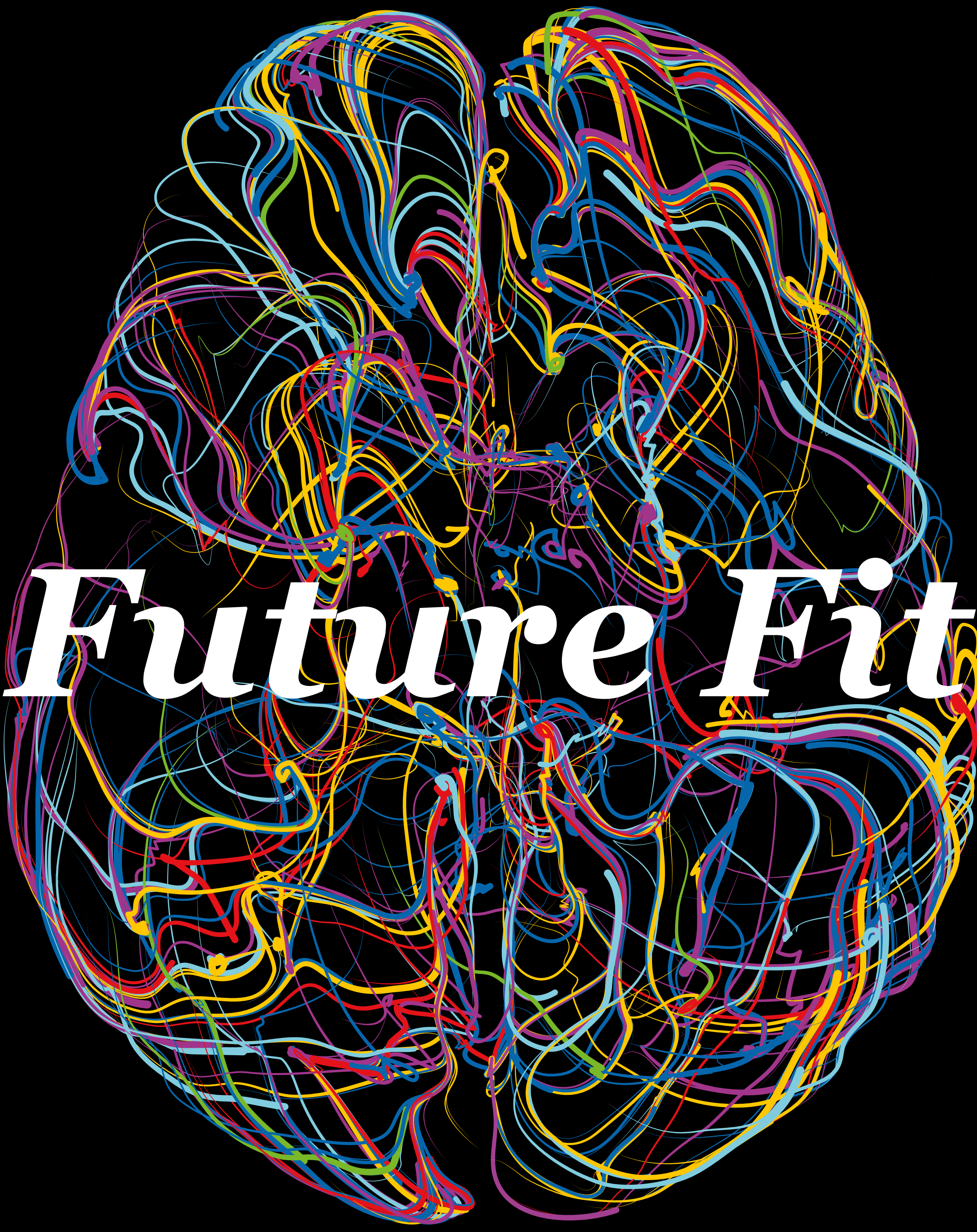
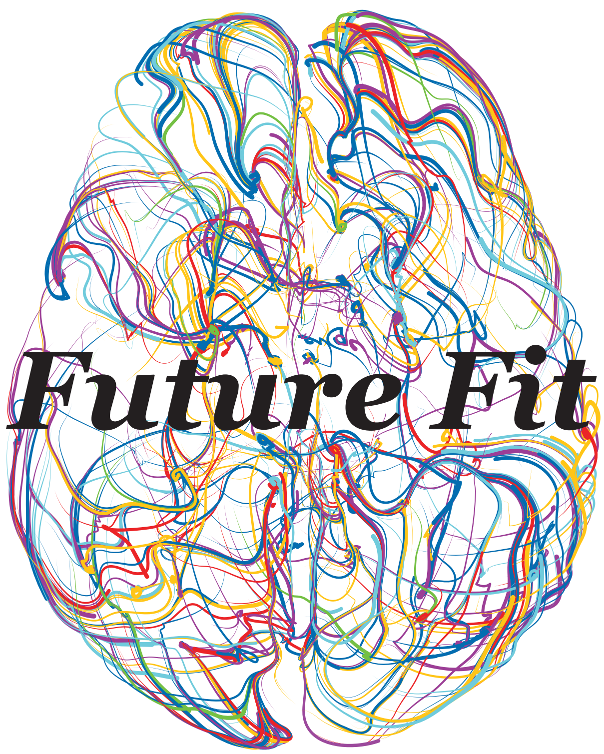
Future Fit



Aitken Spence

Aitken Spence PLC - Annual Report 2018 - 2019

Future Fit



The Aitken Spence Group has a long and distinguished history and last year we celebrated our 150th anniversary. This remarkable milestone demonstrates how indomitable and experienced your company now is, for today we are one of the nation's most respected conglomerates with thriving business interests in major industry sectors in Sri Lanka and beyond.

We remain undeterred by the many challenges we have faced in recent times for we firmly believe that our inherent resilience will see us grow and thrive in any and all circumstances. We have created a vibrant business enterprise by being astute and far-sighted and now we are adept at perceiving where the best avenues for value creation lie. Today, we are a diversified conglomerate that is truly 'Future Fit'; one that is agile and adaptable yet strong and stable, guaranteeing that our pledge of stakeholder value will endure, both now and in the years to come.

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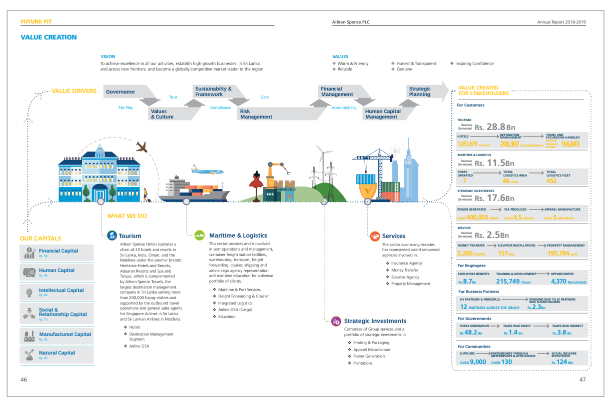

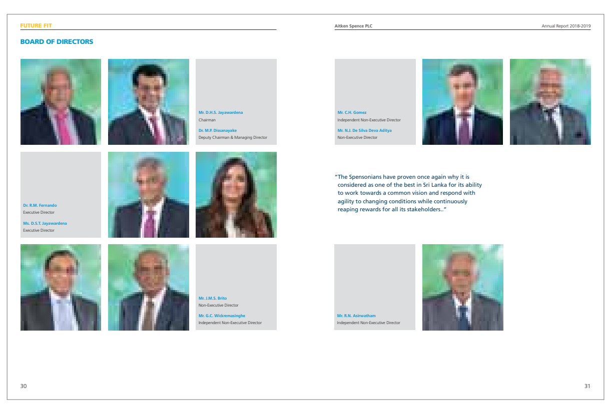

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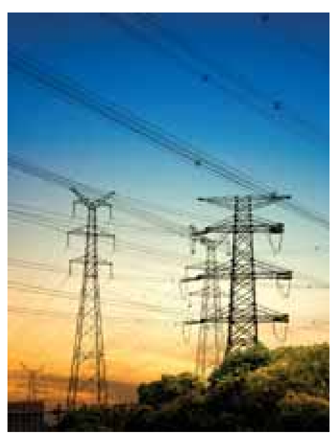

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ABOUT OUR REPORT

This is the 36th annual report of Aitken Spence PLC which has transformed over the years, embracing international best practice in corporate reporting. It is our eighth Integrated annual report and covers the performance during the financial year ended 31st March 2019 and its position as of that date. Moving beyond legal and regulatory compliance, the report contains information for providers of financial capital and is of interest to other stakeholders as well as it contains information on material issues impacting our performance. Our aim is to communicate relevant material information in a concise but comprehensive manner, providing a balanced review of our performance.

Frameworks Applied

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

	Frameworks Applied	Assurance
STATUTORY	❖ Companies Act No.7 of 2007 ❖ Sri Lanka Financial Reporting Standards issued by the Institute of Chartered Accountants of Sri Lanka	❖ Assurance has been provided by KPMG on the Financial Statements including the Notes to the Accounts.
VOLUNTARY	❖ Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka ❖ Guided by the IR Framework issued by the International Integrated Reporting Council ❖ GRI Standards "In Accordance – Core" ❖ UN Global Compact ❖ Women's Empowerment Principles ❖ Communicating Sustainability issued by the Colombo Stock Exchange	❖ DNV has provided assurance that the report is "In Accordance-Core" with the GRI Standard.

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

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

Scope & Boundaries

Financial information is presented in accordance with regulatory requirements and presents a view of the entire Group including all subsidiaries and equity accounted investees. Non-financial information presented within the report covers the operations in all countries we operate in other than Bangladesh and Mozambique as the sustainability information gathering has not been implemented fully in these countries.

Forward Looking Statements

The report contains forward looking statements which inherently involve varying degrees of uncertainty as they relate to future events, outcomes and impacts which are beyond our control. This information has been provided as we believe they are valuable to assess the future potential of the Group and we have provided the same using reliable sources of information.

The Board and other preparers of the annual report provide this information without recourse or any liability whatsoever due to the relatively high levels of uncertainty regarding the complex matrix of variables and assumptions used to forecast the same.

Feedback & Inquiries

A feedback form is provided on page 355 and we would appreciate your feedback on the annual report using this form which can be handed over at the Annual General Meeting or mailed to the Company Secretaries with "Annual Report 2019 - Feedback" marked on the top left hand corner of the envelope. The form is also available online on www.aitkenspence.com/annualreport and these responses will be automatically fed to our annual report team. We value your feedback as it would assist us in improving the quality of the information in the annual report in the year that has commenced.

Navigation to locate disclosures

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

GRI — Disclosures for material topics from the GRI Standard

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

UNGC — Information relevant to the UNGC Principles

www — Links for specific information available online in line with the requirements of reporting standards and/ or voluntary endorsements and more detailed overviews not published in this volume

Disclosures applicable to the tourism sector

Disclosures applicable to the maritime and logistics sector

Disclosures applicable to the strategic investments sector

Disclosures applicable to the services sector

Information Map

A comprehensive shareholder feedback form is available at the end of the report on page 355 to obtain feedback about this report so that the disclosures in future reports can be improved to suit the reader's needs better. Further our social media could also be used to communicate with us for feedback and comments. Please also visit our website at www.aitkenspence.com for more information.

GRI 102-46

In this section;

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

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

a certified ZERO CARBON PUBLICATION

The Greenhouse Gas emissions associated with the production of this report have been reduced to net zero courtesy of initiatives by our green printing facility Aitken Spence Printing and Packaging (Pvt) Ltd.

FINANCIAL HIGHLIGHTS

14% GROWTH IN PROFIT BEFORE TAX

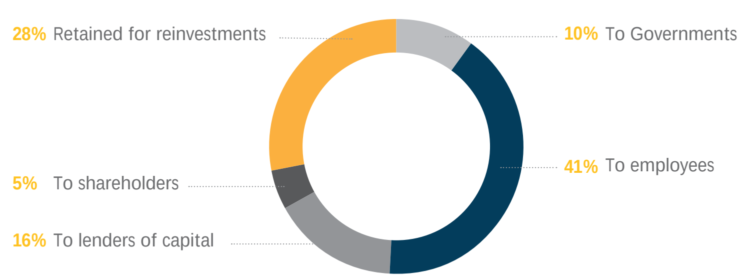
THE GROUP ACHIEVED ITS HIGHEST EVER PROFIT BEFORE TAX OF RS. 7.3 BILLION FOR THE YEAR UNDER REVIEW, AN INCREASE OF 14% OVER THE PREVIOUS YEAR.

Inspired by the heritage and entrepreneurial journey, the priority of Aitken Spence is to be a sustainable and responsible business enterprise that delivers long term value to all stakeholders. In keeping with this, the Group was able to record its highest ever profits this year.

The diversity of the Group's business sectors and its geographical span, has been the corner stone of the Group's success throughout the years. Investments that were strategically thought out and passionately executed has not only propelled it to greater heights but has also enabled it to withstand the fluctuations of fortunes of the Sri Lankan and global economies.

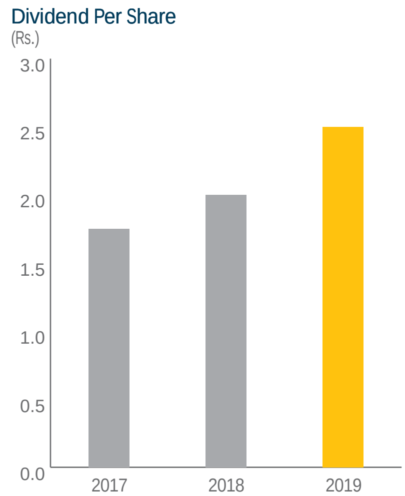
Rs. 7.3 Bn

PROFIT BEFORE TAX



DISTRIBUTION OF WEALTH CREATED

215,749
TRAINING HOURS FOR THE YEAR



Rs. 125 Bn
TOTAL ASSETS

RS. 49.5 BN
SHAREHOLDER'S WEALTH

Rs. 55.7 Bn
REVENUE

14,133
EMPLOYEES

RECIPIENT OF SRI LANKA'S BEST CORPORATE CITIZEN SUSTAINABILITY AWARD FOR THE SECOND CONSECUTIVE YEAR

Rs. 124 Mn
FUNDS CHANNELLED FOR COMMUNITY DEVELOPMENT

Rs. 5.2 Bn
PAID AS DIRECT AND INDIRECT TAXES

ABOUT US

A diversified conglomerate in operation for over 150 years and listed on the Colombo Stock Exchange since 1983, having its presence in eight countries with a range of investments spanning diverse industry sectors, Aitken Spence yields an undisputed growth momentum in the following sectors;

TOURISM
- Hotels
- Destination Management Segment
- Airline GSA

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

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

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

A heritage built over 150 years includes strong relationships with internationally reputed business partners, a culture of professionalism across diverse business sectors and robust processes and systems that are fit for purpose. Our businesses are industry leaders in their respective fields with growth aspirations supported by a strong balance sheet, cashflows and empowered by a team of 14,133 employees.

The Group lays claim to a total asset base of Rs.125 billion which in turn produced an operating profit of Rs. 8.0 billion for the year. The profit before tax reported of Rs. 7.3 billion is the highest ever achieved in the history of the Group.

VISION

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

VALUES

- Reliable
- Honest & Transparent
- Warm & Friendly
- Genuine
- Inspiring Confidence

A STRONG REPUTATION

- Consistently ranked among the Top 10 Corporate Citizens for an unprecedented 13 years
- Recipient of the Best Corporate Citizen of Sri Lanka award 2018, which being the third time the Company has been recognised with this accolade
- Adjudged amongst the top 10 Most admired companies of Sri Lanka 2018

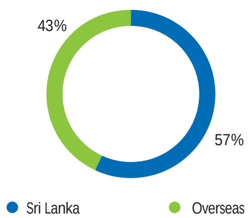
Total Assets Rs.125 billion → **Equity Rs. 62 billion** → **Operating Income Rs.8.0 billion** → **Profit before tax Rs.7.3 billion** → **Profit after tax Rs.5.8 billion**

Where We Operate

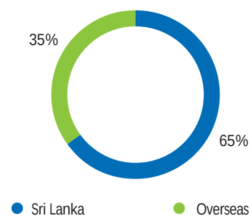
Our presence has grown beyond our shores to Maldives, India, Bangladesh, Oman, Mozambique, the Fiji Islands and Myanmar, building on our track record of delivering continuous value to stakeholders.

OUR GLOBAL FOOTPRINT

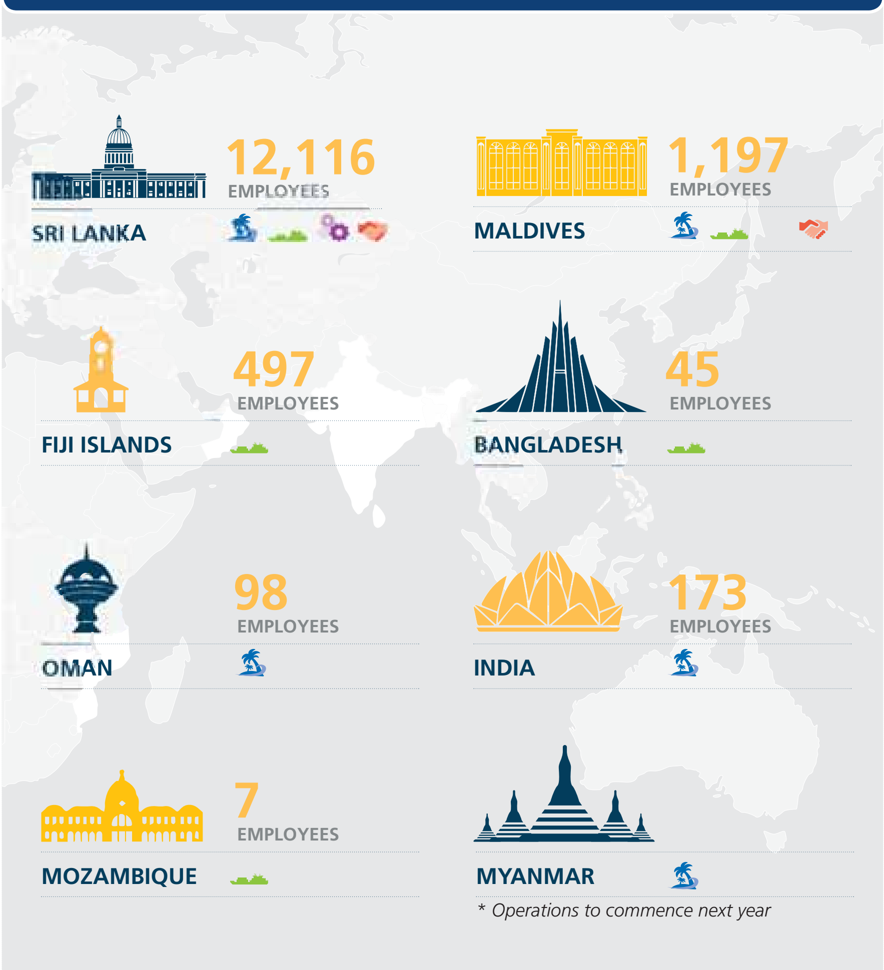
Profit Before Tax
For the year ended 31st March 2019



Segment Assets
As at 31st March 2019



MAP OF OPERATIONS



TOURISM

Rs. 28.3Bn
REVENUE

Rs. 3.1 Bn
PBT

Rs. 71.8 Bn
TOTAL ASSETS

MARITIME & LOGISTICS

Rs. 9.4 Bn
REVENUE

Rs. 2.1 Bn
PBT

Rs. 11.2 Bn
TOTAL ASSETS

STRATEGIC INVESTMENTS

Rs. 15.8 Bn
REVENUE

Rs. 1.8 Bn
PBT

RS. 37.6 Bn
TOTAL ASSETS

SERVICES

Rs. 2.2 Bn
REVENUE

Rs. 268.9 Mn
PBT

Rs. 4.7 Bn
TOTAL ASSETS

ABOUT US

A Pioneer

Growth of Aitken Spence has been skilfully managed, using our expertise and specialisations gained in the strategically important sectors we operate in, to venture overseas and expand into new businesses in Sri Lanka. Highlights include the following pioneering ventures undertaken by Aitken Spence:

FIRST SRI LANKAN COMPANY TO INVEST IN HOTELS IN THE MALDIVES

Today we are one of the largest hotel operators in Maldives with an inventory of 770 rooms on 5 islands

FIRST SRI LANKAN COMPANY TO COMMENCE HOTEL MANAGEMENT OPERATIONS OVERSEAS

The strides made into the hotel management industry in Oman and India have enriched our investment profile, reaffirming the confidence in our brand and expertise

FIRST SRI LANKAN COMPANY TO ENTER IN TO A PUBLIC PRIVATE PARTNERSHIP OVERSEAS

We manage the ports in Fiji and provide port efficiency management services for the port in Mozambique

FIRST SRI LANKAN COMPANY TO INVEST IN A WASTE TO ENERGY POWER PROJECT

The plant is expected to commence operations in the latter part of 2019/2020, solving two national crises with one effective solution

Our Economic Impact

Our economic impact in Sri Lanka is multifaceted as our businesses are leading players across a number of industries. We work to develop key areas of expertise, opening new avenues for economic growth.

HOTELS

- Owns and/or manages 2,857 hotel rooms in Sri Lanka, the Maldives, India and Oman.
- Key to foreign exchange earnings of the country
- Direct & Indirect Employment generation

TRAVELS

- Largest inbound travel operator accounting for over 8% of total tourist arrivals
- Promotes Sri Lanka as a tourist destination investing over Rs.250mn in 2018/19

MARITIME AND LOGISTICS

- Operation of seven ports
- Handles TEUs of imports, exports and transshipments facilitating trade
- One of the largest integrated logistics service providers

POWER GENERATION

- Generates and supplies of power to the national grid through cleaner production mechanisms to meet increasing demands for energy

SERVICES

- Facilitates remittances of foreign exchange
- Supports risk management for businesses
- Supplier of high quality, safe elevators, escalators and moving walkways for infrastructure projects

APPAREL

- Contributing to one of the largest foreign exchange generating industries in the country whilst providing livelihood for thousands in the non-metropolitan communities it operates in

PLANTATIONS

- Cultivation and manufacture of tea, rubber, oil palm and cinnamon
- Diversified operations in sustainable forestry development, hydro power generation and ecotourism
- High quality value-added tea exports.
- Provides direct income and support services to over 5,000 families

PRINTING & PACKAGING

- Environmental friendly printing using a state of the art green printing facility.
- Value added printing and packaging solutions to the local and export market
- Facilitator of greater revenue and foreign exchange generation

SUPPORTING ECONOMIC GROWTH

Value Added Statement

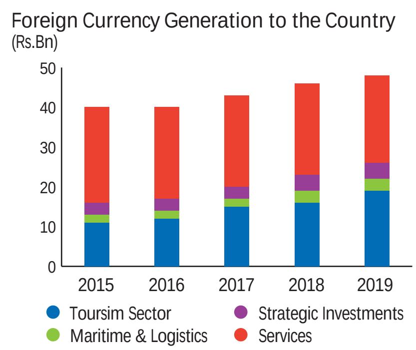
Total value added by the Group increased by 10.8% driven by broad based growth across all sectors.

The highest amount of the wealth generated by the Group was distributed amongst its employees which accounted for 41.1% of the total and was an 8.6% growth over last year. Distribution to governments increased by 16.3% due to business growth and increased taxation rates. Lenders of capital and non-controlling interests received 6.7% over the previous as we increased leverage. The amounts retained for reinvestment increased due to a strong pipeline of projects while the value distribution to shareholders increased by 25% when compared to last year.

	2018/2019 Rs.'000		2017/2018 Rs.'000	
Total Revenue	**55,680,903**		52,734,969	
Purchase of goods and services	**(36,287,253)**		(35,155,608)	
	19,393,650		17,579,361	
Other operating and Interest income	**1,460,474**		1,287,012	
Share of profits of equity accounted investees	**389,241**		306,457	
Total value added by the Group	**21,243,365**		19,172,830	
Distributed as follows:				
To governments	**2,129,091**	**10%**	1,830,132	9%
To employees	**8,739,856**	**41%**	8,044,419	42%
To lenders of capital	**3,379,249**	**16%**	3,168,335	17%
To shareholders	**1,014,990**	**5%**	811,992	4%
Retained for re-investment & future growth	**5,980,179**	**28%**	5,317,952	28%
	21,243,365	**100%**	19,172,830	100%

Foreign Exchange Generation to the Country

Foreign exchange earnings grew strongly supported by increased tourist arrivals handled by the destination management segment and the increased foreign exchange earnings generated by the hotels segment. The increase in the volume of operations of all segments of the Maritime and Logistics sector resulted in the contribution from the sector towards the generation of foreign exchange to the country increasing by 29.6% over the previous year. The increase in foreign exchange generation of the Strategic Investments sector was mainly owing to the turnaround in performance of the apparel manufacturing segment, while the lower volume of inward remittances handled by the Services sector saw the contribution made by this sector marginally declining over last year.



Contribution through Taxes

Taxes form the main source of revenue of a Government and it achieves this through by levying direct and indirect taxes. Governments require collection of taxes to facilitate its recurring expenditure as well as to meet its development goals. The Group has contributed Rs. 5.2 billion in tax payments directly and indirectly to the governments of the countries we operate in. This was an increase of 10.6%, compared to previous year's total taxes paid of Rs. 4.7 billion.

The Group's contribution to the indirect taxes for the year amounted to Rs. 3.8 billion which is a 14.3% growth over 2017/18. The key contributor to the indirect taxes for 2018/19 being sales taxes amounting to Rs. 3.4 billion, which is a 17.7% improvement over the previous year of Rs. 2.9 billion.

Total direct taxes of the Group which comprises of income tax and dividend tax has increased marginally by 1.9% to Rs. 1.4 billion.

Tax Type	2018/2019 Rs.Mn	2017/2018 Rs.Mn	Change %
Value added tax & sales tax in other jurisdictions	**3,414.7**	2,902.0	17.7%
Nation building tax	**254.3**	320.1	(20.5%)
Stamp duty & tourism development levy	**91.5**	69.0	32.5%
Income tax (local & foreign)	**1,174.7**	1,221.6	(3.8%)
Dividend tax	**251.2**	177.9	41.2%
	5,186.4	4,690.5	

PERFORMANCE HIGHLIGHTS

	2018/2019 Rs.Mn	2017/2018 Rs.Mn	Change %	2016/2017 Rs.Mn
FINANCIAL CAPITAL				
Results for the year				
Group revenue with equity-accounted investees	**59,287**	56,031	6	50,013
Group revenue	**55,681**	52,735	6	45,892
Profit from operations	**8,016**	7,081	13	5,758
Profit before tax	**7,283**	6,398	14	5,247
Profit attributable to equity holders of the company	**4,077**	3,560	15	2,890
As at 31st March				
Non-current assets	**86,758**	73,881	17	63,411
Current assets	**38,075**	33,812	13	31,735
Total assets	**124,997**	107,843	16	95,295
Total equity	**62,086**	56,285	10	50,793
Non-current liabilities	**34,526**	23,560	47	19,503
Current liabilities	**28,385**	27,997	1	24,999
Total liabilities	**62,911**	51,558	22	44,502
Share Information - Per Share (Rs)				
Market price per share as at 31st March	**41.00**	50.60	(19)	56.20
Earnings per share	**10.04**	8.77	15	7.12
Dividends per share	**2.50**	2.00	25	1.75
Net asset value per share as at 31st March	**121.80**	110.35	10	97.24
Price earnings ratio	**4.08**	5.77	(29)	7.90
Ratios and Statistics				
Dividend cover (times)	**4.02**	4.38	(8)	4.07
Dividend - payout ratio	**0.25**	0.23	9	0.25
Current ratio	**1.34**	1.21	11	1.27
Debt - equity ratio	**0.47**	0.35	34	0.34
Return on equity (%)	**8.65**	8.45	2	7.59
Interest cover (times)	**8.44**	8.29	2	7.29

Rs. 10.04
EARNINGS PER SHARE

Rs. 121.80
NET ASSETS PER SHARE

8.65%
RETURN ON EQUITY

	2018/2019	2017/2018	2016/2017	2015/2016
NATURAL CAPITAL				
Direct energy consumption (GJ)	**553,112**	551,202	597,687	399,643
Indirect energy consumption (GJ)	**142,613**	138,605	151,429	77,744
Total energy produced from non-renewable sources (GJ)	**305,420**	320,149	277,010	200,994
Total energy produced from renewable sources (GJ)	**246,927**	243,286	221,873	152,539
Water				
Total volume of water withdrawn (m^3)	**1,412,388**	1,338,389*	1,310,967	1,210,920
Total number of water sources significantly affected by withdrawal (m^3)	**None**	None	None	None
Total volume of water re-cycled and used or re-cycled by the organisation (m^3)	**1,042,195**	638,309	598,120	526,872
Emissions				
Direct (Scope 1) greenhouse gas emissions (tCO_{2e})	**279,588**	370,126	375,351	276,622
Energy indirect (Scope 2) green house gas emissions (tCO_{2e})	**29,885**	29,125	31,583	27,732
Quantified amount of greenhouse gas emissions reduced and/or offset (tCO_{2e})	**28,575**	27,473	25,613	22,548
Total investment on sustainability processes and action plans (Rs.Mn)	**153**	109	88	112
Human Capital				
Total Employees (including employees of equity accounted investee)	**14,133**	13,908	13,693	13,065
Attrition rate				
❖ Females (%)	**42**	36	39	30
❖ Males (%)	**58**	64	30	37
Return to work after maternity leave (%)	**84**	100	92	100
Total investment in employee training (Rs. Mn)	**47**	47	22	18
Average hours of training per employee (No of hours)	**15.0**	15.5	5.6	5.1
Social And Relationship Capital				
Total funds channelled for community development (Rs. Mn)	**124**	128	135	72
Grievances about labour practices filed through formal grievance mechanisms	**2**	3	7	5
Significant fines and non-monetary sanctions for non-compliance with laws and regulations	**None**	None	None	None

** Total water withdrawal for the year 2017/18 has been restated.*

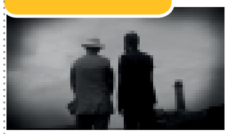
1,042,195 m^3
WASTE WATER TREATED FOR REUSE OR SAFE DISPOSAL

28,575 tonnes CO_{2e}
EMISSIONS REDUCED AND/ OR OFFSET

Rs. 153 Mn
TOTAL INVESTMENT ON SUSTAINABILITY PROCESSES AND ACTION PLANS

THE AITKEN SPENCE STORY

1868



In the southern port city of Galle, Thomas Clark and Patrick Gordon Spence ventured into a partnership as merchants and commission agents under the name of "Clark & Spence".

1873

Name of the partnership in Colombo was changed as 'Aitken Spence & Company", after the two brothers Edward and S.R Aitken joins Thomas Clark and Patrick Gordon Spence.

1876

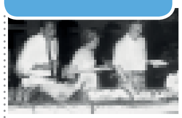
LLOYD'S

Lloyds of London appoints Aitken Spence & Co., as the agents for Ceylon - a position which the Company holds to this date.

1952

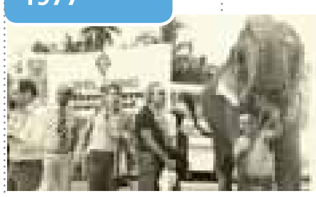
The partnership of Edward Aitken and Patrick Gordon Spence, was further strengthened with the attachment of other British capitalists, who later converted the business to a Private Limited Liability Company.

1974



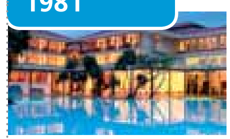
The first resort hotel of Aitken Spence "Neptune Hotel" was constructed in Beruwala designed by the renowned architect Geoffrey Bawa. Neptune now is re-branded as "Heritance Ayurveda Maha Gedara".

1977



The Company which is an IATA agent moved into inbound and outbound travel, and Aitken Spence Travels Ltd was incorporated.

1981



Commences operations of Triton Hotel the first five star beach resort in Ahungalla, later to be re-branded as 'Heritance Ahungalla'.

1983

CSE COLOMBO STOCK EXCHANGE

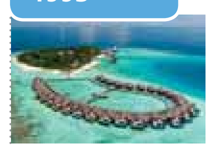
The Company shares were quoted for the first time in the Colombo Stock exchange with an issued share capital of Rs. 51 million.

1985

Printing business which was successfully carried out as a division of Aitken Spence & Co. was separated and Aitken Spence Printing (Pvt) Ltd was incorporated.

Ace Containers (Pvt) Ltd, was incorporated, taking over the inland container terminal at Mattakkuliya.

1993



Entrance into the Maldivian tourism sector with the acquisition of Bathala Island resort in Maldives establishes Aitken Spence as the pioneers in this field.

1994

Commenced commercial operations of Heritance Kandalama, one of the world's defining ecologically conscious hotels and becomes the first Asian hotel to receive the prestigious "Green Globe 21" certification.

1996

The first theme hotel in Sri Lanka "The Tea Factory" commences operations. The hotel is awarded the Building Conservation award by the Royal Institute of Chartered Surveyors London.

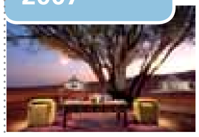
2002

The Government's decision to rely on private sector for generation of power, the first 20 MW thermal power plant is completed in Matara.

2005

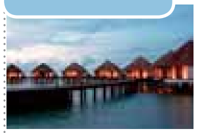
The 100 MW thermal power plant at Embilipitiya was completed and commenced its commercial operations.

2007



Aitken Spence obtains the management of four hotel properties in Oman, becoming the first hospitality company to enter the Middle East. During that same year the Group becomes the first Sri Lankan company to venture into 'Port Efficiency Management' outside Sri Lanka.

2008



The Group opens 'Adaaran Prestige Vadoo' the fifth resort with fifty luxury villas in close proximity to the Male atoll.

Aitken Spence Corporate office is relocated to "Aitken Spence Tower II" with the completion of the construction of a luxurious office complex.

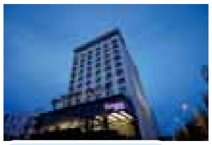
2012

Aitken Spence Printing re- locates to a state of the art printing facility which is the first LEED's certified printing facility in Sri Lanka.

2013

Aitken Spence Maritime sector expands its global presence by venturing in to port management business in the Fiji Islands. Becomes the first international port management company to operate in the Fiji Islands.

2015



Launched the 140 room Turyaa Chennai as the first property owned in India by the Aitken Spence Group.

2016

The Group acquired the 150 room four star property Al Falaj in Oman to become the first Sri Lankan company to own a four star property in Oman.

2018

Commenced construction of Heritance Aarah, the first Heritance property in the Maldives. Commenced construction of the first ever waste to energy power project in the country which is expected to contribute 10 MW of energy to the national grid upon completion.

KEY EVENTS 2018 – 2019

MARCH '19

Aitken Spence Travels welcomes its 200,000th visitor within a year

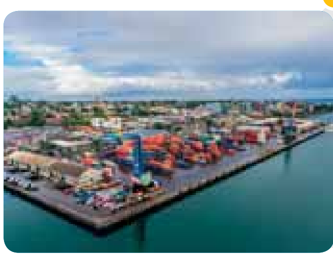
Sri Lanka's largest inbound tourism operator, Aitken Spence Travels affirmed its market leadership position by facilitating over 200,000 visitors to Sri Lanka within the financial year, surpassing last year's record number of 178,000 happy visitors.

Aitken Spence Hotels among winners of Travellers' Choice Awards 2019

The largest travel planning and booking site, TripAdvisor recognised Aitken Spence Hotels as winners of its Travellers' Choice Awards 2019.

Heritance Kandalama, Heritance Ahungalla, Heritance Negombo, Heritance Tea Factory and Amethyst Resort were among the hotels that secured the accolade, granted based on consistent positive reviews collected over the past year.

DECEMBER '18



Fiji Ports Terminal wins Fiji Business Excellence Award for 2018

Fiji Ports Terminal Ltd., in which Aitken Spence PLC has a 51% shareholding, became the proud winner of Fiji Business Excellence Awards. The award was given by the President of the Republic of Fiji Islands Maj. Gen. (Retd) Jioji Konusi Konrote in the presence of a host of high-ranking government officials and business leaders.

Aitken Spence Travels Wins Best Inbound Tour Operator at the Tourism Awards 2018

Aitken Spence Travels, won the Best Inbound Tour Operator under the category of Travel & Tourism Operator – Large, at the National Tourism Awards 2018 conducted by The Sri Lanka Tourism Development Authority. It is the only destination management company to enter the Hall of Fame.

OCTOBER '18

Aitken Spence Hotels wins at the South Asia Travel Awards 2018

Aitken Spence Hotels secured several awards at the South Asian Travel Awards (SATA) 2018 in Mumbai, India. Among the wins were three Heritance properties from Sri Lanka for Leading Eco Resort, Leading Beach Resort and Leading Wellness and Spa Resort; Group's Indian property, Turyaa Chennai for Leading Design Hotel in South India; Adaaran Resorts in the Maldives for the Most Marketed Hotel Chain in South Asia.

SOUTH ASIAN TRAVEL AWARDS

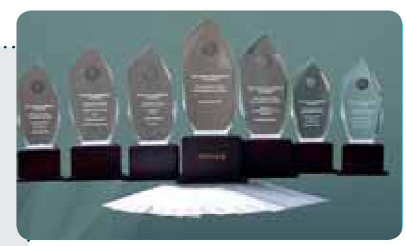
Aitken Spence Printing & Packaging Winners at the Lanka Star Awards 2018

Aitken Spence Printing & Packaging was the winners of a gold award, two silver awards and two bronze awards at the Lanka Star Awards 2018 organised by the Sri Lanka Institute of Packaging and Packaging Development Centre to acknowledge business excellence in the packaging industry.

NOVEMBER '18

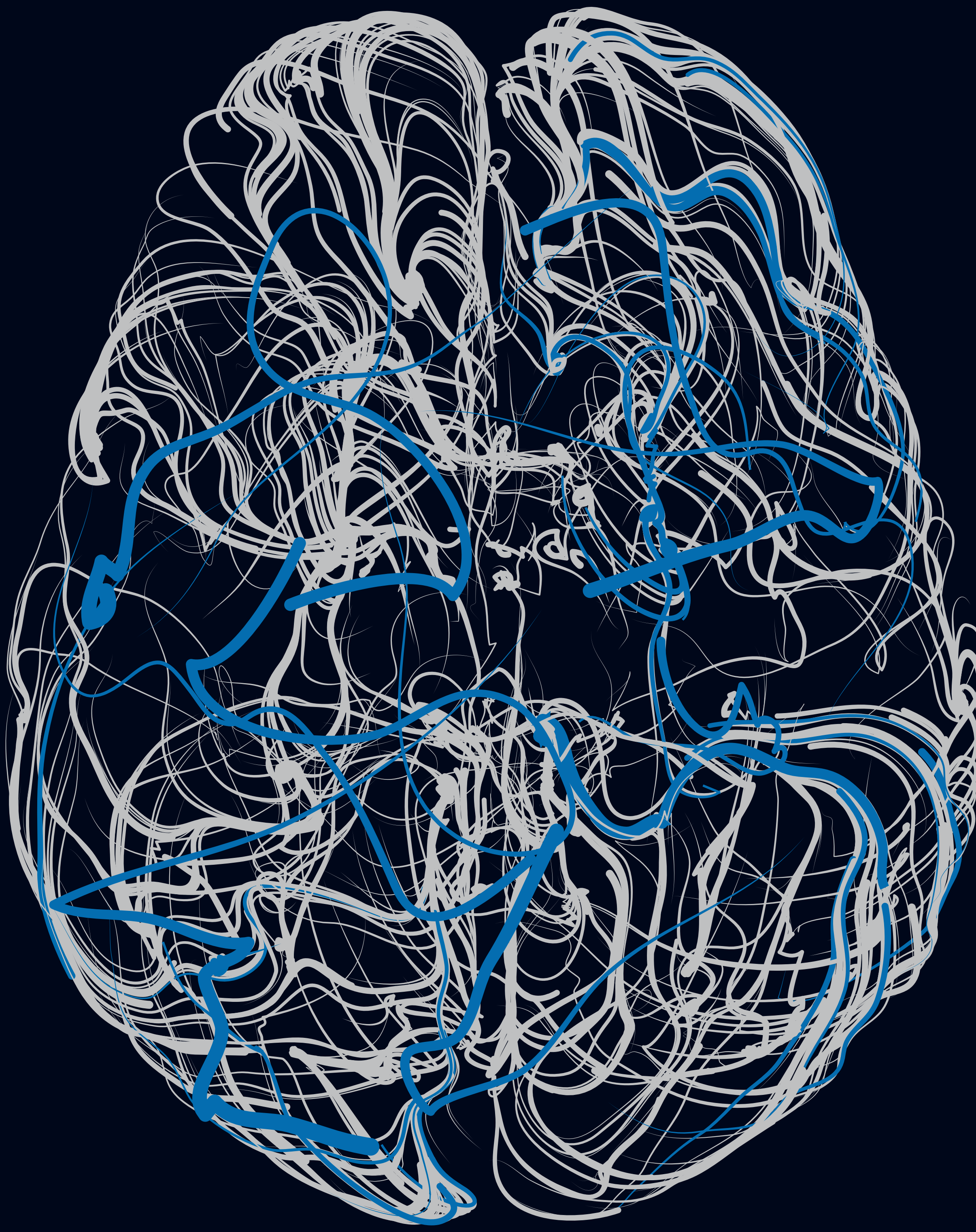
Sri Lanka's Best Corporate Citizen Sustainability Award 2018

Aitken Spence PLC won the coveted Best Corporate Citizen Sustainability Award 2018 for the second consecutive year conducted by the Ceylon Chamber of Commerce. The company has been ranked among the Top 10 Corporate Citizens for an unprecedented 13 consecutive years..



Most Admired Companies of Sri Lanka 2018

Aitken Spence PLC was recognised in the Top 10 list of Most Admired Companies of Sri Lanka 2018 by International Chamber of Commerce, Sri Lanka (ICCSL) and The Chartered Institute of Management Accountants (CIMA) Sri Lanka. The company was recognised as being a cut above the rest in terms of financial performance and value created for shareholders, customers, employees and the general community..



PRUDENT, FAR-SIGHTED STRATEGIES

Executive Reviews

CHAIRMAN'S MESSAGE

READY FOR WHATEVER THE FUTURE MAY HOLD

Aitken Spence PLC continues its growth trajectory as we pursue our vision of establishing high growth, future fit businesses across new frontiers, upholding a legacy of 150+ years. Our journey has been successful due to the Spensonian will to excel, a sense of fair play and the trusted partnerships we formed along the way that were strengthened through our core values. It is also because we reviewed resource allocations to invest in projects that were right for the time, took bold steps to change direction and added new dimensions to our portfolio. This will be our blueprint as we shift gears to a new growth trajectory, succeeding amidst uncertainty and volatility as we look for opportunities to pursue our aspirations to become a global leader in the region.

A Global Lens

Global growth moderated in the latter half of 2018 after strong growth in 2017 and the beginning of 2018 recording 3.6% growth in global output for 2018 and a forecast of 3.3% for 2019. The moderation in growth was primarily due to the convergence of a number of factors that affected major economies including the trade tensions between US and China, necessary tightening of regulations in China to rein in shadow banking, weaker business confidence in the Euro area, and natural disasters in Japan.

Our businesses were impacted by many factors as the Group's supply chains span across borders. The Group derives 31.7 % of its revenue from overseas operations and we are cognizant of the need for agile strategies to deliver growth.

Local Perspective

At the time of writing, Sri Lanka is making a concerted effort to restore normalcy in the aftermath of terrorist attacks on Easter Sunday which shocked the country and the international community just as we were nearing a decade of peace. Reviewing experiences of countries that have been similarly affected in the past and their recovery, we are hopeful that the swift action taken by the Government in collaboration with international intelligence agencies will see a new norm established with heightened levels of alertness and security measures. Tourism is intrinsic to our economy, not just in terms of its earning potential but its enormous capacity to provide direct and indirect jobs and influence an extensive supply chain. It is the third largest foreign exchange earner, third only to worker remittances and apparel export. Thus, the current tourism crisis, if not addressed urgently, has potentially grave implications on the social fabric of the economy.

Rs. 4.1 Bn

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

In emerging from this collapse of tourist confidence, the primary mission must be to build Sri Lanka's image as a safe and secure destination. This must take a combined approach – with the private sector using its partnerships and relationships with the global travel industry to promote the message that Sri Lanka is safe and secure, while state intervention is required to reduce the severity of international travel advisories forthwith and ultimate revocation. While an unified promotion strategy is now critical, it must be one that addresses the core USPs of safety and security. Another aspect that I urge

CHAIRMAN'S MESSAGE

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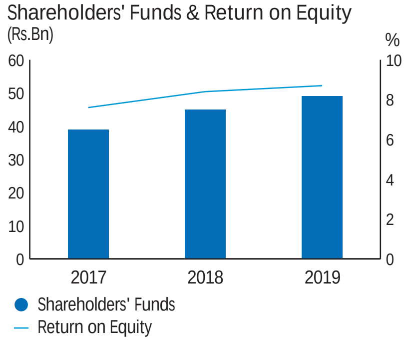
the state to consider is offering support to airlines and charter operators who are now faced with lower passenger loads on their sectors into Sri Lanka; this could be via a subsidy offered on unsold seats as an incentive to sustain the route.

Policy measures taken to stabilise imports and ease pressure on the exchange rate resulted in a significant reduction in vehicles and gold imports, containing the trade deficit towards end 2018 and early 2019. These developments had eased the pressure on the external sector, resulting in a notable appreciation of the Sri Lankan rupee by end March 2019. While it is too premature to forecast, we believe that necessary policy measures will be implemented to provide the alignment of macroeconomic fundamentals to drive growth.

Future Fit Strategy

Foresight, smart strategy and meticulous implementation has enabled us to rise to leadership positions in many of the sectors. However, it is necessary to recalibrate strategy to ensure that we are future fit for an era driven by artificial intelligence and big data which will provide significant competitive advantages to those who embrace it in a holistic manner in both internal and customer facing applications. We also need to scan for potentially disruptive technologies that will test our business models and evaluate suitable alternatives. Our strategy is to look for solutions that solve multiple issues as we are doing with the waste to energy project

Shareholders' Funds & Return on Equity



to multiply our impact on society, the environment and economy as we redefine the future.

I am indeed proud of the growth achieved not just in our local market but in unfamiliar overseas markets. We have delivered enhanced value to our joint venture partners and property owners who have trusted us to manage their assets. It is time to increase our geographical footprint and broaden the number of sectors that have overseas operations.

Our prudent risk appetite has served us well as we built resilience to market volatilities through diversification across geographies and industries, optimal resource allocation and conservative borrowings. As a result, the Group was shielded to a large extent by extreme volatility in foreign exchange rates, increasing interest rates and even moderating economic growth in Sri Lanka. We are committed to nurturing resilience of the Group by balancing our growth aspirations with the risk appetite which is part of our DNA.

Performance

Aitken Spence PLC recorded its highest ever profit before tax of Rs. 7.3 billion for the financial year ended 31st March 2019, an increase of 13.8 % over the previous year. The net profit attributable to equity holders increased to Rs. 4.1 billion, a 14.5% growth over the previous year. The excellent performance of your Company during the year enabled the Board to declare an interim dividend of Rs.1.00 which was paid in March 2019, and we recommend a final dividend of Rs.1.50 per share to be approved by the shareholders at the Annual General Meeting in June 2019.

Our businesses expanded as we invest Rs.25.6 billion in the new resort, Heritance Aarah in the Maldives which had its soft opening in March 2019 and the waste to energy power project, driving balance sheet growth by 15.9% to Rs.125 billion. Our strong performance and growth in

8.65%

RETURN ON EQUITY

2018/2019 are testimony to the resilience and agility of resourceful Spensonians, strategic partnerships, and a time-tested business model.

We are focused on creating shareholder value for the long term, understanding that making a business sustainable is about ensuring that we balance the value delivered to other stakeholders as well. Our strategies and KPIs are all aligned to measure and monitor this. Accordingly, value delivered to shareholders is monitored using earnings per share, net assets per share and dividends per share as our actions directly impact these indicators. Earnings per share increased by 14.5 % from Rs. 8.77 to Rs.10.04 while net assets per share increased by 10.4% to Rs.121.80 enhancing value to shareholders.

While arguably, share price and market capitalization could also be included, the market dynamics are largely beyond our control. Disappointingly, the performance of the Aitken Spence share price does not reflect the true value of your investment. Our market capitalization decreased from Rs. 20.5 billion in 2018 to Rs.16.6 billion at the close of the year with the share price moving from Rs.50.60 to Rs.41.00. During the same period, the benchmark ASPI declined by 14 % reflecting the market dynamics which included capital outflows that were driven by strengthening of the US Dollar which were well beyond our ability to control or influence in any way.

I would like to also highlight some accolades which reflect the intrinsic value of the Group, beyond monetized indicators which have an entire body of literature devoted to the subject. Aitken Spence Group won the Best Corporate Citizen, Sustainability award and has been ranked among the Top 10 Corporate Citizens for

CHAIRMAN'S MESSAGE

Our prudent risk appetite has served us well as we built resilience to market volatilities through diversification across geographies and industries, optimal resource allocation and conservative borrowings. As a result, the Group was shielded to a large extent by extreme volatility in foreign exchange rates, increasing interest rates and even moderating economic growth in Sri Lanka. We are committed to nurturing resilience of the Group by balancing our growth aspirations with the risk appetite which is part of our DNA.

an unprecedented 13 years. Additionally, we have been ranked as one of the Most Admired Companies in Sri Lanka and included in the Platinum category in the Sting Corporate Accountability Index for 2018.

Governance

Sound corporate governance enables us to manage the reins of this diverse conglomerate, defining common behaviours, standards and ethics that are expected of Spensonians at every level. We continue to evolve our governance frameworks and processes to reflect new developments in the field to ensure that we are truly fit for the future with the ability to manage the complexities of a new era.

This year we bid farewell to Mr. J.M.S. Brito who served as the Deputy Chairman and Managing Director of the Group since 2003 steering its growth with vision and managing multiple agendas across diverse sectors with diligence and care. The Board joins me in thanking him for his service and acknowledge his contribution to the results set out in this report as he retired days prior to the close of the financial year. He will remain with us as a Non-Executive Director imparting valuable knowledge and advice as your Company continues its growth trajectory.

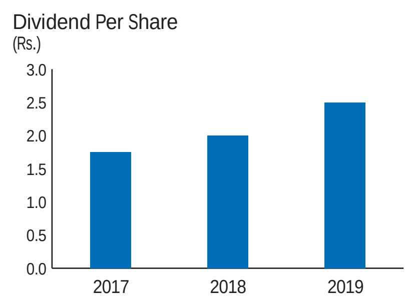
Rs. 121.80

NET ASSETS PER SHARE

Strong governance ensures a smooth transition between key management personnel with succession planning to identify potential candidates and ensure that they are positioned to take over the reins with minimal disruption to business. We welcomed Dr. Parakrama Dissanayake to the helm of Aitken Spence PLC on March 15, 2019 and he has stepped in with ease as he was no stranger, having been on the Board previously during which time he played a key role in transforming the Group's Maritime & Logistics sector operations. He brings with him a wealth of experience as set out in his profile and we are confident that the Group will continue to expand our horizons during his tenure. The Board including myself have been engaging with him to discuss many aspects of our operations in the aftermath of terror attacks to chart our course for the year that has commenced. We wish him the best in his new position and stand ready to offer counsel and guidance in the journey ahead.

Sustainability

Spensonians are passionate about sustainability and as early adopters, we have developed high levels of awareness and knowledge on the subject. The Group's Sustainability Framework seeks to ensure proactive compliance with laws, regulations, industry best practices and benchmarks, requirements of voluntary endorsements such as the UN Global Compact, the Women's Empowerment Principles and industry specific commitments across the Group.



A dedicated team at the centre ensures that Aitken Spence Group continues to embed sustainability into its business processes at increasing levels. A Director oversees development of the programme of work to drive a holistic agenda and get commitment of the Board on key matters. This year we have seen the Maldives resorts obtain Green Fin certification as they decided to champion life below water to preserve the marine life that draws visitors to its depths.

A number of ongoing initiatives curtail growth in consumption of materials, energy and water although our growth and expansion of scope and boundaries masks the impact of these initiatives as overall consumption grows, albeit at a slower pace. Our commitment to social sustainability topics reflects the impact of initiatives and are set out in the report.

We are pleased to note that our efforts have enabled us to differentiate the Aitken Spence Group as we continue to be ranked among the top corporates for sustainability as mentioned above.

Looking Ahead

The GDP growth forecast for Sri Lanka was positive at 4% for 2019 moving up to 5% by 2023; however, this was prior to the Easter Sunday terror attacks which are bound to have an implication on the fiscal policy.

We do remain positive that with our diverse portfolio of businesses operating in eight countries, we will continue our growth trajectory to the future. Fiji, Oman, India and Mozambique are forecast to increase their growth rates while Bangladesh and Maldives are forecast to decline marginally. As we pursue new horizons, we will look to diversify across countries to reduce concentration risk and balance our portfolio.

During the year, we commenced discussions with several like-minded partners for ventures in identified growth areas. They include sectors that augment our current strengths as well as sectors that we are seeking entry to. These deliberations are continuing steadily with a view to arriving at mutually beneficial parameters. As always, the principles of sustainable value creation will guide our approach to new investments. The benefits of such ventures will accrue in the long term, supporting the growth plans of the company.

As a Group, we continue to outpace benchmarks with smart strategy and careful execution. This year too, we have set our sights on sustainable growth leveraging a strong balance sheet and extensive experience in leadership across numerous industry sectors.

Appreciations

A Harvard study spanning almost 8 decades highlighted that embracing community helps us live longer and be happier. I believe that this applies even to the Aitken Spence Group as we have grown with a diverse group of stakeholders who have all been part of our 150+ journey. Our community is made up of joint venture partners, principals who are global players, customers and suppliers and I wish to thank them for their support and trust as we pursued mutually beneficial goals. I commend the performance delivered by the Spensonian family who have worked with passion and dedication to deliver the results set out in this report and thank them for going many extra miles to succeed. The Board joins me in thanking our shareholders who have placed their confidence in us to deliver value which we have done amid several challenges.

I look to our stakeholders' continued support as we navigate another year, knowing that there will be uncertainties but also that we have the courage to withstand them.

Deshamanya D.H.S. Jayawardena
Chairman

Colombo
24th May 2019

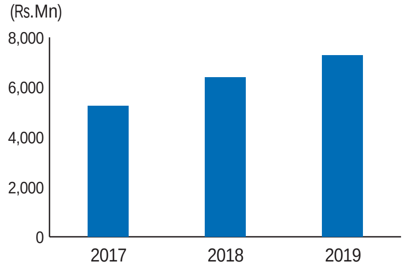
DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

YOUR COMPANY HAS DELIVERED A HISTORIC RESULT

It is my privilege to pen this first message in my new role as the Deputy Chairman and Managing Director of Aitken Spence PLC and I am pleased to report that we have yet again, outperformed several industry benchmarks while delivering growth in earnings and earning capacity.

Aitken Spence has broadened its horizons over the years both geographically and across industry sectors, building resilience of the Group to a wide range of external shocks and uncertainties. Today, Aitken Spence is one of the most geographically diversified conglomerates in Sri Lanka deriving 43% of its profit before tax from its overseas operations with a presence in eight countries in the tourism and maritime and logistics sectors. Overseas assets account for 35% of total assets of the Group reflecting the investments and strong relationships with global operators in these two key sectors.

Profit Before Tax
(Rs.Mn)



Overall performance

The Group delivered another solid performance recording profit before tax growth of 13.8% to Rs.7.3 billion and total assets growth of 15.9% to Rs.125 billion. This marks another milestone for the Group as it is the highest ever profit before tax that we have achieved.

Profit after tax increased by 12.1% to Rs.5.8 billion reflecting a marginal increase in the effective tax rate due to changes in tax legislation and deferred tax impacts. The profit attributable to equity holders increased to Rs 4.1 billion and earnings per share increased from Rs.8.77 to Rs.10.04 reflecting 14.5% growth. This is the 4th consecutive year in which we have delivered growth in EPS reflecting the resilience of the Group to uncertainty in the domestic market which reflected a moderation in economic growth during this period.

Resilience of the Group is evident in the broad-based performance across geographies and sectors despite economic headwinds in key source markets and in their respective locations of operations. Our continued commitment to overseas expansion is evidenced by the investment of Rs.12.6 billion in Heritance Aarah in the Maldives as it becomes the first overseas operation to carry our premium brand Heritance which has only been associated with our iconic properties in Sri Lanka.

Rs.55.7 Bn

REVENUE

Financial stability of the Group is affirmed by the interest coverage ratio which was a robust 8.44 times for the year attributable to prudent financial management which has been a hallmark of the Group, buttressing performance against rising interest rates. Leverage at 2.47 is in line with our risk appetite, providing a strong foundation for ambitious growth aspirations. Earnings capacity of the Group was enhanced through landmark investments as we invested in Heritance Aarah in the Maldives which had its soft opening in March 2019 and a further

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DEPUTY CHAIRMAN AND MANAGING DIRECTOR’S MESSAGE

proposed investment of Rs.13 billion in the first waste to energy project in the country which is scheduled for completion in latter part of the financial year 2019/2020.

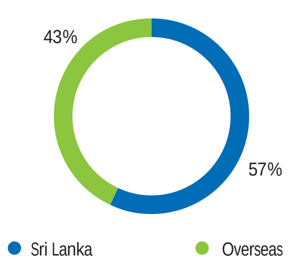
Overseas Operations

Top line of our overseas operations grew at 9.9% to Rs.17.6 billion supported by growth in both tourism and maritime and logistics operations, outpacing revenue growth in our domestic market. Top line growth in the Maldives is particularly commendable as room supply growth outpaced growth in arrivals leading to intense competition in this lucrative market. Overseas maritime and logistics operations growth was driven by higher domestic volumes reflected in increased cargo handled. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 4.1% to Rs.4.7 billion during the year reflecting increased earnings capacity of the overseas portfolios of the Group.

Profit before tax and profit after tax of overseas operations declined marginally by 0.7% and 0.8% to Rs.3.1 billion and Rs.2.5 billion as depreciation from investments made in the previous year kicked in. These investments included refurbishment of rooms in several properties and in heavy equipment in the maritime operations which will continue to support growth in earnings capacity in our overseas portfolios.

Our plans for overseas expansion of the tourism sector are ambitious as the scale of our operations, successful deployment of our business model overseas and the

Profit Before Tax
For the year ended 31st March 2019



Rs.7.3 Bn

PROFIT BEFORE TAX

success of our home-grown brands provide a strong platform for growth. Strong relationships with key tour operators built over decades also support our expansion plans together with growth in online sales supported by strong ratings of our existing properties. We will focus on expanding our hotel management portfolio as well as developing new source markets for our hotels, leveraging established links with tour operators and an increased visibility online. Additionally, Heritance Aarah in Maldives is expected to be fully operational during the next financial year adding to our top line although it will take longer for this investment to contribute positively to the bottom line. The destination management segment set up a new overseas venture in Myanmar, a fast growing tourist destination, which would enable the sector to explore new vistas in the Far East Market. Our printing and packaging segment also made an investment in a printing operation in Fiji towards the end of the financial year, which will give us the opportunity to further expand our horizons in the South Pacific region.

Overseas performance of the maritime and logistics sector is also expected to grow with investments in new markets and organic growth in existing markets. It is noteworthy that we have delivered on key performance indicators agreed upon with the owners of the ports operated and managed by us for the 5th consecutive year demonstrating clearly the value delivered to them. We will also broaden the scope of our overseas operations as we look to leverage our expertise in integrated logistics management to new geographies. Other segments including power generation and insurance are also looking to invest overseas using their expertise gained in domestic operations. Plans for growth include increasing our

2018/2019 HIGHLIGHTS

	2018/2019 Rs. Bn	Variance from last year %
Revenue	55.7	5.6
Operating Profit	8.0	13.2
Finance Income	0.8	1.9
Finance Expense	1.9	8.5
Net Finance Expense	1.1	13.5
Equity Accounted Investees	0.4	27.0
Profit before tax	7.3	13.8
Tax	1.5	21.1
Profit after tax	5.8	12.1
Total Assets	125.0	15.9
Equity	62.1	10.3
Total Liabilities	62.9	22.0
ROE	8.65%	2.4
Interest Cover (Times)	8.44	1.8
Debt: Equity	0.47	35.3

Our presence in eight countries gives us a solid platform to increase our bandwidth in these countries and use this experience to move into new geographies. Relationships will be key to growth, connecting us to opportunities and expertise as we look to develop new source markets and build new operating bases. Our geographic and cultural diversity will be a key strength as we move forward and build teams that are resourceful and resilient.

presence in the Maldives to drive growth of the insurance and survey business.

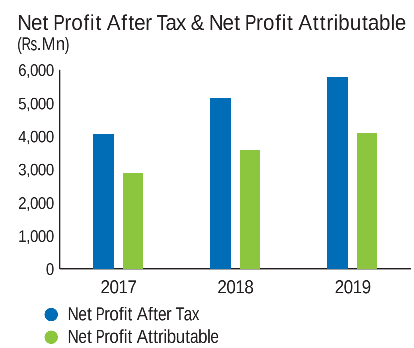
Sri Lanka

Top line of Sri Lankan operations grew at 3.7% to Rs.38.1 billion strongly supported by double digit growth in Tourism, Maritime & Logistics and Services sectors despite offsetting a decline in the Strategic Investments sector. EBITDA increased by 20.0% to Rs.6.2 billion during the year due to broad based growth across all four sectors. Accordingly, profit before tax and profit after tax of Sri Lankan operations demonstrated strong growth of 27.7% and 24.7% to Rs.4.2 billion and Rs.3.2 billion respectively.

Hotels also recorded a top line growth despite intensifying competition due to increased room inventory in the country. The Local hotels reported a profit before tax growth of 40.3% when compared to the previous year, with all properties under the Group's flagship Heritance Brand reporting good results despite the intense competition in the country. Destination management operations turned in a strong performance as they consolidated their leadership position in the country with over 200,000 tourist arrivals with the segment's profit before tax crossing the Rs.1 billion threshold. Sri Lanka will be impacted to some extent by the events of April 2019 which dimmed the promising outlook for growth of tourism in the country which was buoyed by top rankings of the country by travel influencers. We are hopeful that the situation will be brought under control swiftly and the stakeholders are provided sufficient assurance to set the industry on a growth trajectory again.

Strong growth in imports, exports and transshipment volumes supported growth of our maritime & logistics sector in Sri Lanka. Freight forwarding, courier and cargo GSAs also reported improved performances as the hub concept gained momentum. Enrolments at CINEC campus increased during the year as the campus expanded the repertoire of the courses offered, contributing to the bottom line. Sri Lanka's strategic location provides significant opportunities for growth in the Maritime & Logistics sector which supports world trade, vital to emerging and developing economies who are reliant on robust international trade for their socioeconomic progress. Multi-pronged growth aspirations will drive expansion of this sector as we leverage our experience and track record of delivering value to our partners to enlarge our geographic footprint.

Strategic investments sector includes the most diversified plantation company in the country, a power generation segment that has invested in pioneering renewable energy technology, a leader in the printing and packaging industry with a client portfolio consisting of local and multinational giants, and an apparel manufacturing segment reputed for quality and reliability. The broad-based investments of this sector in economically strategic industries enabled this sector to deliver an exceptional profit growth of 35.5% to reach Rs.1.7 billion boosted by focus on driving operational efficiencies



through sustainability initiatives. Plantations segment will continue its diversifying strategy including venturing in to non-agricultural areas such as ecotourism and power generation. The power generation segment is presently constructing a waste to energy plant that will be the first of its kind in the country which will become operational in the fourth quarter of 2019/20 adding 10 MWs to the national grid while providing a lasting solution to the garbage disposal problem in the city of Colombo. The apparel manufacturing segment also has plans to expand capacity with the added benefit of improved absorption of overheads. As demand factors may take some time to regain momentum, printing & packaging will continue to focus on client acquisition and growing market share both domestically and internationally through expansion of their service offering to deliver growth.

The Services sector reported a profit before tax growth of 11.6 % to reach Rs 268.9 million during the financial year. The sector includes a number of diverse

DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

agency businesses including the Lloyd's of London insurance representation which is a relationship that has been nurtured for over a century. Other principals include Western Union Money Transfer and Otis Elevators. The insurance business demonstrated growth as external trade grew during the year. The contribution from the money transfer operation moderated during the year as the competitive pressure from financial sector institutions intensified. We will also implement strategies to enhance the revenue streams from the money transfer operation through product innovation to compete effectively with larger financial institutions. However, we continue to work with a large network of agents to drive growth in this segment. Otis elevators delivered top line growth despite the contraction of the construction industry as projects commenced in prior years neared completion requiring installation of elevators. We also look to increase market share in the elevators and escalator business to become the preferred supplier in this niche segment.

Opportunities & Challenges

Global growth is forecast to weaken in 2019 from an estimated 3.6% in 2018 to 3.3% in 2019 picking up in 2020 to 3.6%. It is noteworthy that the drag on global growth is mainly from advanced economies as growth in this important group of countries dips from 2.2% in 2018 to 1.8% in 2019 and 1.7% in 2020. The Emerging and Developing Asia forecast is a little better as it moves from 6.4% in 2018 to 6.3% for 2019 and 2020. And these will be the dimensions of our canvas for 2019 and 2020 and it is up to us to create the painting looking for opportunities as an artist may select from a limitless palette of colours, applying it using skills, techniques and tools to transform a bleak canvas into a masterpiece; as we have done before.

There are clear opportunities for growth in markets close to our hub and within Sri Lanka which was forecast to grow at 3.5% and 4% for 2019 and 2020 prior to the April 2019 terrorist attacks. Our presence in eight countries gives us a solid platform to increase our bandwidth in these countries and use this experience to move into new geographies. I also believe there is room for driving increased Group synergies as we move forward to create more comprehensive solutions for clients and also support cost efficiencies and shared learnings within our own eco system. Relationships will be key to growth, connecting us to opportunities and expertise as we look to develop new source markets and build new operating bases. Our geographic and cultural diversity will be a key strength as we move forward and build teams that are resourceful and resilient. Artificial Intelligence will play a key role in enhancing efficiencies across all sectors, ensuring that we are future fit and competitive in a digital era.

Within Sri Lanka, our mandate is clear. Our top priority is to restore confidence and normalcy and it is up to each and every one of us in the organisation to make a contribution to this end. It means that we enhance security measures at our locations and take a closer look at our risk grids and disaster recovery plans with fresh insights to probe potential areas for improvement. It also means communicating with our business partners in a responsible manner and addressing their concerns. We will continue to work together with industry bodies to support recovery at a national level, voicing our concerns and conveying those of our business partners and customers to drive change in the right direction. We also need to ensure we stay focused on the longer term as well, investing wisely to ensure that we drive the growth momentum in the country.

14,133

EMPLOYEES

People

Our team which is 14,133 strong with relatively long tenures of service bears testimony to our commitment to deliver on our employee value proposition. A learning and mentoring culture within the Group inspires 'Spensonians' to reach higher and provides a conducive environment in which they can grow, aligning their personal and career goals. The Learning Management System (LMS) launched during the year reinforces this with more flexible learning methodologies including e-learning with access to massive open online courses (MOOCs). Our Leadership programmes, computer literacy workshops and part of the Group orientation programme have incorporated use of the LMS system already, allowing people to learn at their own pace.

I am also pleased to note the initiatives taken by the hotels to drive their gender diversity agenda at property level as they enabled concerned family members to visit the work environment and gain an understanding of their role to allay any qualms they may have in sending their daughters to work at a hotel. It is a good example of relatively simple solutions that can be implemented to drive our gender and inclusivity agenda which is in alignment with current government initiatives as we need to reduce dependency ratios by improving female labour participation.

A Sustainable Mindset

A dedicated team drives the Aitken Spence Sustainability agenda, ensuring that all entities are aligned and have the necessary support to drive their sustainability priorities. This has driven a holistic approach with environment management systems in place across all our entities to measure and monitor our impacts on the environment besides driving harmonious relations with the communities we operate in. Our commitment to the United Nations Global Compact principles and adoption of relevant Sustainable Development Goals (SDG) with identified targets that we will contribute towards supports alignment with the global development agenda to drive shared prosperity. Similarly, our adoption of the Global Reporting Initiative standards provides a reference framework for identification, measurement and management of economic, environmental and social factors gives us a holistic look at our impacts. This is complemented by the Integrated Reporting Framework which provided a different lens and a way to incorporate business priorities into our material topics to make our sustainability material topics even more relevant to businesses.

Our impact and contribution to SDG's is set out in this report for your information. While we have made significant progress on some goals, we note that sometimes our efforts are masked by increasing business growth which is a key challenge we face, particularly when results are consolidated across all sectors. Despite this, we continue to persevere to drive meaningful change and make our business models even more sustainable, supporting strategic differentiation and innovation.

Appreciations

I am fully conscious of the legacy entrusted to my care with the retirement of Mr. J.M.S. Brito who held the reins for 17 years during which time the company increased its offshore businesses. His contribution has been invaluable and lives on in the annals of the Group he has helped to shape.

I wish to thank the Chairman and my fellow Directors on the Board for their support and guidance. Their vision provides policy direction while diligent oversight facilitates delivery of strategic goals. I also wish to thank the Group Supervisory Board who assist me in formulating and overseeing the execution of strategies within the policy framework and the Board of Management who execute strategies at operational level, and to all 'Spensonians' who worked tirelessly to deliver on strategic goals and have developed a track record for outpacing industry benchmarks as set out in this report. I convey my appreciation of the role played in our success by our business partners who have shared our journey, working towards mutually beneficial goals as we develop partnerships built on trust. I conclude by thanking the shareholders for the confidence placed in us to write the next chapter of this great organisation Aitken Spence PLC.

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

Colombo
24th May 2019

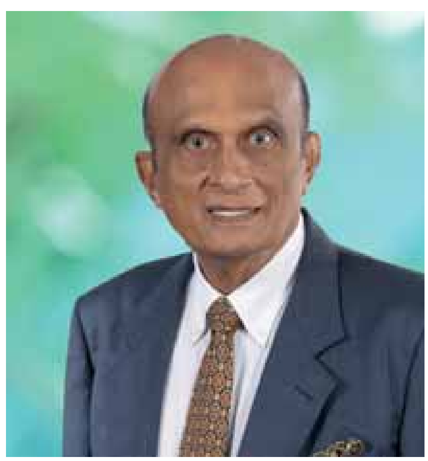
BOARD OF DIRECTORS

Mr. D.H.S. Jayawardena
Chairman

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

Dr. R.M. Fernando
Executive Director

Ms. D.S.T. Jayawardena
Executive Director

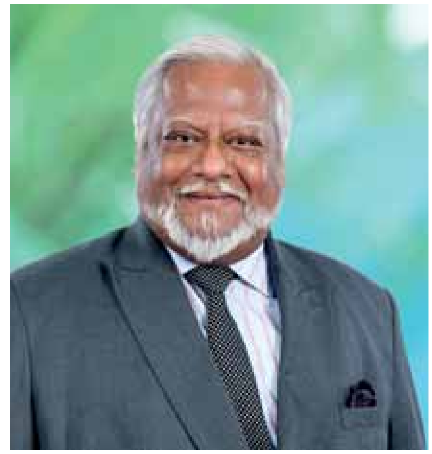


Mr. J.M.S. Brito
Non-Executive Director

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

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

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



"The Spensonians have proven once again why it is considered as one of the best in Sri Lanka for its ability to work towards a common vision and respond with agility to changing conditions while continuously reaping rewards for all its stakeholders.."

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

BOARD OF DIRECTORS

Mr. D.H.S. Jayawardena

Chairman

Appointed in April 2000

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

A visionary with a good business acumen, he has led many enterprises in very diverse fields to achieve great success. He is the Founder Director and current Chairman/ Managing Director of the Stassen Group of Companies, the Chairman of Lanka Milk Foods (CWE) PLC, Browns Beach Hotels PLC, Balangoda Plantations PLC, Madulsima Plantations PLC, Melstacorp PLC, Ambewela Livestock Company Ltd, Lanka Bell Ltd and the Chairman of the Distilleries Company of Sri Lanka PLC. He is also a Director of several other listed and privately held Companies in Sri Lanka and is a former Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka.

Mr. Jayawardena has been sought after to lead large public sector institutions and is a former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

He is presently the Honorary Consul for Denmark and on 9th February 2010, was knighted by Her Majesty the Queen of Denmark with the prestigious honour of "Knight Cross of Dannebrog".

In 2005 Mr. Jayawardena was awarded the prestigious title, "Deshamanya" in recognition of his services to the Motherland.

Dr. M.P. Dissanayake

Deputy Chairman & Managing Director

Appointed in March 2019

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

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

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

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

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

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

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

Dr. R.M. Fernando

Executive Director

Appointed in April 2005

Dr. Rohan Fernando joined Aitken Spence plantation Management in May 1994 and has been the Managing Director of Aitken Spence Plantation Management and Elpitiya Plantations PLC since August 1997. He has extensive experience in the plantation industry; both in the public and private sectors; Corporate management, Corporate strategy and has played a key role in the plantation privatisation programme. He is the Chairman of United Nations Global Compact Network, Sri Lanka, a former President of the Chartered Institute of Marketing Sri Lanka Chapter, a Member of the Advisory Board of the Faculty of Business of Sri Lanka Institute of Information Technology (SLIIT) and is currently the president of the newly formed Palm Oil Industry Association which comprises growers, processors and refiners in the palm oil Industry.

Dr. Fernando was appointed to the Main Board of Aitken Spence PLC on the 1st of April 2005 and is currently responsible for the Plantations segment and Business Development of the group covering sustainability and branding.

He holds a PhD and an MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM UK).

Ms. D.S.T. Jayawardena

Executive Director

Appointed in December 2013

Ms. Stasshani Jayawardena joined the Aitken Spence Group in January 2010 as a Management Trainee. After gaining experience in several of its key Strategic Business Units and Group Companies, she was appointed to the Board of Aitken Spence PLC., in December 2013 and to the Board of Aitken Spence Hotel Holdings PLC., in July 2014. She was appointed as Chairperson of Aitken Spence Hotel Managements (Private) Limited in January 2016 and as Director of Aitken Spence Aviation (Pvt) Ltd. in July 2017. Ms. Jayawardena is overall responsible for the Tourism Sector of the Group that includes hotels, destination management and overseas travel.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, Ms. Jayawardena was the youngest Intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003. She was the Sri Lankan Ambassador for EY NextGen Club from 2017 to 2019.

At present Ms. Jayawardena leads a team of international professionals in strengthening the service foundations and formulating a strategic road map for the Tourism Sector of the Group. In 2017, Ms. Jayawardena was recognised with the Hotel & Hospitality Sector Gold Award at the Top 50 Professional & Career Women Awards in Sri Lanka.

Mr. J.M.S. Brito

Non-Executive Director

Appointed in April 2000

Mr. Rajan Brito joined the Board of Aitken Spence PLC. in April 2000, with a multi-discipline academic background and a wealth of experience from a career counting over 40 years that includes experience working with several international organisations. He was then appointed as the Managing Director of Aitken Spence PLC, in December 2001 and Deputy Chairman in April 2003 which position he held until his retirement on 15th March 2019. After retirement, Mr Brito continues to be a Non-Executive Director of Aitken Spence PLC.

Mr Brito is an acclaimed senior professional in both the private and the public sector industries in Sri Lanka. He is a former chairman of DFCC Bank, Employers' Federation of Ceylon, Sri Lankan Airlines, and has also served on the board of Sri Lanka Insurance Corporation. He holds a LLB degree from University of London, MBA degree from London City Business School and is a Fellow of the Institute of Charted Accountants of both Sri Lanka and England and Wales.

Mr. G.C. Wickremasinghe

Independent Non-Executive Director
Appointed in April 1972

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

He was transferred to the Head Office in 1965 and having successfully managed the Estates Department his responsibilities were expanded to include the management of the Insurance Department and Lloyd's Agency. In 1972 he established the GSA for Singapore Airlines.

He also spearheaded the construction of the Triton Hotel, now Heritance Ahungalla, working closely with the renowned architect, Geoffrey Bawa. He conceived and implemented the conversion of the iconic Tea Factory Hotel, one of the most successful hotels in the Group.

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

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

Mr. C.H. Gomez

Independent Non-Executive Director
Appointed in May 2002

Mr. Charles Gomez is a former Banker with over 30 years experience in the finance industry. He has worked for major financial institutions including Barclays Bank PLC., Lloyds TSB Bank PLC., and SG Hambros. He brings to the Company a wealth of experience in regard to international financial markets, financial services regulations, compliance and controls and it was through his intervention that major investors were brought into Aitken Spence PLC., and to other business sectors in Sri Lanka. Mr. Gomez is a Director as well as a part owner of regulated financial services companies based in Gibraltar. He also serves on the Boards of foreign companies which have investments world-wide.

Mr. Gomez was appointed to the Board of Aitken Spence PLC., in 2002 and to the Board of Aitken Spence Hotel Holdings PLC., in 2010. His role in the Companies is that of an Independent Non-Executive Director. He also serves in the Audit Committee, Related Party Transactions Review Committee and the Remuneration Committee.

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

Mr. N.J. de Silva Deva Aditya

Non-Executive Director
Appointed in September 2006

Mr. Niranjan Deva Aditya, born in Sri Lanka, was educated in England with a Degree in Aeronautical Engineering and a Post Graduate Research Fellowship in Economics. He has had an illustrious career as one of the most recognised and long serving politicians in the U.K. with over 35 years in public service.

Among his many inspirational and pivotal achievements are; being the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government, the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, and the first Asian born MP to be elected to the European Parliament, where he serves in a number of key posts, among the most notable being his Chairmanship of the Delegation for Relations with the Korean Peninsula and his Vice-Presidency of the Development Committee. As a recognition of his accomplishments he was nominated as a candidate for Secretary General to the UN in 2006 and has been honoured for his public and international services by the UK, the Vatican, Sri Lanka, India and China. Mr. Deva Aditya joined the Company in 2006 as an Independent Non-Executive Director and holds the post to date as a Non-Executive Director.

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

Mr. R.N. Asirwatham

Independent Non-Executive Director
Appointed in September 2009

Mr. Asirwatham was appointed to the Board of Aitken Spence PLC., in September 2009. At present, he is the Chairman of the Audit committee, Related Party Transactions Review committee, a member of the Remuneration committee and the Nomination committee.

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

Mr. Asirwatham is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chairman of the Audit Committee. He also serves on the Boards of Dilmah Tea Services PLC., Royal Ceramics PLC., Mercantile Merchant Bank, Dankotuwa Porcelain PLC., Colombo City Holdings PLC., Browns Beach Hotels PLC., and several other companies.

GROUP SUPERVISORY BOARD

Dr. M.P. Dissanayake
Dr. R.M. Fernando

Ms. D.S.T. Jayawardena
Ms. N. Sivapragasam

Mr. R.G. Pandithakorralage

Dr. M.P. Dissanayake

See Board of Directors Profile

Dr. R.M. Fernando

See Board of *Directors* Profile

Ms. D.S.T. Jayawardena

See Board of Directors Profile

Ms. N. Sivapragasam

Ms. Nilanthi Sivapragasam joined the Aitken Spence Group in 1986 as Accountant in the insurance sector after completing her articles at Ernst & Young, Colombo.

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

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

She is currently a Board Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board, member of the Taxation Steering Committee and the Accounting Standards & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce and she also serves on the Tax Faculty and Financial Reporting Standards Implementation & Interpretation Committee of CA Sri Lanka.

She was formerly on the Board of CIMA Sri Lanka Division, the Statutory Accounting & Auditing Standards Committees of CA Sri Lanka and a council member of the Sri Lanka Institute of Directors.

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

Mr. R.G. Pandithakorralage

Mr. Rohan Pandithakorralage is a Member of Group Supervisory Board, Aitken Spence PLC and the Director/Chief Human Resources Officer of the Aitken Spence Group. Joining the company in 1994 as a HR Executive he went on to become a Director by 2001 and was appointed to the Management Board of Aitken Spence and the Group Supervisory Board of Aitken Spence PLC in 2007 and 2017 respectively.

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

Currently he is a Director of the CINEC Campus (Private) Ltd., and C S R Lanka (Guarantee) Ltd. He is also a member of the National Labour Advisory Council (NLAC), the Council of the Employers Federation of Ceylon (EFC) and The Board of Governors of National Institute of Labour Studies (NILS).

Mr. Pandithakorralage is a past president of the International Public Management Association for Human Resources - (IPMA-HR) Sri Lanka Chapter. He is a Founder/ Fellow member and a past president of the Association of Human Resource Professionals in Sri Lanka (HRP).

He won the Prestigious HR Leadership award at the Asia Pacific Congress (APHRM) 2007/08 and was recognised under the global HR excellence category, for the contribution made to HR for the economic development of the country.

BOARD OF MANAGEMENT

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

Ms. N.W. De A. Guneratne
Mr. C.M.S. Jayawickrama

Mr. D.S. Mendis
Mr. P. Karunathilake

Mr. L. Wickremarachchi
Mr. N.A.N. Jayasundera

Mr. D.T.R. De Silva

Mr. I.S. Cuttilan
Mr. A.J. Gunawardena

Mr. J.E. Brohier
Mr. V.P. Kudaliyanage

Mr. P.C.J. Fernando
Mr. D.R.C. Hindurangala

BOARD OF MANAGEMENT

Ms. N.W. De A. Guneratne

Ms. Nimmi De A. Guneratne joined Aitken Spence in 1985 after graduating with a Bachelor's degree in law. She took her oaths as an attorney- at- law in 1987. Her swift career succession saw her becoming a director in 1994 and being appointed as Managing Director in 2000. At present, Ms. Guneratne is the Managing Director of both Aitken Spence International Consulting (Pvt) Ltd and Aitken Spence Insurance Brokers (Pvt) Ltd. She is also the General Manager of the Lloyds Agency in Colombo and the Maldives and a Management Board Director of Aitken Spence Group.

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

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

She is a past president of the Sri Lanka Insurance Institute.

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama has been with the company for 28 years and is the Joint Managing Director of Aitken Spence Hotel Managements (Pvt) Ltd.

He is responsible for managing all Group Hotels in overseas markets. Mr. Jayawickrama serves on the Boards of most hotel companies in the Group including that of Aitken Spence Hotel Holdings PLC. A Fellow member of the Chartered Institute of Management Accountants UK, he has substantial experience in senior management positions in the Group's hotel division counting almost three decades of exposure in the tourism industry in Sri Lanka and overseas.

Mr. Jayawickrama is a past Vice President of the Tourist Hotels Association of Sri Lanka (THASL).

Mr. D.S Mendis

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

Mr. Mendis has a wealth of experience ranging from logistics, ICT, real estate, several services industries to working for Circuit City Inc in the US. He has also been an Executive Committee member of the Sri Lanka Freight Forwarders Association, a Director of the SLFFA Cargo Services Ltd and the American Chamber of Commerce.

Mr. Mendis has graduated Magna cum Laude in Business Administration specialising in marketing and economics from Slippery Rock University of Pennsylvania USA. In his senior year, he was adjudged the outstanding student in both streams. He has obtained his MBA from the University of Texas, USA.

Mr. P. Karunathilake

Mr. Prasanna Karunathilake joined the Printing Department of Aitken Spence Group as a trainee production executive in 1980. Whilst at Aitken Spence he pursued his higher studies in printing, and obtained his Diploma in Printing Technology and Management at the prestigious Sri Lanka Institute of Printing, and today is a Fellow of the Institute. He was then promoted as senior executive and in the year 1988 as production manager. In 1993 he left the company, but continued to serve the industry in a senior managerial capacity for a period of 17 years, during this time he proceeded to the Netherlands where he underwent advanced training in Printing Technology & Didactics at the Netherlands INGRIN Institute.

In 2010 Mr. Karunathilake re-joined the Company as the Managing Director of Aitken Spence Printing (Pvt) Ltd. In September 2012, he was promoted as a Director of the Aitken Spence Group.

He is currently a Director of the INGRIN Institute of Printing & Graphics Sri Lanka, a Lecturer of the Sri Lanka Institute of Printing, an adviser for the Printing and Packaging Industry at the Export Development Board and an adviser on the Wages Board for the Printing Trade.

He is also a member of the Association of Directors of Sri Lanka.

Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi joined Aitken Spence Power subsidiary companies in February 2013 as the Managing Director of all power segment subsidiaries of Aitken Spence PLC. He possesses an MSc in Engineering from the People's Friendship University of Moscow, Russia and has obtained his MBA from the University of Jayawardenapura. He has attended many Executive Development Programs including the programmes conducted by the JFK School of Government of Harvard University, USA and the National University of Singapore.

Mr. Wickremarachchi has held senior positions in both public and private sector organisations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a consultant in Liberia in West Africa under a USAID funded project in the renewable energy sector for two years from 2011 to 2012. He was Director General of the Public Enterprises Reform Commission (PERC) from 2004 to 2006. He also did a consultancy assignment for the Asian Development Bank in 2004. He had also worked at USAID/Sri Lanka managing its project on establishing a market for private sector infrastructure in Sri Lanka, which resulted in the Government of Sri Lanka approving the private sector to invest in power projects as Independent Power Producers (IPPs).

Mr. N.A.N. Jayasundera

Mr. Nalin Jayasundera has had a career spanning over 3 decades with Aitken Spence, joining initially in 1983 and then re-joining the company in 1990. Having successfully played different roles within the tourism sector he took over the leadership of Aitken Spence Travels (Pvt) Ltd (ASTL) as the Managing Director in 2013. ASTL, a joint venture with TUI Travel PLC, is the leading destination management company in Sri Lanka.

With over 34 years of experience in the tourism sector he possesses a wide knowledge of the travel industry. Mr. Jayasundera has played an important role in developing the tourism sector by venturing into many new markets, developing new products and seeking new opportunities that have come up with new global trends. His best accolade in the recent years is leading his team to grow the Aitken Spence Travels business by 100% over the last five years.

Mr. Jayasundera is the Vice President of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He is a member of the Sri Lanka Tourism Advisory Council. He also serves as a Board member of the Sri Lanka Tourism Promotion Bureau and the Sri Lanka Convention Bureau.

Mr. D.T.R. De Silva

Mr. Ranil De Silva is the Joint Managing Director of Aitken Spence Hotel Management (Pvt) Ltd., with specific responsibility for the Group's local hotel portfolio having joined the Group in February 2017. He was formerly the Managing Director of the Hemas Hotel Sector and has expansive experience in both local and overseas markets encompassing diverse industries.

He is a Fellow Member of the Chartered Institute of Management Accountants UK, an Associate member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Chartered Institute of Marketing UK.

Mr. I.S. Cuttilan

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

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

He holds a Diploma in Marketing from CIM (UK), Diploma in Business Management (SLBDC), and is a member of the Alumni of the National University of Singapore.

Mr. A.J. Gunawardena

Mr. Janaka Gunawardena joined the Aitken Spence Group in 2016, bringing with him over 32 years of diverse management experience across multiple industry verticals including Integrated logistics, Supply Chain management, FMCG & Real Estate.

Having commenced his professional career with Unilever Sri Lanka, he possesses extensive cross cultural exposure and experience in leadership positions spanning International geographies. He has also served as a Director of Mack International Freight (Private) Limited (formally local agents for D B Schenker) and as General Manager Trans-Ware Logistics, both subsidiaries of the John Keells Group. He has also served as Country Manager - DHL Nepal, General Manager - AICT, GAC Pakistan (the largest dry port in Karachi) and as Head of Logistics - GAC Abu Dhabi/ Kuwait, prior to joining Aitken Spence. In his current role, Mr. Gunawardena leads and directs the integrated logistics sector of the Group.

Mr. Gunawardena has obtained his MBA from the Western Sydney University Australia and he is also a Chartered Member of The Institute of Logistics & Transport UK.

Mr. J.E. Brohier

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

BOARD OF MANAGEMENT

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

Mr. V.P. Kudaliyanage

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

Counting 33 years of service, Mr. Kudaliyanage's flexibility and adaptability in managing diverse services and delivering results, while professionalism and systematic approach continues to ensure excellent service delivery for project completion. His outstanding services has been recognised by Singapore Airlines and he was awarded, 2010 – CEO Award & many regional awards.

Mr. P.C.J. Fernando

Mr. Claude Jayantha Fernando is the Managing Director of the Aitken Spence Garments segment. He started his career in the apparel Industry back in 1981 as a management trainee attached to a reputed garment manufacturing company in Sri Lanka. Over a successful career spanning more than 35 years in the Industry, Mr. Fernando has earned a multitude of experience and held many key positions. In his most recent role, prior to joining the Aitken Spence Group, he held the positions of executive Vice president for over 16 years and has been responsible for the entire operation of seven manufacturing plants of a well reputed US owned group company based in Sri Lanka.

Mr. D.R.C. Hindurangala

Mr. Chaminda Hindurangala has been with Aitken Spence group for over 18 years, joining initially in 1996 and then re-joining in 2018. Having successfully played significant roles within the power generation segment and the maritime segment, he took over the leadership of the elevators segment in 2018. Elevators (Pvt) Ltd is a joint venture with OTIS Company (Singapore), OTIS is the leading elevator brand in the world.

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

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

SENIOR MANAGEMENT COMMITTEE - TOURISM SECTOR

In alphabetical order



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

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

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

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

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

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





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

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

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

SENIOR MANAGEMENT COMMITTEE - TOURISM SECTOR

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

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

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

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

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

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

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

Ms. I. Wijegunawardane
Assistant Vice President
- Hotels Segment

SENIOR MANAGEMENT COMMITTEE - MARITIME AND LOGISTICS SECTOR

In alphabetical order

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

Mr. M. Balasooriya
Assistant Vice President
- Freight Segment

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

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

Mr. A. Jayasekera
Assistant Vice President
- Maritime Segment

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

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

SENIOR MANAGEMENT COMMITTEE - STRATEGIC INVESTMENTS SECTOR

In alphabetical order

Mr. S. Buhar
Assistant Vice President
- Corporate Services

Mr. B. Bulumulla
Chief Executive Officer
- Plantations Segment

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

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

Mr. B.Y. Poopalapillai
Assistant Vice President
- Corporate Services

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

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

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

SENIOR MANAGEMENT COMMITTEE - SERVICES SECTOR

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

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

THE STRATEGIC REPORT

Operating in capital intensive sectors of the economy, our journey is inevitably one that is planned and executed over a number of years with a long-term view of returns. It is also one that needs careful balancing of short term needs versus our long-term aspirations through economic and industry cycles. This segment of the report sets out the factors we consider in determining strategic goals and allocation of finite capitals to achieve them.

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OPERATING ENVIRONMENT
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STAKEHOLDER ENGAGEMENT
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Strategy
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Material Issues
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Principal Risks
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VALUE CREATION

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.

VALUE DRIVERS

- Governance
- Fair Play
- Values & Culture
- Trust
- Sustainability & Framework
- Compliance
- Risk Management
- Care

WHAT WE DO

Tourism

Aitken Spence Hotels operates a chain of 23 hotels and resorts in Sri Lanka, India, Oman, and the Maldives under the premier brands: Heritance Hotels and Resorts, Adaaran Resorts and Spa and Turyaa, which is complemented by Aitken Spence Travels, the largest destination management company in Sri Lanka serving more than 200,000 happy visitors and supported by the outbound travel operations and general sales agents for Singapore Airlines in Sri Lanka and Sri Lankan Airlines in Maldives.

- Hotels
- Destination Management Segment
- Airline GSA

Maritime & Logistics

This sector provides and is involved in port operations and management, container freight station facilities, warehousing, transport, freight forwarding, courier, shipping and airline cargo agency representation and education for a diverse portfolio of clients.

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

OUR CAPITALS

Financial Capital
Pg. 59

Human Capital
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Intellectual Capital
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Social & Relationship Capital
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Manufactured Capital
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Natural Capital
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VALUES

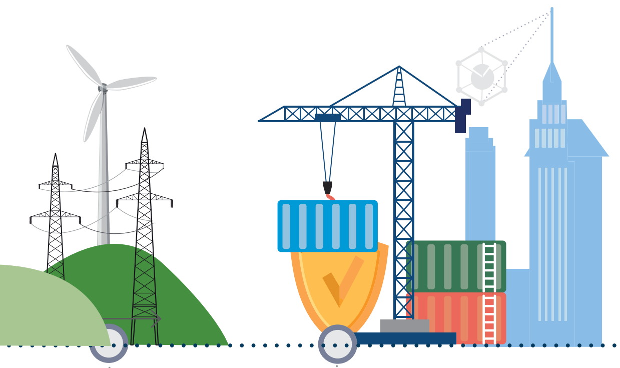
- Warm & Friendly
- Reliable
- Honest & Transparent
- Genuine
- Inspiring Confidence

Financial Management

Strategic Planning

Accountability

Human Capital Management



Services

The sector over many decades has represented world renowned agencies involved in.

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

Strategic Investments

Comprises of Group services and a portfolio of strategic investments in

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

VALUE CREATED FOR STAKEHOLDERS

For Customers

TOURISM

Revenue Generated Rs. 28.8 Bn

HOTELS	DESTINATION MANAGEMENT	TOURS AND EXCURSIONS HANDLED
1,051,679 Guest Nights	200,307 Guest Experiences	Tours and Excursions handled 166,843

MARITIME & LOGISTICS

Revenue Generated Rs. 11.5Bn

PORTS OPERATED	TOTAL LOGISTICS AREA	TOTAL LOGISTICS FLEET
7	46 acres	452

STRATEGIC INVESTMENTS

Revenue Generated Rs. 17.6Bn

POWER GENERATED	TEA PRODUCED	APPAREL MANUFACTURE
OVER 400,000 MWH	OVER 4.5 MN KG	OVER 5 MN PIECES

SERVICES

Revenue Generated Rs. 2.5Bn

MONEY TRANSFER	ELEVATOR INSTALLATIONS	PROPERTY MANAGEMENT
2,200 AGENTS	151 Nos.	195,784 sq.ft

For Employees

EMPLOYEES BENEFITS	TRAINING & DEVELOPMENT	OPPORTUNITIES
Rs.8.7Bn	215,749 Hours	4,370 Recruitments

For Business Partners

JV PARTNERS & PRINCIPALS	DIVIDEND PAID TO JV PARTNERS AND SHAREHOLDERS
12 PARTNERS ACROSS THE GROUP	Rs.2.3Bn

For Governments

FOREX GENERATION	TAXES PAID DIRECT	TAXES PAID INDIRECT
Rs.48.2 Bn	Rs.1.4 Bn	Rs.3.8 Bn

For Communities

SUPPLIERS	PARTNERSHIPS THROUGH MEMBERSHIPS & AFFILIATIONS	SOCIAL WELFARE INVESTMENT
OVER 9,000	OVER 130	Rs.124 Mn

OPERATING ENVIRONMENT

Global

After a strong growth in early 2018, global economic activity slowed down notably in the second half due to several factors affecting major economies. China's growth declined following regulatory tightening and an increase in trade tensions with the USA. Loss of consumer and business confidence and disruption of car production in Germany resulted in the Euro area economy losing momentum. Natural disasters hurt activity in Japan. Trade tensions increasingly took a toll on business confidence and financial market sentiment worsened. Financial conditions that tightened for vulnerable emerging markets from April 2018 and then in advanced economies later in the year, weighed on global demand. Conditions have eased in 2019 as the US Federal Reserve signalled a more accommodative monetary policy stance and markets became more optimistic about a US–China trade deal, but they remain slightly more restrictive than the latter part of 2018.

GLOBAL GDP GROWTH			
2017	2018	2019	2020
3.8%	3.6%	Projected* 3.3%	Projected* 3.6%

**IMF, World Economic Outlook, April 2019*

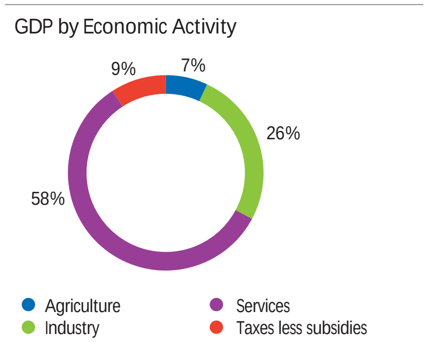
EMERGING MARKETS & DEVELOPING ECONOMIES GROWTH			
2017	2018	2019	2020
4.8%	4.5%	Projected* 4.4%	Projected* 4.8%

**IMF, World Economic Outlook, April 2019*

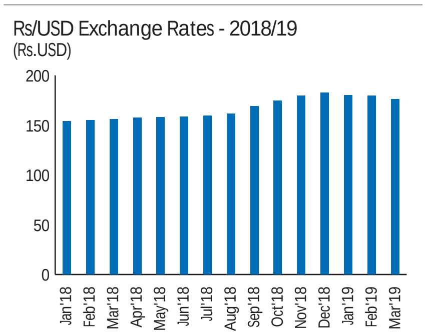
Sri Lanka

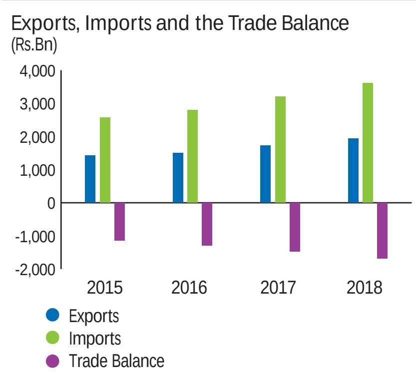
A synopsis of the Sri Lankan economy in 2018 is given below. Details relating to sector specific operating environments are presented in the individual sector reviews.

The economy expanded modestly in 2018, recording a real GDP growth of 3.2% (2017: 3.4%). The growth was supported by services activities that expanded by 4.7%, agriculture activities that expanded by 4.8% on the back of a recovery, and a slowdown in industry activities that expanded only by 0.9%. Industry activities were affected mainly by the contraction in construction activities which represented 6.8% of GDP.



Both global and domestic factors affected the external sector of the economy. Tightening financial conditions, specially in the USA resulted in capital outflows from emerging markets causing pressure on the exchange rate of twin deficit economies. Sri Lanka too experienced a sharp depreciation of the rupee from April 2018 which was further exacerbated following the political uncertainties during the latter part of 2018 and the downgrade in the country's sovereign rating that followed. The rupee depreciated 13.2% during the year to end at Rs.176.09.



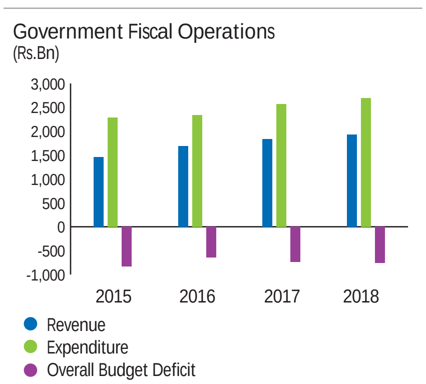


Although exports were at a record level, the growth in imports outpaced export earnings resulting in a trade deficit that surpassed US$10 bn for the first time. The current account deficit increased to 3.2% of GDP in 2018 from 2.6% the previous year due to the widened trade deficit and a decrease of workers remittances by 2%. Policy measures such as the reduction of the loan to value ratio, suspension of the use of permits on vehicle imports, and imposing higher cash margins on opening letters of credit for non- essential imports were successfully adopted which helped to curtail imports and strengthened the external sector in early 2019. This eased pressure on the external sector resulting in a notable appreciation of the rupee by end March 2019.

The Central Bank signalled an end to monetary tightening in April 2018 but maintained a neutral policy stance during the rest of the year; in view of continued pressure on the external sector amidst sub-par performance of the economy. The overall expansion of credit granted to the private sector by commercial banks in 2018 was higher than expected; in an environment of tight liquidity conditions and high nominal & real market interest rates.

AWDR		AWPLR		CREDIT GROWTH TO PRIVATE SECTOR	
2018	**8.81%** ↓	**2018**	**11.94%** ↑	**2018**	**15.9%** ↑
2017	9.07%	2017	11.33%	2017	14.7%

**Source: Central Bank of Sri Lanka*



Fiscal operations in 2018 showed some improvement with a higher primary surplus and a lower budget deficit. The primary surplus was 0.6% of GDP compared to 0.02% of GDP the previous year. The budget deficit improved to 5.3% of GDP in 2018 compared to a deficit of 5.5% in 2017.Within this performance, government revenue mobilisation declined to 13.3% of GDP while expenditure reductions included capital expenditure contributing to dampening of economic activities.

Outlook

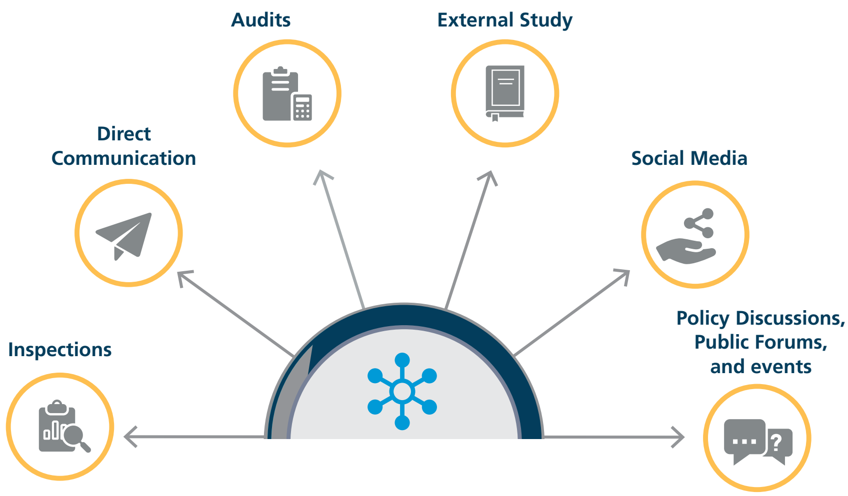
The nation was left devastated by the terrorist attacks on April 21, 2019. The effect of these incidents on the economy in the immediate aftermath of the attacks is undoubtedly negative. Swift action taken to bring the perpetrators to justice, increasing the security of the nation and ensuring events such as these are not repeated will be vital to restore the confidence of visitors, investors and residents. The dent left in the economy by the terrorist attacks will be deep. Once signs of normalcy return to the economy, Sri Lanka will be able to progress expediting its reform agenda already in place. This includes the National Export Strategy (NES) and New Trade Policy (NTP) to improve earnings from merchandise and service exports, the fiscal consolidation programme to improve fiscal discipline and debt sustainability, and the Central Bank's move towards adopting Flexible Inflation Targeting (FIT) by 2020 to ensure sustained price stability.

ENGAGING WITH STAKEHOLDERS

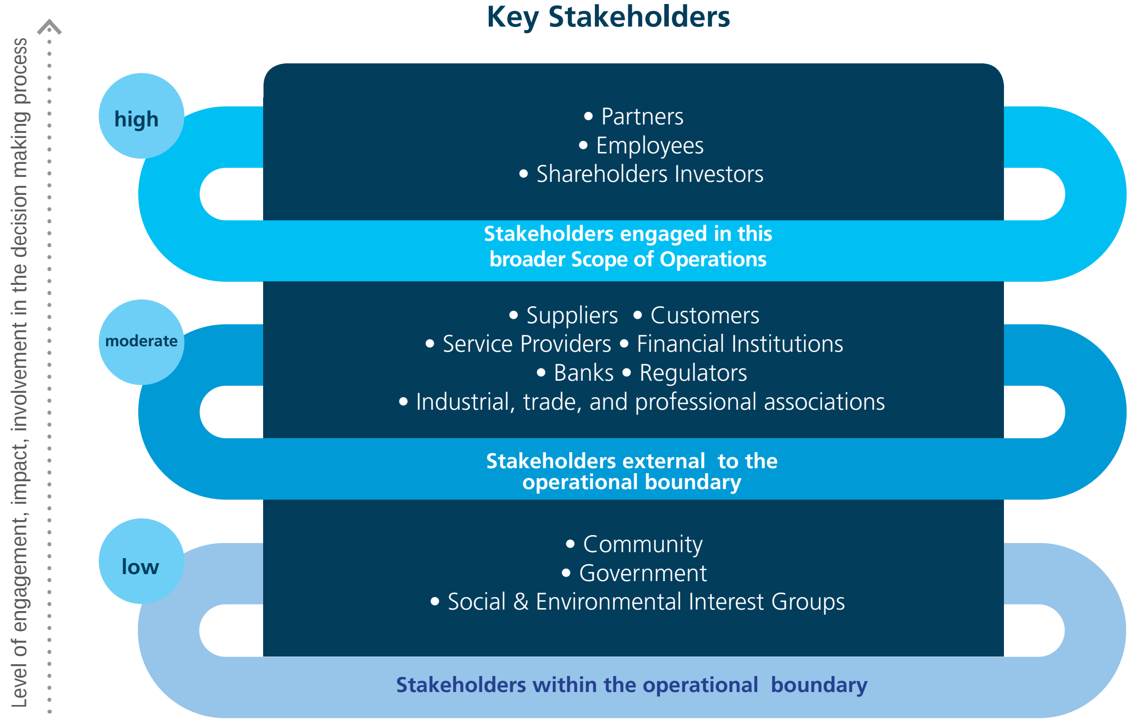
Sustainable growth is dependent on key stakeholder perceptions of value delivered to them by the Group. It is necessary for us to receive feedback from them about their concerns and perceptions of value and equally necessary for us to communicate value delivered by us to the stakeholders. Feedback we receive from stakeholders enables us to identify potential areas for improvement, opportunities for differentiation and necessary changes to our strategy/business model.

We engage with stakeholders using multiple channels as given below.

Channels of Engagement



Key Stakeholders



We also obtain third party assistance to verify concerns identified through our internal mechanisms enhancing the objectivity of our findings with the latest report being obtained from the consultants in 2016/2017.

Stakeholder Group	Channels of Engagement	Key areas of interest for stakeholders and the organisation	Our Commitment
Employees	❖ 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	❖ Occupational health and safety ❖ Remuneration and benefits ❖ Career progression ❖ Skills development ❖ Human Rights at the workplace ❖ Work life balance	Continually work towards providing a safe and healthy workplace and working environment that is conducive to the personal and professional growth of our employees. For more details on action taken to achieve this objective, refer to the **human capital** section.
Customers	❖ Customer satisfaction surveys ❖ Buyer inspections/ audits ❖ Direct contact ❖ Customer service and support points-of-contact	❖ 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	Work towards innovating our processes to provide best in class products & services to customers. Be diligent towards internalising social and environmental governance standards to provide sustainable products and services. Continually enhance quality of products, services and value provided to customers while ensuring profitability For more details on action taken to achieve this objective, refer to the sector reviews, **manufactured capital**, **social and relationship capital** and the **intellectual capital** sections.
Investors & Shareholders / Banks and Financial / Institutions	❖ Annual General Meeting and other meetings ❖ Financial reporting ❖ Website and social media ❖ Media ❖ Investor discussions	❖ Return on investment/ ROE ❖ Ethical conduct ❖ Environmental and social governance ❖ Resilient balance sheet ❖ Sustainable profitability ❖ Corporate communication	Work with our investors, shareholders, partners to inculcate social and environmental governance in to the strategic decision making process and to continually improve dialogue between key stakeholders to identify new ideas, opportunities and trends in the industries we operate in. Refer to the **Governance** and **Strategy** sections and sector reviews for more details.

ENGAGING WITH STAKEHOLDERS

Stakeholder Group	Channels of Engagement	Key areas of interest for stakeholders and the organisation	Our Commitment
Suppliers / Services Providers	❖ Direct dialogue ❖ Participation in seminars on quality and efficiency ❖ Supplier appraisals	❖ Ethical conduct and production ❖ Profitability ❖ Assurance for service requirements, concerns, solutions ❖ Professionalism and on time service ❖ Efficiency and effectiveness of operations ❖ Competitive advantage	Roll out action plans to inculcate social and environmental governance within the supply chain Refer to the **social** and **relationship capital** for more details about our supply chain.
Government & Regulatory Authorities	❖ Dialogue with policymakers, regulatory authorities and experts ❖ Reports and meetings ❖ Participation in industry/ national level events ❖ Compliance reviews ❖ Media	❖ Compliance ❖ Generation of employment ❖ Foreign income generation ❖ Payment of taxes/ fees/ levies due to government/ regulatory bodies ❖ Prevention of corruption	Continue to establish and maintain governance structures that meet best practices in legal and other regulatory requirements necessary in the industries we operate in for the sustainable operation and development of our company For more details on action taken to achieve this objective, refer to the **governance** section as well as the **GRI index**.
Community	❖ Direct communication ❖ Local purchasing engagements ❖ Dialogues with community groups ❖ Media and annual reports	❖ Development of infrastructure ❖ Employment generation and extending opportunities for local entrepreneurs/ students ❖ Environmental conservation ❖ Building sustainable social relationships ❖ Safety, health and welfare	Engage in industry collaborations to strengthen economic development, enhance social sustainability and ensure environmental protection within our communities. For more details on action taken to achieve this objective, refer to the **social** and **relationship capital** section as well as the **GRI Index**.
Industry Partnerships and Associations	❖ Direct contact ❖ Participation in forums and training programmes ❖ Communication via sub agents or representatives ❖ Site visits and service level agreements ❖ Meetings and lobby groups	❖ Adherence to international benchmarks ❖ Prevention of corruption ❖ Assurance of products / services ❖ Continuous update on the progress of agreed activities/ procedures ❖ Capitalising on new business opportunities by catering to the needs of the clientele	Collaborate with industry partners and associations to facilitate the achievement of the Sustainable Development Goals, and strengthen the adoption of the ten principles of the UN Global Compact, the Women's Empowerment Principles and other voluntary endorsements Work with industry partners and associations to generate new ideas and programmes to achieve sustainable progress in social and environmental governance For more details on action taken to achieve this objective, refer to the sector reviews and the **social** and **relationship capital** sections as well as the **GRI Index**.

Stakeholder Group	Channels of Engagement	Key areas of interest for stakeholders and the organisation	Our Commitment
Environment / Environmental Interest Groups	❖ Dialogue with policymakers, regulatory authorities and experts ❖ Direct communication ❖ Compliance reviews ❖ Media	❖ Climate change mitigation ❖ Management of environmental impacts ❖ Waste management ❖ Compliance with environmental standards, laws and regulations of the country	Enable environmental sustainability, enrich biodiversity and engage in industry collaborations to create new movements for sustainability. For more details on action taken to achieve this objective, refer to the **Natural Capital** section.

Summary of key concerns raised by the stakeholders

GROUP STRATEGY

Our strategy focuses on growth as we expand our overseas footprint, leveraging our positioning as leading players in several specialised industry sectors. We will embrace technology to strategically differentiate ourselves in key sectors, building a conglomerate that is future ready and connected to global opportunities. Our growth aspirations are supported by internal factors amongst which trusted partnerships and a strong balance sheet are key factors. External factors supporting growth include growing number of agreements for bi-lateral trade relationships alongside existing, albeit weakening, multi-lateral trade agreements.

STRATEGY

- Maximise and drive group synergies
- Enhance presence along existing value chains
- Expand geographic footprint
- Future fit organisation which embraces innovation through adoption of technological developments.

KEY PERFORMANCE INDICATORS

14%

GROWTH IN PBT

43%

PBT FROM OVERSEAS OPERATIONS

DRIVERS

Diversify earnings across industries and geographies through investments and partnerships.

STRATEGY

- Identify areas with the potential to cause disruptions to the organisations viability, profitability and integrity
- Identify opportunities for growth through social and environmental performance
- Establish controls to manage adverse impacts
- Monitor performance and routinely review for progress and new areas to monitor
- Share learning within the Group for future action.

KEY PERFORMANCE INDICATORS

Rs. 124 Mn

FUNDS CHANNELED FOR COMMUNITY DEVELOPMENT

222%

GROWTH IN RENEWABLE ENERGY SINCE 2014/15

DRIVERS

Maintain the long-term viability, profitability and integrity of the Company by focusing on social, environmental and economic impact identification, management and control.

Our Group Strategy

An Inspired Team

DRIVERS

Nurture and continuously develop future ready, motivated and passionate team of Spensonians.

STRATEGY

- Promote employee engagement
- Facilitate Collaborative learning
- Sustain competitive rewards, benefits and recognition
- Support career development through effective performance management
- Ensure health, safety and well-being
- Fostering a diverse and inclusive workplace

KEY PERFORMANCE INDICATORS

40%
FEMALE REPRESENTATION

Rs. 47 Mn
INVESTMENT ON TRAINING

Excellence in What We Do

DRIVERS

Ensure and adhere to high quality, service excellence and productivity.

STRATEGY

- Use of new technology and digital solutions to improve competitiveness and enhance customer value and increase productivity.
- Improvement of cost efficiency ratios
- Enhance productivity through streamlined processes and automation
- Benchmark our processes

KEY PERFORMANCE INDICATORS

14.4%
OPERATING PROFIT MARGIN

72
BUSINESS CERTIFICATION OBTAINED

DETERMINING MATERIAL ISSUES

Our focus is presented this year in a capital perspective including key business priorities in our material topics, encompassing all capitals to determine material issues for preparing this report. Our material issues stem from a long list of aspects with the potential to disrupt the operation. We are guided by the following points as well as the filters mentioned here to prioritise the material topics to plan action:

- Operating context of the Group and each sector
- Material topics in voluntary frameworks and standards adopted by
  - UN Sustainability Development Goals
  - GRI Standards
  - UN Global Compact
  - Women Empowerment Principles
- Matters highlighted through internal sources (discussions, internal audit reports, inspections, engagement teams, evaluations)
- Direct inputs from key stakeholders
- Results of external stakeholder engagement activities
- Customer feedback
- Feedback from external inspections (system audits, buyer inspections etc)

FILTERS TO DETERMINE MATERIAL TOPICS

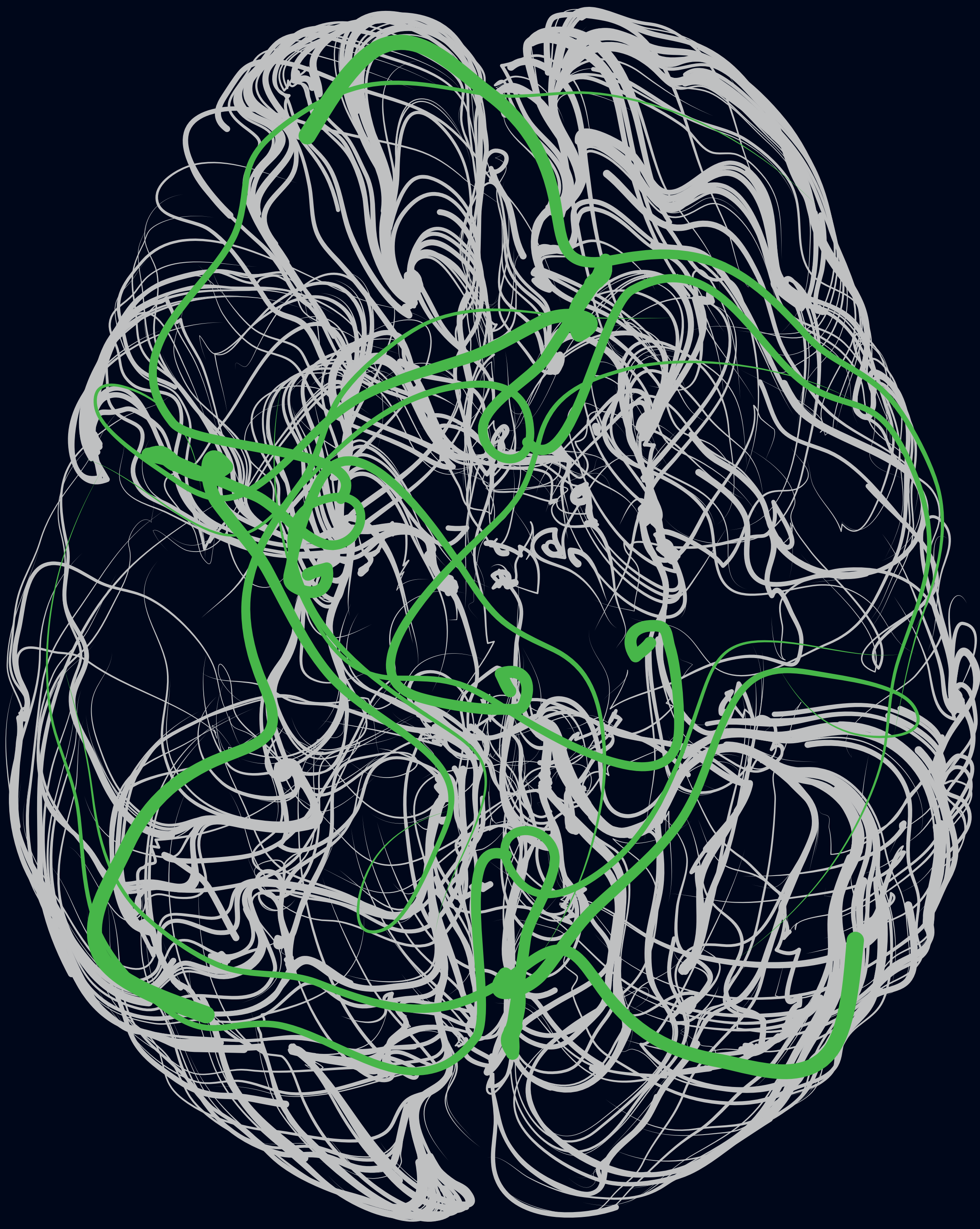
- Profitability
- Long term viability
- Impact on Reputation
- Stakeholder impact

Read more on our strategies for sustainability through www.aitkenspence.com/sustainability and www.aitkenspence.com/annualreport

The material topics prioritised for inclusion in this report are given below.

Sustainable growth in earnings	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Capacity/Geographic expansion	✓ (yellow)	✓ (yellow)	✓ (yellow)	✓ (green)
Aligning manufactured assets (hotels and factories) and processes to best practices and management systems	✓ (yellow)	✓ (yellow)	✓ (yellow)	✓ (green)
Energy Management	✓ (red)	✓ (red)	✓ (red)	✓ (yellow)
Water footprint	✓ (red)	✓ (yellow)	✓ (red)	✓ (green)
Management of emissions, effluents and solid waste	✓ (red)	✓ (red)	✓ (red)	✓ (yellow)
Ecosystem conservation	✓ (red)	✓ (green)	✓ (red)	N/A
Adaptation to climate change	✓ (red)	✓ (yellow)	✓ (red)	✓ (green)
Education, awareness and communication	✓ (yellow)	✓ (yellow)	✓ (red)	✓ (yellow)
Talent Retention, Attraction & Management	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Occupational Health & Safety	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Employee engagement	✓ (yellow)	✓ (yellow)	✓ (yellow)	✓ (yellow)
Strengthening the learning culture	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Diversity & Inclusion	✓ (green)	✓ (green)	✓ (green)	✓ (green)
Innovation, quality and process efficiencies for operational excellence	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Social & Environmental governance	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Customer satisfaction	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Customer health & safety	✓ (red)	✓ (yellow)	✓ (red)	✓ (yellow)
Customer privacy	✓ (green)	✓ (green)	✓ (green)	✓ (green)
Delivering value to JV partners and principals	✓ (red)	✓ (red)	✓ (red)	✓ (red)
Managing supply chains	✓ (yellow)	✓ (yellow)	✓ (yellow)	✓ (green)
Representation through industry associations	✓ (yellow)	✓ (yellow)	✓ (yellow)	✓ (green)
Community engagement	✓ (red)	✓ (green)	✓ (red)	✓ (green)

✓ (red) High importance/ relevance. Considered a priority for action.
✓ (yellow) Medium importance/ relevance. Adequate action is required (or is in place and needs to be maintained) to control potential impacts.
✓ (green) Low importance/ relevance. Adequate measures are already in place or the impact is beyond our control.



INNOVATION, DYNAMIC EXPANSION

Management Discussion and Analysis

GROUP CAPITAL MANAGEMENT REVIEW

FINANCIAL CAPITAL

Aitken Spence PLC has delivered a profit for the year of Rs.5.8 billion reflecting a profit growth of 12.1% in an year of significant economic headwinds. Total asset growth of 15.9% to Rs.125.0 billion is driven by investments in the Tourism, Strategic Investments and Maritime & Logistics sectors which bears testimony to our confidence to grow despite these challenges.

Key Performance Indicators:

Tourism

	18/19	17/18
Hotels Operated	23	22
Room Inventory	2,857	2,666
Pax Handled	200,307	178,071
Employees	3,863	3,720
Profit Before Tax (Rs.Mn)	3,096	3,120
Total Assets (Rs.Mn)	71,754	63,921
Borrowings (Rs.Mn)	28,394	25,180
ROCE (%)	7.8%	8.6%

Services

	18/19	17/18
Business Segments	4	5
Number of Elevators Installed	151	120
Network of Agents of Money Transfer	2,200	2,000
Employees	280	283
Profit Before Tax (Rs.Mn)	269	241
Total Assets (Rs.Mn)	4,746	4,308
Borrowings (Rs.Mn)	392	302
ROCE (%)	9.7%	9.2%

Strategic Investments

	18/19	17/18
Area Cultivated (ha)		
Tea	2,223	2,296
Rubber	875	1,028
Palm Oil	1,931	1,767
Sundry	1,145	1,122
Total Power Generated (MWH)	408,098	538,991
Employees	8,235	8,120
Profit Before Tax (Rs.Mn)	1,792	1,278
Total Assets (Rs.Mn)	37,560	29,207
Borrowings (Rs.Mn)	14,925	8,847
ROCE (%)	8.0%	7.5%

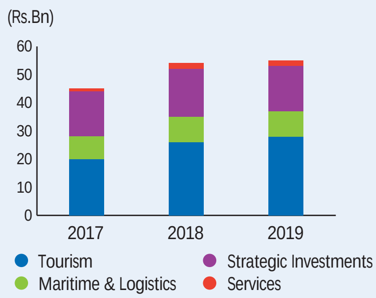
Maritime & Logistics

	18/19	17/18
Ports Operated	7	7
Total Logistics Area (Acres)	46	46
Total Logistics Fleet	452	443
Annual Student Registration	15,034	14,942
Employees	1,755	1,785
Profit Before Tax (Rs.Mn)	2,126	1,759
Total Assets (Rs.Mn)	11,160	10,210
Borrowings (Rs.Mn)	310	292
ROCE (%)	19.5%	17.5%

FINANCIAL CAPITAL

Income Statement Analysis

REVENUE

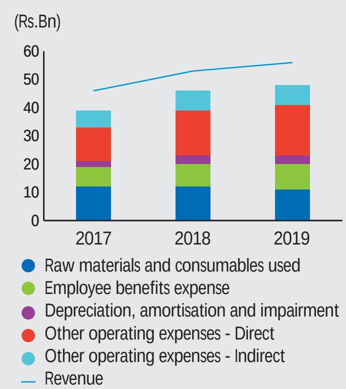


Revenue growth of 5.6% was strongly supported by performance of the Tourism sector which grew at 10.0% to Rs.28.3 billion contributing 65.4% of the increase in revenue as hotels and travels both recorded healthy growth. The Maritime and Logistics sector recorded revenue growth of 9.2% to Rs.9.4 billion reflecting broad-based revenue growth across the value chain. The Strategic Investments sector recorded a revenue decline of 5.9% to Rs.15.8 billion. Others than the apparel manufacturing segment, all other segments in the sector faced significant challenges to growth resulting in a decline in revenue over the previous year. Top line growth of the Services Sector was 35.0% recording Rs.2.2 billion largely attributable to strong growth of the Elevator segment.

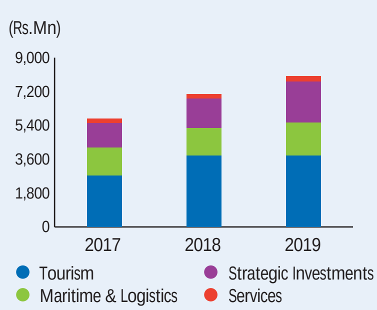
The other operating income of the Group increased by 29.3% compared to last year, mainly due to the Group reporting a net foreign exchange gain of Rs. 608.4 million for the year. The operating income of the previous year included a non-recurring gain of Rs. 307.6 million owing to the sale of Hotel Hilltop.

OPERATING EXPENSES

Overall operating expenses growth was curtailed to 4.7% as we focused on embedding our integrated sustainability principles throughout the Group, driving responsible consumption in all aspects of our operations. Accordingly, we have achieved a 9.2% decrease in raw materials consumption during the year due to reduced power generation and increased efficiencies. Depreciation increased by 11.3% due to investments made in the manufactured capital in the previous year taking effect during this financial year. Other direct operating expenses increased by 15.3% keeping with the revenue growth, while indirect expenses were controlled to a large extent due to sustainability initiatives.



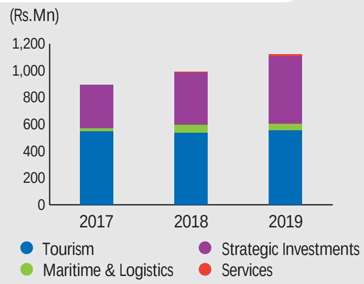
PROFIT FROM OPERATIONS



Operating profit grew by 13.2% during the year with the Tourism sector contributing 47.2% of the total. Excluding the profit gained from the sale of Hotel Hilltop the previous year, the Tourism sector delivered an 8.6% growth despite increased pressure on margins due to intense competition. Maritime and Logistics sector contributed 22.0% to operating profit recording an increase of 20.4% as freight forwarding, airline cargo and maritime contributed to growth. Contribution of the Strategic Investments sector growth was supported by the turnaround of the apparel manufacturing segment. The foreign exchange gain on deposits held by the parent company also contributed towards the growth of this sector. Property, insurance and elevators within the Services sector contributed positively while the money transfer business faced another challenging year.

Income Statement Analysis

NET FINANCE EXPENSES

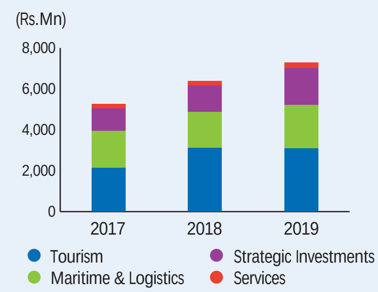


The finance cost of the Group increased from Rs. 1.7 billion to Rs. 1.9 billion which is an 8.5% increase. The increase in finance costs is largely attributable to increased borrowings by the holding company as well as the hotel segment to finance investments. Increases in LIBOR and AWPLR also impacted the finance costs.

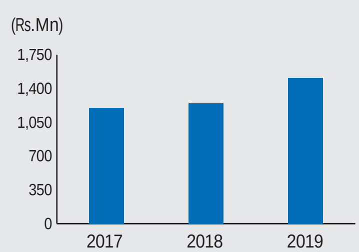
The finance income of the Group recorded an increase of 1.9% during the year.

PROFIT BEFORE TAX

Profit before tax increased by 13.8% to Rs.7.3 billion as the Maritime & Logistics and Strategic Investments sectors recorded profit growth of 20.9% and 40.2% respectively. Profitability of the Maritime & Logistics sector was driven by the improved performance of the freight, express and airline GSA segment and strong growth of the maritime segment. The Strategic Investments sector profitability is supported by the turnaround of the apparel manufacture segment. The Tourism sector remains the largest contributor to profit before tax with Rs.3.1 billion which accounts for 42.5%. This was in line with the previous year's profitability due to inclusion of gains from the sale of Hotel Hilltop in the previous year which masked the improved performance of the sector which would otherwise have reflected a 10.1% growth. Profit before tax of the Services sector grew by 11.6% due to improved profitability of property and insurance segments.



INCOME TAX EXPENSE



The income tax expense for the year increased by 21.1% to Rs. 1.5 billion, resulting an increase in the effective tax rate to 20.8% compared to previous year of 19.5%. The income tax expense charged to the income statement comprises of income tax on profits, the deferred tax provision, withholding tax from inter-company dividends and under or over provision of income tax for the previous years.

The effective tax rate on income tax on profits increased during the year due to an increase in deferred tax charge for the year amounting to Rs. 101.2 million compared to deferred tax reversal of Rs. 44.3 million the previous year. The income tax liability remained unchanged. Withholding tax on dividends distributed increased during the year due to higher quantum of dividends distributed and the dividend tax rate increasing to 14% compared 10% in previous year.

PROFIT FOR THE YEAR

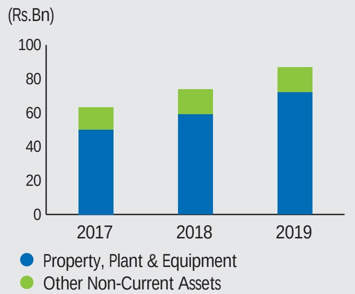
Profit after tax increased by 12.1% to Rs.5.8 billion supported by the profit after tax growth of the Maritime & Logistics and Strategic Investments sectors which recorded 25.4% and 35.5% growth respectively. Services sector recorded a growth of 27.6%. The Tourism sector was the largest contributor recording profit after tax of Rs.2.2 billion accounting for 37.4% of the Group's profit after tax, which was a decline of 9.0% over the previous. The profit after tax reflects the ability of the Group to weather the cyclical nature of our key business segments and geographic territories.

The profit attributable to equity holders of the company of the Group's profit for the year amounted to Rs. 4.1 billion, which was an increase of 14.5% over the previous year. The profit attributable to non-controlling interest amounted to Rs. 1.7 billion, which was a year on year increase of 6.6%

FINANCIAL CAPITAL

Balance Sheet Analysis

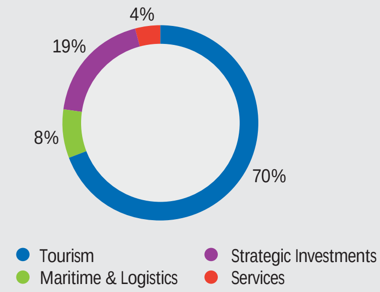
NON-CURRENT ASSETS



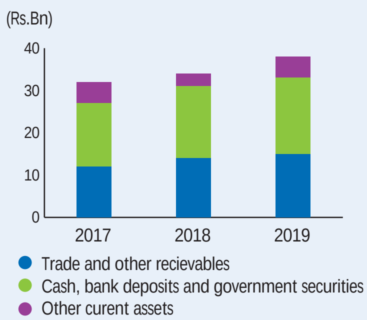
Non-Current Assets increased 17.4% mainly due to increased investments in property, plant and equipment in the Tourism and Strategic Investments sectors. The Group has invested Rs. 12.6 billion towards the construction of Heritance Aarah of which Rs.6.0 billion was added during the reporting year. The Tourism sector accounts for Rs.50.4 billion (70.4%) of property, plant and equipment due to the capital intensive nature of the business.

Increase in property, plant and equipment due to investment in the waste to energy plant during the year was Rs. 3.0 billion, whilst the total project is estimated to cost Rs. 13 billion. The Maritime and Logistics sector had also invested Rs. 1.2 billion in property, plant and equipment.

Segment Analysis



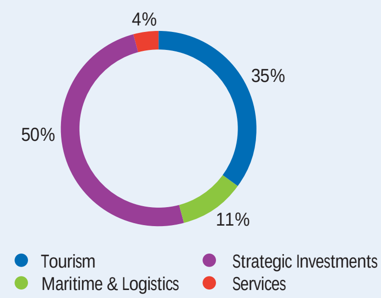
CURRENT ASSETS



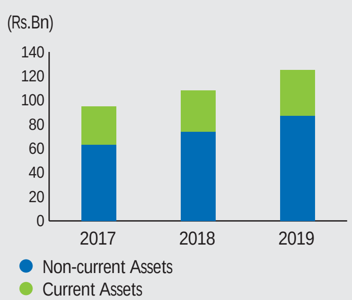
Trade and other receivables accounts for 39.8% of the total current assets of the Group, which was also an increase of 11.7% over the previous year. The increase is due to debtors in the power generation segment and increases in apparel manufacture and elevator segments in keeping with the increase in revenue.

Cash, bank deposits and investment in Government securities accounts for 48.1% of the total current assets, which is an increase of 8.7% over last year.

Segment Analysis

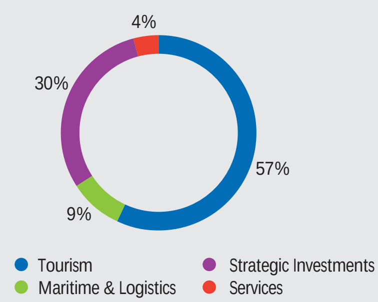


TOTAL ASSETS



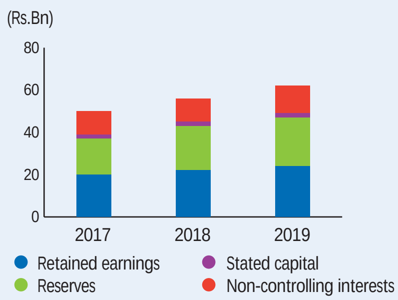
Group Total Assets grew by 15.9% to Rs.125.0 billion as we invested Rs.6.0 billion in Heritance Aarah in Maldives and Rs.3.0 billion in the waste to energy project which is due to be commissioned in the fourth quarter of 2019/20. Non-current Assets account for an increasing portion of the Group's total assets as we diversify across segments and geographies, transforming our business model to propel our future growth.

Segment Analysis

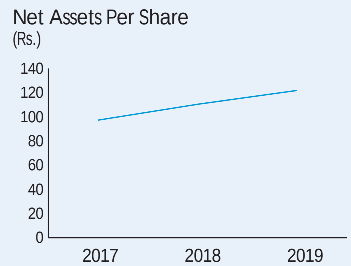


Balance Sheet Analysis

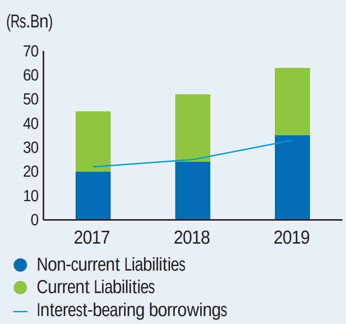
TOTAL EQUITY



Equity increased by 10.3% to Rs.62.1 billion supported by the reserves and retained earnings held by the Group of Rs.23.4 billion and Rs.23.9 billion respectively, increasing the net asset per share from Rs.110.35 to Rs.121.80. Compound average growth rate (CAGR) of the net assets per share over the last 5 years has been 8.9% reflecting the prudent growth strategy of the Group.

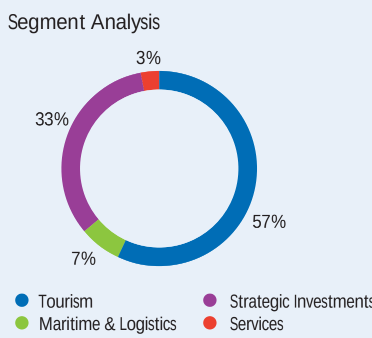


LIABILITIES



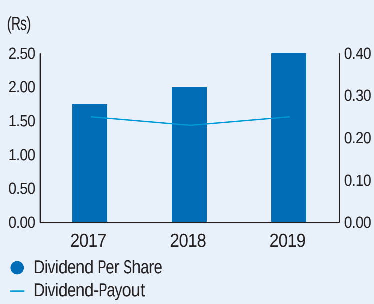
Group liabilities increased by 22.0% to Rs.62.9 billion during the year due to increased borrowings to finance investments in Heritance Aarah and the waste to energy project.

Accordingly, Non-current liabilities increased by 46.5% whilst current liabilities increase by 1.4%.



Shareholder Returns

DIVIDENDS



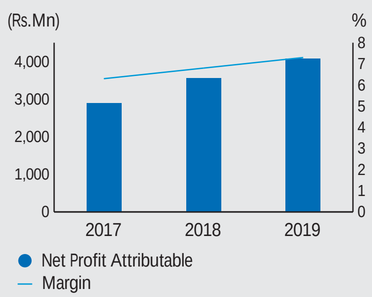
Aitken Spence PLC seeks to maximise shareholder wealth and maintaining a consistent stream of dividends while retaining sufficient capital for planned business expansion. Accordingly, we paid an interim dividend of Rs.1.00 per share in 29th March 2019 and propose a final dividend of Rs. 1.50 per share for ordinary shareholders. We have maintained a dividend growth over the past 3 years, balancing shareholder cashflow with business cashflows. The proposed final dividend of Rs.1.50 will increase the total dividend to Rs.2.50 per share reflecting a growth rate of 25% over the previous year.

FINANCIAL CAPITAL

Shareholder Returns

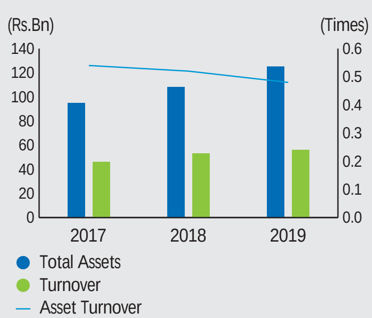
RETURN ON EQUITY (DUPONT ANALYSIS)

Profit Attributable Margin



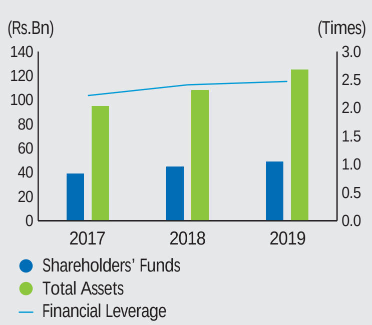
Profit attributable margin uptick reflects improved operational efficiencies recorded in almost all segments with highlights being the restructuring of courier operations and the turnaround of the apparel manufacturing and freight operations. Additionally, Forex gains in the holding company on USD deposits supported the upward trend offsetting the impact of the profit on sale of Hilltop included in the previous year's profits.

Asset Turnover



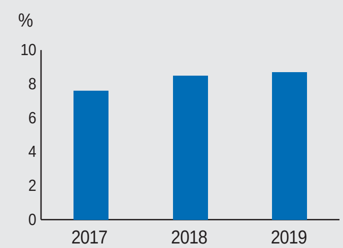
Asset turnover declined as a result of the increase in asset base due to investments in Heritance Aarah and the waste to energy power project which has not come on stream yet to contribute to revenue generation of the Group.

Financial Leverage



Financial leverage is maintained at prudent levels of 2.47 although it has increased over the past years. Interest cover of 8.44 times provides further assurance of the Group's ability to absorb interest cost.

Return on Equity



Return on equity improved due to increase in profit attributable to shareholders by 14.5% contributed by all sectors.

GROUP CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

A strategic pillar of the Group, human capital encompasses over 14,100 employees, within the four sectors we operate. The Group Human Resources (HR) team strategically partnering with our subsidiaries, have enabled achievement of business objectives through talent acquisition, learning & development and talent management. Our human resource policies have evolved with times; we have strived for diversity & inclusion in the Spensonian Family and embarked on a journey of green HR initiatives.

Strategy

Organisational capability development through proactive and best in class HR interventions while enhancing the overall employee experience by formulating futuristic people policies as well as delivery of talent solutions based on people analytics.

40% 60%

Total Employees 14,133

Key Performance Indicators:

Tourism

	18/19	17/18
Total Employees (Nos)	3,863	3,720
Females (%)	15	12
Males (%)	85	88
Investment in training (Rs. Mn)	26.1	17.2
Total training hours	180,644	167,116

The tourism sector employed 27% of the Group's employees with a female representation of 15%.

Services

	18/19	17/18
Total Employees (Nos)	280	283
Females (%)	12	10
Males (%)	88	90
Investment in training (Rs. Mn)	0.4	4.3
Total training hours	3,041	3,989

The services sector employed 2% of the Group's total employees of which 12% were female employees.

Strategic Investments

	18/19	17/18
Total Employees (Nos)	8,235	8,120
Females (%)	60	60
Males (%)	40	40
Investment in training (Rs. mn)	6.0	6.6
Total training hours	22,340	23,224

The strategic investments sector employed 59% of the Group's employees with females representing 60% of the workforce. This sector has the highest number of employees due to the plantations segment which is labour intensive. The plantation and apparel segments significantly contributed to the higher proportion of female employees.

Maritime & Logistics

	18/19	17/18
Total Employees (Nos)	1,755	1,785
Females (%)	7	14
Males (%)	93	86
Investment in training (Rs. mn)	14.3	18.8
Total training hours	9,724	15,618

This sector employed 12% of the Group's employees with a 7% representation of females in the workforce.

HUMAN CAPITAL

	2018/2019	2017/2018
Employees (Nos)	14,133	13,908
Females (Nos)	5,696	5,606
Males (Nos)	8,437	8,302
Investment in training (Rs. Mn)	47.0	47.0
Total training hours	215,749	209,947

Employees by Gender

Female		Male
586		3,277
122		1,633
4,956		3,279
32		248
5,696	Total	8,437

Spensonians

Spensonians are a multi-national and multi-generational workforce spread across seven countries in the Asian, Middle Eastern and African regions. The majority of employees, 86%, was based in Sri Lanka. During the year, we have endeavoured to maintain diversity and balance in our human capital with a mix of employees with different competencies and views and a 40% representation of female employees.

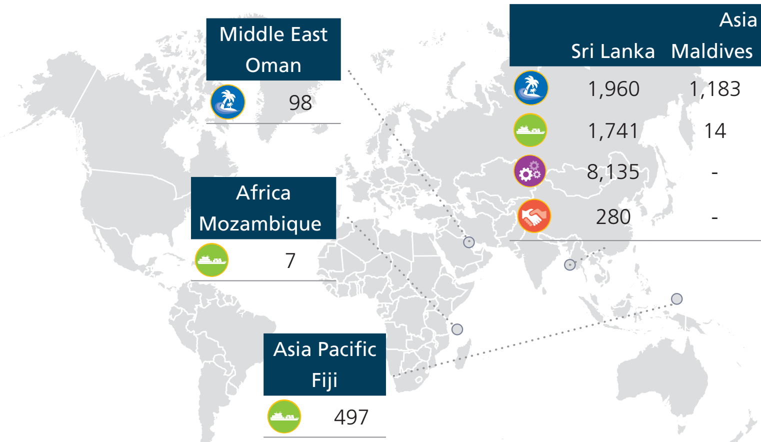
Total Employee Breakdown on Gender and Employment

Executive		Non-Executive	
Female	Male	Female	Male
276	702	310	2575
75	731	47	902
141	355	4,815	2,924
32	108	0	140

KEY HR POLICIES OF THE GROUP

- Recruitment
- Training & Development
- Promotions
- Performance appraisal
- Benefits
- Code of ethics
- Medical insurance scheme
- Disciplinary procedure
- Reimbursement of examination fees, student membership/annual subscription & course fee
- Retirement policy

Employees by Region



Asia			
Sri Lanka	Maldives	India	Bangladesh
1,960	1,183	173	-
1,741	14	-	45
8,135	-	-	-
280	-	-	-

Governance and Policies

GRI 407-1 408-1 409-1

Human capital is a key component of Group strategy. Our Chief Human Resources Officer (CHRO) is a member of both the Group Supervisory Board and the Group Management Board. Matters pertaining to human resources (HR) are discussed at the monthly meetings of these two Boards.

A quarterly Sector Committee meeting is also held where the senior management team of each sector including the CHRO meets. HR forms part of the agenda of this meeting.

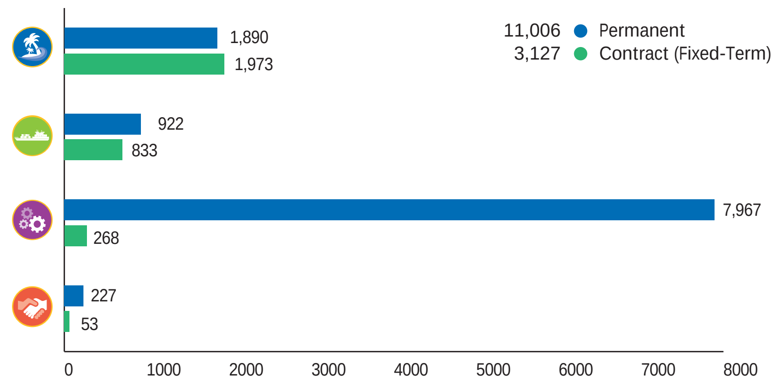
The HR Committee is chaired by the CHRO and attended by HR partners of each subsidiary to set strategic direction and guidance.

Subsidiary visits are also conducted by the Group HR team to identify and address HR issues and concerns.

All aspects of human capital are addressed through a comprehensive set of HR policies.

The Group acknowledges the human rights of its employees throughout the globe and supports their right to freedom of association and collective bargaining and therefore across the Group, approx. 50% of employees are covered by collective bargaining agreements. Furthermore, the Group does not recruit child labour and is strongly against all forms of forced, bonded or compulsory labour. It is ensured that service providers also follow these regulations by monitoring the recruitment process of workers.

Employees by Employment Contract



Preferred Employer

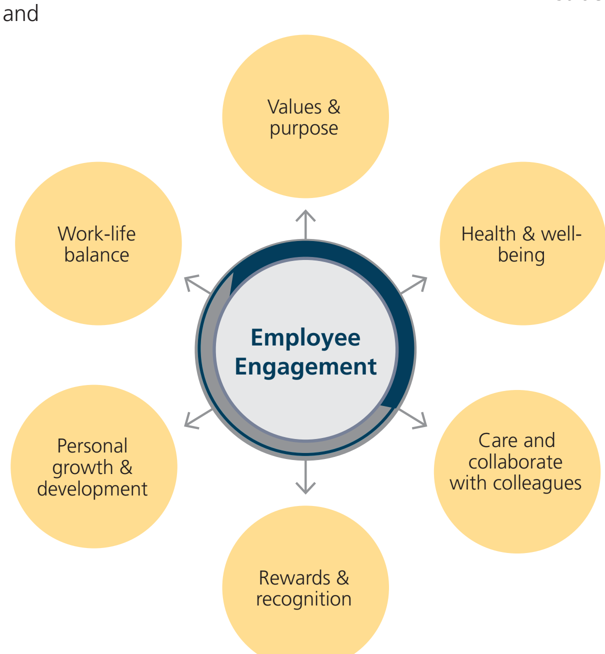
GRI 401-1 401-2 402-1

Being an equal opportunity employer with an organisational culture that is inclusive, performance based and values work life balance, together with a reputation as a good training ground for new employees, is what makes us a preferred employer.

Our talent acquisition strategy consists of multiple sourcing channels both internal and external. With a view to enhancing employee mobility we prioritise internal candidates for Group vacancies prior to considering external sources of recruitment. Recruitments are non-discriminatory and based on individual merit. All new recruits participate in a mandatory orientation programme – 'Roots to Excellence', containing a synopsis of the Group history, overview of the businesses and sectors, contractual components of employment, management structure, 7S+ standards, appraisal of

ENGAGING EMPLOYEES

- Sports & welfare society activities
- Awareness programmes on diabetes & dengue
- International Women's Day celebrations across the Group
- Spensonian convention
- Quiz competitions
- Spensonian avurudu pola & Christmas fair
- Chillax evenings



SPORTS & WELFARE SOCIETY ACTIVITIES

- Annual group Christmas party for employees & their families
- Bowling tournament
- Sports tournaments
- Yoga & Zumba classes at office premises
- Access to badminton, swimming & gym facilities

HUMAN CAPITAL

Details About New Recruits

Age 20-35

192	823
38	172
934	386
3	25

Age 36-45

33	258
6	156
481	226
1	7

Age 46-55

8	43
3	52
258	152
1	1

Age 56 & above

3	16
2	37
16	33
0	4

1,979	Total	2,391

Recruits and Resignations

3,565	SRI LANKA	3,583
559	MALDIVES	376
95	INDIA	85
86	FIJI ISLANDS	63
24	OMAN	28
40	BANGLADESH	10
1	MOZAMBIQUE	0

Resignations

Age 20-35

94	875
55	119
1,188	424
1	17

Age 36-45

6	137
11	84
297	348
3	6

Age 46-55

2	62
7	79
56	72
2	2

Age 56 & above

0	42
3	64
38	44
2	5

1,765	Total	2,380

performance and sustainability practices among others.

The rate of new employee hires during the year was 31%.

A competitive remuneration package is necessary to attract and retain high performing individuals. While remuneration and rewards given reflect an individual's performance, duties and responsibilities, we pro-actively make efforts to be on par with our competitors with respect to remuneration. Benefits such as medical insurance, reimbursement of medical bills, supporting continuous professional development, and sponsorship of subscriptions for professional qualifications are also given to employees.

Work-life balance is also an important aspect to attract and retain employees. Flexible working hours/working from home is allowed in some of the subsidiaries while many employment engagement initiatives were carried out during the year.

The minimum notice period given to employees regarding operational changes was one month.

The Group attrition rate was 29%. We also have had several instances of former employees coming back to the Group, a testament to the organisational culture we have cultivated. During the year 16 former employees returned to Aitken Spence.

Diversity & Inclusion

GRI 405-1 | 405-2 | 406-1

An important aspect of Group HR strategy is diversity and inclusion. As a non-discriminatory and equal opportunity employer we promote inclusiveness. To be unbiased towards race, colour, religion, sexual orientation, age and disability among others. Employees are made aware of the Group stance towards diversity & inclusion from the point of recruitment through our orientation programme. During the year we have recruited several foreign skilled workers at managerial level to enhance expertise and service excellence. More than 60% of the Corporate team were made up of females. This is because of our policies to create a supportive environment with work-life balance. We have also been encouraging the recruitment of females to jobs which have been predominantly open to males – an initiative requiring a mind-set change and where progress has been gradual. The ratio of the basic salary and remuneration of women to men for all employees remains 1:1.

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

SPENSONIAN AVURUDU POLA & CHRISTMAS FAIR

- Annual events where employees are able to sell their own products and creations to colleagues.

CHILLAX EVENINGS

- Each month a Strategic Business Unit hosts a chillax evening which is a themed event.
- This event is open to all executives of the Group, to relax and network with colleagues in a more informal setting.
- Employees enjoy music, games, food and many other activities.

SPENSONIAN CONVENTION

- The convention is held three times a year for employees at manager level and above.
- Sharing of group performance, an expert keynote speaker, recognition of long standing employees and networking with senior management are features of this convention.
- The Group included Assistant Managers & long standing executives at this convention for the first time in 2018/19.

Parental Leave Numbers

Total number of employees entitled to parental leave	5,793	152
Total number of employees that took parental leave during the year	124	11
Number of employees that returned to work after parental leave during the period	104	11
Number of employees that returned after parental leave still employed after 12 months of their return	98	11
Return to work rate	84%	N/a
Retention rate	79%	N/a

**Paternal leave is granted only for employees in Maldives where it is a requirement by law.*

HUMAN CAPITAL

Diversity within the Group's Governing Bodies

Board of Directors	1	7
Group Supervisory Board	2	3
Board of Management	3	15

Diversity by Employment Category

	Gender Ratio	Non Executive	Executives to Asst Mgr	Manager to GM	VP to MD
Tourism	6:1	2,885	730	227	21
Maritime & Logistics	13:1	949	683	114	9
Strategic Investments	0.6:1	7,739	376	102	18
Services	8:1	140	112	22	6

Strong Talent Pipelines

Talent Management

GRI 404-3 407-1

All employees of the Group receive a mid-year and annual performance appraisal. Goals set at the beginning of the year are monitored and each employee will have a written appraisal and a face to face discussion with their manager receiving feedback on performance including behavioural aspects and competencies.

The performance management system is used to formally identify high performing individuals. High performing individuals are rewarded through a variable pay component linked to both individual and corporate performance and will be considered for promotions based on eligibility. Performance at expected levels is a pre-requisite.

Succession planning and developing a leadership pipeline is vital for the long-term growth aspirations of the Group. Those holding critical leadership positions in the various sectors are required to identify and groom potential successors. A focused effort towards developing these potential successors through a programme involving individual coaching – 'Leadership Journey at Aitken Spence' - has increased exposure of these individuals to prepare them for the leadership positions of the respective sectors.

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

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

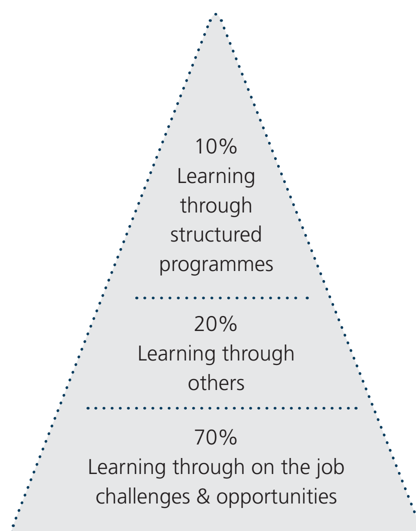
Strengthening the Learning Culture

GRI 404-1 404-2

We have continued our efforts in creating a learning-centered work culture in order to support the business strategy. Continuous competency development of our employees, based on learning needs of each sector which was factored into the annual learning roadmap, delivered through the 70:20:10 model.

Strengthening collaborative learning efforts, in April 2018, TARTAN - the online learning platform was launched. This facilitated more flexible, feasible and engaging learning opportunities for our employees.

The investment in learning and development activities amounted to Rs. 47.0mn during the year translating into 215,749 hours of learning for 30,202 number of employees. The average training hours per employee was 15 hours.



Programmes Conducted for Career Development and Employability of Youth

Mentoring programmes for University of Moratuwa students → CASL & CIMA entry level positions, career guidance & internship opportunities → Participated in job fairs around the country → School career guidance programmes

Employee Training Hours

Sectors	Non-Executive	Executives to Asst Mgr	Manager to GM	VP to MD
Tourism	165,830	12,347	2,390	77
Maritime & Logistics	6,339	2,400	873	112
Strategic Investments	14,756	5,237	2,140	207
Services	375	2,053	552	61
Group	187,300	22,037	5,955	457

Summary of Activities Carried Out as per the Training Plan for 2018/19

Sectors	Soft (%)	Technical (%)
Tourism	21	79
Maritime & Logistics	47	53
Strategic Investments	51	49
Services	72	28

Training Investment

Training Investment	Training Hours	Participation	Investment (Rs.000)
Tourism	180,644	21,861	26,101
Maritime & Logistics	9,724	1,066	14,374
Strategic Investments	22,340	6,900	6,063
Services	3,041	375	424
Group	215,749	30,202	46,962

Significant Training Programmes Conducted During the Year

- The Kaizen Way – To create awareness of Kaizen best practices and convince employees to continually improve their work.
- The Service Leaders – Designed and developed in-house to address requirements of Aitken Spence Travels. Participants were taken through activities, real life situations and best practices of customer experience management.
- Executive Development Programme - Specifically developed to uplift skills and capabilities of executives and enable them to take on higher responsibilities.
- Corporate Conduct – Customised programme based on a request made by a subsidiary to raise awareness about ethical behaviour expected by the Management.
- Service Hero – Programme for Aitken Spence Travels to enhance service levels provided by chauffeurs and national guides attached to Aitken Spence Travels. This included fire training, first aid and an overview of Sri Lanka tourism.
- Tour Guiding A to Z - Delivered in collaboration with an expert tour guide in the industry to develop knowledge and skills of registered tour guides and enable them to market Sri Lanka as a leading tour destination.
- Shifting the Paradigm – Specifically developed to address business needs of one of our SBUs to educate participants on various creative thinking methods. This also enabled them to think outside the box and expand their conceptual ability.

HUMAN CAPITAL

Employee Health and Safety

GRI 403-1 403-2

The Group invests a significant amount of resources dedicated to employee health and safety. All Group companies have procedures in place to ensure occupational health and safety. Regular training programmes are also conducted to create awareness and update/refresh employee knowledge and skills on general health and safety.

Each SBU is required to have a process to identify occupational health & safety (OHS) hazards, to assess level of health and safety of employees and to implement control measures. These processes are expected to be reviewed at least once a year with the top management team of the relevant SBU. OHS procedures are also reviewed by the Group annually. SBUs with higher level of risks to employee safety and health have implemented OHS management systems and specific practices adequate to meet the nature and scale of their operations. Some SBUs have acquired certification for their OHS management systems benchmarking in line with the international systems.

PRINTING

- Aitken Spence Printing, part of the strategic services sector, has progressed beyond the essential actions required from Group companies and implemented an occupational health and safety management system in line with the requirements of the OHSAS 18001 system standard.

INTEGRATED LOGISTICS

- 20 staff trained & certified as certified fire fighters by the Fire Service Department
- 23 staff trained & certified as First Aid Officers by the Red Cross
- Health, Safety, Security & Environment (HSSE) strengthened through awareness programs, collaboration with customers & suppliers and promoting importance of safety gear at all times

ELEVATORS

- Adherence to safety standards required by OTIS
- Subcontractors also required to follow safety standards and penalised for non-compliance

Injury Details

	No of Injuries	Lost Days	No of Fatalities
Tourism	54	425.5	0
Maritime & Logistics	15	144	0
Strategic Investments	11	33	0
Services	1	7	0

Green HR Initiatives

The concept of Green HR was initiated with the objective of supporting environmental sustainability efforts of the Group. As a result, we have taken initiatives to develop a pro-environmental stance within the Spensonian Family which are elaborated below.

- Recruiting candidates with awareness on Green practices – Green practices and sustainability competencies are evaluated throughout the Recruitment process to assess candidates on their knowledge, passion and attitude towards environmental management practices
- Conducting interviews through telephone/Skype to reduce carbon footprint
- Green training methods – Online learning platform called 'TARTAN'
- Initiating practices to support employee behaviour towards Group sustainability efforts. Assessment forms of new candidates were updated to evaluate awareness on sustainability practices. A flyer campaign called 'Re-Think' was also launched where employees are given weekly tips on how to be more sustainable and environmentally conscious.

Way Forward

We will continue in our efforts to strengthen organisational capability development through talent acquisition, competency development, reward & recognition as well as effective employee engagement in a constantly evolving human resource landscape. Recognising the increasing importance of technology, the Group also intends to capitalise on people analytics and artificial intelligence in implementing employee-centric technology infrastructure, policies and practices.

GROUP CAPITAL MANAGEMENT REVIEW

SOCIAL & RELATIONSHIP CAPITAL

Social and relationship capital is perhaps the raison d'etre of 150+ years of existence and one of our most valued assets. Our relationships with principals, joint venture partners, customers and supply chain partners have been nurtured over decades as we built trust through fair play driving mutual growth.

Strategy

- ❖ Build long-term relationships with stakeholders that sustain our businesses
- ❖ Create shared value for sustainable socioeconomic development
- ❖ Work with our stakeholders to ensure sustainability of products and services through strong social governance and fair play.

Delivering Value to Customers

- ❖ 1,051,679 guest nights
- ❖ 200,307 Guest experiences
- ❖ 166,843 tours & excursions handled
- ❖ Over 5 Mn pieces Apparels manufactured
- ❖ 151 elevators installed
- ❖ Management & operation of 7 ports
- ❖ Total logistics area of 46 acres
- ❖ Total logistics fleet of 452

Delivering Value to Supply Chain Partners

- ❖ > 9,000 suppliers
- ❖ 1,498 suppliers were screened on environmental and social impacts
- ❖ Building supplier standards through education, communication on our priorities such as social and environmental sustainability
- ❖ >130 diverse industry organisations associated through memberships and affiliations that elevate industry benchmarks

Joint Venture Partners & Principals

- ❖ Lloyds of London
- ❖ Singapore Airlines
- ❖ TUI
- ❖ RUI
- ❖ Fiji Ports Corporation Ltd
- ❖ DEG
- ❖ Otis Elevators AG
- ❖ Western Union
- ❖ Qatar Airlines
- ❖ Sri Lankan Airlines

Communities

- ❖ Over 60% recruited from local communities
- ❖ Over 40% suppliers are from local communities
- ❖ Community development through infrastructure development, education, welfare and opportunities for local economic development
- ❖ Total funds channelled for community development Rs.124 Mn

SOCIAL & RELATIONSHIP CAPITAL

Value to Customers

GRI 103-2 | 416-1 | 417-1

Our ability to create value is dependent on customers perceiving value, driving demand for our products and services. Our growth has been propelled by understanding customer needs and providing innovative solutions to address them. We invest in continuously enhancing our service capabilities across sectors through investments in our people, manufactured assets, intangible assets and robust processes to deliver value to this diverse group of stakeholders. Many of our businesses are engaged in B2B business models with the exception of the tourism sector and certain segments of our other three sectors which operate both B2B and B2C models.

Tourism

Tourism is primarily dependent on the end user experience and is one sector where we interact directly with the end consumer. Value delivered to our customers in this sector is measured using several indicators including internal surveys and online booking platforms. TripAdvisor ratings for our premium branded Heritance Hotels have been "Excellent" with a rating of 4.5 maintained across all Heritance properties. Our internal surveys for these hotels endorse the ratings affirming delivery of positive guest experiences. Other Sri Lankan hotels owned or operated by us have a rating of 4 with the exception of Hotel Bandarawela which has a rating of 3.5 mainly due to the age of the property. Four of our Maldives hotels are rated "Excellent" at 4.5 while Adaaran Prestige Ocean Villas and Adaaran Prestige Water Villas are rated 5 reflecting high levels of service. Al Falaj Hotel in Oman is also rated 4 reflecting the progress made in enhancing our service levels.

Excellent cuisine has been a hallmark of our hotels contributing significantly to the high ratings. Food and beverage for all our properties comes under the purview of a multiple Michelin star chef who serves as the creative, food & beverages Director for the sector.

Our properties are in harmony with their surroundings and guests are able to enjoy authentic local experiences in the form of panoramic scenes from the privacy of their rooms, excursions to nearby places of interest, local cuisine from the restaurant or the heart-warming hospitality of our locally recruited staff.

Inbound travel operations offer customised local experiences which cater to customer preferences ranging from relaxing holidays, cultural tours to amazing wildlife experiences.

Our properties benchmark processes to international best practice by obtaining certifications of global repute in key areas of their operations.

FOOD SAFETY

ISO 22000:2018

SOCIAL & ENVIRONMENTAL SUSTAINABILITY

Gold Travelife Sustainability in tourism

QUALITY

ISO 9001:2015

Intellectual Capital Report from page 95 to 99
Tourism Sector Review from page 100 to 111

HOTELS

- Only company in Sri Lanka to own and operate hotels in India and Oman
- Professional, award winning management team with many years of industry experience
- Network of socially inclusive suppliers and service providers
- Management systems, green architecture, specialised skills and policies to ensure socially inclusive and environmentally sustainable operations

INBOUND & OUTBOUND TRAVEL

- JV partnership with TUI Group, the world's leading provider of services and leisure activities at holiday destinations
- Sri Lanka's No. 1 inbound travel operator
- Award winning management teams with years of industry experience
- Management system, targeted campaigns, specialised skills and policies to ensure socially inclusive and environmentally sustainable operations

AIRLINE GSA

- Long standing partnerships with leading airlines
- Global record for the longest service SIA agency to date
- Committed, dynamic management teams with unparalleled expertise and experience in the industry
- Management systems, policies and procedures aligned to global benchmarks that ensure sustainable operations

Maritime & Logistics Sector

INTEGRATED LOGISTICS

- Provision of key services for the entire spectrum of the supply chain in one reliable service provider.
- 368,172 sqft. warehouse capacity, fleet of vehicles, state of the art facilities, mobile storage solutions with more investments targeted to serve our customers.
- Professional management team with unparalleled industry experience and expertise.

CARGO & COURIER SERVICES

- Professional management team with unparalleled industry experience and expertise.
- Technology and operational systems aligned to international benchmarks.
- Partnerships with global brands to enable wider reach for our customers.

MARITIME OPERATIONS

- Technology and operational management systems aligned to serve customers with international benchmarked quality standards.
- Professional management team with unparalleled industry experience and expertise.
- Shaping the future of the industry by offering education and work experience in the maritime industry.

A client portfolio of large corporates and multinationals with demanding and well-defined standards for performance necessitates world class systems and processes to support their supply chains. A broad presence along the value chain enables us to provide integrated solutions to customers taking care of their clearing, warehousing and freight forwarding needs. Many of these customer relationships have been nurtured and grown over decades, positioning Aitken Spence maritime & logistics as the leading logistics provider in Sri Lanka, serving as testimony to our ability to support their growth. Our comprehensive service menu reflects the scope of value delivered to our customers.

ENVIRONMENT

QUALITY

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

GRI Standard	Compliance requirements	2018/19
GRI 416 - 2	Incidents of non-compliance concerning the health and safety impacts of products and services	None
GRI 417 - 2	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	None
GRI 417 - 3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	None
GRI 418 - 1	Total number of substantiated complaints received concerning breaches of customer privacy	None
G4-PR9	The total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

Intellectual Capital Report from page 95 to 99
Maritime & Logistics Sector Review from page 112 to 121

SOCIAL & RELATIONSHIP CAPITAL

Strategic Investments Sector

Value delivered to customers in this sector varies as set out below.

POWER

- Supplied energy to the national grid through clean production practices

PLANTATIONS

- Supplied tea, rubber, cinnamon, coconut and palm oil through clean and socially sustainable cultivation practices

APPAREL

- Supplied apparels to global fashion brand owners through sustainable manufacturing practices

PRINTING & PACKAGING

- Delivered printing and packaging services to corporate clients through carbon neutral, sustainable procedures

Customers of the diverse entities within this sector are all B2B except in the case of a few customers of our printing and packaging segment, and rely on internationally reputed certifications to ensure social and environmental compliance. We strive to add value to our corporate clients through product innovation, investments in new technologies and initiatives to optimise costs and speed to market.

OHS	QUALITY	SOCIAL & ENVIRONMENT SUSTAINABILITY
OCCUPATIONAL HEALTH & SAFETY OHSAS 18001	CERTIFIED ISO 9001:2015 COMPANY	CERTIFIED ISO 14001:2015 COMPANY; RAINFOREST ALLIANCE CERTIFIED

Intellectual Capital Report from page 95 to 99
Strategic Investments Sector Review from page 122 to 131

Services Sector

Our services sector has a diverse client portfolio ranging from the prestigious Lloyd's of London, Western Union and other corporate customers. Lloyd's of London and other corporate customers. However, speed, effective delivery of service and reliability are common customer expectations that runs through all group entities in the sector. We continue to drive growth of our operations by continuously raising the bar on performance using technology to enhance delivery times and accuracy.

Intellectual Capital Report from page 95 to 99
Services Sector Review from page 132 to 140

Value to Supply Chain Partners

GRI 414-1 407-1 408-1 409-1 414-2

Our supply chain partners support timely delivery of products and services that meet high standards of discerning customers. SBUs work with suppliers to ensure quality, compliance and products/service responsibility and feedback is provided on areas for improvement. Our SBUs have worked with suppliers and service providers to build them to required benchmarks so that we can continue to channel development opportunities to local suppliers and service providers, keeping with our local purchasing policies. More recently, the Group's Sustainability framework is driving initiatives to evaluate key suppliers as defined by the SBU to identify potential risks, especially in terms of social and environmental performance. This allows us to ensure that there is common understanding of issues that matter to us, supporting their developmental journey.

As responsible organisations, we have embraced industry movements to improve production practices. For example, there is a need in the manufacturing operations to elevate social conditions for all workers while also ensuring environmental sustainability. Establishing management systems aligned to Rainforest Alliance Certification within our upcountry estate cluster ensures industry benchmarks are elevated.

All suppliers are generally reviewed on quality, reliability and compliance requirements. Especially at SBUs such as hotels, travels, and plantations where priority is given to local purchasing, additional effort is made to build suppliers to required quality standards.

In addition to quality standards, we have commenced streamlining processes to screen suppliers on environmental and social impacts. Practically, it is difficult to screen suppliers straight away due to limitations such as availability of suppliers and also adverse economic impacts on suppliers. Hence, the continual efforts of the Group's companies to build supplier standards through education, communication on our priorities etc. plays a crucial role towards screening suppliers on social and environmental criteria.

GRI 414-2

Intellectual Capital Report from page 95 to 99

Number of suppliers screened on social and environmental priorities	363	273	778	69

Key initiatives of the sectors include:

GROUP

- All recycling service providers for paper, cardboard and solid waste are reviewed for environmental and social governance and lists are shared with Group companies
- Our security personnel are routinely engaged to increase awareness about priorities such as human rights at the workplace

HOTELS

- Central Purchasing Unit performs compliance checks to streamline purchasing processes
- Local suppliers of fresh produce and services are provided education and support services to improve quality

TRAVELS

- Educating tour guides and chauffeurs about biodiversity, wildlife conservation, responsible tourism and standards for customer health and safety.
- 'Green Travel Tips' given to guests to influence responsible tourism practices such as avoiding excursions or entertainment involving animals in captivity

APPARELS, PLANTATIONS AND PRINTING

- Suppliers are screened for social and environmental compliance

SOCIAL & RELATIONSHIP CAPITAL

Value delivered to Joint Venture Partners & Principals

Our history has been shaped by relationships with international players who required representation in Sri Lanka to look after their interests in the country. Our relationships have grown over the years, we are now partnering with global companies in Sri Lanka as well as overseas both in number, volume and complexity as we drive mutual growth through understanding our partners' and principals' requirements. Group values underpin growth of our relationships as we continuously engage with them to deliver value, strengthened by years of trust.

We uphold numerous service level agreements with principals and joint venture partners with meticulous care to detail, driving necessary changes to our systems and certifications to provide assurance on compliance and delivery of high standards of service.

Growth and duration of our relationships affirm the value delivered to these key partners. Ours has been a shared journey and we understand that relationships are perhaps the most enduring asset, enhancing as it matures like a fine wine.

GROUP VALUES

- Reliable
- Honest & Transparent
- Warm & Friendly
- Genuine
- Inspiring Confidence

Value Delivered to Governments

As a diversified Group of Companies with an increasing footprint beyond our shores, we deliver value to the governments in the countries we operate in many ways. The Governments plays a key role as a regulator

DEVELOPING INFRASTRUCTURE	FOREIGN CURRENCY GENERATION TO THE COUNTRY	SOCIO ECONOMIC PROGRESS	CAPACITY BUILDING	TAXATION	SUPPORTING TRADE
❖ Energy Solutions ❖ Managing Ports ❖ Managing Plantations	❖ Rs. 48.2 Bn foreign exchange earnings generated to the country from the Group.	❖ Creating employment ❖ Indirect employment	❖ Education ❖ Hospitality training ❖ Skills development in all other segments	❖ Direct taxes ❖ Collector of pass through taxes	❖ Integrated logistics ❖ Providing infrastructure facilities for better management of the supply chain in the country

Additionally, our activities also contribute towards the country's progress on the Sustainable Development Goals as set out on page 322.

Communities

GRI 202-2 204-1

Social License

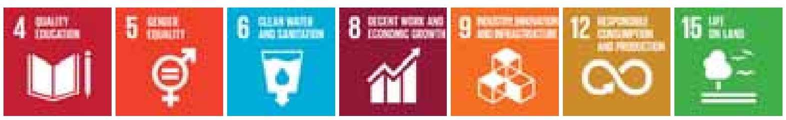
We value our social license to operate and have developed an Integrated Sustainability Framework which ensures specific policies and procedures are in place for social and environmental governance. A dedicated sustainability team supports implementation of the Group's Sustainability Framework.

The Group's sustainability framework comprises a suite of policies that facilitate the identification and management of potential social, environmental or economic impacts to our businesses. We are also guided by the following frameworks that have been voluntarily adopted:

- UN Global Compact – 10 Principles
- Women's Empowerment Principles – 7 principles
- GRI Standards
- Requirements of international benchmarks such as ISO 14001

These are supplemented by additional resources such as IFC Performance 26000 guidelines and the following Sustainability Development Goals which the Group has identified as priority at Group level. These policies are also reviewed and revised based on stakeholder feedback. For example, the policy was revised to include a policy commitment on animal welfare due to feedback received from guests in the tourism industry.

As the Group operates across diverse industry sectors, we have prioritised actions as follows:



Level	Priority from Group Perspective	What it means
Essential	All Group entities must comply	All SBUs must have ❖ environment management systems (EMS) in line with ISO 14001 or similar ❖ mechanisms to assure occupational health and safety (OHS) such as annual inspections and reviews for Hazard Identification, Risk Assessment and Control (HIRAC) ❖ teams appointed and adequately trained to handle first aid & fire safety, sustainability performance data, routine internal audits on environment and social concerns, and other priorities of the SBU ❖ mechanisms to report on environmental and social KPIs ❖ mechanisms to address customer satisfaction and quality ❖ annual review meetings on sustainability performance with the Top Management etc.
Expected	Actions recommended for specific SBUs based on the nature and scale of entity	Steps to tackle specific priorities such as; ❖ Mechanisms to map protected areas or areas of high biodiversity value against our locations and to implement required action to minimise if not eliminate impacts on biodiversity where we are likely to come in contact with wildlife or protected resources ❖ Management systems for health and safety in line with international benchmarks such as OHSAS 18001 ❖ Quality management systems in line with ISO 9001 or similar etc.
Exemplary	Optional actions taken by SBUs that wish to champion a cause and strategically differentiate themselves	❖ Certification for management systems implemented such as; – Green Fins Certification for Hotels in Maldives – Rainforest Alliance Certification for Plantations – Travelife certification for Hotels and Travels – Integrated Management System implemented at Printing ❖ Offsetting carbon emissions etc.

SOCIAL & RELATIONSHIP CAPITAL

Developing Communities

We are conscious of the need to engage with the communities we operate in to strengthen them economically and to build resilience. Our businesses support the socioeconomic progress of communities they are located in by providing employment and engaging the services of local entrepreneurs for provision of ancillary services.

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

We engage with more than 130 diverse industry organisations and institutions which serve to guide us in identifying social governance priorities and benchmarks. We also engage with over 200 schools and community institutions and more than 30,000 individuals that directly connect with Aitken Spence through diverse channels of engagement and development opportunities that all contribute towards identifying development needs and priorities.

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

The entities also champion causes investing both effort and money to drive meaningful change. The table below depicts the activities done to build resilient communities.

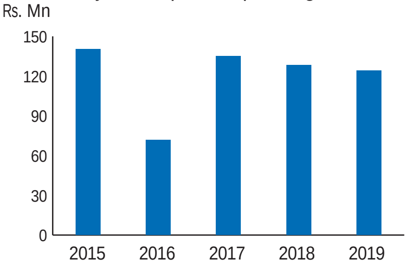
A Sustainable Business	Proportion of senior management from the local community	Over 20%	Fiji – 70%	Over 20%	Not Applicable
	Proportion of non-managerial employees from the local community	Over 60%	Fiji – almost 100%	Over 60%	Not Applicable
	Proportion of spending on local suppliers	Over 75% of the produce and other resources (hotel properties in Sri Lanka). Almost 100% of the safari vehicles and 30% of the tour guides (destination management operation).	N/A	Over 25% tea leaves sourced from local growers and planters	Not Applicable
	Empowering communities through education and capacity building	Partnerships with universities to educate new entrants to the industry Educating suppliers and service providers on social and environmental sustainability	Education promoted through CINEC Campus Internships provided through partnerships with universities	Channelling funds to enable access to quality education for children and youth in our communities. Working with local communities to build awareness on financial literacy, social wellness, environmental sustainability etc.	Over 1,500 migrant workers reached every year with education on financial literacy through the Sri Lanka Bureau of Foreign Employment

A Sustainable Business	Infrastructure development, access to clean water & sanitation	Staff quarters being developed to enable more female workers to enter the workforce. Engaging with local community members and institutions to identify needs. Channelling funds and extending assistance to develop infrastructure outside urban areas.	Development of integrated logistics services to support local and global value chains and businesses	Significant funds channelled towards infrastructure development, to enable ease of access to support services like medical facilities and finances, projects carried out to develop living conditions of plantation workers and to enhance resilience within the communities	Support extended to Group level action towards uplifting labour standards, and human rights at the workplace
	Gender equality	Concerted action taken to increase female representation by 20% by 2020	Equal opportunities extended for internships and access to education and training	Child Development Centres at all estates Support services and schemes implemented for female workers to be financially independent ATM cards issued to workers	Equal opportunities extended for internships and access to education and training

At Group level, we also focus on increasing awareness among all employees towards their individual responsibilities to sustain the environment and social governance. The 16% reduction in water consumption we saw at the head office could be attributed to self-awareness towards bigger movements to influence behavioural changes for collective action. More details of our practices can be perused in the respective sector reviews.

GRI Standard	Compliance requirements	2015/16	2016/17	2017/18	2018/19
GRI 103 - 2	Total number of grievances filed through formal grievance mechanisms during the reporting period	05	07	03	02
GRI 205 - 3	Total number and nature of confirmed incidents of corruption and action taken	None	None	None	None
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None	None	None	None
GRI 419 - 1	Non-compliance with laws and regulations in the social and economic area	None	None	None	None
GRI 406 - 1	Total number of incidents of discrimination and corrective action taken	None	None	None	None

Community Development Spending
Rs. Mn



GROUP CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

Environmental sustainability enables us to be a strategic differentiator in any industry we operate. Early adoption of sound environmental policies has led to high levels of awareness throughout the Group with some sectors making significant strides in managing their natural capital. Additionally, estates and hotels owned or operated by the Group are typically located in areas rich in biodiversity and our pioneering efforts in establishing adequate environmental and social management systems for these entities stand as testimony to the holistic adoption of international best practice in nurturing our natural capital.

Strategy

The Group has adopted the precautionary approach to environmental management. 'Environmental Management Systems (EMS)' are 'essential' for all SBUs. It is through these structured systems that potential adverse environmental impacts are identified and addressed. Our aim is to identify and reduce environmental risk culminating with a positive impact on our direct operations and extended to those in our sphere of influence.

Key Performance Indicators:

Tourism

	18/19	17/18
Total energy consumed within the operation (GJ)	347,121	344,255
Emissions reduced/offset (tonnes CO_{2e})	1,861	1,842
Water consumption (m^3)	1,217,337	1,156,598
Percentage of water treated for reuse or safe disposal (m^3)	81%	51%

The tourism sector's energy and water consumption were 50% and 86% respectively. 66% of the energy requirements are generated by the sector while 81% of the water disposed was reused or safely disposed.

Services

	18/19	17/18
Total energy consumed within the operation (GJ)	11,996	10,898
Emissions reduced/offset (tonnes CO_{2e})	9	17
Water consumption (m^3)	34,036	40,388
Percentage of water treated for reuse or safe disposal (m^3)	N/A	N/A

The services sector's energy and Water consumption were the Lowest in the Group at 2%.

Strategic Investments

	18/19	17/18
Total energy consumed within the operation (GJ)	232,730	222,308
Emissions reduced/offset (tonnes CO_{2e})	26,577	25,467
Water consumption (m^3)	117,962	106,900*
Percentage of water treated for reuse or safe disposal (m^3)	39%	37%

**The total water withdrawn for the strategic investments sector for the year 2017/18 has been restated due to a miscalculation in recording.*

The strategic investments sector had an energy and water consumption of 33% and 9% respectively. 85% of the sector's energy requirements were generated by the sector itself, of which 75% was renewable energy, while 39 % of water disposed was reused or safely disposed.

Maritime & Logistics

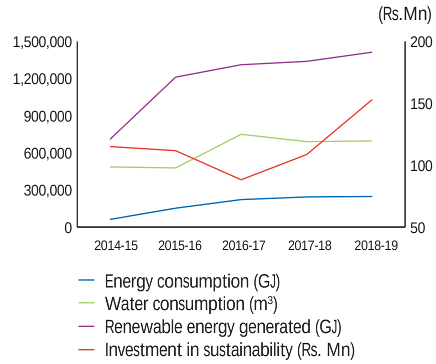
	18/19	17/18
Total energy consumed within the operation (GJ)	103,878	112,346
Emissions reduced/offset (tonnes CO_{2e})	129	146
Water consumption (m^3)	43,054	34,503
Percentage of water treated for reuse or safe disposal (m^3)	12%	15%

The maritime & logistics sector had an energy and water consumption of 15% and 3% respectively. 12% of water disposed was reused or safely disposed.

	2018/2019	2018/2019
Total energy consumed (GJ)	695,725	689,807
Water consumption (m3)	1,412,388	1,338,389*
Percentage of water treated for reuse or safe disposal (m3)	74%	48%
Quantity of waste kept away from landfills		
tonnes	8,245	4,356
units	21,192	35,267
litres	521,808	684,516
Investment in sustainability – processes & action plans (Rs. Mn)	153.04	108.6

*The total water withdrawn for the strategic investments sector for the year 2017/18 has been restated due to a miscalculation in recording

Group Sustainabitity



Managing Natural Capital

Environmental governance of the Group encompasses legal requirements of Sri Lanka for environmental impact control, guidelines extracted from the resources shared by the United Nations Global Compact (Principles 7, 8 and 9) and IFC Performance Standards on the environment.

Each SBU is expected to have in place an EMS in line with the requirements of the ISO 14001 framework for environmental management systems. This is an 'essential' action (i.e. mandatory for all SBUs to implement) according to the integrated sustainability policy framework of Aitken Spence.

Through the EMS system environmental activities that causes impacts are identified. For identified impacts, SBUs are expected to implement action plans suitable to the nature and scale of the operation. The level of action is determined by the perceived level of impact identified through internal assessment mechanisms we have explained in more detail in the 2017/18 integrated report. These actions can also take form of a certification determined according to the priorities and operational requirements of the SBU.

Several SBUs have obtained certifications for their EMS systems, such as ISO 14001, Travelife and Rainforest Alliance certification, above and beyond the standard requirement (please refer page 97 on Intellectual Capital for further details on sector certifications).

- Significant environmental impacts from use of energy, water, solid waste generation, emissions and effluents
- Aitken Spence Hotels
  - Implemented energy management systems
  - Aligned operations to the Travelife certification
- Aitken Spence Travels ISO 14001:2015 certified
- The sector prioritises conservation of biodiversity.

- Significant environmental impacts from use of energy, solid waste generation, emissions and effluents
- Environmental protection licenses maintained where applicable
- Maintains environmental management systems in line with ISO 14001

- Significant environmental impacts from use of energy, water, solid waste generation, emissions and effluents
- Aitken Spence Printing
  - The only carbon neutral printing facility in Sri Lanka and the first in South Asia.
  - The facility maintains a certified integrated management system in line with ISO 14001, ISO 9001 and OHSAS 18001 system standards for environment, quality and OHS.

- Significant environmental impact from the use of resources in the office operation and solid waste generation
- Maintains environmental management systems in line with ISO 14000

NATURAL CAPITAL

GRI 307 | 1

We have been compliant with all laws and regulations among all sectors during the year and there have been no fines and non-monetary sanctions imposed for non-compliance with environmental laws and/ or regulations.

Land and Ecosystem Conservation

GRI 304 | 1 | 2 | 3 | 4

The Group owns land throughout Sri Lanka. Hotels in the tourism sector and plantations & power generation in the strategic investments sector owns land extending more than 8,000 hectares that are in the vicinity of areas rich in biodiversity or simply near a beach or cleared forest land. Our responsibility towards the land we own, and the surroundings are through conservation efforts that are reflected by the many environmental certifications that we hold.

Throughout the years, the Group has had operations co-existing successfully within ecosystems with high biodiversity. We remain committed to control our impacts and to enrich sensitive ecosystems.

ISO 50001: 2011 CERTIFIED ENERGY MANAGEMENT SYSTEMS

- Heritance Ahungalla
- Heritance Ayurveda Maha Gedara
- Heritance Kandalama
- Heritance Tea Factory

LEED GOLD CERTIFIED PROPERTIES

- Heritance Kandalama
- Heritance Negombo
- Aitken Spence Printing & Packaging (Pvt) Ltd.

RAINFOREST ALLIANCE CERTIFICATION

- Dunsinane Estate
- Sheen Estate
- Fernlands Estate
- Meddecombra Estate
- New Peacock Estate
- Nayapane Estate

TRAVELIFE GOLD CERTIFIED HOTELS/ TRAVELIFE PARTNER CERTIFIED OPERATIONS

- Heritance Ahungalla
- Heritance Ayurveda Maha Gedara
- Heritance Kandalama
- Heritance Tea Factory
- Adaaran Club Rannalhi
- Adaaran Select Hudhuranfushi
- Adaaran Prestige Meedhupparu
- Adaaran Prestige Vadoo
- Aitken Spence Travels – Travelife Partner

LEED GOLD CERTIFIED PROPERTIES

Heritance Kandalama was the first hotel in the world and the first property outside the USA to receive the LEED certification. Heritance Negombo and Aitken Spence Printing and Packaging also received this certification subsequently. Leadership in Energy and Environmental Design (LEED) is a rating system of the United States Green Building Council (USGBC). LEED buildings save energy, water, resources, generate less waste and support human health.

PLANTATIONS

- Conducted surveys of biodiversity over 8,000 ha of land space and documented the biodiversity in the vicinity. Most of the flora and fauna within the estates have been identified with daily records being maintained by field officers. The sector worked to educate plantation communities about the commitments of the company and their role to achieve these commitments. Buffer zones had been identified and demarcated to separate estates from natural forests and to prevent disturbance to natural ecosystems as much as possible.

HOTELS

- The hotel operation worked towards protecting over 128 species of native flora, 183 species of birds, 19 species of reptiles and amphibians, 17 species of mammals and 64 species of butterflies and dragonflies.
- The hotels use their resources such as the Eco Park at Heritance Kandalama and the Green Pavilion at Heritance Ahungalla to educate guests and visiting students on their conservation efforts and environmental sustainability practices. To date, more than Rs. 3 Mn individuals have been educated through these resources.

TRAVELS

- Conducted planned programmes to increase awareness about individual responsibility to establish sustainable tourism practices in the country.
- Initiatives such as the Aitken Spence Travels Green Day, panel discussion with industry leaders to promote nature based excursions to clients are some examples. The Aitken Spence Travels team had actively promoted travellers to explore diverse national parks that offer equal opportunities to observe wildlife in their natural habitat to reduce the congestion in Yala National Park.
- Aitken Spence Travels has adopted an orphaned elephant and commits monthly funds for ‘Bhanu’ the baby elephant.

PORT OPERATION IN FIJI

- Water treatment plants are used to ensure that contaminated water does not reach the ocean and pollute marine eco systems. Surface run-offs are contained within these plants to prevent pollution. The ground of the port is also cemented so that seepage to the ocean is prevented. For example: oil spills.

GREEN FINS ACCREDITATION

The dive points located at our Maldivian hotels, Adaaran Select Hudhuranfushi, Adaaran Prestige Vadoo and Adaaran Club Rannalhi are Green Fins accredited. Green Fins is a comprehensive approach that encourages dive centres and snorkel operators, local communities and governments to work together to reduce their environmental impacts which includes the conservation of coral reefs. This is primarily done through the private sector adopting a Code of Conduct that will help mitigate their impacts when carrying out marine tourism activities

NATURAL CAPITAL

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

Energy

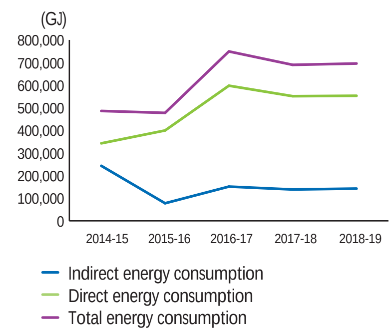
GRI 302 | 1 | 4

Our goal was to increase efficiency in our use of energy, eliminate waste and to continually work towards reducing energy consumption from non-renewable sources. To manage our reliance on non-renewable energy and reduce our energy footprint we have also focused on increasing our renewable energy usage.

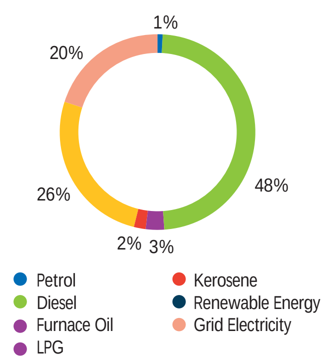
Total energy consumption of the Group increased by 1%. Energy consumed from non-renewable sources and indirect sources grew by 2% and 3% respectively while energy consumed through renewable sources declined by 2%. Increase in energy consumption was attributable to operational expansion. The percentage of energy consumed within non-renewable, Indirect and renewable energy sources remain almost unchanged from the previous year with direct non-renewable energy being the highest accounting for 53% of Group energy consumption. Energy consumption from renewable sources was 26% and indirect energy was 20%.

Although energy generated from renewable sources increased by only 1% during 2018/19 it has increased 300% since 2014/15. Total energy generated from non-renewable sources decreased by 5%.

Energy Consumption



Composition of energy consumption



Energy Consumption within the Organisation

	Unit of Measure					
302 – 1 Total Direct Energy Consumption within the Organisation						
Non-renewable sources						
Petrol	(GJ)	7,010	2,483	1,293	1,667	1,567
Diesel	(GJ)	332,923	227,617	86,366	18,301	640
Furnace Oil	(GJ)	18,280	14,470	-	3,810	-
LPG	(GJ)	12,867	12,501	30	336	-
Kerosene	(GJ)	594	-	-	594	-
Total	(GJ)	371,674	257,070	87,688	24,708	2,207
Renewable sources						
Biomass/fuel wood	(GJ)	177,923.61	7,366.50	-	170,557.12	-
Briquettes	(GJ)	2,132.64	-	-	2,132.64	-
Hydropower	(GJ)	401.09	-	-	401.09	-
Biogas	(GJ)	76.73	76.73	-	-	-
Solar energy	(GJ)	745.40	745.40	-	-	-
Wind energy	(GJ)	237.07	-	-	237.07	-
Total	(GJ)	181,516.54	8,188.62	-	173,327.92	-
Total indirect energy consumption within the organisation	(GJ)	142,613	81,941	16,190	34,693	9,789
Total energy consumption within the organisation	(GJ)	695,725	347,121	103,878	232,730	11,996
Total energy generated from non-renewable sources for external consumption	(GJ)	60,768.04	-	-	60,768.04	-
Total energy generated from renewable sources for external consumption	(GJ)	65,410.65	-	623.27	64,787.38	-
Reductions achieved in energy consumption	Reductions in energy consumption cannot be measured as the reporting boundary has changed. Efforts to reduce energy consumption in products and services can be perused within the sector reviews.					

Water and Effluents

GRI 303 | 1 | 2 | 3

We are committed to controlling our water footprint and discharge of effluents. Advocating best practices on water usage, harvesting rainwater, reusing treated effluents and treating effluents for safe disposal where reuse is not possible are the methods used to achieve our goals.

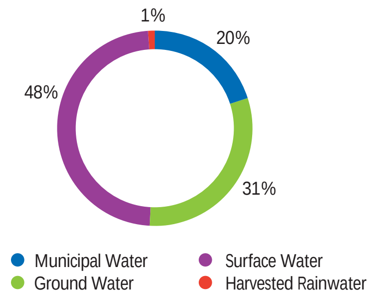
Water consumption grew by 6% this year. This was mainly due to an increase in water consumption across the Group, with the exception of the services sector which saw a reduction of 16% in the overall water consumption. This resulted from concerted efforts to reduce consumption of water within Aitken Spence Towers and many awareness programmes carried out to reduce individual water footprint. 74% of water consumed is treated and re-used or treated and safely disposed of.

Waste water treated for re-use or safe disposal increased by 63%. The tourism sector contributed significantly to this increase by treating and reusing or safely disposing 81% of the total water withdrawn.

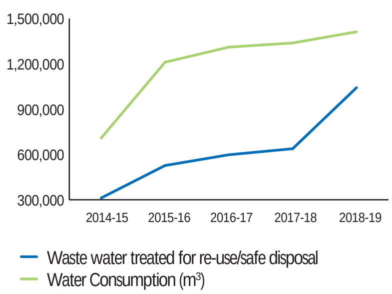
Surface water consumption is the highest at 48% of the total water consumption of the Group. Ground water (31%), municipal water (20%) and harvested rainwater (1%) consumption follows. It should be noted that the total water withdrawn within the Strategic Investments sector for the 2017/18 year has been restated due to a miscalculation in the records.

NATURAL CAPITAL

Composition of water consumed - 2018/19



Water Consumption



Rainwater Harvesting Systems

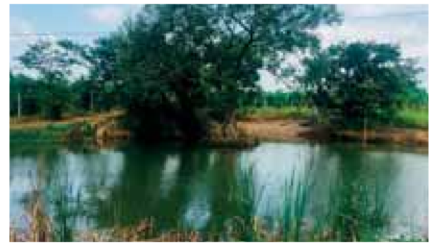
Given their vulnerability to climate change, the plantations segment hopes to reduce their dependence on ground water by increasing water security (SDG 6), with their investment in rainwater harvesting systems.

Elpitiya plantations plans to harvest rainwater in catchments, ponds and retain within the soil for sustainable agriculture.

Targets:

- ❖ Establish 52 ponds to harvest rainwater
- ❖ Irrigate 25% of the land extent with harvested rainwater
- ❖ Maintain 5% of the land as watershed
- ❖ Provide portable water to all households within the estates
- ❖ Educate the community to prevent pollution of water ways within the estates

Quantified rainwater harvested during 2018/19: 8,243 m^3



Water Consumption within the Organisation

	Unit of Measure					
Total water withdrawn	(m^3)	1,412,388	1,217,337	42,326	120,199	34,036
Water treated for reuse or safe disposal	(m^3)	1,042,195	991,375.51	5,184.00	45,514.14	-
% of water treated for reuse or safe disposal	%	74	81	12	38	0

There have been no water sources significantly affected by withdrawal of water in any sector of the Group.

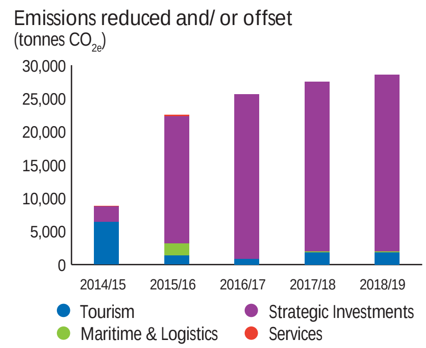
Emissions

GRI 305 1 2 5

Reduction of emissions in the Group have been done mainly through offsetting emissions by investing in renewable energy and by purchasing carbon credits. The total emissions offset includes emissions offset with carbon credits, emissions offset from the recycling of paper waste, potential emissions reduced by replacing diesel consumption with biomass and potential energy generation reduced by replacing furnace oil with cleaner sources of energy.

Aitken Spence Printing and Packaging in the strategic investments sector and Aitken Spence Travels in the tourism sector have been the largest off setters of emissions in the Group by offsetting emissions through purchased carbon credits.

The amount of emissions reduced and/ or offset through the Group's efforts increased 4% during 2018/19. This is a 224% increase from 2014/15.



CARBON NEUTRAL ORGANISATION

Aitken Spence Travels became a carbon neutral organisation having offset its carbon footprint for 2017/18. The total carbon footprint of Aitken Spence Travels for 2017/18 was 1045 tCO2e. To achieve a carbon neutral status Aitken Spence Travels offset its carbon emissions by purchasing United Nations Certified Emission Reductions (CERs) from Bundled Solar Power Project by EKI Energy Services Limited registered under the UN Clean Development Mechanism (Reg. 10076).

Total Emissions and reductions of emissions

	Unit of Measure					
Direct (Scope 1) GHG emissions	Tonnes CO_{2e}	279,588	18,587	6,362	254,490	155
Energy indirect (Scope 2) GHG emissions	Tonnes CO_{2e}	29,885	17,972	2,770	7,131	2,012
Reduction of GHG emissions/ emissions offset	Tonnes CO_{2e}	28,575	1,738	129	26,577	9

NATURAL CAPITAL

Waste

GRI 306 | 1 | 2 | 3 | 5

Aitken Spence is committed to reduce waste by improving resource efficiency and identifying processes from which waste can be eliminated. We use the '7R Principle' to manage waste. Waste management practices across the Group strive to achieve zero waste sent to landfills by gradually disposing waste for recycling or selling selected waste for reuse.

Item Numbers & Weight of Waste Kept Away from Landfills

	Unit of Measure					
Paper, cardboard and paper based packing reused or recycled with CEA authorised vendors	tonnes units	1,502 5,758	31.2 -	0.5 -	1,461.7 5,758	8.6 -
Iron scrap sold for reuse or safely disposed in line with CEA regulations	tonnes units	345 640	23.4 -	321.2 640	0.7 -	- -
Composted waste	tonnes	3,665.2	-	-	3,665.2	-
Food waste handed for discarding; composted; or reused in biogas generator	tonnes	2,534	2,412.1	58.2	56.0	8.1
ETP sludge, HFO sludge, burnt oil and other effluents safely disposed in line with CEA regulations	tonnes litres	0.6 521,808	- 5,879	- 6,814	0.6 509,116	- -
Plastic scrap, PVC, polythene, bubble wrap, used cans and containers sold for reuse or safely disposed in line with CEA regulations	tonnes units	25 373	17 -	- 373	8 -	- -
Used cotton and fabric waste handed over for incineration or kept in storage	tonnes	126	1	3	121	1
CFL and TFL bulbs	units	986	700	286	-	-
Lead acid, alkaline batteries	tonnes units	3 2,049	- -	27	-	2,022
Tyres, flaps, tubes	units	1,101	24	1,073	4	-
Electronic waste	tonnes units	0.2 33	0.2 33	- -	- -	- -
Other waste (glass, foiling reels)	tonnes units	10,892 44	10,892 35	- -	- 9	- -
Total	tonnes units litres	8,245 21,192 521,808	2,520 11,649 5,879	386 1,759 6,814	5,322 5,762 509,116	18 2,022 -
Total number and volume of significant spills	litres	None	None	None	None	None

Climate Change and Disaster Risk Reduction (DRR)

While Group companies have focused on climate change mitigation, adaptation to the effects of climate change is an area that is still in its preliminary stages. SBUs such as the plantations sector, that had pro-actively evaluated risks from the effects of climate change to the business, is an example that we use to commence work with other SBUs to identify possible risks to their respective businesses. The action is still in the assessment stage and the Group hopes to roll out comprehensive frameworks for SBUs to assess risks from climate change and to implement action plans as a medium-term target.

Vulnerability to natural disasters, especially for sectors susceptible to climate change, has been identified as a potential risk for the Group. Partnering with the Asia Pacific Alliance for Disaster Management – Sri Lanka, we have educated the Group's Sustainability Team and the Board of Managing Directors on the key requirements for DRR mechanisms within the Group. During the year, we also had several team members in the Sustainability team trained further.

ECO DAY

The integrated logistics segment conducted an Eco Day covering all its geographical locations in August 2018. All staff participated at the event and the following activities were carried out.

- Collection & segregation of waste
- Introduction of compost bins
- Planting of trees around boundary walls

Managing Supply Chains

GRI 308 1-2

Over the years, our SBUs, especially those with local purchasing policies, have worked with their supply chain, developing suppliers and service providers to meet Group requirements in both quality and environmental governance.

Group level mechanisms to screen suppliers on social and environmental governance are currently being developed. Several SBUs have already incorporated social and governance clauses in supplier contracts, going beyond Group benchmarks, while other SBUs are still in the process of educating suppliers and service providers on Group sustainability priorities.

Please refer Social & Relationship Capital on page 73 for more details.

Green HR Initiatives

During the year, several new initiatives were taken to embed sustainability practices further into HR. Please refer Human Capital on page 65 for further details.

Way Forward

Identification of vulnerability to natural disasters as a risk will result in strengthening our DRR practices with the establishment of stringent DRR frameworks for the Group supported by capacity building through learning & development. This will be expanded to include Group level communications to develop higher awareness about climate change mitigation, adaptation and individual responsibility towards meeting Aitken Spence commitments towards environmental sustainability. We are also developing Group level mechanisms to screen suppliers on social and environmental governance to ensure minimum standards are met across the Group.

GROUP CAPITAL MANAGEMENT REVIEW

MANUFACTURED CAPITAL

Our manufactured capital has a net book value of Rs. 71.6 billion accounting for over 50% of the total assets of the Group. We continue to nurture this key capital with investments made into lucrative sectors to seize perceived opportunities for strategic growth, enhancing the Group's revenue earning capacity, productivity or reduces our environmental footprint. Investments in manufactured capital amounted to Rs. 11.6 billion during the year, supporting our growth aspirations.

Strategy

- Developing a high-quality asset base that provides a distinctive competitive advantage to our long-term growth prospects.
- Ensuring all assets are maintained at optimal levels to eliminate downtime or re-work.

Key Performance Indicators:

Tourism

	2018/2019 Rs.Mn	2018/2019 Rs.Mn
Property Plant Equipment (NBV)	50,372	41,790
Depreciation	1,833	1,743
Additions	6,968	5,330
Disposals	225	68

The 98.9% of this sectors investments were in the hotels segment. Significant addition included the cost of construction of Heritance Aarah in the Maldives.

Services

	2018/2019 Rs.Mn	2018/2019 Rs.Mn
Property Plant Equipment (NBV)	2,945	2,960
Depreciation	91	91
Additions	75	20
Disposals	5	63

As this sector comprises of the service related companies, the investment in manufactured capital is the lowest.

Strategic Investments

	2018/2019 Rs.Mn	2018/2019 Rs.Mn
Property Plant Equipment (NBV)	12,070	9,184
Depreciation	471	231
Additions	3,335	1,659
Disposals	95	11

93.6% of this sector's investments were in power generation. The significant addition included the cost of construction of the waste to energy power plant.

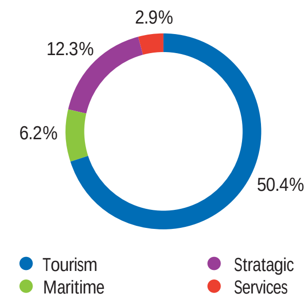
Maritime & Logistics

	2018/2019 Rs.Mn	2018/2019 Rs.Mn
Property Plant Equipment (NBV)	6,204	5,340
Depreciation	366	152
Additions	1,178	228
Disposals	46	53

82.9% of this sectors investments were in the Port services segment. Significant additions were the purchase of two mobile harbour cranes and two reach stackers.

	2018/2019 Rs.Mn	2017/2018 Rs.Mn
Land	15,558	14,727
Buildings	26,228	25,691
Plant, machinery & equipment	7,987	7.539
Motor vehicle	1,342	1,282
Furniture & fittings	1,442	1,442
Capital work-in-progress	19,033	8,594
Total	71,590	59,275

Break down of PPE



Overview

The Net Book Value (NBV) of manufactured capital was Rs. 71.6 billion as at 31st March 2019. The tourism sector with 70.4% of assets was the most capital-intensive sector followed by the strategic investments sector 16.9%, maritime & logistics sector 8.7% and the services sector 4.1%. Investing responsibly underpins our strategy for manufactured capital which constituted 57.3% of total assets and impacted Group profitability through a depreciation charge of Rs. 2.8 billion. Our planned investments for the near future are driven by our ongoing commitment to diversify and expand Group businesses together with improved processes in line with the Group strategy.

Responsible Investments

The group invested Rs.11.6 billion in manufactured capital during the year to strengthen brand leadership, expand capacity, improve business processes and on business diversification. The most significant investments were in the tourism Rs. 7.0 billion, strategic investments Rs. 3 billion, and maritime & logistics sectors Rs.1.2 billion.

Disposals during the year amounted to Rs. 372 million. Significant disposals were from the tourism and strategic investments sector amounting to Rs. 225 million and Rs. 95 million respectively.

Driving Value through:	Sector	Key additions during the year	Investment Rs.Mn
Capacity expansion/ Strengthening brand leadership		Construction of Heritance Aarah in Maldives	5,958
		Refurbishment of 66 rooms in Al Falaj Hotel in Oman	298
		Construction of staff quarters for Females at Kandalama Hotels	42
		Purchase of 13 brand new luxury vehicles for the transport fleet	43
		Purchase of reefer containers for the Mobile Storage Division	21
		Investment in 10T Boom Trucks and 3T Forklifts added to the fleet in order to enhance the project logistics capabilities and purchase of nestainers to enhance the capacity of CFS operations of Group	37
		Purchase of two mobile harbour cranes and two reach stackers and empty handlers	932
		Purchase of specialised printing machines to serve a new customer segment	59
		Purchase of machinery in the apparel manufacture segment	19
Business process improvements		Completion of yard development activities at the CFS	73
		Purchase of machines to improve on value addition and efficiency	39
		Commissioning of a 1.4 mn Kwp capacity solar power generation facilities in Elpitiya Plantations PLC	119
Business diversification		Construction of a 10MW Waste to Energy plant to convert 600- 800 metric tonnes of daily waste to electricity	2,969

MANUFACTURED CAPITAL

The value added by manufactured capital to other capitals is also an important consideration when investment decisions are made by the Group. This is summarised below.

NATURAL CAPITAL	HUMAN CAPITAL	FINANCIAL CAPITAL	INTELLECTUAL CAPITAL	SOCIAL & RELATIONSHIP CAPITAL
❖ Investment in LEED certified properties that has a lower energy consumption ❖ Investment in renewal energy ❖ Carbon neutral machinery	❖ Capacity expansions resulting in additional jobs - recruitment and training ❖ New / improved technology and processes - training	❖ Increased revenue and profit before tax ❖ Efficiencies resulting in cost reductions	❖ Increased visibility of brand through overseas expansion ❖ Effective and efficient processes with modern technology	❖ Addressing concerns of communities in the vicinity of our operations ❖ Enhanced capabilities underpinned by sustainability has resulted in strong relationships with customers and suppliers

Impact on Profitability

The depreciation resulting from our investments in manufactured capital amounted to Rs. 2.8 billion during the year constituting 5.8% of Group operating costs.

The Group recognises the land owned by it for the use in its business activities in its statement of financial position at the revalued amount. Such lands are revalued by independent professional valuers every five years unless there is an indication of a significant change in the market rates. All properties of the Group were revalued in 2017/2018 except for land owned by Turyaa Chennai which was revalued during this financial year and the land located in Oman which was not revalued as there is no significant variation in value after purchase date. As per the Group policy land acquired for investment purposes are recorded at Cost.

Planned Investments

The implementation of the Group's long-term strategy for growth will require continuous investment in manufactured capital in each sector. Capital commitments for the next year is projected to be Rs 11.1 billion. As normalcy is being restored, albeit gradually after the Easter Sunday terrorism attacks which shook the country, we are adopting a cautious approach to our planned investments in the short to medium term in Sri Lanka, until the economic impacts in the aftermath of the terrorist attacks are better understood. We will continue to aggressively pursue investments and expansion overseas which would assist the long term strategy for growth of the Group.

Capital Commitments as at 31st March 2019	Rs. Mn
Tourism	2,709
Maritime & Logistics	1,178
Strategic Investments	7,116
Services	114
Total	11,117

GROUP CAPITAL MANAGEMENT REVIEW

INTELLECTUAL CAPITAL

Intellectual capital is a culmination of all our capitals. The competitive edge we have gained through our brand 'Aitken Spence', our reputation and know how in the industries we represent, as well as implementing strategy effectively and efficiently to create value for all our stakeholders is due to the driving force of intellectual capital.

Strategy

- Harness intellectual capital through the expertise and skills of the senior management structure.
- Cultivating an organisational culture that drives innovation.
- Translate learnings from stakeholder engagement into sustainable business practices.
- Evaluate the security, functionality and efficiency of business processes and management systems
- Optimise information-sharing platform

Key Performance Indicators:

Tourism

Strategic Partnerships

Certifications

8 YEARS AVERAGE TENURE OF EXECUTIVE STAFF
RS. 45.6 MN INVESTMENT IN IT LED SYSTEMS & PROCESSES

Our strategic partnerships and well known hospitality brands brings synergies in terms of customer loyalty, systems & processes and tacit knowledge of our staff. Certifications in food safety, quality management systems and environmental sustainability is a hallmark of this sector.

Services

Strategic Partnerships

Certifications

6 YEARS AVERAGE TENURE OF EXECUTIVE STAFF
RS. 2.5 MN INVESTMENT IN IT LED SYSTEMS & PROCESSES

Each of our sub-sectors is strategically partnered with a global industry leader. Quality management systems are ISO certified or subject to the stringent quality audits of our strategic partners

Most Admired Companies

Top 10 Corporate Citizens

Best Corporate Citizen for Sustainability

Commitment to Research & Development

Strategic Investments

Strategic Partnerships

Certifications

7 YEARS AVERAGE TENURE OF EXECUTIVE STAFF
RS. 131.1 MN INVESTMENT IN IT LED SYSTEMS & PROCESSES

We have many certifications in service quality and safety as well as environmental and social sustainability that helps us to provide confidence to our key stakeholders.

Maritime & Logistics

Strategic Partnerships

Certifications

10 YEARS AVERAGE TENURE OF EXECUTIVE STAFF
RS. 17.2 MN INVESTMENT IN IT LED SYSTEMS & PROCESSES

Our partnerships are strategic alliances that help us to expand and grow our business. We are also ISO certified for our quality management system and environmental management system.

INTELLECTUAL CAPITAL

		18/19	17/18
Goodwill (Rs. Mn)	↑	906	853
Software (Rs. Mn)	↑	38.8	36.5
Other intangibles (Rs. 000')	↓	663	872
Average tenure (years)	–	7	7

Overview

A key driver of sustainable growth, intellectual capital benefits the Group by:

- Being a unique differentiator that helps to gain a competitive edge in the market; our brand of 'Aitken Spence', 'Adaaran' and sector brands such as 'Heritance' and 'Turyaa':
- Our reputation and industry know-how
- Enabling the Group in implementing strategy effectively and efficiently
- Creating value for all our stakeholders

A Culmination of all Our Capitals

As a collective outcome of all our other capitals, intellectual capital is vital in creating long term value for the Group. Intellectual capital is impacted by and impacts each capital of the Group.

MANUFACTURED CAPITAL

Investments such as hotels, port infrastructure, manufacturing facilities and other general infrastructure resulting in improved business processes and opportunities for operational diversification

SOCIAL & RELATIONSHIP CAPITAL

Long term relationships with key stakeholders enhances our corporate reputation and strengthens the confidence of customers and general public.

NATURAL CAPITAL

Certifications in environmental sustainability instils confidence among stakeholders of our sustainability initiatives

FINANCIAL CAPITAL

Growth in financial capital has enabled the Group to expand and diversify its many businesses while improving its processes which in turn has enhanced our corporate reputation and increased confidence among our stakeholders

HUMAN CAPITAL

Skills and experience of employees and significant investment in training and development enhances the tacit knowledge of our team which underpins operational excellence

Driving Operational Excellence

A material topic to the Group, driving operational excellence is the aspiration of each sector. Operational excellence was built through investments in certifications, customer satisfaction, processes that result in cost efficiencies & impact control and an organisational culture that promoted innovation and responsiveness to change.

Investments in certifications

Our products and services are benchmarked to international best practices and standards to offer the best solutions to our customers. All operations have implemented management systems to establish and continually improve standard processes and procedures to streamline the quality, safety, reliability and sustainability of the products/services we offer.

Driving customer satisfaction

The Group's reputation is strengthened by its brand, pioneering efforts, strategic partnerships and awards & accolades. Our reputation directly affects customer expectations and service/product excellence is a sine qua none.

Our parent brand "Aitken Spence" is cascaded across the Group as a unique differentiator to secure a competitive edge. Integrity is at the heart of "Aitken Spence" and the group safeguards its reputation by ensuring all communications are aligned and consistent with the parent brand. In sectors such as tourism, where customer loyalty is geared towards popular brands such as 'Heritance', 'Adaaran' and 'Turyaa', the respective businesses carry out initiatives to strengthen their brands.

Customers' purchasing decisions are often influenced by trademarks and the reputation such brands represent. The Group owns 58 trademarks across the sectors in Sri Lanka, India, Maldives and South Africa which are monitored by the Group secretarial division of Aitken Spence PLC.

Certifications in Environmental & Social Sustainability

ISO 14001:2015 Certified Environmental Management Systems	ISO 50001: 2011 Certified Energy Management Systems	Travelife Partner
LEED Gold Certified properties	Carbon Neutral Certification	Travelife Gold Certified Hotels
Rainforest Alliance Certification	Green Fins Accredited	Forest Stewardship Council Chain of Custody Certification
	Compliance+ Certification	

Certifications in Product/Service Quality and Safety

ISO 22000/ HACCP: 2005 Certified Food Safety Systems	Organic Certification of Sri Lanka Standards Institute	ISO 9001: 2015 Certified Quality Management Systems
Scuba Schools International Diamond Status Certification for commitment to excellence and leadership	ISO 27001: 2013 Information Security Management Systems	Platinum Certificate of Compliance – Worldwide Responsible Accredited Production (WRAP
OHSAS 18001:2007 for Occupational Health & Safety	OEKO TEX 100 Certification	Sedex Members Ethical Trade Audit (SMETA)
	Authorised Economic Operator (AEO) – from Fiji Revenue and Customs	

As a pioneer in environmental sustainability, we offer our customers products/services underpinned by certifications of high repute and initiatives to address growing trends in the market. Examples are mentioned in the following Table.

Environmentally sustainable products/ services come at a higher cost. The challenge has been on maintaining a balance between our commitment to environmental sustainability and facing demand for lower costs. With the increase in emphasis on sustainable systems worldwide, we are confident that customers seeking environmentally friendly products will increase in the coming years.

INTELLECTUAL CAPITAL

From its inception, all sectors of Aitken Spence, have formed strategic partnerships with organisations that have been instrumental in building the Group's legacy over the years. The reputation and brand of our partners backed by 'Aitken Spence' has enabled us to offer unparalleled services/products to our customers.

The awards and accolades that we have been bestowed is a testament of excellence across all spheres among the sectors that we operate and echoes the success of our management approach. During the year 2018/19 we were awarded:

- ❖ Best Corporate Citizen Sustainability Award
- ❖ Top 10 Corporate Citizens (ranked among the top 10 for an unprecedented 13 consecutive years)
- ❖ Most Admired Companies of Sri Lanka
- ❖ STING Corporate Accountability Index 2018

Please refer page 345 which has comprehensive details on awards and accolades won during the year.

First property to obtain the LEED certification outside the USA

First Carbon Neutral and LEED Gold certified printing facility in South Asia

Entered into a partnership with Ceylon Electricity Board and the Colombo Municipal Council to construct and operate a revolutionary waste-to-energy power plant in Muthurajawela

Travelife Partner certified and 'Travel Kindly' initiative to promote responsible travel options

Supporting processes, cost efficiencies and impact control

The technological platform used across the Group, policies & procedures and business processes & management systems has resulted in improved productivity and enhanced management information used as a basis for strategy formulation.

Policies and Procedures

The Group policies and procedures support Group Human Resources strengthen the systems and safeguard human rights at the workplace. This has resulted in standardisation across the Group improving processes and productivity. Our policies and procedures include the following:

- ❖ Internal control and risk management policy
- ❖ Group code of conduct
- ❖ HR policies on remuneration, benefits and communication
- ❖ Integrated sustainability policy
- ❖ IT governance policy that includes business continuity, information security and document retention
- ❖ Whistle-blowing policy
- ❖ Anti-bribery and corruption policy

Business processes and Management Systems

The Board delegates the execution of Group strategy and day-to-day management of operations to its Group Supervisory Board headed by the Deputy Chairman and Managing Director. The Board is responsible for overseeing, guiding and holding management accountable.

- ❖ Internal control and risk management process (please refer page 143 on corporate governance and page 175 on risk management)
- ❖ Financial reporting policies (please refer page 210 on Financial statements)
- ❖ Stakeholder engagement process (please refer page 50)
- ❖ Determining materiality (please refer page 56)
- ❖ Leadership development through staff conventions, HR committee meetings and subsidiary visits

Driving innovation/disruption

Our investment in research and development is essential to improve the quality of our services and products and understand trends in the marketplace. On one hand we strive to effectively manage our resources, while on the other, a culture of innovation is encouraged in all our companies.

Investing in training and development for our staff is the pathway to create skilled, experienced and technically qualified employees, industry thought leaders and experts that enables the Group to respond to a constantly changing operating environment. (Please refer page 71 on human capital – training & development).

Moving Forward

The Company is focusing greater attention to the many cross-functional teams which enable process improvements and technological advancements. The Group is driven by a clear differentiation strategy to deploy the right front-end applications which gives the ease of use and world class best practices.

This is followed by strategies for the deployment of business intelligence tools, artificial intelligence and expert systems. This includes including robotics and best ERP practices.

The company works on a 7 year and 5 year and 3 year rolling strategic digital roadmap for short-term and long-term strategy, embracing technology to reap the highest benefits for the end consumer.

A special committee has been appointed to monitor the Technological Advancements. The objective is to ensure that all sectors of the group are proactive in technological developments and use them to increase productivity and expand the business.

Another development is the establishment of Business Development Units in each subsidiary under the leadership of the respective Managing Director. These units will look in to new businesses and growth of the sectors.

Thus, by doing so we will continue to drive operational excellence in the coming years with our strategy of cultivating an organisational culture that promotes innovation, sustainable business practices and state of the art systems and processes.

To peruse a detailed list of awards, certifications as well as a list of our memberships and affiliations within industry organisations and institutions, please follow the link www.aitkenspence.com/annualreport

ORACLE ERP SYSTEM
The ERP System Of The Group

- Improved productivity and innovation by running demanding workloads securely.
- Enables decision makers to take accurate decisions in highly volatile environment conditions
- Conforms to ISO 27001:2013 that requires continuous improvement on information security management systems

INTRANET PORTAL AND HUMAN RESOURCE INFORMATION SYSTEM (HRIS)
Interlinks all subsidiaries across all sectors

- Efficiently make resources available to all employees
- Knowledge management
- Sector-wise training needs captured

SOFI ENTERPRISE SUSTAINABILITY PERFORMANCE SOFTWARE
Implemented across all our subsidiaries

- Integrated performance management for the entire value chain
- Accurate and fast reporting
- A knowledge repository of sustainable data which has become an invaluable resource database
- Ability to monitor and reduce unforeseen environmental and social risks

E-LEARNING SYSTEM
A single online platform connecting all sectors

- Enables interactive learning such as courses, discussion boards, examination gateways, leader-boards and badges
- Learning customised for each sector

TOURISM

Aitken Spence has been closely linked to the Sri Lankan tourism industry and its growth and development over the past four decades, with a growing global footprint and reputation for quality, management expertise and sustainability.

HOTELS

DESTINATION MANAGEMENT

AIRLINE GSA

SECTOR REVIEW

TOURISM

Aitken Spence is the leading tourism operator in the country with a broad presence across the value chain and operations in 4 countries supporting group synergies.
The sector delivered a profit before tax of Rs. 3.1 billion and an asset growth of 12.3% during the financial year. Strong relationships coupled with unique offerings facilitated earnings growth in a challenging operating environment.

RELEVANCE TO GROUP

47.6%
OF GROUP REVENUE

42.5%
OF GROUP PROFIT BEFORE TAX

57.3%
OF GROUP ASSETS

70.4%
OF MANUFACTURED CAPITAL

27.3%
OF HUMAN CAPITAL

Presence Along the Value Chain

Aitken Spence Hotel Holdings PLC (ASHH) is one of the leading Sri Lankan hospitality enterprises with an extensive and uniquely diverse portfolio of properties that offer unparalleled experiences to tourists. Having achieved a significant geographical spread, ASHH is now focusing on expanding its hotel management product by leveraging its stellar track record while setting sights on new destinations. Similarly, Aitken Spence Travels is undoubtedly the #1 destination management company handling over 200,000 tourists per year generating over 400,000 room nights. TUI, the joint venture partner of Aitken Spence Travels is the world's the largest integrated tourism operator in the world handling over 20 million clients which gives us extensive connectivity into source markets. Outbound travels support the travel needs of Sri Lankans who are increasingly interested in travel for leisure and entertainment. The General Sales Agency for Singapore Airlines is also a leading carrier of passenger and cargo, completing our presence along a nationally significant value chain that supports the development of the country by creating direct and indirect employment and is a key source of foreign exchange earnings. These key players in the tourism sector derive considerable synergies from mutually beneficial relationships as each one benefits from the activities of the other.

Segments

Destination Management

- Market Leader in destination management segment in the country accounting for 8.5% of tourist arrivals

Hotels

- One of the largest resort hotel chains in Sri Lanka owning and or managing an inventory of 2,857 rooms and owning and managing a portfolio of 23 properties across 4 countries

Hotel Management

- Only Sri Lankan company to manage hotels across 4 countries
- Manages 22 properties

Airline General Sales Agent

- GSA for Singapore Airlines and Silk Air in Sri Lanka
- GSA for Sri Lankan Airlines in Maldives

Aitken Spence Hotels is one of the leading Sri Lankan hospitality enterprises with an extensive and uniquely diverse portfolio of properties that offer unparalleled experiences to tourists. Aitken Spence Travels is undoubtedly the #1 destination management company handling over 200,000 tourists per year generating over 400,000 room nights.

Growing Our Business

Destination Management	Hotels	Airline GSA
Focus on increasing charter operations from the European source markets	Expand property portfolio through own growth and management of properties	Work with principal to Increase frequency of flights and enhance capacity through upgrading aircraft
Exploring new markets in North America and South America	Maintain high levels of customer satisfaction across all properties	Promotions with IATA appointed agents
Developing the luxury and sports segments through specialised teams	Develop Heritance as a premium brand	Revision of price structure to capture market share
Increase promotion of weddings, nature and adventure segments	Increase online visibility and engagement	Diversifying cargo markets and promoting dense cargo along specific routes
Increase tourism from the cruise segment	Strengthen relationships with inbound tour operators including online aggregators	Combine Scoot & Silk Air to enhance price points, driving synergies with principal
Maximise Group Synergies		

TOURISM

Operating Context

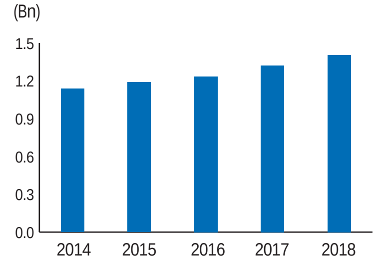
A Global View

The Travel and Tourism Sector is key to global socio-economic progress, contributing 10.8% to global GDP and 3.8% employment generation while supporting globalisation and sharing of cultures. The global tourism sector demonstrated strong growth expanding by 3.9% in 2018 outpacing global economic growth for the 8th consecutive year and reaching the 1.4billion milestone two years ahead of forecast. This was supported by growth in international tourist arrivals of 6% to 1.4 billion in 2018, healthy growth in global consumer spending and a widening base of middle-class households. China continues to be the world's largest tourism spender with the Russian Federation (+16%), France (+10%) and Australia (+9%) recording strong growth in tourism expenditure.

	Arrivals 2018 (million)	Growth %
Europe	713	6
Asia Pacific	343	6
Americas	217	5
Africa	67	6
Middle East	64	10

The global outlook for the sector remains strong with growth forecast at 3% - 4% for 2019 supported by stable fuel prices making air travel affordable, better connectivity and strong outbound travel from emerging markets. Downside risks to the forecast include global terrorism, economic slowdown, Brexit uncertainty, geopolitical and trade tensions and a "wait and see attitude" of investors.

Global Tourist Arrivals



Our Destinations

Sri Lanka: Travels & Tourism

Key Drivers	2018	2017	%
Tourist Arrivals ('000)	2,334	2,116	10.3
Expenditure (US$ million)	4,381	3,925	11.6
Graded Rooms (Nos)	24,757	23,477	5.5
Occupancy Rate (%)	72.8	73.3	(0.7)
Average Duration of stay (days)	10.8	10.9	(0.9)
Key Markets ('000)			
- India	425	385	10.4
- China	266	269	(1.1)
- UK	254	202	25.7

2018 was a year of mixed fortunes for the hospitality sector as increasing room inventory in graded hotels and growth of the informal sector led to intense competition between hotel operators on price and human resources. Rising costs and changing traveller demographics also impacted the hospitality sector earnings.

Room inventory is forecast to increase in the medium term as projects currently under construction are expected to add 6,815 rooms out of an approved 8,500 rooms. Accordingly, a coordinated country strategy is vital for sustainable growth of the hospitality sector.

Maldives: Travels & Tourism

Key Drivers	2018	2017	%
Tourist Arrivals ('000)	1,484	1,390	6.8
Resort Beds (Nos)	29,373	27,686	6.1
Occupancy Rate (%)	74.6	72.7	2.6
Average Duration of stay (days)	6.4	6.2	3.2
Key Markets ('000)			
- China	283	307	(7.5)
- Germany	117	112	4.8
- UK	115	104	10.2

Room inventory growth outpaced demand as total beds in operation increased by more than 40% since 2014 as uninhabited islands were leased to resort developers. Inevitably occupancy rates declined from 70% levels a decade ago to around 60%. Additionally, competition has intensified with adverse impacts on room rates.

Oman: Hotels only

Key Drivers	2018	2017	%
Tourist Arrivals ('000)	3,157	3,178	(0.7)
Graded Rooms (Nos)	22,182	20,581	7.8
Occupancy Rate (%)	45.2	47.3	(4.3)
Key Markets ('000)			
- GCC countries	1,472	1,587	(7.3)
- India	358	318	12.6
- UK	135	136	(1.2)

Government plans to double international arrivals by 2040 and diversify the country's offering of other avenues including MICE, ecotourism and adventure travel. A series of clusters will be developed across the Sultanate offering a variety of experiences centred on the country's culture and natural sites. Oman is poised for growth supported by investments in infrastructure and room inventory.

India: Hotels only

Key Drivers	2018	2017	%
Tourist Arrivals ('000)	11.496	10,040	14.5
Expenditure (US$ million)	31,500	27,310	15.4
Graded Rooms (Nos)	128,163	119,219	7.5
Occupancy Rate (%)	66.6	64.8	2.8
Average Duration of stay (days)	3.0	3.0	-

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

Key Risks & Opportunities

Destination Management	Opportunities	Risks
Partnership with TUI is a key strength providing access to source markets and global systems and processes that enables us to maintain a strong competitive edge in the market. Group synergies support our business model as we are able to provide unique propositions to our international clientele.	❖ Endorsements by globally reputed travel influencers ❖ Investments by international hotel brands	❖ Global terrorism ❖ Currency fluctuations and economic conditions in source markets ❖ Climate change ❖ Declining biodiversity and natural habitats

Hotels	Opportunities	Risks
Group synergies, a strong franchise and a diverse portfolio create a strong foundation for growth and buffers headwinds supporting a long-term view of the industry and our performance. A finely-honed business model supports our growth and market positioning as the leading hospitality player in the country.	❖ Increasing our global footprint through managing properties ❖ Increasing popularity of sustainable destinations ❖ Preference for experiential travelling	❖ Changing demographic profile of traveller ❖ Intensifying competition among operators and from the informal sector ❖ Shortage of skilled labour ❖ Climate change risks ❖ Global terrorism

GSA Operations	Opportunities	Risks
As the GSA for a premium carrier, our strategy is dependent on the strategy of the principal. We maintain a continuous dialogue to align strategy with perceived opportunities and threats in the market to ensure alignment with market conditions in the country. During the year we were able to enhance the capacity of outbound travel and cargo, supporting our growth.	❖ Representation of a premium carrier in Sri Lanka ❖ Increasing interest in overseas travel	❖ Competition from low cost carriers due to open skies policies ❖ Devaluation of Sri Lankan rupee increases cost of air travel ❖ Policy uncertainty and increasing taxation

TOURISM

Managing Our Capitals

Capital Description & Relevance	What we did	Impact
❖ Comprises 17 hotel properties owned by the Group ❖ Net book value of property, plant and equipment amounting to Rs.50.4 billion ❖ Depreciation Rs.1.8 billion	❖ Construction of Heritance Aarah in Maldives ❖ Female staff accommodation being built at Heritance Kandalama was completed. The purpose of this unit is to enable higher female representation at the hotel keeping in line with the target of hotels to increase female representation up to 20% by 2020.	❖ Proposed Increase in room inventory. ❖ Heritance brand presence overseas. ❖ This new unit added to Heritance Kandalama for female staff will accommodate 52 female staff members.
❖ Relationship with TUI, Singapore Airlines, Sri Lankan Airlines and hotel owners ❖ Tour operator relationships developed over 40 years ❖ Over 1,051,679 guest nights at our hotels ❖ Local suppliers and service providers benefit from our operations ❖ Relationships maintained with the network of schools, community institutions and local suppliers	❖ Forged new relationships in new source markets ❖ Nurtured existing relationships ❖ Enhanced guest experiences through insightful initiatives and service excellence ❖ Local purchasing policies/ priority to local suppliers ❖ Skills development within local service providers ❖ Local economic development/ improving skills of local suppliers ❖ Partnering with local and international universities to educate students on sustainable tourism management practices ❖ Engaging with guests through initiatives such as beach clean-ups, and Earth Day events to create awareness about individual action to protect the environment ❖ Aitken Spence Hotels continued to partner with animal welfare organisations and community members to humanely manage stray animal populations in the communities	❖ Destination management segment raised 4% of revenue from new relationships ❖ Value delivered to our customers is measured using several indicators as testimony of our excellence Trip advisor has ranked our Heritance and Adaaran brand properties with an "Excellent rating" supporting growth of our franchise. ❖ 35 chauffeur tour guides trained ❖ Sourcing over 75% of the produce and other resources (hotel properties in Sri Lanka) from local suppliers ❖ Almost 100% of the safari vehicles and 30% of the tour guides sourced from local service providers.
❖ 3,863 total employees ❖ 1,890 permanent employees ❖ 1,973 contract employees ❖ Opportunities for skill growth and economic development for local communities	❖ 1,376 new recruits to the tourism sector ❖ Skills transfer within our global operations in the hotel segment. ❖ Rs.26.1 million invested in training and development ❖ Policies for local employment	❖ 100% of employees returned after maternity leave ❖ Over 60% local employees at hotels ❖ Over 20% of the senior management at our hotels are from the local community.
❖ Rs. 28.8 billion revenue ❖ Rs. 31.2 billion equity ❖ Rs. 28.4 billion debt	❖ Invested Rs. 7.0 billion in manufactured capital	❖ Profit after tax Rs. 2,159.8 million ❖ ROCE : 7.8% ❖ Liquidity Rs. 1,733.7 million

Capital Description & Relevance		What we did	Impact
	❖ Brand ❖ 36 Certifications ❖ Rs.16.9 million worth intangible assets ❖ Average tenure of service of executive employees is 6 years	❖ Heritance brand for the first time launched in the Maldives. ❖ Focus on delighting customers ❖ Ongoing compliance with certification requirements ❖ Improved online ratings monitoring ❖ More than 150 criteria on environment, biodiversity, human rights, labour standards, social responsibility, compliance etc. monitored within the Travelife certification programme embraced at Aitken Spence Hotels and Travels.	❖ Promoting brand in an overseas tourist destination provides a significant growth opportunity for the Heritance brand ❖ Improved service excellence ❖ Enhanced cost efficiencies ❖ Stakeholders educated on environmental and social governance through the initiatives of the Group
	❖ Hotel properties located in ecosystems with high biodiversity value ❖ Destination management operation connecting guests with diverse ecosystems ❖ Conservation of 58 acres of forest area within the Heritance Kandalama hotel and another 198 acres of forest cover maintained in its pristine state	❖ Maintained operations through management systems and frameworks implemented such as the 7R mechanism to minimise if not eliminate impacts on the environment (See the intellectual capital section for details). ❖ Education provided for tour guides/ chauffeur guides on their role to preserve the natural environment ❖ Suppliers screened on environmental due diligence ❖ Aitken Spence Travels purchased United Nations Certified Emission Reduction (CERs) to offset emissions from the office operation and the owned fleet. ❖ Aitken Spence Travels also offered their services to the Pinnawala Elephant Orphanage to develop and promote responsible and ethical tourism practices. ❖ In the process of eliminating non-biodegradable items used in our processes, Aitken Spence Hotels decided to eliminate the use of single use plastics such as plastic straws at all our hotel properties. ❖ A community based initiative undertaken by Aitken Spence Travels "Travel Kindly" which is involved in a cluster of projects. One of which is the role of being a "foster parent" to an orphaned baby elephant named "Bhanu" at the Elephant Transit Home. ❖ Aitken Spence Travels also offers guests the opportunity to donate towards Bhanu's well-being and also focuses on creating greater awareness about responsible tourism through this initiative.	❖ At least 128 species of native flora, 183 species of birds, 19 species of reptiles, and 64 species of butterflies and dragonflies preserved ❖ 1,159 tonnesCO2e emissions offset from the destination management operation. ❖ 81% of the total water withdrawn was treated for reuse ❖ 100% of the waste water generated at our hotels is treated and reused. ❖ 1,738 tonnesCO2e emissions reduced and/ or offset ❖ Segregating and managing over 20 diverse types of waste resources.

TOURISM

Sector Performance

	2018/2019	2017/2018	Change (%)
Revenue (Rs million)	28,769.0	26,130.7	10.1
Profit before tax (Rs million)	3,096.4	3,120.2	(0.8)
Profit after tax (Rs million)	2,159.8	2,372.7	(9.0)
Total assets (Rs million)	71,754.0	63,921.0	12.3
Total liabilities (Rs million)	40,567.0	35,888.7	13.0
Employee benefits (Rs million)	4,585.6	4,115.4	11.4
Taxes paid (Rs million)	3,989.1	3,467.0	15.1
Foreign currency generated to the country (Rs billion)	18.6	15.6	19.2
Average occupancy	68.2	68.0	0.4
Guest nights	1,051,679	1,054,130	(0.2)
Arrivals	200,307	178,071	12.5
Number of Employees	3,863	3,720	3.8
Employee male: female ratio	6:1	7:1	-
Training hours	180,644.0	167,116.0	8.1
Investment in training (Rs '000)	26,101.0	17,204.0	51.7
Funds channelled for community development (Rs. million)	7.3	6.8	7.4
Total energy consumption (GJ)	347,121	344,255	0.8
Total energy consumed from non-renewable sources (GJ)	256,992	252,048	2.0
Total energy consumed from renewable sources (GJ)	8,189	10,082	(18.8)
Scope 1 emissions (tonnesCO2e)	18,581	18,223	2.0
Scope 2 emissions (tonnesCO2e)	17,972	18,189	(1.2)
Total amount of emissions reduced and/ or offset (tonnesCO2e)	1,861	1,842	1.0
Total water withdrawn (m^3)	1,217,337	1,156,598	5.3
Total amount of solid waste kept away from landfills			
(tonnes)	2,520.0	2,458.8	2.5
(Units)	11,649.0	29,871.0	(61.0)
(Litres, waste oil)	5,879.0	5,776.0	1.8
Total investment in sustainability driven processes (Rs. million)	14.7	31.0	(52.6)

Performance Review

The Tourism sector is the largest contributor to profits of the Group and contributed 42.5% of the profit before tax in 2018/19. The top line growth of 10.1% to Rs.28.8 billion reflects the results of aggressive promotion of the destination by the Group as we invested over Rs.250 million in promoting Sri Lanka as a destination thereby expanding source markets, leveraging relationships with tour operators and strengthening online marketing capabilities.

Profit before tax declined by 0.8% to Rs. 3.1 billion mainly due to the sector having recorded a non-recurrent profit in the previous financial year resulting from a disposal of a hotel property. Excluding this gain the profit before tax of the sector recorded a growth of 10.1%. Increase in taxation by 25.3% over last year saw the decline of 9.0% in the profit after tax being higher than the decline in profit before tax of 0.8% of the sector.

Total assets of the sector increased by Rs. 7.8 billion which was 12.3% over the previous year, due to the construction of Heritance Aarah in the Maldives, which increases the number of properties owned to 17. Sector liabilities increased by 13.0%

Aitken Spence Hotels remains committed to elevate the performance standards of the industry and management systems are maintained at the other properties to meet the same performance standards. 100% of the waste water generated at the hotels is treated and reused or safely disposed.

to Rs. 40.6 billion due to additional debt funding obtained to finance the construction of this property.

Sector revenue growth of 10.1% was supported by all three segments of the sector. Hotels segment recorded healthy revenue growth of 7.9% despite intense competition in our operating markets, with Sri Lanka and Maldives Hotels maintaining average occupancy rates of 64% and 80% respectively. This is in comparison to the average market occupancies reported in Sri Lanka and Maldives of 73% and 75% for the calendar year of 2018. The properties managed by the segment also performed above previous year's levels, reflecting increased value delivered to property owners.

Destination management segment recorded 12.5% growth in tourist arrivals over the previous financial year contributing to the growth of the country's tourism sector. The Singapore Airline GSA operation's revenue also grew over the previous year by 5.6% as we worked with our principals to increase the frequency of flights and capacity and conducted promotions together with IATA agents and hotels to increase revenue. Profitability of GSA operations in the Maldives declined as Sri Lankan Airlines reduced the frequency, capacity and the number of destinations which was a significant part of the operations. We were able to cushion the impact to some extent by managing costs.

Profit before tax of the destination management segment crossed the Rs.1 billion threshold, marking a key milestone in its annals as development of new source markets, sports tourism and luxury tourism supported the growth. The profit before tax of the Hotel segment included a gain on the sale of Hotel Hilltop amounting Rs 307.6 million in the previous year. Excluding this gain, the hotels segment recorded an increase of 40.3% in its profit before tax in comparison to the previous year. The contribution to profit before tax by the airline general sales agencies though positive has a lower impact to the overall sector due to the larger scale of operations of the destination management and hotels segments. Relationships with tour operators, principals and JV partners TUI and RIU, were key to growing market share as we outpaced industry growth, strengthening our leadership in this vital sector.

The sector continues to lead the movement for sustainable tourism, enhancing the value to key stakeholders, with a strategic focus to manage performance with environmental and social governance and sustainability as a key driver for growth. The hotels in Sri Lanka and the Maldives have embraced the Travelife certification standard meeting more than 150 criteria on social and environmental performance. Aitken Spence Hotels remains committed to elevate the performance standards of the industry and management systems are maintained at the other properties to

TOURISM

Value to Stakeholders

Value delivered to Customers	166,843 Tours and excursions handled	1,051,679 Guest nights at owned properties	Destination management division 200,307 arrivals handled during the year.
Value Delivered to Employees	Rs. 4.6 Bn in employee benefits	Rs. 26.1 Mn investment in training	180,644 training hours
Value delivered to Governments	Direct & indirect taxes paid Rs. 4.0 Bn	Foreign exchange earnings Rs.18.6 Bn	Rs.250 Mn invested in promoting Sri Lanka as a destination
Value to Business Partners	Supporting local suppliers to meet global standards	Dividends paid Rs.492 Mn	Improved performance of managed properties
Value delivered to Communities	Community based initiative "Travel Kindly"	Over 75% of produce and other resources are from the local community	Rs.7.3 Mn in funds channelled activities

meet the same performance standards. 100% of the waste water generated at the hotels is treated and reused or safely disposed. The hotels, that introduced the 7R concept of waste management to the world, manage more than 20 different types of waste through its segregated waste management mechanisms in a bid to achieve zero waste dumping. Our destination management segment, accomplished the 'Travelife Partner' status and reaffirmed its commitment to offset the emissions of its office operation and owned fleet. 1,159 tonnes CO2e emissions were offset from the operation for the year 2018/19. Singapore Airline GSA's operation strengthens the airlines commitment to Singapore Airline's Safety and Health

A broad-based presence along the value chain, group synergies, strong relationships and positive customer reviews support growth of this sector while a strong balance sheet and the performance for the year under review demonstrates the resilience and the agility of the sector, positioning it for growth.

Policy, Flight Safety Policy, Quality Policy, Security Policy and Sustainability Policy. The sector created direct income for 3,863 families and a wider, extended network of communities through its local purchasing policies. The risk and impact sensitive, long-term sustainability cognisant approach to management guides the sector to be the sought-after industry leaders they have proven to be time and time again.

Our Plans

Despite the sobering events of April 2019, we are encouraged by the resilience of the people and the swift action taken by the security forces to arrest the spread of international terrorism within the country. The country has adjusted to a new norm with strengthened security and higher levels of awareness which are prudent practices observed in many popular tourist destinations with similar issues. Destination management segment will continue to identify and develop new source markets for tourists and develop lucrative segments such as sports, luxury, cruise, adventure, weddings and conferences to increase tourist arrivals to the country. Hotels will focus on increasing online visibility and working with tour operators to increase occupancy rates as competition in the sector in Sri Lanka and Maldives is expected to remain high. Singapore Airlines GSA will continue to engage with the principal to explore opportunities for growth which is hindered at present by the grounding of the Boeing 737 straining capacity of all airlines.

Upside potential to the forecast includes Sri Lanka's rankings as the #1 destination by New York Times and Lonely Planet and, although dented, may yet yield dividends, as collective promotional efforts by the Sri Lanka Tourism Development Authority and destination management companies bear fruit. Airline connectivity also plays a key role in development of source markets and this presents a cause for concern as there are few direct flights from our target new source markets. Downside risks to the forecast include the lull in tourism that may be faced subsequent to the Easter Sunday attack and the forecasted Presidential elections and a general election or the overdue provincial council elections. We also expect employee turnover issues experienced by the entire hotel sector to continue in 2019 as graded room inventory increases straining limited talent pools.

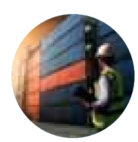
A broad-based presence along the value chain, group synergies, strong relationships and positive customer reviews support growth of this sector while a strong balance sheet and the performance for the year under review demonstrates the resilience and the agility of the sector, positioning it for growth.

MARITIME AND LOGISTICS

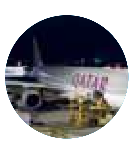
The strategic foresight which led Aitken Spence to invest in the maritime and logistics industry nearly forty years ago remains a driving force even today. The Group has become a leader in the country's maritime and logistic sector while recording many firsts in its business initiatives both locally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

MARITIME & PORT SERVICES

FREIGHT FORWARDING & COURIER



INTEGRATED LOGISTICS



AIRLINE GSA (CARGO)

EDUCATION

SECTOR REVIEW

MARITIME AND LOGISTICS

With multiple business lines offering a comprehensive range of services in maritime, cargo & logistics operations; this sector is the second highest contributor to Group profits after tax. A pioneer in the field, we have built a reputation for high standards of professionalism as we continue to nurture our legacy of trusted partnerships. Our widespread facilities, service excellence and experience add to our competitive advantages in the industry.

RELEVANCE TO GROUP

19.0%
OF GROUP REVENUE

29.2%
OF GROUP PROFIT BEFORE TAX

8.9%
OF GROUP ASSETS

8.7%
OF MANUFACTURED CAPITAL

12.4%
OF HUMAN CAPITAL

Presence Along the Value Chain

Our comprehensive range of services along the value chain provides customers with one stop shop for maritime, cargo and logistics services. This provides a significant competitive advantage as we are able to provide complete solutions to our customers by leveraging group synergies. Aitken Spence Logistics is a leading integrated logistics player in the country providing inland container terminal services, container repair, rigging and conversions, container freight stations, warehousing, third party logistics management, mobile storage solutions and distribution services, and handling of all types and sizes of cargo. Freight forwarding, courier & airline GSA for cargo is a segment of related operations comprising air and sea freight forwarding in Sri Lanka, Maldives and Bangladesh, custom house agencies, airline cargo GSA representation and courier/express business. Maritime & port services segment is one of the oldest businesses in the group consisting of shipping agency operations which cover import and export container handling services to leading container carriers in the world, handling of transshipment cargo and servicing of passenger cruise vessels, car carriers and casual callers. This segment has also moved beyond our shores to manage ports in Fiji and has a 20% equity stake in Fiji Ports Corporation Ltd which regulates the port sector in Fiji. The sector also manages cargo operations and equipment in Nacala, Mozambique. The CINEC Campus is the largest private maritime education institution in Sri Lanka offering courses in maritime-related disciplines, engineering and management ranging from vocational to post-graduate level.

Segments

Aitken Spence Logistics

- Leading integrated logistics provider in Sri Lanka
- Total Logistics area of 46 acres

Freight Forwarding, Courier & Airline GSA (Cargo)

- Air and sea freight operations in Sri Lanka, Maldives and Bangladesh, custom house agencies, representatives for international delivery networks and General Sales Agent for cargo for international airlines.

Maritime & Port Services

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

Education

- CINEC Campus - Sri Lanka's largest private maritime higher education institution.
- CINEC also manages the maritime academies in Fiji and Seychelles

Our comprehensive range of services along the value chain provides customers with one stop shop for maritime, cargo and logistics services. This provides a significant competitive advantage as we are able to provide complete solutions to our customers by leveraging group synergies.

Growing Our Business

Integrated Logistics	Freight Forwarding, Courier and Airline GSA (Cargo)	Maritime and Port Services	Education
Market penetration through competitive pricing	Work with individual networks	Improving connectivity and increasing geographical coverage	Increased the number of local degree programs offered. This was beneficial to students as the cost is less than a similar degree affiliated with an international university.
Capital investments to expand capacity	Partnerships through joint ventures with identified networks and supporting their long-term growth	Maximise utilisation and reduce idle time of containers in Colombo	Commencement of the Health and Science faculty, thereby further expanding the education curricula offered by the campus
Cost savings initiatives led by alternate energy sources and process improvements	Increase in air cargo capacity due to upgrading of passenger flights	Growth of cruise lines provides synergies with the travels sector	Increase in intake for the UGC approved degree programmes under the interest free loan scheme offered by the Government
Process improvements resulting in higher productivity and quicker turnaround in service	Secure transshipments through Colombo in collaboration with overseas freight forwarders	Secure transshipments through Colombo	Introduction of the Student Learning Management System.
Overseas expansion	Restructured businesses not performing at optimum with leaner operations and selective projects to drive profitability	Stellar track record of meeting all key performance indicators for port management	

MARITIME AND LOGISTICS

Operating Context

Global environment

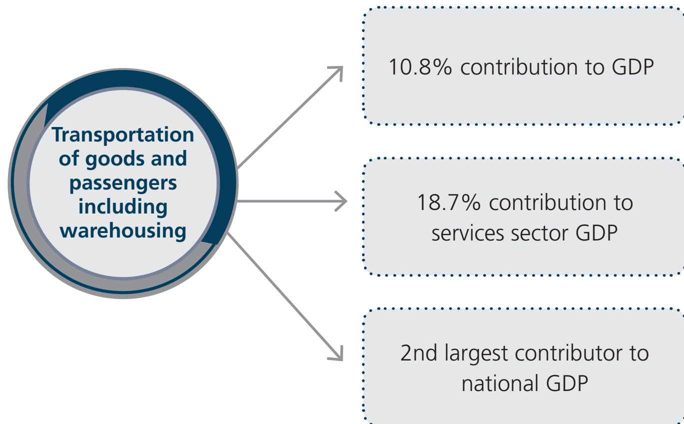
In 2018, volume increases were projected at 4% in line with 2017 levels. The outlook for global seaborne trade remains positive and volumes across all segments are expected to grow, with containerised and dry bulk commodities expected to record the fastest growth at the expense of tanker volumes. Notwithstanding, rising trade tensions between the USA and its trading partners specially China, may lead to a trade war that could disrupt recovery, reshape global maritime patterns and dampen the outlook. Freight rates have slumped owing to unpredictable Global trade environment. US-China trade war and repercussions arising from Brexit are likely continue.

Sri Lankan environment

Maritime & logistics services forms part of the services sector of Sri Lanka's economy under the category 'transportation of goods and passengers including warehousing'. The overall performance of port related activities expanded in 2018 supported by the growth of commercial operations in all the container terminals of the Colombo port. The Port of Hambantota also recorded a notable growth during the year after the SLPA and the government entered into a concession agreement with China Merchants Port Holdings Company to develop and operate the Hambantota port on a Public Private Partnership basis in July 2017. Cargo discharging, loading and cargo handling grew significantly by 121.1%, 160.1% and 131.6% respectively.

Several measures were undertaken to expand Sri Lankan ports in 2018 such as the continued construction of the East Container Terminal of the Colombo port and a National Port Master Plan which includes further development of the Colombo and Trincomalee ports. The growth momentum in the maritime services sector has led to Sri Lanka becoming the best-connected country in South Asia for maritime transportation by being ranked the 16th in the global 'Liner Shipping Connectivity Index 2018'.

Services Sector – 57.7% contribution to national GDP 2018



Maritime & Logistics

Key Drivers	2018	2017	%
Imports (TEU's '000) - Laden	648	668	(3.0)
Imports (TEU's '000) - Empty	20	21	(4.9)
Exports (TEU's '000) - Laden	290	278	4.6
Exports (TEU's '000) - Empty	385	417	(7.7)
Colombo Port			
- Container handling (TEU's '000)	7,047	6,209	13.5
- Transshipments (TEU's '000)	5,704	4,826	18.2
- Total Cargo handling (mt'000)	100,151	89,034	12.50

Education

Key Drivers	2018	2017	%
Number of Non-State Higher Education Institutions (NSHEI)	17	16	6.25
Accredited local degree programmes offered by NSHEI	122	99	23.23

Sri Lanka has been committed to providing free education from kindergarten to university from 1945. Funding and capacity constraints in the public higher education sector has opened up opportunities for the private sector to play an increasingly important role as a provider of tertiary education.

Fiji Environment

Fiji with a population of over 900,000 is the largest of World bank's Pacific Island member countries. With an annual GDP growth rate of 3% Fiji targets to achieve a GDP of USD 5.5 billion by 2020.

Mozambique environment

Mozambique has maintained an annual GDP rate of 3.10 and aspires to reach a GDP of USD 14 billion by 2020.

Key Risks & Opportunities

Integrated Logistics	Opportunities	Risks
Cost increases due to macroeconomic conditions have resulted in depleted margins as costs are not fully passed onto customers. Investment in capital expenditure necessary for our operations which are mostly imported also increased in cost. This has been partly mitigated by revenues contracted in foreign currency. We will continue to avail participating in government led infrastructure projects.	❖ Project cargo businesses for government led infrastructure projects ❖ Brand reputation and experience in the industry has enabled securing of new businesses ❖ Increased demand for 3PL services	❖ Free storage offered to shipping lines by the Port Terminal Operators ❖ Macroeconomic factors such as the depreciation of the rupee and increase in fuel prices ❖ Shortage of skilled labour

Freight forwarding, Courier & Airline GSA (Cargo)	Opportunities	Risks
As we expand our presence overseas we are constantly vigilant and monitor geopolitical risks that comes with such expansion. Our sustainable business practices have proven to be a positive influence on overseas business partners and multinationals and at the same time a challenge in the price competitive local market. However, we have forged our way in sustainability maintaining a balance where needed.	❖ Strategic regional presence strengthened through mutual beneficial relationships ❖ Work with freight forwarders in other countries to secure transshipments through Colombo leading to growth in this segment ❖ Sector sustainability practices a positive influence in maintaining relationships with overseas partners, suppliers and multinationals	❖ Macroeconomic factors such as the depreciation of the rupee resulted in higher import costs and decreasing business volumes ❖ Geo-political risks of regional expansion ❖ Capacity constraints are limited by the number of flights in the airline cargo business ❖ Fierce competition on price presents challenges to expand the sector's sustainable business practices ❖ Maintaining relationships is a key factor to secure business

Maritime and Port Services	Opportunities	Risks
Expansion of port management in the port of Colombo as well as other countries will be pursued. We will be constantly innovating our service offerings to avail ourselves of opportunities to expand our business. We are cognisant of new regulations and it will be inbuilt to our strategy as we move forward.	❖ Investment and management opportunities in the Port of Colombo ❖ Expansion of operations in Fiji to include ship building which complements the current management contract ❖ Port management in other countries	❖ New regulations for environmental sustainability will affect costs of shipping lines and impact port management ❖ Increasing the foreign ownership of shipping agencies will have a negative impact on the Sri Lankan shipping industry ❖ Development of Indian deep-water ports such as Vizingham in Kerala scheduled for completion by 2021 ❖ Cabotage law in India ❖ Merging of shipping lines ❖ Geopolitical risk

MARITIME AND LOGISTICS

Education	Opportunities	Risks
As a recognised provider of tertiary education and vocational training together with the employability of its graduates, CINEC Campus maintains its position as a leading provider of private higher education in Sri Lanka with growth potential in its overseas ventures. Being agile in addressing the changing needs of our students and the relevant industries helps us to stay ahead of our competition.	❖ Recognition - Able to conduct own degree programmes as authorised by the University Grants Commission, Sri Lanka as well as conduct degree programmes affiliated with recognised international universities. Employability of graduates. ❖ Maritime education growth in Sri Lanka. This includes vocational training for Sri Lankans travelling abroad on maritime occupations ❖ Maritime education growth potential in Fiji and Seychelles. Higher level courses once approved by the respective authorities to be the stepping stone for regional expansion	❖ Changing needs of students and the industries which requires constantly keeping abreast of current trends to maintain competitive edge ❖ The need for maritime sector regulations to be monitored effectively as there are many protocols signed with international organisations ❖ Competitors offering cheaper and shorter courses

Managing Our Capitals

Capital Description & Relevance		What we did	Impact
	❖ Comprises mainly of freehold land & buildings and plant, machinery & equipment ❖ Net book value Rs. 6.2 billion ❖ Depreciation Rs. 365.7 million	❖ Container yard development project Rs.73mn ❖ Investment in boom trucks and forklifts Rs.36.6mn ❖ Investment in reefer and GP containers for mobile storage solutions Rs. 21 mn ❖ Investment in maritime segment US$ 4mn	❖ Increased container storage space enabling handling of higher business volumes ❖ Enhanced logistics capabilities ❖ Expansion of mobile storage capacity which has an almost 100% utilisation
	❖ GSA Relationships ❖ Agents for leading shipping lines ❖ JV Partnerships for port operations ❖ Corporate customers ❖ Students at CINEC Campus ❖ Students educated through internship opportunities	❖ Relationships strengthened and built through securing new business and projects ❖ Nurtured existing relationships	❖ 15,034 Students enrolled in 233 courses ❖ 126 interns trained
	❖ 1,755 total employees ❖ 922 permanent employees ❖ 833 contract workers	❖ 466 new recruits ❖ Investment in training Rs. 14.4 mn ❖ Employee engagement initiatives ❖ Streamlined operations ❖ Selected staff covering all operations/functions trained & certified as fire fighters and first aid officers ❖ Training employees on each sub-sector's sustainability commitments	❖ Over 10hrs average training hours ❖ Increased reach of sub-sector sustainability commitments among employees ❖ Special training provided to appointed team members on safety, first aid, internal auditing for environmental management systems, Business continuity planning and Disaster risk reduction

Capital Description & Relevance	What we did	Impact
❖ Tacit knowledge of team ❖ Efficient processes with state of the art systems	❖ Real time fleet tracking system ❖ An IOT enabled mobile storage solution management system ❖ Improvements made to the transport management system	❖ Fleet tracking system ensures the security of vehicles and cargo ❖ Real time temperature monitoring of cold storage facilities ❖ Increased customer satisfaction through optimised planning and execution of operations
❖ Rs. 11.5 billion revenue ❖ Rs. 6.5 billion equity ❖ Rs. 310.0 million debt	❖ Invested Rs. 1.2 billion in manufactured capital	❖ Profit after tax Rs. 1,726.2 million ❖ ROCE : 19.5% ❖ Liquidity Rs. 1,780.6 million
❖ Consumed 103,878 GJ of energy ❖ Consumed 43,054 m^3 of water ❖ 386 tonnes, and 1,759 units of solid waste and 6,814 litres of waste oil kept away from landfill and ecosystems	❖ Generated 623 GJ from renewable energy sources ❖ 5,184 m^3 of water recycled/safely disposed ❖ Route planning for efficient fuel usage ❖ Usage of battery operated forklifts, manual trolleys and pallet trucks	❖ 129 tonnsCO2e emissions reduced/ offset through renewable energy generation and recycling paper waste ❖ Control measures implemented and monitored to prevent pollution from spills and surface runoff. More initiatives are in the pipeline for further improvements ❖ Increased employee awareness and engagement through the Logistics Eco Day carried out at all sites within Aitken Spence Logistics

Performance Review

The Maritime and Logistics sector as the second largest contributor to Group profits contributed a profit before tax of Rs.2.1 billion which was a commendable 29.2% of the Group profit before tax. The main driver for this sector is the external trade and transshipment traffic which propelled the sector to achieve a healthy growth of 11.1% in the top line to reach Rs.11.5 billion during the financial year. Improved operating margins supported a profit growth of 25.4% to achieve Rs.1.7 billion for the year as the sector continued to focus on driving process efficiencies and service excellence. It is noteworthy that the sector has achieved the Key Performance Indicators (KPI) in overseas ports management agreements for the 5th consecutive year demonstrating the value delivered to the relevant stakeholders.

The integrated logistics sub-sector performed well with its diversified portfolio of services that was able to meet challenges posed by the external environment. The container depot business was negatively impacted by the free storage offered to shipping lines by the port terminal operators. This was mitigated by focusing on the laden container storage business. The growth in the project cargo division by 68%, mobile reefer and container business by 15% with almost 100% utilisation and warehousing division by 15% with approximately 90% utilisation helped to boost profits of the segment.

In freight forwarding growth in air and sea freight volumes and a turnaround in the custom house clearing business; streamlining processes, rationalising staff numbers through natural attrition and optimising the business model, resulted in an increase in revenue and profit before tax. Airline GSA (Cargo) revenue and profit before tax increased during the year although the underlying performance of individual agencies were mixed. In one agency where we operated at a 90% load factor we were limited by capacity constraints due to a standard number of flights per week, while in another agency we did not perform at optimum levels due to unavailability of direct flights to Europe and geopolitical issues. We have been streamlining costs and adjusting to scale in our courier business as we strengthen our relationships with principals.

MARITIME AND LOGISTICS

Sector Performance

	2018/2019	2017/2018	Change (%)
Revenue (Rs million)	11,502.1	10,356.9	11.1
Profit before tax (Rs million)	2,125.8	1,758.9	20.9
Profit after tax (Rs million)	1,726.2	1,376.8	25.4
Total assets (Rs million)	11,160.4	10,209.8	9.3
Total liabilities (Rs million)	4,670.4	4,400.5	6.1
Employee benefits (Rs million)	1,733.2	1,669.6	3.8
Taxes paid (Rs million)	659.9	630.1	4.7
Foreign currency generated to the country (Rs billion)	3.5	2.7	29.6
Number of student registrations at CINEC Campus	15,034	14,942	0.6
Number of Employees	1,755	1,785	(1.7)
Employee male: female ratio	13:1	5:1	
Training hours	9,724	15,618	(37.7)
Investment in training (Rs. million)	14.4	18.9	(23.8)
Funds channelled for community development (Rs million)	1.9	6.8	(72.0)
Total energy consumption (GJ)	103,878.0	112,346.0	(7.5)
Renewable Energy Generated (GJ)	623.0	686.0	(9.2)
Scope 1 emissions (tonnesCO2e)	6,362.0	6,824.0	(6.8)
Scope 2 emissions (tonnesCO2e)	2,770.0	2,942.0	(5.8)
Emissions offset or reduced (tonnes CO2e)	129.0	146.0	(11.6)
Total water used (m^3)	43,054.0	34,503.0	24.8
Total waste water treated and reused or safely disposed (m^3)	5,184.0	5,184.0	-
Total amount of solid waste kept away from landfills			
(tonnes)	386.0	98.1	293.5
(Units)	1,759.0	1,402.0	25.5
(Litres, waste oil)	6,814.0	12,150.0	(43.9)
Total investment in sustainability driven processes (Rs million)	1.7	2.0	(15.0)

Shipping volumes and transshipments increased respectively by 16% and 14% during the year. The popularity of the hub and spoke concept in India, Bangladesh and East Africa also helped to grow business volumes. Port management fees are fixed with a penalty for failing to meet key performance indicators (KPIs). This year too, as in the past 4 years, we met all our KPIs and were not subject to any penalties.

Total assets of the sector amounted to Rs. 11.2 billion with investments of Rs. 1.2 billion during the year. Total liabilities amounted to Rs. 4.7 billion. Gearing remained at moderate levels with finance costs decreasing by 15.3% during the year.

As with the rest of the Group, sustainability underpins the performance of the sector. With the growth in business volumes and expansion of the sector we have strived to conserve energy and water and dispose of waste responsibly. Energy and water consumption has been consistent, and the sector remains committed to increase the generation of renewable energy through the installation of solar panels at the sites operated by Aitken Spence Logistics. The sector generated 623 GJ of renewable energy during the year. The sector will also strengthen the water treatment facilities. Currently, an approximated 5,184 m3 of wastewater treated and disposed to prevent pollution from surface runoff. Employees appointed as champions for sustainability priorities of the sector have been provided with focused education to fulfil their responsibilities. For example, the sector also has trained internal auditors to monitor their management systems for environmental and social sustainability.

Value to Stakeholders

Value delivered to Customers	Operates seven ports in Fiji and Mozambique	Total logistics area of 46 acres	Annual Student Registrations of 15,034 at CINEC Campus
Value Delivered to Employees	Rs. 1.7 Bn in employee benefits	Rs. 14.4 Mn invested on training	9,724 training hours
Value delivered to Governments	Direct taxes paid of Rs. 497.6 Mn	Foreign exchange generation to the country of Rs. 3.5 Bn	Indirect taxes paid of Rs. 162.3Mn
Value to Business Partners	Dividends paid Rs.382.0 Mn	Handling of transshipment cargo to synchronise trade	Investments made to offer technologically advanced services
Value delivered to Communities	Funds channelled for community development of Rs. 1.9 Mn	Employment creation of 1,755	Educating and professionally developing the youth of the country

During the year, 22 staff members of Aitken Spence Logistics were certified to handle safety and first aid. Selected representatives have been trained on business continuity planning and disaster risk reduction. A team member from Aitken Spence Cargo was selected to be trained as a trainer on Strategic Emergency Logistics through their engagement with the Asia Pacific Alliance for Disaster Management. We have contributed to the economy through creating over 1,755 jobs, payment of Rs.659.9 million in taxes and Rs.1.7 billion in employee benefits while strengthening and growing our relationships with key stakeholders had a direct impact on the successful performance of the sector. Our unwavering commitment to ensure all staff are aware of each sub-sector's sustainability commitments has been vital to ensure the positive sustainability outcomes of the sector.

Plans & Targets

Integrated logistics is geared to grow its existing businesses locally through acquisitions, and overseas through strategic partnerships. Cold room expansion and strengthening the supply chain management business are also under consideration.

Freight forwarding will expand the existing operation to cater to clients within the Export Processing Zone with a 20,000 sqft storage facility in Biyagama on our own bare land. This is expected to be completed within one year at an estimated cost of US Dollar 1 million. We are also looking at further growing our operations overseas and signing up with other airlines as their GSA's for cargo.

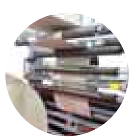
We will continue to expand our footprint in the maritime and port services sub-sector with port volumes expected to grow organically by 3.5% and transshipment volumes expected to grow by 12%.
We remain committed to expand our business while reducing our environmental footprint. The sector plans to increase the efficiency of resource use, generation of renewable energy and the treatment of waste water at our sites.

CINEC Campus will consolidate its position in the educational programmes it currently provides and identify new areas such as hospitality to broaden its base on the courses currently provided.

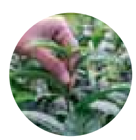
An upside to achieving our plans is being one of the leading players in the maritime and logistics industry, with synergies inbuilt by each segment, that helps us continue being a preferred partner for business. Increasing visibility of Sri Lankan ports, such as being ranked as South Asia's best-connected port and business growth due to strong relationships are also positive factors. The undisputed reputation that we have been able to build throughout the years as a proficient port operator and logistics provider would no doubt propel us to further heights as we continue to explore opportunities in the global market.

STRATEGIC INVESTMENTS

The Group's current strategic interest lie in plantations, power generation, apparel manufacture and printing and packaging. The Group ensures that such businesses are aligned with the Aitken Spence core values and are well positioned to create long term value for stakeholders.

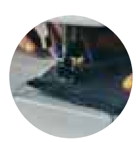


PRINTING AND PACKAGING



PLANTATIONS

POWER GENERATION



APPAREL MANUFACTURE

SECTOR REVIEW

STRATEGIC INVESTMENTS

Strategic investments comprise a cluster of companies grouped in to four segments engaged in plantations, printing & packaging, power generation and apparel manufacture. All segments collectively are among the leading players in their respective industries reflecting smart strategy and strong brand equity.

RELEVANCE TO GROUP

29.2%
OF GROUP REVENUE

24.6%
OF GROUP PROFIT BEFORE TAX

30.0%
OF GROUP ASSETS

16.9%
OF MANUFACTURED CAPITAL

58.3%
OF HUMAN CAPITAL

Our Presence

The strategic investments sector comprises of our interest in diverse growth areas of the economy which require specialised skills, knowledge and are capital intensive in nature. There is little potential for Group synergies within this sector due to its diversity. It is noteworthy that Elpitiya Plantations PLC is the most diversified out of the regional plantation companies with stable returns and continues its exploration and investment in non-commodity areas of operations such as hydro and solar power generation, commercial forestry, horticulture, nature tourism leisure activities and brand marketing. The power generation segment is one of the most broad based and innovative cluster of power generating companies which will in the near future commence commercial operations of its pioneering waste to energy power project, having already established itself as a fore runner with its thermal power plant. Printing & packaging and apparel manufacture are reputed for quality and on-time delivery in their industries which are two critical factors for success.

Segments

Plantations

- Elpitiya Plantations own 13 estates and 17 tea and rubber factories in low, mid and high elevations
- Cultivation and manufacture of tea, rubber, oil palm and other crops
- Diversified ventures in to renewable energy generation, palm oil processing, and proposed adventure theme park

Printing & Packaging

- Leading printer providing innovative and high quality solutions
- Comprehensive portfolio covering packaging,coffee table, books and magazine publications, tags and labels, seasonal products
- Offset, digital screen printing and rigid box manufacturing facilities

Power Generation

- Operates thermal, hydro and wind power plants which contribute power to the national grid
- 100 MW Thermal power capacity
- 2.5 MW Hydro power capacity
- 3 MW Wind power capacity
- Construction of proposed 10 MW waste to energy power plant

Apparel Manufacture

- Comprises three companies engaged in the manufacture of children's and men's apparel for global brands in the US and UK
- Operating since 1977 with a reputation for on-time delivery, high quality and compliance

Elpitiya Plantations PLC is the most diversified out of the regional plantation companies with stable returns and continues its exploration and investment in non-commodity areas of operations such as hydro and solar power generation, commercial forestry, horticulture and nature tourism.

Growing Our Business

Plantations	Printing and Packaging	Power Generation	Apparel Manufacture
Introduction of modern technology for agricultural and manufacturing processes	Product differentiation through sustainable driven initiatives	Focus on diversifying to renewable energy sources.	Focus on high value items based on quality
A comprehensive sustainability strategy covering programmes on water, energy, capacity building of employees and caring for the communities	Adopt new printing technologies to cater to different market segments	Expanding the business operations overseas where we would have a competitive advantage.	Drive cost effectiveness through improved operational efficiencies
Agri tourism and adventure tourism	Expanding the business operations overseas where we would have a competitive advantage.	To continue to evaluate opportunities that are available for expansion within Sri Lanka,	Comprehensive sustainability framework to support ethical manufacture
Design 2020 – the growth and transformation strategy of the company which aims to transform the company from a commodity based company into an innovative entrepreneurial company to create the maximum business and social value.	Customise printing solutions using the latest technology available to provide the varied requirements of the dynamic market.	Adopt new technologies to diversify in to sustainable forms of energy generation.	Adopt new technologies in order to be able to design and manufacture more intricate and value-added apparels.

STRATEGIC INVESTMENTS

Operating Context

Plantations

Key Drivers	2018	2017	%
Production			
- Tea (mn.kg)	303.8	307.1	(0.01)
- Rubber (mn.kg)	82.6	83.1	(0.01)
Prices (average Rs/kg)			
- Tea	581.58	620.44	(0.06)
- Rubber	309.09	336.72	(0.08)
- Oil Palm	109.2	114.4	(0.05)

Tea prices declined as production increased in Sri Lanka, India and Kenya while Rubber prices came down from Rs.314 to Rs. 275 due to lack of global demand and synthetic rubber prices declined as crude oil prices stabilised. Palm oil prices were flat due to oversupply and protectionist tariffs although a ban on new planting of oil palm will affect future growth of this key import substitution crop. Industry-wide wage increases by 40%, the highest recorded to date coupled with the removal of productivity incentives impacted overall profitability and productivity during the year.

Apparel Manufacturing

Key Drivers	2018	2017	%
Exports (US$ mn)	4,961	4,739	4.68
- US	2,269	2,140	0.06
- EUS	2,053	1,982	3.58
- Other	639	617	3.56
Capacity Utilisation in Wearing Apparel Manufacture Industry (%)	84	83	1
Forecast growth rate 2018			3.5% – 4.5%

The Apparel sector in Sri Lanka has built its success on ethical business, dependability and strong relationships, more recently reinforced using advanced technology. However, lack of preferential access other than GSP+ to EU, rising wages and lack of a fabric base and other inputs weigh down its progress towards the target US$ 8 bn by 2025. The industry is progressing towards expanding its capabilities to become a one stop destination for sourcing apparel to enhance speed to market coupled with improved logistic policy to build a vibrant sector in the country.

Power Generation

Key Drivers	2018	2017	%
Installed Capacity of Private Companies (MW)			
- Hydro	366	353	3.6
- Fuel oil	616	689	(10.6)
- Other	207	206	0.5
Electricity Generated by Private Companies (GWh)			
- Hydro	1,203	945	27.3
- Fuel oil	1,740	2,516	(30.84)
- Other	510	517	(1.35)

The number of consumers increased from 6.7 mn to 6.9 mn households while the sales by CEB and LECO grew by 5% and 3.0 respectively in 2018 reflecting strong demand factors. Power generation increased by 4% to 15,255 GWh in 2018 with hydro power generation excluding mini hydro increasing by 68.4% due to increased rainfall in the catchment areas. Consequently, fuel oil based power generation decreased by 28.1% while coal based power generation declined by 6.7% due to technical failures at the Norocholai plant. Electricity shortages in 2019 reflect the need for increased power generation capability providing significant opportunities for private sector participation, particularly in Non-Conventional Renewable Energy.

Printing and Packaging

Key Drivers	2018	2017	%
Gross National Income from Manufacture of Paper Products, Printing and Reproduction of Media Products	42,799	40,133	6.6
Printing & Reproduction of recorded media			
- Capacity utilisation (%)	96	98	(2.0)
- Index of Industrial Production	106.5	106.9	(0.03)

The Printing sector reflected dampened growth during the year as demand decreased due to subdued economic conditions that prevailed in 2018. Rapid advancements in technology also requires continuous investments to keep pace with new developments as customers demand increasingly higher quality of output although pricing needs to remain competitive due to overcrowding of the industry.

Key Risks & Opportunities

Plantations	Opportunities	Risks
In this sector, there is significant room to increase the productivity of a complex mix of land, labour and machinery. Crop diversification is a key opportunity to cater to current consumption trends. In this 150 year old industry, there is also room for mechanisation and digitisation to achieve a paradigm shift towards precision agriculture with GIS based applications. Our manufacturing processes can also be automated to a higher degree.	❖ Crop diversification ❖ Explore the potential for utilising untapped resources ❖ Expanding investment in commercial forestry and horticulture ❖ Expansion of new technology usage.	❖ Global warming and climate change ❖ Unionisation of labour ❖ Political influences within sector ❖ Uncertainty of government policy ❖ Migration of estate employees to alternative industries

Printing & Packaging	Opportunities	Risks
Operating in an intensely competitive industry requires agile strategy, a relentless focus on cost structures and service excellence. Rapid technological advancement necessitates frequent investment in potentially disruptive technologies elevating strategic risk and technology risk for players in this sector. However, a diverse and loyal clientele and a comprehensive service menu combined with a reputation for quality and sustainability provide a significant competitive advantage in maintaining market share and driving growth.	❖ Trend to long term outsourcing of services by multinationals ❖ Upward trend in demand for carbon neutral, green printing solutions ❖ Opportunities for regional expansion ❖ Increasing demand for value added printing and packaging ❖ Investing in flexible packaging	❖ Relatively high border tariffs on imported materials ❖ Increasing competition from region ❖ Rapid advances in printing technology ❖ Relatively low entry costs for small time players

Power Generation	Opportunities	Risks
The power sector operations have a single customer, the Ceylon Electricity Board and government policy is a key determinant of the growth of this sector. Aitken Spence Power has been a pioneer in the field pushing boundaries	❖ Investments in the region ❖ Growing demand for renewable energy sources	❖ Inconsistent government policy towards independent power producers and off-take agreements ❖ Impact of climate change on wind and hydro power

Apparel Manufacture	Opportunities	Risks
There is significant room in this industry to reduce the length of the supply chain and development of the country's infrastructure to support this goal is an urgent need. Strong relationships with distributors and buyers in key markets are main strengths. We continue to focus on strategies to reduce cost per minute, increase production efficiencies and earnings per minute to refine our business model with the aim of driving sustainable earnings growth.	❖ Differentiation as a socially and environmentally responsible manufacturer ❖ Sri Lanka retaining GSP+ status ❖ Development of aspiring designers in the country	❖ Intensifying competition from low cost apparel manufacturing destinations ❖ Migration of skilled workers in search of better prospects overseas ❖ Rising

STRATEGIC INVESTMENTS

Managing Our Capitals

Capital Description & Relevance	What we did	Impact
❖ Plantations: 14 Tea factories and 3 rubber factories ❖ Printing: Printing facility with offset, digital screen printing and rigid box manufacturing technologies ❖ Power: Thermal, wind and hydro power plants ❖ Apparel: 2 apparel factories in Mathugama and Koggala.	❖ Factory mechanisation and utilisation of technology to enhance resource efficiency ❖ Investments to increase renewable energy generation ❖ Construction of waste to energy power plant now approximately 70% completed	❖ Improve profitability ❖ The plantations segment hopes to enhance land productivity at least by 10% by 2025 through mechanisation and innovations used in land and crop management. ❖ Increase in power generation capacity with the diversification to waste to energy power generation
❖ Government is a key partner as the golden shareholder and lessor in plantations. ❖ The Ceylon Electricity Board is the sole purchaser of power and issuer of licenses for the power sector ❖ Customers in this segment include overseas buyers, multinationals operating in Sri Lanka, local corporates and SMEs ❖ Community is a key stakeholder for the strategic investments sector	❖ Continuous engagement with the government to facilitate balancing of stakeholder interests ❖ Structured relationship management to increase share of business from customer ❖ Platforms enabled at different levels to engage with community members and to identify needs of communities ❖ Significant funds channelled towards; ❖ Community health and welfare ❖ Enabling access to quality education ❖ Enabling access to financial support and skills development to be self sufficient ❖ Infrastructure development and enabling support services to improve quality of life	❖ Provided energy to the national grid through clean production practices and management systems aligned to international best practices ❖ Increased top line growth in printing and apparel. ❖ All employees at our apparel manufacturing facilities have been educated on fire safety and first aid as well as productivity strategies such as the 5S mechanism (7S with additional components introduced for safety and eliminating waste) ❖ Improved employee engagement and welfare ❖ 295 housing units completed at our plantations ❖ Rs. 114.7 Mn total funds channelled for community development
❖ 8,235 total employees ❖ 7,967 permanent employees ❖ 268 contract employees	❖ Ongoing capacity building initiatives through training and skills development. ❖ Focused training provided on required technical skills ❖ Investment towards employee welfare and safety	❖ Improved overall labour productivity and motivated workforce.
❖ Comprises licenses to operate, certifications, software, systems and processes, tacit knowledge	❖ Modernisation/streamlining of processes in all factories ❖ Renewed certifications ❖ Platforms enabled to share ideas for growth, innovations and to manage operational challenges.	❖ Enhanced productivity and compliance. ❖ International recognition as a preferred buyer.

Capital Description & Relevance	What we did	Impact
❖ Over 8,000 hectares of land ❖ Sites located near areas rich in biodiversity, endemic fauna and flora	❖ Planting of Tea on 22.2 acres ❖ Planting of cinnamon on 42.7 acres ❖ Planting of Oil palm on 400 acres ❖ Commercial forestry on 73 acres ❖ Installation of 04 solar plants in Apparel, Plantations during the year. ❖ Aitken Spence Printing measured the Carbon Footprint of its operations in accordance with the internationally recognised WRI/WBCSD Greenhouse Gas Protocol and ISO14064-1 Standard, and has offset its entire footprint in accordance with The Carbon Neutral Protocol through the purchase of registered carbon credits	❖ 2% increase in the generation of renewable energy within the sector from 2017/18 ❖ 4% increase in the emissions reduced/ offset ❖ 45,514 m3 waste water treated for reuse/ safe disposal
❖ Rs. 17.6 billion revenue ❖ Rs. 14.0 billion equity ❖ Rs. 14.9 billion debt	❖ Invested Rs. 3.3 billion in manufactured capital	❖ Profit after tax Rs. 1,688.9 million ❖ ROCE : 8.0% ❖ Liquidity Rs. 5,650.4 million

Performance Review

The Strategic Investments sector accounts for 24.6% of Group profit before tax and 30.0% of its total assets. All four segments contributed in varying degrees to the bottom line enabling this sector to deliver an exceptional performance,by focus on driving operational efficiencies through sustainability initiatives.

The revenue of the strategic Investments sector declined primarily due to lower capacity utilisation of the thermal plant, declining prices at tea auctions and the moderation in demand from the FMCG's in printing & packaging segment despite a 25.2% increase in revenue from the apparel segment.

The sector recorded a 40.2% growth in its profit before tax to reach Rs.1.8 billion for the year, despite the marginal revenue drop of 5.3% the impact of which was minimised to a great extent through higher operational efficiencies and cost control strategies that were successfully implemented. The most significant improvement in performance was noted from the apparel manufacturing segment which continued its strategy of cost containment and efficiency improvement whilst focusing on producing high value garments to global fashion brands. The power generation segment was also able to marginally improve on its performance. Plantations segment made a positive contribution to the bottom line despite the industry-wide decline in tea prices and wage increases of 40% although inevitably profits declined compared to the previous year.

Due to the significant increase in the cost of inputs, the depreciation of the Sri Lankan rupee and the reduced demand mainly from the FMCG sector, the printing and packaging segment recorded a comparative decline in its performance.

A strong sustainability focus drives the performance of this sector through high levels of awareness of its strategic importance to its operations. It is a strategic differentiator enhancing value to customers underpinned through social and environmental certifications and compliance as well as a key driver for improving the bottom line through responsible consumption and minimising waste. This is also a sector that is vulnerable to climate change impacts as both plantations and power generation segments are directly impacted. Recognition of its vulnerabilities drives continuous improvements within the entities in this sector to diversify revenue sources and adopt international best practices for their operations.

Plans & Targets

The waste to energy project constructed by the power generation segment is planned to be operationalised towards the end of the financial year 2019/20, We will continue to drive growth with appropriate technology to further diversify our non-conventional renewable energy

STRATEGIC INVESTMENTS

Sector Performance

	2018/2019	2017/2018	Change (%)
Revenue (Rs million)	17,613.0	18,602.2	(5.3)
Profit before tax (Rs million)	1,791.6	1,277.7	40.2
Profit after tax (Rs million)	1,688.9	1,246.1	35.5
Total assets (Rs million)	37,560.2	29,207.3	28.6
Total liabilities (Rs million)	23,549.1	16,755.5	40.5
Employee benefits (Rs million)	2,028.3	1,874.9	8.2
Taxes paid (Rs million)	369.5	402.9	(8.3)
Foreign currency generated to the country (Rs billion)	4.5	3.7	21.6
Number of employees	8,235	8,120	1.4
Employee male:female ratio	0.6:1	0.5:1	
Training hours	22,340	23,224	(3.8)
Investment in training (Rs '000)	6,063	6,604	(8.2)
Funds channelled for community development (Rs. million)	114.7	118.3	(3.0)
Total energy consumption (GJ)	232,730.0	222,308.0	4.7
Total energy consumed from non-renewable sources (GJ)	59,401.7	46,976.0	26.5
Total energy consumed from renewable sources (GJ)	173,328.0	175,331.0	(1.1)
Scope 1 emissions (tonnesCO2e)	254,490.0	344,935.0	(26.2)
Scope 2 emissions (tonnesCO2e)	7,131.0	6,176.0	15.5
Total amount of emissions reduced and/ or offset (tonnesCO2e)	26,577.0	25,467.0	4.4
Total water withdrawn (m^3)	117,962.0	106,900.0*	10.3
Amount of waste water treated for reuse or safe disposal (m^3)	45,514.0	39,657.0	14.8
Total amount of solid waste kept away from landfills			
(Tonnes)	5,322.0	1,772.0	200.3
(Units)	5,762.0	711.0	710.4
(Litres, waste oil)	509,116.0	666,600.0	(23.6)
Total investment in sustainability driven processes (Rs. million)	131.0	58.1	125.5

** The total water withdrawn for the Strategic Investments sector for the year 2017/18 has been restated due to a miscalculation in recording*

mix, reducing the impacts of climate change while supporting preservation of the environment. Government policy has a significant impact on the power generation segment as its ability to grow depends on the future plans of the Ceylon Electricity Board and relevant ministries.

Plantations will focus on delivering several initiatives under its corporate strategy which comprises of three main strategic elements, i.e. Agricultural & Processing strategy, Sustainability strategy and Design 2020 strategy. Crop diversification, forward integration opportunities, renewable energy generation, development of adventure and ecotourism areas, enhancing productivity of land and labour, usage of new technology such as field equipment, factory automation, GIS based applications, ICT usage in processes etc., whilst enhancing the well-being of its resident communities would have a beneficial impact on the segment's future profitability. The ban this year on replanting of oil palm is a setback to expansion plans of the segment. We welcome the removal of the ban on usage of glyphosate, which would now enable the growth of the tea industry, although to totally reverse the adverse impact created by the ban on the tea industry would take a considerable period.

Regulation of inputs and labour union activities of the plantation segment has had significant impact on its growth over the past few years and will remain an issue moving forward. While appreciating the requirement for regulation, we believe that a consultative approach will provide a wider perspective of the issues in the

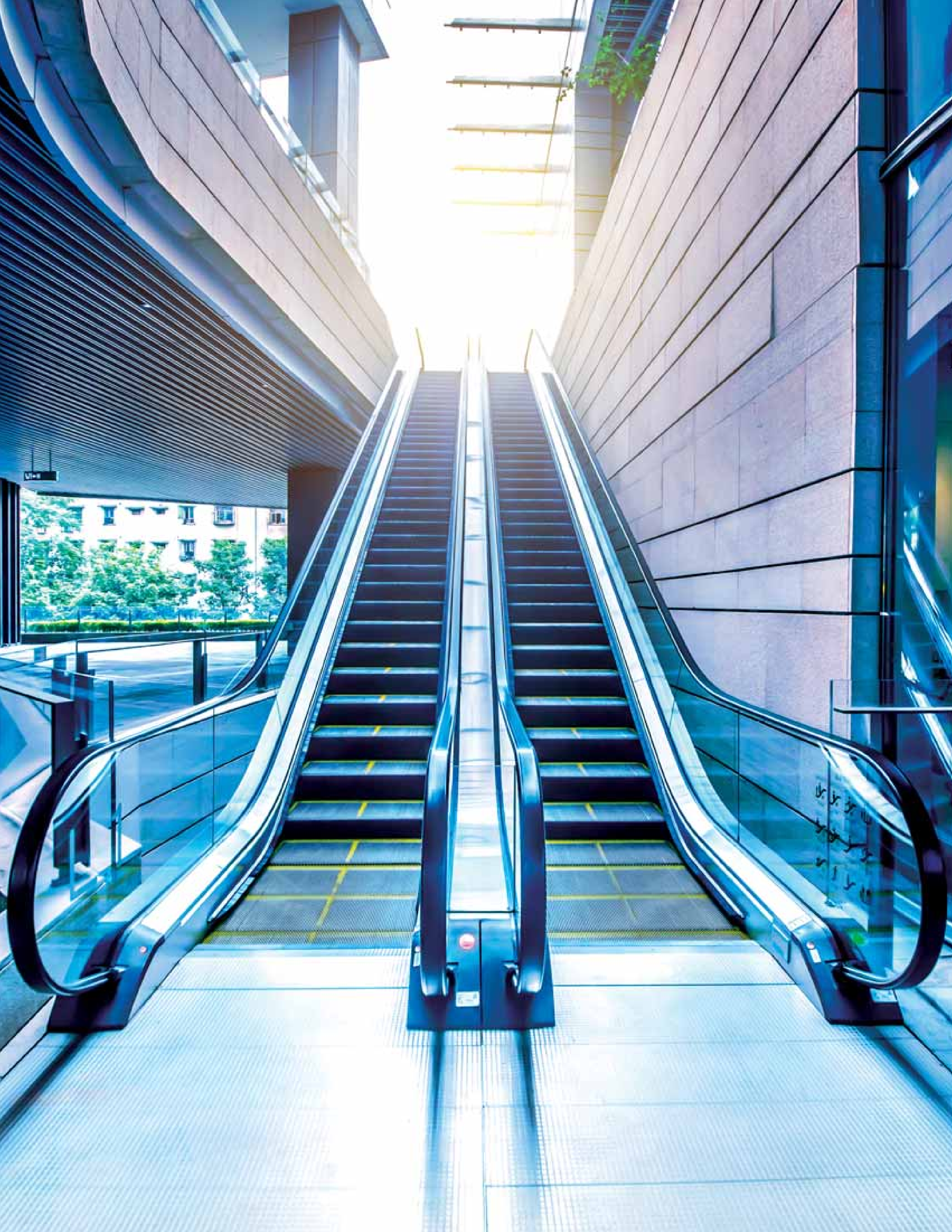
Value to Stakeholders

Value delivered to customers	Generated 408.1 GWh of electricity	Produced' 000 Kg Tea - 4 517 Palm Oil-17,087	> 5,.2 Mn pieces of high value apparel
Value Delivered to Employees	Rs.2.0 Bn in Employees benefits	Rs. 6.1 Mn investment in training	22,340 training hours
Value delivered to Governments	Foreign Exchange earnings Rs. 4.5 Bn	Taxes Paid Direct Rs. 144.0 Mn	Taxes paid indirect Rs 225.6 Mn
Value to Business Partners	Rs.217.9 Mn dividends to JV partners	On-time payments to suppliers	Reliable, high quality green production
Value delivered to Communities	Rs.114.7 Mn invested in developing communities and social welfare	Ongoing projects to care for elderly and disabled in plantations	295 units of housing constructed/ maintained

plantations industry leading to sustainable solutions that consider the economic, environmental and social impacts to the industry.

The apparel manufacturing segment will continue to focus on increasing the value addition in garments and strengthening relationships with global fashion brand owners. Initiatives to improve cost per minute metrics will focus on reducing indirect to direct carder ratios, improved production planning methodologies and streamlining processes. Planned capacity expansion in the Matugama factory will also support top line growth and improved absorption of fixed overheads. The segment will also maintain management systems to enhance social and environmental governance within its manufacturing procedures.

Forecasts of macroeconomic indicators point to moderation in consumption patterns which may impact the printing & packaging segment. Widening our offering of services and increased focus on customer acquisition is expected to support top line growth through improved capacity utilisation. Additionally, restructuring of our operations undertaken during the current financial year and continuous focus on streamlining processes and costs will support growth of the bottom line.



SERVICES

The sector offers services in the construction industry in the form of property management, supply and servicing of elevators and escalators, has operations in financial services where it provides money transfer facilities and act as an insurance agent for leading service providers including Lloyds of London.

MONEY TRANSFER SERVICES

ELEVATOR AGENCY

INSURANCE

PROPERTY MANAGEMENT

SECTOR REVIEW

SERVICES

The services sector caters to niche markets in money transfer services, elevator agency, insurance consultancy services and property management. In a year of relatively subdued economic growth, the sector delivered profit before tax of Rs. 268.9 million on a revenue of Rs. 2.5 billion, while recording an asset growth of 10.1%. Global franchises and service excellence combined to drive growth in this sector which supports fund transfers, construction and trade.

RELEVANCE TO GROUP

4.1%
OF GROUP REVENUE

3.7%
OF GROUP PROFIT BEFORE TAX

3.8%
OF GROUP ASSETS

4.1%
OF MANUFACTURED CAPITAL

2.0%
OF HUMAN CAPITAL

Our Presence

We represent world renowned principals in several businesses of which some relationships have been nurtured over decades, facilitating mutual growth.

The Group's interests in the Services sector focus on key thrust areas that support the country's long term economic growth agenda. Services offered to the construction industry seek to underpin Sri Lanka's goal to become an economic hub in the region. Meanwhile, the Group's interest in financial services aims to bring greater prosperity to the masses, enabling Sri Lanka to reach the goal of becoming a middle- income economy in the near future.

All businesses under the Services sector operate with minimum investments in manufactured capital, with the sectors' assets accounting for only 3.8% of the Group assets. However, positioned in key high- growth sectors of the economy, the Service sector has continued to grow year-on-year for the past few years.

Segments

Money Transfer Services

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

Elevator Agency

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

Insurance

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

Property Management

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

Our long-standing relationships with our principals and industry reputation together with service excellence was key to business continuation and has led to new and strengthened relationships as agents.

Growing Our Business

Money Transfer Services	Elevator Agency	Insurance	Property Management
Expanded to the outward remittance market for expatriate workers resident in Sri Lanka. The only Central Bank approved non-bank institution able to provide outward remittances.	Brand, energy efficiency and safety features remained the cornerstone of OTIS elevator operations.	Acquiring the agency of a leading marine survey claims consultancy services provider	Provision of a one of the most ergonomic and aesthetically designed commercial office spaces
New product introduced where inward remittances can directly be credited to a bank account	Planning to promote complementary systems like Elevator Management System (EMS) and fingerprint readers etc., to enhance security features and increase the demand for elevators	Experience and high level of competency that underpins global underwriters' confidence together with long standing relationships	Adoption of comprehensive security measures for the safety and well-being of tenants.

SERVICES

Operating Context

The services sector accounts for over 57.7% of the economic activity of the country and recorded growth of 4.7% in 2018. The Group's services sector is in focused segments of the overall services sector and is dependent on the following key drivers for growth.

Inward Money Transfers

Key Drivers	2018	2017	%
Inward Remittances			
- US$ million	7,015	7,164.0	-2.1
- Rs. million	1,138.1	1,092.0	4.2

Workers remittances in dollar terms declined by 2.1% in 2018, a continuation of the trend observed in 2017. A subdued global economy and geopolitical uncertainties in the Middle East have contributed to a decline in the income levels of source countries, indirectly affecting the remittance market.

Elevator Agency & Real Estate

Key Drivers	2018	2017	%
Construction Sector (% of GDP)	6.8	7.2	(0.1)
Construction Sector Growth (%)	(2.1)	4.3	(51.2)

The construction sector contracted by 2.2% in 2018. The slowdown was mainly attributed to the subdued performance of large scale construction activities related to infrastructure development projects during the year. Delays in several government led infrastructure projects, rupee depreciation which affected raw material costs and labour shortages also had a near term negative impact on the sector. .

Insurance

Key Drivers	2018	2017	%
Imports (Rs. billion)	3,607	3,199	12.8
Exports (Rs. billion)	1,934	1,732	11.7

The insurance sector is greatly reliant on external trade and foreign direct investment (FDI) to generate business volumes. Increase in both export and import trade during the year have boded well for the industry.

Key Risks & Opportunities

Inward Money Transfers	Opportunities	Risks
With several commercial banks becoming agents of Western Union during the year and the resulting decrease in our market share, we are looking at expanding our product portfolio and are continuously looking at increasing our reach by providing value to our customers. There are opportunities for growth through digital solutions, networking through micro-finance companies and reaching the customer at the door-step which are under review at present.	❖ Cost efficiencies and instantaneous credit ❖ A wide network spanning 200 countries and territories and 550,000 locations worldwide ❖ A regional network of 2,200 agents in Sri Lanka ❖ Growth of skilled migrant workers with higher earnings ❖ Digital solutions such as mobile apps facilitating wallet to wallet transactions	❖ Working exclusively for one principal ❖ Competition posed by the banking industry ❖ Geopolitical climate in key source markets

Elevator Agency	Opportunities	Risks
With the construction industry set to expand with several government led infrastructure projects, the OTIS agency faces opportunities for growth. However, there are challenges in attracting labour to the industry and a lack of skilled resources with expertise on high rise buildings. Employee engagement of current staff and sourcing labour from overseas markets have helped to mitigate this risk. Collaborating on projects with acceptable margins backed by the safety and quality of our equipment have ensured our competitiveness.	❖ Increased preference for condominium style living ❖ 'GREEN' Otis elevators ❖ Government focus on infrastructure and industrial developments ❖ Increase in residential properties including government low cost housing projects ❖ Exposure of local teams to new technology of projects partners	❖ Lack of skilled human resources ❖ Fierce price competition ❖ Macroeconomic conditions – fluctuation of the rupee

Insurance	Opportunities	Risks
Our reputation for maintaining high standards for quality of reporting, reliability and efficiency enables us to represent a prestigious network of principals in a niche market which enhances our visibility. By providing services to both the Sri Lankan and Maldives market we have expanded our services within the scope of regulatory frameworks. We constantly strive to attract and retain new talent in an industry which serves a niche market and where development opportunities are restricted.	❖ Standardised inspection procedures within the region ❖ Government focus on infrastructure and industrial development ❖ Expansion of global and local trade	❖ Limited scope for expansion within the regulatory framework ❖ Climate change ❖ Price competition ❖ Dependence on external trade and FDIs to generate business volumes ❖ Difficulty in attracting skilled human resources

Property	Opportunities	Risks
Owning and managing 195,784 square feet of office space at Aitken Spence Towers, Vauxhall Street Colombo. The segment lays claims to one of the most sought out commercial spaces in Colombo	❖ The location owned by the segment at the heart of the commercial capital of the country, with ease of accessibility ❖ In built state-of-the-art technological features and building management systems	❖ The vulnerabilities associated with terrorism, riots etc. that could affect commercial capitals.

SERVICES

Managing Our Capitals

Capital Description & Relevance	What we did	Impact
❖ Agents for leading principals in several different business lines with relationships nurtured over decades ❖ Local agents relating to money transfer services ❖ A service to migrant workers ❖ Subcontractors of the agency business ❖ Relationships with insurance companies and aid agencies ❖ Regulatory authorities and government	❖ Expanded the money transfer network to 2000+ locations through a network of sub-agents ❖ Conducted financial literacy programs for migrant workers in partnership with the Foreign Employment Bureau ❖ Money transfer services agents are provided training and their efforts rewarded ❖ Promotions and prizes are extended to remittance originators and receivers ❖ New products such as 'direct to bank account' developed for inward remittances ❖ Appointed as agent for a leading marine and transit claims consulting firm ❖ Subcontractors adherence to stringent safety standards of OTIS ❖ •Labour standards and human rights at the workplace strengthened through continual improvements ❖ Relationships maintained with the immediate community within 5 to 7km radius of the corporate head office.	❖ Consolidation of position as the leading provider of ancillary services to the marine, cargo and hull industry ❖ Higher business volumes reported for marine cargo survey services which relies heavily on the recommendations of overseas principals ❖ Maintaining loyalty of local agents ❖ Building trust with potential customers such as migrant workers ❖ Empowering migrant workers to be financially independent
❖ 280 total employees ❖ 227 permanent employees ❖ 53 contract employees	❖ 42 new recruits ❖ Investment in training Rs. 424,000 ❖ Employee engagement initiatives ❖ 375 staff trained	❖ 100% of employees who returned after maternity leave ❖ Employee turnover of 13.6% ❖ 3,041 training hours
❖ Tacit knowledge of team ❖ Experience and qualifications of staff	❖ Ongoing compliance with certification requirements	❖ Successful audits conducted by principals
❖ Rs. 2.5 billion revenue ❖ Rs. 2.9 billion equity ❖ Rs. 392.0 million debt	❖ Invested Rs. 75.2 million in manufactured capital	❖ Profit after tax Rs. 196.4 million ❖ ROCE : 9.7% ❖ Liquidity Rs. 525.2 million
❖ Net book value of Rs. 2.9 billion in property, plant and equipment ❖ 195,784 sq. ft of commercial office space	❖ Safety systems and regulatory compliance of the building ensured through manual and automated building management systems at Aitken Spence Towers	❖ Internal environmental inspections conducted routinely ❖ Fire drill conducted
❖ Environmental management systems maintained	❖ Management of waste through the 7R principal ❖ Polythene sheets and cardboard boxes used to serve lunch for employees at the 'Diamond Room' restaurant at Head Office were eliminated by switching to a buffet. ❖ Waste management suppliers screened for social and environmental compliance ❖ Monitoring use of energy and water	❖ 16% reduction in the consumption of water at the corporate head office ❖ 8.62 tonnes of paper waste recycled with an overall reduction observed in the generation of paper waste

Sector Performance

	2018/2019	2017/2018	Change (%)
Revenue (Rs million)	2,501.8	1,901.3	31.6
Profit before tax (Rs million)	268.9	241.0	11.6
Profit after tax (Rs million)	196.4	153.9	27.6
Total assets (Rs million)	4,745.6	4,308.4	10.1
Total liabilities (Rs million)	1,805.9	1,607.5	12.3
Employee benefits (Rs million)	392.7	384.5	2.1
Taxes paid (Rs million)	167.9	190.4	(11.8)
Foreign currency generated to the country (Rs billion)	21.6	22.6	(4.4)
Number of agents	2,200	2,000	10.0
Number of employees	280	283	(1.1)
Employee male: female ratio	8:1	9:1	
Training hours	3,041.0	3,989.0	(23.8)
Investment in training (Rs '000)	424.0	4,296.0	(90.1)
Total energy consumption (GJ)	11,996.0	10,898.0	10.1
Scope 1 emissions (tonnesCO2e)	155.0	144.0	7.6
Scope 2 emissions (tonnesCO2e)	2,012.0	1,817.0	10.7
Waste disposed (tonnes)			
tonnes	18	27.1	(33.6)
Units	2,022.0	3,283.0	(38.4)
Water usage (m3)	34,036.0	40,388.0	(15.7)

Performance Review

The sector revenue grew by 31.6%. This was supported by 11.0% revenue growth in the insurance segment where marine cargo survey services reported higher volumes and a notable increase was seen in the hull class. The revenue of the elevator segment grew by 68.9% owing to the execution of the confirmed orders received during the previous year. With the reduction in FDI to the country and the economic uncertainty there was a decline in the number of elevators sold during the year. Money transfer services revenue declined by 12.8% with the loss in market share due to several premier commercial banks becoming Western Union agents during the year.

The profit before tax increased by 11.6 % to record a profit of Rs 268.9 million which was mainly contributed by healthy growth in profits from the property management and insurance segments. The elevator agency and money transfer segments recorded declines in profit before tax for the period; increasing costs of imports due to a depreciating rupee not being fully passed onto customers affected margins of the elevator agency segment while the intense competition experienced in the money transfer business affected the volumes recorded for the year. The Group during this financial year decided to exit from its investment in nanotechnology. Though still positive of the potential of nanotechnology, the Group feels that the Sri Lankan market is still not geared to embrace nanotechnology based surface coating products marketed by this segment.

Total assets and the liabilities of the sector increased by 10.2% and 12.3% respectively. Finance expenses, which more than doubled during the year were the result of additional financing requirements of the elevators segment.

The services sector contributed to the economy by providing 293 jobs, payment of Rs. 167.9 million in taxes, Rs. 392.7 million in employee benefits. Our long-standing relationships with our principals and industry reputation together with service excellence was key to business continuation and has led to new and strengthened relationships as agents. The nature of services provided by the sector has had a low environmental footprint. However, we have continuously strived to reduce our energy and water consumption and dispose of waste responsibly.

SERVICES

Value delivered to Customers	Island wide network facilitating ease of money transfer	151 Elevators installed	Timely intervention in claim assessments
Value Delivered to Employees	Rs.392.7 Mn in employee benefits	Rs.424,000 investment in training	3,041 training hours
Value delivered to Governments	Foreign Exchange generated by the sector to the country of Rs. 21.6 Bn	Taxes Paid Rs. 167.9 Mn	Compliance with laws and regulations
Value to Business Partners	Facilitated income generation	Reliability and high quality of service	Accurate and credible risk assessments
Value delivered to Communities	Facilitating the repatriation of foreign earnings to Sri Lankan communities	Facilitating urban living	Facilitated risk management

Plans & Targets

Money transfer services

The extension of Western Union services to several commercial banks is expected to continue to erode our market share of the remittance business. Diversification of revenue streams and expanding the current service offering through product innovation are key areas of focus as we move forward to compensate for the declining market share.

Elevator Agency

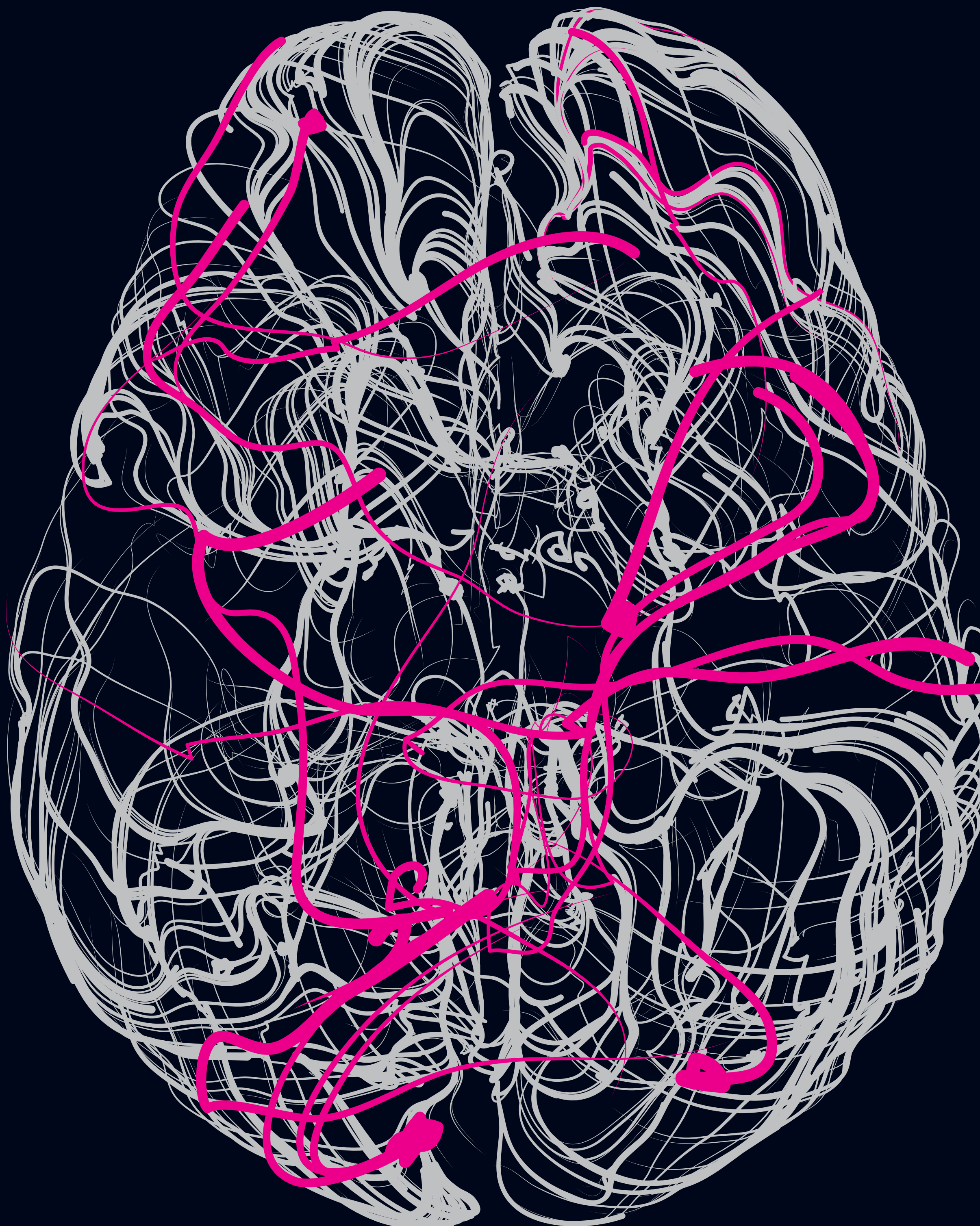
Our aim is to become the most preferred elevator company and to increase the number of units installed by doubling the present number in the next five years.

Insurance

We will be looking at increasing our presence in Maldives with the expectation of more projects coming our way.

Property Development

We will be focusing on strengthening the Building Management System by engaging with key stakeholders to identify areas for improvement and building capacity within all key stakeholders.



TRANSPARENT, EFFECTIVE POLICIES

Governance and Risk | Committee Reports

CORPORATE GOVERNANCE

Chairman's Message

As one of the country's oldest and most respected corporate groups, Aitken Spence PLC inherits strong governance frameworks, structures and processes and a culture of professionalism and fair play. This has underpinned our growth to become one of the leading blue-chip conglomerates with a global footprint. The Board continues to nurture our legacy, a framework based on five key principles which I have described below as a prologue to the Governance Report.

Leadership

The Board bears ultimate responsibility for the performance of the Group and is accountable to the shareholders who appoint the directors. We discharge our responsibility by providing guidance for formulation of an appropriate strategy that integrates financial, economic, social and environmental performance and setting in place a comprehensive governance framework to enable effective oversight of the operations of the Group and provide guidance to the executives who manage the day to day operations. The governance framework comprises an organisation structure, a comprehensive policy framework, reporting mechanisms, internal controls and risk management processes designed to facilitate clear definition of roles and responsibilities, accountability, measurement and management of key variables and performance. Increasing levels of automation and integration of non-financial measures present both opportunities and risks and the Board continues to focus on the same to ensure that our strategy and governance frameworks are fit for purpose in the current operating context.

Culture & Ethics

Our culture is shaped by the Group's Code of Ethics which articulates the standards of conduct expected of Directors and employees. This is also reviewed and updated from time to time to ensure it is fit for purpose in a rapidly evolving business environment. It enshrines principles of equal opportunity, inclusivity, integrity and fair play to create a workplace that is conducive to high performance, innovation and teamwork. Gender equality is a key area for the Group as we shift gears to encourage women to move beyond traditional roles in alignment with the country's focus on improving female participation in the labour force.

Culture is also shaped by our behaviours. We are extremely fortunate to have a mix of long serving employees and professionals who challenge the status quo to find the positive behaviours and introduce new perspectives, ensuring that our culture stays relevant to the current times. A strong mentoring culture also supports the passing down of wisdom that comes with experience, drawing the lines and defining boundaries of expected behaviours.

Risk Management & Internal Control

Ensuring that a robust system of internal controls and risk management processes is a key responsibility of the Board and we are assisted in this by the Audit Committee due to the time, focus and effort required. The Board determines the level of risk that it is willing to accept in pursuing its strategic objectives and regularly reviews risk assessments provided by SBUs to ensure alignment.

GROUP'S CODE OF ETHICS

- Principles of conduct
- Financial Conflicts
- Self-Dealing
- Business Conduct & Ethics
- Conflicts of Interest
- Confidentiality
- Fair Dealing
- Compliance with Laws, Rules and Regulations
- Encouraging Reporting of any Illegal or Unethical Behaviour

Group Internal Audit supports the Audit Committee and the Board in regularly reviewing the efficiency and effectiveness of internal controls. A whistle blowing policy reinforces these processes, providing a direct communication line for employees to report in good faith any genuine suspicions of fraud, bribery or malpractice. The policy provides for anonymity and protection of the reporting employee.

Accountability

The Board goes beyond regulatory requirements to provide stakeholders with a balanced and comprehensive account of the financial position, performance and prospects of the Group. This Annual Report complies with the requirements of widely accepted standards, codes and frameworks which have been voluntarily adopted to ensure that our corporate reporting is in line with international best practice. Our sign off processes ensure that the report provides a balanced review of the Group's performance with high levels of transparency.

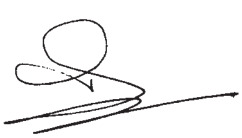
CORPORATE GOVERNANCE

Shareholder Relations

We maintain regular communications with shareholders through quarterly reporting, annual reporting, announcements to the CSE, press releases and a dedicated page of our website for investor relations. The Annual General Meeting is the main platform for communicating with the shareholders and we urge all shareholders to participate at the same. Shareholders are also able to contact the Company Secretaries directly or through the Registrars during the year on any urgent matters.

COMPLIANCE

On behalf of the Board of Aitken Spence PLC, I declare that the principles of good corporate governance are applied consistently across the Group and that the Corporate Governance Report provides a fair account of corporate governance practices within the Group. I am also pleased to report that the Group complies with the relevant provisions of the Code of Best Practice of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. As required by the Code, I hereby confirm that, I am not aware of any material violations of any of the provisions of the Group's Code of Ethics by any Director or employee of the Company.



Deshamanya D.H.S. Jayawardena
Chairman

Colombo
24th May 2019

Framework and Structure

The Board has set in place a governance framework and structure appropriate to the Group's size, nature, complexity and risk profile. These are periodically reviewed when necessary, to adapt and to keep abreast with the developments both internally and externally and to reflect best practices that are meaningful, relevant and focused on corporate growth.

The Governance framework is bound by external regulations and internally formulated policies, that define how we do business.

EXTERNAL COMPLIANCE FRAMEWORK

MANDATORY

- Companies Act No.7 of 2007,
- Listing Rules of the Colombo Stock Exchange (CSE),
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended),
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995,
- Customs Ordinance No. 17 of 1869,
- Foreign Exchange Act No. 12 of 2017,
- Industrial Disputes Act No. 43 of 1950,
- Shop and Office Act, Industrial Disputes Act, Employees' Provident Fund Act, Employees' Trust Fund Act, Payment of Gratuity Act, Maternity Benefits Ordinance, etc
- Inland Revenue Act No. 24 of 2017.

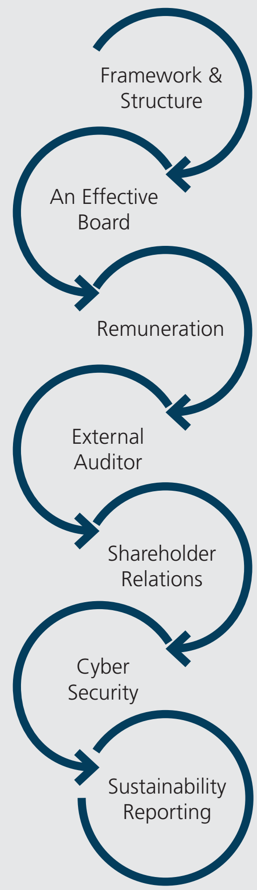
VOLUNTARY

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017,
- United Nations Global Compact,
- Women's Empowerment Principles,
- Management Systems (Environment & Social),
- Integrated Reporting Framework,
- Global Reporting Initiative Standards,
- Codes of regulatory authorities, professional institutions and trade associations.

Compliance with provisions of the Listing rules of the Colombo Stock Exchange (CSE) and principles adopted under the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017, are disclosed on pages 156 to 161.

CORPORATE GOVERNANCE REPORT 2018/19

Our Corporate Governance Report has been arranged under the following headings which is aligned to the focus areas of the Code of Best Practice on Corporate Governance.

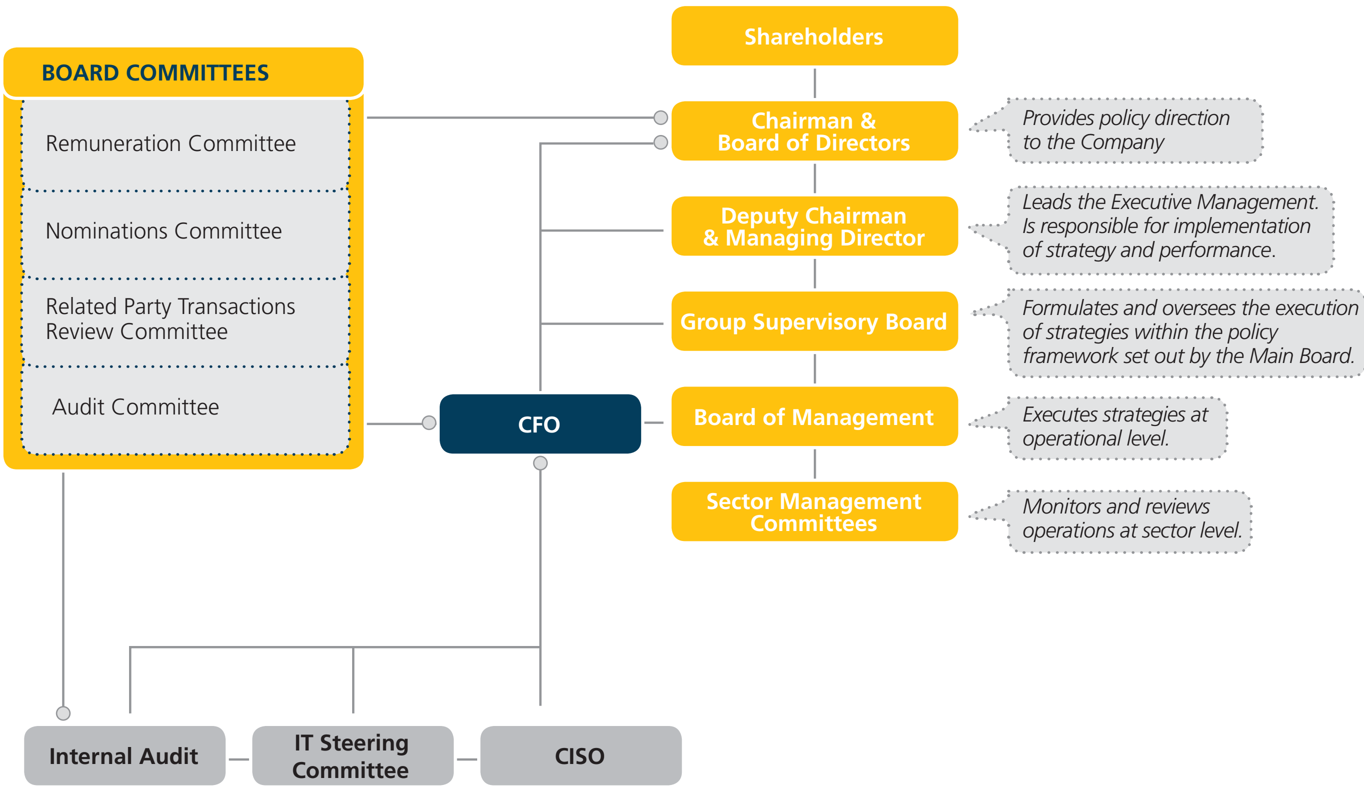


It is supported by the following:

- Appendix I: Compliance with the Code of Best Practice on Corporate Governance – Page 156
- Appendix II: Compliance with Listing Rules of CSE – Page 160

CORPORATE GOVERNANCE

Governance Structure



The Board of Aitken Spence PLC appointed by the shareholders, is the highest decision-making authority. It has overall responsibility for determining the strategic direction of the Group, providing leadership, managing risk and setting in place a sound governance framework.

At Aitken Spence, we believe that effective governance is realised through leadership and collaboration. The Board has a formal schedule of matters reserved for its decision, delegating certain matters to Executive committees and four (4) Board Sub-Committees with oversight responsibility for same, where accountability is driven through reporting obligations. This enables the Board to allocate sufficient time to matters within its scope, particularly execution of strategy. Terms of reference for the Committees defines their roles and responsibilities setting clear parameters of delegation. As such, the Governance structure ensures that decisions are taken at the right level of business, by those best placed to take them.

AN EFFECTIVE BOARD

Deshamanya D.H.S. Jayawardena

Appointed Chairman: April 2003

Appointed to Board: April 2000

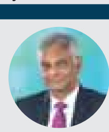
An industrialist of keen business acumen, has successfully led many enterprises in diverse sectors to become industry leaders.

Dr. M.P. Dissanayake

Appointed DC/ MD: March 2019

Appointed to Board: March 2019

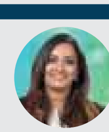
Prior to the appointment as Deputy Chairman & Managing Director of Aitken Spence PLC, he was a Board member from June 2004 to May 2017 in an Executive capacity. Counts extensive experience in maritime and logistics including Chairman/ Board positions in public service.



Dr. R.M. Fernando

Appointed: April 2005

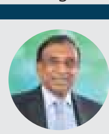
Employed with Aitken Spence for over 25 years, counts in-depth experience in plantation management. Responsible for the Plantations Sector and Group Business Development, driving sustainability and branding.



Ms. D.S.T. Jayawardena

Appointed: December 2013

Counts experience gained in diverse business and leadership roles. Leads the Tourism Sector of the Group.



Mr. J.M.S. Brito

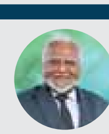
Retired DC/MD: March 2019

Appointed MD: December 2001

Appointed DC: April 2003

Appointed to Board: April 2000

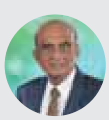
Recognised professional, counting extensive local and international experience. Has held board positions in public and private organisations in several sectors. Retired as Deputy Chairman & Managing Director w.e.f. March 2019 and continues as a Non-Executive Director



Mr. N.J. de Silva Deva Aditya

Appointed: September 2006

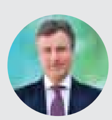
An aeronautical engineer, scientist and economist by profession, has an illustrious career as one of the most recognised and long serving politicians in the U.K.



Mr. G.C. Wickremasinghe

Appointed: April 1972

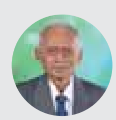
Director of the Group for over 47 years, including a short period as Chairman. Counts significant experience in several business sectors. Has been instrumental in establishing new business ventures for the Group.



Mr. C.H. Gomez

Appointed: May 2002

International investor, part owning regulated financial service organisations in Gibraltar. As a former banker counts significant experience in international financial markets and financial services.



Mr. R.N. Asirwatham

Appointed: September 2009

Former Senior Partner and Country Head of KPMG. Counts extensive experience in public accounting practice and industry. Has held senior positions in public service, including member of the Presidential Commission on Taxation. Chartered Accountant.

CORPORATE GOVERNANCE

Membership in Board Sub-Committees

Director	AC	NC	RC	RPTRC
Deshamanya. D.H.S. Jayawardena		Member		
Mr. G.C. Wickremasinghe	Member	Chairman	Chairman	Member
Mr. C.H. Gomez	Member		Member	Member
Mr. N.J de S. Deva Aditya	Member			Member
J.M.S. Brito*	Member			Member
Mr. R.N. Asirwatham	Chairman	Member	Member	Chairman

AC *Audit Committee*
NC *Nominations Committee*
RC *Remuneration Committee*
RPTRC *Related Party Transactions Review Committee*

Chairman *Member*

**Appointed w.e.f. 23.05.2019*

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

MR. G.C. WICKREMASINGHE

Has served as a Board Member of Aitken Spence for over nine years and was also an Executive Director on the Board prior to the assumption of duties as a Non-Executive Director. The Board having considered the above facts is of the view that the period of service and the Executive Directorship previously held by him do not compromise his independence and objectivity in discharging his functions as a Director and therefore determined that Mr. Wickremasinghe is 'independent' as per the Listing Rules.

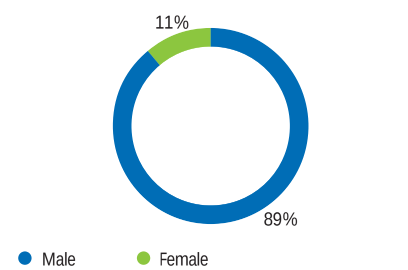
MR. C.H. GOMEZ

The Board is of the view that the period of service of Mr. C.H. Gomez as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Gomez is 'independent' as per the Listing Rules.

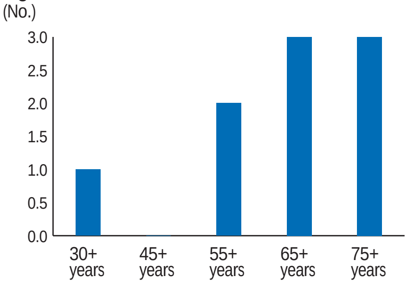
MR. R.N. ASIRWATHAM

The Board is of the view that the period of service of Mr. R.N. Asirwatham, does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Asirwatham is 'independent' as per the Listing Rules

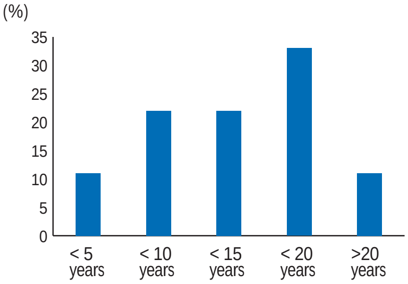
Board's Gender Diversity



Age Distributon
(No.)



Non-Executive Director Tenure
(%)



Board Composition

Balance

Five out of nine Directors are Non-Executive Directors, who are eminent professionals. Majority of Non-Executive Directors (NEDs) forming 1/3rd of directors are deemed independent, as explained above. Sufficient balance of power minimises the tendency for one or few members of the Board to dominate its decision making processes.

Diversity

The Board is diverse in experience and expertise. Directors contribute varied perspectives to boardroom deliberations and exercise independent judgment to bear on matters set before them. The insight and experience of long standing, older board members have complemented fresh perspectives put forth by younger board members and the executive committees, contributing to the continued success of the Group.

All directors possess financial acumen and knowledge through experience gained from leading large enterprises. Two directors are finance professionals.

Appointment, Re-Appointment / Re-Election and Resignation

Directors are re-appointed / re-elected by the shareholders at the Annual General Meeting, following a formal and transparent process and based on recommendations made by the Board of Directors. The Nominations Committee makes recommendations to the Board having considered the combined skills, knowledge, experience and diversity of the Board in relation to the Group's strategic plans and any gaps thereof.

In compliance with the Articles of Association 1/3rd of the Directors will retire from office at each Annual General Meeting and are eligible to stand for re-election by the shareholders at the Annual General Meeting. The Group Nominations Committee recommends the Directors for re-appointment / re-election, which in turn is endorsed by the Board based on the assessment of their skills and knowledge which helps the Board in meeting the strategic demands of the Group. The possibility of any impairment of Directors' independence due to extended Board tenures, is discussed and evaluated by the Board prior to recommendation of Board members for re-appointment / re-election.

Director	
Executive Chairman	
Executive Directors (ED)	
Non - Independent Non-Executive Directors (NINED)	
Independent Non-Executive Directors (INED)	

A Director appointed by the Board to fill a casual vacancy has arisen since the previous AGM, will offer himself for election at the next AGM. Appointments are communicated to the CSE and shareholders through press releases. These communications include a brief résumé of the Director concerned disclosing relevant expertise, key appointments, shareholding and the nature of his office.

Resignations or removal, if any, of Directors and the reasons, if any are informed promptly to the CSE together with a statement confirming whether or not there are any matters that need to be brought to the attention of the shareholders.

Board Responsibilities

The Board provides entrepreneurial leadership within a framework of prudent and effective controls. It determines overall strategy to enhance long term value of the Group, overseeing implementation.

CHANGE IN THE DIRECTORATE

- **Mr. J.M.S. Brito** retired from the office of Deputy Chairman & Managing Director w.e.f. 15th March 2019, and remains as a Non-Executive Director
- **Dr. M.P. Dissanayake** was appointed as the Deputy Chairman & Managing Director – w.e.f. 15th March 2019

CORPORATE GOVERNANCE

KEY RESPONSIBILITIES ARE AS FOLLOWS:

- Provide direction and guidance to formulate Group business strategy
- Appoint Executive teams that have the capacity to effectively implement strategy
- Approval of annual budgets to meet strategic objectives
- Ensure succession planning to facilitate the sustainability of the business
- Evaluate performance of and effect appointments to the Board Sub-committees
- Review and approve recommendations made by Board Sub Committees
- Ensure effective systems of internal control, risk management, compliance and secure integrity of information, business continuity through delegation
- Present a balanced assessment of the Company's position and prospects
- Review and approve significant acquisitions, disposals and investments
- Approve capital structure, issue of securities and dividend policy
- Set corporate values and promote ethical behaviours
- Promote corporate citizenship
- Recommend appointment/removal of external auditors
- Meet stakeholder obligations, balancing their interests in a fair manner

KEY AREAS OF BOARD FOCUS IN 2018/19

STRATEGY

- Strategy setting
- Target delivery
- Achievement of goals
- Local and global trends shaping industry
- Local and global political and economic landscape

LEADERSHIP & RISK

- Entrepreneurial support
- Succession planning
- Oversight of operational management
- Determination of principal risks and risk appetite
- Eligibility of Director/s for re-appointment
- Review minutes of Committees

GOVERNANCE

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

FINANCE

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

Directors are indemnified in respect of liabilities incurred as a result of their office as permitted by Section 218 of the Companies Act.

Board access to information and resources

Directors have unrestricted access to management and organisation information, as well as the resources required to carry out their duties and responsibilities effectively. Executive Management makes presentations on matters including business performance against operating plans, strategy, investment proposals, risk management, compliance and regulatory changes. Access to independent professional advice, co-ordinated through the Company Secretaries, is available to Directors at Group's expense.

Roles of Chairman and Deputy Chairman & Managing Director

The role of Chairman is separate from that of the Deputy Chairman & Managing Director, in line with best practices in Corporate Governance ensuring that no one Director has unfettered power and authority. The Chairman leads the Board, preserving good corporate governance and ensuring that it works effectively, acting in the best interest of the Group. The Deputy Chairman & Managing Director leads the Executive Management and is accountable to the Board for exercise of delegated authority and for the performance of the Group.

Company Secretaries

Aitken Spence Corporate Finance (Private) Limited acts as Secretaries to the Board, guiding the Board on discharging its duties and responsibilities and promoting best practices in corporate governance. The Secretaries ensures Directors receive full and timely information and have access to the resources they need to facilitate effective decision-making. They keep Directors informed of governance, regulation and legislative changes relevant to the discharge of their duties, individually as Directors and collectively as a Board. All Directors have access to the advice and services of the Secretaries as necessary. Secretaries maintain minutes of Board meetings, which are open for inspection by any Director at any time. Appointment and removal of the Company Secretaries is a matter for the Board as a whole.

CHAIRMAN'S RESPONSIBILITIES

- Setting the ethical tone for the Board and Group
- Building and maintaining stakeholder trust and confidence
- Ensuring effective participation of all Directors at Board meetings
- Ensuring all Directors are adequately briefed on issues raised at Board Meetings
- Ensuring the effective participation of shareholders at General Meetings
- Ensuring that the Group's obligations to various stakeholders and regulatory bodies are met

DEPUTY CHAIRMAN & MANAGING DIRECTOR'S RESPONSIBILITIES

- Maintaining a close working relationship with the Chairman, and acting as a sounding board for the Chairman when required
- Developing the Group's business strategy for approval by the Board
- Developing and recommending to the Board, budgets that support the Group's long-term strategy
- Monitoring and reporting to the Board on the performance of the Group
- 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
- Ensuring that the Group operations are within the approved risk appetite.
- Ensuring compliance with applicable rules and regulations and Corporate Governance principles
- Ensuring proper succession planning of the Executive Management and assessing their performance
- Creating an ethical environment and nurturing a culture based on the Group's values.

Meetings & Minutes

The annual calendar with tentative dates for Board and Sub-committee meetings for the following year is tabled at the last Board meeting of the calender year allowing members time to plan their commitments, facilitating effective participation. Board meetings are held on a quarterly basis with the flexibility to arrange ad-hoc meetings to supplement these when required.

Agenda and Board papers for meetings are sent seven days prior to the meeting, enabling full and proper consideration of agenda items and providing sufficient time for the Directors to call for any additional information or clarifications.

The Deputy Chairman & Managing Director in consultation with the Chairman sets the Board agenda with the assistance of the Company Secretaries. Care is taken to ensure the Board spends sufficient time considering matters critical to the Company's success, as well as compliance and administrative matters. Instances where decisions are made by

CORPORATE GOVERNANCE

way of circular resolutions, all relevant information pertaining to the resolution are sent along to enable the Directors to clearly understand the purpose for which a resolution is being circulated. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting and not by circulation, the Chairman shall put the resolution to be decided in a meeting.

The Board met four times during the year. All Board minutes are circulated to members of the Board, and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously (if any) are recorded in the minutes.

Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through:

- ❖ Formally documented minutes of discussions.
- ❖ By clarifying matters from the Company Secretaries or discussion with the Chairman or the Deputy Chairman & Managing Director on a later date.
- ❖ Separate discussions prior to the meeting regarding matters arising for the previous meeting.
- ❖ The Company Secretaries maintain all past minutes and board papers and are accessible at the convenience of the Directors.

Directors Independence

Directors exercise their independent judgement, promoting constructive deliberations and objective evaluation of matters set before them. Independence of Directors is determined by the Board, based on annual declarations submitted by the Non-Executive Directors in compliance with the Listing Rules of the CSE and also in line with schedule K of the Code.

Annually, the Board discusses the possibility of any impairment of Directors' independence due to extended Board tenures, and collectively evaluates the re-election of such Board members. The Board believes the independence of Mr. G.C. Wickramasinghe Mr C.H. Gomez and Mr. R N Asirwatham is not compromised despite being on the Board for a period exceeding nine years from the date of the first appointment, as explained on Page 148.

Further, two directors, Deshamanya D.H.S. Jayawardena and Miss D.S.T. Jayawardena are related to each other. However, they act in the best interests of the Group using their independent judgement on matters referred to the Board.

Other Business Commitments / Related Party Transactions / Conflicts of Interests

Directors declare their business interests on an annual and as and when basis. Disclosures so made are recorded in the Interest Register by the Company Secretaries and tabled at the next Board meeting. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on pages 32 to 35.

Directors abstain from voting where there is a conflict of interest and generally excuse themselves from the discussion. In the event of conflicts and concerns that cannot be resolved unanimously, director's dissent is recorded in the Board minutes. The Board is satisfied that all directors allocate sufficient time enabling them to discharge their responsibilities and duties.

The Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations. Related party transactions are disclosed in Note 43 to the Financial Statements.

Attendance at Meetings

Dates of Meetings		Board	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Review Committee
Deshamanya D.H.S. Jayawardena	EXE	4	-	1	-	-
Mr. J.M.S. Brito *(Retired as DC & MD w.e.f. 15.03.19. / Appointed NED thereafter)**	EXE /NED	4	N/A	-	-	N/A
Dr. M.P. Dissanayake *(Appointed as the DC & MD w.e.f. 15.03.2019)*	EXE	-	-	-	-	-
Dr. R.M. Fernando	EXE	4	-	-	-	-
Ms. D.S.T. Jayawardena	EXE	4	-	-	-	-
Mr. G.C. Wickremasinghe	INED	3	7	1	1	4
Mr. C.H. Gomez	INED	2	1	-	1	1
Mr. N.J. de S. Deva Aditya/ Mr. A.L. Gooneratne *(Alternate Director to Mr. N.J. de S. Deva Aditya)*	NED	4	3	-	-	2
Mr. R.N. Asirwatham	INED	4	8	1	1	4
Total No. of Meetings		4	8	1	1	4

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

** Appointed as a member of the Audit Committee and the Related Party Transactions Review Committee w.e.f. 23.05.2019*

Directorships in Other Companies

Name of Director		No of Board seats held in Listed Companies		No of Board seats held in unlisted Companies	
		Executive Capacity	Non - Executive Capacity	Executive Capacity	Non - Executive Capacity
Deshamanya D.H.S. Jayawardena	Chairman	8	-	28	-
Mr. J.M.S. Brito *(Retired as DC & MD w.e.f. 15.03.19. Appointed NED thereafter)*	ED/ NED	-	-	-	-
Dr. M.P. Dissanayake *(Appointed as the DC & MD w.e.f. 15.03.2019)*	ED	-	-	-	-
Dr. R.M. Fernando	ED	-	-	-	-
Ms. D.S.T. Jayawardena	ED	-	-	1	8
Mr. G.C. Wickremasinghe	INED	-	-	-	-
Mr. C.H. Gomez	INED	-	-	-	-
Mr. N.J. de S. Deva Aditya	NED	-	3	-	1
Mr. R.N. Asirwatham	INED	-	-	-	-

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

Board Evaluation

The Board carries out a self-appraisal of the Board and its Committees annually with Director's individually appraising their own performance with reference to their key responsibilities as outlined in the Nominations Committee Report. This serves to identify areas for improvement and gaps pertaining to Board administration and processes.

Committees

Board Sub-Committees

The Board delegates functions warranting greater attention, to four (4) Board Sub-Committees with oversight responsibility for same. The Committees, with the exception of the Nomination Committee, comprised of only non-executive directors. The Committee Chairmen report to the Board on the activities of the respective Committees at each Board meeting, highlighting matters for Board's attention.

Board Committee	Areas of Oversight	Composition	Committee Report
Audit Committee	❖ Financial Reporting ❖ Internal Controls ❖ Internal Audit ❖ External Audit	3 Independent Non-Executive Directors including the Chairman of the Committee, and 2 Non-Independent Non-Executive Directors	Page 164
Nominations Committee	❖ Evaluating and recommending the appointment or re-appointment of Directors to the Board. ❖ Succession Planning	2 Independent Non-Executive Directors including the Chairman of the Committee, and the Executive Chairman of the Board	Page 162
Remuneration Committee	❖ Remuneration policies and practices ❖ Recommend Executive remuneration	Independent Non-Executive Directors including the Chairman of the Committee	Page 163
Related Party Transactions Review Committee	❖ Review of related party transactions for regulatory compliance	3 Independent Non-Executive Directors including the Chairman of the Committee, and 2 Non-Independent Non-Executive Directors	Page 166

CORPORATE GOVERNANCE

Executive Committees

Led by the Deputy Chairman & Managing Director, these committees execute strategies and policies determined by the Board, managed through delegation, empowerment and reporting obligations. Board of Management and Senior Management Committees meet monthly, and make portfolio decisions regarding the allocation of capital, technical and human resources in managing the business and delivering agreed strategic goals at operational and sector levels, respectively.

Induction and training for Directors

On appointment, Directors are taken through a formal and tailored induction programme coordinated by the Deputy Chairman & Managing Director, where they are apprised of the Group values and culture, its operating model, policies, governance framework and processes, Group Code of Ethics and operational strategies of the Group. Directors are availed the opportunity to have one-on-one meetings with the management of each subsidiary, visit sites/factories/hotels where appropriate.

The Board recognises the need to enhance their knowledge, business acumen and professionalism in the discharge of duties and undertakes training and professional development in their personal capacity, as they consider necessary. Other training and continuous professional development undertaken include attending seminars/workshops/conferences and reading regulatory updates etc.

Appraisal of Deputy Chairman & Managing Director and Executive Directors

Performance of the Deputy Chairman & Managing Director and other Executive Directors are assessed at the end of each financial year against financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year. The evaluation is carried out by the Chairman, against the backdrop of the operating environment. Remuneration is revised based on performance. Areas identified for improvement are communicated to the respective Director, including training needs and skills and knowledge gaps.

Remuneration

Remuneration Policy

The Group Remuneration Policy seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. No Director is involved in determining his/her own remuneration. The Remuneration Committee determines the remuneration of Directors in the event of early termination of an employment contract.

Level and Make Up of Remuneration

A formal, transparent mechanism underpins the determination of remuneration for all Directors. Fees are set taking into consideration market practices and the Group's year-end financial performance.

The Remuneration Committee in consultation with the Chairman and Deputy Chairman & Managing Director makes recommendations to the Board regarding the remuneration of the Executive Directors and the Senior Management within agreed terms of reference and in accordance with the remuneration policy of the Group. The Committee considers the skills, attributes and experience of the Executive Directors and the operating environment in determining the level of remuneration. Executive Remuneration comprises two components, fixed remuneration and variable remuneration encompassing an annual performance bonus aligned to corporate and individual performance. Remuneration of Executive Directors is compliant with the provisions of Schedule E of the Code.

Remuneration of Non-Executive Directors reflects the time commitment and responsibilities of their role. Directors are remunerated based on their attendance at Board and/or Committee meetings.

Directors' remuneration in respect of the Company and the Group for the Financial Year ended 31st March 2019 are disclosed on page 239 of the Financial Statements, are subject to shareholder approval.

Shareholder Relations

At the close of the financial year 2018/19, the Company had 4,824 shareholders. Resident investors held 76.25% of shares while non-resident investors held the remaining 23.75%. Institutions held 88.77%. Melstacorp PLC is the largest shareholder owning 50.14% of shares at close while the 20 largest shareholders held 87.53%.

The Company engages with institutional investors during the year in a structured dialogue to clarify their concerns, typically following the release of quarterly financial statements.

Communication with Shareholders

Aitken Spence encourages effective communication with shareholders who are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), Annual Report, Interim Financial Statements, a dedicated investor relations page on the Company's website, press releases, social media platforms and announcements to the Colombo Stock Exchange. The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.

Shareholders may also, at any time, direct queries and concerns to Directors or Management of the Company. Such questions, requests and comments should be addressed to the Company Secretarial Division who will effectively and efficiently deal with the matter. The Company Secretaries maintain a record of all correspondence received and delivers such correspondence to the Board or individual Director as appropriate. The Board or individual Director, will generate an appropriate response to all validly received shareholder correspondence and directing the Company Secretaries to send the response to the particular shareholder.

Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings

The AGM is the main mechanism for the Board to interact with and account to shareholders and affords an opportunity for shareholders' views to be heard. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders may ask questions clarifying matters prior to voting on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include proposals to consideration of the Annual Report and Financial Statements and appointment of Directors and Auditors. The Chairman, Board members including Sub-Committee Chairmen and Key Management Personnel on the request of the Chairman, and External Auditors, are present and available to answer questions. Further, shareholders are free to informally meet with the Directors at the conclusion of such General Meetings.

All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Notice of the AGM, the Annual Report and Financial Statements and any other resolution together with the corresponding information, are circulated to shareholders not less than 15 working days prior to the Annual General Meeting. In the interest of greater transparency and clarity, a separate resolution for each item of business is proposed, giving shareholders the opportunity to vote on each of such issue, separately.

In the event the appropriate numbers of shareholders demand for a poll, the procedures prescribed in the Articles of Association will be followed. In the absence of such a demand for a poll, all issues at an Annual General Meeting will be decided by show of hands.

Cyber Security

The Board has identified the need for management of cyber risk in preventing cyber fraud and disruption of operations. A Chief Information Security Officer (CISO) is designated and supported by Group IT, for the implementation of the Cloud Security Policy and the management of cyber/information security threats. CISO is a member of the IT Steering committee and reports to the CFO, a member of the Group Supervisory Board and IT Steering Committee. Cyber security is discussed at the monthly IT Steering Committee meeting and subsequently at the Audit Committee meeting, with matters escalated to the Board, where deemed necessary considering risk, impact and other prudential measures. It is also reviewed by Board through the Audit Committee minutes.

Management of Information and Cyber Risk is described in detail on Page 182 of the Risk Management Report.

External Auditor

The External Auditor is appointed subject to the provisions of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. Further, it monitors and reviews the External Auditor's independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements.

In assigning of non-audit services to External Auditors, the Audit Committee ensures that the external auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. KPMG (Chartered Accountants) as the External Auditor for 2018/19 at the last AGM in compliance with Section 163 (3) of the Companies Act No. 07 of 2007.

Sustainability Reporting

The integrated sustainability policy of Aitken Spence PLC and its Subsidiaries ensures that specific policies and procedures are established for social and environmental governance. As such, sustainability principles are embedded in the Group's business strategy and endorsed throughout its operations.

Sustainable reporting is part of the established annual reporting process of the Company and the relevant information is presented within this report.

CORPORATE GOVERNANCE

Appendix I: Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

Code Ref.	Requirement	Disclosure	Compliant
A.	Directors		
A.1	An effective Board should direct, lead and control the company		
A.1.1	Regular meetings Structure and process of submitting information to be reported	Meetings & Minutes	Yes
A.1.2	Role & Responsibilities of the Boar	Board Responsibilities	Yes
A.1.3	Act in Accordance with laws - Compliance in accordance with laws - Independent professional advice	Chairman's Message - Compliance Board access to information and resources	Yes Yes
A.1.4	Access to advice and services of Company Secretary - Insurance Cover	Company Secretary Board Responsibilities	Yes Yes
A.1.5	Independent Judgement	Directors Independence	Yes
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company - Sufficient time to review Board Papers	Other Business Commitments / Related Party Transactions / Conflicts of Interests Meetings & Minutes	Yes Yes
A.1.7	Calls for resolutions by at least 1/3rd of Directors	Meetings & Minutes	Yes
A.1.8	Board induction and Training - Annual assessment of training needs	Induction and ongoing training for Directors Appraisal of Deputy Chairman & Managing Director and Executive Directors	Yes Yes
A.2	Chairman & Chief Executive Officer		
	Clear division of responsibilities. No one director with unfettered power.	Roles of Chairman and Deputy Chairman & MD	Yes
A.2.1	Combining roles of Chairman and CEO	Not applicable	
A.3	Chairman's role in preserving good corporate governance	Roles of Chairman and Deputy Chairman & MD	Yes
A.4	Availability of financial acumen	Board composition	Yes
A.5	Board Balance	Board composition	Yes
A.5.1	Sufficient calibre and number of NED	Board composition	Yes
A.5.2	If only 3 NEDs, they should be independent	Not applicable	Yes
A.5.3	Independence of Directors	Director Independence	Yes
A.5.4	Annual declaration by directors	Director Independence	Yes
A.5.5	Annual determination of independence of director in judgment and character - based on declaration and other information.	Director Independence	Yes
A.5.6	Alternate Directors	Director Profiles (Mr. A.L. Gooneratne, alternate Director to Mr. N.J. de S. Deva Aditya, NED, is not an Executive of ASPLC)	Yes

Code Ref.	Requirement	Disclosure	Compliant
A.5.7 & A.5.8	Senior Independent Directors	Although the Chairman is not an Independent Director, a Senior Independent Director has not been formally appointed.	Mr Asirwatham in his capacity as the lead independent director acts as a sounding board to the Chairman on matters of concern
A.5.9	Annual meeting of Chairman with NED	Informal discussions take place on matters require the attention of the NEDs	Yes
A.5.10	Recording of dissent in minutes	Meetings and minutes	Yes
A.6	Supply of Information	Board access to information and resources	Yes
A.6.1	Quality information, timely - Directors should inquire for further information - Chairman ensures board is adequately briefed	 Board access to information and resources Roles of Chairman and Deputy Chairman & MD	 Yes Yes
A.6.2	Timelines Timely provision of Board Papers Board meeting minutes	 Board Meetings Extracts from the minutes are circulated among the relevant Managing Directors within ten days of the meeting for follow-up action.	 Yes
A.7	Appointments to the Board & Re-election	Appointment, Re-election and Resignation	Yes
A.7.1	Nomination Committee - appointment, terms of reference, members, disclosure	Appointment, Re-election and Resignation	Yes
A.7.2	Annual assessment of whether Board's skill and knowledge composition, meets Organisation's strategic demands	Appointment, Re-election and Resignation	Yes
A.7.3	Disclosure of Appointments to the Board	Appointment, Re-election and Resignation	Yes
A.8	Directors to submit themselves for re-election	Appointment, Re-election and Resignation	Yes
A.8.1	Re-election/ re-appointment of NEDs in accordance with Companies Act	Appointment, Re-election and Resignation	Yes
A.8.2	Re-election by shareholders	Appointment, Re-election and Resignation	Yes
A.8.3	Resignation	Appointment, Re-election and Resignation	Yes
A.9	Appraisal of Board & Committee Performance		
A.9.1	Formal annual assessment	Appointment, Re-election and Resignation	Yes
A.9.2	Self-evaluation. Nomination Committee to assess improvements	Appointment, Re-election and Resignation	Yes
A.9.3	Review participation, engagement and contribution of each director at Re-election	Appointment, Re-election and Resignation	Yes
A.9.4	Disclose evaluation procedure in Annual report		Not applicable

CORPORATE GOVERNANCE

Code Ref.	Requirement	Disclosure	Compliant
A.10	Annual Report to disclose specified information regarding Directors	Board Profiles	Yes
A.11	Annual appraisal of the CEO	Appraisal of Deputy Chairman & Managing Director and Executive Directors	Yes
B.	Directors' Remuneration		
B.1	Establish process for developing policy on executive and director remuneration.	Remuneration Policy	Yes
B.2	Level & Make Up of Remuneration	Level and Make Up of Remuneration	Yes
B.3	Disclosures - Remuneration Policy statement - Aggregate Board remuneration paid - Remuneration Committee report	 Remuneration Policy Financial Statements Remuneration Committee report	 Yes Yes Yes
C.	Relations with Shareholders		
C.1	Constructive use of the AGM & Other General Meetings	Constructive use of Annual General Meeting (AGM)	Yes
C.2	Communication with shareholders	Communication with Shareholders	Yes
C.3	Major and Material Transactions	In the event of a major related party transaction, the Company will ensure all required approvals be obtained and disclosure requirements of the Listing Rules of the Colombo Stock Exchange strictly adhered to. During the year, there were no such major transactions	Yes
D	Accountability & Audit		
D.1	Financial Reporting	Chairman's Message - Accountability	Yes
D.1.1	Board's responsibility in presenting a balanced Annual Report	Chairman's Message - Accountability	Yes
D.1.2	Balanced and understandable communication	Communication with Shareholders	Yes
D.1.3	CEO/CFO declaration	The Statement of Financial contains a declaration by the Deputy Chairman & Managing Director and the Chief Financial Officer.	Yes
D.1.4	Directors Report declarations	Annual report of the Board of Directors on the Affairs of the Company	Yes
D.1.5	Financial reporting -statement on board responsibilities - Statement on internal control	Directors' Responsibility for Financial Reporting Directors' Statement on Internal Control	Yes Yes
D.1.6	Management Discussion & Analysis	Capital reports	Yes
D.1.7	Serious loss of capital	In the unlikely event that the net assets of the Company fall below half of shareholders' funds, the shareholders of the Company would be notified and an Extraordinary General Meeting would be called to propose the way forward	Yes
D.1.8	Related Party Transactions report	Related Party Transactions Review Committee Report	Yes

Code Ref.	Requirement	Disclosure	Compliant
D.2	Risk Management & Internal Control	Risk Management and Internal control	Yes
D.2.1	Monitor, review and report risk and internal control systems	Audit Committee Report	Yes
D.2.2	Confirm assessment and risks identified and mitigated	Risk Review	Yes
D.2.3	Internal audit function	Risk Management and Internal control	Yes
D.2.4	Board responsibilities for disclosure	Audit Committee Report / Directors' Statement on Internal Control	Yes
D.2.5	Directors responsibility internal control system	Directors' Statement on Internal Control	Yes
D.3	Audit Committee	Audit Committee Report	Yes
D.4	Related Party Transactions Review Committee	Related Party Transactions Review Committee report	Yes
D.5	Code of Business Conduct and Ethics	Culture & Ethics	Yes
D.5.1	Board declaration for compliance with Code	Chairman's message	Yes
D.5.2	Price sensitive information	Communication with Shareholders	Yes
D.5.3	Monitor Share purchase by Directors/ KMPs	Immediate disclosures of Directors pertaining to acquisition/disposal of relevant interest in shares issued by the Company are obtained from the Directors in accordance with Section 200 of the Companies Act No. 7 of 2007 and necessary disclosures are made to the CSE within two markets days.	Yes
D.5.4	Chairman's statement	Chairman's statement	Yes
D.6	Corporate Governance Disclosures	Corporate Governance Report	Yes
E. / F.	Institutional and other Investors		
E. / F.	Institutional and other Investors	Shareholder Relations	Yes
G.	Internet of Things & Cyber security		
G.1	Identify connectivity and related cyber risks	Cyber Security	Yes
G.2	Appoint a CISO and allocate budget to implement a cyber security policy		Yes
G.3	Cyber security in Board agenda		Yes
G.4	Obtain periodic assurance to review effectiveness of cyber security risk management		Yes
G.5	Disclosures in Annual Report		Yes
H.	**Environment, Society & Governance**		
H.	Sustainability Reporting	Sustainability Reporting	Yes

CORPORATE GOVERNANCE

Appendix II- Compliance with the Listing Requirements Sections 7.6 and 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Requirement	Disclosure	Compliant
7.10.1(a)	Non-Executive Directors (NED) At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors	An Effective Board	Yes
7.10.2(a)	Independent Directors Two or one-third of Non-Executive Directors, whichever is higher, should be independent	An Effective Board	Yes
7.10.2(b)	Independence of Directors Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Directors Independence	Yes
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	An Effective Board	Yes
7.10.3(b)	Independence of Directors The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Directors Independence	Yes
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Board profiles	Yes
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointments, Re-Election and Resignations	Yes
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	Yes
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	Yes
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Remuneration Committee Report	Yes
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration The Annual Report should set out; Names of the Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	Yes
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	Yes
7.10.6(a)	Composition of Audit Committee Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	Yes
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10 of the Listing Rules	Audit Committee Report	Yes

Rule No.	Requirement	Disclosure	Compliant
7.10.6(c)	**Disclosure in the Annual Report relating to Audit Committee** Names of the Directors comprising the Audit Committee The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Audit Committee Report	Yes
9.3.2	**Related Party Transactions Review Committee** Details pertaining to Non-Recurrent Related Party Transactions Details pertaining to Recurrent Related Party Transactions Report of the Related Party Transactions Review Committee Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	Yes
7.6	**Contents of the Annual Report**		
i)	Names of directors of the entity	Corporate Information	Yes
ii)	Principal activities of the entity and its subsidiaries during the year under review	Group Directorate of this Annual Report.	Yes
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Investor Information of this Annual Report.	Yes
iv)	The Public Holding percentage	Investor Information of this Annual Report.	Yes
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Investor Information of this Annual Report.	Yes
vi)	Information pertaining to material foreseeable risk factors	Risk Management of this Annual Report.	Yes
vii)	Details of material issues pertaining to employees and industrial relations	Human Capital and of this Annual Report.	Yes
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Note 16.2 to the Financial Statements of this Annual Report.	Yes
ix)	Number of shares representing the stated capital	Investor Information of this Annual Report.	Yes
x)	Distribution schedule of the number of shareholders and the percentage of their total holding	Investor Information of this Annual Report.	Yes
xi)	Ratios and market price information	Investor Information of this Annual Report.	Yes
xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Note 15 and 16 to the Financial Statements of this Annual Report.	Yes
xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	The Company had no public issue, rights issue or private placement during the year under review.	Yes
xiv)	Employee share option/purchase schemes	As at date, the Company has no share option/ purchase schemes made available to its Directors or employees.	Yes
xv)	Corporate Governance Disclosures	Corporate Governance of this Annual Report.	Yes
xvi)	Related Party Transactions	Note 43 to the Financial Statements.	Yes

NOMINATION COMMITTEE REPORT

COMPOSITION

CHAIRMAN

MR. G.C. WICKREMASINGHE
Independent Non-Executive

MEMBERS

DESHAMANYA D.H.S. JAYAWARDENA
Executive Chairman

MR. R.N. ASIRWATHAM
Independent Non-Executive

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

Committee Meetings

The full Committee met once during the year under review with the attendance of the Deputy Chairman & Managing Director, on invitation.

Key Highlights of 2018/2019

- Considered each Director's knowledge and experience to carry out their responsibilities, the number of directorships held by each Director and the adequacy of the knowledge and experience each Director possess to carry out their duties in the capacity as a Director. The Committee was satisfied with the level of knowledge, commitment and skills each Director possess and their commitment,
- Recommended indemnity for each Director within the provisions of the Companies Act No. 7 of 2007

Responsibilities of the Committee

- Broaden, balance and diversify the effectiveness and composition of the Board of Aitken Spence PLC and its group companies,
- Identify and recommend suitable candidates as Directors to the boards of Aitken Spence PLC and its group companies,
- Review the structure, size and composition of the Boards of group companies,
- Oversee the performance of the Board, its Committees and Individual Directors and evaluate their performance,
- Ensure the Boards consist of persons with a wealth of knowledge, experience, competency and entrepreneurial skills to advance the effectiveness of the Boards,
- Review the Charter for the appointment and the re-appointment of Directors to the Boards of the group companies and suggest amendments wherever necessary,
- Recommend insurance covers for Directors of Aitken Spence PLC and its group companies.

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

Key Functions of the Committee

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

- Ensured the diversity and effectiveness of the Aitken Spence PLC Board and the Boards of its Group Companies as well as the Key Management Personnel (KMPs),
- Reviewed and recommended necessary appointments to the Boards of the Group companies wherever necessary,
- Evaluated and recommended suitable internal and external candidates to higher levels of management,
- Reviewed the Group's policy and guidelines for appointment, re-appointment and succession planning,
- Evaluated the eligibility of the Directors who have offered themselves for re-election/re-appointment to the Board and made necessary recommendations to the Board,
- Recommended insurance covers for the Directors of Aitken Spence and its group companies.

RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

- Deshamanya D.H.S. Jayawardena, Mr. G.C. Wickremasinghe, Mr. R.N. Asirwatham, Mr. J.M.S. Brito and Mr. N.J. De S Deva Aditya who retire from the Board at the conclusion of the forthcoming Annual General Meeting in terms of Section 210(2) of the Companies Act No. 7 of 2007, have offered themselves for re-appointment.
- In terms of Article 83 of the Articles of Association, Dr. R.M. Fernando retires by rotation and has offered himself for re-election at the forthcoming Annual General Meeting.

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

G.C. Wickremasinghe
Chairman
Nomination Committee

Colombo
24th May 2019

REMUNERATION COMMITTEE REPORT

COMPOSITION

CHAIRMAN

MR. G.C. WICKREMASINGHE
Independent Non-Executive

MEMBERS

MR. R.N. ASIRWATHAM
Independent Non-Executive

MR. C.H. GOMEZ
Independent Non-Executive

Independence of the Committee

The members of the Committee are composed of three Independent Non-Executive Directors. They are independent of management and are completely free from any business, personal or other relationships that may interfere with the exercise of their independent, unbiased judgement. The members of the Committee refrain from taking part in determining in their own remuneration.

Committee Meetings

The Committee formally met once during the year under review with the attendance of all its members. Deshamanya D.H.S. Jayawardena, Chairman, Aitken Spence PLC together with Mr. J.M.S. Brito, Deputy Chairman & Managing Director, Aitken Spence PLC (retired from the office of Deputy Chairman & Managing Director w.e.f. 15.03.2019) and Ms. D.S.T. Jayawardena, Executive Director, Aitken Spence PLC attended the meeting by invitation.

The Remuneration Policy

The Group follows a formal and transparent procedure to ascertain the remuneration packages for individual Directors. The Committee considers the importance of formulating remuneration packages that are sufficient to motivate, attract and retain the Directors and considers the employment conditions of the Group companies and of the relevant industries.

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

Key Highlights of 2018/2019

- ❖ The Committee invited each Managing Director to present their recommendations.
- ❖ The direction was given based on sector performance, individual performance & potential, market conditions and respective industry practices.

Responsibilities

- ❖ Determining the policy of the remuneration package of the Directors and the Board of Management.
- ❖ Evaluating performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units.
- ❖ Deciding on overall individual packages, including compensation on termination of employment.

Key Functions of the Committee

The Committee's decisions were based on the following policies:

REMUNERATION POLICY

- ❖ Evaluated the Group Remuneration Policy against the current market trends and industrial norms.
- ❖ Reviewed and ensured the implementation of the Group Remuneration Policy .
- ❖ Reviewed the policy of the remuneration package of the Directors and the Board of Management.
- ❖ Reviewed the specific application of the Group Remuneration Policy to the CEO and Executive Directors and general application to the Key Management Personnel below the Main Board.

PERFORMANCE BASED REMUNERATION

- ❖ Evaluated the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units.
- ❖ Reviewed, monitored and evaluated performance of Key Management Personnel as well as their management development and succession planning.
- ❖ Evaluated the achievements as well as unaccomplished targets, results of which are used in determining the performance based incentives.

PERFORMANCE INCENTIVES

- ❖ Evaluated the achievements as well as unaccomplished targets and results which are used to determine the performance based incentives.

REMUNERATION OF DEPUTY CHAIRMAN & MANAGING DIRECTOR

- ❖ Evaluated the performance of the Deputy Chairman & Managing Director.

G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
24th May 2019

AUDIT COMMITTEE REPORT

COMPOSITION

CHAIRMAN

MR. R.N. ASIRWATHAM
Independent Non-Executive

MEMBERS

MR. G.C. WICKREMASINGHE
Independent Non-Executive

Mr. C.H. GOMEZ
Independent Non-Executive

MR. N.J. DE S DEVA ADITYA
Non-Independent Non-Executive

MR. J.M.S. BRITO
Non-Independent Non-Executive
(Appointed w.e.f. 23.05.2019)

Committee Meetings

Dates of Meetings	17.04.2018	22.05.2018	28.06.2018	07.08.2019	11.10.2018	13.11.2018	03.12.2018	11.02.2019
Mr. R.N. Asirwatham	✓	✓	✓	✓	✓	✓	✓	✓
Mr. G.C. Wickremasinghe	✓	×	✓	✓	✓	✓	✓	✓
Mr. C.H. Gomez	×	×	✓	×	×	×	×	×
Mr. N.J. de . Deva Aditya / Mr. A.L. Gooneratne (Alternate to Mr. N.J. de S Deva Aditya)	×	✓	×	×	×	×	✓	✓
Mr. J.M.S. Brito (Appointed w.e.f. 23.05.2019)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Present ✓ Excused ×

Composition of the Committee

The Committee is composed of three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director who is a fellow of the Institute of Chartered Accountants of Sri Lanka. The profiles of the members are given on pages 32 to 33 of this report.

The Audit Committee functioned throughout the financial year and held eight formal meetings. Mr. J.M.S. Brito, Deputy Chairman & Managing Director (resigned from the office of Deputy Chairman & Managing Director w.e.f. 15.03.2019), Ms. D.S.T. Jayawardena, Executive Director, Ms. N. Sivapragasam, Chief Financial Officer together with Mr. H.K.A. Rathnaweera, Chief Internal Auditor and Mr. M Saparamadu, General Manager, Internal Audit, who acts as the Secretaries to the Committee, attended the meetings by invitation. Further, Senior Officers of the Group as well as the partner of KPMG responsible for the Group's audit attended the meetings by invitation as and when required.

Scope of work

- Ensure that the financial statements are prepared, presented and the information are adequately disclosed in accordance with the Sri Lanka Accounting Standards (SLAS).
- Ensure that financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting requirements are duly complied.
- Ensure that Group internal control and risk management processes are adequate to meet the SLAS requirements.
- Assessment of the independence and the performance of the External Auditors.
- Make recommendations to the Board pertaining to the appointment, re-appointment and/or removal of the External Auditors and to approve their remuneration and terms of engagement.

Key Highlights of 2018/2019

- Monitored the integrity of the Group's financial statements, ensured compliance with financial reporting requirements and regulations and reviewed significant financial Reporting judgments contained in them.
- Reviewed the prevalence and adequacy of Group's internal control and risk management framework.
- The Audit Committee has responsibility for overseeing the Group's relationship with the external auditor including reviewing the quality and effectiveness of their performance, their external audit plan and process, their independence from the Group, their appointment and their audit fee proposals.
- Reviewed the role and effectiveness of the Group Internal Audit function.

Re-Appointment of External Auditors

The Audit Committee having evaluated the performance of the External Auditors, decided to recommend to the board the re-appointment of M/S 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.

SUMMARY OF KEY FOCUS AREAS DURING THE YEAR ENDED 31ST MARCH 2019

FINANCIAL REPORTING AND FINANCIAL CONTROL

- Reviewed the Group's quarterly and annual Financial Statements with regard to the following aspects:
  - Adequacy of disclosures.
  - Uniformity and appropriateness of the accounting policies adopted.
  - Major judgemental areas and ensured that they were in compliance with the Companies Act No. 7 of 2007.
  - Applicable Sri Lanka Accounting Standards and other applicable Accounting Standards of jurisdictions in which each Subsidiary operate in.
  - Listing Rules of the Colombo Stock Exchange.
  - Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.
  - Requirements of other regulatory bodies as applicable for the Group.
  - Discussed with Management on future accounting developments which are likely to affect the financial statements.
- Reviewed the budgets and strategic plans of the Group in order to ensure that all forward-looking statements made within the Annual Report reflect the actual position of the Group.
- Reviewed the operational and other management information reports submitted by the Group's management to the Audit Committee and made recommendations for improvements.

RISK MANAGEMENT AND INTERNAL CONTROL

- Monitored the Group's risk management and internal control processes through detailed discussions with management and executive Directors.
- Ensured that the risks are appropriately monitored and controlled, by considering the Group's principal risks and uncertainties and by reviewing the mitigating actions taken by the management.
- Reviewed the processes to ensure the internal controls and risk management framework are adequate to meet the requirements of the SLAS.

EXTERNAL AUDIT

- Reviewed and approved the external auditor's work plan and resources and agreed on various key areas of focus.
- Carried out a review of the effectiveness and the progress of the external auditor and the audit process.
- Discussed the management letter of the external auditors and ensured that the management had taken appropriate actions to satisfactorily resolve highlighted issues.
- Assessed the performance and effectiveness of the external auditors, their independence, professional capabilities and made recommendations to the Board pertaining to the re-appointment of the external auditors.
- Held discussions from time to time to assess the current developments in respect of reporting and compliance in view of the changes in the Auditing Standards, Inland Revenue Act etc.

INTERNAL AUDIT

- Reviewed and approved the Annual Audit Plan after considering its depth and coverage in the Group.
- Reviewed the audit reports, IT security reports and risk reports submitted by Internal Audit Department along with the respective sector's management response.
- Reviewed and evaluated the independence, effectiveness and competency of the Group's Internal Audit function, their resource requirements, and made recommendations for any required changes.
- The Audit Committee continued to ensure the co-ordination between Group Internal Audit and the External Auditors.

REPORTING

- The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. Minutes of the Audit Committee meetings are also tabled at Board Meetings.
- The Annual Report incorporates the Audit Committee Report.
- The Chairman of the Audit Committee attends the Annual General Meeting.

R.N. Asirwatham
Chairman
Audit Committee

Colombo
24th May 2019

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION

CHAIRMAN

MR. R.N. ASIRWATHAM
Independent Non-Executive

MEMBERS

MR. G.C. WICKREMASINGHE
Independent Non-Executive

MR. C.H. GOMEZ
Independent Non-Executive

MR. N.J. DE SILVA DEVA ADITYA /
MR. A.L. GOONERATNE
*(Alternate Director To
Mr. N.J. De S Deva Aditya)
Independent Non-Executive*

MR. J.M.S. BRITO
*Non-Independent Non-Executive
(Appointed w.e.f. 23.05.2019)*

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

Committee Meetings

Dates of Meetings	28.06.2018	10.11.2018	12.03.2019	11.04.2019
Mr. R.N. Asirwatham	✓	✓	✓	✓
Mr. G.C. Wickremasinghe	✓	✓	✓	✓
Mr. C.H. Gomez	✓	×	×	×
Mr. N.J. de S Deva Aditya/ Mr. A.L. Gooneratne (Alternate to Mr. N.J. de S Deva Aditya)	×	×	✓	✓
Mr. J.M.S. Brito (Appointed w.e.f. 23.05.2019)	N/A	N/A	N/A	N/A

Present ✓ Excused ×

Key Highlights of 2018/2019

- Reviewed all proposed Related Party Transactions as well as post quarter confirmations.
- Communicated the activities of the Committee to the Board on a quarterly basis through tabling the minutes of the meetings of the Committee at Board Meetings.

Responsibilities

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

- Evaluate any proposed related party transactions on a quarterly basis and recommend to the management and the Board, the appropriate course of action to be taken in order to adhere to the compliance regulations of the Listing Rules and the Code of Best Practices on Related Party Transactions,
- Review any post quarter confirmations on related party transactions,
- Review the threshold for related party transactions which require either shareholders' approval or immediate market disclosures, as the case may be,
- Review the criteria of Key Management Personnel,
- Regularly report to the Board on the Committee's activities.

Key Management Personnel

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

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

Key Functions of the Committee

POLICIES AND PROCEDURES ADOPTED

- The Group Company Secretaries obtain quarterly confirmations from the Key Management Personnel of any proposed Related Party transactions and any post-quarter transactions. All such responses are tabled at each Committee meeting.
- Confirmations are obtained from all Group companies of any proposed related party transaction and any post-quarter transaction and all responses are tabled at each Committee Meeting.
- Non-recurrent transactions if any, are communicated to the Group Company Secretaries who in turn notify the Committee, if required.

REVIEW OF RELATED PARTY TRANSACTIONS

- Reviewed all proposed Related Party Transactions as well as post-quarter confirmations.
- Activities of the Committee were communicated to the Board by tabling the minutes of the Committee meetings.

R.N. Asirwatham
Chairman
Related Party Transactions Review Committee

Colombo
24th May 2019

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Responsibility

The Board of Directors ("Board") has the overall responsibility of maintaining a sound system of internal controls and for periodically reviewing its effectiveness and integrity, in order to ensure that the Group's risks are within the acceptable risk profile. Accordingly, the Board can provide reasonable assurance against misstatement of management and financial information and records. The Board has established an organisation structure, which clearly defines lines of accountability and delegated authority.

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

The Board has delegated specific responsibilities to the following four sub-committees:

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

These committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

The Board is confident that the internal controls are adequate to provide reasonable assurance regarding the reliability of financial reporting which are in accordance with acceptable accounting principles and the applicable regulatory requirements.

Internal Audit

The Group's Internal Audit function is an independent function that reports directly to the Audit Committee, which also reviews and approves the annual audit plan. Audits are performed on all business units, functions and processes at a frequency which is predetermined based on the level of risk assessed.

The Group Internal Audit function provides independent assurance on the efficiency and effectiveness of the internal control systems and monitors compliance with policies and procedures. Findings and non-compliances are reported via Internal Audit reports.

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

Review Adequacy and Effectiveness

The Board and the Audit Committee, have taken steps to ensure adequacy and effectiveness of the internal controls of both financial and operational processes, remedial steps are taken where necessary.

The Board and the Audit Committee concluded that an effective system of risk management and internal controls are in place to safeguard the shareholders' investment and the Group's assets.

Policies, Procedures and Budgets

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

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

Whistle Blowing Policy

The Group encourages a whistle blowing policy which enables employees to bring irregularities in operational and financial policies and procedures as well as irregularities or weaknesses in internal control procedures and management reporting or other matters within the Group to the notice of the higher management.

Proper arrangements have been put in place to facilitate fair and independent investigation for such matters (if any). The Group prohibits retaliation against anyone who raises a business conduct concern or cooperates in a Group investigation. Complaints made in good faith will not expose the concerned party, regardless of whether the underlying facts proven to be correct or result in any corrective action.

The prevalence and effectiveness of this policy is monitored by the Audit Committee from time to time.

The Group Code of Ethics

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

Cyber Security

The Group has become more data driven, thus increasing the Group's reliance on technology. In this era, securing and protecting the Group's information assets becomes a priority. The Board has taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps have been rolled out to curtail the exposure to cyber attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

Going Concern

The statement of going concern is set out in the 'Annual Report of the Board of Directors' on page 171.

Risk Management

An overview of the Group's risk management framework, is set out on pages 175.

Annual Report

The Board is responsible for the preparation of the Annual Report and confirms that the quarterly reports, annual financial statements and the annual review of operations of the Group and its equity accounted investees that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the entire Group.

Confirmation

All financial statements are prepared in accordance with the requirements of the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act, and the Listing Rules of the Colombo Stock Exchange and other regulatory bodies as applicable for the Group.

We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar General of Companies. The consolidated financial statements for the year ended 31st March 2019 have been audited by Messrs. KPMG, Chartered Accountants,

Deshamanya D.H.S. Jayawardena
Chairman

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

R.N. Asirwatham
Chairman
Audit Committee

Colombo
24th May 2019

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The details set out herein provide the pertinent information as required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Board of Directors of Aitken Spence PLC has pleasure in presenting the annual report and the audited financial statements for the year ended 31st March 2019 which were approved on 24th May 2019.

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 335 to 344 of this annual report.

For the year ended 31st March	Group 2019 Rs 000	Group 2018 Rs.'000
The net profit after providing for all expenses, known liabilities and depreciation on property plant and equipment	7,282,608	6,397,816
Provision for taxation including deferred tax	(1,511,258)	(1,248,284)
Net profit after tax	**5,771,350**	**5,149,532**
Other comprehensive income	2,284,571	1,453,305
Total comprehensive income for the year	**8,055,921**	**6,602,837**
Total comprehensive income attributable to the non-controlling interest	(2,266,508)	(1,127,239)
Total comprehensive income attributable to equity shareholders	**5,789,413**	**5,475,598**
Transactions directly recognised in the equity statement including adjustment on initial application of SLFRS 9	79,423	49,704
Balance brought forward from the previous year	42,664,595	37,342,291
Amount available for appropriations	**48,533,431**	**42,867,593**
Final dividend for 2017/2018 (2016/2017)	(811,992)	(202,998)
Interim dividend 2018/2019	(405,996)	-
Total Reserves and earnings	**47,315,443**	**42,664,595**
Stated Capital	2,135,140	2,135,140
Balance Attributable to equity holders of the Company at the end of the period	**49,450,583**	**44,799,735**

2. Review of Operations

A review of operational and financial performance, strategies and future outlook of the Company and the Group are described in greater detail in the Chairman's Message, Deputy Chairman and Managing Director's Review, Management Discussion and Analysis and the Group Performance Review of this annual report. These reports together with the audited Financial Statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

3. Accounting Policies and Changes during the year

The Company and the Group prepared the financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year other than those adopted on initial application of SLFRS 09 - Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers. 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 212 to 230.

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.806.5 million (2017/18– Rs 775.5 million). The Group revenue was Rs. 55.7 billion (2017/18 – Rs. 52.7 billion). An analysis of Group revenue based on business and geographical segments is disclosed in note 6 and 7 to the financial statements. The profit after tax of the Company was Rs 2.2 billion (2017/18- Rs. 1.9 billion). The Group profit after tax was Rs. 5.8 billion (2017/18 Rs. 5.1 billion). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 4.1 billion (2017/18 - Rs.3.6 billion). The segmental profits are disclosed in note 6.1.1 to the Financial Statements.

4.2. Donations

During the year donations amounting to Rs 427,500 were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 2,379,118.

4.3 Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are given in note 12 to the financial statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 23 and 32 to the financial statements. The deferred tax of the Company and the Group are calculated based on the tax rates that are specified in the Inland Revenue Act No 24 of 2017.

4.4 Dividends

An interim dividend of Rs.1.00 per share was declared and paid on 29th March 2019 from dividends received by the Company where 10% withholding tax on dividends has been deducted. The Board of Directors provided the statement of solvency to the auditors and obtained the certificate of solvency from the auditors in respect of the interim dividend paid in terms of Section 56 (2) of the Companies Act No 07 of 2007.

The Directors recommended a final dividend payment of Rs.1.50 per share for the year, which is paid out of dividends received by the Company where 14% withholding tax has been deducted. The Directors are satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the Final dividend. The total dividend paid and proposed to be paid to the shareholders for the year is Rs 2.50. The dividend paid or proposed to be paid is from dividends received where withholding tax is deducted.

5. Synopsis of the Statement of Financial Position of the Company and the Group

5.1 Stated Capital and Reserves

As at 31st March 2019 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2.1 billion. The Company's retained earnings and reserves as at 31st March 2019 were Rs. 13.9 billion (2017/18- Rs. 12.9 billion) whereas the total Group's retained earnings and reserves as at 31st March 2019 were Rs. 47.3 billion (2017/18-Rs. 42.7 billion). The movement in these reserves is shown in the statement of changes in equity – Company and Group on pages 206 and 204.

5.2. Property, Plant and Equipment, Investment Property, Intangible Assets, Biological Assets, and Leasehold Property

The details of property plant and equipment, investment property, intangible assets, biological assets, and leasehold property of the Company and Group where applicable are given in notes 15,16,17,18 and 19 to the Financial Statements.

Information in respect of extent, location, valuation of land and buildings held by the Company and Group are detailed in notes 15.3. and 16.2 to the Financial Statements.

5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in note 41 to the financial statements.

6. Events occurring after the Reporting Date

No event of material significance that requires adjustments to the financial statements has arisen other than that disclosed in note 46 to the Financial Statements.

7. Going Concern

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

8.1 Board of Directors

The Board of Directors of the Company comprised of :

	Executive	Non-Executive	Independent
Deshamanya D.H.S. Jayawardena (Chairman)	✓	-	-
Dr. M.P. Dissanayake (Appointed as Deputy Chairman/Managing Director w.e.f. 15.03.2019)	✓	-	-
Mr. J.M.S. Brito*		✓	-
Dr. R.M. Fernando	✓	-	-
Ms. D.S.T. Jayawardena	✓	-	-
Mr. G.C. Wickremasinghe	-	✓	✓
Mr. C.H. Gomez	-	✓	✓
Mr. N.J. de Silva Deva Aditya	-	✓	
Mr. R.N. Asirwatham	-	✓	✓

** Mr. A L Gooneratne holds the office as an Alternate Director to Mr. N.J. de Silva Deva Aditya*

** Retired from the office of Deputy Chairman and Managing Director w.e.f. 15.03.2019 but will continue as a Non-Executive Director)*

All of the above Directors held office during the entire year with the exception of the following:

Mr. J M S Brito retired from the office of Deputy Chairman/Managing Director w.e.f. 15th March 2019 but will continue to hold the office as a Non-Executive Director.

Consequent to the retirement of Mr. J.M.S. Brito, Dr. M.P. Dissanayake was appointed as the Deputy Chairman/Managing Director w.e.f.15th March 2019

The brief profiles of the Directors are given in pages 32 to 33 of this annual report.

The periods of service of Messrs Wickremasinghe, Asirwatham and Gomez as Board Members exceed nine years. Additionally, Mr. Wickremasinghe was an Executive Director on the Board of the Company prior to the assumption of duties as a Non-Executive Director.

The Board is of the view that the periods of service of the said Directors and the Executive Directorships previously held by Mr. Wickremasinghe do not compromise their independence and objectivity in discharging their functions as Directors and, therefore, has determined that Messrs Wickremasinghe, Asirwatham and Gomez are 'independent' as per the Listing Rules.

8.2 Board Sub Committees

The following Directors served as members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Related Party Transactions Review Committee.

Audit Committee

- ❖ Mr. R.N. Asirwatham (Chairman)
- ❖ Mr. G.C. Wickremasinghe
- ❖ Mr. C.H. Gomez
- ❖ Mr. N.J. de Silva Deva Aditya / Mr. A.L. Gooneratne *(Alternate Director to Mr. N.J. de Silva Deva Aditya)*
- ❖ Mr. J.M.S. Brito *(Appointed w.e.f. 23.05.2019)*

Remuneration Committee

- ❖ Mr. G.C. Wickremasinghe (Chairman)
- ❖ Mr. R.N. Asirwatham
- ❖ Mr. C.H. Gomez

Nomination Committee

- ❖ Mr. G.C. Wickremasinghe (Chairman)
- ❖ Deshamanya D.H.S. Jayawardena
- ❖ Mr. R.N. Asirwatham

Related Party Transactions Review Committee

- ❖ Mr. R.N. Asirwatham (Chairman)
- ❖ Mr. G.C. Wickremasinghe
- ❖ Mr. C.H. Gomez
- ❖ Mr. N.J. de Silva Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)
- ❖ Mr. J.M.S. Brito *(Appointed w.e.f. 23.05.2019)*

8.3 Re-appointment of Directors who are over 70 years of age and Re-election of Directors.

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Deshamanya D.H.S. Jayawardena and Messrs G.C. Wickremasinghe, R.N. Asirwatham, J.M.S. Brito and N.J. de S Deva Aditya who are over 70 years of age and who vacate office in terms of Section 210(2)(b) of the Companies Act, be re-appointed as Directors in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors.

Dr. R.M. Fernando who retires by rotation in terms of Article 83 of the Articles of

Association of the Company offers himself for re-election.

8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 190 of this annual report.

8.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. Any interest in transaction disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No.7 of 2007 is duly recorded in the Interests Register.

8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2019 are disclosed on page 239 of the financial statements.

8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 43 to the financial statements. These are recurrent and non-recurrent related party transactions, which required disclosures in the annual report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the audited financial statements as at 31st March 2018.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the audited financial statements as at 31st March 2018, which required additional disclosures in the annual report under Listing Rule 9.3.2(a).

The Group companies and their key management personnel have disclosed on a quarterly basis, the proposed Related Party Transactions (if any) falling under the ambit of Rule 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made were tabled at the quarterly meetings of the Related Party Transactions Review Committee, in compliance with the requirements of the above mentioned rule.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2019.

8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2019 and Directors who ceased to hold office during the accounting period are indicated on pages 335 to 344 of this annual report.

9. Human Resources

The Human Resources strategies applied and practised by the Group in the countries we operate have translated into the creation of a dynamic and competent human resource team. The strategies adopted in motivating and retaining our employees are discussed in the Human Capital Report on pages 65 to 72 of this annual report.

10. Governance

The Group has not engaged in any activity which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules, regulations and codes of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out appropriate analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 143 to 161 of this annual report.

11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 175 to 183 of this report.

12. Internal Controls

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Directors' Statement on Internal Controls is on page 168, the Statement of Directors' Responsibilities is on page 196 and the Audit Committee Report is set out on pages 164 and 165 of this report provide further information in respect of the above.

13. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

A confirmation to this effect is included in the Statement of Directors' Responsibilities on page 196 of this annual report.

14. Corporate Sustainability

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year are a testament to the Group's commitment as it continues to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the management discussion and analysis of this report and at www.aitkenspence.com/sustainability.

15. Shareholder Information

There were 4,824 shareholders as at 31st March 2019. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 188 to 189 of this annual report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2019 are given on page 189 of this annual Report. The percentage of the shares held by the public as at 31st March 2019 was 46.07% which was in the hands of 4,817 public shareholders.

Information relating to earnings, net assets, dividend and the market price per share for the Company and Group are given on pages 184 to 190 of this annual report.

16. Auditors

The independent auditors' report on the financial statements is given on pages 197 to 200 of the annual report. The retiring auditors Messrs KPMG Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as auditors and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting.

The audit fees payable for the year to the Company auditors Messrs KPMG Chartered Accountants was Rs. 1.4 million. In addition to the above Rs. 0.9 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 335 to 344 of this annual report.

The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 19.4 million while a further Rs. 9.3 million was payable for permitted audit and non-audit related services. In addition to the above Rs. 8.0 million was payable to other audit firms for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit and non-audit related services was Rs. 3.9 million. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and equity accounted investees that would have an impact on their independence.

Deshamanya D.H.S. Jayawardena
Chairman

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

Aitken Spence Corporate Finance (Private) Limited
Secretaries

Colombo
24th May 2019

MANAGING RISKS AND OPPORTUNITIES

As a diversified conglomerate, we are exposed to numerous risks as our businesses are spread across 8 countries with business operations in tourism, maritime and logistics, strategic investments and services sectors of the economy. High levels of risk awareness, foresight and business acumen have enabled us to successfully navigate diverse risks over 150 years of existence, identifying opportunities for growth in the process.

Risk Environment

Global and local risks escalated during the year as the upside potential receded and concern over downside risks increased. Downgrading of Sri Lanka's credit rating following elevated political instability and historically high levels of debt was unfortunate and elevates the country's risk to exchange rate and interest rate pressures. Climate change effects continue to be a concern as it has a wide impact on harvest of crops, hydro power generation and food expenses. Disappointing economic growth in key markets for the Group also remain a concern as Brexit, trade tensions and negative travel advisories issued in several economies may impact exports and tourism, exacerbating exchange rate and interest rate pressures.

Approach to Risk Management

The Group has adopted a sector wise approach to managing risk due to the diverse nature of our operations. These are aggregated periodically and assessed at Group level to determine the risk priorities of the Group as a whole. The Group adopts a three lines of defence model as summarised below to manage its risk with clear segregation of responsibilities facilitating operational and strategic objectives.

1st LINE OF DEFENCE

BUSINESS UNIT MANAGEMENT

Heads of business units are responsible for identifying, measuring, monitoring, reporting and managing risks relevant to their businesses

2nd LINE OF DEFENCE

GROUP STRATEGIC RISK UNIT

Implements the Group's risk management framework and policy, review and challenge of business unit risk reviews and reporting concerns independently to the Audit Committee

3rd LINE OF DEFENCE

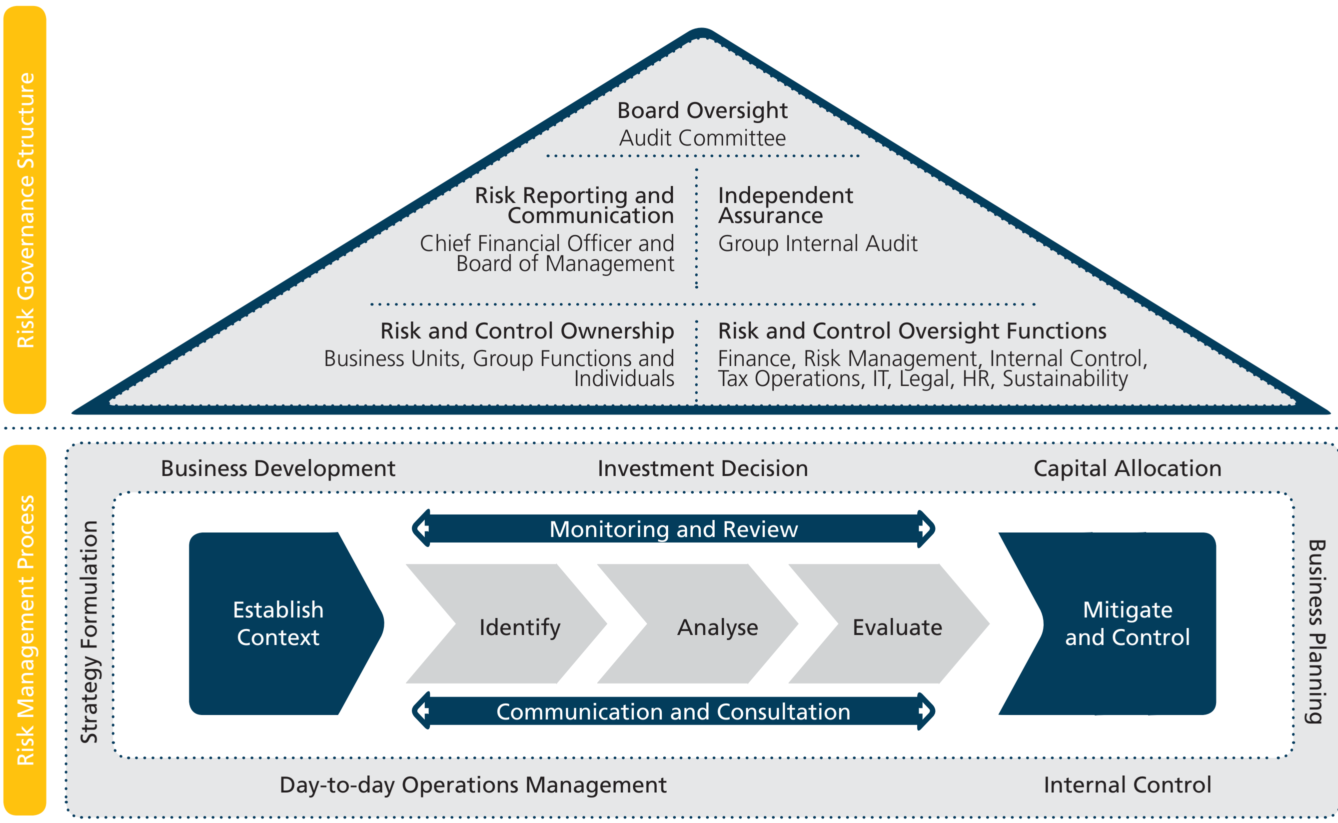
GROUP INTERNAL AUDIT

Provides an independent assessment of the adequacy and effectiveness of the overall risk management, internal control framework and reporting independently to the Audit Committee

MANAGING RISKS AND OPPORTUNITIES

Risk Governance

The Board has ultimate responsibility for providing strategic guidance, managing risks and identifying opportunities. They have put in place a risk governance structure to facilitate timely identification of risks with clear accountability for the same.



MANAGING RISKS AND OPPORTUNITIES

Risk Management Process

The risk management is a continuous process and integrated in to the performance review and decision making processes of the Group. The process facilitates review of external developments and their impact on operations of the respective business units together with stakeholder feedback. The process also enables identification of opportunities for growth due to the detail review at business unit level supported by group review and oversight. Our ability to find solutions for risks and threats, not just to the Group but to the economy, has propelled our growth in to diverse business sectors.

BOARD OF DIRECTORS (BOD)

As the head of the risk governance structure, the BOD approves high level risk parameters for individual SBUs and the Group based on reports from the Audit Committee on risk related matters.

GROUP SUPERVISORY BOARD

Focuses on policy and strategic matters in an operational and administrative context.

BOARD OF MANAGEMENT

Designs, operates and monitors risk management and control processes at SBU and Group level, while ensuring that strategies adopted by SBUs are in line with the risk parameters of the Group and addresses stakeholder concerns including the negation of possible adverse actions of stakeholders.

RISK OWNERS AND MANAGERS

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

GROUP TREASURY

Monitors movements in foreign exchange and interest rates with the objective of timely employing hedging tools such as forwards and swaps to eliminate or minimise financial losses.

INTEGRATED SUSTAINABILITY TEAM

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

AUDIT COMMITTEE

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

INTERNAL AUDIT DEPARTMENT

Maintains strict independence in all the work it performs from the management of individual SBUs. The department has three specialised sub units covering key areas of the risk management process.

FINANCE AND OPERATIONAL AUDIT

Performs audits to verify compliance with the internal control framework and reviews its adequacy.

STRATEGIC RISK

Responsible for sector-wise financial, strategic and operational risk assessments on a micro as well as macro level.

INFORMATION SECURITY

Responsible for reviewing the adequacy of controls of both existing and new IT infrastructure, information assets and software applications.

MANAGING RISKS AND OPPORTUNITIES

Risk and Risk Rating	Key Drivers	Mitigation Strategies	Further information
Safety of Travel			
Threats including political unrest, extreme weather events, epidemics, and terrorism deter travel to high risk destinations during periods of elevated threat Assessment / 18/19 / 17/18 Impact / High / High Likelihood / Moderate / Low	❖ Terrorist attacks in April 2019 in Sri Lanka ❖ Political uncertainties in the regions we operate in.	❖ Geographic diversification across 4 countries with Sri Lanka and Maldives being key contributors to top and bottom lines ❖ Continuous dialogue with diplomatic missions to communicate threats and progress with the aim of providing necessary information for travel advice ❖ Compliance with international best practice to ensure safety of tourists at entity level coordinated by central specialist services	Chairman's Statement Deputy Chairman and Managing Director's Statement Social and Relationship Capital
Affordability and Connectivity			
Airline connectivity and affordability play a key role in choice of destination Assessment / 18/19 / 17/18 Impact / High / High Likelihood / Moderate / Moderate	❖ Decrease in destinations served by Sri Lankan Airlines in 2018 ❖ Decrease in flights to Sri Lanka in response to temporary dip in demand	❖ Strong relationships with global tour operators ❖ Growth of charter operators ❖ Destination promotion by tourism sector to drive demand to all four countries with additional focus on Sri Lanka's recovery initiatives	Chairman's Statement Deputy Chairman and Managing Director's Statement
Safety at our hotels			
Safety of our guests and staff at our hotels is our priority Assessment / 18/19 / 17/18 Impact / High / High Likelihood / Low / Low	❖ Need to address stakeholder concerns about measures taken to assure their safety within our premises following terrorist attacks in Sri Lanka	❖ Comprehensive health and safety policy framework ❖ A strong safety culture at all hotels with regular fire drills, disaster recovery plans and high levels of risk awareness ❖ Implementation of additional security checks prior to entry to our properties. ❖ Centralised high level security function in the Group ❖ Regular debriefing of staff on security related information	Social and Relationship Capital Human Capital
Increasing competition			
Increased number of hotels leading to intense competition and lower margins Assessment / 18/19 / 17/18 Impact / High / High Likelihood / High / High	❖ Rapid growth of room inventory in Sri Lanka and Maldives outpacing growth of tourist arrivals ❖ Entry of global players in to Sri Lanka and Maldives	❖ Working together with tour operators to increase occupancy ❖ Consistently favourable reviews of our properties by guests strengthening brand equity ❖ Differentiated offerings at our properties	Sector Reviews Social and Relationship Capital

<table>
<tr><th>Risk and Risk Rating</th><th>Key Drivers</th><th>Mitigation Strategies</th><th>Further information</th></tr>
<tr><td colspan="4">Retention of skilled talent pools</td></tr>
<tr><td>High staff turnover in key segments such as travels and hotels
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td>Attrition Rate</td><td>29 %</td><td>24%</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>High</td><td>High</td></tr>
<tr><td>Likelihood</td><td>High</td><td>High</td></tr>
</table></td>
<td>❖ Sharp increase in industry and competitor activities
❖ Limited availability of skilled talent pools
❖ Economic migration to developed countries</td>
<td>❖ Comprehensive talent management programme to build talent pipelines including succession planning
❖ Job rotation and overseas assignments to develop leadership qualities of employees
❖ Ensuring the credibility of grievance mechanisms.
❖ Updating Human Resources policies and practices cognisant to trends in the industry.</td>
<td>Human Capital

Social and Relationship Capital</td></tr>
<tr><td colspan="4">Political and Policy Uncertainty</td></tr>
<tr><td>Political uncertainty in our key markets Sri Lanka and Maldives may give rise to changes in policy which may have an adverse impact on our business performance
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td>LMD Nielsen Business Confidence Index (Sri Lanka)</td><td>90</td><td>117</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr>
<tr><td>Likelihood</td><td>High</td><td>High</td></tr>
</table></td>
<td>❖ Sri Lanka is likely to have Presidential and General elections in 2019 or 2020
❖ Maldives had parliamentary elections in April 2019</td>
<td>❖ Group is engaged in active sectors of the economy which are vital to the economic growth of the country
❖ Representations made together with industry peers through Chambers of Commerce and industry associations</td>
<td>Chairman's Statement
Deputy Chairman and Managing Director's Statement

Social and Relationship Capital</td></tr>
<tr><td colspan="4">Climate Change</td></tr>
<tr><td>Plantation and power sectors are directly impacted by weather patterns while extreme weather events may have a significant impact on the entire Group
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td colspan="3">Rain fall in our plantation sector</td></tr>
<tr><td>Up Country</td><td>4,040 mm</td><td>2,654 mm</td></tr>
<tr><td>Mid Country</td><td>2,071 mm</td><td>1,513 mm</td></tr>
<tr><td>Low Country</td><td>2,666 mm</td><td>2,820 mm</td></tr>
<tr><td colspan="3">Number of wet days in our plantation sector</td></tr>
<tr><td>Up Country</td><td>169 Days</td><td>147 Days</td></tr>
<tr><td>Mid Country</td><td>156 Days</td><td>168 Days</td></tr>
<tr><td>Low Country</td><td>181 Days</td><td>233 Days</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr>
<tr><td>Likelihood</td><td>Moderate</td><td>Moderate</td></tr>
</table></td>
<td>❖ Irregular weather patterns and intensified rain causes adverse impact on tea, rubber and palm oil production and hydro power generation.
❖ Losses due to extreme weather
❖ Effects of climate change could disrupt the supply chain, tourist activities etc.</td>
<td>❖ Insurance of property, plant and equipment and inventory against damage from extreme weather events
❖ Integrated approach to sustainability supporting reduction of the Group's carbon footprint and water footprint
❖ Inbuilt safeguards including comprehensive flood mapping studies to track flood statistics for the past several decades. These studies, which were conducted at the pre-construction stage have enabled all power plants to be built above these levels.</td>
<td>Natural Capital</td></tr>
</table>

MANAGING RISKS AND OPPORTUNITIES

Risk and Risk Rating	Key Drivers	Mitigation Strategies	Further information
Interest Rate Risk			
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.	❖ Delays in debtors settlements in certain sectors has had an impact on the cash flows of these sectors. This compels to rely on high-cost short -term borrowings to promptly settle dues to the suppliers of essential inputs. ❖ Over the last several years the hotel sector invested in new properties and in the refurbishment of its existing properties, most of which were debt financed.	❖ The Group's treasury division continues to negotiate with banks and financial institutions to secure the best possible rates for the Group's borrowings and investments. ❖ All sectors aggressively follow up with debtors in order to collect their debts timely and to minimise finance cost. ❖ Securing debt funding diversity (source, instrument, currency and tenor) and maintaining an appropriate mix of committed credit facilities. ❖ Mitigating the adverse impact of movements in interest rates on long term borrowings through interest rate swaps and other hedging mechanisms available in the market as required.	Note 38.1.2 of the Financial Statements

Assessment Indicators	18/19	17/18
Interest rate spread (monthly AWPLR)	113 bps	46 bps
Assessment		
Impact	Moderate	Moderate
Likelihood	High	High

Risk and Risk Rating	Key Drivers	Mitigation Strategies	Further information
Exchange Rate Risk			
The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.	❖ Strengthening of the USD against the Rupee puts some sectors at risk of loss, given the large volume of imported raw materials. ❖ New project investments where there is a relatively high percentage of imported components would experience cost escalations.	❖ A currency flow matching strategy is practiced to negate this risk. Using the USD proceeds received from foreign clients, USD reserves have been built up, from which the foreign suppliers are settled. ❖ Matching foreign currency liabilities against foreign currency denominated assets to minimise the adverse effect of exposure to such liabilities due to sudden currency devaluation. ❖ Entering into forward exchange contracts for future payments and receipts whenever appropriate.	Note 38.1.1 of the Financial Statements

Assessment Indicators	18/19	17/18
Annual depreciation of LKR against the USD	13.2%	2.4%
Assessment		
Impact	High	Moderate
Likelihood	High	Moderate

<table>
<tr><th>Risk and Risk Rating</th><th>Key Drivers</th><th>Mitigation Strategies</th><th>Further information</th></tr>
<tr><td colspan="4">Credit Risk</td></tr>
<tr><td>Risk of loss arising to the Group as a result of default of contracted terms by debtors.
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td>Percentage of trade debtors over 90 days</td><td>3.2%</td><td>5.4%</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr>
<tr><td>Likelihood</td><td>Moderate</td><td>Moderate</td></tr>
</table></td>
<td>❖ As most segments operate in a competitive business environments, there is a requirement to extend credit facilities to the customers, to facilitate business growth. The amount of credit granted by these segments may expose them to a default risk.</td>
<td>❖ Proactive credit policies and procedures are in place to verify the creditworthiness and determine the potential credit risk associated with clients.
❖ In some segments the credit risk is transferred by obtaining bank guarantees and/or advance payments to minimise credit exposure.
❖ Providing appropriate incentives to clients for early settlement.
❖ Established advanced systems for effective monitoring and reporting of outstanding trade debts.</td>
<td>Note 38.3 of the Financial Statements</td></tr>
<tr><td colspan="4">Reputation Risk</td></tr>
<tr><td>The Group engages with millions of customers and other stakeholders across various industries annually, exposing it to potential reputational risk. If incidents that may cause reputational damage are not well-managed, it could rapidly escalate into a major strategic crisis.
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td>LMD Most Respected Entities</td><td>Ranked 7th</td><td>Ranked 10th</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>High</td><td>High</td></tr>
<tr><td>Likelihood</td><td>Low</td><td>Low</td></tr>
</table></td>
<td>❖ Widespread use of social media has allowed individuals to publish feedback on their interactions with the brand.
❖ Service failures originating from supply chain, such as contracted hotels and / or transport providers.
❖ Higher stakeholder expectations on environmental and social governance.</td>
<td>❖ In order to minimise service failures, only supply chain partners who confirm to a level of quality and reliability are contracted.
❖ Maintaining environmental management systems across the Group.
❖ Promoting corporate values and setting a high standard of ethics in business conduct, through adoption and implementation of the Group code of ethics. A copy of the Group code of ethics is given to all new recruits and is accessible to all employees on the intranet.
❖ Regular monitoring of customer feedback, often through sophisticated software systems to address reputational issues promptly and effectively.</td>
<td>Intellectual Capital</td></tr>
<tr><td colspan="4">Health, Safety and Well-being</td></tr>
<tr><td>Occupational health and safety (OHS) hazards leading to employee injuries or deaths, due to inappropriate and unsafe working environment.
<table>
<tr><th>Assessment Indicators</th><th>18/19</th><th>17/18</th></tr>
<tr><td>Number of accidents</td><td>81</td><td>60</td></tr>
<tr><td>Number of fatalities</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Assessment</td><td></td><td></td></tr>
<tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr>
<tr><td>Likelihood</td><td>Low</td><td>Low</td></tr>
</table></td>
<td>❖ OHS hazards has the potential to cause harm to employees, stakeholders and property through;
- Negligence
- Ignorance or lack of training on how to operate equipment
- Lack of maintenance of safety procedures</td>
<td>❖ Comprehensive safety manuals are in place which offer guidelines regarding minimising the risk of on-site accidents and occupational injuries. The guidelines include, mandatory wearing of protective gear for all those on-site at any given time, use of safety harnesses to protect those performing high altitude tasks etc.
❖ Periodic site visits are conducted by a designated safety manager to ensure all protocols are adhered as per the safety manual.
❖ Elevator staff are given a comprehensive tool box training on a periodic basis.</td>
<td>Human Capital</td></tr>
</table>

MANAGING RISKS AND OPPORTUNITIES

<table>
<tr><th>Risk and Risk Rating</th><th>Key Drivers</th><th>Mitigation Strategies</th><th>Further information</th></tr>
<tr><td colspan="4">Operational Risk</td></tr>
<tr><td><table><tr><th>Assessment</th><th>18/19</th><th>17/18</th></tr><tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr><tr><td>Likelihood</td><td>Moderate</td><td>Moderate</td></tr></table></td><td>❖ In labour intensive segments unionised labour strikes may cause unwanted disruptions and lost days.
❖ In machine intensive sectors unexpected machine breakdowns may cause operational delay.</td><td>❖ Strengthening relationships with trade unions and using this as a platform to resolve grievances before they escalate into risk threats.
❖ Regular servicing and maintenance of machines in order to minimise breakdowns.
❖ Updating of the fleet through periodic replacement.</td><td>Sector Reviews</td></tr>
<tr><td colspan="4">Principal Risk</td></tr>
<tr><td><table><tr><th>Assessment</th><th>18/19</th><th>17/18</th></tr><tr><td>Indicators</td><td></td><td></td></tr><tr><td>Percentage of Revenue from Principal.</td><td>6.5%</td><td>5.8%</td></tr><tr><td>Assessment</td><td></td><td></td></tr><tr><td>Impact</td><td>Moderate</td><td>Moderate</td></tr><tr><td>Likelihood</td><td>Moderate</td><td>Moderate</td></tr></table></td><td>❖ The risk of non-renewal poses a threat to the long-term sustainability of some sectors.</td><td>❖ Strengthening relationships with principals and business partners.
❖ Conducting regular assessments on service levels to ensure service standards required by the principals are met.
❖ Developing new relationships in order to improve the sustainability of the SBUs.</td><td>Sector Reviews
Intellectual Capital</td></tr>
<tr><td colspan="4">Cyber Risk</td></tr>
<tr><td>Almost all processes in the Group are supported by one or many internet driven services. Internet driven services are currently going through an evolution, moving from reactive to proactive, as businesses wake up to the impact of a cyber attack can have on their operational output and reputation.<table><tr><th>Assessment</th><th>18/19</th><th>17/18</th></tr><tr><td>Indicators</td><td></td><td></td></tr><tr><td>Cyber Risk Indicator</td><td>19</td><td>10.8</td></tr><tr><td>Assessment</td><td></td><td></td></tr><tr><td>Impact</td><td>High</td><td>High</td></tr><tr><td>Likelihood</td><td>Moderate</td><td>Moderate</td></tr></table></td><td>❖ Impact of cyber incidents via a targeted attack from hackers, collateral damage as a result of a non-targeted attack, insider attack, an accidental cyber incident or any combination of these.</td><td>❖ Well-defined group-wide cyber security incident response process.
❖ Conducting cultural change management programmes to create staff awareness on the importance of maintaining information security and handling of sensitive information.
❖ Implementation of network protection technology to manage network perimeter defence, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities together with regular testing and verification of controls.</td><td>Intellectual Capital</td></tr>
</table>

Risk and Risk Rating	Key Drivers	Mitigation Strategies	Further information
Environmental risks emanating from generation of emissions, effluents and solid waste			
Every activity has an environmental impact that if not managed can be a risk to the environment, our communities and the sustainability of the operation.	❖ Use of non-renewable resources for energy ❖ Use of indirect energy ❖ Use of water and other natural resources ❖ Generation of waste	❖ We have 40+ Environmental Management Systems out of which 14 are currently certified ❖ Heritance hotels are ISO 50001 certified for their Energy Management System. ❖ Estates in the upcountry cluster maintain Rainforest Alliance certification standards and the low country estates maintain activities in line with the Forestry Stewardship Council system requirements.	Natural Capital Sector Reviews Manufactured Capital

Assessment Indicators	18/19	17/18
Volume of water withdrawn.	1,412,388 m^3	1,338,389 m^3
Direct greenhouse gas emissions.	279,588 tCO2e	370,126 tCO2e
Assessment		
Impact	Moderate	Moderate
Likelihood	Low	Low

OPPORTUNITIES

OVERSEAS GROWTH

A proven track record in our domestic market and successful operations overseas in two key sectors provide a launch pad for geographic diversification in key sectors of Group operations

CLIMATE CHANGE

Embedding sustainability into our processes and organisation culture provides opportunities to drive cost efficiencies across our businesses enhancing productivity and returns

RELATIONSHIP WITH PRINCIPALS

Strong relationships with global players who have interest and connectivity in several areas of business provide opportunities for expansion in to new businesses and territories

HEALTH, SAFETY AND WELL-BEING

Increasing concerns on health, safety and well-being provide opportunities to differentiate and expand our leisure and travel offerings

INVESTOR INFORMATION

Stock Exchange Listing

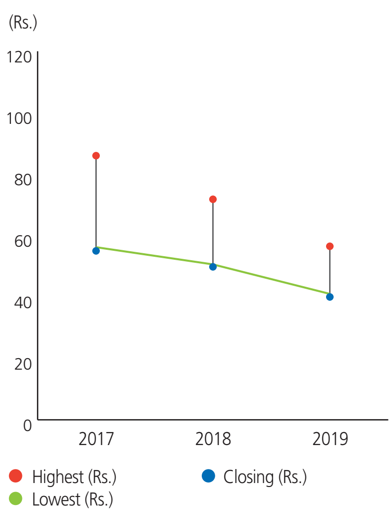
Company Name	Aitken Spence PLC
Stock Symbol	SPEN.N0000
ISIN	LK0004N00008
Security Type in Issue	Quoted Ordinary Shares
Listed Exchange	The Colombo Stock Exchange (CSE) - Main Board
Market Sector	Diversified Holdings
Featured Stock Indices	All Share Price Index (ASPI), S&P SL 20 Index, Diversified Holdings Sector Index

Share Performance

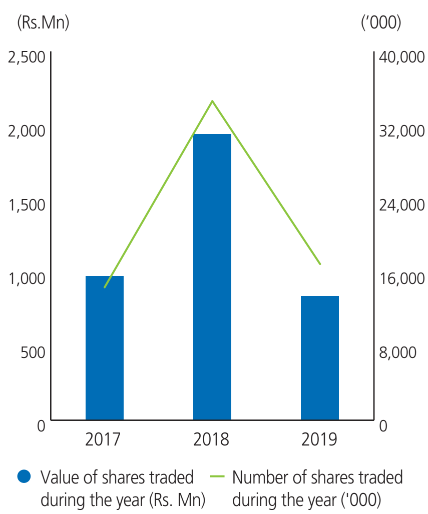
For the year ended 31st March	2019	2018	2017
Market Value Per Share			
Highest (Rs.)	**56.50**	71.80	86.00
Lowest (Rs.)	**40.00**	49.80	55.00
Closing (Rs.)	**41.00**	50.60	56.20
Share Trading Information			
Value of shares traded during the year (Rs. Mn)	**840.5**	1,939.5	976.5
Number of shares traded during the year ('000)	**16,931**	34,599	14,410
Number of transactions	**4,623**	5,681	3,675
As a percentage of total value transacted in the CSE (%)	**0.50**	0.79	0.55

The market value of the ordinary share as at 24th May 2019 was Rs. 40.00.

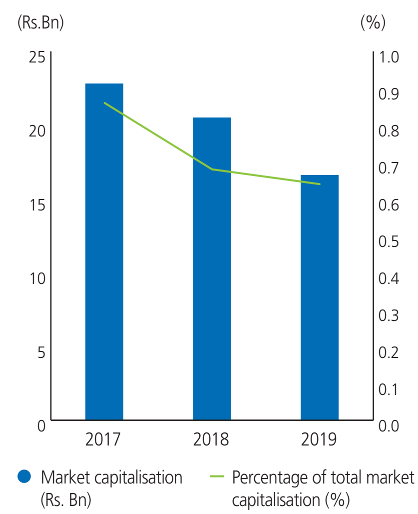
Market Value Per Share
For the year ended 31st March



Value of Shares Traded vs Volume
For the year ended 31st March



Market Capitalisation
As at 31st March

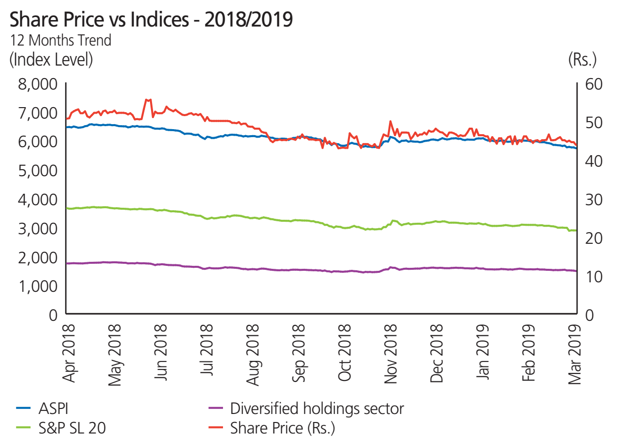


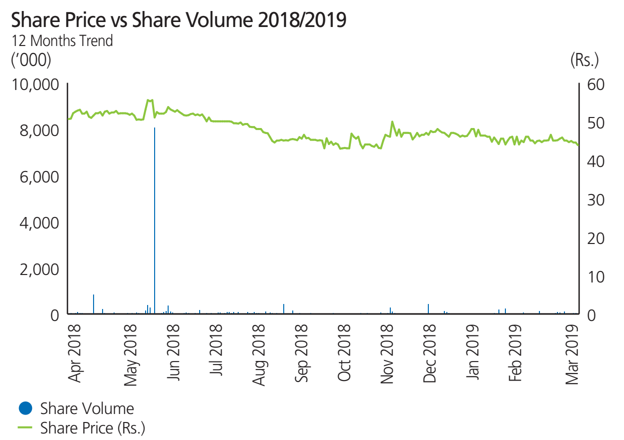
Market Capitalisation

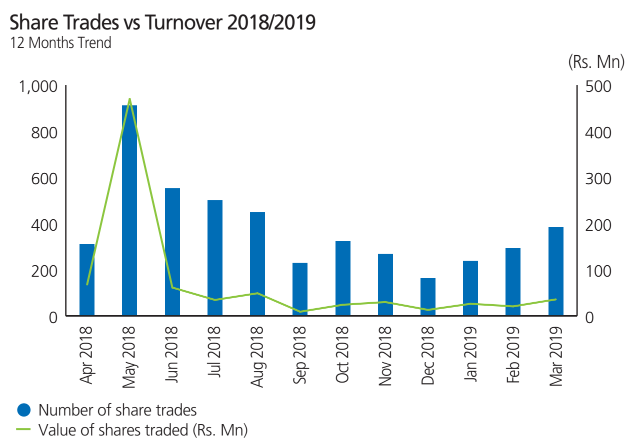
As at 31st March	2019	2018	2017
Market capitalisation (Rs. Bn)	16.6	20.5	22.8
Total market capitalisation of the CSE (Rs. Bn)	2,605.9	3,032.7	2,662.9
As a percentage of total market capitalisation (%)	0.64	0.68	0.86

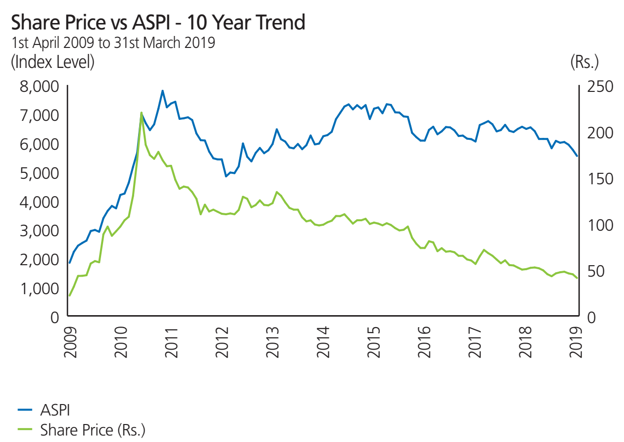
The float adjusted market capitalisation as at 31st March 2019 was Rs. 7,667,955,300/- with reference to the rule no. 7.6 (iv) of continuing listing requirements of the CSE.

As the float adjusted market capitalisation is over Rs. 7.5 Bn, Aitken Spence PLC complies under option 2 of minimum public holding requirement. (as per the rule no. 7.13.1 (a) of continuing listing requirements of the CSE).









INVESTOR INFORMATION

Earnings

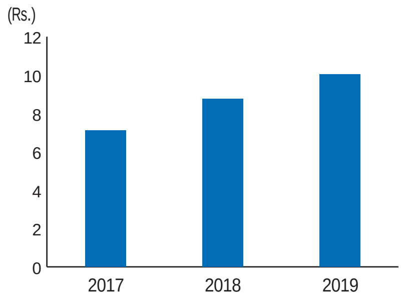
For the year ended 31st March	2019	2018	2017
Earnings per share - Basic/Diluted (Rs.)	10.04	8.77	7.12
Price earnings ratio (P/E) (Times)	4.08	5.77	7.90

Net Asset Per Share

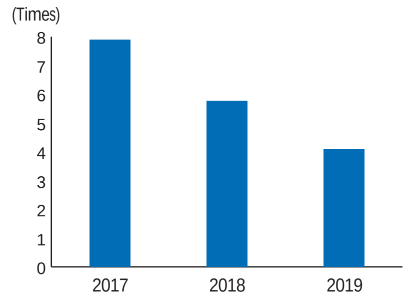
As at 31st March	2019	2018	2017
The Group (Rs.)	121.80	110.35	97.24
The Company (Rs.)	39.59	37.13	33.03

Rs. 10.04
EARNINGS PER SHARE

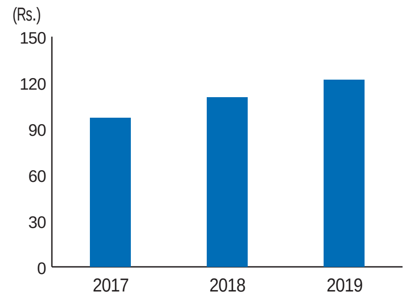
Earnings Per Share
For the Year Ended 31st March



Price Earning Ratio
For the Year Ended 31st March



Net Assets Per Share
As at 31st March

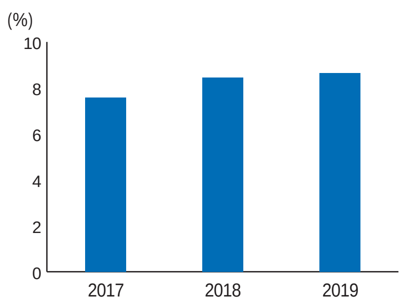


Return On Equity

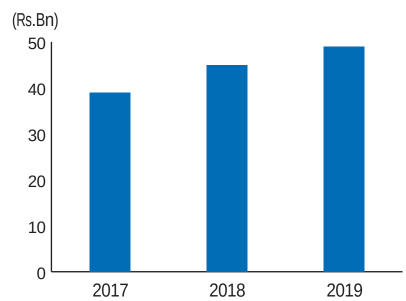
For the year ended 31st March	2019	2018	2017
Return on Equity (%)	8.65	8.45	7.59

8.65%
RETURN ON EQUITY

Return On Equity
For the Year Ended 31st March



Shareholders' Funds
For the Year Ended 31st March

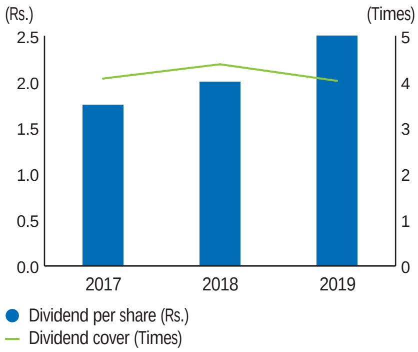


Rs. 121.80
NET ASSETS PER SHARE

Dividends

For the year ended 31st March	2019	2018	2017
Dividend per share (Rs.)	**2.50**	2.00	1.75
Dividend cover (Times)	**4.02**	4.38	4.07
Dividend payout ratio	**0.25**	0.23	0.25

Dividend Per Share and Dividend Cover
For the Year Ended 31st March



History of dividend per share, dividend cover and dividend payout ratio for the past 10 years

Year	Dividends per share (Rs.)	Dividends cover (Times)	Dividend payout ratio
2009/2010*	0.67	7.61	0.13
2010/2011	1.00	6.25	0.16
2011/2012	1.40	6.14	0.16
2012/2013	1.50	5.40	0.19
2013/2014	2.00	4.52	0.22
2014/2015	2.00	4.41	0.23
2015/2016	1.50	3.33	0.30
2016/2017	1.75	4.07	0.25
2017/2018	2.00	4.38	0.23
2018/2019	2.50	4.02	0.25

* *Above figures are restated taking into consideration the subdivision of shares*

INVESTOR INFORMATION

Shareholder Composition

Distribution of share holding

As at 31st March Shareholder category			2019 No of shareholders	No of shares	%	2018 No of shareholders	No of shares	%
1	-	1,000	2,832	864,209	0.21	2,787	873,684	0.22
1,001	-	10,000	1,410	5,272,549	1.30	1,429	5,241,240	1.29
10,001	-	100,000	467	14,305,825	3.52	460	14,034,954	3.46
100,001	-	1,000,000	92	26,700,069	6.58	88	24,419,795	6.01
1,000,001	-	above	23	358,853,393	88.39	23	361,426,372	89.02
Total			4,824	405,996,045	100.00	4,787	405,996,045	100.00

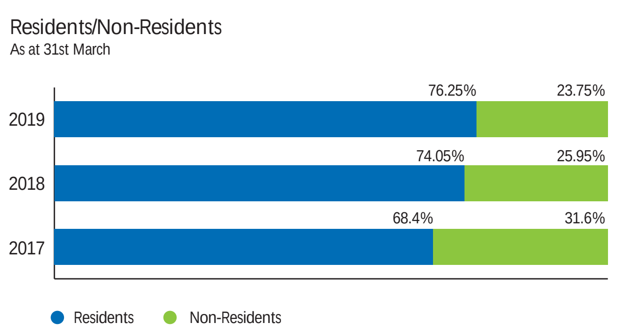
There were 4,824 registered shareholders as at 31st March 2019 and they are entitled for one vote per share. (31st March 2018 - 4,787)

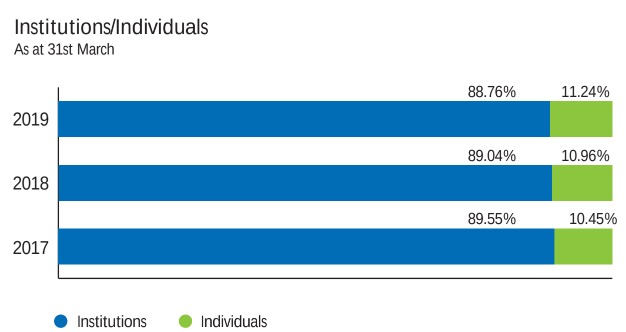
Residents/Non-Residents

As at 31st March	2019 No of shares	%	2018 No of shares	%
Residents	309,570,662	76.25	300,643,376	74.05
Non-Residents	96,425,383	23.75	105,352,669	25.95
Total	405,996,045	100.00	405,996,045	100.00

Institutions/Individuals

As at 31st March	2019 No of shares	%	2018 No of shares	%
Institutions	360,373,593	88.76	361,491,854	89.04
Individuals	45,622,452	11.24	44,504,191	10.96
Total	405,996,045	100.00	405,996,045	100.00

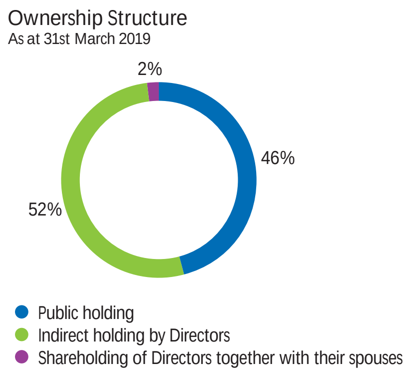




Public Holding

The percentage of public holding as at 31st March 2019 was 46.07% and was represented by 4,817 shareholders. (31st March 2018 - 46.96%, represented by 4,779 shareholders) (As per the rule no.7.6 (iv) of continuing listing requirements of the CSE)

	%	No of Shares
Public holding	46.07	187,023,300
Indirect holding by Directors	52.00	211,130,171
Shareholding of Directors together with their spouses	1.93	7,842,574
Total	**100.00**	**405,996,045**



Twenty Largest Shareholders as at 31st March 2019

	Name	No of Shares	%
1	Melstacorp PLC	203,564,171	50.13
2	Rubicond Enterprises Limited	65,990,145	16.25
3	Employees Provident Fund	20,590,978	5.07
4	BPSS LUX-Aberdeen Standard SICAV I-Asian Smaller Companies Fund	9,775,090	2.41
5	Mr. G.C. Wickremasinghe	7,308,240	1.80
6	Placidrange Holdings Limited	5,521,500	1.36
7	Renuka Hotels Limited	5,479,990	1.35
8	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
9	Seylan Bank PLC/W.D.N.H.Perera	3,589,035	0.88
10	BP2S London-Aberdeen Standard Asia Focus PLC	3,400,000	0.84
11	Stassen Exports (Pvt) Limited	3,244,500	0.80
12	Miss. A.T. Wickremasinghe	3,211,975	0.79
13	Mrs. K. Fernando	3,135,070	0.77
14	Mr. G. Wickremasinghe	3,019,090	0.74
15	Northern Trust Company S/A Hosking Global Fund PLC	2,907,475	0.72
16	Employees Trust Fund Board	2,621,870	0.65
17	Bank of Ceylon No.1 Account	2,596,230	0.64
18	National Savings Bank	2,493,516	0.61
19	The Ceylon Investment PLC A/C 02	1,284,800	0.32
20	Mr. A.B. Rodrigo	1,284,720	0.32
	Total	**355,339,895**	**87.51**

INVESTOR INFORMATION

Shareholding of Directors together with their spouses

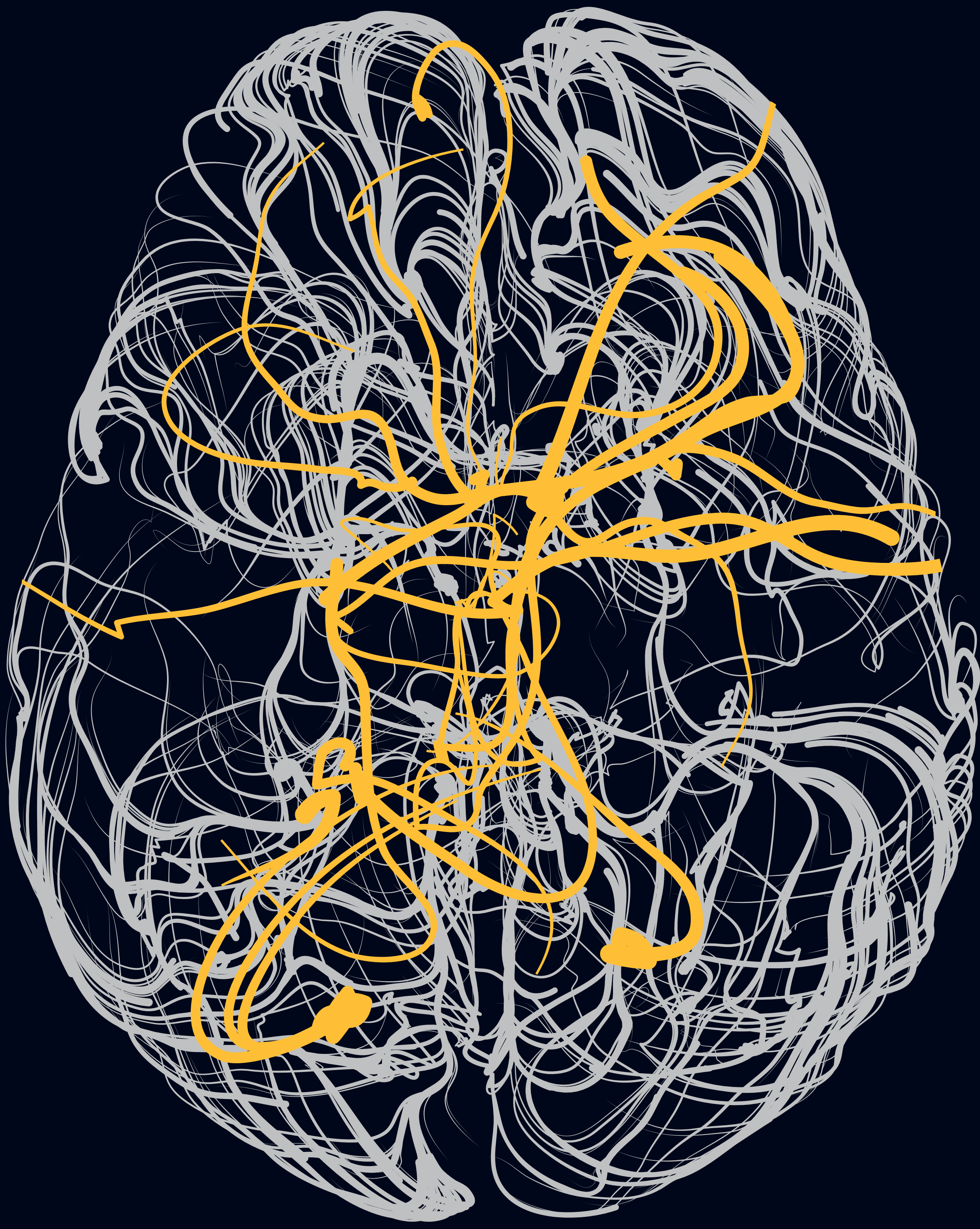
As at 31st March	2019	2018
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. J.M.S. Brito	505,495	309,495
Ms. D.S.T. Jayawardena	27,839	27,839
Mr. R.N. Asirwatham	1,000	1,000
Total	7,842,574	7,646,574

Indirect holding by Directors

As at 31st March		2019	2018
Deshamanya D.H.S. Jayawardena	- Melstacorp PLC	203,564,171	199,623,617
Deshamanya D.H.S. Jayawardena/Ms. D.S.T. Jayawardena	- Milford Exports (Ceylon) (Pvt) Limited	4,321,500	4,321,500
	- Stassen Exports Ltd	3,244,500	3,244,500
Mr. G.C. Wickremasinghe	- Manohari Enterprises Ltd	-	298,830
Total		211,130,171	207,488,447

Directors' shareholding in group companies

As at 31st March		2019	2018
Aitken Spence Hotel Holdings PLC	Mr. G.C. Wickremasinghe	2,082,241	2,082,241
	Mr. J.M.S. Brito	331,021	314,346
	Ms. D.S.T. Jayawardena	16,000	16,000
	Mr. R.N. Asirwatham	1,000	1,000
Hethersett Hotels Limited	Mr. G.C. Wickremasinghe	1,041,500	1,041,500



EQUITABLE, SUSTAINABLE VALUE-CREATION

Financial Statements

FINANCIAL CALENDAR 2018/2019

Interim Financial Statements	
Interim financial statements for the three months ended on 30th June 2018	Approved on 09th August 2018
Interim financial statements for the six months ended on 30th September 2018	Approved on 13th November 2018
Interim financial statements for the nine months ended on 31st December 2018	Approved on 07th February 2019
Interim financial statements for the year ended 31st March 2019	Approved on 23rd May 2019
Audited Financial Statements	
Audited financial statements for year ended on 31st March 2019	Approved on 24th May 2019
Dividends	
Final dividend for the year ended on 31st March 2018	Paid on 10th July 2018
Interim dividend for the year ended on 31st March 2019	Paid on 29th March 2019
Final dividend for the year ended on 31st March 2019	Proposed on 22nd May 2019
Annual General Meeting	
67th Annual General Meeting	28th June 2019

FINANCIAL HIGHLIGHTS

Q1 - 2018/2019 (Rs. Millions)	
Revenue	10,567
Profit from operations	775
Profit for the year	321
Profit Attributable to equity holders	259
Earnings per share (Rs)	0.64
Net assets per share (Rs)	109.36

Q2 - 2018/2019 (Rs. Millions)	
Revenue	12,409
Profit from operations	1,360
Profit for the year	818
Profit Attributable to equity holders	669
Earnings per share (Rs)	1.64
Net assets per share (Rs)	112.30

Q3 - 2018/2019 (Rs. Millions)	
Revenue	13,719
Profit from operations	2,432
Profit for the year	1,751
Profit Attributable to equity holders	1,267
Earnings per share (Rs)	3.12
Net assets per share (Rs)	118.11

Q4 - 2018/2019 (Rs. Millions)	
Revenue	18,986
Profit from operations	3,449
Profit for the year	2,881
Profit Attributable to equity holders	1,882
Earnings per share (Rs)	4.64
Net assets per share (Rs)	121.80

Year ended - 2018/2019 (Rs. Millions)			
Revenue	55,681	Profit from operations	8,016
Profit for the year	5,771	Profit Attributable to equity holders	4,077
Earnings per share (Rs)	10.04	Net assets per share (Rs.)	121.80

INDEX TO THE FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibilities of the Directors, in relation to the Financial Statements of Aitken Spence PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2019 incorporated in this report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2019, 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 2019 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2019 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiaries have been either duly paid or adequately provided for in the Financial Statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board,

AITKEN SPENCE PLC

Aitken Spence Corporate Finance (Pvt) Ltd.
Company Secretaries

Colombo
24th May 2019

INDEPENDENT AUDITOR'S REPORT

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

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Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
Internet : www.kpmg.com/lk

To the Shareholders of Aitken Spence PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aitken Spence PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2019, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 201 to 315.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of Goodwill	
Refer note 17 to the consolidated financial statements	
Risk Description	Our response
The Group has goodwill amounting to Rs. 906 Mn as at 31st March 2019. The carrying amount of goodwill could be materially misstated if inappropriate judgments and estimates were used by the management in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. The recoverable amount of the goodwill is determined based on value in use calculation. These calculations used cash flows projected using judgments and estimates based on the financial budgets approved by the management. We have identified the carrying amount of the Goodwill as a key audit matter since that is based on forecasted and discounted cash flows, which are inherently judgemental.	Our audit procedures included, ❖ Evaluating the reasonableness of the Group's key assumptions for its cash flow projection such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including the Group budgetary process and reasonableness of historical forecasts. ❖ Reviewing of value in use computations for recoverable amount with impairment indications and discussion with management of the Group. ❖ Considering the adequacy of the Group disclosures in the financial statements in respect of impairment testing.

INDEPENDENT AUDITOR'S REPORT

KPMG

Impairment of investments in subsidiaries and investments in equity- accounted investees	
Refer note 21 and 22 to the consolidated financial statements	
Risk Description	Our response
The company hold investments in subsidiaries and investments in equity-accounted investees amounting to Rs. 10,149 Mn and Rs. 2,787 Mn respectively as at 31st March 2019. Further, the Group holds investments in equity-accounted investees amounting to Rs. 6,434 Mn. The carrying amount of each investments in subsidiary and investments in equity- accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated if inappropriate judgments and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. Investments which does not generate adequate returns may be an indication of impairment. Due to the investments being material it will have a significant impact on financial performance of the Company/ Group. We have identified the impairment of investments in subsidiaries and investments in equity- accounted investees as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgemental.	Our audit procedures included, ❖ Assessing the impairment indications of investments made in subsidiaries and associates and assessing the reasonableness of the discounted cash flow models, principles and accuracy of the forecasts. ❖ Reviewing of value in use calculations for investments with impairment indications and discussion with management of the Group/ component. ❖ Assessing the adequacy of disclosures in the financial statements.

Recoverability of Deferred Tax Assets	
Refer note 23 to the consolidated financial statements	
Risk Description	Our response
The Group has recognised deferred tax assets amounting to Rs. 691 Mn as at 31st March 2019. Group had recognised significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses which management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the Group entities or by set-off against deferred tax liabilities. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences. We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and significant management judgment and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.	Our audit procedures included, ❖ Assessing the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This includes reviewing the key assumptions in future taxable profits forecasts for each Group entity with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entities, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures. ❖ Assessing adequacy of the disclosures in the financial statements.

KPMG

Financial Instruments	
Refer note 36.3 to the consolidated financial statements	
Risk Description	**Our response**
The effective portion of a Cash flow hedge has been recognised under other comprehensive income amounting to Rs. 84 Mn as at 31st March 2019. A subsidiary company has hedged its Euro currency revenue against the contractual future loan repayments. Rules on hedge accounting requirements and documentation can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. Hedge relationships are formally documented and designated at inception. The documentation includes identification of the hedged item and the hedging instrument and details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. We identified this as a key audit matter due to the complexities and high level of judgment involved in determining the hedging item, Hedge instrument and the effectiveness testing as required by the accounting standards.	Our audit procedures included, ❖ Assessing the nature of the hedge relationships and testing compliance with specific hedge accounting requirements for foreign currency hedging. ❖ Examining the accounting treatment applied for Hedge, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item. ❖ Assessing the adequacy of the disclosure in financial instruments by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

INDEPENDENT AUDITOR'S REPORT

KPMG

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

Kpmg

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

Colombo
24th May 2019

INCOME STATEMENTS

For the year ended 31st March	Notes	GROUP 2019 Rs.'000	GROUP 2018 Rs.'000	COMPANY 2019 Rs.'000	COMPANY 2018 Rs.'000
Revenue	7	55,680,903	52,734,969	806,463	775,534
Revenue taxes		(617,833)	(581,848)	(13,293)	(13,635)
Net revenue		55,063,070	52,153,121	793,170	761,899
Other operating income	8	702,629	543,493	2,901,156	1,942,968
Changes in inventories of finished goods and work-in-progress		297,560	(20,969)	-	-
Raw materials and consumables used		(10,861,524)	(11,963,449)	-	-
Employee benefits expense		(8,739,856)	(8,044,419)	(476,388)	(497,413)
Depreciation, amortisation and impairment (losses) / reversals of non-financial assets	9	(2,918,102)	(2,569,596)	(100,525)	58,254
Other operating expenses - direct	10	(18,027,448)	(15,633,943)	-	-
Other operating expenses - indirect		(7,499,878)	(7,383,303)	(433,810)	(324,929)
Profit from operations	9	8,016,451	7,080,935	2,683,603	1,940,779
Finance income	11	757,845	743,519	831,667	786,067
Finance expenses	11	(1,880,929)	(1,733,095)	(1,226,907)	(950,477)
Net finance expense		(1,123,084)	(989,576)	(395,240)	(164,410)
Share of profit of equity-accounted investees (net of tax)	22	389,241	306,457	-	-
Profit before tax		7,282,608	6,397,816	2,288,363	1,776,369
Income tax expense	12	(1,511,258)	(1,248,284)	(78,968)	97,542
Profit for the year		5,771,350	5,149,532	2,209,395	1,873,911
Attributable to:					
Equity holders of the company		4,077,067	3,560,348	2,209,395	1,873,911
Non-controlling interests		1,694,283	1,589,184	-	-
Profit for the year		5,771,350	5,149,532	2,209,395	1,873,911
Earnings per share - basic/diluted (Rs.)	13	10.04	8.77	5.44	4.62

The notes on pages 210 to 315 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 2019 Rs.'000	GROUP 2018 Rs.'000	COMPANY 2019 Rs.'000	COMPANY 2018 Rs.'000
Profit for the year		5,771,350	5,149,532	2,209,395	1,873,911
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of freehold land	15	373,720	2,858,132	-	-
Actuarial gains / (losses) on defined benefit obligations	33.2	71,917	(116,004)	13,963	(8,814)
Equity investments at FVOCI – net change in fair value		(4,450)	-	(4,625)	-
Share of other comprehensive income of equity-accounted investees (net of tax)	22	(12,106)	163,063	-	-
Income tax on other comprehensive income	12.4	(104,334)	(972,808)	(3,434)	2,468
		324,747	1,932,383	5,904	(6,346)
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		1,907,579	417,045	-	-
Available-for-sale financial assets – net change in fair value		-	1,614	-	(148)
Net movement on cash flow hedges	36.3	(84,129)	(960,398)	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	22	136,374	62,743	-	-
Income tax on other comprehensive income	12.4	-	(82)	-	(40)
		1,959,824	(479,078)	-	(188)
Other comprehensive income for the year, (net of tax)		2,284,571	1,453,305	5,904	(6,534)
Total comprehensive income for the year		8,055,921	6,602,837	2,215,299	1,867,377
Attributable to:					
Equity holders of the company		5,789,413	5,475,598	2,215,299	1,867,377
Non-controlling interests		2,266,508	1,127,239	-	-
Total comprehensive income for the year		8,055,921	6,602,837	2,215,299	1,867,377

The notes on pages 210 to 315 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at	Notes	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	71,590,332	59,274,780	155,627	134,565
Investment properties	16	1,632,100	1,632,360	3,426,085	3,428,933
Intangible assets	17	945,468	890,378	8,229	5,592
Biological assets	18	49,332	47,293	-	-
Leasehold properties	19	2,214,519	2,023,903	-	-
Pre-paid operating leases	20.1	2,366,966	2,241,358	-	-
Investments in subsidiaries	21	-	-	10,148,778	7,995,933
Investments in equity-accounted investees	22	6,434,116	6,334,455	2,786,545	2,711,379
Deferred tax assets	23	690,924	563,391	299,592	303,115
Other financial assets	24	834,096	873,340	40,568	95,194
		86,757,853	73,881,258	16,865,424	14,674,711
Current assets					
Inventories	25	2,202,047	1,526,162	2,058	2,179
Pre-paid operating leases	20.1	76,232	67,466	-	-
Trade and other receivables	26	15,143,496	13,557,531	3,606,397	4,786,472
Current tax receivable		186,158	243,352	146,307	213,054
Deposits and prepayments		2,018,261	1,480,413	93,576	100,169
Other financial assets	27	10,515,935	7,300,814	10,268,044	6,459,242
Cash and short-term deposits	28	7,932,428	9,636,419	2,036,706	1,094,468
		38,074,557	33,812,157	16,153,088	12,655,584
Assets classified as held for sale	29	164,125	149,125	72,237	57,237
Total assets		124,996,535	107,842,540	33,090,749	27,387,532
EQUITY AND LIABILITIES					
Equity					
Stated capital	30.1	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	30.2	23,416,042	20,500,926	10,898,187	9,627,127
Retained earnings		23,899,401	22,163,669	3,038,249	3,313,384
Total equity attributable to equity holders of the company		49,450,583	44,799,735	16,071,576	15,075,651
Non-controlling interests		12,635,237	11,484,969	-	-
Total equity		62,085,820	56,284,704	16,071,576	15,075,651
Non-current Liabilities					
Interest-bearing liabilities	31	29,379,904	19,683,396	2,757,893	1,254,628
Deferred tax liabilities	32	2,283,840	1,949,193	-	-
Employee benefits	33	1,010,405	1,046,605	80,576	134,999
Other liabilities	34	1,851,909	881,272	-	-
		34,526,058	23,560,466	2,838,469	1,389,627
Current liabilities					
Interest-bearing liabilities	31	3,583,499	5,780,868	1,303,220	1,287,811
Trade and other payables	35	13,307,432	12,604,616	7,207,918	5,842,265
Current tax payable		436,021	454,427	-	-
Bank overdrafts and other short-term borrowings	28	11,057,705	9,157,459	5,669,566	3,792,178
		28,384,657	27,997,370	14,180,704	10,922,254
Total equity and liabilities		124,996,535	107,842,540	33,090,749	27,387,532

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 210 to 315.

I certify that the financial statements for the year ended 31st March 2019 are in compliance with the requirements of the Companies Act No. 7 of 2007.

Ms. N. Sivapragasam
Chief Financial Officer

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

Deshamanya D.H.S. Jayawardena
Chairman

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

24th May 2019.
Colombo, Sri Lanka

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019	Attributable to equity holders of the company			
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2017	2,135,140	6,580,537	148,440	7,976,675
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	2,073,939	-	-
Total comprehensive income for the year	-	2,073,939	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Transfer on disposal of subsidiary	-	(44,190)	-	-
Acquisition and changes in non-controlling interest	-	66	-	-
Purchase of own shares by subsidiary companies	-	-	-	-
Transfer to general reserve	-	-	-	1,692,747
Final dividends for 2016/2017 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	(44,124)	-	1,692,747
Balance as at 31st March 2018	2,135,140	8,610,352	148,440	9,669,422
Adjustment on initial application of SLFRS 9, net of tax (Note 48)	-	-	-	-
Adjusted balance as at 01st April 2018	2,135,140	8,610,352	148,440	9,669,422
Profit for the year	-	-	-	-
Other comprehensive income for the year (note 30.3.1)	-	280,672	-	-
Total comprehensive income for the year	-	280,672	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Acquisition and changes in non-controlling interest	-	33	-	-
Transfer to reserves	-	-	-	1,277,734
Final dividends for 2017/2018 (note 14)	-	-	-	-
Interim dividends for 2018/2019 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	33	-	1,277,734
Balance as at 31st March 2019	2,135,140	8,891,057	148,440	10,947,156

The notes on pages 210 to 315 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Attributable to equity holders of the company						
Exchange fluctuation reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2,110,655	33,072	-	20,492,912	39,477,431	11,315,985	50,793,416
-	-	-	3,560,348	3,560,348	1,589,184	5,149,532
357,991	1,532	(429,240)	(88,972)	1,915,250	(461,945)	1,453,305
357,991	1,532	(429,240)	3,471,376	5,475,598	1,127,239	6,602,837
-	-	-	78,903	78,903	-	78,903
-	-	-	44,190	-	-	-
(1,298)	-	-	64,548	63,316	(63,316)	-
-	-	-	(92,515)	(92,515)	(38,428)	(130,943)
-	-	-	(1,692,747)	-	-	-
-	-	-	(202,998)	(202,998)	-	(202,998)
-	-	-	-	-	(856,511)	(856,511)
(1,298)	-	-	(1,800,619)	(153,294)	(958,255)	(1,111,549)
2,467,348	34,604	(429,240)	22,163,669	44,799,735	11,484,969	56,284,704
-	(37,359)	-	17,321	(20,038)	(4,533)	(24,571)
2,467,348	(2,755)	(429,240)	22,180,990	44,779,697	11,480,436	56,260,133
-	-	-	4,077,067	4,077,067	1,694,283	5,771,350
1,435,593	(3,992)	(37,601)	37,674	1,712,346	572,225	2,284,571
1,435,593	(3,992)	(37,601)	4,114,741	5,789,413	2,266,508	8,055,921
-	-	-	80,041	80,041	-	80,041
36	-	-	19,351	19,420	(19,420)	-
-	-	-	(1,277,734)	-	-	-
-	-	-	(811,992)	(811,992)	-	(811,992)
-	-	-	(405,996)	(405,996)	-	(405,996)
-	-	-	-	-	(1,092,287)	(1,092,287)
36	-	-	(2,396,330)	(1,118,527)	(1,111,707)	(2,230,234)
3,902,977	(6,747)	(466,841)	23,899,401	49,450,583	12,635,237	62,085,820

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019	Stated capital Rs.'000	General reserves Rs.'000	Fair value reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 01st April 2017	2,135,140	7,949,963	(12,473)	3,338,642	13,411,272
Profit for the year	-	-	-	1,873,911	1,873,911
Other comprehensive income for the year (note 30.3.2)	-	-	(188)	(6,346)	(6,534)
Total comprehensive income for the period	-	-	(188)	1,867,565	1,867,377
Transfer to general reserve	-	1,689,825	-	(1,689,825)	-
Final dividends for 2016/2017 (note 14)	-	-	-	(202,998)	(202,998)
Total contributions and distributions recognised directly in equity	-	1,689,825	-	(1,892,823)	(202,998)
Balance as at 31st March 2018	2,135,140	9,639,788	(12,661)	3,313,384	15,075,651
Adjustment on initial application of SLFRS 9, net of tax (Note 48)	-	-	(2,495)	1,109	(1,386)
Adjusted balance as at 01st April 2018	2,135,140	9,639,788	(15,156)	3,314,493	15,074,265
Profit for the year	-	-	-	2,209,395	2,209,395
Other comprehensive income for the year (note 30.3.2)	-	-	(4,149)	10,053	5,904
Total comprehensive income for the period	-	-	(4,149)	2,219,448	2,215,299
Transfer to general reserve	-	1,277,704	-	(1,277,704)	-
Final dividends for 2017/2018 (note 14)	-	-	-	(811,992)	(811,992)
Interim dividends for 2018/2019 (note 14)	-	-	-	(405,996)	(405,996)
Total contributions and distributions recognised directly in equity	-	1,277,704	-	(2,495,692)	(1,217,988)
Balance as at 31st March 2019	2,135,140	10,917,492	(19,305)	3,038,249	16,071,576

The notes on pages 210 to 315 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2019 Rs.'000	GROUP 2018 Rs.'000	COMPANY 2019 Rs.'000	COMPANY 2018 Rs.'000
Cash flows from operating activities					
Profit before tax		7,282,608	6,397,816	2,288,363	1,776,369
Adjustments for;					
Depreciation and amortisation		2,903,256	2,614,764	47,001	47,941
Interest expense		1,680,143	1,579,151	1,222,137	948,016
Gain on disposal of property, plant and equipment	8	(59,035)	(18,615)	(2,234)	(8,119)
Gain on disposal of subsidiaries	8	(800)	(309,202)	(800)	(14,350)
Gain on disposal of equity securities – at FVTPL	8	(509)	-	(509)	-
Loss on disposal of equity securities – at FVOCI	8	5,556	-	-	-
Loss on disposal of equity securities – available for sale	8	-	315	-	-
Interest income	11	(757,845)	(743,519)	(831,667)	(786,067)
Share of profit of equity-accounted investees (net of tax)	22	(389,241)	(306,457)	-	-
Impairment losses / (reversals) of investments in subsidiaries and equity-accounted investees		45,406	26,712	53,524	(106,195)
Impairment reversals of inventories		(30,560)	(71,880)	-	-
Impairment losses/(reversals) and write-offs of trade and other receivables		(59,159)	149,042	58,925	(416)
Net foreign exchange (gain) / loss		495,589	324,979	223,969	61,821
Provision for retirement benefit obligations	33	200,225	219,275	21,415	23,954
		4,033,026	3,464,565	791,761	166,585
Operating profit before working capital changes		11,315,634	9,862,381	3,080,124	1,942,954
(Increase)/decrease in trade and other receivables		(1,547,864)	(2,077,168)	1,119,880	(1,573,807)
(Increase)/decrease in inventories		(645,325)	195,288	121	4
(Increase)/decrease in deposits and prepayments		(537,848)	298,238	6,593	(37,368)
Increase/(decrease) in trade and other payables		627,848	1,779,948	1,237,417	1,942,360
Increase/(decrease) in other liabilities		549,892	-	-	-
		(1,553,297)	196,306	2,364,011	331,189
Cash generated from operations		9,762,337	10,058,687	5,444,135	2,274,143
Interest paid		(1,684,997)	(1,573,961)	(1,217,088)	(942,825)
Income tax paid		(1,395,112)	(1,212,006)	(11,593)	(49,676)
Retirement benefit obligations paid	33	(178,056)	(132,262)	(61,875)	(3,015)
		(3,258,165)	(2,918,229)	(1,290,556)	(995,516)
Net cash generated from operating activities		6,504,172	7,140,458	4,153,579	1,278,627

(carried forward to next page)

The notes on pages 210 to 315 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2019 Rs.'000	GROUP 2018 Rs.'000	COMPANY 2019 Rs.'000	COMPANY 2018 Rs.'000
(brought forward from previous page)					
Cash flows from investing activities					
Interest received		762,734	743,492	831,820	786,067
Investment in subsidiaries and equity accounted investees		(128,590)	-	(2,296,535)	(594,500)
Investment in equity securities and debt		(20,236)	(688,752)	(20,236)	-
Net cash flows on divestment of subsidiaries	A	(14,024)	737,712	-	15,000
Acquisition of property, plant and equipment*	15	(11,556,526)	(7,236,958)	(66,232)	(41,934)
Acquisition of intangible assets	17	(23,113)	(18,568)	(5,276)	(821)
Acquisition of biological assets	18	(6,501)	(8,172)	-	-
Operating leases pre-paid	20.1	-	(281,771)	-	-
Proceeds from disposal of property, plant and equipment		109,246	53,593	5,890	17,764
Proceeds from disposal of intangible assets		-	10	-	-
Proceeds from retirement of equity securities and debt		92,886	73,330	52,662	48,570
Proceeds/(purchase) of other financial assets and liabilities (net)		(3,214,109)	1,698,172	(3,794,075)	(275,351)
Final liquidation proceeds of subsidiary		800	-	800	-
Dividends paid to non-controlling interests		(1,092,287)	(856,511)	-	-
Dividends received from equity accounted investees		577,641	310,841	-	-
Net cash used in investing activities		(14,512,079)	(5,473,582)	(5,291,182)	(45,205)
Cash flows from financing activities					
Proceeds from interest-bearing liabilities	31	14,011,202	8,440,895	2,686,200	-
Repayment of interest-bearing liabilities	31	(8,514,176)	(6,407,690)	(1,391,701)	(1,366,917)
Purchase of own shares by subsidiary companies		-	(130,943)	-	-
Dividends paid to equity holders of the parent		(1,073,867)	(705,325)	(1,073,867)	(705,325)
Net cash generated from / (used in) financing activities		4,423,159	1,196,937	220,632	(2,072,242)
Net increase / (decrease) in cash and cash equivalents		(3,584,748)	2,863,813	(916,971)	(838,820)
Cash and cash equivalents at the beginning of the year		478,960	(2,394,706)	(2,697,710)	(1,860,321)
Effect of movements in exchange rates		(19,489)	9,853	(18,179)	1,431
Cash and cash equivalents at the end of the year	28	(3,125,277)	478,960	(3,632,860)	(2,697,710)

* Acquisition of property, plant and equipment includes capitalised borrowing cost paid by the Group of Rs. 867.5 million.(2017/2018 - 185.1 million). (Company-nil).

The notes on pages 210 to 315 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the statements of cash flows

A. Divestment of subsidiaries

During the period under review the Group made a decision to divest its investments in the former subsidiary Spence International (Pvt) Ltd by liquidation of the company. The fair values of assets and liabilities thus divested by the Group are as follows;

	GROUP Rs.'000
Income taxation	1,043
Trade and other payables	(67)
Cash and cash equivalents	14,024
Total identifiable net assets disposed and reclassified under assets held for sale	15,000
Cash and cash equivalents disposed	(14,024)
Net cash inflow on divestment of subsidiaries	(14,024)

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 2019 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 335 to 344 of this report.

The immediate parent of Aitken Spence PLC is Melstacorp PLC and ultimate parent is Milford Exports (Ceylon) (Private) Limited.

2 Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

This is the first set of the Group's annual financial statements in which SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments have been applied.

These financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.2 Responsibility for financial statements

The Board of Directors of the Company acknowledges its responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "certification on the Statement of Financial Position".

2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2019 were approved and authorised for issue by the Board of Directors on the 24th of May 2019.These financial statements include the following components :

- an Income Statement and a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer pages 201 and 202;
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 203;
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer pages 204 to 206;
- a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer pages 207 to 209;
- notes to the financial statements comprising significant accounting policies and other explanatory information. Refer pages 210 to 315.

2.4 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items stated in the Statement of Financial Position

Item	Basis of measurement	Note number
Land (recognised under property, Plant and Equipment)	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	3.4 and 15
Financial assets classified as fair value through profit or loss	Measured at fair Value	3.3.1.2 and 27
Financial assets classified as fair value through other comprehensive income.	Measured at fair Value	3.3.1.2 and 24

Item	Basis of measurement	Note number
Financial assets classified as available-for-sale	Measured at fair Value	3.3.2.2, 24 and 27
Retirement benefit obligations	Measured at the present value of the defined benefit obligation	3.12 and 33

2.5 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency), which is the Sri Lankan Rupee.

The financial statements are presented in Sri Lankan Rupees. All financial information presented in rupees has been rounded to the nearest thousand except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

Each Group company determines its own functional currency and items included in the financial statements of these companies are measured using that functional currency. The offshore headquarter companies in the Group, change their presentation currency from Sri Lanka Rupees (LKR) to United States Dollar (USD) with effect from 1st April 2018 to reflect the companies predominant operating currency in their financial statements. The Group accounted for this change in accounting policy by the subsidiary companies on prospective basis as the effect of the application of this change on the Group's financial statements is not material for the comparative years. The cumulative impact of the translation is transferred from Retained Earnings to Exchange Equalisation Reserves on 1st April 2018.

Other than the above there were no changes in the presentation or functional currency of the Group companies during the year under review. Functional currency of all the Group companies is Sri Lankan Rupees other than the following companies whose functional currency is either based on the country of incorporation of the respective company or elements that could influence in determining its functional currency.

Company	Country of incorporation	Functional currency
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Sri Lanka	United States Dollar
Aitken Spence Hotels International (Pvt) Ltd	Sri Lanka	United States Dollar
Aitken Spence Global Operations (Pvt) Ltd	Sri Lanka	United States Dollar
A.D.S. Resorts Private Limited	Maldives	United States Dollar
Unique Resorts Private Limited	Maldives	United States Dollar
Jetan Travel Services Company Private Limited	Maldives	United States Dollar
Ace Resorts Private Limited	Maldives	United States Dollar
Cowrie Investment Private Limited	Maldives	United States Dollar
Ace Aviation Services Maldives Private Limited	Maldives	United States Dollar
Interlifts International Private Limited	Maldives	United States Dollar
Aitken Spence Resorts (Middle East) LLC	Oman	Oman Riyal
Aitken Spence Hotel Managements (South India) Limited	India	Indian Rupee
Aitken Spence Hotel Services Private Limited	India	Indian Rupee
PR Holiday Homes Private Limited	India	Indian Rupee
Perumbalam Resorts Private Limited	India	Indian Rupee
Crest Star Limited	Hong Kong	United States Dollar
Crest Star (B.V.I) Limited	British Virgin Islands	United States Dollar
Fiji Ports Terminal Limited	Fiji	Fiji Dollars
Fiji Ports Corporation Limited	Fiji	Fiji Dollars
Ace Bangladesh Limited	Bangladesh	Taka

2.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period.

Or

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Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current liabilities.

The Group classifies deferred tax assets and liabilities under non-current assets and liabilities.

2.7 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from January 01, 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company

2.9 Use of accounting judgements, estimates and assumptions

The preparation of financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported values of assets, liabilities, income expenses and accompanying disclosures including contingent liabilities. Estimates and judgements which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.10 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future, confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group other than those disclosed in the notes to the financial statements.

3 Summary of Significant Accounting Policies

Except for the Changes in Significant Accounting Policies given below the accounting policies set out from Note 3.1 onwards have been applied consistently for all periods presented in the financial statements by the Group and the Company.

Changes in Significant Accounting Policies

The Group initially applied SLFRS 15 - Revenue from Contracts with Customers and SLFRS 09 - Financial Instruments from 1st April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

3.1 Basis of consolidation

3.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed; measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity, or else subsequent changes in the fair value of the contingent consideration is recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31st March or when circumstances indicate that the carrying value of the goodwill may be impaired. For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group

3.1.3 Non-controlling interest

The proportion of the profits or losses after taxation and each component in the other comprehensive income applicable to outside shareholders of subsidiary companies are included under the heading "Non – controlling interests" in the Consolidated Income Statement and the Statement of Profit or Loss and the Other Comprehensive Income. Losses and

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negative balances applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non-controlling interests" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Changes to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3.1.4 Loss of control

On a loss of control of a subsidiary, the Group immediately derecognises the assets including goodwill, liabilities, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available–for-sale financial asset depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3.1.5 Equity accounted investees (investments in associates and joint ventures)

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

Joint ventures are arrangements in which the Group has joint control and have rights to the net assets of the arrangement. The Group has joint control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control.

Associates and joint ventures are treated as equity accounted investees and are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted at each reporting date to recognise changes in the Group's share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity -accounted investees are recognised against the equity value of the Group's investment.

The income statement reflects the Group's share of the results of operations of the equity accounted investees. When there is a change recognised directly in the other comprehensive income or equity of the entity, the Group recognises its share of such changes, when applicable, in the statement of profit or loss and other comprehensive income or the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees.

The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement net of tax.

Adjustments are made if necessary, to the financial statements of the equity-accounted investees to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its equity-accounted investee. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If such company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate or the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

3.1.6 Reporting date

All subsidiaries, and equity accounted investees of the Group have the same reporting period as the parent company other than the subsidiary companies Fiji Ports Terminal Limited., Ace Resorts Private Limited, A.D.S. Resorts Private Limited, Unique Resorts Private Limited, Jetan Travel Services Company Private Limited, Cowrie Investment Private Limited, Ace Aviation Services Maldives Private Limited, Spence Maldives Private Limited, Interlifts International Private Limited., and associate Fiji Ports Corporation Limited whose financial year ends on 31st of December. However the Group incorporates the results of these companies up to 31st March in the Group's financial statements.

3.1.7 Intra-group transactions

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

3.1.8 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currencies

3.2.1 Foreign currency transactions and balances.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of FVOCI equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at the rate of exchange approximating to the actual rate at the dates of the transactions. For practical purposes this is presumed to be the average rate during each month.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity except to the extent the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of in a manner that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in the subsidiary but retains control, the relevant portion of the translation reserve is transferred to non-controlling interest. When the Group disposes of only part of its interest in an equity accounted investee that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount of the translation reserve is reclassified to the income statement.

3.3 Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

The Group applied SLFRS 9 - Financial Instruments for the first time, with effect from 1st April 2018. Information about transitional impact on the application of SLFRS 9 is disclosed in Note 48 to the financial statements.

3.3.1 Financial assets - Policy applicable from 1st April 2018

3.3.1.1 Recognition and initial measurement

The Group initially recognises "Trade Receivables" when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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Financial assets other than trade receivables that do not contain a significant financing component are initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.3.1.2 Classification and subsequent measurement

On initial recognition, the Group classifies a financial asset as measured at amortised cost; Fair Value Through Other Comprehensive Income (FVOCI); or Fair Value Through Profit or Loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it is held within a business model where the objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates and the financial asset is not designated as at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the debt investment is not designated as at FVTPL

On initial recognition of an equity investment that is not held for trading, the Group irrevocably elected to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes equity Investments and derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the financial assets are managed and information is provided to management. The information considered includes:

- ❖ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ❖ how the performance of the portfolio is evaluated and reported to the Group's management;
- ❖ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ❖ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

- ❖ contingent events that would change the amount or timing of cash flows;
- ❖ terms that may adjust the contractual coupon rate, including variable-rate features;

- repayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.3.1.3 Subsequent measurement and gains and losses:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.3.1.4 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets.

3.3.1.5 Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transaction whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, such transferred assets are not derecognised.

3.3.2 Financial assets – Policy applicable before 1st April 2018

3.3.2.1 Recognition

Prior to 1st April 2018 the Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

3.3.2.2 Initial and Subsequent measurement:

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

3.3.3 Financial Liabilities – Policy applicable from 1st April 2018

3.3.3.1 Recognition and initial measurement

The Group initially recognises financial liabilities other than debt securities when it becomes a party to the contractual provisions of the instrument. The Group recognises debt securities issued when they are originated.

All financial liabilities are initially measured at fair value and, for an item not at Fair Value Through Profit or Loss (FVTPL), net of transaction costs that are directly attributable to its issue.

The Group's financial liabilities comprise of loans and borrowings, refundable rental and other deposits, bank overdrafts, trade and other payables and derivative financial instruments.

3.3.3.2 Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition of other financial liabilities are recognised in profit or loss.

3.3.3.3 Reclassification

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.3.3.4 Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.3.4 Financial Liabilities - Policy applicable before 1st April 2018

3.3.4.1 Recognition

Prior to 1st April 2018 the Group classified its financial liabilities into one of the following categories:

- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.
- Other financial liabilities

3.3.4.2 Initial and Subsequent measurement:

Financial liabilities at FVTPL

Measured at fair value and changes therein, including any interest or gains and losses, were recognised in profit or loss.

Other financial liabilities

Measured at amortised cost using the effective interest method.

3.3.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3.6 Impairment – Financial Assets

3.3.6.1 Impairment policy: applicable from 1st April 2018

The Group recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Loss allowance for debt instruments is measured and 12-month ECL unless credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) of the debt instrument has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- for trade receivables, being more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market to a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

3.3.6.2 Impairment policy: applicable prior to 1st April 2018

Financial assets (including receivables)

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 it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.3.7 *Hedge accounting and cash flow hedge*

The Group applied SLFRS 9 hedge accounting requirements from 1st April 2018 for the first time in these financial statements.

'Hedging' is a process of using a financial instrument to mitigate all or some of the risk associated to a hedged item. 'Hedge accounting' changes the timing of recognising the gains and losses on either the hedged item or the hedging instrument so that both are recognised in profit or loss or other comprehensive income in the same accounting period in order to record the economic substance of the relationship between the hedged item and instrument.

3.3.7.1 *Cash Flow Hedge*

A hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognises asset, liability or a highly probable forecast transaction that could affect the profit or loss is classified as a cash flow hedge.

3.3.7.1.1 *Accounting Policy applicable from 1st April 2018*

At the date of transition to SLFRS 9, the Group updates the hedge documentation for the existing hedging relationships under LKAS 39 that continue to comply with the SLFRS 9 documentation requirements. The expected changes are the incorporation of the hedge ratio, the expected sources of ineffectiveness and the removal of the retrospective effectiveness test (which is no longer required under SLFRS 9).

SLFRS 9 introduces the concept of 'rebalancing'. Rebalancing refers to adjustments to the designated quantities of either the hedged item or the hedging instrument of an existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements. This allows the Group to respond to changes that arise from the underlying or risk variables. Rebalancing does not result in de-designation and re-designation of a hedge, but it is accounted for as a continuation of the hedging relationship. However, on rebalancing, hedge ineffectiveness is determined and recognised immediately before adjusting the hedge relationship. Rebalancing is consistent with the requirement of avoiding an imbalance in weightings at inception of the hedge, but also at each reporting date and on a significant change in circumstances, whichever comes first.

When rebalancing a hedging relationship, the Group update its documentation of the analysis of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its remaining term.

In some circumstances, rebalancing is not applicable (for example, where the changes in the hedge relationship – which might arise from changes in the derivative counterparty credit risk – cannot be compensated by adjusting the hedge ratio). In addition, if the risk management objective has changed, rebalancing is not allowed, and hedge accounting should be discontinued.

3.3.7.1.2 *Accounting Policy applicable prior to 1st April 2018*

The Group formally designated and documented a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge; and both at inception and on ongoing basis, demonstrated that the hedge is highly effective.

The documentation included identification of the hedge item, hedging instrument, details of the risk that is being hedged and the way in which effectiveness of the hedge was assessed at the inception and during the period of the hedge.

The Group made an assessment, both at the inception of the hedge relationship and on an ongoing basis, whether the hedging instrument was expected to be highly effective in offsetting the changes in cash flows derived from the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge was highly effective.

The effective portion of the gain or losses on the hedging instrument was recognised directly as other comprehensive income in the cash flow hedge reserve while any ineffective portion was recognised immediately in profit or loss. The amount recognised in the other comprehensive income was reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and was recognised under the same line item in the income statement.

If the forecasted transactions was no longer expected to occur, the hedge no longer met the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation was revoked, hedge accounting was discontinued prospectively and the amount accumulated in equity was reclassified to profit or loss.

3.3.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.4. Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment other than land, are measured at cost less accumulated depreciation and accumulated impairment losses.

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

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on market values, this is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land are disclosed in note 15.3.1 to the financial statements.

3.4.2 Significant components of property, plant and equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

3.4.3 Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed of. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Leased assets	Over the periods of the lease
Freehold Buildings	20 - 50 years
Plant and Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years or over the period of the power purchase agreement
Motor Vehicles	04 - 10 years
Furniture and Fittings	10 years
Computer Equipment	3-5 years

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The estimated useful lives (contd.)

Crockery, Cutlery and Glassware	3-5 years
Speed Boats	5 years
Soft Furnishing	5-10 years

Power generation plants of some of the Group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

The cost of major planned overhauls capitalised are depreciated over the period until the next planned maintenance.

3.5 Investment properties

3.5.1 Recognition and measurement

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as investment properties.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is measured at its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS 40) -"Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

3.5.2 Depreciation

No depreciation is provided on land treated as investment property.

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

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

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

3.6 Leases

3.6.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.6.2 Operating leases

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

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.7 Intangible assets

3.7.1 Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

3.7.2 Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.7.3 Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset and assessed for impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.7.4 Intangible assets recognised by the Group.

3.7.4.1 Computer software

All computer software costs incurred and licensed for use by the Group, which do not form an integral part of related hardware, and can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

In accordance with 3.7.3 above, the Group companies assess the useful life of each computer software that has a finite useful life. Based on this assessment the Group companies amortise computer software over approximately 3 to 5 years.

3.7.4.2 Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

In accordance with 3.7.3 above, the Group companies assess the useful life of website costs that has a finite useful life. Based on this assessment the Group companies amortise website costs over approximately 3 to 5 years.

3.7.4.3 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 3.1.1.

Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.8 Plantations

The plantation companies in the Group adopt certain accounting policies, which differ from that of the rest of the Group, since their nature of operations is significantly different from that of the rest of the Group. The accounting policies adopted are in accordance with LKAS 41 Agriculture and the guideline issued by the Institute of Chartered Accountants of Sri Lanka on bearer biological assets.

3.8.1 Biological assets

The Group manages the biological transformation of certain fruit plants for harvesting of agricultural produce from such plants and includes those and the respective nursery plants under biological assets. In addition, Elpitiya Plantations PLC., an equity accounted investee recognises tea, rubber, oil palm, coconut and cinnamon plantations managed by them as biological assets in their financial statements

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber, fruit and other trees, that are not

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intended to be sold or harvested, but grown for harvesting of agricultural produce from such biological assets. Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.8.1.1 Immature plantations

The Group measures immature plantations at cost. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting ie: when the planted area attains maturity, are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on such plantations are transferred to mature plantations when it attains maturity.

3.8.1.2 Nursery plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.8.1.3 Produce on Bearer Biological Assets

In accordance with LKAS 41, the Group recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Group use the following price formulas.

Tea	– Bought Leaf rate (current month) less cost of harvesting & transport
Rubber	– Latex Price (95% of current RSS1 Price) less cost of tapping & transport
Oil Palm	– Bought Mill NSA less cost of harvesting & transport

3.8.1.4 Depreciation and amortisation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful economic lives of each component of biological assets.

Mature plantations (Group)	
Passion fruit	5 years
Pineapple	3 years
Papaya	4 years
Soursop	20 years

Mature plantations– (Elpitiya Plantations PLC)	
Tea	33 1/3 Years
Rubber	20 Years
Oil Palm	20 Years
Coconut	50 Years
Cinnamon	20 Years

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period of the farm land, whichever is lower.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on normal operating capacity.

3.10 Non-current assets held for sale

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

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity- accounted investee is no longer accounted.

3.11 Impairment – Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

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

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

3.11.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3.11.2 Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

Reversals of impairment losses other than for land carried at revaluation are recognised in the income statement. Reversal of impairment loss on a revalued land, other than for a land where impairment loss has been previously recognised in the income statement, is recognised in the other comprehensive income and increases the revaluation surplus for that land. For a land where previous impairment loss has been recognised in the income statement the reversal of that impairment loss is also recognised in the income statement.

3.12 Employee benefits

3.12.1 Short-term employee benefits

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

3.12.2 Defined contribution plan

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

3.12.2.1 Provident fund and Employee trust fund – Sri Lanka

For employees in Sri Lanka the Group contributes a sum not less than 12% of the gross emoluments as provident fund benefits and a sum equivalent 3% of the gross emoluments as trust fund benefits.

3.12.2.2 Pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme

3.12.2.3 Provident fund – South India

Group companies in South India contribute a sum of 12% of the basic salaries of for local employees and 12% of gross salary for foreign employees as provident fund benefits to the Employee Provident Organisation of India.

3.12.2.4 Provident fund – Fiji

Group companies in Fiji contribute a sum of 10% of the basic salaries of all employees as provident fund benefits to Fiji National Provident Fund.

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3.12.2.5 Defined Contribution Fund – Oman

Group companies in Oman contribute a sum of 10.5% of the gross salary + 1% in respect of work related injuries and illness for Omani employees in accordance with Social Security Insurance Law.

3.12.3 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

3.12.3.1 Retiring Gratuity - Sri Lanka

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. Management's estimate of the defined benefit plan obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

The defined benefit plan is valued by a professionally qualified external actuary.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

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

The liability is not externally funded.

Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur.

3.12.3.2 Retiring Gratuity – India

A liability is provided for employees in India based on a valuation made by an independent actuary using unit credit method for payment of gratuity at the rate of 15/26 times the monthly qualifying salary for each year of service.

3.12.3.3 Retiring Gratuity – Fiji

Retirement benefit liability is recognised for all permanent employees in Fiji based on four months salary plus four weeks pay for every year of service effective from the appointment date until retirement at 60 years.

3.12.3.4 Retiring Gratuity – Oman

Gratuity is provided as per the labour law of Oman due to expatriate employees upon termination of employment which is computed based on half month's basic salary for each year during the first three years of employment and a full month's basic salary for each year of employment thereafter. An employee who has been in employment for less than one year is not entitled to receive gratuity.

3.13 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.14 Revenue and Income

3.14.1 Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales

3.14.1.1 SLFRS 15- Revenue from contracts with Customers - Accounting Policy applicable after 1st April 2018

The Group initially applied SLFRS 15 from 1st April 2018 for the first time in these financial statements.

As there was no significant impact on adoption of this standard, comparative information have not been re-stated, the specific criteria used for the purpose of recognition of revenue remains the same as preceding years.

SLFRS 15 established a comprehensive framework for determining whether, how much and when to recognise revenue. Revenue is measured based on the consideration specified in a contract with a customer. Under SLFRS 15, the Group revenue is recognise when a customer obtain control of the goods or services. Standard also give guidelines for determining the timing of the transfer of control ie: at a point in time or over time requires judgement.

Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

3.14.1.1.1 Sale of goods

Revenue from sale of goods is recognised on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

3.14.1.1.2 Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period irrespective of whether the service is billed.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records the revenue at the net amount that it retains for its agency services.

3.14.1.1.3 Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the agreement

3.14.1.2 Accounting Policy applicable prior to 1st April 2018

Revenue was recognised to the extent that it was probable that the economic benefits reached the Group and the revenue could reliably be measured, regardless of when the payment was received. Revenue was measured at the fair value of the consideration received or receivable, net of trade discounts, value added taxes and intra-group revenue. No revenue was recognised when there were significant uncertainties regarding recovery of the consideration due.

The specific criteria used for the purpose of recognition of revenue remains the same as SLFRS 15 application.

3.14.1.3 Other Revenue

3.14.1.3.1 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the hire.

3.14.2 Other Income

3.14.2.1 Interest income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as 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.

3.14.2.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

3.15 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

3.16 Finance income /(expenses)

Finance income comprises of interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss , and gains on the disposal of interest generating investments whether classified under fair value through profit or loss or available-for-sale financial assets

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 15.1 to the financial statements.

3.17 Government grants and subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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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, taxes on distribution of dividends and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

3.18.1.1 Companies incorporated in Sri Lanka

Provision for current tax for companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 24 of 2017 and any applicable Gazette notifications issued. Income tax provision for the year ended 31st March 2018 has been calculated based on 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 12.2 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.

3.18.4 Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the arm’s length principles relating to transfer pricing.

3.19 Operating segments

An operating segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses that relate to transactions with the Group's other segments.

The operations of the Group are categorised under four segments based on the nature of the products or services provided by each segment and the risks and rewards associated with the economic environment in which these segments operate. The performance of the Group is evaluated based on the performance of these four main segments by the Group's Managing Director (chief operating decision maker). The internal management reports prepared on these segments are reviewed by the Group's Managing Director on a monthly basis. Details of the Group companies operating under each segment and the products and services offered under each segment are provided under Group Companies in pages 335 to 344.

3.20 Movement of reserves

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

3.21 Cash flow

The Statement of Cash Flow has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flow', whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.22 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control.

Commitments and Contingent liabilities are disclosed in note 40 and 41 to the financial statements.

3.23 Earnings per share

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

3.24 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5 New and amended standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued a number of new standards that are effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements and the Group plans to apply these standards as and when they become effective.

5.1 SLFRS 16 – Leases – effective for annual periods beginning on or after 1st of January 2019.

SLFRS 16, replace existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether as arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease.

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Under this standard a lessee recognise an asset (right-of-use asset) representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. Subsequently on an annual basis lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. However the standard has granted a recognition exemptions for short-term leases and leases of low-value items.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

The Group made an assessment of the lease in which the Group is a lessee and concluded that the operating leases under which the Group's Maldivian resorts have been leased and the other long term land leases would required to be recognised as Right-to-use-assets consequent to the application of the standard with effect from the due date.

The Group is currently in the process of quantifying the financial impact of the application of the standard in the Group Balance Sheet.

Other standards, amendments and interpretations that are not expected to have a significant impact on the Group's consolidated financial statements.

Standards, amendments and interpretations effective for annual periods beginning on or after 1st January 2019

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment features with negative compensation (Amendments to SLFRS 9).
- Long- term interests in Associates and Joint Ventures (Amendments to LKAS 28).
- Plan Amendment, Curtailment or settlement (Amendment to LKAS 19).
- Annual Improvements to SLFRS Standards 2015-2017 Cycle- various standards.
- Annual Improvements to SLFRS 3-Business combinations, SLFRS 11 – Joint Arrangements, LKAS12 Income Taxes.

Standards, amendments and interpretations effective for annual periods beginning on or after 1st January 2020

- Amendments to References to Conceptual Framework in SLFRS standards
- Amendments to LKAS 1 and LKAS 8
- Amendments to SLFRS 3

Standards, amendments and interpretations effective for annual periods beginning on or after 1st January 2022

- SLFRS 17 Insurance Contracts

6 Operating segments

6.1 Business segments

The Group operates in four business segments namely tourism, maritime & logistics, strategic investments and services segregated based on the nature of the products or services provided and risk and returns of each segment. Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All transactions between the Group companies whether inter-segmental or intra-segmental are on an arms length basis and in a manner similar to transactions with third parties.

6.1.1 Business segment analysis of Group revenue and profit

	Tourism Sector		Maritime & Logistics Sector		Strategic Investments		Services Sector		Total	
	2018/ 2019 Rs.'000	2017/ 2018 Rs.'000	2018/ 2019 Rs.'000	2017/ 2018 Rs.'000	2018/ 2019 Rs.'000	2017/ 2018 Rs.'000	2018/ 2019 Rs.'000	2017/ 2018 Rs.'000	2018/ 2019 Rs.'000	2017/ 2018 Rs.'000
Total revenue generated	31,252,506	28,472,082	11,976,770	10,701,001	18,335,907	19,347,498	2,575,117	1,972,928	64,140,300	60,493,509
Intra-segmental revenue	(2,483,493)	(2,341,371)	(474,659)	(344,148)	(722,934)	(745,285)	(73,300)	(71,635)	(3,754,386)	(3,502,439)
Total revenue with inter - segmental revenue	28,769,013	26,130,711	11,502,111	10,356,853	17,612,973	18,602,213	2,501,817	1,901,293	60,385,914	56,991,070
Inter - segmental revenue	(22,048)	(18,854)	(343,418)	(333,892)	(464,318)	(396,737)	(269,382)	(210,417)	(1,099,166)	(959,900)
Total revenue with equity-accounted investees	28,746,965	26,111,857	11,158,693	10,022,961	17,148,655	18,205,476	2,232,435	1,690,876	59,286,748	56,031,170
Share of equity-accounted investees' revenue	(427,977)	(371,124)	(1,782,833)	(1,437,602)	(1,371,967)	(1,433,662)	(23,068)	(53,813)	(3,605,845)	(3,296,201)
Revenue from external customers	28,318,988	25,740,733	9,375,860	8,585,359	15,776,688	16,771,814	2,209,367	1,637,063	55,680,903	52,734,969
Profit from operations	3,785,371	3,794,279	1,761,512	1,462,713	2,177,541	1,559,948	292,027	263,995	8,016,451	7,080,935
Finance income	619,671	627,452	48,055	52,078	67,092	53,285	23,027	10,704	757,845	743,519
Finance expenses	(1,175,089)	(1,163,121)	(95,041)	(112,235)	(572,416)	(440,838)	(38,383)	(16,901)	(1,880,929)	(1,733,095)
Share of profit of equity-accounted investees (net of tax)	(133,568)	(138,376)	411,272	356,367	119,340	105,256	(7,803)	(16,790)	389,241	306,457
Profit before tax	3,096,385	3,120,234	2,125,798	1,758,923	1,791,557	1,277,651	268,868	241,008	7,282,608	6,397,816
Income tax expense	(936,582)	(747,516)	(399,560)	(382,103)	(102,626)	(31,511)	(72,490)	(87,154)	(1,511,258)	(1,248,284)
Profit for the year	2,159,803	2,372,718	1,726,238	1,376,820	1,688,931	1,246,140	196,378	153,854	5,771,350	5,149,532
Depreciation and amortisation	1,958,294	1,886,895	370,280	299,565	483,919	336,974	90,763	91,330	2,903,256	2,614,764
Impairment losses / (reversals) and write-offs	7,651	5,601	(1,013)	12,151	(107,137)	49,970	56,186	36,152	(44,313)	103,874
Other non-cash expenses	83,043	85,004	51,584	69,445	53,796	54,349	11,801	10,476	200,224	219,274

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

Rs. 10.7 billion of revenue, which amounts to 19% of the Group's total revenue for the year, is attributable to one customer (state owned enterprise) recorded under strategic investments sector.

NOTES TO THE FINANCIAL STATEMENTS

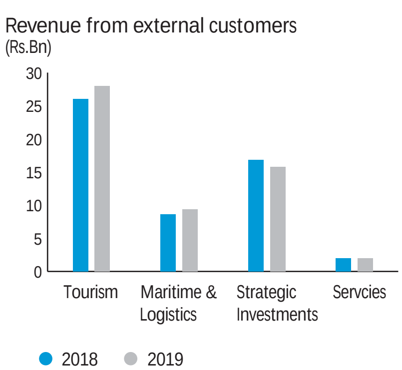
6.1.2 Business segment analysis of Group assets and liabilities

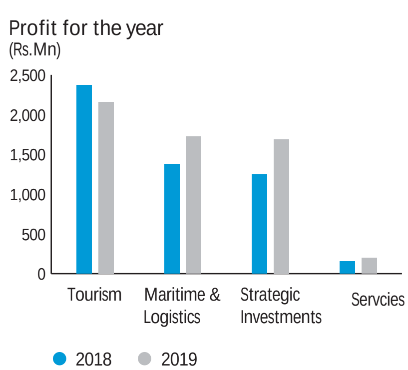
6.1.2.1 Segment assets

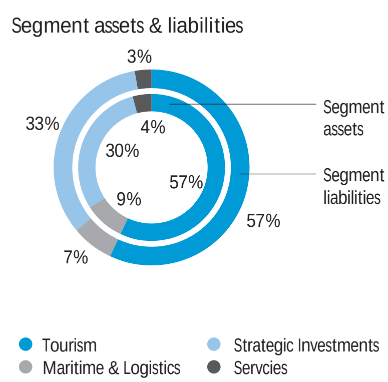
As at	Tourism Sector 31.03.2019 Rs.'000	Tourism Sector 31.03.2018 Rs.'000	Maritime & Logistics Sector 31.03.2019 Rs.'000	Maritime & Logistics Sector 31.03.2018 Rs.'000	Strategic Investments 31.03.2019 Rs.'000	Strategic Investments 31.03.2018 Rs.'000	Services Sector 31.03.2019 Rs.'000	Services Sector 31.03.2018 Rs.'000	Total 31.03.2019 Rs.'000	Total 31.03.2018 Rs.'000
Non-current assets										
Property, plant and equipment	50,372,356	41,790,336	6,203,542	5,340,012	12,069,654	9,184,178	2,944,780	2,960,254	71,590,332	59,274,780
Investment properties	72,000	72,001	-	-	1,558,800	1,558,800	1,300	1,559	1,632,100	1,632,360
Intangible assets other than goodwill	16,881	14,380	12,076	12,385	10,445	10,553	-	-	39,402	37,318
Biological assets	-	-	-	-	49,332	47,293	-	-	49,332	47,293
Leasehold properties	2,214,519	2,023,903	-	-	-	-	-	-	2,214,519	2,023,903
Pre-paid operating leases	1,889,828	1,736,171	3,330	3,380	473,808	501,807	-	-	2,366,966	2,241,358
Deferred tax assets	187,200	172,256	31,772	52,912	454,273	324,536	17,679	13,687	690,924	563,391
Other financial assets	778,986	763,780	13,508	13,349	41,602	96,211	-	-	834,096	873,340
Segment non-current assets	55,531,770	46,572,827	6,264,228	5,422,038	14,657,914	11,723,378	2,963,759	2,975,500	79,417,671	66,693,743
Investments in equity-accounted investees	1,027,595	1,161,000	4,064,690	3,988,331	1,295,502	1,087,587	46,329	97,537	6,434,116	6,334,455
Intangible assets - goodwill on consolidation	-	-	-	-	-	-	-	-	906,066	853,060
Total non-current assets	56,559,365	47,733,827	10,328,918	9,410,369	15,953,416	12,810,965	3,010,088	3,073,037	86,757,853	73,881,258
Current assets										
Inventories	611,546	434,676	254,252	183,116	1,187,964	782,513	148,285	125,857	2,202,047	1,526,162
Pre-paid operating leases	74,969	66,203	50	50	1,213	1,213	-	-	76,232	67,466
Trade and other receivables	9,862,909	8,835,098	2,906,449	2,494,395	8,766,170	8,359,297	1,335,879	1,009,381	22,871,407	20,698,171
Current tax receivable	13,356	11,003	9,041	11,199	148,309	218,976	15,452	2,174	186,158	243,352
Deposits and prepayments	1,460,358	1,004,331	264,207	242,671	232,895	185,381	60,801	48,030	2,018,261	1,480,413
Other current assets	122,078	616,945	120,149	83,039	10,268,044	6,589,817	5,664	11,013	10,515,935	7,300,814
Cash and short-term deposits	4,076,986	6,379,941	1,341,996	1,773,337	2,297,715	1,346,721	215,731	136,420	7,932,428	9,636,419
Segment current assets	16,222,202	17,348,197	4,896,144	4,787,807	22,902,310	17,483,918	1,781,812	1,332,875	45,802,468	40,952,797
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,727,911)	(7,140,640)
Total current assets	16,222,202	17,348,197	4,896,144	4,787,807	22,902,310	17,483,918	1,781,812	1,332,875	38,074,557	33,812,157
Assets classified as held for sale	-	-	-	-	-	-	-	-	164,125	149,125
Total assets	72,781,567	65,082,024	15,225,062	14,198,176	38,855,726	30,294,883	4,791,900	4,405,912	124,996,535	107,842,540
Total segment assets	71,753,972	63,921,024	11,160,372	10,209,845	37,560,224	29,207,296	4,745,571	4,308,375	125,220,139	107,646,540
Additions to non-current assets	6,981,127	5,337,537	1,182,017	237,846	3,347,747	1,950,116	75,249	19,970	11,586,140	7,545,469

6.1.2.2 Segment liabilities

As at	Tourism Sector 31.03.2019 Rs.'000	Tourism Sector 31.03.2018 Rs.'000	Maritime & Logistics Sector 31.03.2019 Rs.'000	Maritime & Logistics Sector 31.03.2018 Rs.'000	Strategic Investments 31.03.2019 Rs.'000	Strategic Investments 31.03.2018 Rs.'000	Services Sector 31.03.2019 Rs.'000	Services Sector 31.03.2018 Rs.'000	Total 31.03.2019 Rs.'000	Total 31.03.2018 Rs.'000
Non-current Liabilities										
Interest-bearing liabilities	23,405,292	18,154,051	-	-	5,974,612	1,529,345	-	-	29,379,904	19,683,396
Deferred tax liabilities	953,489	646,390	687,011	689,470	106,203	90,943	490,898	476,151	2,237,601	1,902,954
Employee benefits	417,768	413,515	317,910	312,292	216,417	265,287	58,310	55,511	1,010,405	1,046,605
Other liabilities	1,302,016	881,272	549,893	-	-	-	-	-	1,851,909	881,272
Segment non-current liabilities	26,078,565	20,095,228	1,554,814	1,001,762	6,297,232	1,885,575	549,208	531,662	34,479,819	23,514,227
Eliminations / adjustments	-	-	-	-	-	-	-	-	46,239	46,239
Total non-current liabilities	26,078,565	20,095,228	1,554,814	1,001,762	6,297,232	1,885,575	549,208	531,662	34,526,058	23,560,466
Current liabilities										
Interest-bearing liabilities	2,075,036	4,320,375	-	-	1,508,463	1,460,493	-	-	3,583,499	5,780,868
Trade and other payables	9,212,975	8,512,580	2,747,724	2,994,446	8,220,001	7,483,668	854,643	754,562	21,035,343	19,745,256
Current tax payable	286,440	254,500	57,927	111,867	81,616	69,126	10,038	18,934	436,021	454,427
Bank overdrafts and other short-term borrowings	2,914,026	2,706,020	309,890	292,429	7,441,808	5,856,678	391,981	302,332	11,057,705	9,157,459
Segment current liabilities	14,488,477	15,793,475	3,115,541	3,398,742	17,251,888	14,869,965	1,256,662	1,075,828	36,112,568	35,138,010
Eliminations / adjustments	-	-	-	-	-	-	-	-	(7,727,911)	(7,140,640)
Total current liabilities	14,488,477	15,793,475	3,115,541	3,398,742	17,251,888	14,869,965	1,256,662	1,075,828	28,384,657	27,997,370
Total liabilities	40,567,042	35,888,703	4,670,355	4,400,504	23,549,120	16,755,540	1,805,870	1,607,490	62,910,715	51,557,836
Total segment liabilities	40,567,042	35,888,703	4,670,355	4,400,504	23,549,120	16,755,540	1,805,870	1,607,490	70,592,387	58,652,237







NOTES TO THE FINANCIAL STATEMENTS

6.2 Geographical information

Geographical information is stated based on the country where the sale occurs or the service rendered and / or the location where assets and liabilities are held.

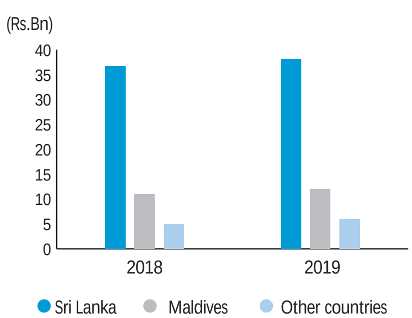
6.2.1 Geographical analysis of Group revenue and profit

	Sri Lanka		Maldives		Other Countries		Total	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Revenue	38,056,026	36,698,836	11,729,802	10,832,550	5,895,075	5,203,583	55,680,903	52,734,969
Profit from operations	4,585,271	3,673,714	2,289,269	2,334,220	1,141,911	1,073,001	8,016,451	7,080,935
Profit before tax	4,185,196	3,277,019	2,129,712	2,173,627	967,700	947,170	7,282,608	6,397,816
Profit for the year	3,240,138	2,597,790	1,812,898	1,853,451	718,314	698,291	5,771,350	5,149,532
Depreciation and amortisation	1,659,055	1,528,799	815,792	737,203	428,409	348,762	2,903,256	2,614,764
Impairment losses / (reversals) and write-offs	(47,330)	101,312	2,524	4,324	493	(1,762)	(44,313)	103,874
Other non-cash expenses	179,142	177,586	2,466	3,294	18,616	38,394	200,224	219,274

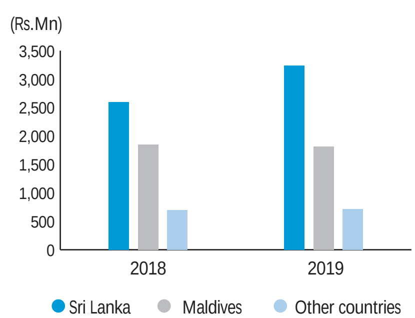
6.2.2 Geographical analysis of Group assets and liabilities

As at	Sri Lanka		Maldives		Other Countries		Total	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Segment non-current assets	44,417,193	41,965,043	25,930,745	17,812,085	9,069,732	6,916,615	79,417,670	66,693,743
Segment current assets	32,574,882	28,687,021	4,427,547	3,420,930	1,596,321	2,201,055	38,598,750	34,309,006
	76,992,075	70,652,064	30,358,292	21,233,015	10,666,053	9,117,670	118,016,420	101,002,749
Investments in equity-accounted investees	-	-	-	-	-	-	6,434,116	6,334,455
Goodwill on consolidation	-	-	-	-	-	-	906,066	853,060
Assets classified as held for sale	-	-	-	-	-	-	164,125	149,125
Eliminations / adjustments	-	-	-	-	-	-	(524,192)	(496,849)
Total assets	76,992,075	70,652,064	30,358,292	21,233,015	10,666,053	9,117,670	124,996,535	107,842,540
Segment non-current liabilities	16,253,637	11,989,260	15,514,429	9,098,769	2,711,753	2,426,198	34,479,819	23,514,227
Segment current liabilities	21,627,695	22,327,157	5,136,575	3,938,442	1,846,097	2,030,619	28,610,367	28,296,218
	37,881,332	34,316,417	20,651,004	13,037,211	4,557,850	4,456,817	63,090,186	51,810,445
Eliminations / adjustments	-	-	-	-	-	-	(179,471)	(252,609)
Total liabilities	37,881,332	34,316,417	20,651,004	13,037,211	4,557,850	4,456,817	62,910,715	51,557,836
Additions to non-current assets	3,980,804	2,795,959	6,281,583	4,607,147	1,323,753	142,363	11,586,140	7,545,469

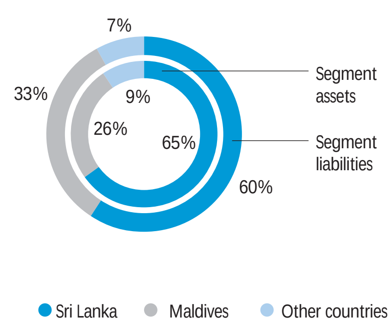
Geographical Analysis
- Revenue from external customers



Geographical Analysis
- Profit for the year



Geograhical Analysis
- Segment assets & liabilities



7 Revenue

The effect of initially applying SLFRS 15 on Company's revenue from customers is described in Note 48.

7.1 Revenue streams

	GROUP		COMPANY	
For the year ended 31st March	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Revenue from contracts with customers				
Rendering of services	50,482,986	48,375,942	701,336	679,052
Sale of goods	5,059,894	4,244,798	-	-
Royalty income	-	-	57,780	55,382
	55,542,880	52,620,740	759,116	734,434
Other revenue				
Rent income	138,023	114,229	47,347	41,100
	138,023	114,229	47,347	41,100
	55,680,903	52,734,969	806,463	775,534

7.2 Disaggregation of revenue from contracts with customers

7.2.1 Business segment analysis of Group revenue

	2018/2019			2017/2018		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Tourism sector	28,316,414	2,574	28,318,988	25,740,275	229	25,740,504
Maritime & logistics sector	9,375,860	-	9,375,860	8,585,359	-	8,585,359
Strategic investments	10,719,368	5,057,320	15,776,688	12,527,245	4,244,569	16,771,814
Services sector	2,209,367	-	2,209,367	1,637,292	-	1,637,292
	50,621,009	5,059,894	55,680,903	48,490,171	4,244,798	52,734,969

7.2.2 Geographical segment analysis of Group revenue

	2018/2019			2017/2018		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Sri Lanka	32,996,132	5,059,894	38,056,026	32,454,038	4,244,798	36,698,836
Maldives	11,729,802	-	11,729,802	10,832,550	-	10,832,550
Other countries	5,895,075	-	5,895,075	5,203,583	-	5,203,583
	50,621,009	5,059,894	55,680,903	48,490,171	4,244,798	52,734,969

NOTES TO THE FINANCIAL STATEMENTS

7.3 Contract balances

		GROUP		COMPANY	
	Notes	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade receivables	26	12,226,938	11,126,385	5,439	3,454
Contract assets	26	273,969	177,023	-	-
Contract liabilities	35	(2,071,338)	(1,955,050)	-	-

The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

The contract liabilities primarily relate to the advance consideration received from customers for goods or services provided, for which revenue is recognised over the time.

The amount of Rs. 1,944.6 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31st March 2019.

7.4 Performance obligations

Information about the Group's performance obligations are summarised below ;

Type of product / service	Nature and timing of satisfaction of performance obligation	Revenue recognition
Rendering of services		
Tourism sector		
- Hotel operation	Main revenue of the Group's hotel operation is provision of rooms for guest accommodation (apartment revenue). Apartment revenue is recognised on the rooms occupied on a daily basis over the period of the stay, while the revenue from other sources such as food and beverage sales, are accounted for at the time of consumption/service. Invoices to customers are raised on completion of the hotel stay.	Revenue recognition for the Group's hotel operation is at point of time.
	"Diamond Club" a loyalty programme, allows customers to accumulate points when they patronise the Group's hotels in Sri Lanka which could be redeemed for future hotel accommodation. Component of the revenue attributable to the diamond points is deferred and recognised when points are redeemed	
- Inbound and outbound travels	Main activity of the Group companies in the inbound and outbound travel segment is selling of tour packages and other destination management services. Customers are invoiced for the services at the commencement of the tour and the revenue is recognised at that point in time.	Revenue from sale of tour packages is recognised on the start date of the tour.
- Airline General Sales Agent (GSA)	Overriding Commission from the Airlines is recognised when passenger actually uses the ticket while the ticketing commission from the airline is recorded on the date of the sale.	Revenue recognition at point of time.
Maritime & logistics sector		
- Maritime and port services	Operations of the Group's maritime segment includes provision of services of a shipping agent, bunkering services, representation of liner shipping agencies and global container services as an agent of the principal shipping line. Revenue for segment represents the commission derived from the services rendered to the shipping lines.	Commission income is recognised upon the departure of the vessel.
	Revenue from the port operation and management services performed by the Group is recognised on the completion of the operation	Revenue is recognised at the point of time on completion of the port services.

Type of product / service	Nature and timing of satisfaction of performance obligation	Revenue recognition
- Freight forwarding and courier	Revenue from freight forwarding and courier operations of the Group is recorded when the cargo is loaded to the vessel.	Revenue recognition for the freight forwarding and courier operation is at the point of time.
- Integrated logistics	Revenue from Group's container freight station (CFS) operations and the depot operations is recognised upon dispatch of the container from the yard, income from transport and other special operations are recognised upon completion of the activity while the revenue from warehouse and renting of reefer containers are recognised on a monthly basis over the period of the hire.	At point of time for CFS, depot, transport and other special operations and over time for warehouse and renting of reefer containers.
- Airline GSA (Cargo)	Commission income from airline GSA is recognised when cargo is handed over to the airline.	Revenue recognition at point of time
Strategic investments		
- Power generation	Revenue from thermal power generation is recognised based on the actual amount of electricity generated and supplied to the national grid as a variable component and a fixed component referred to as capacity charge calculated based on the minimum guaranteed energy amount as specified in the power purchase agreement (PPA) while the Revenue from renewable power, namely wind and hydro, is recorded based on a fixed tariff in terms of the respective PPAs. Invoices for the generation of power are raised on a monthly basis.	Revenue is recognised on the last day of the month based on the power generated during the month.
Services sector		
- Inward money transfer	Inward money transfer segment of the Group acts as a sub-representative of the Western Union Network (France) SAS. Sub-representative fee is recognised by the company upon the completion of the inward money transfer.	Revenue is recorded at the point of time when inward money transfer is completed.
- Elevator agency	Revenue on installation of elevators are recognised in the income statement by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to the percentage of work done to date. Revenue for free maintenance inbuilt in the contract is deferred untill installation is completed and there after recognised monthly once the maintenance period commences. However invoices to customers are raised as per the contract terms.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on estimate of work completed.
- Insurance	Commission income on the sale of insurance policies are recognised upon collection of the insurance premium while revenue from survey and other insurance services are recognised upon completion of the professional service.	Revenue recognised for commission income and fees for professional services is at point of time.
- Property management (Renting of property)	Income for the property management companies are derived from renting of properties owned by them. Invoices for renting of property are issued on a monthly basis over the period of the rent.	Revenue is recognises over time during the period of the rent agreements.

NOTES TO THE FINANCIAL STATEMENTS

Type of product / service	Nature and timing of satisfaction of performance obligation	Revenue recognition
Sale of goods		
Tourism sector		
- Water bottling operation for the use in the hotel sector	Customers obtain control of bottled water upon sale of the item. Invoices are generated and revenue is recognised at the point in time when the bottles are dispatched from the Group's warehouse.	Revenue is recognised when the water bottles are dispatched from the Group's warehouse.
Strategic investments		
- Printing and packaging (Supply of value added printing and packaging products and services)	Customers obtain control of goods when the goods are delivered to them. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods. Invoices are generated and revenue is recognised at the point in time when the goods are delivered.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
- Manufacturing of apparels	Customers obtain control of goods when the garments are handed over to the nominated freight forwarding company who is an agent of the customer. Invoices are generated and revenue is recognised at that point in time.	The Group recognises revenue when the manufactured garments are handed over to the nominated freight forwarding company.

Payment terms - The Group provide credit to its customers based on normal industry terms which is generally 30 days or as specified in individual contracts with the customers. In certain instances advance payments are also obtained from customers prior to commencement of the performance obligation.

8 Other operating income

For the year ended 31st March	GROUP 2018/2019 Rs.'000	GROUP 2017/2018 Rs.'000	COMPANY 2018/2019 Rs.'000	COMPANY 2017/2018 Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	2,495,063	1,892,689
Dividends from equity securities – at FVTPL	919	-	629	-
Dividends from equity securities – at FVOCI	938	-	-	-
Dividends from equity securities – available for sale	-	2,532	-	134
Gain on disposal of subsidiaries	800	309,202	800	14,350
Gain on disposal of equity securities – at FVTPL	509	-	509	-
Loss on disposal of equity securities – at FVOCI	(5,556)	-	-	-
Loss on disposal of equity securities – available for sale	-	(315)	-	-
Gain on disposal of property, plant and equipment	59,035	18,615	2,234	8,119
Insurance claims received	12,048	15,680	-	-
Net foreign exchange gain / (loss)	608,422	138,780	398,042	22,073
Sundry income	25,514	58,999	3,879	5,603
	702,629	543,493	2,901,156	1,942,968

9 Profit from operations

Profit from operations is stated after charging the following:

For the year ended 31st March	GROUP 2018/2019 Rs.'000	GROUP 2017/2018 Rs.'000	COMPANY 2018/2019 Rs.'000	COMPANY 2017/2018 Rs.'000
Cost of inventories and services	38,542,232	36,202,691	456,221	474,708
Directors' remuneration and fees	384,967	452,313	78,734	114,123
Auditors' remuneration				
- KPMG	19,410	18,173	1,393	1,300
- Other auditors	7,997	6,898	-	-
Fees paid to auditors for non-audit services				
- KPMG	9,294	5,665	881	2,632
- Other auditors	3,919	4,492	-	-
Depreciation, amortisation and impairment (losses) / reversals of non-financial assets				
- Depreciation of property, plant and equipment, investment property and biological assets	2,764,163	2,484,601	44,362	41,676
- Amortisation of intangible assets, leasehold properties and operating leases	139,093	130,163	2,639	6,265
- Impairment of intangible assets	-	-	-	-
- Impairment losses / (reversals) of inventories	(30,560)	(71,880)	-	-
- Impairment losses / (reversals) of investments in subsidiaries and equity-accounted investees	45,406	26,712	53,524	(106,195)
Total of depreciation, amortisation and impairment losses / (reversals) of non-financial assets	2,918,102	2,569,596	100,525	(58,254)
Impairment losses / (reversals) and write-offs of trade & other receivables	(59,159)	149,042	58,925	(416)
Operating lease payments	661,181	588,499	-	-
Legal Expenses	8,183	13,276	323	160
Defined contribution plan cost - Sri Lanka	507,606	474,716	44,579	46,042
Defined contribution plan cost - Overseas (Maldives, South India, Fiji and Oman)	103,567	92,592	-	-
Defined benefit plan cost - Retirement benefits	200,225	219,275	21,415	23,954

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.

NOTES TO THE FINANCIAL STATEMENTS

11 Finance income and finance expenses

For the year ended 31st March	GROUP 2018/2019 Rs.'000	GROUP 2017/2018 Rs.'000	COMPANY 2018/2019 Rs.'000	COMPANY 2017/2018 Rs.'000
Finance income				
Interest income and net change in fair value of government securities classified as FVTPL	3,893	3,893	3,893	3,893
Interest income on financial assets measured at amortised cost	753,952	739,599	827,774	770,361
Dividend income on preference shares	-	-	-	11,813
Net change in fair value of derivative financial assets classified as FVTPL	-	27	-	-
	757,845	743,519	831,667	786,067
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(1,675,668)	(1,579,151)	(1,219,589)	(948,016)
Net impairment of financial assets measured at amortised cost	4,823	-	(1,391)	-
Net change in fair value of equity securities classified as FVTPL	(9,298)	-	(1,157)	-
Other finance charges	(200,786)	(153,944)	(4,770)	(2,461)
	(1,880,929)	(1,733,095)	(1,226,907)	(950,477)

12 Income tax expense

12.1 Sri Lankan Operations

The income tax provision of Aitken Spence PLC, its subsidiaries and equity accounted investees which are resident in Sri Lanka has been calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and any applicable Gazette notifications issued. In terms of above, the income tax provisions of companies have been calculated on their adjusted profits at the standard rate of 28%, except for Companies which are enjoying income tax exemptions or subject to concessionary tax rates as set out below.

- ❖ Companies exempt from income tax are given in note 12.1.1
- ❖ Companies liable to income tax at concessionary rates are given in note 12.1.2
- ❖ Companies incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.1.3

Income tax expense for the year includes, taxes arising from the dividend distributions by resident companies of the Group and any adjustment relating to income tax payable or receivable balances in respect of previous years.

Deferred tax expense on companies resident in Sri Lanka are calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017 that are expected to be applied to the temporary differences when they reverse. During the year, the Group has adopted SLFRS 9 – "Financial Instruments" and the Group has newly recognised deferred tax on the temporary difference arising from SLFRS 09.

Expected credit losses

As per section 10 of the Inland Revenue Act No. 24 of 2017, provisions for expenses or losses not yet incurred but expected to be incurred in a future year of assessment is not allowed for income tax. Accordingly, provisions disallowed would result in a temporary difference and deferred tax is recognised on the expected credit losses arising from following items.

- Trade receivables
- Deposits with licensed commercial banks
- Unquoted debt securities

In addition, the Group has adopted modified retrospective application for the initial date of application (i.e. 1st April 2018) of SLFRS 09 and any deferred tax arising from such adjustments are accounted in the opening balance of retained earnings.

The income tax provisions for companies up to 31st March 2018 have been calculated in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto. The deferred tax relating to same period has been calculated based on rates specified under the Inland Revenue Act No. 24 of 2017, which was enacted and applicable from 01st April 2018. With the introduction of the Inland Revenue Act No. 24 of 2017, significant changes have been introduced to the income tax law of Sri Lanka. As a result, the Group has recognised deferred tax on following items from 2017/18.

- Revaluation surplus on freehold land.

  As per section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, freehold lands used for business or investment purpose would be liable to tax at the time of realisation. Accordingly, deferred tax is recognised on the revaluation surplus of freehold lands which are treated as capital assets used in the business for tax purpose.

  Freehold lands which are treated as investment assets for tax purpose would not be considered for deferred tax, since the Act requires deemed cost of the asset to be equal to market value as at 30th September 2017.

- Available for sale financial assets

  Deferred tax is provided on the gain or loss of unquoted shares held as investments by companies in the Group. For the purpose of the Act, cost of the investment is equal to market value as at 30th September 2017.

Notional tax credits carried forward

As per the Gazette notification issued in relation to the transitional provisions, the carried forward notional tax credit as per section 138(2) of Inland Revenue Act, No. 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019.

Tax losses carried forward

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years. In addition, as per the Gazette notification (No. 2064/53) issued on the transitional provisions, any unclaimed loss as at 31st March 2018, is also deemed to be a loss incurred for the year of assessment commencing on or after 1st April, 2018 and shall be carried forward up to 6 years. Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly. Deferred tax assets recognised on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount.

12.1.1 Companies exempt from income tax

12.1.1.1 Companies exempt from income tax under the Board of Investment (BOI) Law

Company	Basis	Period*
Ace Wind Power (Pvt) Ltd	Construction and operation of a wind power plant	5 years ended 2018/2019
Branford Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	5 years ended 2018/2019
CINEC Skills (Pvt) Ltd	Set up and operation of a training institute to provide marine, IT and industrial training in Trincomalee District	8 years ended 2018/2019

* Income tax exemptions referred to above are granted in terms of Section 17 of BOI Law No. 4 of 1978.

The Gazette notification issued in relation to the transitional provisions specifies that the income tax exemptions granted under the BOI law which were entered prior to 1st April 2018 would continue to apply under Inland Revenue Act No. 24 of 2017.

NOTES TO THE FINANCIAL STATEMENTS

12.1.1.2 Companies exempt from income tax under the Inland Revenue Act No. 10 of 2006 and amendments there to

Company	Basis	Statute Reference	Period
Ahungalla Resorts Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/30
Negombo Beach Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/30
Turyaa Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years ending 2026/27
Ace Apparels (Pvt) Ltd	Construction of a garment factory and manufacturing apparels	Section 16C of the Inland Revenue (Amendment) Act No. 08 of 2012	5 years ending in 2021/2022

The Gazette notification issued in relation to the transitional provisions specifies that unexpired income tax exemptions as at 31st March 2018 granted under section 16C & 17A of Inland Revenue Act No. 10 of 2006 and amended there to would continue to apply under Inland Revenue Act No. 24 of 2017.

12.1.2 Companies liable to income tax at concessionary rates

12.1.2.1 Companies liable to income tax at concessionary rates under the BOI Law

Company	Basis	Income Tax Rate*
Ace Power Embilipitiya (Pvt) Ltd	Construction and operation of a thermal power generation plant	15%
Aitken Spence Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	20%
Vauxhall Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	2% of turnover for 15 years ended 2018/2019

* Concessionary income tax rates referred to above are granted after the initial tax exemption period, in terms of Section 17 of BOI Law No. 4 of 1978.

The Gazette notification issued in relation to the transitional provisions specifies that concessionary income tax rates granted after the initial tax exemption period under the BOI law which were entered prior to 1st April 2018 would continue to apply under Inland Revenue Act No. 24 of 2017.

12.1.2.2 Companies liable to income tax at concessionary rates under the Inland Revenue Act No. 24 of 2017

Company	Basis/Statute Reference*	Income Tax Rate
Ace Exports (Pvt) Ltd Aitken Spence Apparels (Pvt) Ltd Aitken Spence Engineering Solutions (Pvt) Ltd Aitken Spence (Garments) Ltd Aitken Spence Global Operations (Pvt) Ltd Aitken Spence Hotels International (Pvt) Ltd Aitken Spence Hotel Managements Asia (Pvt) Ltd Aitken Spence Ports International Ltd MMBL Money Transfer (Pvt) Ltd Royal Spence Aviation (Pvt) Ltd	Company predominantly conducting a business of exporting goods and services or supply of services to an exporter or manufacture & supply to an exporter of non-traditional goods	14%
Aitken Spence Hotel Holdings PLC Aitken Spence Hotels Ltd Aitken Spence Travels (Pvt) Ltd Hethersett Hotels Ltd Kandalama Hotels (Pvt) Ltd Paradise Resorts Pasikudah (Pvt) Ltd Turyaa (Pvt) Ltd	Company predominantly engaged in undertaking for the promotion of tourism	14%
Ace Cargo (Pvt) Ltd Aitken Spence Cargo (Pvt) Ltd Aitken Spence Shipping Ltd Aitken Spence Shipping Services Ltd Clark Spence and Company (Pvt) Ltd D B S Logistics Ltd Hapag-Lloyd Lanka (Pvt) Ltd	Specified undertaking predominantly providing freight forwarding, transshipment operations or provision of service to a foreign ship operator	14%
Ace Container Repair (Pvt) Ltd	Specified undertaking predominantly providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers	14%
Logilink (Pvt) Ltd	Specified undertaking predominantly proving logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka	14%
CINEC Campus (Pvt) Ltd (formally Colombo International Nautical and Engineering College (Pvt) Ltd)	Company predominantly providing educational services	14%
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Company predominantly conducting an agricultural business	14%

*Predominantly referred to above means 80% or more of the gross income as specified in the Inland Revenue Act No. 24 of 2017.

NOTES TO THE FINANCIAL STATEMENTS

12.1.3 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Global Operations (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotels International (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits arising in Oman is liable to tax at 15% and income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Ports International Ltd	Mozambique, Fiji	Profits and income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively.

Profits and income referred to above are liable for income tax under Inland Revenue Act No. 24 of 2017 at the rates specified in note 12.1.2.2. In calculating the income tax liability, companies are entitled to deduct income tax paid in foreign jurisdictions as foreign tax credits.

12.2 Overseas Operations

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to our companies. We set out below the Income tax rates applicable for our companies in the foreign jurisdictions.

Country	Company	Income Tax Rate
British Virgin Islands	Crest Star (B.V.I.) Ltd	Nil
Hong Kong	Crest Star Ltd	Nil
Oman	Aitken Spence Resorts (Middle East) LLC	15%
Maldives	Ace Aviation Services Maldives Pvt Ltd	15%
	A.D.S. Resorts Pvt Ltd	15%
	Cowrie Investment Pvt Ltd	15%
	Interlifts International Pvt Ltd	15%
	Jetan Travel Services Company Pvt Ltd	15%
	Spence Maldives Pvt Ltd	15%
	Unique Resorts Pvt Ltd	15%
	Ace Resorts Pvt Ltd	15%
Fiji	Fiji Ports Terminal Ltd	20%
	Fiji Ports Corporation Ltd	20%
	Fiji Ships Heavy Industries Ltd	20%
India	Aitken Spence Hotel Services Pvt Ltd	26%
	PR Holiday Homes Pvt Ltd	26%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	26%
Bangladesh	Ace Bangladesh Ltd	35%

During the year, the overseas companies of the Group adopted IFRS 9 – “Financial Instruments” and the deferred tax has been recognised on the expected credit losses arising from the items explained under note 12.1 – “Expected credit losses”.

Dividends remitted to Sri Lanka from above companies are exempt from income tax under third schedule to the Inland Revenue Act No. 24 of 2017.

12.3 Tax recognised in income statements

	GROUP		COMPANY	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Current tax expense				
Tax on current year profits (note 12.6)	1,052,030	1,064,346	8,705	7,724
Under provision in respect of previous years	111,234	25,162	69,635	-
Withholding tax on dividends paid by subsidiaries	246,743	169,918	-	-
	1,410,007	1,259,426	78,340	7,724
Deferred tax expense / (income)				
Impact of changes in tax rates	-	33,201	-	-
Origination / (reversal) of temporary differences	101,251	(44,343)	628	(105,266)
Deferred tax expense / (income) (note 12.7)	101,251	(11,142)	628	(105,266)
	1,511,258	1,248,284	78,968	(97,542)
Effective tax rate (including deferred tax)	20.8%	19.5%	-	-
Effective tax rate (excluding deferred tax)	19.4%	19.7%	3.4%	0.4%

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 158.2 million (2017/2018 - Rs. 169.4 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.4 Tax recognised in other comprehensive income

12.4.1 Group

	2018/2019			2017/2018		
	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000	Before tax Rs.'000	Tax (expense) / income Rs.'000	Net of tax Rs.'000
Items that will not be reclassified to profit or loss						
Revaluation of freehold land	373,720	(91,125)	282,595	2,858,132	(997,483)	1,860,649
Actuarial gains / (losses) on defined benefit obligations	71,917	(13,667)	58,250	(116,004)	24,675	(91,329)
Equity investments at FVOCI – net change in fair value	(4,450)	458	(3,992)	-	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	(12,106)	-	(12,106)	163,063	-	163,063
	429,081	(104,334)	324,747	2,905,191	(972,808)	1,932,383
Items that are or may be reclassified to profit or loss						
Exchange differences on translation of foreign operations	1,907,579	-	1,907,579	417,045	-	417,045
Available-for-sale financial assets – net change in fair value	-	-	-	1,614	(82)	1,532
Net movement on cash flow hedges	(84,129)	-	(84,129)	(960,398)	-	(960,398)
Share of other comprehensive income of equity-accounted investees (net of tax)	136,374	-	136,374	62,743	-	62,743
	1,959,824	-	1,959,824	(478,996)	(82)	(479,078)
Other comprehensive income for the year	2,388,905	(104,334)	2,284,571	2,426,195	(972,890)	1,453,305

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. 2.0 million (2017/2018 - Rs. 42.8 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

NOTES TO THE FINANCIAL STATEMENTS

12.4.2 Company

	2018/2019			2017/2018		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss						
Actuarial gains / (losses) on defined benefit obligations	13,963	(3,910)	10,053	(8,814)	2,468	(6,346)
Equity investments at FVOCI – net change in fair value	(4,625)	476	(4,149)	-	-	-
	9,338	(3,434)	5,904	(8,814)	2,468	(6,346)
Items that are or may be reclassified to profit or loss						
Net change in fair value of available-for-sale financial assets	-	-	-	(148)	(40)	(188)
	-	-	-	(148)	(40)	(188)
Other comprehensive income for the year	9,338	(3,434)	5,904	(8,962)	2,428	(6,534)

12.5 Tax recognised directly in equity as at 1st April 2018

	GROUP			COMPANY		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax on expected credit losses under SLFRS 9						
- Trade receivables	(14,081)	2,647	(11,434)	-	-	-
- Deposits with licensed commercial banks	(1,925)	539	(1,386)	(1,925)	539	(1,386)
- Unquoted debt securities	(14,322)	2,005	(12,317)	-	-	-
Share of amounts recognised directly in equity for equity-accounted investees (net of tax)	566	-	566	-	-	-
	(29,762)	5,191	(24,571)	(1,925)	539	(1,386)

Tax recognised directly in equity excludes, the Group's share of tax expense of the equity-accounted investees recognised directly in equity of Rs. 0.1 million (2017/2018 - Nil) which has been included in 'Share of amounts recognised directly in equity for equity-accounted investees (net of tax)'.

12.6 Reconciliation of the accounting profits and current year tax

	GROUP		COMPANY	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Profit before tax	7,282,608	6,397,816	2,288,363	1,776,369
Consolidation adjustments	(343,799)	(279,745)	-	-
Profit after adjustments	6,938,809	6,118,071	2,288,363	1,776,369
Income not liable for income tax	770,052	(244,376)	(800)	(111,788)
Effect of revenue subject to tax at source	549,345	852,960	87,053	77,243
Adjusted profit	8,258,206	6,726,655	2,374,616	1,741,824
Non - taxable receipts / gains	(954)	(73,502)	(2,495,692)	(1,904,636)
Aggregate disallowed expenses	4,687,180	4,566,406	585,829	309,864
Capital allowances	(4,875,148)	(5,030,269)	(18,752)	(19,224)
Aggregate allowable deductions	(1,769,360)	(1,136,566)	(683,758)	(454,951)
Utilisation of tax losses	(1,248,751)	(529,988)	(103,799)	(55,382)
Current year tax losses not utilised	1,537,658	1,786,055	428,610	459,747
Taxable income	6,588,831	6,308,791	87,054	77,242
Income tax charged at;				
Standard rate of 28%	88,478	253,862	-	-
Concessionary rates	410,271	231,181	-	-
Other rates	4,053	896	-	-
Varying rates on off - shore profits	549,228	578,407	8,705	7,724
	1,052,030	1,064,346	8,705	7,724
Under / (over) provision in respect of previous years	111,234	25,162	69,635	-
Withholding tax on dividends paid by subsidiaries	246,743	169,918	-	-
	1,410,007	1,259,426	78,340	7,724

12.7 Deferred tax expense/ (income)

	GROUP		COMPANY	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Origination / (reversal) of temporary differences arising from ;				
Accelerated depreciation for tax purposes on property, plant and equipment	101,621	286,078	(10,292)	5,450
Defined benefit obligations	15,232	(24,035)	11,329	(5,863)
Tax losses carried forward	(8,353)	(249,288)	-	(104,853)
Expected credit losses	(7,249)	-	(409)	-
Undistributed profits of consolidated entities	-	(24,226)	-	-
Other items	-	329	-	-
	101,251	(11,142)	628	(105,266)

NOTES TO THE FINANCIAL STATEMENTS

12.8 Tax losses carried forward

	GROUP		COMPANY	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Tax losses brought forward	7,574,307	5,965,535	1,026,984	652,507
Adjustments to tax loss brought forward and tax losses arising during the year	2,940,909	2,138,760	621,375	429,859
Utilisation of tax losses	(1,248,751)	(529,988)	(103,799)	(55,382)
	9,266,465	7,574,307	1,544,560	1,026,984

As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted in respect of these losses amounted to Rs. 1,011.5 million (2017/2018 - Rs. 751.7 million) since utilisation against future taxable profits are not probable. For Aitken Spence PLC, deferred tax assets unaccounted on losses as at 31.03.2019 amounted to Rs.144.9 million (2017/2018 - Nil).

13 Earnings per share

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

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

	GROUP		COMPANY	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Net profit attributable to equity holders of the company (Rs.)	4,077,067,205	3,560,347,543	2,209,394,566	1,873,911,404
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	10.04	8.77	5.44	4.62

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

	2018/2019 Rs.'000	2017/2018 Rs.'000
Interim ordinary dividend of Rs.1.00 per share paid on 29th March 2019. (2017/2018 - nil)	405,996	-
Final ordinary dividend recommended Rs.1.50 per share (2017/2018 - Rs.2.00 per share)	608,994	811,992
	1,014,990	811,992

The Directors have recommended a final dividend payment of Rs.1.50 per share for the year ended 31st March 2019 to be approved at the Annual General Meeting on 28th June 2019.

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 2019.

15 Property, plant and equipment

15.1 Group

	Freehold Land	Freehold buildings	Plant machinery and equipment	Motor vehicles	Furniture and fittings	Capital work-in-progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or revaluation							
Balance as at 01st April 2018	14,726,754	32,577,173	14,385,644	3,827,366	3,103,932	8,594,044	77,214,913
Surplus on revaluation	373,720	-	-	-	-	-	373,720
Exchange difference	403,702	1,793,542	670,812	56,983	100,190	912,222	3,937,451
Additions	54,239	242,377	1,290,887	256,972	185,287	9,526,764	11,556,526
Capitalisation of depreciation, lease amortised / accrued (note 19, 20 & 34)	-	123	258	365	-	361,197	361,943
Other transfers	-	4,195	357,617	-	(806)	(361,006)	-
Disposals / write-offs	-	-	(142,218)	(215,252)	(14,095)	(465)	(372,030)
Balance as at 31st March 2019	15,558,415	34,617,410	16,563,000	3,926,434	3,374,508	19,032,756	93,072,523
Accumulated depreciation / impairment							
Balance as at 01st April 2018	-	6,886,360	6,846,685	2,545,470	1,661,618	-	17,940,133
Exchange difference	-	557,842	440,127	40,933	64,788	-	1,103,690
Charge for the year	-	945,221	1,420,666	174,657	218,897	-	2,759,441
Capitalisation of depreciation	-	123	258	365	-	-	746
Other transfers	-	-	404	-	(404)	-	-
Disposals / write-offs	-	-	(132,497)	(177,176)	(12,146)	-	(321,819)
Balance as at 31st March 2019	-	8,389,546	8,575,643	2,584,249	1,932,753	-	21,482,191
Carrying amount as at 31st March 2019	15,558,415	26,227,864	7,987,357	1,342,185	1,441,755	19,032,756	71,590,332
Carrying amount as at 31st March 2018	14,726,754	25,690,813	7,538,959	1,281,896	1,442,314	8,594,044	59,274,780

The value of property, plant and equipment pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 18,348.2 million (2017/2018- Rs. 11,790.4 million).

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 867.5 million.(2017/2018 - 185.1 million). (Company-nil). The average rate of borrowing costs eligible for capitalisation for the US dollar and LKR denominated borrowings are 6.98% and 13.14% respectively.

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

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

In compliance with the accounting policy, land owned by the Group companies are revalued by independent professional valuers at least once in every five years unless there is an indication of a significant change in the market rates. Details of the revalued land are given in the note 15.3.1 to the financial statements. Tax impact on revaluation of land is given in note 12 to the financial statements.

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

Property plant and equipment as at 31st March 2019 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 5,112.3 million that are still in use (2017/2018 - Rs. 3,286.8 million).

NOTES TO THE FINANCIAL STATEMENTS

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 2018	170,384	131,456	83,214	385,054
Additions	17,022	49,210	-	66,232
Other transfers	(1,304)	-	1,304	-
Disposals	(14,792)	(25,591)	(123)	(40,506)
Balance as at 31st March 2019	171,310	155,075	84,395	410,780
Accumulated depreciation / impairment				
Balance as at 01st April 2018	136,413	53,697	60,379	250,489
Charge for the year	14,524	18,790	8,293	41,607
Other transfers	(1,231)	-	1,231	-
Disposals	(14,902)	(21,936)	(105)	(36,943)
Balance as at 31st March 2019	134,804	50,551	69,798	255,153
Carrying amount as at 31st March 2019	36,506	104,524	14,597	155,627
Carrying amount as at 31st March 2018	33,971	77,759	22,835	134,565

There were no property, plant and equipment pledged by the Company as security for facilities obtained from banks.

Property, plant and equipment as at 31st March 2019 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 107.6 million that are still in use (2017/2018 - Rs. 123.9 million).

15.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2019 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence PLC *a*	315, Vauxhall Street, Colombo 02	30.09.2017	1 A 0 R 12.78 P	1,468,630	1,467,473	1,157
	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	1 A 0 R 20.37 P	717,147	712,156	4,991
	170, Sri Wickrema Mw., Colombo 15	30.09.2017	3 A 3 R 31.00 P	625,500	582,539	42,961
	Moragalla, Beruwala	30.09.2017	10 A 1 R 23.97 P	707,000	706,046	954
	290/1, Inner Harbour Road, Trincomalee	30.09.2017	0 A 1 R 4.95 P	19,000	19,000	-
Ace Containers (Pvt) Ltd *a*	775/5, Negombo Road, Wattala	30.09.2017	22 A 0 R 24.88 P	1,772,440	1,677,887	94,553
	385, Colombo Road, Welisara	30.09.2017	8 A 3 R 12.23 P	706,000	619,327	86,673
	No.377, Negombo Road, Welisara, Ragama	30.09.2017	1 A 1 R 17.80 P	98,000	10,935	87,065
Ace Distriparks (Pvt) Ltd *a*	80, Negombo Road, Wattala	30.09.2017	2 A 2 R 17.03 P	625,550	255,988	369,562
Ahungalla Resorts Ltd *a*	"Ahungalla Resorts", Galle Road, Ahungalla	30.09.2017	12 A 3 R 35.21 P	942,650	42,773	899,877
Aitken Spence (Garments) Ltd *a*	222, Agalawatte Road, Matugama	30.09.2017	2 A 3 R 0 P	35,200	30,040	5,160

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2019 Rs.'000	Revaluation surplus Rs.'000	Carrying amount at cost Rs.'000
Aitken Spence Hotel Holdings PLC *a*	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	11 A 3 R 34.02 P	695,600	677,398	18,202
	"Heritance Ahungalla", Galle Road, Ahungalla	30.09.2017	0 A 0 R 39.26 P	14,700	9,493	5,207
Aitken Spence Hotel Managements (South India) Ltd *c*	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	01.06.2018	0 A 3 R 15.14 P	971,933	373,720	598,213
Aitken Spence Property Developments Ltd *a*	90, St.Rita's Estate, Mawaramandiya	30.09.2017	3 A 0 R 25.08 P	126,270	101,842	24,428
Branford Hydropower (Pvt) Ltd *a*	225, Gangabada Road, Kaludawela, Matale	30.09.2017	2 A 0 R 14.00 P	18,370	7,837	10,533
Clark Spence and Co., Ltd *a*	24-24/1, Church Street, Galle	30.09.2017	0 A 1 R 27.90 P	186,725	186,690	35
Heritance (Pvt) Ltd *a*	Moragalla, Beruwala	30.09.2017	5 A 3 R 6.80 P	324,250	313,170	11,080
Kandalama Hotels Ltd *a*	Kandalama, Dambulla	30.09.2017	169 A 2 R 22.40 P	9,300	1,916	7,384
Logilink (Pvt) Ltd *a*	309/4 a, Negombo Road, Welisara	30.09.2017	2 A 1 R 9.50 P	166,275	83,784	82,491
Meeraladuwa (Pvt) Ltd *a*	Meeraladuwa Island, Balapitiya	30.09.2017	29 A 2 R 9.00 P	217,020	116,758	100,262
Neptune Ayurvedic Village (Pvt) Ltd *a*	Ayurvedic village - Moragalla, Beruwala	30.09.2017	0 A 0 R 19.30 P	4,500	437	4,063
Perumbalam Resorts (Pvt) Ltd *b*	Cochin - Kerala, India	07.02.2017	4 A 0 R 9.00 P	53,075	42,478	10,597
PR Holiday Homes (Pvt) Ltd *b*	Cochin - Kerala, India	07.02.2017	14 A 0 R 7.52 P	214,869	66,708	148,161
Turyaa (Pvt) Ltd *a*	418, Parallel Road, Kudawaskaduwa, Kalutara	30.09.2017	5 A 1R 37.90 P	384,160	364,395	19,765
	49, Sea Beach Road, Kalutara	30.09.2017	0 A 1R 30.32 P	23,000	21,512	1,488
Turyaa Resorts (Pvt) Ltd *a*	Kudawaskaduwa, Kalutara	30.09.2017	1 A 3 R 33.20 P	150,336	93,557	56,779
	Kudawaskaduwa, Kalutara	30.09.2017	0 A 1 R 34.30 P	20,000	10,826	9,174
Vauxhall Investments Ltd *a*	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2017	0 A 1 R 21.08 P	242,853	221,014	21,839
Vauxhall Property Developments Ltd *a*	305, Vauxhall Street, Colombo 02	30.09.2017	0 A 2 R 24.73 P	890,205	875,474	14,731
				12,430,558	9,693,173	2,737,385

The above lands have been revalued on the basis of current market value by independent, qualified valuers who have recent experience in the location and category of property being valued.

a Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)

b Valuation of the land was carried out by Mr. T.T. Kripananda Singh, B.S.C.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of Messrs N. Raj Kumar and Associates, India.

c Valuation of the land was carried out by CBRE South Asia Pvt. Ltd, India.

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15.3.2 Land carried at cost (fair value)

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2019 Rs.'000
Aitken Spence Resorts (Middle East) LLC	Muscat, Oman	11.02.2016	5 A 0 R 8.00 P	3,073,618
Aitken Spence Property Developments Ltd	St. Rita's Estate, Mawaramandiya	15.11.2018	1 A 0 R 0.00 P	54,239
				3,127,857

Above land which were acquired within the last five years have not been revalued since the acquisition cost represents the fair value.

15.3.3 Total carrying amount of land

	Carrying amount as at 31.03.2019 Rs.'000
Land carried at revalued amount	12,430,558
Land carried at cost (fair value)	3,127,857
	15,558,415

16 Investment properties

16.1 Movement during the year

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Cost				
Balance as at 01st April	1,633,400	1,630,801	3,494,039	3,494,039
Transferred from inventories	-	2,599	-	-
Balance as at 31st March	1,633,400	1,633,400	3,494,039	3,494,039
Accumulated depreciation / impairment				
Balance as at 01st April	1,040	-	65,106	62,352
Charge for the year	260	260	2,755	2,754
Transferred from inventories	-	780	-	-
Disposals / write-offs	-	-	93	-
Balance as at 31st March	1,300	1,040	67,954	65,106
Carrying amount as at 31st March	1,632,100	1,632,360	3,426,085	3,428,933

16.2 Details of land and buildings classified as investment property

Location	Extent	Carrying value of investment property Group Rs.'000	Company Rs.'000	Number of buildings
315, Vauxhall Street, Colombo 02	1 A 0 R 12.78 P	-	900,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.40 P	-	223,650	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	189,868	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	541,066	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 4.95 P	-	12,700	1
58/1, Park Road Kerawalapitiya, Wattala	0 A 0 R 18.75 P	1,299	-	1
Irakkakandi Village, VC Road, Nilaweli	113 A 1 R 1.00 P	1,630,801	1,558,801	-
		1,632,100	3,426,085	

Properties which are occupied by companies within the Group for the production or supply of goods and services or for administration purposes are treated as property, plant and equipment in the consolidated financial statements at revalued amounts. These properties are treated as investment property in the relevant company's statement of financial position at cost, if such company has rented out the property to other Group companies.

16.3 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of the above properties based on the directors' valuation as at 31st March 2019 for the Group was Rs. 2,569 million (2017/2018 - Rs.2,569 million)., and for the company as at 31st March 2019 was Rs. 6,520 million (2017/2018 - Rs. 6,023 million).

16.4 Income earned from investment property

Total rent income earned by the company from the investment properties during the year was Rs. 47.3 million (2017/2018 - Rs. 41.1 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 2018	1,051,829	409,249	4,418	1,465,496
Exchange difference	53,006	3,861	-	56,867
Additions	-	23,102	11	23,113
Balance as at 31st March 2019	1,104,835	436,212	4,429	1,545,476
Accumulated amortisation / impairment				
Balance as at 01st April 2018	198,769	372,803	3,546	575,118
Exchange difference	-	3,785	-	3,785
Amortisation for the year	-	20,885	220	21,105
Balance as at 31st March 2019	198,769	397,473	3,766	600,008
Carrying amount as at 31st March 2019	906,066	38,739	663	945,468
Carrying amount as at 31st March 2018	853,060	36,446	872	890,378

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2017/2018- nil).

Intangible assets as at 31st March 2019 includes fully amortised assets having a gross carrying amount (cost) of Rs. 304.9 million that are still in use (2017/2018 - Rs. 284.9 million).

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17.1.1 Net carrying value of goodwill

Goodwill arising on business combinations have been allocated to the following segments for impairment testing. Each segment consists of several cash generating units (CGU's).

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Tourism sector	457,375	404,369
Maritime & logistics sector	378,637	378,637
Strategic investments	50,000	50,000
Services sector	20,054	20,054
	906,066	853,060

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The key assumptions used are given below;

Business growth – Based on the long term average growth rate for each business unit. The weighted average growth rate used is consistent with the forecasts included in industry reports.

Inflation – Based on current inflation rate.

Discount rate – Risk free rate adjusted for the specific risk relating to the industry.

Margin – Based on past performance and budgeted expectations.

17.2 Company

	Software	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Cost or valuation		
Balance as at 01st April	169,823	169,002
Additions	5,276	821
Balance as at 31st March	175,099	169,823
Accumulated amortisation / impairment		
Balance as at 01st April	164,231	157,966
Charge for the year	2,639	6,265
Balance as at 31st March	166,870	164,231
Carrying amount as at 31st March	8,229	5,592

There were no intangible assets pledged by the Company as security for facilities obtained from the banks (2017/2018 - nil).

Intangible assets as at 31st March 2019 includes fully amortised assets having a gross carrying amount (cost) of Rs. 160.7 million that are still in use (2017/2018 - Rs. 158.7 million).

18 Biological assets

	GROUP		
	Immature plantations Rs.'000	Mature plantations Rs.'000	Total Rs.'000
Cost			
Balance as at 01st April 2018	32,453	19,945	52,398
Additions	6,501	-	6,501
Balance as at 31st March 2019	38,954	19,945	58,899
Accumulated depreciation			
Balance as at 01st April 2018	-	5,105	5,105
Charge for the year	-	4,462	4,462
Balance as at 31st March 2019	-	9,567	9,567
Carrying amount as at 31st March 2019	38,954	10,378	49,332
Carrying amount as at 31st March 2018	32,453	14,840	47,293

19 Leasehold properties

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Cost		
Balance as at 01st April	2,726,890	2,663,625
Exchange difference	359,087	63,265
Balance as at 31st March	3,085,977	2,726,890
Accumulated amortisation		
Balance as at 01st April	702,987	621,166
Exchange difference	95,808	15,699
Amortisation for the period	60,785	55,307
Capitalised under property, plant and equipment	11,878	10,815
Balance as at 31st March	871,458	702,987
Carrying amount as at 31st March	2,214,519	2,023,903

Leasehold properties represent the acquisition cost of leasehold rights of some of the hotel properties in the Maldives.

NOTES TO THE FINANCIAL STATEMENTS

20 Operating leases

20.1 Pre-paid operating leases

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 01st April	2,308,824	2,051,167
Additions during the period	-	281,771
Amortisation for the period		
- Charged to the income statement	(57,203)	(50,959)
- Capitalised under property, plant and equipment	(44,624)	(15,789)
Exchange difference	236,201	42,634
Balance as at 31st March	2,443,198	2,308,824
Current portion of pre-paid operating leases	76,232	67,466
Non-current portion of pre-paid operating leases	2,366,966	2,241,358

20.2 Operating lease payments

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Recognised under income statement	661,181	588,499
Recognised under pre-paid operating leases	10	281,771
	661,191	870,270

20.3 Operating lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Lease rentals payable within one year	684,377	594,549
Lease rentals payable between one and five years	3,147,598	2,760,924
Lease rentals payable after five years	6,962,963	6,478,870
	10,794,938	9,834,343

20.4 Details of leases under operating lease

Company	Location of the leased property	Unexpired lease periods as at 31.03.2019
Ace Apparels (Pvt) Ltd *	Koggala - Sri Lanka	45 years
Ace Container Terminals (Pvt) Ltd *	Biyagama - Sri Lanka	68 years
Ace Container Terminals (Pvt) Ltd *	Katunayake - Sri Lanka	68 years
Ace Distriparks (Pvt) Ltd	Mihinthale - Sri Lanka	24 years
Ace Power Embilipitiya (Pvt) Ltd	Embilipitiya - Sri Lanka	14 years
Ace Windpower (Pvt) Ltd	Ambewela - Sri Lanka	14 years
Aitken Spence Agriculture (Pvt) Ltd *	Dambulla - Sri Lanka	25 years
Branford Hydropower (Pvt) Ltd	Matale - Sri Lanka	08 years
Hethersett Hotels Ltd	Nuwara Eliya - Sri Lanka	75 years
Kandalama Hotels (Pvt) Ltd	Dambulla - Sri Lanka	23 years
Western Power Company (Pvt) Ltd *	Muthurajawela - Sri Lanka	27 years
Ace Resorts (Pvt) Ltd *	Noonu Atoll - Maldives	46 years
ADS Resorts (Pvt) Ltd *	North Male' Atoll - Maldives	07 years
Cowrie Investments (Pvt) Ltd *	Raa Atoll - Maldives	29 years
Cowrie Investments (Pvt) Ltd *	Raa Atoll - Maldives	46 years
Jetan Travel Services Company (Pvt) Ltd *	South Male' Atoll - Maldives	22 years
Unique Resorts (Pvt) Ltd *	South Male' Atoll - Maldives	26 years
Fiji Ports Terminal Ltd	Suva - Fiji	08 years

Prepaid lease rentals for the properties marked "*" are recognised under pre-paid operating leases in note 20.1.

20.5 The value of leasehold rights of land pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 1,484.6 million (2017/2018- Rs. 1,003.4 million).

21 Investments in subsidiaries

21.1 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
a) Ordinary Shares							
Ace Apparels (Pvt) Ltd (a) (c)	Sri Lanka	13,100,001	100.00	100.00	-	131,000	131,000
Ace Cargo (Pvt) Ltd (a)	Sri Lanka	990,000	100.00	100.00	-	245,173	245,173
Ace Container Repair (Pvt) Ltd (a)	Sri Lanka	2,250,000	100.00	100.00	-	22,500	22,500
Ace Container Terminals (Pvt) Ltd (a)	Sri Lanka	1,550,002	100.00	100.00	-	15,500	15,500
Ace Containers (Pvt) Ltd (a)	Sri Lanka	4,010,000	100.00	100.00	-	440,100	40,100
Ace Distriparks (Pvt) Ltd (a)	Sri Lanka	8,900,000	100.00	100.00	-	89,000	89,000
Ace Exports (Pvt) Ltd (a)	Sri Lanka	1,400,000	100.00	100.00	-	14,000	14,000
Ace Freight Management (Pvt) Ltd (a)	Sri Lanka	5,222,500	100.00	100.00	-	36,307	36,307
Ace International Express (Pvt) Ltd	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Wind Power (Pvt) Ltd (a)	Sri Lanka	37,050,000	100.00	100.00	-	430,000	430,000
Aitken Spence Agriculture (Pvt) Ltd (a) (b)	Sri Lanka	7,500,001	100.00	100.00	-	75,000	-
Aitken Spence Apparels (Pvt) Ltd (a) (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd (a)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd (c)	Sri Lanka	52,500	100.00	100.00	-	514	514

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	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Aitken Spence Group Ltd (a) (b)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd	Sri Lanka	152,740	100.00	100.00	-	1,500	1,500
Aitken Spence International Consulting (Pvt) Ltd	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Maritime Ltd (a)	Sri Lanka	140,000	100.00	100.00	-	1,400	1,400
Aitken Spence Printing and Packaging (Pvt) Ltd (a)	Sri Lanka	10,000,000	100.00	100.00	-	100,000	100,000
Aitken Spence Shipping Ltd (a)	Sri Lanka	2,038,072	100.00	100.00	-	132,717	132,717
Aitken Spence Shipping Services Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	20,200	20,200
Aitken Spence Technologies (Pvt) Ltd (b)	Sri Lanka	1,577,506	100.00	100.00	-	13,888	13,888
Branford Hydropower (Pvt) Ltd (a)	Sri Lanka	16,400,100	100.00	100.00	-	223,000	223,000
Clark Spence and Company (Pvt) Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	74,300	74,300
Logilink (Pvt) Ltd (a)	Sri Lanka	30,000,000	100.00	100.00	-	222,690	222,690
Royal Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	50,000	100.00	100.00	-	500	500
Vauxhall Investments (Pvt) Ltd (a)	Sri Lanka	1,320,000	100.00	100.00	-	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd (a)	Sri Lanka	11,270,000	100.00	100.00	-	153,401	153,401
Western Power Holdings (Pvt) Ltd (a)	Sri Lanka	10,000,000	100.00	100.00	-	500,000	500,000
Aitken Spence Developments (Pvt) Ltd	Sri Lanka	45,999	92.00	92.00	8.00	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	75,425,725	95.00	99.99	0.01	766,594	748,650
Western Power Company (Pvt) Ltd (a) (b)	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Elevators (Pvt) Ltd (a)	Sri Lanka	154,788	77.40	77.40	22.60	11,594	11,594
Aitken Spence Moscow (Pvt) Ltd (a)	Sri Lanka	37,500	75.00	75.00	25.00	375	375
Ace Power Embilipitiya (Pvt) Ltd (a)	Sri Lanka	124,033,413	74.00	74.00	26.00	703,626	703,626
Ace Aviation Services (Pvt) Ltd (a)	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd (c)	Sri Lanka	998,747	50.00	50.00	50.00	26,257	26,257
Aitken Spence Travels (Pvt) Ltd (a)	Sri Lanka	1,704,000	50.00	50.00	50.00	60,875	60,875
MMBL Money Transfer (Pvt) Ltd (a) (b)	Sri Lanka	3,000,000	50.00	50.00	50.00	35,566	35,566
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	4,020,000	51.00	87.50	12.50	40,200	40,200
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (c)	Sri Lanka	4,924,500	49.00	86.99	13.01	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	10,323,225	49.00	86.99	13.01	99,000	99,000
Kandalama Hotels (Pvt) Ltd (c)	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050
Interlifts International Pvt Ltd	Maldives	38,550	64.99	65.00	35.00	3,258	3,258
Ace Aviation Services Maldives Pvt Ltd	Maldives	490	49.00	49.00	51.00	639	639
Fiji Ports Terminal Ltd (a)	Fiji	1,572,993	51.00	60.80	39.20	749,242	749,242
Crest Star Ltd (a)	Hong Kong	1	0.01	74.49	25.51	1	-
Global Parcel Delivery (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Power (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Corporate Finance (Pvt) Ltd (a) (b) (c)	Sri Lanka	2	100.00	100.00	-	-	-
Aitken Spence Ports International Ltd (a)	Sri Lanka	10,000	10.00	100.00	-	-	-
Spence International (Pvt) Ltd (refer note 29)	Sri Lanka	-	-	-	-	-	15,000
						5,902,620	5,424,675

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
b) Preference Shares							
Cumulative preference shares							
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	500,000	100.00	100.00	-	5,000	5,000
Aitken Spence Hotel Holdings PLC (a) (c)	Sri Lanka	16,500,000	100.00	100.00	-	165,000	165,000
Western Power Company (Pvt) Ltd (a) (b) *	Sri Lanka	40,000,000	100.00	100.00	-	1,675,000	-
Non-cumulative preference shares							
Aitken Spence (Garments) Ltd (c)	Sri Lanka	4,000,000	72.73	72.73	27.27	40,000	40,000
						1,885,000	210,000
Provision for impairment of investments						(97,129)	(97,029)
						7,690,491	5,537,646

* During the financial year, 40,000,000 Redeemable Cumulative preference shares were issued to Aitken Spence PLC at Rs.100.00 each. The called up capital on the shares as at 31.03.2019 is Rs. 41.88 per share. The outstanding balance subscription of Rs.58.12 per share will be called from time to time as and when required by the issuing company.

a,b,c - refer note 43

21.2 Investment in subsidiaries - quoted

	Country of incorporation	Number of shares	Company holding %	Group holding %	Non-controlling holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Aitken Spence Hotel Holdings PLC (a) (c) (Ordinary Shares)	Sri Lanka	239,472,667	71.20	74.49	25.51	2,458,287	2,458,287
						2,458,287	2,458,287
Market value of quoted investments as at 31st March						5,675,502	8,022,334

a,c - refer note 43

21.3 Total carrying amount

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Investment in subsidiaries - unquoted	7,690,491	5,537,646
Investment in subsidiaries - quoted	2,458,287	2,458,287
	10,148,778	7,995,933

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21.4 Inter-company shareholdings - unquoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2019	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
A E Lanka (Pvt) Ltd	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	200	100.00	100.00	-
Ace Aviation Services (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	26,251	50.00	100.00	-
Ace Travels and Conventions (Pvt) Ltd	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	55,000	100.00	50.00	50.00
Ahungalla Resorts Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	78,369,024	60.00	44.69	55.31
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	Vauxhall Investments (Pvt) Ltd	5,000	100.00	100.00	-
Aitken Spence Developments (Pvt) Ltd	Sri Lanka	Other Group company	1	0.00	92.00	8.00
Aitken Spence (Garments) Ltd (c)	Sri Lanka	Other Group companies	3	0.00	50.00	50.00
Aitken Spence Global Operations (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels International (Pvt) Ltd	100,000	100.00	86.99	13.01
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	3,862,353	49.00	87.50	12.50
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	5,125,500	51.00	86.99	13.01
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	10,744,582	51.00	86.99	13.01
Aitken Spence Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	14,701,204	98.01	73.01	26.99
		Other Group companies	2	0.00		
Aitken Spence Overseas Travel Services (Pvt) Ltd	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	50,000	100.00	50.00	50.00
Aitken Spence Ports International Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	90,000	90.00	100.00	-
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	2,805,000	3.53	99.99	0.01
		Ace Cargo (Pvt) Ltd	1,100,000	1.39		
		Aitken Spence Developments (Pvt) Ltd	63,525	0.07		
Aitken Spence Resources (Pvt) Ltd (c)	Sri Lanka	Aitken Spence Hotel Management (Pvt) Ltd	10,000	100.00	100.00	-
D.B.S. Logistics Ltd (a)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	200,000	100.00	100.00	-
Elevators (Pvt) Ltd (a)	Sri Lanka	Other Group companies	12	0.00	77.40	22.60
Hapag-Lloyd Lanka (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	119,999	60.00	60.00	40.00
		Other Group company	1	0.00		
Heritance (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	2,125,627	100.00	73.01	26.99
Hethersett Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	24,542,000	94.44	70.35	29.65
Kandalama Hotels (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	10,216,216	63.00	82.99	17.01
Meeraladuwa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	20,227,801	100.00	74.49	25.51
Neptune Ayurvedic Village (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	500,000	100.00	74.49	25.51
Nilaveli Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Nilaveli Holidays (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Shipping and Cargo Logistics (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Shipping Ltd	25,000	50.00	50.00	50.00
The Galle Heritage (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Turyaa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	219,812,322	100.00	74.49	25.51
Turyaa Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	121,920,001	100.00	74.49	25.51
Aitken Spence Resorts (Middle East) LLC (a) (c)	Oman	Aitken Spence Hotels International (Pvt) Ltd	11,363,775	100.00	86.99	13.01
		Other Group company	1	0.00		

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2019	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
Ace Resorts Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	8,480,999	100.00	86.99	13.01
		Other Group company	1	0.00		
A.D.S Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	1,275,000	100.00	86.99	13.01
		Other Group company	1	0.00		
Cowrie Investments Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotel Holdings PLC	52,740	60.00	44.69	55.31
Interlifts International Pvt Ltd	Maldives	Vauxhall Property Developments (Pvt) Ltd	6	0.01	65.00	35.00
Jetan Travel Services Company Pvt Ltd (c)	Maldives	Crest Star (B.V.I) Ltd	47,500	95.00	70.77	29.23
Spence Maldives Pvt Ltd (a)	Maldives	Ace Cargo (Pvt) Ltd	42,000	60.00	60.00	40.00
Unique Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	6,375,000	100.00	86.99	13.01
		Other Group company	1	0.00		
Aitken Spence Hotel Managements (South India) Ltd (a)	India	Aitken Spence Hotels International (Pvt) Ltd	150,048,996	92.10	86.00	14.00
		Aitken Spence Hotel Holdings PLC	12,874,000	7.90		
Aitken Spence Hotel Services Pvt Ltd	India	Aitken Spence Hotels International (Pvt) Ltd	10,000	100.00	86.99	13.01
Perumbalam Resorts Pvt Ltd (a)	India	PR Holiday Homes (Pvt) Ltd	10,000	100.00	73.57	26.43
PR Holiday Homes Pvt Ltd (a)	India	Aitken Spence Hotel Managements Asia (Pvt) Ltd	621,310	84.57	73.57	26.43
Crest Star Ltd (a)	Hong Kong	Aitken Spence Hotel Holdings PLC	9,999	99.99	74.49	25.51
Fiji Ports Terminal Ltd (a)	Fiji	Fiji Ports Corporation Ltd	1,511,307	49.00	60.80	39.20
Crest Star (B.V.I) Ltd (a)	British Virgin Islands	Aitken Spence Hotel Holdings PLC	3,415,000	100.00	74.49	25.51
b) Preference Shares						
Cumulative preference shares						
Ace Apparels (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Apparels (Pvt) Ltd	22,650,000	100.00	100.00	-
Aitken Spence Hotels Ltd (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	40,000,000	100.00	74.49	25.51
Non-cumulative preference shares						
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Management Asia (Pvt) Ltd	2,906,138	100.00	86.99	13.01

a,b,c - refer note 43

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21.5 Inter-company shareholdings - quoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2019	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
Aitken Spence Hotel Holdings PLC (a) (c) (Ordinary Shares)	Sri Lanka	Ace Cargo (Pvt) Ltd	4,423,601	1.32	74.49	25.51
		Aitken Spence Hotel Management (Pvt) Ltd	3,530,639	1.05		
		Aitken Spence Aviation (Pvt) Ltd	2,604,140	0.77		
		Vauxhall Investments (Pvt) Ltd	340,270	0.10		
		Clark Spence and Company (Pvt) Ltd	136,101	0.04		

a,c - refer note 43

21.6 The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs. 950.0 million (2017/2018 - Rs.112.5 million)

Principal activities of the Group's interest in subsidiaries are described on pages 335 to 342.

21.7 Non-controlling interests

The following table summarises the financial information relating to the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

	31.03.2019				31.03.2018			
	Aitken Spence Hotel Holding PLC & Group	Other individually immaterial subsidiaries	Intra-group eliminations	Total	Aitken Spence Hotel Holding PLC & Group	Other individually immaterial subsidiaries	Intra-group eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non - current assets	56,719,774				47,683,183			
Current assets	8,182,610				10,910,214			
Non - current liabilities	(25,867,849)				(19,876,906)			
Current liabilities	(8,439,100)				(10,822,488)			
Net assets	30,595,435				27,894,003			
Carrying amount of non-controlling interests	9,692,718	2,942,519	-	12,635,237	9,057,385	2,427,584	-	11,484,969
Revenue	19,570,589				18,250,581			
Profit for the year	1,197,164				1,583,395			
Other comprehensive income for the year, net of tax	2,014,543				(864,167)			
Total comprehensive income for the year	3,211,707				719,228			
Profit for the year allocated to non-controlling interests	291,817	1,402,466	-	1,694,283	455,632	1,133,552	-	1,589,184
Other comprehensive income for the year, net of tax allocated to non-controlling interests	521,253	50,972	-	572,225	(466,508)	4,563	-	(461,945)
Total comprehensive income for the year allocated to non-controlling interests	813,070	1,453,438	-	2,266,508	(10,876)	1,138,115	-	1,127,239
Cash flows from operating activities	2,858,941				2,801,992			
Cash flows from investing activities	(6,272,236)				(3,050,809)			
Cash flows from financing activities	767,316				3,266,138			
Net increase in cash and cash equivalents	(2,645,979)				3,017,321			
Dividends paid to non-controlling interests	154,356	937,931	-	1,092,287	35,384	821,127	-	856,511

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22 Investments in equity-accounted investees

		GROUP		COMPANY	
	Notes	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	22.1.1	986,682	984,818	143,700	195,124
Interest in associates	22.2.1	5,447,434	5,349,637	2,642,845	2,516,255
Carrying amount as at 31st March		6,434,116	6,334,455	2,786,545	2,711,379
Recognised in the income statement					
Interest in joint ventures	22.1.2	69,073	37,639	-	-
Interest in associates	22.2.2	320,168	268,818	-	-
Share of profit of equity-accounted investees (net of tax)		389,241	306,457	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	22.1.2	3,338	174,702	-	-
Interest in associates	22.2.2	120,930	51,104	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		124,268	225,806	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as;

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Items that will not be reclassified to profit or loss	(12,106)	163,063
Items that are or may be reclassified to profit or loss	136,374	62,743
	124,268	225,806

22.1.1 Investment in joint ventures

	GROUP					COMPANY			
	Country of incorporation	No. of shares	Holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000	No. of shares Rs.'000	Holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Aitken Spence C & T Investments (Pvt) Ltd (a) (b) (Ordinary shares - Unquoted)	Sri Lanka	14,170,000	50.00	141,700	141,700	14,170,000	50.00	141,700	141,700
EcoCorp Asia (Pvt) Ltd (b) (c) (Ordinary shares - Unquoted)	Sri Lanka	125,100	50.00	131,404	131,404	125,100	50.00	131,404	131,404
Aitken Spence Engineering Solutions (Pvt) Ltd (a) (Ordinary shares - Unquoted)	Sri Lanka	20,000	50.00	2,000	-	20,000	50.00	2,000	-
CINEC Campus (Pvt) Ltd (a) (formally Colombo International Nautical and Engineering College (Pvt) Ltd) (consolidated with CINEC Skills (Pvt) Ltd) (Ordinary shares - Unquoted)	Sri Lanka	253,334	40.00	502,950	502,950			-	-
Ace Bangladesh Ltd (a) (Ordinary shares - Unquoted)	Bangladesh	39,200	49.00	8,400	8,400			-	-
Carrying amount as at 31st March				786,454	784,454			275,104	273,104
Provision for impairment of investments				(72,118)	(26,712)			(131,404)	(77,980)
Share of movement in equity value				272,346	227,076			-	-
Equity value of investments				986,682	984,818			143,700	195,124

During the period under review the Group and Company further impaired one of its investments in the services sector and recognised an impairment loss of Rs. 45.2 million and Rs. 53.4 million respectively in the income statement under depreciation, amortisation and impairment (losses) / reversals of non-financial assets.

22.1.2 Summarised financial information of joint ventures - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial joint ventures.

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Carrying amount of interest in joint ventures	986,682	984,818
Group's share of :		
- Profit for the year (net of tax)	69,073	37,639
- Other comprehensive income for the year (net of tax)	3,338	174,702
Total comprehensive income for the year	72,411	212,341

NOTES TO THE FINANCIAL STATEMENTS

22.1.3 *Inter-company shareholdings - investment in joint ventures*

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2019	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
CINEC Campus (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Ports International Ltd	253,334	40.00	40.00	60.00
Ace Bangladesh Ltd (a)	Bangladesh	Ace Cargo (Pvt) Ltd	39,200	49.00	49.00	51.00

Principal activities of the Group's interest in joint ventures are described on pages 343 to 344.

a,b,c - refer note 43

22.2.1 *Investment in associates*

		GROUP				COMPANY			
	Country of incorporation	No. of shares	Holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000	No. of shares	Holding %	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Aitken Spence Plantation Managements PLC (a) (b) (consolidated with Elpitiya Plantations PLC (a) (b)) (Ordinary shares - Quoted)	Sri Lanka	8,295,860	38.95	165,000	165,000	8,295,860	38.95	165,000	165,000
Fiji Ports Corporation Ltd (a) (consolidated with Fiji Ships Heavy Industries Ltd) (Ordinary Shares - Unquoted)	Fiji	14,630,970	20.00	2,351,255	2,351,255	14,630,970	20.00	2,351,255	2,351,255
Serendib Investments Ltd (Ordinary Shares - Unquoted)	Fiji	1,500,000	25.00	126,590	-	1,500,000	25.00	126,590	-
Browns Beach Hotels PLC (a) (c) (consolidated with Negombo Beach Resorts (Pvt) Ltd (c)) (Ordinary shares - Quoted)	Sri Lanka	48,627,103	27.96	928,077	928,077	-	-	-	-
Amethyst Leisure Ltd (c) (consolidated with Paradise Resort Pasikudah (Pvt) Ltd (c)) (Ordinary shares - Unquoted)"	Sri Lanka	134,666,055	20.78	249,169	249,169	-	-	-	-
Carrying amount as at 31st March				3,820,091	3,693,501			2,642,845	2,516,255
Share of movement in equity value				1,627,343	1,656,136			-	-
Equity value of investments				5,447,434	5,349,637			2,642,845	2,516,255
Market value of quoted investments as at 31st March				564,074	1,087,418			377,462	377,462

22.2.2 Summarised financial information of associates - Group

The following analyses, in aggregate, the carrying amount, share of profit and other comprehensive income of individually immaterial associates.

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Carrying amount of interest in associates	5,447,434	5,349,637
Group's share of :		
- Profit for the year (net of tax)	320,168	268,818
- Other comprehensive income for the year (net of tax)	120,930	51,104
Total comprehensive income for the year	441,098	319,922

22.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2019	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Amethyst Leisure Ltd (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	134,666,055	27.89	20.78	79.22
Browns Beach Hotels PLC (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	47,455,750	36.62	27.96	72.04
		Aitken Spence Hotels Ltd	432,459	0.33		
		Heritance (Pvt) Ltd	432,444	0.33		
		Kandalama Hotels (Pvt) Ltd	306,450	0.24		

Principal activities of the Group's interest in associates are described on pages 343 to 344.

a,b,c - refer note 43

23 Deferred tax assets

23.1 Movement in deferred tax assets

	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
Balance as at 01st April	563,391	434,794	303,115	195,421
Exchange difference	16,215	3,011	-	-
Reversal of temporary differences				
Recognised in profit / (loss)	119,299	111,754	(628)	105,266
Recognised in other comprehensive income	(10,666)	13,832	(3,434)	2,428
Recognised in equity	2,685	-	539	-
Balance as at 31st March	690,924	563,391	299,592	303,115

NOTES TO THE FINANCIAL STATEMENTS

23.2 Composition of deferred tax assets

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Deferred tax assets attributable to;				
Defined benefit obligations	109,774	143,485	22,561	37,800
Tax losses carried forward	585,531	565,908	287,555	287,555
Expected credit losses	9,312	-	948	-
Accelerated depreciation for tax purposes on property, plant and equipment	(9,865)	(141,592)	(11,908)	(22,200)
Revaluation surplus on freehold land	(4,206)	(4,328)	-	-
Financial assets at FVOCI	378	(82)	436	(40)
Net deferred tax assets	690,924	563,391	299,592	303,115

23.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2019 Rs.'000	Exchange difference Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 31.03.2018 Rs.'000	Exchange difference Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2017 Rs.'000
Deferred tax assets										
Defined benefit obligations	109,774	85	(22,548)	(11,248)	-	143,485	19	27,216	18,242	98,008
Tax losses carried forward	585,531	10,988	8,635	-	-	565,908	3,434	26,512	-	535,962
Expected credit losses	9,312	-	6,627	-	2,685	-	-	-	-	-
	704,617	11,073	(7,286)	(11,248)	2,685	709,393	3,453	53,728	18,242	633,970
Deferred tax liability										
Accelerated depreciation for tax purposes on property, plant and equipment	(9,865)	5,142	126,585	-	-	(141,592)	(442)	58,026	-	(199,176)
Revaluation surplus on freehold land	(4,206)	-	-	122	-	(4,328)	-	-	(4,328)	-
Financial assets at FVOCI	378	-	-	460	-	(82)	-	-	(82)	-
	(13,693)	5,142	126,585	582	-	(146,002)	(442)	58,026	(4,410)	(199,176)
Net deferred tax assets	690,924	16,215	119,299	(10,666)	2,685	563,391	3,011	111,754	13,832	434,794

23.4 Movement in tax effect of temporary differences - Company

	As at 31.03.2019 Rs.'000	Recognised in profit/(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Recognised in equity Rs.'000	As at 31.03.2018 Rs.'000	Recognised in profit/(loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2017 Rs.'000
Deferred tax assets								
Defined benefit obligations	22,561	(11,329)	(3,910)	-	37,800	5,863	2,468	29,469
Tax losses carried forward	287,555	-	-	-	287,555	104,853	-	182,702
Expected credit losses	948	409	-	539	-	-	-	-
	311,064	(10,920)	(3,910)	539	325,355	110,716	2,468	212,171
Deferred tax liability								
Accelerated depreciation for tax purposes on property, plant and equipment	(11,908)	10,292	-	-	(22,200)	(5,450)	-	(16,750)
Financial assets at FVOCI	436	-	476	-	(40)	-	(40)	-
	(11,472)	10,292	476	-	(22,240)	(5,450)	(40)	(16,750)
Net deferred tax assets	299,592	(628)	(3,434)	539	303,115	105,266	2,428	195,421

24 Other financial assets - non-current

24.1 Unquoted equity securities and debt

	Notes	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
Financial assets at fair value through OCI					
- Unquoted equity securities	24.1.1	185,119	-	23,901	-
Available-for-sale financial assets					
- Unquoted equity securities	24.1.1	-	146,254	-	28,526
Financial assets at amortised cost					
- Unquoted debt securities	24.1.2	132,315	214,880	67,784	116,668
- Amounts due from equity-accounted investees		588,752	588,752	-	-
Carrying amount as at 31st March		906,186	949,886	91,685	145,194
Current unquoted debt and equity securities	24.1.2	(72,090)	(76,546)	(51,117)	(50,000)
Non-current unquoted debt and equity securities		834,096	873,340	40,568	95,194

NOTES TO THE FINANCIAL STATEMENTS

24.1.1 Unquoted equity securities

	GROUP			COMPANY		
	No. of shares	31.03.2019 Rs.'000	31.03.2018 Rs.'000	No. of shares	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Rainforest Ecolodge (Pvt) Ltd (Ordinary shares)	3,500,000	35,000	35,000	3,500,000	35,000	35,000
Business Process Outsourcing LLC (Ordinary shares)	30,000	8,640	8,640	30,000	8,640	8,640
Floatels India (Pvt) Ltd (Ordinary shares)	716,037	84,128	103,361	-	-	-
Cargo Village Ltd (Ordinary shares)	40,900	823	823	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd (Ordinary shares)	10,000	100	100	-	-	-
		128,691	147,924		43,640	43,640
Change in fair value of investments		(6,120)	(1,670)		(19,739)	(15,114)
Exchange difference		62,548	-		-	-
Carrying amount as at 31st March		185,119	146,254		23,901	28,526

24.1.2 Unquoted debt securities

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd (Redeemable Debentures)	140,423	214,880	67,784	116,668
Impairment of unquoted debt securities	(8,108)	-	-	-
	132,315	214,880	67,784	116,668
Current unquoted debt securities	(72,090)	(76,546)	(51,117)	(50,000)
Non-current unquoted debt securities	60,225	138,334	16,667	66,668

25 Inventories

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Raw materials	998,615	833,996	-	-
Work-in-progress and finished goods	541,919	215,408	-	-
Consumables	869,774	715,406	2,058	2,179
	2,410,308	1,764,810	2,058	2,179
Impairment of inventories *	(208,261)	(238,648)	-	-
	2,202,047	1,526,162	2,058	2,179

* During the year the Group reversed an excess provision of Rs. 30.4 million made against the provision for impairment of inventories after reassessing the net realisable value of inventories as at 31st March 2019. Of this amount Rs. 28.6 million relates to inventories of spare parts in the power plants. The above reversal is recognised in the income statement under depreciation, amortisation and impairment (losses) / reversals of non-financial assets.

None of the inventories are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2019. (Group & Company 2017/2018-nil).

26 Trade and other receivables

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade receivables	12,226,938	11,126,385	5,439	3,454
Other receivables	2,369,876	2,071,023	579,275	379,387
Contract assets	273,969	177,023	-	-
Amounts due from subsidiaries	-	-	3,087,700	4,362,845
Amounts due from equity-accounted investees	434,975	377,397	162,989	232,686
Loans to employees	17,711	30,954	3,270	6,222
	15,323,469	13,782,782	3,838,673	4,984,594
Impairment of trade and other receivables	(179,973)	(225,251)	(232,276)	(198,122)
	15,143,496	13,557,531	3,606,397	4,786,472

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

	COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 01st April	6,222	10,454
Recoveries during the period	(2,952)	(4,232)
Balance as at 31st March	3,270	6,222

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

27 Other financial assets - current

		GROUP		COMPANY	
	Notes	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Financial assets at fair value through profit or loss					
- Quoted equity securities	27.1.1	50,726	-	19,820	-
- Government securities	27.1.2	21,830	25,377	21,830	25,377
Available-for-sale financial assets					
- Quoted equity securities	27.1.1	-	41,941	-	2,894
Financial assets at amortised cost					
- Unquoted debt securities	24.1.2	72,090	76,546	51,117	50,000
- Government securities	27.1.2	357,496	155,600	357,496	155,600
- Bank deposits	27.1.3	10,017,109	7,001,350	9,821,097	6,225,371
- Impairment of bank deposits and government securities		(3,316)	-	(3,316)	-
		10,515,935	7,300,814	10,268,044	6,459,242

NOTES TO THE FINANCIAL STATEMENTS

27.1.1 Quoted equity securities

	GROUP			COMPANY		
	No. of shares	31.03.2019 Rs.'000	31.03.2018 Rs.'000	No. of shares	31.03.2019 Rs.'000	31.03.2018 Rs.'000
DFCC Bank PLC (Ordinary shares)	24,770	399	399	24,770	399	399
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
Hatton National Bank PLC (Ordinary shares)	205,371	4,060	4,060	-	-	-
Commercial Bank of Ceylon PLC (Ordinary shares)	92,568	10,658	-	92,568	10,658	-
John Keels Holdings PLC (Ordinary shares)	57,362	7,425	-	57,362	7,425	-
		22,665	4,582		18,482	399
Change in fair value of investments		28,061	37,359		1,338	2,495
Carrying amount as at 31st March		50,726	41,941		19,820	2,894

27.1.2 Government securities

Government securities consist of treasury bills and treasury bonds held for trading purposes which are measured at fair value through profit or loss and Sri Lanka development bonds which are measured at amortised cost using the effective interest rate.

27.1.3 Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

28 Cash and cash equivalents

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Cash at bank and in hand	6,474,297	8,655,562	1,535,527	1,094,468
Short-term deposits	1,458,131	980,857	501,179	-
Cash and short-term deposits in the statement of financial position	7,932,428	9,636,419	2,036,706	1,094,468
Bank overdrafts and other short-term borrowings	(11,057,705)	(9,157,459)	(5,669,566)	(3,792,178)
Cash and cash equivalents in the statement of cash flows	(3,125,277)	478,960	(3,632,860)	(2,697,710)

29 Assets classified as held for sale

Consequent to the decision made by the Group to divest from the ship owning business in 2007/2008 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd & Ceyspence (Pvt) Ltd under assets held for sale. Further, fair value of the Group's investment in Spence International (Pvt) Ltd is treated under assets held for sale upon the decision made to liquidate the company.

The liquidation of these companies are not yet concluded.

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Share of net assets of equity-accounted investees classified as held for sale	141,446	141,446	57,237	57,237
Net current assets of Group companies classified as held for sale	22,679	7,679	15,000	-
	164,125	149,125	72,237	57,237

There were no discontinued operations recognised in the income statement during the year other than those disclosed under note - A to the statements of cash flows.

30 Stated capital and reserves

30.1 Stated capital

	31.03.2019	31.03.2018
Stated capital (Rs.'000)	2,135,140	2,135,140
No. of shares	405,996,045	405,996,045

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

30.2 Reserves

Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group.

Other capital reserves

This represents the portion of the stated capital of subsidiaries attributable to the Group.

Fair value reserve

This represents the cumulative net change in the fair value of equity securities designated at fair value through OCI (2017/2018 : available-for-sale financial assets).

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30.3 Other comprehensive income accumulated in reserves

30.3.1 Group

	Attributable to equity holders of the company						Non-controlling interests	Total equity
	Revaluation reserve	Exchange fluctuation reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2019								
Revaluation of freehold land	321,399	-	-	-	-	321,399	52,321	373,720
Actuarial gains / (losses) on defined benefit obligations	-	-	-	-	61,798	61,798	10,119	71,917
Exchange differences on translation of foreign operations	-	1,299,219	-	-	-	1,299,219	608,360	1,907,579
Equity investments at FVOCI – net change in fair value	-	-	(4,450)	-	-	(4,450)	-	(4,450)
Net movement on cash flow hedges	-	-	-	(37,601)	-	(37,601)	(46,528)	(84,129)
Share of other comprehensive income of equity-accounted investees (net of tax)	-	136,374	-	-	(12,177)	124,197	71	124,268
Income tax on other comprehensive income	(40,727)	-	458	-	(11,947)	(52,216)	(52,118)	(104,334)
Total	280,672	1,435,593	(3,992)	(37,601)	37,674	1,712,346	572,225	2,284,571
For the year ended 31st March 2018								
Revaluation of freehold land	2,842,913	-	-	-	-	2,842,913	15,219	2,858,132
Actuarial gains / (losses) on defined benefit obligations	-	-	-	-	(94,389)	(94,389)	(21,615)	(116,004)
Exchange differences on translation of foreign operations	-	295,248	-	-	-	295,248	121,797	417,045
Net change in fair value of available-for-sale financial assets	-	-	1,614	-	-	1,614	-	1,614
Net movement on cash flow hedges	-	-	-	(429,240)	-	(429,240)	(531,158)	(960,398)
Share of other comprehensive income of equity-accounted investees (net of tax)	178,234	62,743	-	-	(15,734)	225,243	563	225,806
Income tax on other comprehensive income	(947,208)	-	(82)	-	21,151	(926,139)	(46,751)	(972,890)
Total	2,073,939	357,991	1,532	(429,240)	(88,972)	1,915,250	(461,945)	1,453,305

30.3.2 Company

	Fair value reserve	Retained earnings	Total equity
	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2019			
Actuarial gains / (losses) on defined benefit obligations	-	13,963	13,963
Equity investments at FVOCI – net change in fair value	(4,625)	-	(4,625)
Income tax on other comprehensive income	476	(3,910)	(3,434)
Total	(4,149)	10,053	5,904
For the year ended 31st March 2018			
Actuarial gains / (losses) on defined benefit obligations	-	(8,814)	(8,814)
Net change in fair value of available-for-sale financial assets	(148)	-	(148)
Income tax on other comprehensive income	(40)	2,468	2,428
Total	(188)	(6,346)	(6,534)

31 Interest-bearing liabilities

31.1 Movement in interest-bearing liabilities

For the year ended 31st March	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
Balance as at 01st April	25,464,264	22,020,661	2,542,439	3,840,915
Re-classification of interest payable	69,087	-	15,886	-
	25,533,351	22,020,661	2,558,325	3,840,915
Exchange difference	1,942,354	1,405,208	205,789	63,251
New loans obtained	14,011,202	8,440,895	2,686,200	-
Capital repayment	(8,514,176)	(6,407,690)	(1,391,701)	(1,366,917)
Capitalised borrowing costs	867,523	-	-	-
Interest expense	903,417	-	192,588	-
Interest paid	(1,719,435)	-	(154,550)	-
Transaction cost	(60,833)	5,190	(35,538)	5,190
Balance as at 31st March	32,963,403	25,464,264	4,061,113	2,542,439
Current portion of interest-bearing liabilities	(3,583,499)	(5,780,868)	(1,303,220)	(1,287,811)
Non-current portion interest-bearing liabilities	29,379,904	19,683,396	2,757,893	1,254,628

31.2 Analysed by capital repayment

	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
Payable in less than 3 months	701,024	3,067,864	216,346	141,264
Payable within 3 - 12 months	2,882,475	2,713,004	1,086,874	1,146,547
Payable within 1 - 2 years	2,844,067	3,628,197	138,334	1,124,962
Payable within 2 - 5 years	14,831,850	9,203,866	1,566,683	129,666
Payable after 5 years	11,703,987	6,851,333	1,052,876	-
	32,963,403	25,464,264	4,061,113	2,542,439

31.3 Analysed by interest rate

	GROUP 31.03.2019 Rs.'000	GROUP 31.03.2018 Rs.'000	COMPANY 31.03.2019 Rs.'000	COMPANY 31.03.2018 Rs.'000
Term loans linked to LIBOR	19,781,365	13,036,204	4,040,577	2,261,386
Fixed rate term loans	4,728,386	6,255,843	-	-
Term loans linked to AWPLR	4,601,994	2,046,601	60,021	285,000
Term loans linked to EURIBOR	3,443,725	3,378,058	-	-
Term loans linked to MCLR	434,265	689,276	-	-
Term loans linked to AWDR	38,449	62,229	-	-
Transaction cost to be amortised	(64,781)	(3,947)	(39,485)	(3,947)
	32,963,403	25,464,264	4,061,113	2,542,439

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31.4 Analysed by credit terms and security details

Bank / financial institution	Sector	Currency	Interest rate basis	Secured
Hatton National Bank	Tourism	USD	Linked to LIBOR	Yes
	Tourism	USD	Linked to LIBOR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
	Strategic Investments	LKR	Linked to AWDR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
The Hong-kong and Shanghai Banking Corporation	Tourism	EUR	Fixed Rate	Yes
	Tourism	OMR	Fixed Rate	Yes
	Tourism	USD	Linked to LIBOR	Yes
	Strategic Investments	USD	Linked to LIBOR	No
	Tourism	INR	Linked to MCLR	Yes
	Tourism	USD	Linked to LIBOR	Yes
	Tourism	INR	Linked to MCLR	Yes
	Strategic Investments	EUR	Linked to EURIBOR	Yes
	Tourism	USD	Linked to LIBOR	Yes
	Tourism	USD	Linked to LIBOR	Yes
	Strategic Investments	USD	Linked to LIBOR	Yes
DFCC Bank	Tourism	USD	Linked to LIBOR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
	Tourism	LKR	Linked to AWPLR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
	Strategic Investments	USD	Linked to LIBOR	Yes
	Strategic Investments	USD	Linked to LIBOR	Yes
	Strategic Investments	LKR	Linked to AWDR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
People's Bank	Tourism	USD	Linked to LIBOR	Yes
	Strategic Investments	LKR	Linked to AWPLR	Yes
DEG - German Investment Corporation	Strategic Investments	USD	Linked to LIBOR	No
	Strategic Investments	USD	Linked to LIBOR	No
ABANCA Corporación Bancaria	Tourism	EUR	Linked to EURIBOR	Yes
Bank of Ceylon	Strategic Investments	LKR	Linked to AWPLR	Yes
Habib Bank	Tourism	LKR	Linked to AWPLR	Yes
Commercial Bank of Ceylon	Strategic Investments	LKR	Linked to AWPLR	No
	Strategic Investments	LKR	Linked to AWPLR	Yes
	Strategic Investments	LKR	Linked to AWDR	Yes
Sampath Bank	Tourism	LKR	Fixed Rate	Yes
Transaction cost to be amortised				

Secured bank loans are secured over the carrying amount of property, plant and equipment of Rs. 4,542.4 million, investment in shares of Rs. 859.2 million, corporate guarantees of Rs. 17,373.8 million and leasehold rights of land Rs. 1,484.6 million.

Repayment terms	Maturity	LKR equivalent 31.03.2019 Rs.'000	31.03.2018 Rs.'000
60 monthly instalments commencing from November 2020	Oct-2025	5,737,381	2,112,603
84 monthly instalments commencing from September 2017	Aug-2024	1,449,529	1,371,303
30 quarterly instalments commencing from March 2021	Jun-2028	697,144	-
24 quarterly instalments commencing from March 2015	Dec-2020	10,468	27,820
24 quarterly instalments commencing from March 2015	Dec-2020	9,470	2,240
		7,903,992	3,513,966
61 monthly instalments commencing from May 2018 and a 60% final bullet repayment at maturity	May-2023	3,508,520	6,248,359
28 quarterly instalments commencing from December 2018	Sep-2025	1,213,705	-
Bullet repayment at maturity	Sep-2025	845,231	-
48 monthly instalments commencing from August 2016	Jul-2020	587,452	907,667
16 quarterly instalments commencing from June 2016	Mar-2020	319,375	506,919
48 monthly instalments commencing from January 2017	Dec-2020	308,158	427,900
16 quarterly instalments commencing from June 2016	Mar-2020	114,890	182,357
48 monthly instalments commencing from October 2016	Nov-2020	74,411	118,378
55 monthly instalments commencing from February 2015	Aug-2019	36,685	110,217
Fully settled in September 2018	Jan-2021	-	2,302,153
Fully settled in October 2018	Oct-2018	-	3,762
		7,008,427	10,807,712
60 monthly instalments commencing from October 2020	Nov-2025	4,103,824	1,542,848
30 quarterly instalments commencing from March 2021	Jun-2028	697,145	-
72 monthly instalments commencing from November 2016	Oct-2022	614,097	668,403
96 monthly instalments commencing from September 2013	Aug-2021	88,521	123,854
84 monthly instalments commencing from January 2013	Dec-2019	32,062	66,121
48 monthly instalments commencing from July 2017	Jun-2021	29,396	37,110
23 equal quarterly instalment from January 2015	Jul-2020	17,752	17,405
23 equal quarterly instalment from January 2015	Jul-2020	1,430	15,746
		5,584,227	2,471,487
24 quarterly instalments commencing from August 2019	May-2025	3,198,523	2,800,800
30 quarterly instalments commencing from March 2021	Jun-2028	1,045,715	-
		4,244,238	2,800,800
10 semi-annual instalments commencing from July 2021	Jan-2026	2,676,840	1,353,720
10 semi-annual instalments commencing from July 2015	Jan-2020	776,284	-
		3,453,124	1,353,720
21 quarterly instalments commencing from July 2019 and 60% final bullet repayment at maturity	Jul-2024	3,369,314	3,259,680
		3,369,314	3,259,680
30 quarterly instalments commencing from March 2021	Jun-2028	697,419	-
		697,419	-
15 quarterly instalments commencing from January 2018	Jul-2021	680,230	933,400
		680,230	933,400
16 quarterly instalments commencing from September 2015	Jun-2019	60,021	285,000
23 equal quarterly instalment from January 2015	Jul-2020	10,802	17,958
23 equal quarterly instalment from January 2015	Jul-2020	10,229	17,004
		81,052	319,962
72 monthly instalments commencing from December 2017	Nov-2023	6,161	7,484
		6,161	7,484
		(64,781)	(3,947)
		32,963,403	25,464,264

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31.5 Analysed by currency equivalent in Rupees

	GROUP			COMPANY		
	31.03.2019 Equivalent		31.03.2018 Equivalent	31.03.2019 Equivalent		31.03.2018 Equivalent
	%	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
United States dollars	60	19,781,365	13,036,204	99	4,040,577	2,261,386
Euro	21	6,952,245	9,626,417	-	-	-
Sri Lankan rupees	14	4,646,604	2,116,314	1	60,021	285,000
Omani riyal	4	1,213,705	-	-	-	-
Indian rupees	1	434,265	689,276	-	-	-
Transaction cost to be amortised		(64,781)	(3,947)		(39,485)	(3,947)
	100	32,963,403	25,464,264	100	4,061,113	2,542,439

32 Deferred tax liabilities

32.1 Movement in deferred tax liabilities

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 01st April	1,949,193	863,958
Companies disposed during the year	-	(6,873)
Exchange difference	22,935	4,774
Origination of temporary differences		
Recognised in profit / (loss)	220,550	100,612
Recognised in other comprehensive income	93,668	986,722
Recognised in equity	(2,506)	-
Balance as at 31st March	2,283,840	1,949,193

32.2 Composition of deferred tax liabilities

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Deferred tax liabilities attributable to;		
Accelerated depreciation for tax purposes on property, plant and equipment	1,677,578	1,421,687
Revaluation surplus on freehold land	1,084,402	993,155
Undistributed profits of consolidated entities	46,240	46,240
Financial assets at FVOCI	2	-
Defined benefit obligations	(64,788)	(58,645)
Tax losses carried forward	(456,012)	(452,825)
Expected credit losses	(3,128)	-
Other items	(454)	(419)
Net deferred tax liabilities	2,283,840	1,949,193

32.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2019	Exchange difference	Recognised in profit / (loss)	Recognised in other comprehensive income	Recognised in equity	As at 31.03.2018	Exchange difference	Companies disposed during the year	Recognised in profit / (loss)	Recognised in other comprehensive income	As at 1st April 2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
Deferred tax liabilities											
Accelerated depreciation for tax purposes on property, plant and equipment	1,677,578	27,685	228,206	-	-	1,421,687	4,010	(9,117)	344,104	-	1,082,690
Revaluation surplus on freehold land	1,084,402	-	-	91,247	-	993,155	-	-	-	993,155	-
Undistributed profits of consolidated entities	46,240	-	-	-	-	46,240	-	-	(24,226)	-	70,466
Financial assets at FVOCI	2	-	-	2	-	-	-	-	-	-	-
	2,808,222	27,685	228,206	91,249	-	2,461,082	4,010	(9,117)	319,878	993,155	1,153,156
Deferred tax assets											
Defined benefit obligations	(64,788)	(1,246)	(7,316)	2,419	-	(58,645)	436	862	3,181	(6,433)	(56,691)
Tax losses carried forward	(456,012)	(3,469)	282	-	-	(452,825)	299	1,382	(222,776)		(231,730)
Expected credit losses	(3,128)	-	(622)	-	(2,506)	-	-	-	-	-	-
Other items	(454)	(35)	-	-	-	(419)	29		329		(777)
	(524,382)	(4,750)	(7,656)	2,419	(2,506)	(511,889)	764	2,244	(219,266)	(6,433)	(289,198)
Net deferred tax liabilities	2,283,840	22,935	220,550	93,668	(2,506)	1,949,193	4,774	(6,873)	100,612	986,722	863,958

NOTES TO THE FINANCIAL STATEMENTS

33 Employee benefits

33.1 Retirement benefits obligations

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Present value of unfunded obligations	1,010,405	1,046,605	80,576	134,999
Total present value of the obligation	1,010,405	1,046,605	80,576	134,999

33.2 Movement in present value of the defined benefit obligations

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 01st April	1,046,605	850,247	134,999	105,246
Expenses recognised in profit or loss				
Current service cost	90,331	113,892	7,240	10,798
Interest cost	109,894	105,383	14,175	13,156
	200,225	219,275	21,415	23,954
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	(54,921)	28,743	(5,648)	2,766
- demographic assumptions	-	-	-	-
- experience adjustment	(16,996)	87,261	(8,315)	6,048
	(71,917)	116,004	(13,963)	8,814
Exchange difference	13,548	2,835	-	-
Others				
Benefits paid	(178,056)	(132,262)	(61,875)	(3,015)
Companies disposed during the year	-	(9,494)	-	-
Balance as at 31st March	1,010,405	1,046,605	80,576	134,999

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 2019. The actuarial present value of the promised retirement benefits as at 31st March 2019 amounted to Rs. 1,010,404,725/- (Company - Rs. 80,576,128/-). The liability is not externally funded.

33.3 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

33.3.1 Financial assumptions

	2018/2019	2017/2018
- Discount rate	11.5% p.a.	10.5% p.a.
- Salary increments		
* Executive staff	11.0% p.a.	11.0% p.a.
* Non Executive and other staff	8.00% p.a.	7.50% p.a.

It is also assumed that the company will continue in business as a going concern.

33.3.2 Demographic assumptions

	2018/2019	2017/2018
- Mortality & Disability	A 1967/1970 mortality table, issued by the Institute of Actuaries, London	
- Retirement age	55 years	55 years
- Staff turnover rates at each age category		
* 20 years	0.07	0.07
* 25 years	0.05	0.05
* 30 years	0.05	0.05
* 35 years	0.04	0.04
* 40 years	0.03	0.03
* above 40 years	0.00	0.00

33.4 Sensitivity analysis

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the liability in the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	31.03.2019		31.03.2018	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Discount rate (1% movement)	(60,804)	71,833	(63,785)	72,710
Salary increments (1% movement)	74,182	(64,867)	74,558	(66,511)

33.5 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Within next 12 months	80,938	155,457	4,447	61,843
Between 1 - 2 years	128,357	126,147	16,581	11,887
Between 2 - 5 years	209,233	201,469	12,551	16,424
Beyond 5 years	591,877	563,532	46,997	44,845
	1,010,405	1,046,605	80,576	134,999
Weighted average duration (years) of define benefit obligation	8.51	8.06	8.22	5.21

NOTES TO THE FINANCIAL STATEMENTS

34 Other liabilities

		GROUP	
	Notes	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Lease accruals	34.1	1,302,016	881,272
Amounts due to equity-accounted investees		549,893	-
		1,851,909	881,272

34.1 Lease accruals

	GROUP	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 01st April	881,272	597,833
Exchange difference	116,049	14,199
Accrued and capitalised under property, plant and equipment	304,695	269,240
Balance as at 31st March	1,302,016	881,272

This represents the accrued lease rent relating to the operating leases of the islands of Aarah and Raafushi resulting from recognising the total lease rent payable over the lease term on a straight-line basis.

35 Trade and other payables

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade payables	4,557,624	4,009,296	-	-
Contract liabilities	2,071,338	1,955,050	-	-
Accrued payables	2,785,868	3,312,490	23,830	17,629
Other payables	2,879,293	2,353,427	228,644	299,564
Indirect taxes payable	332,275	359,497	7,661	3,916
Deposits payable	332,482	361,330	-	
Amounts due to subsidiaries	-	-	6,677,714	5,395,615
Amounts due to equity-accounted investees	182,655	231,751	104,172	103,766
Unclaimed dividends	165,897	21,775	165,897	21,775
	13,307,432	12,604,616	7,207,918	5,842,265

36 Financial instruments - accounting classifications, fair values and cash flow hedge

36.1 Financial instruments - accounting classifications and fair values

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities of the Group and the Company.

36.1.1 Accounting classifications and fair values of financial instruments - Group

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2019								
Financial assets								
Trade and other receivables	26	-	-	14,361,728	781,768	15,143,496	15,143,496	(a)
Deposits and prepayments		-	-	176,518	1,841,743	2,018,261	2,018,261	(a)
Other financial assets	24&27							
- Unquoted debt securities and equity securities		-	185,119	132,315	-	317,434	317,434	
- Quoted equity securities		50,726	-	-	-	50,726	50,726	
- Government securities		21,830	-	356,753	-	378,583	378,583	
- Bank deposits		-	-	10,014,536	-	10,014,536	10,014,536	
- Amounts due from equity-accounted investees		-	-	588,752	-	588,752	588,752	
Cash and short-term deposits	28	-	-	7,932,428	-	7,932,428	7,932,428	(a)
		72,556	185,119	33,563,030	2,623,511	36,444,216	36,444,216	
Financial liabilities								
Interest-bearing liabilities	31	-	-	32,963,403	-	32,963,403	32,963,403	(a)
Trade and other payables	35	-	-	9,573,051	3,734,381	13,307,432	13,307,432	(a)
Bank overdrafts and other short-term borrowings	28	-	-	11,057,705	-	11,057,705	11,057,705	
		-	-	53,594,159	3,734,381	57,328,540	57,328,540	

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	Notes	Trading at fair value Rs.'000	Available for sale Rs.'000	Loans and receivables 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 2018									
Financial assets									
Trade and other receivables	26	-	-	13,098,720	-	458,811	13,557,531	13,557,531	(a)
Deposits and prepayments		-	-	120,298	-	1,360,115	1,480,413	1,480,413	(a)
Other financial assets	24&27								
- Unquoted debt securities and equity securities		-	146,254	214,880	-	-	361,134	361,134	
- Quoted equity securities		-	41,941	-	-	-	41,941	41,941	
- Government securities		25,377	-	155,600	-	-	180,977	180,977	
- Bank deposits		-	-	7,001,350	-	-	7,001,350	7,001,350	
- Amounts due from equity-accounted investees		-	-	588,752	-	-	588,752	588,752	
Cash and short-term deposits	28	-	-	9,636,419	-	-	9,636,419	9,636,419	(a)
		25,377	188,195	30,816,019	-	1,818,926	32,848,517	32,848,517	
Financial liabilities									
Interest-bearing liabilities	31	-	-	-	25,464,264	-	25,464,264	25,464,264	(a)
Trade and other payables	35	-	-	-	9,780,291	2,824,325	12,604,616	12,604,616	(a)
Bank overdrafts and other short-term borrowings	28	-	-	-	9,157,459	-	9,157,459	9,157,459	
		-	-	-	44,402,014	2,824,325	47,226,339	47,226,339	

36.1.2 Accounting classifications and fair values of financial instruments - Company

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000	Fair value Rs.'000	
As at 31st March 2019								
Financial assets								
Trade and other receivables	26	-	-	3,556,864	49,533	3,606,397	3,606,397	(a)
Deposits and prepayments		-	-	467	93,109	93,576	93,576	(a)
Other financial assets	24&27							
- Unquoted debt securities and equity securities		-	23,901	67,784	-	91,685	91,685	
- Quoted equity securities		19,820		-	-	19,820	19,820	
- Government securities		21,830	-	356,753	-	378,583	378,583	
- Bank deposits		-	-	9,818,524	-	9,818,524	9,818,524	
Cash and short-term deposits	28	-	-	2,036,706	-	2,036,706	2,036,706	(a)
		41,650	23,901	15,837,098	142,642	16,045,291	16,045,291	
Financial liabilities								
Interest-bearing liabilities	31	-	-	4,061,113	-	4,061,113	4,061,113	
Trade and other payables	35	-	-	6,839,728	368,190	7,207,918	7,207,918	(a)
Bank overdrafts and other short-term borrowings	28	-	-	5,669,566	-	5,669,566	5,669,566	(a)
		-	-	16,570,407	368,190	16,938,597	16,938,597	

	Notes	Trading at fair value Rs.'000	Available for sale Rs.'000	Loans and receivables 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 2018									
Financial assets									
Trade and other receivables	26	-	-	4,784,505	-	1,967	4,786,472	4,786,472	*(a)*
Deposits and prepayments		-	-	254	-	99,915	100,169	100,169	*(a)*
Other financial assets	24 & 27								
- Unquoted debt securities and equity securities		-	28,526	116,668	-	-	145,194	145,194	
- Quoted equity securities		-	2,894	-	-	-	2,894	2,894	
- Government securities		25,377	-	155,600	-	-	180,977	180,977	
- Bank deposits		-	-	6,225,371	-	-	6,225,371	6,225,371	
Cash and short-term deposits	28	-	-	1,094,468	-	-	1,094,468	1,094,468	*(a)*
		25,377	31,420	12,376,866	-	101,882	12,535,545	12,535,545	
Financial liabilities									
Interest-bearing liabilities	31	-	-	-	2,542,439	-	2,542,439	2,542,439	
Trade and other payables	35	-	-	-	5,562,544	279,721	5,842,265	5,842,265	*(a)*
Bank overdrafts and other short-term borrowings	28	-	-	-	3,792,178	-	3,792,178	3,792,178	*(a)*
		-	-	-	11,897,161	279,721	12,176,882	12,176,882	

(a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

36.2 The Group and the Company do not have any financial instruments designated as fair value through profit or loss on initial recognition as at 31st March 2019.

None of the financial assets are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2019. (Group & Company 2017/2018-nil).

36.3 Cashflow hedge

A subsidiary company in the Group designated a hedge relationship between its highly probable EURO denominated sales and its foreign currency denominated borrowings.

The risk management objective of the cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with EURO currency denominated forecast sales.

The risk management strategy is to use the foreign currency variability (gains /losses) arising from revaluation of the foreign currency borrowing attributable to change in the spot foreign exchange rates to off-set the variability, due to foreign exchange rate movements, on LKR conversion of EURO denominated forecast sales.

The effective portion of the gain or loss on the hedging instrument is recognised in the Other Comprehensive Income Statement (OCI) and any ineffective portion is recognised immediately in the Income Statement.

The amount recognised in Other Comprehensive Income is transferred to the Income Statement when the hedge transaction occurs (when the forecasted revenue is realised). If the forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement.

Cash flow hedge reserve reflects the effective portion of the gain or loss on the hedging instrument. The cash flow hedging reserve as at 31st March 2019 represents the foreign currency variability arising from revaluation of the foreign currency borrowings attributable to change in the spot LKR/EUR rate that is expected be set of from the variability of exchange rates form highly probable EURO denominated sales (Named "All Inclusive" apartment revenue) expected to occur from 1st quarter of 2017/18 up to the tenure of refinanced borrowings.

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Hedging instrument - Foreign currency borrowing of EURO 40.0 million in January 2017 out of which EURO 34.1 million has been designated for the hedge from April 2017.
Further, outstanding balance of EURO 32.6 million as at 31st March 2018 has been refinanced effective from the 1st quarter of 2018/19 for an extended tenure.

Hedged item - Highly probable EURO denominated sales (Named "All Inclusive" apartment revenue) expected to occur from April 2017 to March 2029.

The effective portion of the gain or loss on the hedging instrument of Rs. 84.1 million (2017/2018 - Rs. 960.4 million) is recognised in the Other Comprehensive Income Statement (OCI) and any ineffective portion of Rs. 33.9 million (2017/2018 - Rs. 1.7 million) is recognised immediately in the Income Statement under net foreign exchange gain/ (loss) in other operating income.

In respect of the cash flow hedge instrument, the Group recognised Rs. 626.7 million (2017/2018 - Rs. 576.2 million) under cash flow hedge reserve being the Group's portion of the fair value loss recognised by the subsidiary.

37 Fair value measurement

37.1 Fair value measurement hierarchy

The Group and the Company use the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

37.1.1 Fair value measurement hierarchy - Group

	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
As at 31st March 2019				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	12,430,558	12,430,558
Other financial assets				
- Unquoted equity securities	-	146,676	38,443	185,119
- Quoted equity shares	50,726	-	-	50,726
- Government securities	21,830	-	-	21,830
	72,556	146,676	12,469,001	12,688,233
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,632,100	1,632,100
Other financial assets				
- Unquoted debt securities	-	132,315	-	132,315
- Bank deposits	-	10,014,536	-	10,014,536
	-	10,146,851	1,632,100	11,778,951
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	32,963,403	-	32,963,403
	-	32,963,403	-	32,963,403
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	164,125	164,125
	-	-	164,125	164,125
As at 31st March 2018				
Recurring fair value measurements				
Assets measured at fair value :				
Property, plant and equipment				
- Freehold land	-	-	11,448,665	11,448,665
Other financial assets				
- Unquoted equity securities	-	103,361	42,893	146,254
- Quoted equity shares	41,941	-	-	41,941
- Government securities	25,377	-	-	25,377
	67,318	103,361	11,491,558	11,662,237
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	1,632,360	1,632,360
Other financial assets				
- Unquoted debt securities	-	214,880	-	214,880
- Bank deposits	-	7,001,350	-	7,001,350
	-	7,216,230	1,632,360	8,848,590
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	25,464,264	-	25,464,264
	-	25,464,264	-	25,464,264
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	149,125	149,125
	-	-	149,125	149,125

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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 2019				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	23,901	23,901
- Quoted equity securities	19,820	-	-	19,820
- Government securities	21,830	-	-	21,830
	41,650	-	23,901	65,551
Assets for which fair values are disclosed :				
Investment property				
- Freehold land & building	-	-	6,519,608	6,519,608
Other financial assets				
- Unquoted debt securities	-	67,784	-	67,784
- Bank deposits	-	9,818,524	-	9,818,524
	-	9,886,308	6,519,608	16,405,916
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	4,061,113	-	4,061,113
	-	4,061,113	-	4,061,113
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	72,237	72,237
	-	-	72,237	72,237
As at 31st March 2018				
Recurring fair value measurements				
Assets measured at fair value :				
Other financial assets				
- Unquoted equity securities	-	-	28,526	28,526
- Quoted equity securities	2,894	-	-	2,894
- Government securities	25,377	-	-	25,377
	28,271	-	28,526	56,797
Assets for which fair values are disclosed :				
Investment property				
- Freehold land	-	-	5,973,714	5,973,714
Other financial assets				
- Unquoted debt securities	-	116,668	-	116,668
- Bank deposits	-	6,225,371	-	6,225,371
	-	6,342,039	5,973,714	12,315,753
Liabilities for which fair values are disclosed :				
Interest-bearing liabilities	-	2,542,439	-	2,542,439
	-	2,542,439	-	2,542,439
Non-recurring fair value measurements				
Assets classified as held for sale	-	-	57,237	57,237
	-	-	57,237	57,237

37.2 Reconciliation of fair value measurement of "Level 3" financial instruments

The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values.

	GROUP		COMPANY
	Unquoted equity securities	Freehold land	Unquoted equity securities
	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2017	42,311	12,087,961	28,744
Disposed during the year	-	81,161	-
Assets acquired on business combination	-	(300,500)	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	582	-	(218)
- Revaluation of freehold land (unrealised)	-	2,858,132	-
Balance as at 31st March 2018	42,893	14,726,754	28,526
Exchange difference	-	403,702	-
Additions during the year	-	54,239	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	(4,450)	-	(4,625)
- Revaluation of freehold land (unrealised)	-	373,720	-
Balance as at 31st March 2019	38,443	15,558,415	23,901

Before 1st April 2018, these equity securities were classified as available-for-sale in accordance with LKAS 39. From 1st April 2018, these equity securities are classified at FVOCI with SLFRS 9.

37.2.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

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37.3 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by both the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used.

37.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment			
– Freehold land	– Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	– Price per perch of land	– Estimated fair value would increase (decrease) if ; – Price per perch increases (decreases)”
Other financial assets			
– Unquoted equity securities	– Net assets basis	– Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	– Market return on a comparable investment	– Current market interest rates	Not applicable
Derivative financial assets / liabilities			
– Forward foreign exchange contracts	– Market comparison technique The fair values are based on quotes from banks and reflect the actual transactions of similar instruments.	– Forward exchange rates as at reporting date.	Not applicable

37.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property		
- Freehold land	- Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	- Price per perch of land
Other financial assets		
- Unquoted debt securities	- Discounted cash flows	- Current market interest rates
- Other bank deposits		
Interest-bearing liabilities	- Discounted cash flows	- Current market interest rates

37.3.3 Assets and liabilities measured at fair value - Non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	- Valued at the cash available with the disposal Group held for sale.	Not applicable

38. Financial risk management objectives and policies

Please refer the comprehensive risk management report on pages 175 to 183 of the annual report for a detailed description of the Group's risk management structure, process and procedures.

Financial instruments used by the Group in its business activities contain multiple variables that are affected by various market and environmental conditions. Such variations are generally not within the control of the users, and therefore cause fluctuations in values of financial instruments. Fluctuations in value could result in a situation undesirable to the Group thereby exposing it to risk. These risks need to be managed, as unmanaged risks can lead to unplanned outcomes where the Group could fall short of its financial and budgetary objectives. The Group has adopted a financial risk management strategy aimed at minimising the risks associated with the use of financial instruments by establishing several policies and guidelines that are followed by the companies in the Group. These policies and guidelines are reviewed from time to time and updated to reflect current requirements in accordance with the developments in the operating environment.

This part of the report covers the financial impact that could arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

38.1 Market risk

Fluctuations of those market driven variables that affect cashflows arising from financial instruments can result in the actual outcome being different to expected cashflows thereby creating the market risk. Variables such as interest rates and exchange rates can move in directions different to those originally expected and the consequent cashflows could be different to the originally anticipated cashflows.

Market risk could result in the revenues and expenses of the Group being adversely affected and impacting the profit attributable to 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 currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group has operations in a number of regions across the globe and conducts business in a variety of currencies. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) of which the values are subject to unanticipated changes in exchange rates due to contracts being denominated in a foreign currency. Translation exposure occurs due to the fluctuations in foreign exchange rates and arises to the extent to which financial reporting is affected by exchange rate movements when the reporting currency is different to those currencies in which revenues, expenses, assets and liabilities are denominated.

As the Group transacts in many foreign currencies other than the Sri Lankan rupee which is the reporting currency, it is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Maldives, India, Oman and Fiji where the net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in these geographies are exposed to foreign currency transaction risk.

The total interest-bearing liabilities of the Group denominated in US dollar and Euro amounted to Rs. 26.7 billion. The overseas investments made by the Group during the financial year were mostly financed through US dollar denominated borrowings from international and local banks. The translation exposure resulting from foreign currency borrowings has been hedged to a great extent by the acquisition of financial assets denominated in matching foreign currencies. A significant portion of the foreign currency borrowings have been made by the Group companies with incomes in foreign currencies, especially in the tourism and strategic investments sectors. Transaction exposures are usually minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy with regard to amounts as well as timing. The Group treasury monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

The Group has employed hedge accounting to mitigate the exposure to currency risk by designating an effective relationship between foreign currency denominated transaction with assets or liabilities. Hedge accounting enables to minimise the timing differences in recognising foreign currency translation impact to the income statement or other comprehensive income statement and to effectively capture the economic substance of the transaction.

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Significant movement in exchange rates during the year ended 31st March 2019

	Lowest Level Rate	Lowest Level Date	Highest Level Rate	Highest Level Date	Spread	Year end rate
USD/LKR	155.16	03.04.2018	182.71	31.12.2018	27.55	176.09
EUR/LKR	181.22	15.08.2018	210.56	10.01.2019	29.34	197.77
EUR/USD	1.1182	07.03.2019	1.2381	16.04.2018	0.1199	1.1230

Foreign currency sensitivity

The main foreign currencies the Group transacts in are the US dollar and the Euro. The exposure to other foreign currencies is not considered as they are mostly related to foreign operations. In order to estimate the approximate impact of the currency risk on financial instruments, a 5% fluctuation was considered in the USD/LKR and EUR/LKR exchange rates. In the calculation of this risk, it is assumed that all other variables are held constant. The sensitivity analysis relates only to assets and liabilities depicted in Financial Statements as at the end of the financial year.

Group

	31.03.2019				31.03.2018			
	Effect on profit before tax			Effect on equity	Effect on profit before tax			Effect on equity
	USD net financial assets / (liabilities) USD'000	EUR net financial assets / (liabilities) EUR'000	Net impact	USD'000	USD net financial assets / (liabilities) USD'000	EUR net financial assets / (liabilities) EUR'000	Net impact	USD'000
Net exposure	56,960	(29,911)		168,372	19,431	(27,984)		128,491
LKR depreciates by 5% (Rs.'000)	501,501	(295,778)	205,723	1,482,430	151,169	(268,290)	(117,121)	999,658
LKR appreciates by 5% (Rs.'000)	(501,501)	295,778	(205,723)	(1,482,430)	(151,169)	268,290	117,121	(999,658)

The effect on the equity arises from the investments made by the Group in the Maldives, India, Oman and Fiji. We have not accounted for the sensitivity arising in any of the other investments as the Group's exposure to such is not significant.

Company

	31.03.2019	31.03.2018
	Effect on profit before tax	
	USD net financial assets / (liabilities) USD'000	USD net financial assets / (liabilities) USD'000
Net exposure	30,047	10,157
LKR depreciates by 5% (Rs.'000)	264,548	79,023
LKR appreciates by 5% (Rs.'000)	(264,548)	(79,023)

38.1.2 Interest rate risk

Values of financial instruments could fluctuate depending on the movements in interest rates giving rise to interest rate risk. This is a consequence of the changes in the present values of future cash flows derived from financial instruments. Value fluctuations in financial instruments will result in mark to market gains or losses in investment portfolios and could have an impact on reported financial results of the Group.

The Group's investment portfolio consists of a range of financial instruments with both fixed and variable interest rates such as treasury bills and treasury bonds which are subject to interest rate risk. Liabilities with variable interest rates such as AWPLR and LIBOR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on the changes in market interest rates.

Investments with fixed interest rates would expose the Group to variations in fair values during the marking to market of portfolios. Suitable strategies are used by the Group treasury to manage the interest rate risks in portfolio investments. Using long term interest rate forecasts in order to determine the most suitable duration of investments with the objective of overcoming the re-investment risk as well as to minimise any adverse impact in marking to market of the portfolio is one of the often-used strategies. Interest rate swaps could be used when there is a need to hedge the risks on debt instruments with variable rates. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The Group treasury monitors the interest rate environment on a continuous basis to advise the sector finance managers on the most suitable strategy with regard to borrowings. The Group usually negotiates long term borrowings during the periods in which interest rates are low in order to extend the favourable impact to future reporting periods.

Significant movement in interest rates during the year ended 31st March 2019

	Lowest Level		Highest Level		Spread	Year end rate
	Rate %	Date	Rate %	Date	(basis points)	%
LKR Interest rate *	11.20	Jun-18	12.34	Nov-18	114	12.23
USD Interest rate **	2.460	Apr-18	2.908	Dec-18	45	2.659

* *One month AWPLR*

** *Six months USD LIBOR*

Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of the Group's interest-bearing financial instruments with variable interest rate is as follows.

Group

	31.03.2019			31.03.2018		
	LKR financial assets	LKR financial liabilities	USD financial liabilities Rs. Equivalent	LKR financial assets	LKR financial liabilities	USD financial liabilities Rs. Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure	21,830	4,640,443	19,781,365	25,377	2,108,830	13,036,204
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	96	46,404	N/A	314	21,088	N/A
Increase of 100 basis points in LKR interest rates	(95)	(46,404)	N/A	(309)	(21,088)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	19,781	N/A	N/A	13,036
Increase of 10 basis points in USD interest rates	N/A	N/A	(19,781)	N/A	N/A	(13,036)

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At the reporting date the interest rate sensitivity analysis of the Company's interest-bearing financial instruments with variable interest rate is as follows.

Company

	31.03.2019			31.03.2018		
	LKR financial assets	LKR financial liabilities	USD financial liabilities LKR Equivalent	LKR financial assets	LKR financial liabilities	USD financial liabilities LKR Equivalent
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exposure	21,830	60,021	4,040,577	25,377	285,000	2,261,386
Impact on profit before tax						
Decrease of 100 basis points in LKR interest rates	96	600	N/A	314	2,850	N/A
Increase of 100 basis points in LKR interest rates	(95)	(600)	N/A	(309)	(2,850)	N/A
Decrease of 10 basis points in USD interest rates	N/A	N/A	4,041	N/A	N/A	2,261
Increase of 10 basis points in USD interest rates	N/A	N/A	(4,041)	N/A	N/A	(2,261)

38.1.3 Equity price risk

The Group has adopted the policy that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka Accounting Standards, SLFRS 9 - Financial Instruments.

Investments made by the Group which do not belong to the above categories are classified as financial assets and recorded at fair value in financial statements.

At the reporting date the carrying value of such equity investments are as follows;

- Quoted equity securities: Rs. 50.7 million (as at 31.03.2018; Rs. 41.9 million)
- Unquoted equity securities: Rs. 185.1 million (as at 31.03.2018; Rs. 146.3 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

38.2 Liquidity risk

Liquid assets of a company consist of cash and assets which can be converted to cash in a short period of time to settle liabilities as they arise. Liquidity is an important factor in the operations of a business as it is an essential requirement for the successful operation of an entity.

A shortage of liquidity would have a negative impact on stakeholder confidence in a business entity and hampers its operations. The Group has ensured that it maintains sufficient liquidity reserves to meet all its operational and investment requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Shortening the working capital cycle is one of the main practises preferred in ensuring that there is sufficient liquidity at a given time. Adequate short-term working capital facilities provided by banks are available to all the Group companies which are utilised in the event of a requirement. These facilities are available at favourable rates and have been mostly provided without collateral. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required and closely monitors their utilisation.

The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain favourable credit periods in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows both at a consolidated and sector levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

Funding requirements of the sectors and the parent company are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital as well as to minimise the risk. At opportune moments funds are mobilised by accessing capital markets. The Group attempts to minimise future interest expenses on borrowings by negotiating favourable interest rates with the respective lenders and makes use of attractive interest rates offered by international banks on foreign currency denominated funding mostly to finance its overseas investments.

The table below summarises the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2019	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	-	701,024	2,882,475	2,844,067	14,831,850	11,703,987	32,963,403
Bank overdrafts and other short term borrowings	11,057,705	-	-	-	-	-	11,057,705
Trade payables	3,791,783	373,139	392,702	-	-	-	4,557,624
Other Payables	3,529,439	218,133	1,085,200	-	-	-	4,832,772
	18,378,927	1,292,296	4,360,377	2,844,067	14,831,850	11,703,987	53,411,504

As at 31st March 2018	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	-	3,067,864	2,713,004	3,628,197	9,203,866	6,851,333	25,464,264
Bank overdrafts and other short term borrowings	9,157,459	-	-	-	-	-	9,157,459
Trade payables	3,264,248	433,629	311,419	-	-	-	4,009,296
Other Payables	3,818,968	455,387	1,264,889	-	-	-	5,539,244
	16,240,675	3,956,880	4,289,312	3,628,197	9,203,866	6,851,333	44,170,263

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Company

As at 31st March 2019	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	-	216,346	1,086,874	138,334	1,566,683	1,052,876	4,061,113
Bank overdraft and other short-term borrowings	5,669,566	-	-	-	-	-	5,669,566
Other payables	6,789,448	276	50,005	-	-	-	6,839,728
	12,459,014	216,622	1,136,879	138,334	1,566,683	1,052,876	16,570,407

As at 31st March 2018	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	-	141,264	1,146,547	1,124,962	129,666	-	2,542,439
Bank overdraft and other short term borrowings	3,792,178	-	-	-	-	-	3,792,178
Other payables	5,494,345	18,195	50,005	-	-	-	5,562,544
	9,286,523	159,459	1,196,552	1,124,962	129,666	-	11,897,161

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Liquidity position

	GROUP		COMPANY	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Cash and short-term deposits	7,932,428	9,636,419	2,036,706	1,094,468
Trade and other receivable within 30 days	5,996,899	5,423,153	3,556,864	4,222,083
Short Term deposit	10,393,119	7,182,327	10,197,107	6,406,348
Total Liquid assets	24,322,446	22,241,899	15,790,677	11,722,899
Less:				
Bank overdraft and other short-term borrowing	11,057,705	9,157,459	5,669,566	3,792,178
Trade payable on demand	3,791,783	3,264,248	-	-
Other payable on demand	3,529,439	3,818,968	6,789,448	5,494,345
Total on demand liabilities	18,378,927	16,240,675	12,459,014	9,286,523
Excess liquidity through operating cycle	5,943,519	6,001,224	3,331,663	2,436,376
Undrawn approved bank facilities	6,365,281	8,805,838	3,370,891	4,812,300
Market value of discounted securities	21,830	25,377	21,830	25,377
Liquidity available on demand	6,387,112	8,831,215	3,392,722	4,837,677

38.3 Credit risk

The risk assumed by an entity resulting from the risk of a counterparty defaulting on its contractual obligations in relation to a financial instrument or a customer contract is known as the credit risk. The Group's exposure to credit risk arises from its operating and financing activities including transactions with banks in placing deposits, foreign exchange transactions and through the use of other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

	GROUP				COMPANY			
	31.03.2019		31.03.2018		31.03.2019		31.03.2018	
	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %	Rs.'000	Exposure %
Trade and other receivables	14,361,728	42.46	13,098,720	42.21	3,556,864	22.37	4,784,505	38.48
Deposits and prepayments	176,518	0.52	120,298	0.39	467	0.00	254	0.00
Other financial assets		-		-		-		-
- Unquoted debt securities and equity securities	317,434	0.94	361,134	1.16	91,685	0.58	145,194	1.17
- Quoted equity securities	50,726	0.15	41,941	0.14	19,820	0.12	2,894	0.02
- Government securities	378,583	1.12	180,977	0.58	378,583	2.38	180,977	1.46
- Bank deposits	10,014,536	29.61	7,001,350	22.56	9,818,524	61.74	6,225,371	50.07
- Amounts due from equity-accounted investees	588,752	1.74	588,752	1.90	-	-	-	-
Cash and short-term deposits	7,932,428	23.45	9,636,419	31.06	2,036,706	12.81	1,094,468	8.80
	33,820,705	100.00	31,029,591	100.00	15,902,649	100.00	12,433,663	100.00

The Board of Directors has provided the policy direction for the Group treasury to manage the risk arising from investments made in financial institutions. The Group's transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimise the unsystematic risk.

Expected credit loss assessment

The Group adopted Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet and minimising the timing difference in recognition of future default loss.

ECL measurement approach that is best suited for each class of asset is determined based on underlying risk characteristics of the asset. Subsequent to selection between general and simplified approaches to measurement, the Group assesses financial assets using data that is determined to be predictive of default risk, including but not limited to external ratings, historical payment patterns, audited financial statements and cash flow projections. Group companies apply experienced credit judgements taking in to account qualitative and quantitative factors that are indicative of the risk of default. Scalar macroeconomic factor adjustments such as GDP forecast are also incorporated to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected recovery period.

The following table presents an analysis of ECL measurement basis across financial assets classified at amortised cost including carrying values and impairment recognised for the Group.

Group

	31.03.2019					31.03.2018	
	Carrying amount	Impairment recognised				Carrying amount	Impairment recognised
		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	14,361,728	-	(29,214)	(150,759)	(179,973)	13,098,720	(225,251)
Deposits and prepayments	176,518	-	-	-	-	120,298	-
Other financial assets							
- Unquoted debt securities	132,315	(8,108)	-	-	(8,108)	214,880	-
- Government securities	356,753	(743)			(743)	155,600	-
- Bank deposits	10,014,536	(2,573)			(2,573)	7,001,350	-
- Amounts due from equity-accounted investees	588,752	-	-	-	-	588,752	-
Cash and short-term deposits	7,932,428	-	-	-	-	9,636,419	-
	33,563,030	(11,424)	(29,214)	(150,759)	(191,397)	30,816,019	(225,251)

Movement in ECL allowance during the financial year

Group

	Trade and other receivables	Unquoted debt securities	Other financial assets Government securities	Bank deposits
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2018	(225,251)	-	-	-
Impact on adoption of SLFRS 9	(14,081)	(14,322)	(710)	(1,215)
Exchange difference/direct write-offs	200	-	-	-
Net impairment during the year	59,159	6,214	(33)	(1,358)
Balance as at 31st March 2019	(179,973)	(8,108)	(743)	(2,573)

The following table present an analysis of ECL measurement basis across financial assets classified at amortised cost including carrying values and impairment recognised for the Company.

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Company

	31.03.2019					31.03.2018	
	Carrying amount	Impairment recognised				Carrying amount	Impairment recognised
		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	3,556,864	-	(32)	(232,244)	(232,276)	4,784,505	(198,122)
Deposits and prepayments	467	-	-	-	-	254	-
Other financial assets							
- Unquoted debt securities	67,784	-	-	-	-	116,668	-
- Government securities	356,753	(743)	-	-	(743)	155,600	-
- Bank deposits	9,818,524	(2,573)	-	-	(2,573)	6,225,371	-
Cash and short-term deposits	2,036,706	-	-	-	-	1,094,468	-
	15,837,098	(3,316)	(32)	(232,244)	(235,592)	12,376,866	(198,122)

Movement in ECL allowance during the financial year

Company

	Trade and other receivables	Other financial assets	
		Government securities	Bank deposits
	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2018	(198,122)	-	-
Impact on adoption of SLFRS 9	-	(710)	(1,215)
Exchange difference/direct write-offs	24,771	-	-
Net impairment during the year	(58,925)	(33)	(1,358)
Balance as at 31st March 2019	(232,276)	(743)	(2,573)

38.3.1 Trade receivables

Trade receivables consist of recoverable from a large number of customers spread across diverse industries, segments and geographies. 96.8% of the Group's trade receivables are due for settlement within 90 days as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility rests with the heads of finance and the senior management teams.

Group companies formulate their credit policies subsequent to analysing credit profiles of customers. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. References from bankers or credit information databases are obtained when it is considered necessary. Each Group company has identified credit limits for their customers. In the event a customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained.

Apart from the state-owned enterprise which is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state-owned enterprise is 42.1% of total trade receivables of the Group as at 31st March 2019.

Trade receivable settlement profile

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Less than 30 days	5,996,899	5,423,153
More than 30 days but less than 60 days	4,790,253	4,061,709
More than 60 days but less than 90 days	1,044,459	1,033,947
More than 90 days but less than 180 days	137,816	339,498
More than 180 days but less than 365 days	75,933	143,532
More than 365 days	181,578	124,546
Total gross trade receivables	12,226,938	11,126,385
Impairment provision for trade receivables		(105,169)
- Lifetime ECL - not credit impaired	(29,214)	
- Lifetime ECL - credit impaired	(112,743)	
Total net trade receivables	12,084,981	11,021,216

The Group uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates that are based on actual credit loss experience over the past years are further subjected to asset correlation calibration and forward-looking adjustments. Loss Given Default (LGD) of 100% is assumed for ECL calculation of trade receivables.

Collateral acquired for mitigating credit risk

The Group as a policy does not offer credit to individuals unless collateral in the form of unconditional and irrevocable bank guarantees that can be encashed on demand or advances are provided to cover the receivable. The total collateral obtained on trade receivables is Rs. 234.1 million as at the balance sheet date. The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

38.3.2 Bank deposits

The Group has a number of bank deposits in Sri Lankan rupees and other currencies. These deposits have been placed in several banks in order to minimise the credit risk in accordance with the policy directions provided by the Board. In order to further minimise the credit risk, the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained. In the event of any weakening of credit metrics of a bank the Group may decide to liquidate its investments and move to an institution with a higher credit rating.

Credit Rating (Fitch national credit rating scale or equivalent)	GROUP				COMPANY			
	31.03.2019		31.03.2018		31.03.2019		31.03.2018	
	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %	Amount of deposits Rs.'000	Concentration %
AA+	4,084,616	40.78	2,133,085	30.47	4,026,783	41.00	1,920,182	30.84
AA	34,214	0.34	4,798	0.07	-	-	-	-
AA-	3,980,753	39.74	3,730,166	53.28	3,967,670	40.40	3,260,019	52.37
A+	933,750	9.32	1,051,386	15.02	933,750	9.51	1,045,171	16.79
BBB	90,882	0.91	81,915	1.17	-	-		-
BB+	892,894	8.91		-	892,894	9.09	-	-
Total gross carrying amount	10,017,109	100.00	7,001,350	100.00	9,821,098	100.00	6,225,372	100.00
Impairment of bank deposits	(2,573)				(2,573)			
Total net carrying amount	10,014,536		7,001,350		9,818,524		6,225,372	

Impairment on bank deposits is measured on 12-month expected loss basis. External credit ratings of the counterparties and probability of default (PD) rates corresponding rating scale published by rating agencies are used in ECL calculation. PD rates are recalibrated using asset correlation formula and forward-looking adjustments are incorporated in arriving at final loss rates. Loss given default (LGD) of 45% is assumed for bank deposits. Credit ratings of counterparties are carefully monitored and subsequent deterioration of the credit quality would trigger remeasurement of loss allowances using Lifetime ECL method.

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39 Financial capital management

Main objectives of the Group's financial capital management policy are as follows.

- Ensuring the availability of adequate capital for long term investments and growth of the business.
- Maintaining an adequate liquidity buffer for business operations.
- Sustaining the financial health of the Group to withstand economic cycles; and,
- Maintaining stakeholder confidence in the Group.

When capital is not available in adequate quantities or at a reasonable cost, it can have an adverse impact on the performance of the Group. The management being conscious of these factors, has implemented the capital management policy to ensure the long-term sustainability and competitiveness of the Group. Ensuring that there is no idle capital which will act as a drag on the returns generated is another factor that is considered. Excessive capital invested in a business will have a dampening impact on the performance while insufficient level of capital will prevent an organisation from achieving its long-term objectives.

39.1 Types of financial capital

Financial capital of the Group consists of two components; namely equity and debt. The equity capital consists of the stated capital, retained earnings and reserves while the debt capital is made up of the long-term and short-term debt. The debt capital is sourced from lending institutions and capital markets. Although the Group raises debt capital often, it has not raised new equity capital from shareholders for several years.

The Group regularly estimates its future capital requirements by evaluating new investments and expansion needs and other uses of capital. Such analysis would highlight shortfalls in available capital which would be raised through either the issue of new equity or debt. The debt to equity ratio (defined as the ratio between non-current interest-bearing borrowings to the total equity including minority interest) is regularly monitored to ensure the efficient use of shareholders' equity. Managing the debt to equity ratio is a vital element of capital management as it has a direct bearing on the Group's ability to raise low cost capital.

	GROUP		COMPANY	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
Debt to equity ratio	0.47	0.35	0.17	0.08

The debt to equity ratio of the Group has increased from 0.35 in the previous financial year to 0.47 in the financial year under review, due to long term loans obtained to finance new investments. A significant percentage of these new investments was in the Tourism sector. The debt to equity ratio of the Company has decreased due to the repayment of long-term loans.

Sourcing of debt is carried out subsequent to careful and detailed analysis of lender proposals. Important factors such as the tenure of the loans, interest rates, capital repayment terms including grace periods and repayment amounts and other terms and conditions including covenants are taken into consideration when making a decision. Minimising the weighted average cost of capital is one of the key considerations in determining sourcing options. The Group's debt is denominated in Sri Lankan rupees as well as foreign currencies such as US dollar, Euro and Indian rupees. Foreign currency denominated loans have been taken mainly by the companies with foreign exchange earnings in order to take advantage of the relatively low interest rates.

The Group treasury plays an active role in ensuring that the cost of capital is maintained at the optimum level and the financial and other covenants linked to the sourcing arrangements are acceptable.

39.2 Financial capital allocation and investment

Implementation of the Group's long-term strategy for growth requires continuous capital investments in the four sectors in which the Group operates. The allocation of limited financial capital available is done pursuant to careful evaluation of investment opportunities to ascertain expected returns. The Group's capital investment decisions are supported by elaborate financial modelling, thorough sensitivity analysis and rigorous legal, financial and technical due diligence as required. Identification and ranking of suitable investment opportunities are carried out using the discounted cash flow modelling technique, Internal Rate of Return (IRR) & hurdle rates and payback periods. At the evaluation stage for capital investments, financial modelling, sensitivity analysis and the calculation of IRR are carried out either by the Group's corporate finance division, or the respective sector through which the investment will take place with the assistance of the former.

Upon making the decision to proceed with a capital investment, the Group follows necessary procedures to ensure that it is carried out in the best possible manner. When the investment involves external shareholders, the Group takes steps to protect its rights by entering into carefully drafted legal agreements. Post investment evaluations are carried out at frequent intervals to ensure that the returns envisaged at the evaluation stage are actually delivered. Exposure limits are used to control the default risk especially in portfolio investments.

39.3 Adequate financial reserves

The long-term financial health of the Group has been ensured by maintaining sufficient reserves of financial capital which can be drawn upon when there is a requirement. Probable future risks that could result in negative financial outcomes are identified and required mitigation measures are taken. The Group has implemented sound cashflow planning procedures ensuring that the receivables are collected in an efficient manner thereby shortening the cash cycle. A special emphasis is placed on minimising operating costs through critical evaluation and justification of all cost elements.

The Group policies regarding managing receivables have been communicated to the heads of finance of business sectors and the corporate finance division monitors the Group-wide status of receivables and submits exception reports to the management for advice on required action.

39.4 Financial capital management policy

The fundamental objective of the financial capital management policy of the Group is maximising the return on limited available capital whilst safeguarding the investments that have already been made. Ensuring that there is adequate financial capital for the Group to expand its operations while continuing with its regular business operations, requires the management to consider multiple facets of the operation and take into account the behaviour of a number of parameters, both internal and external, that affect the operating conditions. The rapid pace of change in the operating environment has a profound influence on many factors affecting the use of financial capital. A thorough understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

The Group's financial capital management policy fundamentally stems from various decisions the Board has taken regarding capital investments and the optimum utilisation of cash resources. This policy is a reflection of the current thinking of the Board on present and future industry, market and economic risks and conditions. Potential investments and divestments are discussed at length by the Group directors and various aspects of risk and return parameters are considered prior to making capital investment decisions. A vital role in the implementation of the financial capital management policy is played by the Group treasury and the corporate finance division.

The management information necessary to base policy decisions such as key performance indicators and value drivers of the sectors highlighting financial performances are generated by the corporate finance division. Some of the important parameters which guide the capital management policy include the tolerance for gearing, interest risk appetite and the view on the exchange rate movement. The underlying variables such as the market borrowing and lending rates, exchange rates, inflation and other macroeconomic indicators are constantly monitored by the Group treasury and recommendations regarding the appropriate policy changes are made to the management.

It is vital for the Group's long-term survival and growth to have a sound financial capital management policy as decisions taken at the present time will have implications for the future. The Group's financial capital management policy, therefore is constantly evolving and attempts to link its future strategy to present day financing decisions while being based on a solid foundation of optimisation of resources.

40 Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March have not been provided for in the financial statements.

40.1 Commitments for capital expenditure for subsidiaries

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Approximate amount approved but not contracted for	3,985,451	4,495,646
Approximate amount contracted for but not incurred	6,978,634	14,400,184
	10,964,085	18,895,830

The above includes Rs. 10,855.9 million (2017/2018 - Rs. 18,704.6 million) for the acquisition of property, plant and equipment and Rs. 108.2 million (2017/2018 - Rs. 191.2 million) for the acquisition of intangible assets.

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40.2 Commitments for capital expenditure for joint ventures

	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Approximate amount approved but not contracted for	148,619	55,595
Approximate amount contracted for but not incurred	4,099	1,794
	152,718	57,389

The amount shown is the Group's share of capital commitments by joint ventures.

The above includes Rs. 141.0 million (2017/2018 - Rs. 56.6 million) for the acquisition of property, plant and equipment and Rs. 11.8 million (2017/2018 - Rs. 0.8 million) for the acquisition of intangible assets.

41 Contingent liabilities

Contingent liabilities as at 31.03.2019 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the Group and equity-accounted investees amounted to Rs. 3,433.1 million and Rs. 10.8 million respectively. Contingent liabilities as at 31.03.2019 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 25,155.6 million. Neither Aitken Spence PLC nor subsidiaries and equity-accounted investee have given corporate guarantees on behalf of companies outside the Group including other related companies listed in note 43.6 to the financial statements.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee now under liquidation, and the share of net assets of which is reflected under assets classified as held for sale in the consolidated financial statements of the Group was issued an income tax assessment under the Inland Revenue Act in relation to the year of assessment 2007/2008. The Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Court of Appeal the company has appealed against the determination to the Supreme Court. The contingent liability to the Group is estimated to be Rs. 70 million inclusive of any penalties. Based on expert advice the directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

Aitken Spence Travels (Pvt) Ltd which is a subsidiary of the Group was issued an income tax assessment under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the year of assessment 2009/2010. The Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Company. Pursuant to the determination of the Court of Appeal the Department of Inland Revenue has appealed against the determination to the Supreme Court. The contingent liability to the Group is estimated to be Rs. 35.0 million inclusive of all penalties for the above year of assessment. Based on expert advise and the decision of the Tax Appeals Commission and the Court of Appeal, the directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

42 Directors' fees

The Directors of the Company have received fees amounting to Rs.122,400 from subsidiaries for the year ended 31st March 2019.

43 Related party transactions

The Aitken Spence Group and the Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures. Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 43.2 - 43.9.

43.1 Parent and ultimate controlling party

The immediate parent of Aitken Spence PLC is Melstacorp PLC and the ultimate holding company is Milford Exports (Ceylon) (Private) Limited.

43.2 Transactions with key management personnel

43.2.1 Aitken Spence PLC considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of such companies.

43.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

43.2.3 Compensation paid to / on behalf of key management personnel of the Company is as follows;

	COMPANY Rs.'000	GROUP Rs.'000
Short term employee benefits	78,734	658,545
Post employment benefits	43,707	107,744

The Company/Group did not have any material transactions with its key management personnel or their close family members during the year.

43.2.4 Key management personnel of Aitken Spence PLC hold positions in other companies, some of which had trading transactions with the Group during the year. Such companies the Group had transactions with are identified below.

Mr. D.H.S. Jayawardena, Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC and Aitken Spence Hotel Management Asia (Pvt) Ltd which are subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC and Negombo Beach Resorts (Pvt) Ltd which are equity-accounted investees of the Group, and the Chairman, Managing Director or a Director of companies indicated by "*" in the list of companies disclosed under note 43.3 and 43.6.

Dr. M.P. Dissanayake, Deputy Chairman and Managing Director of the company (Appointed w.e.f. 15.03.2019) is also the Chairman or a Director of the subsidiaries and equity-accounted investees that are indicated by "a" in notes 21 and 22 to the financial statements.

Dr. R.M. Fernando a Director of the company is also the Managing Director or a Director of the companies marked by "b" in note 21 and 22 to the financial statements.

Miss. D.S.T. Jayawardena a Director of the company is also the Chairperson or a Director of the companies marked by "c" in note 21 and 22 to the financial statements. She is also the Chairperson or a Director of Ceylon Garden Coir (Pvt) Ltd, Splendor Media (Pvt) Ltd, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd and Stassen Natural Foods (Pvt) Ltd.

Mr. J.M.S. Brito a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group. He Retired from the office of Deputy Chairman and Managing Director w.e.f.15.03.2019 and continues as a Non-Executive Director.

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

Mr. N. J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Distilleries Company of Sri Lanka PLC, Melstacorp PLC and The Kingsbury PLC.

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Dankotuwa Porcelain PLC, Mercantile Merchant Bank Ltd, and Royal Ceramics Lanka PLC.

43.3 Transactions with ultimate parent, parent and group companies of the parent.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Sale of goods and services	-	-	149,905	-
Purchase of goods and services	16,994	-	798,590	-

Transactions with Bell Solutions Pvt Ltd*, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC*, Lanka Bell (Pvt) Ltd*, Madulsima Plantations PLC*, Melstacorp PLC*, Melsta Logistics (Pvt) Ltd, Periceyl (Pvt) Ltd*, Splendor Media (Pvt) Ltd, Texpro Industries Ltd*, are reflected under transactions with the parent and group companies of the parent, above.

There were no transactions with Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

Transactions with above companies during 2017/2018 are reflected in note 43.6 - Transactions with other related companies, as Melstacorp PLC gained control of Aitken Spence PLC and as such became the parent of Aitken Spence PLC during the latter part of the financial year 2017/2018.

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43.4 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC 2018/2019 Rs.'000	Transactions with Aitken Spence PLC 2017/2018 Rs.'000
Income from services rendered	778,762	756,300
Rent income received	46,200	40,774
Allocation of common personnel and administration expenses	38,511	33,199
Purchase of goods and services	133,122	98,420
Net transfers under finance arrangements	(33,583)	(59,098)
Interest income received	188,159	175,210
Interest paid	435,754	373,221
Provision / write-off of bad and doubtful debts	33,382	-

Transactions with A E Lanka (Pvt) Ltd, Ace Apparels (Pvt) Ltd, Ace Aviation Services (Pvt) Ltd, Ace Aviation Services Maldives (Pvt) Ltd, Ace Cargo (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Containers (Pvt) Ltd, Ace Distriparks (Pvt) Ltd, Ace Exports (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Resorts (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, ADS Resorts (Pvt) Ltd, Ahungalla Resorts Ltd, Aitken Spence Agriculture (Pvt) Ltd, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Developments (Pvt) Ltd, Aitken Spence Exports Ltd , Aitken Spence Garments Ltd, Aitken Spence Global Operations (Pvt) Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotel Management (South India) (Pvt) Ltd, Aitken Spence Hotel Management Asia (Pvt) Ltd, Aitken Spence Hotels (International) Ltd, Aitken Spence Hotels Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Moscow (Pvt) Ltd, Aitken Spence Ports International Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments Ltd, Aitken Spence Resources (Pvt) Ltd, Aitken Spence Resorts (Middle East) LLC, Aitken Spence Shipping Ltd , Aitken Spence Shipping Services (Pvt) Ltd , Aitken Spence Technologies (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd , Cowrie Investments (Pvt) Ltd, Crest Star (BVI) Ltd, Crest Star Ltd, D B S Logistics Ltd, Elevators (Pvt) Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Heritance (Pvt) Ltd, Hethersett Hotels Ltd, Interlifts International (Pvt) Ltd, Jetan Travel Services Company (Pvt) Ltd, Kandalama Hotels Ltd, Logilink (Pvt) Ltd, Meeraladuwa (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Neptune Ayurvedic (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd, Vauxhall Property Developments Ltd, Western Power Company (Pvt) Ltd, Western Power Holdings (Pvt) Ltd are reflected under transactions with subsidiary companies above.

43.5 Transactions with equity-accounted investees

43.5.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Sale of goods and services	3,575	1,000	25,509	21,768
Rent income received	918	300	918	300
Allocation of common personnel and administration expenses	41	-	41	-
Purchase of goods and services		-	44,438	1,354
Net transfers under finance arrangements	67,000	(54,000)	67,000	(54,000)
Interest paid	100	839	100	839
Interest received	4,104	-	4,104	-
Provision of bad and doubtful debts	25,473	-	25,473	-

Transactions with Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, CINEC Skills (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd are reflected under transactions with joint ventures above.

43.5.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Sale of goods and services	27,624	27,066	58,163	44,061
Allocation of common personnel and administration expenses	261	231	5,322	5,209
Purchase of goods and services	12,556	5,140	116,817	282,387
Net transfers under finance arrangements	(59,000)	79,000	444,467	(479,887)
Interest income received	-	-	-	58,935
Interest paid	5,430	2,528	8,282	7,634
Purchase of property, plant and equipment	-	-	655,861	-

Transactions with AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Amethyst Leisure Ltd, Browns Beach Hotels PLC, E P P Hydro Power (Pvt) Ltd, Elpitiya Lifestyle Solutions (Pvt) Ltd, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Serendib Investments Ltd are reflected under transactions with associates above.

43.6 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Sale of goods and services	-	-	67,160	296,015
Purchase of goods and services	620	15,029	654,353	1,196,755
Sale of property, plant and equipment	-	5,200	-	8,400
Net transfers under finance arrangements	-	(38,175)	-	(38,175)
Interest income received	-	42,576	-	42,576
Interest paid	-	-	-	574

Transactions with Ambewela Livestock (Co.) Ltd*, Ambewela Products (Pvt) Ltd*, Ceylon Garden Coir (Pvt) Ltd*, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd*, Lanka Milk Foods (CWE) PLC*, Mercantile Merchant Bank Ltd, Pattipola Livestock Co Ltd*, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd*, Stassen International (Pvt) Ltd*, Stassen Natural Foods (Pvt) Ltd*, The Kingsbury PLC are reflected under transactions with other related companies, above.

43.7 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2018/2019 Rs.'000	2017/2018 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000
Contributions to the provident fund	280,147	268,995	36,015	37,592

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.

NOTES TO THE FINANCIAL STATEMENTS

43.8 Amounts due from related parties

43.8.1 Amount due from ultimate parent, parent and group companies of the parent.

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Group companies of the parent	-	-	28,044	31,326

Balances due from Bell Solutions Pvt Ltd, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Madulsima Plantations PLC, Periceyl (Pvt) Ltd, Texpro Industries Ltd, are reflected under amount due from group companies of the parent, above.

There were no balance due from Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

43.8.2 Amount due from subsidiaries

	Balances with Aitken Spence PLC	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Fully owned subsidiaries	2,311,711	2,482,805
Partly owned subsidiaries	775,989	1,880,040
	3,087,700	4,362,845
Provision for doubtful debts	203,733	195,122

Balances due from A E Lanka (Pvt) Ltd, Ace Apparels (Pvt) Ltd, Ace Aviation Services (Pvt) Ltd, Ace Aviation Services Maldives (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Containers (Pvt) Ltd, Ace Distriparks (Pvt) Ltd, Ace Exports (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Resorts (Pvt) Ltd, Ace Travels and Conventions (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, ADS Resorts (Pvt) Ltd, Ahungalla Resorts Ltd, Aitken Spence Agriculture (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Exports Ltd , Aitken Spence Garments Ltd, Aitken Spence Global Operations (Pvt) Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotel Management (South India) (Pvt) Ltd, Aitken Spence Hotel Management Asia (Pvt) Ltd, Aitken Spence Hotels (International) Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Moscow (Pvt) Ltd, Aitken Spence Overseas Travel Services (Pvt) Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Resources (Pvt) Ltd, Aitken Spence Resorts (Middle East) LLC, Aitken Spence Shipping Ltd , Aitken Spence Shipping Services (Pvt) Ltd , Aitken Spence Technologies (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd , Cowrie Investments (Pvt) Ltd, Crest Star (BVI) Ltd, Crest Star Ltd, D B S Logistics Ltd, Elevators (Pvt) Ltd, Global Parcel Delivery (Pvt) Ltd, Heritance (Pvt) Ltd, Hethersett Hotels Ltd, Interlifts International (Pvt) Ltd, Jetan Travel Services Company (Pvt) Ltd, Kandalama Hotels Ltd, Meeraladuwa (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Neptune Ayurvedic (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd are reflected under amount due from subsidiaries above.

43.8.3 Amount due from equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Joint ventures	153,570	208,819	160,828	232,158
Associates	9,419	23,867	862,899	733,991
	162,989	232,686	1,023,727	966,149
Provision for doubtful debts	25,473	-	25,473	-

Balances due from Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, CINEC Skills (Pvt) Ltd, EcoCorp Asia (Pvt) Ltd are reflected under amount due from joint ventures and balances due from AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Browns Beach Hotels PLC, Elpitiya Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd, Serendib Investments Ltd are reflected under amount due from associates above.

43.8.4 Amount due from other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Other related companies	-	-	6,767	8,812

Balances due from Ceylon Garden Coir (Pvt) Ltd, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd, The Kingsbury PLC are reflected under amount due from other related companies, above.

43.9 Amounts due to related parties

43.9.1 Amount due to ultimate parent, parent and group companies of the parent.

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Group companies of the parent	920	4	10,737	5,951

Balances due to Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Melsta Logistics (Pvt) Ltd, Periceyl (Pvt) Ltd, Splendor Media (Pvt) Ltd, Texpro Industries Ltd, are reflected under amount due to group companies of the parent, above.

There were no balance due to Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

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43.9.2 Amount due to subsidiaries

	Balances with Aitken Spence PLC	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Fully owned subsidiaries	1,649,970	1,336,463
Partly owned subsidiaries	5,027,744	4,059,152
	6,677,714	5,395,615

Balances due to A E Lanka (Pvt) Ltd, Ace Apparels (Pvt) Ltd, Ace Cargo (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Distriparks (Pvt) Ltd, Ace Exports (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Travels and Conventions (Pvt) Ltd, Ahungalla Resorts Ltd, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Developments (Pvt) Ltd, Aitken Spence Exports Ltd, Aitken Spence Group Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotels Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Overseas Travel Services (Pvt) Ltd, Aitken Spence Ports International Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments Ltd, Aitken Spence Shipping Ltd, Aitken Spence Shipping Services (Pvt) Ltd , Aitken Spence Technologies (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd, D B S Logistics Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Hethersett Hotels Ltd, Kandalama Hotels Ltd, Logilink (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Vauxhall Property Developments Ltd, Western Power Company (Pvt) Ltd, Western Power Holdings (Pvt) Ltd are reflected under amount due to subsidiaries above.

43.9.3 Amount due to equity-accounted investees

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Joint ventures	59,616	611	67,123	9,412
Associates	44,556	103,155	665,425	222,339
	104,172	103,766	732,548	231,751

Balances due to Ace Bangladesh Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd are reflected under amount due to joint ventures and balances due to Amethyst Leisure Ltd, EcoCorp Asia (Pvt) Ltd, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd are reflected under amount due to associates above.

43.9.4 Amount due to other related companies

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Other related companies	-	-	45,456	29,677

Balances due to Ambewela Products (Pvt) Ltd, Dankotuwa Porcelain PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Pattipola Livestock Co Ltd, Royal Ceramics PLC, Stassen Exports (Pvt) Ltd are reflected under amount due to other related companies, above.

43.10 Terms and conditions of transactions with related parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms .The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from unrelated companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties, other than those disclosed in note 43 to the financial statements.

44 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2019	31.03.2018
United States Dollar	176.09	155.60
British Pound	230.21	219.07
Euro	197.77	191.74
Oman Rial	457.38	404.37
Fiji Dollar	83.71	77.33
South African Rand	12.11	13.22
Indian Rupee	2.55	2.39
Maldivian Rufiyaa	11.43	10.10
Bangladesh Taka	2.09	1.87

45 Number of employees

The number of employees of the Group (excluding equity-accounted investees) at the end of the year was 8,002 (2017/2018 - 7,413).
The number of employees of the Company at the end of the year was 175 (2017/2018 - 192).

46 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs.1.50 per share for the year 2018/2019 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the financial statements.

47 Comparative information

Except for the adoption of new accounting standards with effect from 1st April 2018, (refer note 48) the Group has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

The impact of adopting these new accounting standards are disclosed in note 48 to the financial statements.

48 Initial application of SLFRS 15 and SLFRS 9

The Group has initially applied SLFRS 15 and SLFRS 9 from 1st April 2018. A number of other amendments and interpretations to standards are also effective from 1st April 2018 but they do not have a material effect on the Group financial statements.

48.1 SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contract, LKAS 18 Revenue and revenue relate IFRICs and SICs and establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted SLFRS 15 using the full retrospective method and has recognised revenue for the year ended 31st March 2018 (comparative period) based on this standard. However, adoption of SLFRS 15 did not have a material impact on the Group's financial statements for the year ended 31st March 2018.

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48.2 SLFRS 9 - Financial instruments

SLFRS 9 replaces LKAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of SLFRS 9. This standard brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting.

The Group adopted modified retrospective application of SLFRS 9 and hence information presented for 2017/2018 has not been restated. Therefore the disclosure requirements as per SLFRS 9 have not been provided for comparative period.

48.2.1 Impact of adopting SLFRS 9 - Financial Instruments

The following table summarises the impact, (net of tax) of transition to SLFRS 9 - "Financial Instruments" on reserves, retained earnings & non-controlling interests as at 1st April 2018.

		GROUP			COMPANY	
	Notes	Fair value reserve Rs.'000	Retained earnings Rs.'000	Non-controlling interests Rs.'000	Fair value reserve Rs.'000	Retained earnings Rs.'000
Closing balance as reported - 31st March 2018		34,604	22,163,669	11,484,969	(12,661)	3,313,384
Impact on reclassification and measurement:	48.2.2					
Classification of quoted equity securities as financial asset at FVPL		(37,359)	37,359	-	(2,495)	2,495
Impact on recognition of expected credit losses:	48.2.3					
Recognition of expected credit losses under SLFRS 09 for subsidiaries, net of tax		-	(20,634)	(4,503)	-	(1,386)
Recognition of expected credit losses under SLFRS 09 for equity-accounted investees, net of tax		-	596	(30)	-	-
Adjustment on initial application of SLFRS 9, net of tax		(37,359)	17,321	(4,533)	(2,495)	1,109
Opening balance restated - 01st April 2018		(2,755)	22,180,990	11,480,436	(15,156)	3,314,493

48.2.2 Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories as per LKAS 39 - "Financial Instruments: Recognition and measurement" and the new measurement categories as per SLFRS 9 - "Financial Instruments" along with their carrying amounts for each class of the Group's financial assets and financial liabilities as at 1st April 2018.

	Notes	Original classification as per LKAS 39	New classification as per SLFRS 9	GROUP		COMPANY	
				Original carrying amounts as per LKAS 39 Rs.'000	New carrying amounts as per SLFRS 9 Rs.'000	Original carrying amounts as per LKAS 39 Rs.'000	New carrying amounts as per SLFRS 9 Rs.'000
Financial assets							
Trade and other receivables	a	Loans and receivables	Amortised cost	13,557,531	13,536,471	4,786,472	4,785,202
Deposits and prepayments	a	Loans and receivables	Amortised cost	1,480,413	1,480,413	100,169	100,169
Other financial assets							
- Unquoted equity securities	b	Available -for-sale	Fair value through OCI	146,254	146,254	28,526	28,526
- Unquoted debt securities	a	Loans and receivables	Amortised cost	214,880	207,537	116,668	117,938
- Quoted equity investments	c	Available -for-sale	Fair value through profit or loss	41,941	41,941	2,894	2,894
- Government securities	c	Trading at fair value	Fair value through profit or loss	25,377	25,377	25,377	25,377
- Government securities	a	Loans and receivables	Amortised cost	155,600	154,890	155,600	154,890
- Bank deposits	a	Loans and receivables	Amortised cost	7,001,350	7,000,135	6,225,371	6,224,156
- Amounts due from equity-accounted investees	a	Loans and receivables	Amortised cost	588,752	588,752	-	-
Cash and short-term deposits	a	Loans and receivables	Amortised cost	9,636,419	9,636,419	1,094,468	1,094,468
Total financial assets				32,848,517	32,818,189	12,535,545	12,533,620
Financial liabilities							
Interest-bearing loans and borrowings		Other financial liabilities	Amortised cost	25,464,264	25,533,351	2,542,439	2,558,325
Trade and other payables		Other financial liabilities	Amortised cost	12,604,616	12,535,529	5,842,265	5,826,379
Bank overdrafts and other short-term borrowings		Other financial liabilities	Amortised cost	9,157,459	9,157,459	3,792,178	3,792,178
Total financial liabilities				47,226,339	47,226,339	12,176,882	12,176,882

The Group's accounting policies on the classification of financial instruments under SLFRS 9 - "Financial Instruments" are set out in Note 3.3.1.2. The application of these policies resulted in the reclassifications as explained below;

a. Financial assets measured at amortised cost

Financial assets which were categorised as loans and receivables under LKAS 39 – "Financial Instruments: Recognition and measurement" are now classified at amortised cost. The Group's business model is to hold the assets till maturity and collect contractual cashflows and these cashflows consist solely of payments of principal and interest on the principal amount outstanding.

b. Financial assets measured at fair value through OCI

Equity investments in non-listed companies previously classified as available-for-sale financial assets are now classified and measured as equity instruments designated at fair value through OCI. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future.

c. Financial assets measured at fair value through profit or loss

Available-for-sale listed equity investments have been categorised as financial assets measured at fair value through profit or loss. Investments in equity instruments are always measured at fair value unless otherwise entity has taken irrecoverable option to classify as fair value through OCI.

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As per LKAS 39 – "Financial Instruments: Recognition and measurement", held for trading government securities were categorised as fair value through profit or loss since the asset is held within a business model whose objective is achieved by selling the financial asset. This is continued categorised as fair value through profit or loss under SLFRS 9 - "Financial Instruments".

The following table reconciles the carrying amounts of financial assets and liabilities as per LKAS 39 - "Financial Instruments : Recognition and measurement", to the carrying amounts as per SLFRS 9 - "Financial Instruments", on transition to SLFRS 9 on 1st April 2018.

	GROUP				COMPANY			
	Original carrying amounts as per LKAS 39	Re-classifications	Re-measurement	New carrying amounts as per SLFRS 9	Original carrying amounts as per LKAS 39	Re-classifications	Re-measurement	New carrying amounts as per SLFRS 9
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets								
Amortised cost								
Trade and other receivables :								
Brought forward - Loans and receivables	13,557,531				4,786,472			
Remeasurement of expected credit losses		-	(14,081)			-	-	
Reclassification of interest receivable		(6,979)	-			(1,270)	-	
Carried forward - Amortised cost				13,536,471				4,785,202
Deposits and prepayments :								
Brought forward - Loans and receivables	1,480,413				100,169			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Amortised cost				1,480,413				100,169
Unquoted debt securities :								
Brought forward - Loans and receivables	214,880				116,668			
Remeasurement of expected credit losses		-	(14,322)			-	-	
Reclassification of interest receivable		6,979	-			1,270	-	
Carried forward - Amortised cost				207,537				117,938
Government securities :								
Brought forward - Loans and receivables	155,600				155,600			
Remeasurement of expected credit losses		-	(710)			-	(710)	
Carried forward - Amortised cost				154,890				154,890
Bank deposits :								
Brought forward - Loans and receivables	7,001,350				6,225,371			
Remeasurement of expected credit losses		-	(1,215)			-	(1,215)	
Carried forward - Amortised cost				7,000,135				6,224,156

	GROUP				COMPANY			
	Original carrying amounts as per LKAS 39	Re-classifications	Re-measurement	New carrying amounts as per SLFRS 9	Original carrying amounts as per LKAS 39	Re-classifications	Re-measurement	New carrying amounts as per SLFRS 9
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amounts due from equity-accounted investees :								
Brought forward - Loans and receivables	588,752				-			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Amortised cost				588,752				-
Cash and short-term deposits :								
Brought forward - Loans and receivables	9,636,419				1,094,468			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Amortised cost				9,636,419				1,094,468
Total at amortised cost	32,634,945	-	(30,328)	32,604,617	12,478,748	-	(1,925)	12,476,823
Fair value through profit or loss								
Quoted equity investments :								
Brought forward - Fair value through profit or loss	-				-			
Reclassification from AFS		41,941	-			2,894	-	
Carried forward - Fair value through profit or loss				41,941				2,894
Government securities :								
Brought forward - Trading at fair value	25,377				25,377			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Fair value through profit or loss				25,377				25,377
Total at Fair value through profit or loss	25,377	41,941	-	67,318	25,377	2,894	-	28,271
Fair value through OCI								
Quoted equity investments :								
Brought forward - Available -for-sale	41,941				2,894			
Reclassification to Fair value through profit or loss		(41,941)	-			(2,894)		
Carried forward - Available -for-sale				-				-
Unquoted equity investments :								
Brought forward - Available -for-sale	146,254				28,526			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Fair value through OCI				146,254				28,526
Total at Fair value through OCI	188,195	(41,941)	-	146,254	31,420	(2,894)	-	28,526
Total financial assets	32,848,517	-	(30,328)	32,818,189	12,535,545	-	(1,925)	12,533,620

NOTES TO THE FINANCIAL STATEMENTS

	GROUP				COMPANY			
	Original carrying amounts as per LKAS 39 Rs.'000	Re-classifications Rs.'000	Re-measurement Rs.'000	New carrying amounts as per SLFRS 9 Rs.'000	Original carrying amounts as per LKAS 39 Rs.'000	Re-classifications Rs.'000	Re-measurement Rs.'000	New carrying amounts as per SLFRS 9 Rs.'000
Financial liabilities								
Amortised cost								
Interest-bearing loans and borrowings :								
Brought forward - Other financial liabilities	25,464,264				2,542,439			
Reclassification of interest payable		69,087	-			15,886	-	
Carried forward - Amortised cost				25,533,351				2,558,325
Trade and other payables :								
Brought forward - Other financial liabilities	12,604,616				5,842,265			
Reclassification of interest payable		(69,087)				(15,886)	-	
Carried forward - Amortised cost			-	12,535,529				5,826,379
Bank overdrafts and other short-term borrowings :								
Brought forward - Other financial liabilities	9,157,459				3,792,178			
Reclassification / remeasurement		-	-			-	-	
Carried forward - Amortised cost				9,157,459				3,792,178
Total financial liabilities	47,226,339	-	-	47,226,339	12,176,882	-	-	12,176,882

48.2.3 Impairment of financial assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortises cost.

The Group has determined the application of the impairment requirements of SLFRS 9 as at 1st April 2018.

The following table summarises the impact, net of tax, of transition to SLFRS 9 on the opening balance of reserves and retained earnings.

	Impact of adopting SLFRS 9 on opening balances	
	GROUP	COMPANY
	Rs.'000	**Rs.'000**
Expected credit losses under SLFRS 9 for subsidiaries		
- Trade receivables	(14,081)	-
- Deposits with licensed commercial banks	(1,925)	(1,925)
- Unquoted debt securities	(14,322)	-
- Related tax	5,191	539
	(25,137)	(1,386)
Expected credit losses under SLFRS 9 for equity-accounted investees		
- Trade receivables	687	-
- Deposits with licensed commercial banks	(10)	-
- Related tax	(111)	-
	566	-
Impact as at 01st April 2018	(24,571)	(1,386)
Retained earnings	(20,038)	(1,386)
Non-controlling interests	(4,533)	-
Impact as at 01st April 2018	(24,571)	(1,386)

CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March			2019 USD.'000	2018 USD.'000
Revenue			316,207	338,914
Revenue taxes			(3,509)	(3,739)
Net revenue			312,698	335,175
Other operating income			3,990	3,493
Changes in inventories of finished goods and work-in-progress			1,690	(135)
Raw materials and consumables used			(61,682)	(76,886)
Employee benefits expense			(49,633)	(51,699)
Depreciation, amortisation and impairment of non-financial assets			(16,572)	(16,514)
Other operating expenses - direct			(102,376)	(100,477)
Other operating expenses - indirect			(42,590)	(47,451)
Profit from operations			45,525	45,506
Finance income			4,304	4,778
Finance expenses			(10,682)	(11,138)
Net finance expense			(6,378)	(6,360)
Share of profit of equity-accounted investees (net of tax)			2,210	1,970
Profit before tax			41,357	41,116
Income tax expense			(8,582)	(8,022)
Profit for the year			32,775	33,094
Attributable to:				
Equity holders of the company			23,153	22,881
Non-controlling interests			9,622	10,213
Profit for the year			32,775	33,094
Earnings per share - Basic/Diluted (Rs.)	USD cents	=	5.70	5.64
Exchange rate	USD	=	176.09	155.60

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

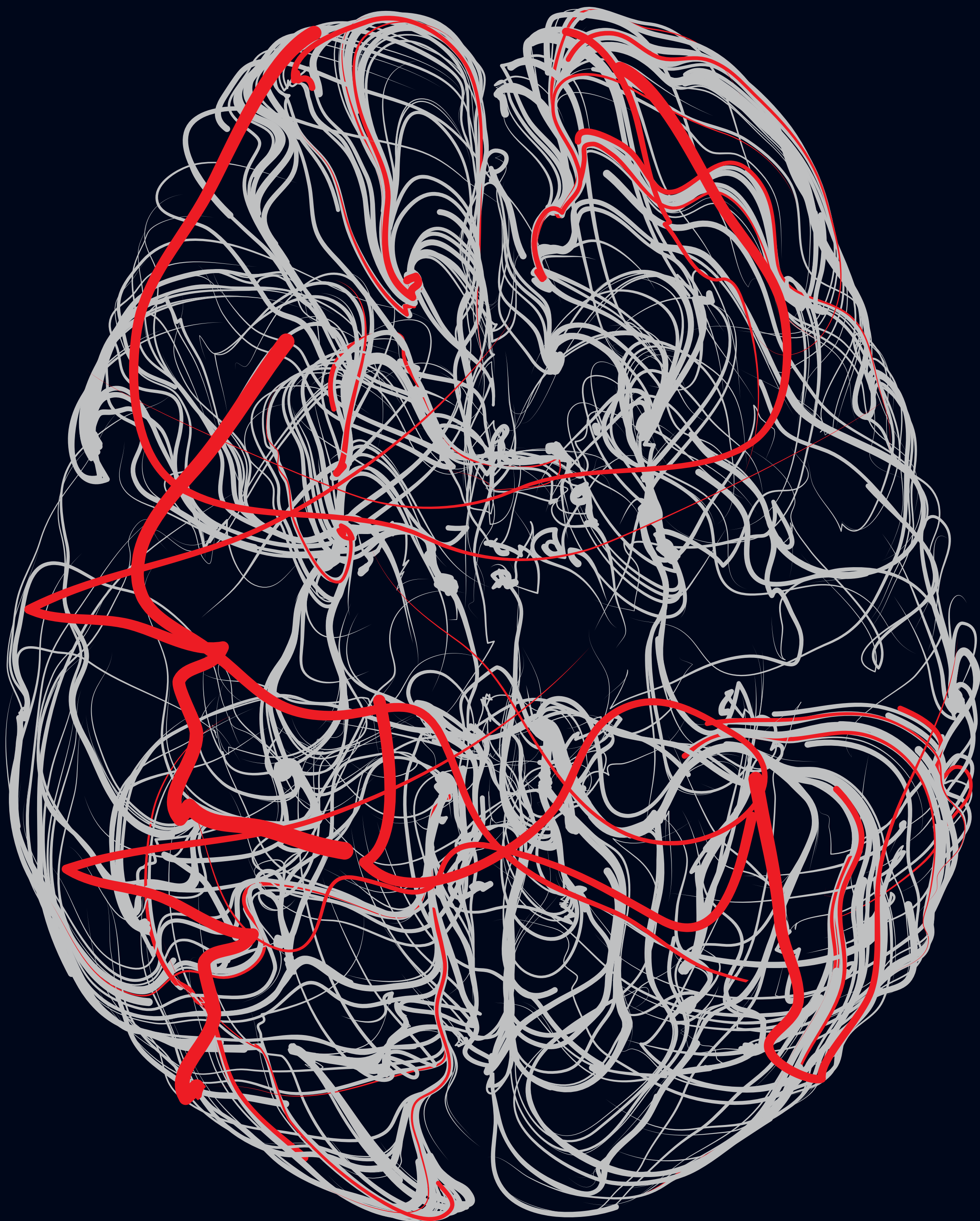
For the year ended 31st March			2019 USD.'000	2018 USD.'000
Profit for the year			32,775	33,095
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation of freehold land			2,122	18,368
Actuarial gains / (losses) on defined benefit obligations			408	(746)
Equity investments at FVOCI – net change in fair value			(25)	-
Share of other comprehensive income of equity-accounted investees (net of tax)			(69)	1,048
Income tax on other comprehensive income			(593)	(6,252)
			1,843	12,418
Items that are or may be reclassified to profit or loss				
Exchange differences on translation of foreign operations			10,834	2,680
Available-for-sale financial assets – net change in fair value			-	10
Net movement on cash flow hedges			(478)	(6,172)
Share of other comprehensive income of equity-accounted investees (net of tax)			774	403
Income tax on other comprehensive income			-	(1)
			11,130	(3,080)
Other comprehensive income for the year, (net of tax)			12,973	9,338
Total comprehensive income for the year			45,748	42,433
Attributable to:				
Equity holders of the parent			32,877	35,190
Non-controlling interests			12,871	7,243
Total comprehensive income for the year			45,748	42,433
Exchange rate	USD	=	176.09	155.60

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN USD

As at			31.03.2019 USD.'000	31.03.2018 USD.'000
ASSETS				
Non-Current Assets				
Property, plant and equipment			406,555	380,943
Investment property			9,269	10,491
Intangible assets			5,369	5,722
Biological assets			280	304
Leasehold property			12,576	13,007
Pre-paid operating leases			13,442	14,405
Investments in equity-accounted investees			36,539	40,710
Deferred tax assets			3,924	3,621
Other financial assets			4,737	5,613
			492,691	474,816
Current Assets				
Inventories			12,505	9,808
Pre-paid operating leases			433	434
Trade and other receivables			85,999	87,131
Current tax receivable			1,057	1,564
Deposits and prepayments			11,462	9,514
Other current assets			59,719	46,920
Cash and short-term deposits			45,048	61,931
			216,223	217,302
Assets classified as held for sale			931	958
Total Assets			709,845	693,076
EQUITY AND LIABILITIES				
Equity				
Stated capital			12,125	13,722
Reserves			132,978	131,754
Retained earnings			135,723	142,440
Total equity attributable to equity holders of the company			280,826	287,916
Non-controlling interests			71,754	73,811
Total Equity			352,580	361,727
Non-Current Liabilities				
Interest-bearing liabilities			166,846	126,500
Deferred tax liabilities			12,970	12,527
Employee benefits			5,738	6,726
Other liabilities			10,517	5,664
			196,071	151,417
Current Liabilities				
Interest-bearing liabilities			20,350	37,152
Trade and other payables			75,572	81,007
Current tax payable			2,476	2,920
Bank overdrafts and other short-term borrowings			62,796	58,853
			161,194	179,932
Total Equity and Liabilities			709,845	693,076
Exchange rate	USD	=	176.09	155.60

Figures in brackets indicate deductions.



Supplementary Information

TEN YEAR SUMMARY

Year ended 31st March	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000
Operating Results										
Revenue	55,680,903	52,734,969	45,892,179	25,977,795	35,318,891	35,059,123	35,822,630	31,021,623	25,143,811	24,168,970
Profit before taxation	7,282,608	6,397,816	5,246,872	3,805,508	5,709,923	5,444,946	5,069,032	5,183,354	3,815,555	3,353,169
Taxation	1,511,258	1,248,284	1,201,407	861,229	826,323	865,457	713,755	746,090	387,335	366,193
Profit after taxation	5,771,350	5,149,532	4,045,465	2,944,279	4,883,600	4,579,489	4,355,278	4,437,264	3,428,220	2,986,976
Profit attributable to Aitken Spence PLC	4,077,067	3,560,348	2,890,032	2,027,112	3,579,008	3,671,870	3,287,607	3,487,669	2,535,956	2,059,636
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	23,416,042	20,500,926	16,849,379	15,248,423	13,867,687	13,883,457	12,695,793	12,454,684	11,071,652	9,317,199
Retained earnings	23,899,401	22,163,669	20,492,912	19,262,056	19,022,310	16,238,762	13,222,324	10,564,698	8,309,395	7,442,131
Non-controlling interest	12,635,237	11,484,969	11,315,985	7,554,724	7,211,980	6,617,863	5,560,028	4,708,800	5,129,687	4,566,388
Non-current liabilities	34,526,058	23,560,466	19,503,049	13,639,158	10,727,403	8,493,842	7,133,962	6,563,195	4,746,363	5,730,436
Current liabilities	28,384,657	27,997,370	24,998,995	15,514,730	12,426,235	13,644,187	15,141,965	14,558,490	8,752,588	8,352,184
	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825	37,543,478
Assets										
Property, plant and equipment	71,590,332	59,274,780	50,048,523	35,278,046	28,696,631	24,799,321	23,534,930	22,585,836	23,925,653	23,328,896
Investment property	1,632,100	1,632,360	1,630,801	1,630,801	1,648,301	1,648,301	1,661,596	1,662,349	102,799	28,936
Intangible assets	945,468	890,378	886,103	867,223	558,040	651,796	350,368	643,600	134,026	154,185
Biological assets	49,332	47,293	43,583	25,838	-	-	-	-	-	-
Leasehold property	2,214,519	2,023,903	2,042,459	2,006,728	1,906,527	1,461,100	1,463,930	1,521,101	1,354,028	1,462,903
Pre paid operating leases	2,366,966	2,241,358	1,978,348	1,828,797	1,072,370	1,010,199	980,681	1,028,164	5,455	5,546
Finance lease receivables	-	-	-	-	-	2,245,884	2,325,091	2,512,923	-	-
Investments in equity-accounted investees	6,434,116	6,334,455	6,060,842	9,771,984	5,403,518	3,367,589	3,059,987	1,770,117	1,335,002	767,498
Deferred tax assets	690,924	563,391	434,794	328,140	215,907	224,495	225,749	209,769	138,314	56,823
Other financial assets	834,096	873,340	285,629	257,799	279,346	339,540	414,409	392,737	473,945	483,580
Current assets	38,074,557	33,812,157	31,735,253	21,209,750	25,383,192	25,115,901	21,723,346	18,509,286	12,494,114	11,093,448
Assets classified as held for sale	164,125	149,125	149,125	149,125	226,923	149,125	149,125	149,125	181,489	161,663
	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251	55,889,212	50,985,007	40,144,825	37,543,478
Share Information										
Earnings per share (Rs.)	10.04	8.77	7.12	4.99	8.82	9.04	8.10	8.59	6.25	*5.07
Market value per share (Rs.) - post share sub division	41.00	50.60	56.20	73.50	99.50	97.90	119.60	112.70	162.30	-
Market value per share (Rs.) - pre share sub division	-	-	-	-	-	-	-	-	-	1,373.75
Market capitalisation on 31st March (Rs. Mn)	16,646	20,543	22,817	29,841	40,397	39,747	48,557	45,756	65,893	37,182
Price earnings ratio	4.08	5.77	7.90	14.72	11.29	10.82	14.77	13.12	25.97	18.05
Net assets per share (Rs.)	121.80	110.35	97.24	90.26	86.27	79.45	69.10	61.96	53.00	*46.54
Employees Information										
No. of employees	8,002	7,413	7,360	7,342	7,131	6,797	6,207	5,791	5,328	5,042
Value added per employee (Rs. '000)	2,656	2,586	2,324	1,765	2,031	1,941	1,979	1,915	1,884	1,770
Ratios & Statistics										
Ordinary dividend (Rs. '000)	1,014,990	811,992	710,493	608,994	811,992	811,992	608,994	568,394	405,996	270,664
Dividend per share (Rs.)	2.50	2.00	1.75	1.50	2.00	2.00	1.50	1.40	1.00	*0.67
Dividend cover (times covered)	4.02	4.38	4.07	3.33	4.41	4.52	5.40	6.14	6.25	7.61
Dividend - payout ratio	0.25	0.23	0.25	0.30	0.23	0.22	0.19	0.16	0.16	0.13
Current ratio (times covered)	1.34	1.21	1.27	1.37	2.04	1.84	1.43	1.27	1.43	1.33
Debt-equity ratio	0.47	0.35	0.34	0.28	0.22	0.19	0.18	0.19	0.16	0.22
ROE (%)	8.65	8.45	7.59	5.66	10.64	12.18	12.36	15.01	12.55	11.45
Interest cover ratio	8.44	8.29	7.29	16.80	30.47	13.97	8.72	23.08	23.48	6.44

*Note: * The above figures are restated taking into consideration the sub division of shares in October 2010.*

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a universal call to action to achieve development needs of the World. These are the 7 goals Aitken Spence PLC has aligned to as a group and a summary of our contribution to achieve these goals.

In addition to the Group's priorities, our SBUs also align their work with specific targets within other SDGs.

- We provide employment to **14,133 employees** across **8 countries**, ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers
- **Zero incidents** of discrimination reported
- **29.3%** Attrition rate
- **81** injuries at workplaces in the Group
- **41%** of value added to employees

- Influencing circular economy through our commitment to practice the **7R principle**
- **8,245 tonnes, and 21,192** items of solid waste and **521,808 litres** of effluents safely disposed and kept away from landfill

- **Decreasing** demand on fresh water by managing consumption effectively, by using harvested rain water and treated water
- **1,042,074m³** waste water, 74% of the total withdrawn, was treated for reuse or safe disposal
- **Zero** water sources adversely impacted by our operations

- Creating new avenues for employment by enabling access to education and skills development in diverse industries (e.g. maritime skills, hospitality etc.)

- Enabling opportunities to encourage more female entrants in to the workforce
- **40% female** representation

- Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability
- Investing **Rs. 153.0 Mn** on sustainability driven processes and action plans
- Generated **246,927 GJ** of energy through renewable energy sources
- **300%** increase in our renewable energy generation since 2014/15

- Contributing positively towards protecting our biodiversity and ecosystems in places we operate in
- Aligning **our operations to best practices such as Rainforest Alliance certification** and Travelife certification

GRI CONTENT INDEX

Aitken Spence PLC uses the Global Reporting Framework's GRI Standard reporting framework 'In-Accordance Core' to disclose our performance information as it is the most widely used framework in the world affording us comparability of information. Aligning with a reporting framework also helps us to identify action we can take to implement action through its specific standard disclosures on the clauses in our integrated sustainability policy and its implementation framework.

This annual report is our Communication on Progress on the implementation of action for voluntary endorsements of Aitken Spence PLC, namely the UN Global Compact (UNGC) and the Women's Empowerment Principles. Information presented in the annual report will be linked through the GRI disclosures as mapped in the GRI Index.

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Summary of Material Topics and the Sections of the Report to Locate Disclosures

Economic

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
201: Economic Performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices 205: Anti - Corruption	Economic value generated Financial sustainability	Financial Capital Social & Relationship Capital Economic Review Management Discussion & Analysis
The SDG to Which the Outcome is Expected to Contribute		

Environment

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
302: Energy 303: Water 304: Biodiversity 305: Emissions 306: Effluents and Waste 307: Environmental Compliance Supplier Environmental Assessment	Environmental impact Potential to create positive change The Group's commitment to environmental sustainability Stakeholder expectations	Natural Capital Manufactured Capital Management Discussion & Analysis Tourism, Maritime & Logistics, Strategic Investments, and Services Sector Reviews
The SDG to Which the Outcome is Expected to Contribute		

Society

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
205: Anti - Corruption 413: Local Communities 419: Socioeconomic Compliance	Building relationships with key stakeholders Potential to create positive value for local communities Legal, financial and reputational risk	Social & Relationship Capital Management Discussion & Analysis Corporate Governance Risk Management Sector Reviews
The SDG to Which the Outcome is Expected to Contribute		

GRI CONTENT INDEX

Social – Labour practices and decent work

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
401: Employment 402: Labour/ Management Relations 403: Occupational Health and Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-Discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Force or Compulsory Labour	Potential to disrupt the business Reputation risk Compliance with laws, regulations and voluntary standards endorsed Talent retention and acquisition	Management Discussion & Analysis Human Capital Social & Relationship Capital
The SDG to Which the Outcome is Expected to Contribute		

Product Responsibility

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
416: Customer Health & Safety 417: Marketing & Labelling 418: Customer Privacy	Impact on customers Reputational risk Compliance with laws, regulations and voluntary standards endorsed	Management Discussion & Analysis Intellectual Capital Risk Management
The SDG to Which the Outcome is Expected to Contribute		

Human Rights

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
410: Security Practices 412: Human Rights Assessment	Potential to disrupt the business Reputation risk Compliance with laws, regulations and voluntary standards endorsed Talent retention and acquisition	Corporate Governance Risk Management Human Capital
The SDG to Which the Outcome is Expected to Contribute		

Identified for Future Action

Identified Material Topic in GRI Standard	Reasons for Materiality	Locate the Information
414: Supplier Social Assessment	Potential to disrupt the business Reputation risk Compliance with laws, regulations and voluntary standards endorsed	Social & Relationship Capital Natural capital Human Capital Corporate Governance
The SDG to Which the Outcome is Expected to Contribute		

The Ten Principles of the UN Global Compact

Human Rights

1: Businesses should support and respect the protection of internationally proclaimed human rights

2: Business should make sure they are not complicit in human rights abuses.

Labour Standards

3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

5: Businesses should uphold the effective abolition of child labour.

6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

7: Businesses should support a precautionary approach to environmental challenges.

8: Businesses should undertake initiatives to promote greater environmental responsibility.

9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10: Businesses should work against corruption in all its forms, including extortion and bribery.

The 7 UN Women's Empowerment Principles

1: Establish high-level corporate leadership for gender equality

2: Treat all women and men fairly at work – respect and support human rights and non-discrimination

3: Ensure the health, safety and well-being of all women and men workers

4: Promote education, training and professional development for women

5: Implement enterprise development, supply chain and marketing practices that empower women

6: Promote equality through community initiatives and advocacy

7: Measure and publicly report on progress to achieve gender equality

Summary of the 7 Sustainable Development Goals Aitken Spence PLC has aligned to as a group

Goal 4 : Quality education: Creating new avenues for employment through education on specific skills in diverse industries (e.g. maritime skills, hospitality etc.) Targets 4.3, 4.4, 4.6, and 4.7

Goal 5 : Gender equality: Enabling opportunities to encourage more female entrants in to the workforce. Targets 5.1, 5.5 and 5B

Goal 6 : Clean water & sanitation: Decreasing demand on fresh water by managing consumption effectively, by using harvested rain water and treated water. Targets 6.3, and 6.4

Goal 8 : Ensuring a safe and conducive workplace for the workforce and facilitating economic growth for local suppliers and service providers. Targets: 8.4, 8.5, 8.6, 8.8, 8.9, and 8.10

Goal 9 : Industry, innovation & infrastructure: Advancing operational priorities through innovation, standardisation and systematic improvements driven by sustainability. Targets 9.1 and 9.4

Goal 12 : Responsible construction & production: Influencing circular economy through our commitment to practice the 7R Principle. Targets 12.2, 12.5, 12.6, 12.8 and 12B

Goal 15 : Life on Land: Working towards contributing positively towards protecting our biodiversity and all ecosystems. Targets 15.2 and 15.5

GRI CONTENT INDEX

Navigation to locate disclosures within the report

GRI Locations within this report, where we have disclosed information required by the GRI framework, are marked by these icons

www Some information is available online and can be perused through www.aitkenspence.com/annualreport

Quick reference for sections within the annual report;

Detailed outline of GRI Disclosures

General Disclosures*

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
1. Organisational profile*			
102-1	Name of the organisation	8, 349	
102-2	Activities, brands, products and services	95-99	
102-3	Location of headquarters	349	
102-4	Location of operations	8-9	
102-5	Ownership and legal form	349	
102-6	Markets served	8-9	
102-7	Scale of the organisation	8-9	UNGC Principle 6
102-8	Information on employees and other workers	65-72	
102-9	Supply chain	73, 77	
102-10	Significant changes to the organisation and its supply chain	77	
102-11	Precautionary Principle of approach	175-183, 82	
102-12	External initiatives	4, 323-325	
102-13	Membership of associations	4, 52	
2. Strategy*			
102-14	Statement from senior decision-maker	22-23	
102-15	Key impacts, risks and opportunities	51-52, 56, 175-183, 105, 117, 127, 137	
3. Ethics and integrity*			
102-16	Values, principles, standards and norms of behaviour	46-47, 54-56	UNGC Principle 10
102-17	Mechanisms for advice and concerns about ethics	22-44, 143-167	UNGC Principle 10
4. Governance*			
102-18	Governance structure	146	
102-19	Delegating authority	143-167	
102-20	Executive-level responsibility for economic, environmental and social topics	143-167	WEP Principle 1
102-21	Consulting stakeholders on economic, environmental and social topics	143-167	
102-22	Composition of the highest governance body and its committees	143-167	
102-23	Chair of the highest governance body	143-167	

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
102-24	Nominating and selecting the highest governance body	143-167	
102-25	Conflicts of interest	143-167	WEP Principle 1
102-26	Role of highest governance body in setting purpose, values and strategy	143-167	
102-27	Collective knowledge of highest governance body in setting purpose, values and strategy	143-167	
102-28	Evaluating the highest governance body	143-167	
102-29	Identifying and managing economic, environmental and social impacts	143-167	
102-30	Effectiveness of risk management processes	143-167	
102-31	Review of economic, environmental and social topics	143-167	
102-32	Highest governance body's role in sustainability reporting	143-167	
102-33	Communicating critical concerns	143-167	
102-34	Nature and total number of critical concerns	143-167	
102-35	Remuneration policies	143-167	
102-36	Process for determining remuneration	143-167	
102-37	Stakeholders' involvement in remuneration	143-167	
102-38	Annual total compensation ratio	163	
102-39	Percentage increase in annual total compensation ratio	163	
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102-40	List of stakeholder groups	50-53	
102-41	Collective bargaining agreements	67	
102-42	Identifying and selecting stakeholders	50-53	
102-43	Approach to stakeholder engagement	50-53	
102-44	Key topics and concerns raised	53	
6. Reporting Practices*			
102-45	Entities included in the consolidated financial statements	195	
102-46	Defining report content and topic boundaries	4-5	
102-47	List of material topics	56, 324	
102-48	Restatement of information	4-5	
102-49	Changes in reporting	4-5	
102-50	Reporting period	4-5	
102-51	Date of the most recent report	4-5	
102-52	Reporting cycle	4-5	
102-53	Contact point for questions regarding the report	349, 355-356	
102-54	Claims of reporting in accordance with GRI Standards	4-5	
102-55	GRI content index	324-331	
102-56	External assurance	332-334	

* The GRI disclosures detailed in this Index are externally assured. Please refer to the Independent Assurance Statement on pages 332 to 334.

GRI CONTENT INDEX

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GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
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201. Economic Performance*			
201-1	Direct economic value generated and distributed	11, 13	
201-2	Financial implications and other risks and opportunities due to climate change	175-183	UNGC Principle 7
201-3	Defined benefit plan obligations and other retirement plans	201-318	
202. Market Presence*			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	68	
202-2	Proportion of senior management hired from the local community	70	UNGC Principle 6
203. Indirect Economic Impacts*			
203-1	Infrastructure investments and services supported	73 - 81	
203-2	Significant indirect economic impacts	73 - 81	
204. Procurement Practices*			
204-1	Proportion of spending on local suppliers	73, 77	WEP Principle 5
205. Anti – Corruption*			
205-1	Operations assessed for risks related to corruption	165	UNGC Principle 10
205-2	Communication and training about anti-corruption policies and procedures	168	UNGC Principle 10
205-3	Confirmed incidents of corruption and actions taken	75	UNGC Principle 10
206. Anti – Competitive Behaviour*			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	75	
300. Environmental Standards*			
103	Management Approach Disclosures	82-91	
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302-1	Energy consumption within the organisation	81, 86-87, 108, 119, 130, 139	UNGC Principle 7, 8
302-4	Reduction of energy consumption	81, 86-87, 108, 119, 130, 139	UNGC Principle 8, 9
303. Water*			
303-1	Water withdrawal by source	81, 87-88	UNGC Principle 7, 8
303-2	Water sources significantly affected by withdrawal of water	81, 87-88	UNGC Principle 8
303-3	Water recycled and reused	81, 87-88	UNGC Principle 8
304. Biodiversity*			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	81, 86	
304-2	Significant impacts of activities, products and services on biodiversity	81, 86	UNGC Principle 8
304-3	Habitats protected or restored	81, 85-86	UNGC Principle 8

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	81, 85-86	
305. Emissions*			
305-1	Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent	81, 89	UNGC Principle 7, 8
305-2	Energy Indirect (Scope 2) GHG Emissions in metric tons of CO2 equivalent	81, 89	UNGC Principle 7, 8
305-5	Reductions of GHG emissions	81, 89	UNGC Principle 8, 9
306. Effluents and Waste*			
306-1	Water discharge by quality and destination	81, 89	
306-2	Waste by type and disposal method	81, 90	UNGC Principle 8
306-3	Significant spills	81, 90	UNGC Principle 8
306-5	Water bodies affected by water discharges and/or runoff	81, 89	UNGC Principle 8
307. Environmental Compliance*			
307-1	Non-compliance with environmental laws or regulations	84	UNGC Principle 8
308. Supplier Environmental Assessment*			
308-1	New suppliers that were screened using environmental criteria	77, 91	
308-2	Negative environmental impacts in the supply chain and actions taken	91	
400. Social Standards*			
103	Management Approach Disclosures	59-64	
401. Employment*			
401-1	New employee hires and employee turnover	68	UNGC Principle 1, 6 WEP Principle 2, 7
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	67	
402. Labour/ Management Relations*			
402-1	Minimum notice periods regarding operational changes	67	
403. Occupational Health and Safety*			
403-1	Workers representation in formal joint management-worker health and safety committees	71	
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities.	71	WEP Principle 3
404. Training and Education*			
404-1	Average hours of training per year per employee	71	UNGC Principle 6 WEP Principle 4
404-2	Programs for upgrading employee skills and transition assistance programs	71	WEP Principle 7
404-3	Percentage of employees receiving regular performance and career development reviews	70	UNGC Principle 3, 6 WEP Principle 4
405. Diversity and Equal Opportunity*			

GRI CONTENT INDEX

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
405-1	Diversity of governance bodies and employees	67	UNGC Principle 6 (partially reported) WEP Principle 2, 7
405-2	Ratio of the basic salary and remuneration of women to men	68	UNGC Principle 6 WEP Principle 2, 7
406. Non-Discrimination*			
406-1	Incidents of discrimination and corrective actions taken	68, 75	UNGC Principle 6 WEP Principle 2, 3
407. Freedom of Association and Collective Bargaining*			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	77	UNGC Principle 3
408. Child Labour*			
408-1	Operations and suppliers at significant risk for incidents of child labour	77	UNGC Principle 5 (partially reported)
409. Forced or Compulsory Labour*			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	77	UNGC Principle 4 (partially reported)
410. Security Practices*			
410-1	Security personnel trained in human rights policies or procedures	77	UNGC Principle 1
412. Human Rights Assessment*			
412-1	Operations that have been subject to human rights reviews or impacts assessments	77	UNGC Principle 1 (partially reported)
412-2	Employee training on human rights policies or procedures	77	
413. Local Communities*			
413-1	Operations with local community engagement, impact assessments and development programs	79	UNGC Principle 2 WEP Principle 6
413-2	Operations with significant actual and potential negative impacts on local communities	79	UNGC Principle 2
414. Supplier Social Assessment*			
414-1	New suppliers that were screened using social criteria	77	UNGC Principle 2, 3 (partially reported)
414-2	Negative social impacts in the supply chain and actions taken	77	UNGC Principle 2, 3 (partially reported)
416. Customer Health and Safety*			
416-1	Assessment of the health and safety impacts of product and service categories	74	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	75	
417. Marketing and Labelling*			
417-1	Requirements for product and service information and labelling	74	
417-2	Incidents of non-compliance concerning product and service information and labelling	75	

GRI Disclosure	Description of the Disclosure	Locate the disclosure	Linkage to UNGC and WEP
417-3	Incidents of non-compliance concerning marketing communications	75	
418. Customer Privacy*			
418-1	Substantiated complaints concerning beaches of customer privacy and losses of customer data	75	
419. Socioeconomic Compliance*			
419-1	Non-compliance with laws and regulations in the social and economic area	75	

Omissions and assumptions

We currently report on Scope 1 and Scope 2 emissions. According to credible sources, the contribution from CH_4 and N_2O to global warming potential from energy is rather small, being about 0.4% only. Hence, our current focus is on the CO_2 emissions arising from energy consumption and CH_4 and N_2O emissions are not included in the calculations. We hope to include these emissions as well as Scope 3 emissions in due course.

We estimate the emissions reduced by the generation and/ or use of renewable energy by considering the equivalent amount of emissions to produce and/ or use the same quantity of energy from the alternative, non-renewable source we may otherwise have used.

* The GRI disclosures detailed in this Index are externally assured. Please refer to the Independent Assurance Statement on pages 332 to 334.

INDEPENDENT ASSURANCE STATEMENT

DNV·GL

Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Aitken Spence PLC ('Aitken Spence' or 'the Company', Company Registration Number PQ 120) to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information ('sustainability performance') reported in Aitken Spence PLC Annual Report 2018/19 ('the Report') in its printed format for the financial year ending 31st March 2019. The sustainability disclosures in this Report are prepared by Aitken Spence PLC, based on Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards') and its 'Core' option of reporting.

We performed our assurance engagement (Type 2, Moderate) using AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) with 2018 Addendum and DNV GL's assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI's Principles for Defining Report Content and Quality. Our assurance engagement was planned and carried out in April 2019 – May 2019.

The intended user of this assurance statement is the Management of Aitken Spence PLC ('the Management'). We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement. The reporting topic boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and predominantly covers operations in Sri Lanka, Maldives, India, Oman and Fiji as brought out in the Report in the Section 'About the Report'.

The Report does not include sustainability disclosures related to the activities of Bangladesh and Mozambique as the sustainability information gathering has not been implemented fully. These exclusions are described within the Report.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Directors of Company and of the Assurance Provider

The Management of Aitken Spence PLC have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing our assurance work, DNV GL responsibility is to the Management of Aitken Spence PLC; however, this statement represents DNV GL's independent opinion and is intended to inform the outcome of assurance to the stakeholders of the Company.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith and free from misstatements. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed the work of assurance. We undertook the following activities:

- Review the approach to stakeholder engagement and materiality determination process and the outcome as stated in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers (online) responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Visits were limited to locations in the Maldives. However, we carried out detailed analysis through off-site (online) review of processes and systems which have been used for preparing site level sustainability data and implementation of management approach;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.;
- An independent assessment of non-financial reporting against the GRI Standards: Core option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Opinion

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not properly describe adherence to the GRI reporting requirements including the Principles for Defining Report Content, identified material topics, related Strategies and Disclosures on Management Approach and Performance Indicators as below:

[1] *The VeriSustain protocol is available on www.dnvgl.com*

* *Assurance Engagements other than Audits or Reviews of Historical Financial Information.*

DNV·GL

Economic

- GRI 201: Economic Performance 2016** – 201-1, 201-2, 201-3;
- GRI 202: Market Presence 2016 – 202-1, 202-2;
- GRI 203: Indirect Economic Impact 2016 – 203-1, 203-2;
- GRI 204: Procurement Practices 2016 – 204-1;
- GRI 205: Anti-Corruption 2016 – 205-1, 205-2, 205-3;
- GRI 206: Anti–Competitive Behaviour 2016 – 206-1;

Environment

- GRI 302: Energy 2016 – 302-1,302-4;
- GRI 303: Water 2016 – 303-1, 303-2, 303-3;
- GRI 304: Biodiversity 2016 – 304-1, 304-2, 304-3, 303-4;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-5;
- GRI 306: Effluent & Waste 2016 – 306-1,306-2, 306-3, 306-5;
- GRI 307: Environmental compliance 2016 - 307-1;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1, 308-2;

Social

- GRI 401: Employment 2016 – 401-1, 401-2;
- GRI 402: Labour/Management Relations 2016 - 402-1;
- GRI 403: Occupational Health & Safety 2016 - 403-1, 403-2;
- GRI 404: Training & Education 2016 - 404-1, 404-2, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1, 405-2;
- GRI 406: Non-discrimination 2016 – 406-1;
- GRI 407: Freedom of Association and Collective Bargaining 2016 – 407-1;
- GRI 408: Child Labour 2016 – 408-1;
- GRI 409: Forced or Compulsory Labour 2016 – 409-1;
- GRI 410: Security Practices 2016 – 410-1,
- GRI 412: Human Rights Assessment 2016 – 412-1, 412-2;
- GRI 413: Local Communities 2016 – 413-1, 413-2;
- GRI 414: Supplier Social Assessment 2016 – 414-1, 414-2;
- GRI 416: Customer Health and Safety 2016 – 416-1, 416-2;
- GRI 417: Marketing and Labelling 2016 – 417-1, 417-2, 417-3;
- GRI 418: Customer Privacy 2016 – 418-1;
- GRI 419: Socioeconomic Compliance 2016- 419-1.

Observations

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following principles:

AA1000 Accountability Principles Standard (2018)

Materiality

The process of determining the issues that is most relevant to an organisation and its stakeholders.

The Report has fairly articulated identified material topics for each of its business sectors, based on an internal and external materiality analysis exercise, considering the sustainability context, internal assessments, stakeholder concerns, Sustainable Development Goals and the Group's strategic objectives. The material topics were mapped based on the impact on Aitken Spence PLC and influence on stakeholder decisions, and this process is adequately represented in the Report. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality, or that the Company has missed out key material issues related to the Company.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

The Report has articulated the established process to identify key stakeholders to engage with, the engagement mechanism and process, and key outcomes of stakeholder engagement. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity. With the supply chain playing a critical role in each business vertical, the Principle of Inclusivity may be further strengthened in future Reports by explicitly bringing out business risks from a sustainability perspective.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

The Report brings out the responses to identified material topics through of the Company's policies, strategies, management systems and governance mechanisms in place across the business sectors. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness. Going forward, Aitken Spence may further establish sector-wise short, medium and long-term sustainability targets and report its performance against these targets.

Impact

The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems

The Report describes how the Company identifies, measures and evaluates impacts from identified material topics, and appropriately adapts its management

*** The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.*

INDEPENDENT ASSURANCE STATEMENT

approach and strategies. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact. However, future Reports may further strengthen its disclosures on supply chain activities related to impacts on Aitken Spence and risks related to the supply chain partners.

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and process for gathering information developed by Aitken Spence PLC for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified for Corporate Office and for sampled locations were found to be based on established data management systems. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been communicated for changes. Hence, in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability. However, a formal system of internal audits along with documented data management system including all assumptions, calculation methodology, conversion factors etc. may be established to further strengthen accuracy and reliability of reported data.

Additional principles as per DNV GL VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report has fairly attempted to disclose the appropriate Universal Standards and Topic-Specific Standards covering the strategy, management approach, monitoring systems and sustainability performance relevant to material topics identified by the Company and addressing the requirements of the GRI Standards: Core option of reporting, for the chosen reporting boundary. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness within the identified boundaries of reporting. However, going forward, the Report may include sustainability disclosures related to all entities of the Company and significant supply chain impacts.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The disclosures related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation. Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality; however, the Report may further bring out reasons for under-performance and challenges during the period with respect to achieving its short, medium and long term targets.

For DNV GL AS

Kiran Radhakrishnan
Lead Verifier
DNV GL Business Assurance India Private Limited, India.

Vadakepatth Nandkumar
Assurance Reviewer
Head – Regional Sustainability Operations
DNV GL Business Assurance India Private Limited, India.

24th May 2019, Colombo, Sri Lanka.

AA1000
Licensed Assurance Provider
000-10

GROUP COMPANIES AND DIRECTORATE

AITKEN SPENCE PLC

TOURISM	MARITIME & LOGISTICS	STRATEGIC INVESTMENTS	SERVICES
❖ Hotels ❖ Inbound & Outbound Travel ❖ Airline GSA	❖ Maritime and Port Services ❖ Freight Forwarding & Courier ❖ Integrated Logistics ❖ Airline GSA (Cargo) ❖ Education	❖ Power Generation ❖ Printing & Packaging ❖ Apparel Manufacture ❖ Plantations	❖ Inward Money Transfer ❖ Elevator Agency ❖ Insurance ❖ Property ❖ Technology

TOURISM SECTOR

OUTBOUND TRAVEL

Ace Aviation Services Maldives Private Limited*
General Sales Agent for Sri Lankan Airlines Passenger and Cargo in the Republic of Maldives.

Directors:
S.T.B. Ellepola (Chairman),
M. Firaq,
N.A.N. Jayasundera,
D.L. Warawita.

Aitken Spence Aviation (Private) Limited
General Sales Agent for Singapore Airlines, and Silkair (Singapore) Private Limited.

Directors:
Deshamanya D.H.S. Jayawardena (Appointed w.e.f. 18.07.2018),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
Ms. D.S.T. Jayawardena,
V.P. Kudaliyanage (Appointed w.e.f. 01.08.2018),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

Aitken Spence Moscow (Private) Limited *
The Company did not carry out operations during the year.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
Dr. J.W.A. Perera (Managing Director),
S.T.B. Ellepola,
J.M.S. Brito (Appointed w.e.f. 01.09.2018) (Resigned w.e.f. 29.03.2019),
N.A.N. Jayasundera (Resigned w.e.f. 01.09.2018).

Aitken Spence Travels Myanmar Limited
A joint venture with Golden Ratanapura Company Limited, to handle Destination Management in Myanmar.

Directors:
N.A.N. Jayasundera,
J.M.S. Brito,
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam,
U.T. Zin,
H.S. Amaratunga,
U.M.Z. Aung.

Aitken Spence Overseas Travel Services (Private) Limited *
The Company did not carry out operations during the year.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
H.P.N. Rodrigo.

Aitken Spence Travels (Private) Limited *
Leading destination management company in Sri Lanka. A joint venture with TUI Group Germany, The largest tourism integrated company in the world.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 29.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
N.A.N. Jayasundera (Managing Director),
D.C. Schelp,
G.P. Weaver (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
J.P.F. Ulwahn (Resigned w.e.f. 29.03.2019),
S.T.B. Ellepola (Alternate Director to J.M.S. Brito) (Ceased w.e.f. 29.03.2019).

Ace Travels and Conventions (Private) Limited *
The Company did not carry out operations during the year as the MICE activities are shown under Aitken Spence Travels (Private) Limited.

Directors:
N.A.N. Jayasundera,
S.T.B. Ellepola,
P.L. Perera.

Royal Spence Aviation (Private) Limited
Managing agent for airline ticketing operation in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
Ms. N. Sivapragasam (Appointed w.e.f. 29.03.2019),
N.A.N. Jayasundera (Appointed w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

** The companies' financial statements are audited by KPMG*

GROUP COMPANIES AND DIRECTORATE

HOTELS

Ace Resorts Private Limited *
Owns the Raafushi island earmarked for the construction and development of a Resort in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama (Managing Director),
Ms. D.S.T. Jayawardena,
A.K.M.P. Wijesekara (Resigned w.e.f. 13.03.2019),
M. Mahdy.

A.D.S Resorts Private Limited *
Owns Adaaran Select Hudhuranfushi – Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
A.K.M.P. Wijesekara (Resigned w.e.f. 13.03.2019),
M. Mahdy.

Aitken Spence Global Operations (Private) Limited
Provides international marketing services for the overseas hotels in the Group.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

Aitken Spence Hotel Holdings PLC *
The holding company of the Group's hotel interests. Owns the Heritance Ahungalla Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Dr. M.P. Dissanayake (Managing Director - Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Retired from the office of Managing Director w.e.f. 15.03.2019. However, continues as a Non-Executive Director),
Ms. D.S.T. Jayawardena,
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:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama (Joint Managing Director),
D.T.R. de Silva (Joint Managing Director).

Aitken Spence Hotel Managements (South India) Private Limited
Owns the 143 room hotel property "Turyaa" in Chennai.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
C.M.S. Jayawickrama,
T.K. Dewanarayana,
A. Durairaj,
J.M.S. Brito (Resigned w.e.f. 29.03.2019).

Aitken Spence Hotel Managements Asia (Private) Limited *
Manages resorts in the Sultanate of Oman and in the Republic of Maldives.

Directors:
Deshamanya D.H.S. Jayawardena,
Dr. R.M. Fernando,
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam.

Aitken Spence Hotels International (Private) Limited *
Overseas investment company of the Hotels sector and provided international marketing services to the resorts in the Republic of Maldives and the Sultanate of Oman.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

Aitken Spence Hotel Services Private Limited
Local marketing company of hotels in India.

Directors:
R.S. Rajaratne,
T.K. Dewanarayana (Appointed w.e.f. 06.08.2018),
A.K.M.P. Wijesekara (Resigned w.e.f. 13.03.2019).

Aitken Spence Hotels Limited *
Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns Heritance Ayurveda Maha Gedara in Beruwela.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Aitken Spence Resorts (Middle East) LLC*
Owning company of the Al Falaj Hotel in Muscat, Sultanate of Oman.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
A. Perera,
A.K.M.P. Wijesekera (Resigned w.e.f. 13.03.2019),
S.N. de Silva.

Aitken Spence Resources (Private) Limited *
Human resource management, foreign employment and recruitment company.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama,
G.P.J. Goonewardena,
A.K.M.P. Wijesekera (Resigned w.e.f. 13.03.2019).

Ahungalla Resorts Limited *
A joint venture company with RIUSA NED BV and owns the RIU Hotel Sri Lanka at Ahungalla.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
L. Riu Guell (Managing Director),
J.T. Riu.

Cowrie Investment Private Limited *
Owns Heritance Aarah and Adaaran Select Meedhupparu – Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Chairman and Managing Director and Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman and Managing Director) (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

Crest Star (B.V.I.) Limited
The holding company and managing agent of Jetan Travel Services Company Private Limited.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Crest Star Limited

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Heritance (Private) Limited *
Owns a land in Beruwela for a proposed hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Hethersett Hotels Limited *
Owns Heritance Tea Factory - Kandapola.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Jetan Travel Services Company Private Limited *
Owns Adaaran Club Rannalhi - Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
H. Mohamed,
M. Mahdy,
A.K.M.P. Wijesekara (Resigned w.e.f. 13.03.2019).

Kandalama Hotels (Private) Limited *
Owns Heritance Kandalama Hotel.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Meeraladuwa (Private) Limited *
Owns the island of Meeraladuwa.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Neptune Ayurvedic Village (Private) Limited *
Leases company owned land and building to Aitken Spence Hotels Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Nilaveli Holidays (Private) Limited *
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Nilaveli Resorts (Private) Limited *
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Perumbalam Resorts Private Limited
A fully owned subsidiary of PR Holiday Homes Private Limited.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama,
M.R. Narayanan,
K.K.M. Rawther,
R. Narayanan,
A.K.M.P. Wijesekera (Resigned w.e.f. 13.03.2019).

PR Holiday Homes Private Limited
Owns a land in Cochin, India for a future hotel project.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama,
M.R. Narayanan,
K.K.M. Rawther,
A.K.M.P. Wijesekera (Resigned w.e.f. 13.03.2019).

The Galle Heritage (Private) Limited *
Proposed for constructing and operating a heritage hotel within the Fort of Galle.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Turyaa (Private) Limited *
Owns the 100 room hotel property "Turyaa" in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Turyaa Resorts (Private) Limited *
Owns the 90 room hotel property "Turyaa" in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
C.M.S. Jayawickrama.

Unique Resorts Private Limited *
Owns Adaaran Prestige Vaadhoo – Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
A.K.M.P. Wijesekara (Resigned w.e.f. 13.03.2019),
M.D.B.J. Gunatilake.

GROUP COMPANIES AND DIRECTORATE

MARITIME & LOGISTICS SECTOR

FREIGHT FORWARDING AND COURIER

Ace Aviation Services (Private) Limited
Operates as General Sales Agent for airline cargo.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier.

Ace Cargo (Private) Limited
Provides international freight forwarding services.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier,
Ms. T.D.M.N. Anthony (Ceased to be a Director w.e.f. 14.01.2019).

Ace International Express (Private) Limited
Provides international air express, domestic delivery, international mailing, supply chain solutions and record management.

Directors:
J.E. Brohier,
M.A.M. Isfahan (Appointed w.e.f. 11.01.2019),
Ms. T.D.M.N. Anthony (Ceased to be a Director w.e.f. 14.01.2019).

Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agent for airline cargo.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier,
Ms. T.D.M.N. Anthony (Ceased to be a Director w.e.f. 14.01.2019).

D B S Logistics Limited
International Freight Forwarder - Network Partner for DB Schenker.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier,
M.A.M. Isfahan.

Global Parcel Delivery (Private) Limited
Provides international air express, domestic delivery, international mailing, supply chain solutions and record management services.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier,
A. Jayasekera.

Spence International (Private) Limited
Regional operating headquarters to manage operation overseas. The Company is currently in the process of liquidation, commenced on 19.03.2019.

Directors:
J.M.S. Brito (Resigned w.e.f. 15.03.2019).
J.E. Brohier,
M.A.M. Isfahan.

Spence Maldives Private Limited
Provides cargo General Sales Agent, international air express, domestic express and freight forwarding services in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier (Managing Director),
M.A.M. Isfahan,
M. Firaq,
A. Ghiyas.

Ace (Bangladesh) Limited
Provides international freight forwarding services in Bangladesh.

Directors:
A. Mannan,
R. Rahman,
Mrs. F.R. Ahmed,
A. Rahman,
Dr. M.P. Dissanayake (Appointed as a Nominee Director w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
J.E. Brohier,
C.J. Jirasinha.

INTEGRATED LOGISTICS

Ace Containers (Private) Limited *
Operates an inland container terminal, container freight station and haulage management.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.J. Gunawardena,
A. Jayasekera,
A.U. Kodagoda,
C.A.S. Anthony.

Ace Container Repair (Private) Limited *
Undertakes container repairs, conversions for Garments on Hangers and other purpose built solutions.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.J. Gunawardena,
A. Jayasekera,
C.A.S. Anthony.

Ace Container Terminals (Private) Limited *
Provides container storage, custom brokerage, transport and warehousing services.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.J. Gunawardena,
A. Jayasekera,
C.A.S. Anthony.

** The companies' financial statements are audited by KPMG*

Ace Distriparks (Private) Limited *
Provides total integrated logistics services which encompasses warehouse management, transport and distribution services, project cargo logistics, mobile storage solutions and act as agents for leading Liquid Cargo Operators and container leasing companies.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A. Jayasekera,
A.J. Gunawardena,
C.A.S. Anthony.

Ace Freight Management (Private) Limited
Undertakes clearing, forwarding and operates an inland container terminal.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.J. Gunawardena,
A. Jayasekera,
C.A.S. Anthony.

Aitken Spence Developments (Private) Limited *
Property development company.

Directors:
A. Jayasekera,
A.J. Gunawardena.

Logilink (Private) Limited *
Provides container freight station services, storing, distribution and consolidation of exports.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.J. Gunawardena,
A. Jayasekera,
C.A.S. Anthony.

MARITIME SERVICES

Aitken Spence Maritime Limited *
Holding company of Hapag-Lloyd Lanka (Private) Limited and Aitken Spence Ports International Limited.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
I.S. Cuttilan,
A. Jayasekera.

Aitken Spence Ports International Limited *
Port management services which includes managing ports, operations and productivity enhancement management in ports.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
I.S. Cuttilan,
M.A.M. Isfahan.

Aitken Spence Shipping Limited *
Shipping Agency Services in all ports in Sri Lanka. Liner, cruise and casual caller agency representation, Non Vessel Operating Container Carrier (NVOCC) and an international freight forwarder.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A. Jayasekera,
I.S. Cuttilan,
Ms. T.D.M.N. Anthony (Ceased to be a Director w.e.f. 14.01.2019).

Aitken Spence Shipping Services Limited *
Shipping Agency Activities in all ports in Sri Lanka and an international freight forwarder.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
I.S. Cuttilan,
A. Jayasekera.

Clark Spence and Company (Private) Limited *
Shipping Agency Services in all ports in Sri Lanka and an international freight forwarder.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
I.S. Cuttilan,
Ms. T.D.M.N. Anthony (Ceased to be a Director w.e.f. 14.01.2019).

Fiji Ports Terminal Limited
A joint venture with Fiji Ports Corporation Limited, to operate and manage, the two major ports of Suva and Lautoka in Fiji.

Directors:
H. Patel (Chairman),
V. Chand,
Dr. M.P. Dissanayake (Appointed w.e.f. 18.03.2019),
J.M.S. Brito (Resigned w.e.f. 18.03.2019),
Ms. N. Sivapragasam,
I.S. Cuttilan,
J. Moore,
M.A.M. Isfahan.

Hapag-Lloyd Lanka (Private) Limited *
Liner agency representation.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
I.S. Cuttilan,
D. Bhatia,
L. Sorensen (Appointed w.e.f. 01.07.2018),
L. Christiansen (Resigned w.e.f. 01.07.2018).

Shipping and Cargo Logistics (Private) Limited *
Liner agency representation.

Directors:
V.M. Fernando (Chairman),
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
K.M.A.T.B. Tittawella,
K.M. Fernando,
A. Jayasekera,
I.S. Cuttilan (Appointed w.e.f. 07.06.2018).

GROUP COMPANIES AND DIRECTORATE

STRATEGIC INVESTMENTS SECTOR

PRINTING AND PACKAGING

Ace Exports (Private) Limited *
Provides printing and packaging services to the direct and indirect export markets.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

Aitken Spence Printing & Packaging (Private) Limited *
Provides printing and packaging services to the local market.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
P. Karunatilake (Managing Director),
Ms. N. Sivapragasam,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

Serendib Investments Ltd
To acquire the assets and printing and stationery business of the Government Printing and Stationery Department in Fiji.

Directors:
Y. Karan (Chairman),
A. Ram,
N. Fareed,
Ms. N. Sivapragasam,
P. Karunatilake.

GARMENT MANUFACTURING

Ace Apparels (Private) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers mainly in the USA and EU.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.C.J. Fernando (Appointed w.e.f. 22.10.2018),
P.D.C.N. Gunawardana (Resigned w.e.f. 18.10.2018).

Aitken Spence (Garments) Limited
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers primarily in USA and EU.

Directors:
Ms. D.S.T. Jayawardena,
R.G. Pandithakorralage,
P.C.J. Fernando (Managing Director) (Appointed w.e.f. 22.10.2018),
P.D.C.N. Gunawardana (Resigned w.e.f. 18.10.2018).

Aitken Spence Apparels (Private) Limited
Manufacturer and exporter of high quality clothing to departmental stores and apparel importers chiefly in USA and EU.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. D.S.T. Jayawardena,
R.G. Padithakorralage,
P.C.J. Fernando (Appointed w.e.f. 22.10.2018),
P.D.C.N. Gunawardana (Resigned w.e.f. 18.10.2018).

POWER GENERATION

Ace Power Embilipitiya (Private) Limited
Owns and operates a 100MW thermal plant in Embilipitiya to supply power to the national grid.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi,
Ms. N. Sivapragasam,
H.G. Balasuriya (Appointed w.e.f. 01.08.2018),
Mrs. A.M. Fernando (Resigned w.e.f. 31.12.2018).

Ace Wind Power (Private) Limited
Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam.

Aitken Spence Power (Private) Limited
Takes part in new project opportunities.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam.

Branford Hydropower (Private) Limited
Owns and operates a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam.

Western Power Company (Private) Limited
Has the approval to receive 600 – 800 metric ton of municipal solid waste from the Colombo Municipal Council and to construct, commission and operate a 10MW waste to energy power plant to supply energy to the national grid.

** The companies' financial statements are audited by KPMG*

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi (Managing Director),
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
Dr. R.M. Fernando (Ceases to be an Alternate Director to Mr. J.M.S Brito w.e.f. 29.03.2019).

Western Power Holdings (Private) Limited
Has the approval to invest in new waste conversion projects.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
L. Wickremarachchi (Managing Director),
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:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
Dr. R.M. Fernando,
Ms. N. Sivapragasam (Managing Director),
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
Ms. D.S.T. Jayawardena,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

Aitken Spence Group Limited *
Overall management of the Aitken Spence Group of Companies.

Directors:
Dr. M.P. Dissanayake (Appointed w.e.f. 15.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
C.M.S. Jayawickrama,
R.G. Pandithakorralage,
B.D.S. Mendis,
P. Karunatilake,
D.T.R. de Silva.

SERVICES SECTOR

PROPERTY MANAGEMENT

Aitken Spence Property Developments (Private) Limited *
Owns and operates the multi-storied office complex; "Aitken Spence Tower II" which serves as the Group's corporate office at Vauxhall Street, Colombo.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

Vauxhall Investments (Private) Limited
Owns buildings and land in Bloemendhal Street.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
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:
Dr. M.P. Dissanayake (Chairman) (Appointed as a Director w.e.f. 15.03.2019 and Appointed as Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. N. Sivapragasam,
R.G. Pandithakorralage.

INSURANCE SURVEY AND CLAIM SETTLING AGENCY

Aitken Spence International Consulting (Private) Limited *
Survey and claim settling agents for several reputed insurance companies and organisations worldwide. Superintendents for UN World Food Programme in Sri Lanka and the Republic of Maldives.

Directors:
Ms. N.W. de A. Guneratne (Managing Director),
A.N. Seneviratne,
R.G. Pandithakorralage.

INSURANCE BROKERING

Aitken Spence Insurance Brokers (Private) Limited *
Placement of life insurance and general insurance business with insurance companies in Sri Lanka.

Directors:
Ms. N.W. de A. Guneratne,
A.N. Seneviratne,
R.G. Pandithakorralage.

GROUP COMPANIES AND DIRECTORATE

ELEVATOR AGENCY

Aitken Spence Engineering Solutions (Private) Limited *
Joint Venture between Aitken Spence PLC and Mr. Balamurugan Kaliamoorthy incorporated to supply, install, test, commission and maintain equipment of any kind in the field of Air-conditioning, fire and security.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
D.R.C. Hindurangala (Appointed w.e.f. 01.11.2018),
B. Kaliyamoorthy,
Ms. N. Balamurugan,
S. Mariappan (Resigned w.e.f. 31.10.2018).

Elevators (Private) Limited *
A joint venture between Aitken Spence PLC and OTIS Elevators Company Private Limited are the exclusive agents and distributors in Sri Lanka and in the Republic of Maldives for marketing, installing, commissioning and maintaining OTIS elevators, escalators and other people moving equipment.

Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
B.D.S. Mendis (Joint Managing Director),
D.R.C. Hindurangala (Appointed w.e.f. 08.10.2018),
S. Joseph,
S. Mariappan (Resigned w.e.f. 31.10.2018).

Interlifts International Private Limited *
Sales & marketing, installing, testing, commissioning and maintaining OTIS elevators, escalators, moving walkways, and related equipment.

Directors:
B.D.S. Mendis (Managing Director),
A.K.M.P. Wijesekera (Resigned w.e.f. 13.03.2019),
M.M. Ahamed,
S. Mariappan (Resigned w.e.f. 31.10.2018),
D.R.C. Hindurangala (Appointed w.e.f. 08.10.2018).

A E Lanka (Pvt) Ltd.
Provides maintenance services of escalators, elevators and car park systems.

Directors:
A.A.K.M. Wijesundera,
Ms. R.I.D. Katipearachchi.

INFORMATION TECHNOLOGY SERVICES

Aitken Spence Technologies (Pvt) Ltd
Provision of Information Technology enabled services.

Directors:
Dr. R.M. Fernando,
B.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:
Dr. M.P. Dissanayake (Chairman) (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman w.e.f. 01.01.2019) (Resigned w.e.f. 29.03.2019),
M.D.D. Pieris (Ceased to be the Chairman w.e.f. 31.12.2018),
B.D.S. Mendis (Managing Director),
K. Balasundaram,
Ms. N. Sivapragasam,
Ms. J. Moragoda,
R.G. Pandithakorralage (Alternate Director to B.D.S. Mendis),
Dr. R.M. Fernando (Ceased to be an Alternate Director to J.M.S. Brito w.e.f. 29.03.2019),
J.V.A. Corera (Ceased to be a Director w.e.f. 09.04.2019),
M.R.P. Balendra (Alternate Director to M.D.D. Pieris) (Resigned w.e.f 15.08.2018).

PLANTATIONS

Aitken Spence Agriculture (Private) Limited *
To cultivate farm fruits and vegetables for the export market.
Directors:
Dr. M.P. Dissanayake (Appointed as a Director w.e.f. 15.03.2019 and Appointed as the Chairman w.e.f. 01.04.2019),
Dr. R.M. Fernando,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019).

OTHER SERVICES

Aitken Spence Exports (Private) Limited *
Bottles and markets "Hethersett" bottled water.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

EQUITY ACCOUNTED INVESTEES

TOURISM SECTOR

Amethyst Leisure Limited *
Holding Company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
V.J. Senaratne,
A. Mahir,
J.C. Weerakone.

Browns Beach Hotels PLC *
Owns the property leased out to Negombo Beach Resorts (Private) Limited.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Dr. M.P. Dissanayake (Appointed as an Executive Director w.e.f. 15.03.2019),
A.L. Gooneratne,
Ms. D.S.T. Jayawardena,
R.N. Asirwatham,
N.J. de Silva Deva Aditya,
C.R. Stanislaus,
J.M.S. Brito (Resigned w.e.f. 29.03.2019).

Negombo Beach Resorts (Private) Limited *
Owns the Heritance Negombo hotel

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
C.R. Stanislaus.

Paradise Resort Pasikudah (Private) Limited *
Owning Company of Amethyst Resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
V.J. Senaratne,
J.C. Weerakone,
A. Mahir (Resigned w.e.f. 19.09.2018).

MARITIME & LOGISTICS SECTOR

CINEC Campus (Private) Limited*
(Formally known as Colombo International Nautical and Engineering College (Private) Limited).
Sri Lanka's largest private maritime and higher education campus.

Directors:
Capt. P.A.P. Peiris,
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Resigned w.e.f. 29.03.2019),
Ms. N. Sivapragasam,
Ms. N.W. de A. Guneratne,
R.G. Pandithakorralage,
D. Malais,
Capt. H.D.J.B. Ranchigoda,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski),
I.S. Cuttilan,
R.S. Egodage,
P.S.R. Casie Chitty,
D.T.K.C. Lakindu.

Fiji Ports Corporation Limited
Owns and operates all the major ports in Fiji in addition to providing navigational services.

Directors:
S. Ali (Chairman),
V.P. Maharaj,
V. Chand,
Dr. M.P. Dissanayake (Appointed w.e.f. 18.03.2019),
J.M.S. Brito (Resigned w.e.f. 18.03.2019),
T. Kuruvakadua,
S.S. Singh,
S. Kaba,
I.S. Cuttilan,
T. Baravilala.

STRATEGIC INVESTMENTS SECTOR

Aitken Spence Plantation Managements PLC *
Managing agents for Elpitiya Plantations PLC.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
Dr. R.M. Fernando (Managing Director),
Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
L.N. de S. Wijeyerathne,
B. Bulumulla,
Dr. R.A. Fernando,
A.T.S. Sosa (Alternate Director to Merrill J. Fernando),
A.L.W. Goonewardena (Resigned w.e.f. 30.06.2018).

Elpitiya Plantations PLC
Owns 13 Tea, Rubber and Oil Palm estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,830.52 hectares.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed w.e.f. 29.03.2019),
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
Dr. R.M. Fernando (Managing Director),
A.L.W. Goonewardena (Resigned w.e.f. 30.06.2018),
B. Bulumulla (Appointed w.e.f. 02.07.2018),
Merrill J. Fernando,
Malik J. Fernando,
Dr. S.A.B. Ekanayake,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),

GROUP COMPANIES AND DIRECTORATE

S.C. Ratwatte,
Ms. B.W.G.C.S Bogahawatta,
A.T.S. Sosa (Alternate Director to Merrill J. Fernando),
D.A. de S. Wickremanayake.

Venture Valley (Private) Limited
Develop and Operate an Adventure park in a land identified at Deviturai Estate, Ethkandura in order to offer Adventuristic Programmes to Local and Foreign Visitors.

Directors:
Dr. M.P. Dissanayake (Chairman) (Appointed w.e.f. 15.03.2019),
Dr. R.M. Fernando,
J.M.S. Brito (Chairman) (Resigned w.e.f. 29.03.2019),
A.W.S.N. Gunathilake (Resigned 26.08.2018),
Ms. E.D.P.D. Senadeera (Resigned w.e.f. 26.08.2018).

SERVICES SECTOR

Aitken Spence C & T Investments (Private) Limited *
The Corporate has ceased operations due to circumstances beyond its control.

Directors:
A.Y. Atapattu (Chairman),
Dr. M.P. Dissanayake (Appointed w.e.f. 29.03.2019),
S. Chandramohan,
Dr. R.M. Fernando,
B.D.S. Mendis,
S.G. Atapattu,
J.M.S. Brito (Resigned w.e.f. 29.03.2019).

Ecocorp Asia (Private) Limited *
Formulates specialised surface protection systems and applications on different materials utilising nanotechnology while introducing diverse innovative solutions for industries.

Directors:
C.V.J.P. Fraser,
K.M. Fernando,
V.M. Fernando,
Dr. R.M. Fernando,
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam.

** The companies' financial statements are audited by KPMG*

AWARDS AND ACCOLADES: FINANCIAL YEAR 2018/19

Aitken Spence PLC and its companies strive towards achieving excellence in all our activities, to establish high growth businesses in Sri Lanka and across new frontiers, and to become a globally competitive market leader in the region. In that effort, recognition we receive in our journey is an encouragement and testament to the success of our management approach.

Recognition received at Group level;

- Aitken Spence PLC was adjudged the Best Corporate Citizen 2018 at the BCCA Sustainability Awards ceremony conducted by the Ceylon Chamber of Commerce. This is;
  - The second consecutive year and the third time overall that Aitken Spence PLC has been adjudged winner of this award
  - The 13th consecutive year that Aitken Spence PLC has been ranked among the Top Ten Best Corporate Citizens of Sri Lanka
  - The company also secured the following awards;
  - Triple Bottom Line Award for Social Sustainability
  - Category Award for Environment Beyond the Business
  - Category Award for Employee Relations
  - Category Award for Customer Relations
  - Diversified Holdings Sector Award
  - Consistent Commitment and Continuous Improvement Award for
    - Environmental Commitment
    - Environmental Integration
    - Customer Relations
    - Community Relations
- Aitken Spence PLC was the winner of the Silver Award in the Diversified Holdings category at the Annual Report Awards 2018 conducted by the Chartered Accountants of Sri Lanka. The annual competition recognises best practices in reporting in the corporate sector by awarding companies which have demonstrated leadership in transparency, accountability and good governance via their annual reports.
- Aitken Spence PLC was Placed 3rd in the STING Corporate Accountability Index of 2018, while maintaining the Platinum classification for the sixth consecutive year.

Recognition received by the Tourism Sector;

- Aitken Spence Hotel Holdings PLC was the winner of the Silver Award in the Hotel Companies category at the Annual Report Awards 2018 of the Chartered Accountants of Sri Lanka. The annual competition recognises best practices in reporting in the corporate sector by awarding companies which have demonstrated leadership in transparency, accountability and good governance via their annual reports.
- Aitken Spence Travels was the winner of the Major Inbound Tour Operator – Large Category at the Sri Lanka Tourism Awards 2018

Recognition received by the Maritime & Logistics Sector;

- Fiji Ports Terminal Ltd. won the Fiji Business Excellence award presented by the President of the Republic of Fiji Islands. This award was organised by the Fiji National University and is a set of prestigious national awards designed to improve productivity and quality in organisations in Fiji.

Recognition received by the Strategic Investments Sector;

- Aitken Spence Printing & Packaging was the winners of a gold award, two silver awards and two bronze awards at the Lanka Star Awards 2018 organised by the Sri Lanka Institute of Packaging and Packaging Development Centre to acknowledge business excellence in the packaging industry.
- Ace Apparels (Pvt) Ltd. won a merit award at the Ceylon National Chamber of Industries (CNCI) Achiever Awards 2018 and held for the 17th consecutive year. CNCI annually organises this coveted Achiever Awards Competition to recognise and reward the industrialists in the manufacturing and service sectors.
- Elpitiya Plantations PLC won a "Best Sustainability Project 2018" award, at the Best Corporate Citizen Award 2018 organised by the Ceylon Chamber of Commerce, for the "Haritha Shakthi" project. This recognised the formulation of the company's sustainability strategy embedded in company's strategic business plan. The company was also awarded a merit certificate for the "We Care for Them" project, an initiative to care for persons with special needs at the estates.

GLOSSARY OF TERMS

Assets Held for Sale

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

Asset Turnover

Total revenue divided by average total assets.

Available-for-Sale

Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AWDR

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

AWPLR

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

Basis Point

One hundredth of a percentage point. i.e.1/1000

Capital Employed

Shareholders' funds plus non-controlling interests and total debt.

Capital Expenditure

The total of additions to property, plant & equipment, intangible assets, investment property and the purchase of outside investments.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Carrying Amount

The amount at which 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.

Contract Asset

An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

Contract Liability

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amounts due) from the customer.

Credit Risk

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

Current Ratio

Current assets divided by current liabilities.

Currency SWAP

An agreement between two parties to exchange two currencies at a certain exchange rate on a specified date in the future.

Debenture

A long-term debt instrument issued by a corporate.

Debt/Equity Ratio

Non-current interest-bearing borrowings divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Derivatives

Financial contracts whose values are derived from the values of underlying assets.

Dividend Cover

Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend – Payout Ratio

Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividends per Share (DPS)

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

Earnings per Share (EPS)

Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

Effective Rate of Dividend

Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

Effective Rate of Interest

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the financial year.

Employee Attrition Rate

Number of resignations/Average number of employees *100.

Equity Instruments

A contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Expected Credit Losses

Probability-weighted estimate of credit losses.

Fair Value

The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair Value Through Profit or Loss (FVPL)

Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Fair Value Through OCI (FVOCI)

Financial instruments that are held for trading and measured at fair value through other comprehensive income.

Financial Asset

Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial Instruments

Any contract that gives rise to financial assets of one entity and financial liability or equity instrument of another entity.

Financial Leverage

Total average assets divided by total average equity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Goodwill on Consolidation

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

Gross Treasury Bill Rate

Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

Guarantees

A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations under that said contract.

Held-to-Maturity

A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

Impairment

Occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Assets

An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services for rental to others or for administrative purposes.

Interest Cover

Operating profit before interest divided by the net interest.

Interest Rate Swap

An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

Investment Property

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both.

LIBOR

The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

Liquidity Risk

The risk of an entity having constrains to settle its financial liabilities.

Loans and receivables

A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

Loss Given Default (LGD)

The magnitude of the loss if there is a default.

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share.

GLOSSARY OF TERMS

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 attributable to equity holders divided by the revenue.

Non-controlling Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

Operating Profit Margin (EBIT Margin)

Earnings before interest and tax divided by revenue.

Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

Probability of Default (PD)

Estimate of likelihood that a borrower will be unable to meet debt obligations.

Quick Asset Ratio

Total current assets less inventories divided by total current liabilities.

Related Parties

Parties who could control or significantly influence the financial and operating decisions of the business.

Return on Equity Accounted Investments

Share of profit of equity-accounted investees (net of tax) divided by the average investment in equity-accounted investees at the beginning and end of the financial year.

Return on Capital Employed (ROCE)

Profit before finance expense and tax as a percentage of average capital employed.

Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves

Reserves set aside for future distributions and investments.

Stand-alone Selling Price

The price at which an entity would sell a promised good or service separately to a customer.

Total Equity

Total of share capital, reserves, retained earnings and non-controlling interest.

Treasury Bill

Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond

Medium to long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (interest) paid on semi-annual basis.

Unquoted Shares

Shares which are not listed in the Stock Exchange.

Yield to Maturity

The discount rate that equals present value of all expected interest payment and the repayment of principal.

Young Managers

Executives in managerial positions (Assistant Manager and above), and under 35 years of age.

Working Capital

Current assets less current liabilities.

CORPORATE INFORMATION

Name
Aitken Spence PLC

Legal Form
A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1952.

Company Registration Number
PQ 120

Registered Office
No. 315, Vauxhall Street,
Colombo 2,
Sri Lanka.

Directors
D.H.S. Jayawardena - Chairman

M.P. Dissanayake
Professor – Maritime Studies, Alumni USJ, Norad, JICA, University of Oxford – Business Alumni, Harvard Business School (EEP), Fellow (CIM, ICS, CILT-UK)- Deputy Chairman & Managing Director (Appointed w.e.f. 15.03.2019)

J.M.S. Brito
LLB, FCA, MBA (Retired from the office of Deputy Chairman & Managing Director w.ef. 15.03.2019 and continues as a Non-Executive Director of the Company)

R.M. Fernando
Ph. D., MBA, FCIM (UK)

D.S.T Jayawardena

G.C. Wickremasinghe

C.H. Gomez

N.J. de Silva Deva Aditya

R.N. Asirwatham
FCA

Alternate Director
A.L. Gooneratne
FCA (Alternate Director to N. J. de S. Deva Aditya)

Audit Committee
R.N. Asirwatham – *Chairman*

G.C. Wickremasinghe

C.H. Gomez

N.J. de S. Deva Aditya/A.L. Gooneratne
(Alternate Director to N.J. de S. Deva Aditya)

J.M.S. Brito
(Appointed w.e.f 23.05.2019)

Remuneration Committee
G.C. Wickremasinghe – *Chairman*

R.N. Asirwatham

C.H. Gomez

Nomination Committee
G.C. Wickremasinghe – *Chairman*

D.H.S. Jayawardena

R.N. Asirwatham

Related Party Transactions Review Committee
R.N. Asirwatham – *Chairman*

G.C. Wickremasinghe

C.H. Gomez

N.J. de S. Deva Aditya/
A. L. Gooneratne
(Alternate Director to N.J. de S. Deva Aditya)

J.M.S. Brito
(Appointed w.e.f 23.05.2019)

Secretaries
Aitken Spence Corporate Finance (Private) Limited
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

Tel: (94 11) 2308308
Fax:(94 11) 2308099

Registrars
Central Depository Systems (Private) Limited
Ground Floor, M & M Centre,
No. 341/5, Kotte Road,
Rajagiriya.

T: (94 11) 2356456
F: (94 11) 2440396

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamad Macan Markar Mawatha,
P.O Box 186,
Colombo 03.

Holding Company
Melstacorp PLC

Contact Details
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

T: (94 11) 2308308
F: (94 11) 2445406
www.aitkenspence.com

NOTES

NOTICE OF MEETING

Notice is hereby given that the Sixty Seventh Annual General Meeting of Aitken Spence PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, at 10.00 a.m. on Friday, June 28, 2019, for the following purposes: -

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2019 with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-appoint Deshamanya D.H.S. Jayawardena who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who is 76 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. G.C. Wickremasinghe who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G.C. Wickremasinghe who is 85 years of age and that he be re-appointed a Director of the Company."

5. To re-appoint Mr. R.N. Asirwatham who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R.N. Asirwatham who is 76 years of age and that he be re-appointed a Director of the Company."

6. To re-appoint Mr. J.M.S. Brito who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M.S. Brito who is 72 years of age and that he be re-appointed a Director of the Company."

7. To re-appoint Mr. N.J. de S. Deva Aditya who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. N.J. de S. Deva Aditya who is 71 years of age and that he be re-appointed a Director of the Company."

8. To re-elect Dr. R.M. Fernando who retires in terms of Article 83 of the Articles of Association, as a Director.

9. To authorise the Directors to determine contributions to charities.

10. To re-appoint the retiring Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

11. To consider any other business of which due notice has been given.

By Order of the Board

Aitken Spence PLC

Aitken Spence Corporate Finance (Private) Limited
Secretaries

24th May 2019
Colombo

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.

2. The completed Form of Proxy must be deposited at the Registered Office of the Company No. 315, Vauxhall Street, Colombo 2, not less than forty eight hours before the time fixed for the meeting.

3. Should the Dividend recommended is approved by the Shareholders at the Annual General Meeting, it is proposed to post the dividend warrants on July 09, 2019 and in accordance with the Rules of the Colombo Stock Exchange, the shares of the Company will trade ex- dividend with effect from July 01, 2019.

FORM OF PROXY

I/We .... of

.... being a member/members of

Aitken Spence PLC hereby appoint ....

of ....

.... (whom failing)

Don Harold Stassen Jayawardena	(whom failing)
Mahinda Parakrama Dissanayake	(whom failing)
Rohan Marshall Fernando	(whom failing)
Don Stasshani Therese Jayawardena	(whom failing)
Joseph Michael Suresh Brito	(whom failing)
Gaurin Chandraka Wickremasinghe	(whom failing)
Charles Humbert Gomez	(whom failing)
Niranjan Joseph de Silva Deva Aditya	(whom failing)
Rajanayagam Nalliah Asirwatham	

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 28th day of June 2019, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this .... day of June Two Thousand Nineteen.

....
Signature

Note : Instructions as to completion are noted on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed form of proxy should be deposited at the Registered Office of the Company, No. 315, Vauxhall Street, Colombo 02 not later than 10.00 a.m. on June 26, 2019.

AITKEN SPENCE PLC | SHAREHOLDER FEEDBACK FORM

Name (Optional) : ....

Address (Optional) : ....
....

Number of shares held (Optional) : ....

Please rate the following areas (where applicable) on a scale of 1 to 5 where 1 is the lowest to 5 being the highest	Lowest 1	2	3	4	Highest 5
1. Business Development					
a) Quality and presentation of the Annual Report	❑	❑	❑	❑	❑
b) Usefulness of the information in the interim Financial Statements	❑	❑	❑	❑	❑
c) Likelihood of the financial information in the Annual Report to influence investment decisions	❑	❑	❑	❑	❑
d) Likelihood of the environmental information in the Annual Report to influence investment decisions	❑	❑	❑	❑	❑
e) Likelihood of the social information in the Annual Report to influence investment decisions	❑	❑	❑	❑	❑
f) Satisfaction with the risk management strategies of the Company	❑	❑	❑	❑	❑
2. Corporate Communication					
a) Quality of Group communications appearing in traditional media (newspapers, radio, television).	❑	❑	❑	❑	❑
b) Quality of Group communications appearing in emerging and new media (social media, web).	❑	❑	❑	❑	❑
c) Satisfaction with the frequency and volume of Group communications appearing in mass media channels (newspapers, radio, television)	❑	❑	❑	❑	❑
d) Accessibility and availability of information related to the Group in mass media channels	❑	❑	❑	❑	❑
e) Quality of service and information provided at stakeholder contact channels (web, general line, front office/ reception)	❑	❑	❑	❑	❑
f) Satisfaction with the contact channels available for queries and feedback	❑	❑	❑	❑	❑
3. Human Resources					
a) Satisfaction with the conduct of Group employees	❑	❑	❑	❑	❑
b) Competency of Group employees based on your recent interactions.	❑	❑	❑	❑	❑
c) Access to HR related information	❑	❑	❑	❑	❑
4. Sustainability					
a) Satisfaction with the strategies developed for economic sustainability	❑	❑	❑	❑	❑
b) Satisfaction with the commitment of the Group towards environmental conservation	❑	❑	❑	❑	❑
c) Satisfaction with the commitment of the Group towards social empowerment and community development	❑	❑	❑	❑	❑
d) Ethical conduct of the Group in business activities	❑	❑	❑	❑	❑

Please tick more than one where applicable:

5. What areas of the following business activities are you interested in receiving more information regarding via Group communications?

a) Sustainability initiatives ❑

b) Reporting processes ❑

c) Internal operations ❑

d) New business initiatives ❑

e) Strategic investments ❑

6. What channels of communication are preferred when receiving Group related information?

a) Web ❑

b) Newspapers ❑

c) Electronic media ❑

d) Social media ❑

e) Mobile ❑

7. Out of the following, what areas of sustainability do you feel Aitken Spence Group should focus more on?

a) Energy ❑

b) Water ❑

c) Biodiversity ❑

d) Waste management ❑

e) Resource efficiency ❑

f) GHG emission reduction ❑

g) Social empowerment ❑

h) Infrastructure development ❑

i) Education ❑

The completed Feedback Form could be handed over to a Company representative at the end of the Annual General Meeting or emailed to info@aitkenspence.lk or mailed/ delivered to the Group Company Secretaries at the Registered Office of the Company at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

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