs.) - pre share sub division	-	-	-	-	-	1,373.75	315.00	430.00	380.00	339.00
Market capitalisation on 31st March (Rs. Mn)	40,397	39,747	48,557	45,756	65,893	37,182	8,526	11,639	10,285	9,176
Price earnings ratio	11.29	10.82	14.77	13.12	25.97	18.05	4.18	6.32	7.05	7.56
Net assets per share (Rs.)	86.26	79.46	69.10	61.96	53.00	*46.54	*42.06	*29.32	*24.46	*21.01
Employees Information										
No. of employees	7,131	6,797	6,207	5,791	5,328	5,042	5,045	5,090	4,199	4,209
Value added per employee (Rs. '000)	2,031	1,941	1,979	1,915	1,884	1,770	1,635	1,503	1,467	1,038
Ratios & Statistics										
Ordinary dividend (Rs. '000)	811,992	811,992	608,994	568,394	405,996	270,664	257,131	189,465	175,931	175,931
Dividend per share (Rs.)	2.00	2.00	1.50	1.40	1.00	*0.67	*0.63	*0.47	*0.43	*0.43
Dividend cover (times covered)	4.41	4.52	5.40	6.14	6.25	7.61	7.93	9.72	8.30	6.90
Dividend - payout ratio	0.23	0.22	0.19	0.16	0.16	0.13	0.13	0.10	0.12	0.14
Current ratio (times covered)	2.05	1.85	1.43	1.27	1.43	1.33	1.33	1.35	1.33	1.07
Debt-equity ratio	0.22	0.19	0.18	0.19	0.16	0.22	0.29	0.41	0.49	0.48
ROE (%)	10.64	12.18	12.36	15.01	12.55	11.45	14.08	16.86	15.82	15.08
Interest cover ratio	30.47	13.97	8.72	23.08	23.48	6.44	6.54	5.78	4.93	6.38

*Note: * The above figures are restated taking into consideration the sub division of shares in October 2010.*
*** The presentation and classification of information for 2013/2014 & 2012/2013 have been revised with the new accounting standards in Sri Lanka with effect from 1st January 2014. (refer note 4.1)*

Consolidated Financial Statements in USD

Consolidated Income Statement in USD

For the year ended 31st March			2015 USD.'000	2014 USD.'000 (Restated)
Revenue			264,918	268,180
Revenue taxes			(2,913)	(3,685)
Net revenue			262,005	264,495
Other operating income			3,807	3,571
Changes in inventories of finished goods and work-in-progress			441	724
Raw materials and consumables used			(67,683)	(82,898)
Employee benefits expense			(38,877)	(35,441)
Depreciation, amortisation and impairment of intangible assets and finance lease receivables			(17,991)	(11,172)
Other operating expenses - direct			(57,851)	(55,960)
Other operating expenses - indirect			(41,421)	(41,216)
Profit from operations			42,430	42,103
Finance income			4,679	6,023
Finance expenses			(6,762)	(9,761)
Net finance expense			(2,083)	(3,738)
Share of profit of equity-accounted investees (net of tax)			2,482	3,285
Profit before tax			42,829	41,650
Income tax expense			(6,198)	(6,620)
Profit for the year			36,631	35,030
Attributable to:				
Equity holders of the company			26,845	28,087
Non-controlling interests			9,786	6,943
Profit for the year			36,631	35,030
Earnings per share - Basic/Diluted	USD cents	=	6.61	6.92
Exchange rate	USD	=	133.32	130.73

Consolidated Statement of Profit or Loss and Other Comprehensive Income in USD

For the year ended 31st March			2015 USD.'000	2014 USD.'000 (Restated)
Profit for the year			36,631	35,030
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of property, plant and equipment			682	8,909
Actuarial gains / (losses) on defined benefit obligations			(362)	(392)
Share of other comprehensive income of equity-accounted investees (net of tax)			(119)	53
Income tax on other comprehensive income			56	63
			257	8,633
Items that are or may be reclassified to profit or loss				
Exchange differences on translation of foreign operations			(840)	1,403
Net change in fair value of available-for-sale financial assets			533	(187)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss			71	14
			(236)	1,230
Other comprehensive income for the year, (net of tax)			21	9,863
Total comprehensive income for the year			36,652	44,893
Attributable to:				
Equity holders of the parent			26,804	36,701
Non-controlling interests			9,848	8,192
Total comprehensive income for the year			36,652	44,893
Exchange rate	USD	=	133.32	130.73

Figures in brackets indicate deductions.

Consolidated Statements of Financial Position in USD

As at			31.03.2015 USD.'000	31.03.2014 USD.'000 (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment			215,246	189,699
Investment property			12,363	12,608
Intangible assets			3,804	4,597
Leasehold property			14,300	11,176
Pre-paid operating leases			8,044	7,727
Finance lease receivables			-	17,180
Investments in equity-accounted investees			40,530	25,760
Deferred tax assets			1,619	1,717
Other financial assets			2,095	2,597
			298,001	273,061
Current Assets				
Inventories			11,135	13,185
Pre-paid operating leases			7	-
Finance lease receivables			10,000	1,124
Trade and other receivables			58,286	69,224
Current tax receivable			1,720	1,865
Deposits and prepayments			5,996	6,634
Other financial assets			82,113	80,428
Cash and short-term deposits			21,836	20,440
			191,093	192,900
Assets classified as held for sale			1,702	1,141
Total Assets			490,796	467,102
EQUITY AND LIABILITIES				
Equity				
Stated capital			16,015	16,332
Reserves			103,993	106,209
Retained earnings			142,682	124,216
Total equity attributable to equity holders of the company			262,690	246,757
Non-controlling interests			54,438	51,005
Total Equity			317,128	297,762
Non-Current Liabilities				
Interest-bearing liabilities			70,781	55,935
Deferred tax liabilities			4,915	4,865
Employee benefits			4,768	4,173
			80,464	64,973
Current Liabilities				
Interest-bearing liabilities			20,430	12,443
Provisions			-	3,501
Trade and other payables			53,058	48,976
Current tax payable			4,036	4,549
Other financial liabilities			5	-
Bank overdrafts and other short-term borrowings			15,675	34,898
			93,204	104,367
Total Equity and Liabilities			490,796	467,102
Exchange rate	USD	=	133.32	130.73

UN Global Compact

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 is a signatory of the Global Compact since 28th May 2002 and a member of the Global Compact Network Sri Lanka's Board and the steering committee, since inception.

The 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.

Action taken by Aitken Spence PLC and our Group companies are summarised in this section of the report. A more detailed overview is presented in the Management Discussion and Analysis. More content, including the integrated sustainability policy of Aitken Spence PLC in Sinhala, Tamil and English, is also available on the Sustainability Page of the Group's corporate website at www.aitkenspence.com/sustainability.

Aitken Spence PLC was one of the first organisations in the World to become signatory to the Women's Empowerment Principles (WEP) in 2011. Over the years, we have conducted gap assessments and incorporated action points into the existing systems and procedures to conform to the requirements of the 7 WEPs. A progress chart of the WEP action is presented at the end of this section.

General Action:

The Aitken Spence Social And Environmental Due Diligence Evaluation Guide which is part of the social and environmental governance policy and procedure developed in 2013/14 was introduced to the Group Companies and were used by the respective sustainability teams in the year end management reviews. This is meant to be supporting resource based on guidelines of the IFC Performance Standards to guide the SBU on key areas of concern for management decision making.

The GRI G4 Index will present the indicators relevant to the UNGC principles.

Progress Made on Internalising the UNGC 10 Principles

Human Rights

- Assessment of awareness: sustainability team members and staff members chosen randomly at different locations, were assessed on their awareness about the Human Rights Protection Framework during inspections conducted for the Sustainability Awards 2014
- Adopting standard procedures for monitoring: The Aitken Spence Social and Environmental Due Diligence Evaluation Guide was introduced to the SBUS which was used in the year end Management Reviews of the SBUs for sustainability. This guide captures key focus areas such as compliance, action points for the environmental management system, and requirements for the SBUs action points on occupational health and safety.
- Facilitating education on human rights concerns: A peer forum was conducted for the Group's network of support givers on human rights at the workplace (Support Givers Network, formerly referred to as Human Rights Focal Points). First session in the peer forum was on the topic of grievance Handling at the workplace and their role in the process.

Environment

- Adopting a system approach to mitigate adverse impacts on the environment from business activities: Aitken Spence Companies maintain 43 environmental management systems (EMSs), 12 of which are ISO 14000:2008 certified. Heritance Hotels were the first hotel chain in Sri Lanka to obtain the ISO 50001:2011 certification for energy management. Elpitiya Plantations PLC obtained the Rainforest Alliance certification for 6 estates (the Upcountry estate cluster) and is working on extending the certification to their low country estates. More details of the management systems and the certifications Aitken Spence Companies have obtained can be viewed in the Sector Reviews.
- Environmental compliance: waste resource management suppliers were screened on legal requirements and environmental standards and Aitken Spence Companies are guided on recommended service providers and the compliance requirements for waste management practices.
- Assessment of Awareness: A viva section was added to the assessment of SBU performance in the Sustainability Awards which were conducted for the 3rd consecutive year in 2014. sustainability team members and staff members chosen randomly at different locations were assessed on their awareness about their respective EMSs and ongoing programmes for the EMS.
- Facilitating education through experience sharing: The peer education forum for the environmental management representatives was maintained in 2014/15 to ensure the persons responsible to maintain the system requirement have the right awareness, knowledge and contacts to fulfil the responsibility.

Labour Standards

- Compliance on labour standards: Sri Lanka has become signatory to and ratified the core conventions of the International Labour Organisation which are in the areas of Freedom of Association, Forced Labour, Discrimination and Child Labour. The Group rigidly complies with the labour laws of Sri Lanka and the ILO conventions with respect to employment of persons. The Group offers equal employment opportunities to existing and potential employees irrespective of gender, race, or religion. All eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path. The Recruitment Policy of the company ensures that discrimination is discouraged and no persons below the legal minimum age are offered employment. The common practice of the Company is to match the skill sets of employees to the job description and in the remuneration packages rather than allocating specific quotas or rates to different groups. General practices of Aitken Spence PLC have been reviewed against the human rights framework as explained above.

- Voluntary endorsements and benchmarking or Company practices: An assessment has also been conducted of the Company's Group-wide practices in line with the Women's Empowerment Principles (WEP) and action points which can be implemented have been identified. Further discussions are still in place to implement the principles within the Group strategies. The Group's first female Main Board Director was appointed to the Board in 2013. We have also seen an increase in the number of female representatives in the Management Teams of the Company. 32% of the workforce is female. Our progress in implementing the WEP is illustrated at the end of this section.

Anti – Corruption

- Group level practices: Company Code of Ethics has stringent instructions on anti-corruption. 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 at our estates 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. Group's Corporate Governance procedures, Risk Management and Audit practices also contribute towards prevention of corruption within the company operations.

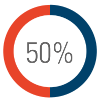
WE SUPPORT

The Women's Empowerment Principles;

1. Leadership Promotes Gender Equality
2. Equal Opportunity, Inclusion and Nondiscriminiation
3. Health, Safety and Freedom from Violence
4. Education and Training
5. Enterprise Development, Supply Chain and Marketing Practices
6. Community Leadership and Engagement
7. Transparency, Measuring and Reporting

UN Global Compact

1 Leadership Promotes Gender Equality



Establish high-level corporate leadership for gender equality

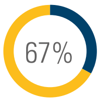
a. Affirm high-level support and direct top-level policies for gender equality and human rights.

b. Establish company-wide goals and targets for gender equality and include progress as a factor in managers' performance reviews.

c. Engage internal and external stakeholders in the development of company policies, programmes and implementation plans that advance equality.

d. Ensure that all policies are gender-sensitive – identifying factors that impact women and men differently – and that corporate culture advances equality and inclusion.

2 Equal Opportunity, Inclusion and Nondiscriminiation



Treat all women and men fairly at work – respect and support human rights and nondiscrimination

a. Pay equal remuneration, including benefits, for work of equal value and strive to pay a living wage to all women and men.

b. Ensure that workplace policies and practices are free from gender-based discrimination.

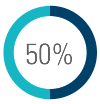
c. Implement gender-sensitive recruitment and retention practices and proactively recruit and appoint women to managerial and executive positions and to the corporate board of directors.

c. Assure sufficient participation of women – 30% or greater – in decision-making and governance at all levels and across all business areas.

d. Offer flexible work options, leave and re-entry opportunities to positions of equal pay and status.

e. Support access to child and dependent care by providing services, resources and information to both women and men.

3 Health, Safety and Freedom from Violence



Ensure the health, safety and well-being of all women and men workers

a. Taking into account differential impacts on women and men, provide safe working conditions and protection from exposure to hazardous materials and disclose potential risks, including to reproductive health.

b. Establish a zero-tolerance policy towards all forms of violence at work, including verbal and/or physical abuse, and prevent sexual harassment.

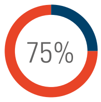
c. Strive to offer health insurance or other needed services – including for survivors of domestic violence – and ensure equal access for all employees.

d. Respect women and men workers' rights to time off for medical care and counselling for themselves and their dependents.

e. In consultation with employees, identify and address security issues, including the safety of women travelling to and from work and on company-related business.

f. Train security staff and managers to recognize signs of violence against women and understand laws and company policies on human trafficking, labour and sexual exploitation.

4 Education and Training



Promote education, training and professional development for women

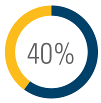
a. Invest in workplace policies and programmes that open avenues for advancement of women at all levels and across all business areas, and encourage women to enter nontraditional job fields.

b. Ensure equal access to all company-supported education and training programmes, including literacy classes, vocational and information technology training.

c. Provide equal opportunities for formal and informal networking and mentoring.

d. Offer opportunities to promote the business case for women's empowerment and the positive impact of inclusion for men as well as women.

5 Enterprise Development, Supply Chain and Marketing Practices



Implement enterprise development, supply chain and marketing practices that empower women

a. Expand business relationships with women-owned enterprises, including small businesses, and women entrepreneurs.

b. Support gender-sensitive solutions to credit and lending barriers.

c. Ask business partners and peers to respect the company's commitment to advancing equality and inclusion.

d. Respect the dignity of women in all marketing and other company materials.

e. Ensure that company products, services and facilities are not used for human trafficking and/or labour or sexual exploitation.

6 Community Leadership and Engagement

40%

Community Leadership and Engagement: Promote equality through community initiatives and advocacy

a. Lead by example – showcase company commitment to gender equality and women's empowerment.
b. Leverage influence, alone or in partnership, to advocate for gender equality and collaborate with business partners, suppliers and community leaders to promote inclusion.
c. Work with community stakeholders, officials and others to eliminate discrimination and exploitation and open opportunities for women and girls.
d. Promote and recognize women's leadership in and contributions to, their communities and ensure sufficient representation of women in any community consultation.
e. Use philanthropy and grants programmes to support company commitment to inclusion, equality and human rights.

www.aitkenspence.com/sustainability/
www.unglobalcompact.org
www.weprinciples.org

WEP

UNGC

7 Transparency, Measuring and Reporting

50%

Measure and publicly report on progress to achieve gender equality.

a. Make public the company policies and implementation plan for promoting gender equality.
b. Establish benchmarks that quantify inclusion of women at all levels.
c. Measure and report on progress, both internally and externally, using data disaggregated by gender.
d. Incorporate gender markers into ongoing reporting obligations.

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GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Disclosure Title	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
STRATEGY AND ANALYSIS				
G4-1	Statement from the most senior decision maker of the organisation	12 - 19	ISO 26000: 4.7, 6.2, 7.4.2	-
G4-2	Description of key impacts, risks and opportunities	22 - 25/ 39 - 43	ISO 26000: 4.7, 6.2, 7.4.2	-
ORGANIZATIONAL PROFILE				
G4-3	Name of the organisation	Inner back cover	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8	-
G4-4	Primary brands, products and services	236 - 242		-
G4-5	Location of the organisation's headquarters	Inner back cover		-
G4-6	Locations of the organisation's operations	5		-
G4-7	Nature of ownership and legal form	Inner back cover		-
G4-8	Markets served	64 - 115		-
G4-9	Scale of the organisation	4 - 9		-
G4-10	Workforce breakdown	34 - 38	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8 UNGC: Principle 6	-
G4-11	Percentage of employees covered by collective bargaining agreements		ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8 UNGC: Principle 6	-
G4-12	Organisation's supply chain	64 - 115	ISO 26000: 6.3.10, 6.4.1 to 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.8.5, 7.8	-
G4-13	Significant changes during the reporting period	64 - 115		-
G4-14	Addressing the precautionary approach	32 - 33		-
G4-15	Voluntary endorsement of policies/ charters	220 - 223		-
G4-16	Membership associations and affiliations			-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities excluded from the organization's reporting boundary	3	ISO 26000: 5.2, 7.3.2, 7.3.3, 7.3.4	-
G4-18	Process for defining the report content and the Aspect Boundaries	3 / 32 - 33		-
G4-19	Material Aspects	32 - 33		-
G4-20	Aspect Boundary within the organization	64 - 115		-
G4-21	Aspect Boundary outside the organization	64 - 115		-
G4-22	Effect of any restatements of information	12 - 19		-
G4-23	Significant changes from previous reporting periods	64 - 115		-
STAKEHOLDER ENGAGEMENT				
G4-24	Stakeholder groups engaged	26 - 29	ISO 26000: 5.3	-
G4-25	Basis for identification and selection of stakeholders with whom to engage	26 - 29		-
G4-26	Organization's approach	26 - 29		-
G4-27	Key topics and concerns raised through stakeholder engagement	26 - 29		-
REPORT PROFILE				
G4-28	Reporting period	1st April 2014 to 31st March 2015	ISO 26000: 7.5.3, 7.6.2	-
G4-29	Date of most recent previous report	31st March 2014		-
G4-30	Reporting cycle	Annual		-
G4-31	Contact point for questions about the report	249-250		-
G4-32	The 'in accordance' option chosen	Core		-
G4-33	Organization's policy and current practice on seeking external assurance for the report	Not Assured		-

General Standard Disclosures	Disclosure Title	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
GOVERNANCE				
G4-34	Governance structure of the organization	118 - 139	ISO 26000: 6.2, 7.4.3, 7.7.5	-
G4-35	Delegation of authority for economic, environmental and social topics	46		-
G4-36	Executive-level position and positions with responsibility for economic, environmental and social topics	46		-
G4-37	Consultation between stakeholders and the highest governance body on economic, environmental and social topics.	26 - 29		-
G4-38	Composition of the highest governance body and its committees	118 - 139	ISO 26000: 6.2, 7.4.3, 7.7.5 WEP: Principle 1	-
G4-39	Role of the Chair of the highest governance body	118 - 139	ISO 26000: 6.2, 7.4.3, 7.7.5	-
G4-40	Nomination and selection processes for the highest governance body and its committees	118 - 139	ISO 26000: 6.2, 7.4.3, 7.7.5 WEP: Principle 1	-
G4-41	Processes for the highest governance body to avoid/ manage conflicts of interest	118 - 139	ISO 26000: 6.2, 7.4.3, 7.7.5	-
G4-42	Role of the highest governance body and senior executives in the development, approval, and updating of the organization's guiding principles and business models	118 - 139		-
G4-43	Capacity building for the highest governance body's collective knowledge on economic, environmental and social topics.	118 - 139		-
G4-44	Evaluation of the highest governance body's performance on the governance of economic, environmental and social topics.	118 - 139		-
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	32 - 33		-
G4-46	Role of the highest governance body in reviewing the effectiveness of the organization's risk management processes	118 - 139		-
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	118 - 139		-
G4-48	The highest position for formal review and approval of the organization's sustainability disclosures	Managing & Finance Director		-
G4-49	The process for communicating critical concerns to the highest governance body.	118 - 139		-
G4-50	Addressing and resolving the critical concerns communicated to the highest governance body	118 - 139		-
G4-51	Remuneration policies for the highest governance body and senior executives	118 - 139		-
G4-52	Process for determining remuneration.	118 - 139		-
ETHICS AND INTEGRITY				
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	58 - 63 / 123	ISO 26000: 4.4, 6.6.3	-
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organizational integrity, such as helplines or advice lines.	39 - 43		-
G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	34 - 38		-

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SPECIFIC STANDARD DISCLOSURES

Note:

Selection of material aspects was discussed in the Sustainability Strategy section of this Annual Report with more emphasis given in the respective Sector Reviews. Information related to Standard Disclosures required by the 'in accordance' Core option are presented in this report as well as selected reports posted on our website. Page numbers accompanied by sector icons indicate the location in the annual report where information can be found and the specific sectors for which certain performance indicators are material. Page numbers are presented without sector icons for aspects which are material to all Group Companies. In addition to the material aspects we have also included several indicators as requested by key stakeholders.

Certain details required for performance indicators are included in other reports prepared by the organization which are available on the Company website

www.aitkenspence.com/sustainability/

Icons:

Tourism sector : Cargo Logistics sector : Strategic Investments sector : Services sector :

Company website:

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
CATEGORY: ECONOMIC					
ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Disclosure on Management Approach	None	58 - 63	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC1	The direct economic value generated and distributed (Socio Economic Value Generated and Distributed)	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.8.1 to 6.8.2, 6.8.7, 6.8.9	-
G4-EC3	Liabilities that are met by the organization's general resources, the percentage of salary contributed by employee or employer	None	159 / 143-216	ISO 26000: 6.8.7	-
ASPECT: MARKET PRESENCE					
G4-DMA	Disclosure on Management Approach	None	58 - 63	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC6	The percentage of senior management at significant locations of operation that are hired from the local community.	None	64 - 79	ISO 26000: 6.4.3, 6.8.1, 6.8.2, 6.8.5, 6.8.7 UNGC: Principle 6	-
ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Disclosure on Management Approach	None	58 - 63	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC7	Significant infrastructure investments and services supported.	None	64 - 79 90 - 105	ISO 26000: 6.4.3, Community involvement and development	-
ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Disclosure on Management Approach	None	64 - 79, 90 - 109	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EC9	Percentage of the procurement budget used on suppliers local to that operation	None	64 - 79 90 - 105	ISO 26000: 6.4.3, 6.6.6, 6.8.1, 6.8.2, 6.8.7	-
CATEGORY: ENVIRONMENTAL					
ASPECT: ENERGY					
G4-DMA	Disclosure on Management Approach	None	32 - 33	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN3	Total fuel consumption from non-renewable sources	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.5.4 UNGC: Principles 7 & 8	-
G4-EN6	Amount of reductions in energy consumption	None		ISO 26000: 6.5.4, 6.5.5 UNGC: Principles 8 & 9	-

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
ASPECT: WATER					
G4-DMA	Disclosure on Management Approach	None	32 - 33	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN8	Total volume of water withdrawn	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.5.4 UNGC: Principle 8	-
G4-EN9	Total number of water sources significantly affected by withdrawal	None	None		-
G4-EN10	Total volume of water recycled and reused by the organization.	None	$311,954m^3$		-
ASPECT: BIODIVERSITY					
G4-DMA	Disclosure on Management Approach	None	32 - 33	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN11	Operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	None	64 - 79 90 - 105	ISO 26000: 6.5.6 UNGC: Principle 8	-
G4-EN12	Nature of significant direct and indirect impacts on biodiversity	None	64 - 79 90 - 105		-
G4-EN13	Size and location of all habitat protected areas or restored areas	None	64 - 79 90 - 105		-
ASPECT: EMISSIONS					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN15	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	Reported only for CO2 emissions	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.5.5 UNGC: Principles 7 & 8	-
G4-EN16	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	None			-
G4-EN19	The amount of GHG emissions reductions achieved	None		ISO 26000: 6.5.5 UNGC: Principles 8 & 9	-
ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN23	Total weight of hazardous and non-hazardous waste, by disposal methods	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.5.3, 6.5.4 UNGC: Principle 8	-
G4-EN24	Total number and total volume of recorded significant spills.	None		ISO 26000: 6.5.3 UNGC: Principle 8	-
G4-EN26	Water bodies and related habitats that are prevented from being affected by water discharges of the organisation	None		ISO 26000: 6.5.3, 6.5.4, 6.5.6 UNGC: Principle 8	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN29	Significant fines and non-monetary sanctions for non-compliance with laws or regulations	None	None	ISO 26000: 4.6 UNGC: Principle 8	-
ASPECT: OVERALL					
G4-DMA	Disclosure on Management Approach	None	32 - 33	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-EN31	Total environmental protection expenditures	None	Rs. 115 million	ISO 26000: 6.5.1 & 6.5.2 UNGC: Principles 7,8 & 9	-

GRI Index

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK					
ASPECT: EMPLOYMENT					
G4-DMA	Disclosure on Management Approach	None	34 - 38	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA1	Turnover during the reporting period	None	37	ISO 26000: 6.4.3 UNGC: Principle 6 WEP: Principle 2	-
G4-LA2	Benefits which are standard for full-time employees of the organization:	None	Bonus/ salary increments on performance basis; Festival advance; Medical benefits; Retirement benefits/ obligations	ISO 26000: 6.4.4	-
ASPECT: LABOUR/MANAGEMENT RELATIONS					UNGC
G4-DMA	Disclosure on Management Approach	None	34 - 38	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA4	Minimum notice period	None	1 month	ISO 26000: 6.4.3, 6.4.5 UNGC: Principle 3	-
ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA5	Level at which each subsidiary's OHS representative/committee operates within the organization	None	64 - 115	ISO 26000: 6.4.6	-
ASPECT: TRAINING AND EDUCATION					
G4-DMA	Disclosure on Management Approach	None	34 - 38	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA9	Average hours of training provided to employees during the reporting period	None	34 - 38	ISO 26000: 6.4.7 UNGC: Principle 6 WEP: Principle 4	-
G4-LA10	Type and scope of programs implemented and assistance provided to upgrade employee skills.	None	34 - 38	ISO 26000: 6.4.7, 6.8.5	-
G4-LA11	Percentage of total employees by gender and by employee category who received a regular performance and career development review	Only reported for executive cadre	100% executive staff	ISO 26000: 6.4.7 UNGC: Principle 6 WEP: Principle 4	-
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Disclosure on Management Approach	None	34 - 38	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA13B	Ratio of the basic salary and remuneration of women to men	None	1:1	ISO 26000: 6.3.7, 6.3.10, 6.4.3, 6.4.4 UNGC: Principle 6 WEP: Principle 2	-
ASPECT: LABOUR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Disclosure on Management Approach	None	34 - 38	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-LA16	Total number of grievances about labour practices filed through formal grievance mechanisms during the reporting period.	None	3 grievances	ISO 26000: 6.3.6	-

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
SUB-CATEGORY: HUMAN RIGHTS					
ASPECT: INVESTMENT					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-HR2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations and the percentage of employees trained	None	220 - 221	ISO 26000: 6.3.5 UNGC: Principle 1	-
ASPECT: NON - DISCRIMINATION					
G4-DMA	Disclosure on Management Approach	None	220 - 221	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-HR3	Total number of incidents of discrimination and corrective action taken	None	None	ISO 26000: 6.3.6, 6.3.7, 6.3.10, 6.4.3 UNGC: Principle 6 WEP: Principle 3	-
ASPECT: SECURITY PRACTICES					
G4-DMA	Disclosure on Management Approach	None	220 - 221	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-HR7	Percentage of security personnel who have received formal training in the organization's human rights policies	None	220 - 221	ISO 26000: 6.3.4, 6.3.5, 6.6.6 UNGC: Principle 1	-
SUB-CATEGORY: SOCIETY					
ASPECT: LOCAL COMMUNITIES					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO1	Local community engagement, impact assessments, and development programs	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.3.9, 6.5.1, 6.5.2, 6.5.3, 6.8 UNGC: Principle 1 WEP: Principle 6	-
ASPECT: ANTI-CORRUPTION					UNGC
G4-DMA	Disclosure on Management Approach	None	220 - 221	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	None	100%	ISO 26000: 6.6.1, 6.6.2, 6.6.3 UNGC: Principle 10	-
G4-SO4	Total number and percentage of governance body members, employees, business partners that the organization's anti-corruption policies and procedures have been communicated to	None	100%	ISO 26000: 6.6.1, 6.6.2, 6.6.3, Promoting social responsibility in the value chain UNGC: Principle 10	-
G4-SO5	Total number and nature of confirmed incidents of corruption	None	None	ISO 26000: 6.6.1, 6.6.2, 6.6.3 UNGC: Principle 10	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-SO8	Significant fines and non-monetary sanctions for non -compliance with laws or regulations	None	None	ISO 26000: 4.6	-
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8	-

GRI Index

Standard Disclosure	Disclosure Requirements	Omissions	Page Number (or Link)	Linkage to ISO 26000:2010 clauses, UN Global Compact (UNGC), and Women's Empowerment Principles (WEP)	External Assurance
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of product	None	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.4, 6.7.5, 6.8.8	-
ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR5	Results or key conclusions of customer satisfaction surveys	None	64 - 79 80 - 89 90 - 105 106 - 115	ISO 26000: 6.7.1, 6.7.2, 6.7.6	-
ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.3	-
ASPECT: CUSTOMER PRIVACY					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR8	Total number of substantiated complaints received concerning breaches of customer privacy	None	None	ISO 26000: 6.7.1, 6.7.2, 6.7.7	-
ASPECT: COMPLIANCE					
G4-DMA	Disclosure on Management Approach	None	64 - 115	ISO 26000: 6, 7.3.1, 7.4.3, 7.7.3, 7.7.5	-
G4-PR9	The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	None	ISO 26000: 4.6, 6.7.1, 6.7.2, 6.7.6	-

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. The Stock exchange code for Aitken Spence PLC share is "SPEN".

Market Sector : Diversified Holdings

Analysis of Shareholder Base

Distribution of shares

Shareholder Category	31st March 2015			31st March 2014		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	2,473	793,843	0.20	2,519	788,838	0.19
1,001 - 10,000	1,361	4,922,139	1.21	1,218	4,130,911	1.02
10,001 - 100,000	370	11,421,633	2.81	342	10,659,558	2.63
100,001 - 1,000,000	92	27,402,490	6.75	76	21,252,946	5.23
1,000,001 and above	28	361,455,940	89.03	30	369,163,792	90.93
Total	**4,324**	**405,996,045**	**100.00**	**4,185**	**405,996,045**	**100.00**

There were 4,324 voting registered shareholders as at 31st March 2015 (31st March 2014 - 4,185).

Individuals / Institutions

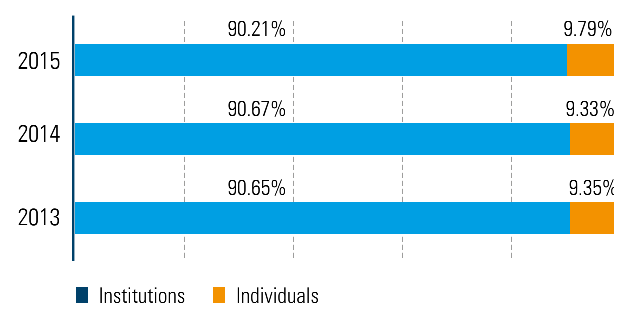
	31st March 2015		31st March 2014	
	No. of Shares	%	No. of Shares	%
Institutions	366,246,184	90.21	368,115,685	90.67
Individuals	39,749,861	9.79	37,880,360	9.33
	405,996,045	**100.00**	**405,996,045**	**100.00**

Nationals / Non-Nationals

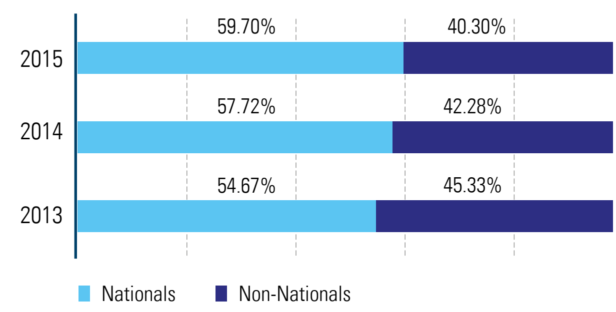
	31st March 2015		31st March 2014	
	No. of Shares	%	No. of Shares	%
Nationals	242,379,045	59.70	234,350,357	57.72
Non-Nationals	163,617,000	40.30	171,645,688	42.28
	405,996,045	**100.00**	**405,996,045**	**100.00**

The percentage of public holding as at 31st March 2015 was 38.65% with reference to the rule No. 7.6 (iv) of Colombo Stock Exchange.

Individuals / Institutions
as at 31st March



Nationals / Non-Nationals
as at 31st March



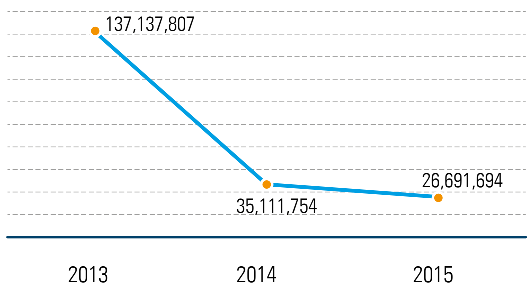
Ordinary Shares

Share Trading Information

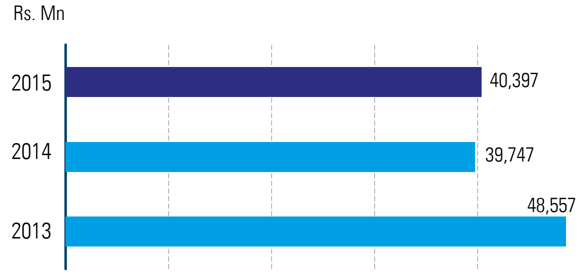
	2014/2015	2013/2014	2012/2013
Number of transactions	7,868	3,755	3,256
Number of shares traded during the year	26,691,694	35,111,754	137,137,807
Value of shares traded during the year (Rs. Million)	2,771	3,965	15,429
Percentage of total value transacted (%)	0.78	2.03	8.13

Investor Information

No. of Shares Traded
for the year ended 31st March



Market Capitalisation
as at 31st March



Market Capitalisation

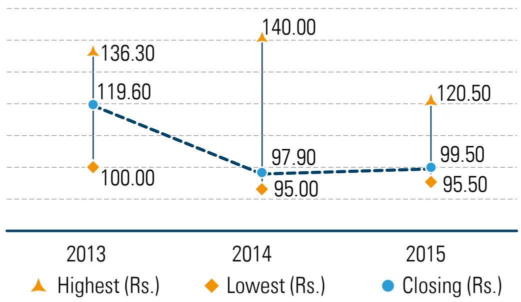
	31st March 2015	31st March 2014	31st March 2013
Market capitalisation (Rs. Million)	40,397	39,747	48,557
Percentage of total market capitalisation (%)	1.40	1.59	2.20

Market Value

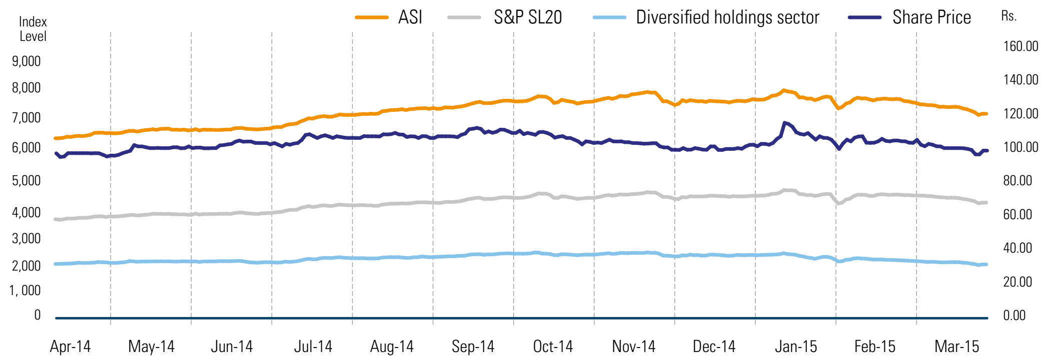
	2014/2015	2013/2014	2012/2013
Highest (Rs.)	120.50	140.00	136.30
Lowest (Rs.)	95.50	95.00	100.00
Closing (Rs.)	99.50	97.90	119.60

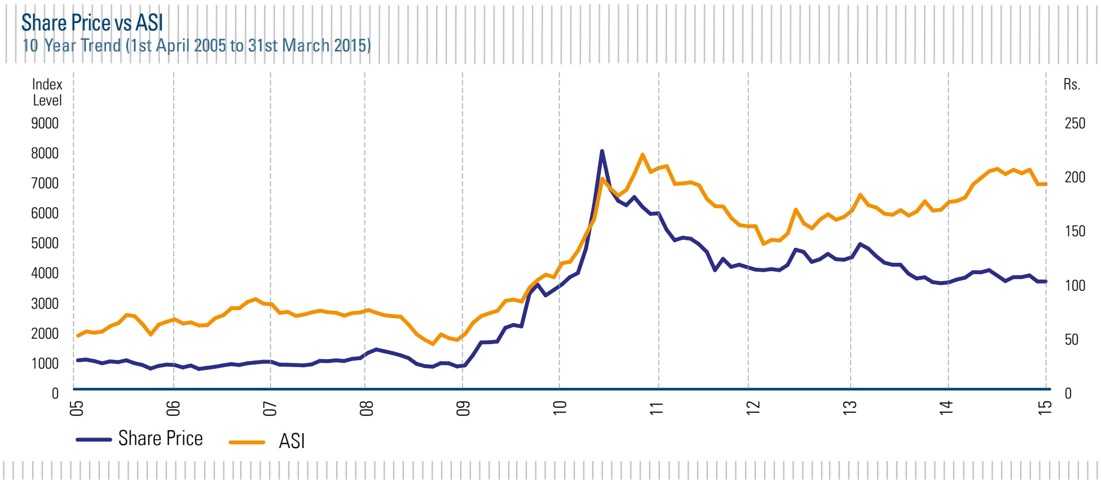
The market value of the ordinary share as at 26th May 2015 was Rs. 100.00

Market Value Per Share
for the year ended 31st March



Share Price vs Indices - 2014 / 2015
12 Month Trend





Twenty Largest Shareholders as at 31st March 2015

	Name	No. of Shares	%
1	Melstacorp Limited	167,376,598	41.23
2	Rubicond Enterprises Limited	65,990,145	16.25
3	HSBC International Nominees Limited - BPSS Lux - Aberdeen Global - Asian Smaller Companies Fund	32,671,142	8.05
4	HSBC Intl Nom Ltd - BP2S London - Aberdeen Asia Pacific Equity Fund	17,192,300	4.24
5	Mr. G.C. Wickremasinghe	7,308,240	1.80
6	Employees' Provident Fund	7,047,833	1.74
7	HSBC Intl Nom Ltd - BP2S Luxembourg - Aberdeen Global Frontier Markets Equity Fund	6,780,000	1.67
8	HSBC International Nominees Ltd - SSBT - Aberdeen Institutional Commingled Funds, LLC	5,795,500	1.43
9	Placidrange Holdings Limited	5,521,500	1.36
10	HSBC Intl Nominees Ltd - BP2S London - Aberdeen New Dawn Investment Trust XCC6	4,503,555	1.11
11	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
12	HSBC Intl Nominees Ltd - BP2S London - Aberdeen Asia Smaller Companies Investment Trust	3,400,000	0.84
13	Stassen Exports Limited	3,244,500	0.80
14	Ms. A. T. Wickremasinghe	3,211,975	0.79
15	Ms. K. Fernando	3,135,070	0.77
16	Mellon Bank N.A. - Florida Retirement System	3,100,000	0.76
17	Mr. G. Wickremasinghe	3,019,090	0.74
18	Employees' Trust Fund Board	2,621,870	0.65
19	National Savings Bank	2,593,516	0.64
20	Bank of Ceylon No. 1 Account	1,905,885	0.47
	Total	**350,740,219**	**86.40**

Shareholding of Directors

Shareholding of Directors together with their spouses in Aitken Spence PLC

	31st March 2015	31st March 2014
Mr. J.M.S. Brito	304,495	304,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	1,000
Ms. D.S.T. Jayawardena	27,839	27,839

Indirect holding by Directors

		31st March 2015	31st March 2014
Mr. G.C. Wickremasinghe	- Manohari Enterprises Ltd	298,830	298,830
Deshamanya D.H.S. Jayawardena	- Melstacorp Limited	167,376,598	166,826,598
	- Stassen Exports Ltd	3,244,500	3,244,500
	- Milford Exports (Ceylon) (Private) Ltd	4,321,500	4,321,500
	- Distilleries Company of Sri Lanka PLC	186,500	186,500
	- Periceyl (Pvt) Ltd	21,200	21,200

Shareholding in Group companies

		31st March 2015	31st March 2014
Aitken Spence Hotel Holdings PLC	Mr. J.M.S. Brito	106,596	106,596
	Mr. G.C. Wickremasinghe	2,082,241	2,082,241
	Mr. R.N. Asirwatham	1,000	1,000
	Ms. D.S.T. Jayawardena	16,000	16,000
Hethersett Hotels Limited	Mr. G.C. Wickremasinghe	1,041,500	1,041,500

Dividends

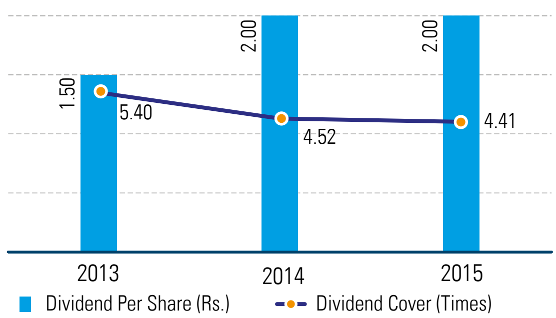
An ordinary dividend of Rs. 2.00 per share (2013/2014 - Rs. 2.00 per share) has been recommended to the shareholders for approval at the forthcoming Annual General Meeting.

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

Year	Dividend per share (Rs.)	Dividend cover (Times)
2005/2006*	0.43	6.90
2006/2007*	0.43	8.30
2007/2008*	0.47	9.72
2008/2009*	0.63	7.93
2009/2010*	0.67	7.61
2010/2011	1.00	6.25
2011/2012	1.40	6.14
2012/2013	1.50	5.40
2013/2014	2.00	4.52
2014/2015	2.00	4.41

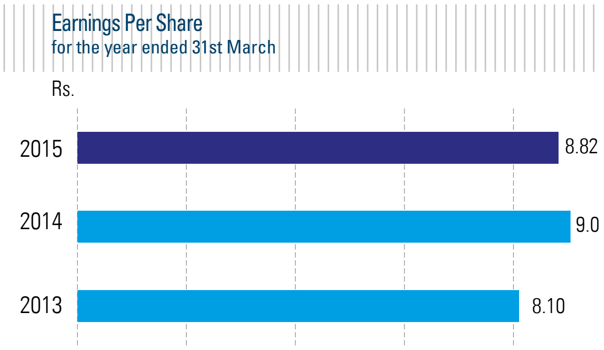
** The Above figures are restated taking into consideration the subdivision of shares.*

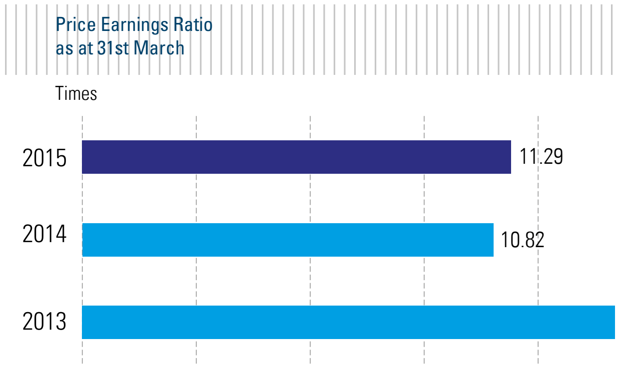
Dividend Per Share and Dividend Cover
for the year ended 31st March



Earnings

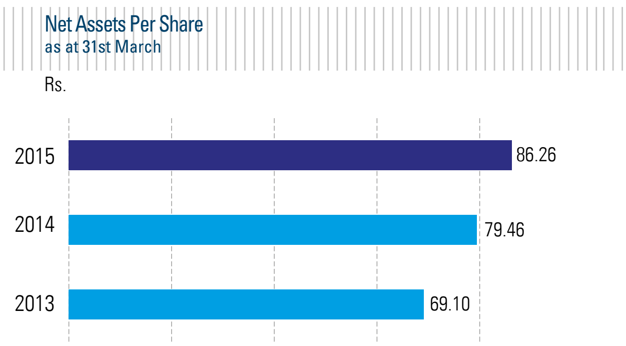
	2014/2015	2013/2014	2012/2013
Earnings Per Share - Basic/Diluted (Rs.)	8.82	9.04	8.10
Price Earnings Ratio (P/E) (Times)	11.29	10.82	14.77

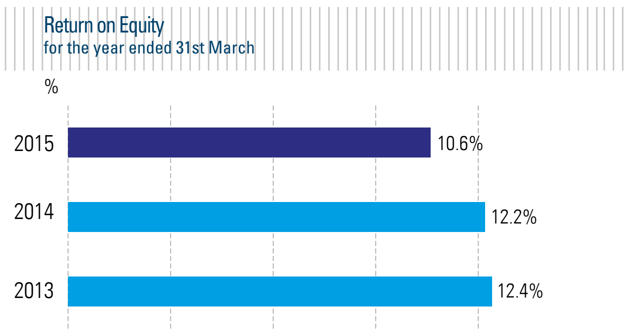




Net Assets per share

	31st March 2015	31st March 2014	31st March 2013
The Group (Rs.)	86.26	79.46	69.10
The Company (Rs.)	31.35	31.85	32.35





Group Companies and Directorate

TOURISM

- Hotels
- Inbound & Outbound Travel
- Airline GSA

MARITIME & LOGISTICS

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

STRATEGIC INVESTMENTS

- Power Generation
- Printing & Packaging
- Garment Manufacture
- Plantation
- Holding Company

SERVICES

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

TOURISM SECTOR

OUTBOUND TRAVEL

Aitken Spence Aviation (Private) Limited
General Sales Agents for Singapore Airlines and Singapore Airlines Cargo.

Directors:
J.M.S. Brito (Chairman),
S.K.R.B. Jayaweera (Managing Director).

Ace Aviation Services Maldives Private Limited **
General Sales Agent for Sri Lankan Airlines in the Maldives.

Directors:
S.T.B. Ellepola (Chairman),
M. Firaq,
N.A.N. Jayasundera,
K.R.T. Peiris,
D.L. Warawita.

Aitken Spence Moscow (Private) Limited **
General Sales Agent for Transaero Airlines.

Directors:
Dr. J.W.A. Perera (Managing Director),
S.T.B. Ellepola.

Royal Spence Aviation (Private) Limited
General Sales Agent for Turkish Airlines (w.e.f 01.04.2015).

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 19.03.2015),
S.K.R.B. Jayaweera (Appointed w.e.f. 19.03.2015),
N.A.N. Jayasundera (Resigned w.e.f. 19.03.2015),
S.T.B. Ellepola (Resigned w.e.f. 19.03.2015).

HOTELS

Ace Resort Private Limited
Proposed to construct and develop a resort in the Maldives.

Directors:
J.M.S. Brito,
C.M.S. Jayawickrama,
T.D.U.D. Peiris,
A.K.M.P. Wijesekara.

A.D.S. Resorts Private Limited **
Owns and operates Adaaran Select Hudhuranfushi - Maldives.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
M. Mahdy.

Aitken Spence Hotel Holdings PLC **
The holding company of the group's hotel interests. Owns and operates the Heritance Ahungalla Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito (Managing Director),
Ms. D.S.T Jayawardena (Appointed w.e.f. 01.07.2014),
R.E.V. Casie Chetty,
S.M. Hapugoda,
C.M.S. Jayawickrama,
G.P.J. Goonewardena,
R.N. Asirwatham,
C.H. Gomez,
N.J. de Silva Deva Aditya.

Aitken Spence Hotel Managements (Private) Limited **
Manages resorts in Sri Lanka.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama (Managing Director),
R.E.V. Casie Chetty.

Aitken Spence Hotel Managements (South India) Private Limited
Owns a 143 room hotel property "Turyaa" in Chennai and would commence operations in 2015/2016.

Directors:
J.M.S. Brito (Chairman),
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
K.A.A.C. Perera.

Aitken Spence Hotel Managements Asia (Private) Limited **
Manages resorts in Oman and in the Maldives.

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.*

Aitken Spence Hotel Services Private Limited
Local marketing company of hotels in India.

Directors:
R.S. Rajaratne,
M.P. Wijesekara.

Aitken Spence Hotels International (Private) Limited **
Holding company of resort companies in the Maldives and provides international marketing services to overseas resorts.

Directors:
R.E.V. Casie Chetty,
S.M. Hapugoda,
C.M.S. Jayawickrama,
V.M. Gunatilleka (Appointed w.e.f. 01.04.2014).

Aitken Spence Hotels Limited **
Owns and operates Heritance Ayurveda Maha Gedara. Holding Company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
N. Ratwatte.

Aitken Spence Resorts (Private) Limited **
In the process of constructing a 90 room resort property in Kalutara.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Aitken Spence Resources (Private) Limited **
Human resource management, foreign employment and recruitment company.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
G.P.J. Goonewardena.

Cowrie Investment Private Limited **
Owns and operates Adaaran Select Meedhupparu - Maldives.

Directors:
J.M.S. Brito (Chairman/Managing Director),
S.M. Hapugoda,
I.M. Didi,
M. Salih,
C.M.S. Jayawickrama.

Crest Star (B.V.I.) Limited
The holding company and managing agents of Jetan Travel Services Company Private Limited.

Directors:
J.M.S. Brito (Chairman),
S.M. Hapugoda,
C.M.S. Jayawickrama.

Crest Star Limited

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Golden Sun Resorts (Private) Limited **
Owns and operates the resort 'The Sands - by Aitken Spence Hotels'.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Heritance (Private) Limited **
Owns a land for a proposed hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Hethersett Hotels Limited **
Owns and operates Heritance Tea Factory.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Jetan Travel Services Company Private Limited **
Owns and operates Adaaran Club Rannalhi - Maldives.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
H. Mohamed,
M. Mahdy.

Kandalama Hotels (Private) Limited **
Owns and operates Heritance Kandalama.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

M.P.S. Hotels (Private) Limited **
Owns and operates Hotel Hilltop - Kandy.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Neptune Ayurvedic Village (Private) Limited **
Leases company owned land and buildings to Aitken Spence Hotels Limited.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Nilaveli Holidays (Private) Limited **
To operate a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Nilaveli Resorts (Private) Limited **
To operate a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Perumbalam Resorts Private Limited
A fully owned subsidiary of PR Holiday Homes Private Limited w.e.f. 05.11.2013.

Directors:
M.R. Narayanan,
K.K.M. Rawther,
S.M. Hapugoda,
C.M.S. Jayawickrama,
R. Narayanan,
L. Ekanayake.

PR Holiday Homes Private Limited
Owns a land in Cochin – India for a future hotel project.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
K.K.M. Rawther,
M. Narayanan,
K.A.A.C. Perera.

*** The Companies' financial statements are audited by KPMG.*

The Galle Heritage (Private) Limited
Proposed for constructing and operating a heritage hotel within the Fort of Galle.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty.

Triton (Private) Limited
The holding company of Aitken Spence Aviation (Private) Limited.

Directors:
S.M. Hapugoda,
R.E.V. Casie Chetty,
C.M.S. Jayawickrama.

Unique Resorts Private Limited **
Owns and operates Adaaran Prestige Vaadhoo - Maldives.

Directors:
S.M. Hapugoda (Managing Director),
C.M.S. Jayawickrama,
M.S. Hassan,
T.D.U.D. Peiris.

MARITIME & LOGISTICS SECTOR

FREIGHT FORWARDING AND COURIER

Ace Aviation Services (Private) Limited
Operates as General Sales Agents for airline cargo.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris,
J.E. Brohier.

Ace Cargo (Private) Limited
Provides international freight forwarding services.

Directors:
Dr. P. Dissanayake (Chairman),
K.R.T. Peiris,
J.E. Brohier.

Ace International Express (Private) Limited
Provides international air express, domestic delivery, international mailing, supply chain solutions and record management.

Directors:
K.R.T. Peiris (Managing Director),
Dr. P. Dissanayake,
J.E. Brohier.

Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agents for airline cargo.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris (Managing Director),
J.E. Brohier.

Spence International (Private) Limited
Regional operating headquarters to manage operation overseas.

Directors:
K.R.T. Peiris,
Dr. P. Dissanayake,
J.E. Brohier.

Spence Maldives Private Limited
Provides cargo General Sales Agent, international air express, domestic express and freight forwarding services in the Maldives.

Directors:
K.R.T. Peiris (Managing Director),
Dr. P. Dissanayake,
M. Firaq,
J.E. Brohier,
A. Ghiyas.

INTEGRATED LOGISTICS

Ace Containers (Private) Limited **
Operates an inland container terminal, container freight station and haulage management.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera,
N.P. Wakwella.

Ace Container Repair (Private) Limited **
Undertakes container repairs, conversions for Garments on Hangers and other purpose built solutions.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella.

Ace Container Terminals (Private) Limited **
Provides container storage, customs, brokerage and warehousing services.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella.

Ace Distriparks (Private) Limited **
Provides total integrated logistics services for which it encompasses warehouse management, distribution, project cargo logistics and mobile storage solution. Also agents for leading Liquid Cargo Operators.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella.

Ace Freight Management (Private) Limited
Undertakes clearing, forwarding and operates an inland container terminal.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella.

Logilink (Private) Limited **
Provides container freight station services and deconsolidation of imports, storing, distribution and consolidation for exports.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
K.R.T. Peiris,
A.M.M. Amir,
A. Jayasekera,
N.P. Wakwella.

MARITIME SERVICES

Aitken Spence Maritime Limited **
Holding company of Hapag-Lloyd Lanka (Private) Limited and Port Management Container Services (Private) Limited.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan.

*** The Companies' financial statements are audited by KPMG.*

Aitken Spence Shipping Limited **

Liner, Cruise and Casual caller agency representation, NVOCC and an international freight forwarder.

Directors:
Dr. P. Dissanayake (Chairman),
A. Jayasekera,
I.S. Cuttilan,
Ms. T.D.M.N. Anthony.

Aitken Spence Shipping Services Limited **

Shipping agency activities.

Directors:
Dr. P. Dissanayake,
I.S. Cuttilan,
A. Jayasekera.

Clark Spence and Company (Private) Limited **

Shipping and bunkering agents in the ports of Colombo, Galle and Trincomalee and an international freight forwarder.

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
R.E.V. Casie Chetty.

Hapag-Lloyd Lanka (Private) Limited **

Liner agency representation.

Directors:
J. Schlotfeldt (Chairman) (Appointed w.e.f. 02.08.2014),
F.R. Coutinho (Appointed w.e.f. 02.08.2014),
J.M.S. Brito,
Dr. P. Dissanayake.

Port Management Container Services (Private) Limited **

Port management services which include operations and productivity enhancement management in ports.

Directors:
Dr. P. Dissanayake (Managing Director),
I.S. Cuttilan,
W.L.P. Wijewardena.

Fiji Ports Terminal Limited

A joint venture with Fiji Ports Corporation Limited, to operate, manage, maintain and develop the two major ports of Suva and Lautoka in Fiji.

Directors:
H. Patel (Chairman),
N. Cook,
V. Chand,
J.M.S. Brito,
Dr. P. Dissanayake,
Ms. N. Sivapragasam,
I.S. Cuttilan.

Shipping and Cargo Logistics (Private) Limited **

Liner agency representation.

Directors:
V.M. Fernando (Chairman),
J.M.S. Brito (Managing Director),
Dr. P. Dissanayake,
K.M.A.T.B. Tittawella,
I.S. Cuttilan,
K.M. Fernando.

Spence Logistics (Private) Limited **

NVOCC freight forwarding operator.

Directors:
Dr. P. Dissanayake,
A.M.M. Amir,
I.S. Cuttilan,
A. Jayasekera.

SpenceMac Bangladesh (Private) Limited

Handles shipping operations in Bangladesh.

Directors:
Dr. P. Dissanayake,
M. Rashid,
C.M.L. Kamal.

Tandem Global Logistics Colombo (Private) Limited

Providing international freight forwarding services.

Directors:
Dr. P. Dissanayake,
Ms. T.D.M.N. Anthony,
I.S. Cuttilan.

Vauxhall Cargo Logistics (Private) Limited **

Holding company of certain maritime sector companies.

Directors:
Dr. P. Dissanayake,
Ms. N. Sivapragasam,
R.E.V. Casie Chetty.

STRATEGIC INVESTMENTS SECTOR

PRINTING AND PACKAGING

Ace Exports (Private) Limited **

Provides printing and packaging services to the direct and indirect export markets.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Ace Printing and Packaging (Private) Limited **

Provides printing and packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Printing and Packaging (Private) Limited **

Provides printing and packaging services to the local market.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

GARMENT MANUFACTURING

Ace Apparels (Private) Limited

To carry out the business to manufacture apparels for export.

Directors:
R.E.V. Casie Chetty,
J.S.A. Fernando.

Aitken Spence (Garments) Limited

Manufacturer and exporter of high quality men's, boys', ladies' and girls' shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

Directors:
R.E.V. Casie Chetty,
R.G. Pandithakorralage,
J.S.A. Fernando.

Aitken Spence Apparels (Private) Limited

Manufacturer and exporter of high quality men's, boys' ladies and girls' shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

Directors:
R.E.V. Casie Chetty,
J.S.A. Fernando.

*** The Companies' financial statements are audited by KPMG.*

Group Companies and Directorate

POWER GENERATION

Ace Power Embilipitiya (Private) Limited

Owns and operates a 100MW thermal power plant in Embilipitiya to supply power to the national grid.

Directors:
J.M.S. Brito (Chairman),
L. Wickremarachchi,
Ms. N. Sivapragasam,
Ms. M. Spoelgen,
Ms. A.M. Fernando.

Ace Wind Power (Private) Limited

Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:
L. Wickremarachchi,
Ms. N. Sivapragasam.

Western Power Company (Private) Limited

Set up to construct, commission and operate a 10MW Waste to Energy Power Project, to supply electricity to the national grid.

Directors:
J.M.S. Brito (Chairman) (Appointed w.e.f. 20.06.2014),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam,
S.R.S.L. Karunanayake,
Ms. N.W. de A. Guneratne.

Branford Hydropower (Private) Limited

Owns a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
L. Wickremarachchi,
Ms. N. Sivapragasam.

CORPORATE ADVISORY

Aitken Spence Corporate Finance (Private) Limited **

Provides corporate services including that of corporate finance, treasury, legal, secretarial, human resource development, information technology, financial shared service and security services to the group companies.

Directors:
Ms. N. Sivapragasam (Managing Director),
R.E.V. Casie Chetty,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
V.M. Gunatilleka.

Aitken Spence Group Limited **

Overall management of the Aitken Spence Group of companies.

Directors:
Dr. R.M. Fernando,
R.E.V. Casie Chetty,
K.R.T. Peiris,
Ms. N. Sivapragasam,
Dr. P. Dissanayake,
S.M. Hapugoda,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
D.S. Mendis,
V.M. Gunatilleka,
P. Karunatilake.

SERVICES SECTOR

PROPERTY MANAGEMENT

Aitken Spence Developments (Private) Limited **

Property development company.

Directors:
Dr. P. Dissanayake (Deputy Chairman),
A.M.M. Amir,
A. Jayasekera.

Aitken Spence Property Developments (Private) Limited **

Owns and operates the multi-storied office complex; "Aitken Spence Tower II" which serves as the Group's corporate office at Vauxhall Street in Colombo.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
R.G. Salgado.

Vauxhall Investments (Private) Limited

Owns buildings and land in Bloemendhal Street.

Directors:
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam.

Vauxhall Property Developments (Private) Limited **

Owns and operates the multi-storied office complex; "Aitken Spence Tower I".

Directors:
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

INSURANCE SURVEY AND CLAIM SETTLING AGENCY

Aitken Spence Insurance (Private) Limited **

Survey and claim settling agents for several reputed insurance companies and organisations worldwide including Lloyd's CESAM PICC and Tokio Marine and Fire Insurance Company Limited Oriental Insurance Company of India. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

Directors:
Ms. N.W. de A. Guneratne (Managing Director),
A.N. Seneviratne,
R.G. Pandithakorralage.

INSURANCE BROKERING

Aitken Spence Insurance Brokers (Private) Limited **

Placement of life insurance and general insurance business with insurance companies in Sri Lanka.

Directors:
Ms. N.W. de A. Guneratne,
A.N. Seneviratne,
R.G. Pandithakorralage.

ELEVATOR AGENCY

Elevators (Private) Limited **

Exclusive agents and distributors in Sri Lanka and in the Maldives for marketing, installing, commissioning and maintaining OTIS elevators, escalators and other equipment's 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 (Managing Director),
Ms. T.L. Cordes-Frei (Resigned w.e.f. 19.09.2014),
G. Pandya (Appointed w.e.f. 19.09.2014).

*** The Companies' financial statements are audited by KPMG.*

Interlifts International Private Limited **

Provides technical support, servicing, installation, repairing and maintaining of elevators, escalators, travolators, dumbwaiters and chairlifts.

Directors:
R.E.V. Casie Chetty,
R.G. Salgado (Managing Director),
M.P. Wijesekera,
M.M. Ahamed.

INFORMATION TECHNOLOGY SERVICES

Aitken Spence Technologies (Pvt) Ltd **

Provision of IT enabled services.

Directors:
Dr. R.M. Fernando,
V.M. Gunatilleka (Managing Director),
D.S. Mendis,
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

FINANCIAL SERVICES

MMBL Money Transfer (Private) Limited **

Principal agent for Western Union money transfer services in Sri Lanka.

Directors:
J.M.S. Brito (Chairman),
D.S. Mendis (Managing Director),
M.D.D. Peiris,
Ms. Y.N. Perera,
K. Balasundaram,
Ms. N. Sivapragasam,
J.V.A. Corera,
M.R.P. Balendra (Alternate Director to Ms. Y.N. Perera & M.D.D. Peiris)
Dr. R.M. Fernando (Alternate Director to J.M.S. Brito),
R.G. Pandithakorralage (Alternate Director to D.S. Mendis).

PLANTATIONS

Aitken Spence Tawoos Agriculture (Private) Limited

To cultivate and farm fruits and vegetable for the export market.

Directors:
J.M.S. Brito,
Dr. R.M. Fernando.

OTHER SERVICES

Aitken Spence Exports (Private) Limited **

Bottles and markets "Hethersett bottle water".

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
C.D.D Perera.

EQUITY ACCOUNTED INVESTEES

TOURISM SECTOR

Ahungalla Resorts Limited **

A joint venture company with RIUSA NED BV and in the process of constructing a 501 room resort property in Ahungalla.

Directors:
S.M. Hapugoda,
C.M.S. Jayawickrama,
R.E.V. Casie Chetty,
L. Riu Guell,
C.L.M. Riu Guell.

Aitken Spence Travels (Private) Limited **

Leading destination management company in Sri Lanka. A joint venture with TUI one of the largest tourism companies in the world.

Directors:
J.M.S. Brito (Chairman),
N.A.N. Jayasundera (Managing Director),
D.C. Schelp,
P.A. Mitchell,
S.T.B. Ellepola (Alternate Director to Mr. J.M.S. Brito),
J.C. Munar (Alternate Director to Mr. D.C. Schelp).

Ace Travels and Conventions (Private) Limited **

Professional conference exhibition and event organiser. Also offers destination management services.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
P.L. Perera.

Aitken Spence Overseas Travel Services (Private) Limited **

Was an IATA-accredited travel agent and General Sales Agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages, the company did not carry out operations during the year.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
H.P.N. Rodrigo.

Amethyst Leisure Limited

Holding Company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.11.2014),
V.J. Senaratne (Appointed w.e.f. 01.11.2014),
B.H.R. Sariffodeen (Appointed w.e.f. 01.11.2014),
M.Z.H. Hashim (Appointed w.e.f. 01.11.2014),
A. Mahir (Appointed w.e.f. 01.11.2014).

Browns Beach Hotels PLC **

Owns the property leased out to Negombo Beach Resorts (Private) Limited.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
J.M.S. Brito,
M.V. Theagarajah,
S.M. Hapugoda,
T.D.U.D. Peiris,
A.L. Gooneratne.

Negombo Beach Resorts (Private) Limited **

In the process of constructing a 143 room resort in Negombo.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
S.M. Hapugoda,
C.M.S. Jayawickrama.

Paradise Resort Pasikudah (Private) Limited

Owning Company of Amethyst Resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Appointed w.e.f. 01.11.2014),
V.J. Senaratne (Appointed w.e.f. 01.11.2014),
B.H.R. Sariffodeen (Appointed w.e.f. 01.11.2014),
M.Z.H. Hashim (Appointed w.e.f. 01.11.2014),
A. Mahir (Appointed w.e.f. 01.11.2014).

MARITIME & LOGISTICS SECTOR

Ace Bangladesh Limited

Provides international freight forwarding services in Bangladesh.

Directors:
A. Mannan (Chairman),
R. Rahman (Managing Director),
J.M.S. Brito,
Ms. F.R. Ahmed,
K.R.T. Peiris,
A. Rahman.

*** The Companies' financial statements are audited by KPMG.*

Group Companies and Directorate

Colombo International Nautical and Engineering College (Private) Limited

Sri Lanka's largest private maritime and higher education campus.

Directors:

Capt. P.A.P. Peiris,
C.L. Wikramanayake,
H.K. Jayanetti,
Dr. P. Dissanayake,
J.M.S. Brito,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
S.A.R.S. Karunanayake,
D. Malais,
H.D.J.B. Ranchigoda,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski),
B. Sprotte (Alternate Director to D. Malais).

STRATEGIC INVESTMENTS SECTOR

Aitken Spence Plantation Managements PLC **

Managing agents for Elpitiya Plantations PLC.

Directors:

J.M.S. Brito (Chairman),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
D.C. Fernando (Alternate Director to Merrill J. Fernando),
A.L.W. Goonewardena,
Ms. M.D.A. Perera (Alternate Director to Mr. Malik J. Fernando),
R.E.V. Casie Chetty,
L.N. de S. Wijeyerathne.

Elpitiya Plantations PLC

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8851 hectares.

Directors:

J.M.S. Brito (Chairman),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
Dr. S. Anura B. Ekanayake,
D.C. Fernando (Alternate Director to Merrill J. Fernando),
Ms. M.D.A. Perera (Alternate Director to Mr. Malik J. Fernando),
S.C. Ratwatte,
A .L.W. Goonewardena,
E.N.W.M.R.R.K. Nugapitiya.

SERVICES SECTOR

Ecocorp Asia (Private) Limited

Formulates specialised surface coating systems and applications on different surfaces utilizing nanotechnology; while introducing diverse innovative solutions for industries.

Directors:

C.V.J.P. Fraser,
K.M. Fernando,
V.M. Fernando,
Dr. R.M. Fernando (Appointed w.e.f. 29.10.2014),
Ms. D.S.T. Jayawardena (Appointed w.e.f. 29.10.2014),
Ms. N. Sivapragasam (Appointed w.e.f. 10.12.2014).

Aitken Spence C & T Investments (Private) Limited **

To construct and operate a luxury villa community in Negombo.

Directors:

A.Y. Atapattu (Chairman),
J.M.S. Brito,
S. Chandramohan,
Dr. R.M. Fernando,
D.S. Mendis,
S.G. Atapattu.

Glossary of Terms

Assets Held for Sale
The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

Asset Turnover
Total revenue divided by average total assets.

Available-for-Sale
Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AWDR
The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

AWPLR
The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

Basis Point
One basis point is equal to 1/100th of 1%.

BAU
Business As Usual, the normal execution of operations within an organisation.

Business Model
The process adopted by a company to generate revenue and make a profit from operations.

Capital Expenditure
The total of additions to property, plant & equipment, intangible assets, investment property and the purchase of outside investments.

Capital Reserves
Reserves identified for specific purposes and considered not available for distribution.

Carrying Amount
The amount at which as asset is recognised in the statement of financial position.

Collateral
Monetary or non monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

Collective Impairment provision
Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

Contract
An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

Credit Risk
Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

Current Ratio
Current assets divided by current liabilities.

Currency SWAP
An agreement between two parties to exchange two currencies at a certain exchange rate at a certain time in the future.

Debenture
A long-term debt instrument issued by a corporate.

Debt/Equity Ratio
Non-current interest bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Derivatives
Financial contracts whose values are derived from the values of underlying assets.

Dividend Cover
Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend – Payout Ratio
Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

Dividend Yield
Dividend per share divided by the market value of a share.

Dividends per Share (DPS)
Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

Earnings per Share (EPS)
Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EBITDA
Earnings before interest, tax, depreciation and amortization.

Effective Rate of Dividend
Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

Effective Rate of Interest
Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

Emissions
The release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time.

Employee Turnover
Number of employees who leave an organization over a year expressed as a percentage of total workforce.

Equity Instruments
A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Fair Value
The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair Value Through Profit or Loss (FVPL)
Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Financial Asset
Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another

entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial Instruments
Any contract that gives rise to financial assets of one entity and financial liability or equity instrument of another entity.

Financial Leverage
Total average assets divided by total average equity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

GHG
Greenhouse gases.

- Direct GHG emissions
Emissions from sources that are owned or controlled by the reporting entity.

- Indirect GHG emissions
Emissions resulting from the activities of the reporting entity but occur at sources owned or controlled by a different entity.

Goodwill on Consolidation
The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

Gross Treasury Bill Rate
Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

Guarantees
A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations under that said contract.

Held-to-Maturity
A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

Impairment
Occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Assets
An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services for rental to others or for administrative purposes.

Interest Cover
Operating profit before interest divided by the net interest.

Interest Rate Swap
An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

Investment Property
Investments in land and buildings that are held to earn rentals or for capital appreciation or for both.

Internal Rate of Return (IRR)
Rate of return used in capital budgeting to measure and compare the profitability of investments.

LIBOR
The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

Liquidity Risk
The risk of an entity having constrains to settle its financial liabilities.

Loans and receivables
A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

Market Capitalisation
The number of ordinary shares in issue multiplied by the market price per share.

Market Risk
Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Net Assets per Share
Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

Net Profit Margin
Net profit for the period divided by the revenue.

Non-controlling Interest
Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

Operating Profit Margin (EBIT Margin)
Earnings before interest and tax divided by revenue.

Price Earnings Ratio (PER)
Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)
Market price per share divided by net assets per share.

Quantitative Easing
A type of monetary policy used by Central Banks to stimulate the economy when the standard monetary policy has become ineffective.

Quick Asset Ratio
Total current assets less inventories divided by total current liabilities.

Related Parties
Parties who could control or significantly influence the financial and operating decisions of the business.

Return on Equity
Profit attributable to equity holders of the company divided by average equity less non-controlling interest at the beginning and end of the year.

Revaluation Surplus
Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves
Reserves set aside for future distributions and investments.

Sovereign Bond
A debt security issued by a government denominated in a foreign currency.

Total Equity
Total of share capital, reserves, retained earnings and non-controlling interest.

Total Shareholder Return (TSR)

Change in market price of the share between end and beginning of the financial year, plus dividend for the year, divided by the market price of the share at the beginning of the financial year.

Treasury Bill
Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond
Medium to long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (interest) paid on semi-annual basis.

Unquoted Shares
Shares which are not listed in the Stock Exchange.

Yield to Maturity
The discount rate that equals present value of all expected interest payment and the repayment of principal.

Young Managers
Executives in managerial positions (Assistant Manager and above), and under 35 years of age.

Weighted Average Cost of Capital (WACC)
The rate that a company is expected to pay on average to all its equity and debt holders.

Working Capital
Current assets less current liabilities.

Notice of Meeting

Notice is hereby given that the Sixty Third Annual General Meeting of Aitken Spence PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 7, at 10.00 a.m. on Tuesday, 30th June 2015, 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 2015.
- 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 81 and that he be re-elected a Director of the Company"
- To re-elect Deshamanya D.H.S. Jayawardena 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 Deshamanya D.H.S. Jayawardena who has attained the age of 72 and that he be re-elected a Director of the Company"
- To re-elect Mr R.N. Asirwatham 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. R.N. Asirwatham who has attained the age of 72 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, Chartered Accountants 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
25th May, 2015

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office of the Company at 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 10th July 2015 provided the 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 2nd July 2015.

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)
Mahinda Parakrama Dissanayake	(whom failing)
Don Stasshani Therese Jayawardena 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 on my/our behalf at the Annual General Meeting of the Company to be held on the 30th day of June 2015, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Fifteen.

....
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 at No. 315 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 28, 2015, being 48 hours before commencement of the meeting.

Aitken Spence PLC | Shareholder Feedback Form

Name (Optional) : ....

Address (Optional) : ....

....

Telephone No. (Optional) : ....

Number of shares held (Optional) : ....

1. Please rate the following areas on a scale of 1 (lowest) to 5 (highest);

		Lowest 1	2	3	4	Highest 5
a)	Interaction with the Company personnel	☐	☐	☐	☐	☐
b)	Overall ambience of the Company	☐	☐	☐	☐	☐
c)	Speed of response to comments/ queries/ clarifications	☐	☐	☐	☐	☐
d)	Efficiency of remedial action and follow up measures	☐	☐	☐	☐	☐
e)	Overall efficiency of service of the Company personnel	☐	☐	☐	☐	☐
f)	Hospitality of Company personnel	☐	☐	☐	☐	☐
g)	Usefulness of the information in the interim financial statements	☐	☐	☐	☐	☐
h)	Quality and presentation of the Annual Report	☐	☐	☐	☐	☐
i)	Contents of the Annual Report	☐	☐	☐	☐	☐
j)	Usefulness of the information in the Annual Report	☐	☐	☐	☐	☐
k)	Usefulness of the environmental information in the Annual Report	☐	☐	☐	☐	☐
l)	Usefulness of the Social information in the Annual Report	☐	☐	☐	☐	☐
m)	Quality and content of the Corporate website	☐	☐	☐	☐	☐
n)	User – friendliness of the Corporate website	☐	☐	☐	☐	☐
o)	Usefulness of the information in the Company's social media sites	☐	☐	☐	☐	☐
p)	Quality of the health and safety measures adopted by the Company	☐	☐	☐	☐	☐
q)	Adequacy of risk management strategies	☐	☐	☐	☐	☐
r)	Compliance with corporate, statutory and regulatory standards	☐	☐	☐	☐	☐
s)	Comprehensiveness of the shareholder feedback form	☐	☐	☐	☐	☐

Please tick more than one where applicable:

2. How do you generally obtain information/ news about the Company:

☐ News articles	☐ Social media	☐ Advertisements
☐ Internet/Company website	☐ Annual Report	☐ Others

3. The majority of the stocks you own are:

☐ Less than 6 months	☐ Between 6 months to 1 year	☐ More than 1 year

4. Will the information from the Company regarding its economic, social and environmental management approach and performance help your investment making decision?

☐ Yes	☐ No	☐ Not relevant

5. What type of communication would you like from the Company?

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6. Suggestions / Recommendations

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The completed Feedback Form could be handed over to a Company representative at the end of the Annual General Meeting or mailed or hand delivered to the Company Secretary at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

Notes

Corporate Information

Name
Aitken Spence PLC

Legal Form
A Public quoted Company with limited liability, incorporated in Sri Lanka in 1952.

Company Registration Number
PQ 120

Registered Office
No. 315 Vauxhall Street
Colombo 2
Sri Lanka

Directors
D.H.S. Jayawardena - *Chairman*
J.M.S. Brito - *Managing & Finance Director*
LLB, FCA, MBA

R.M. Fernando *Ph.D., MBA, FCIM (UK)*

M.P. Dissanayake
MBA, Ph.D., Postgraduate.Dip Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School

Ms. D.S.T. Jayawardena

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*

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

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

Remuneration Committee
G.C. Wickremasinghe - *Chairman*
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
Chartered Accountants

Contact Details
No. 315 Vauxhall Street
Colombo 2, Sri Lanka

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