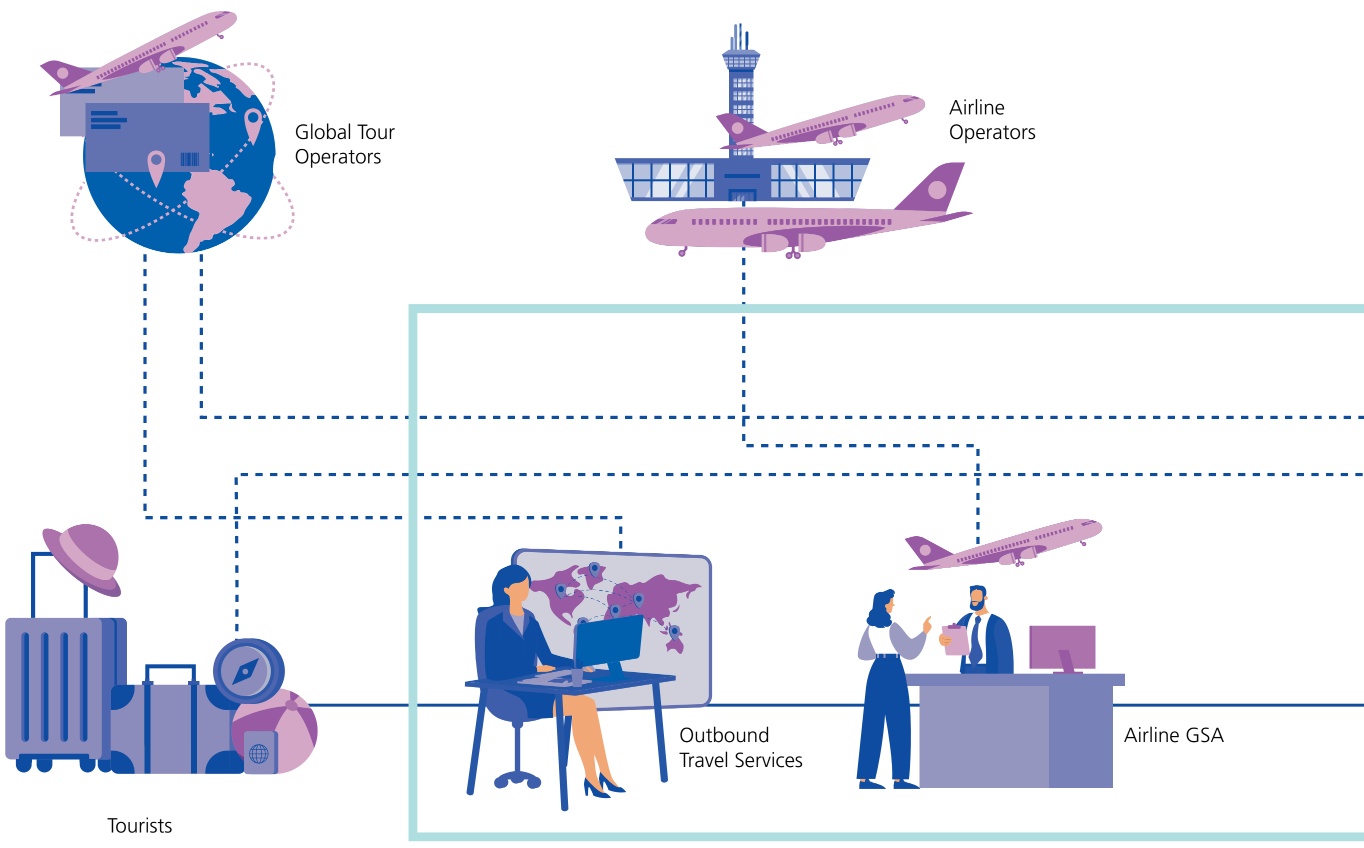
SECTOR REVIEWS

Tourism Sector

The Group's Tourism Sector recorded a strong performance during the year, emerging as the highest contributor towards the overall Group EBITDA with a revenue and EBITDA contribution of 61.1% and 63.3% respectively. The Sector's geographical diversity and strong presence along the travel value chain, together with long standing partnerships with global leaders in the industry has enabled it to remain resilient amidst turbulent market conditions.

Our Presence Along the Value Chain (GRI 2-6)

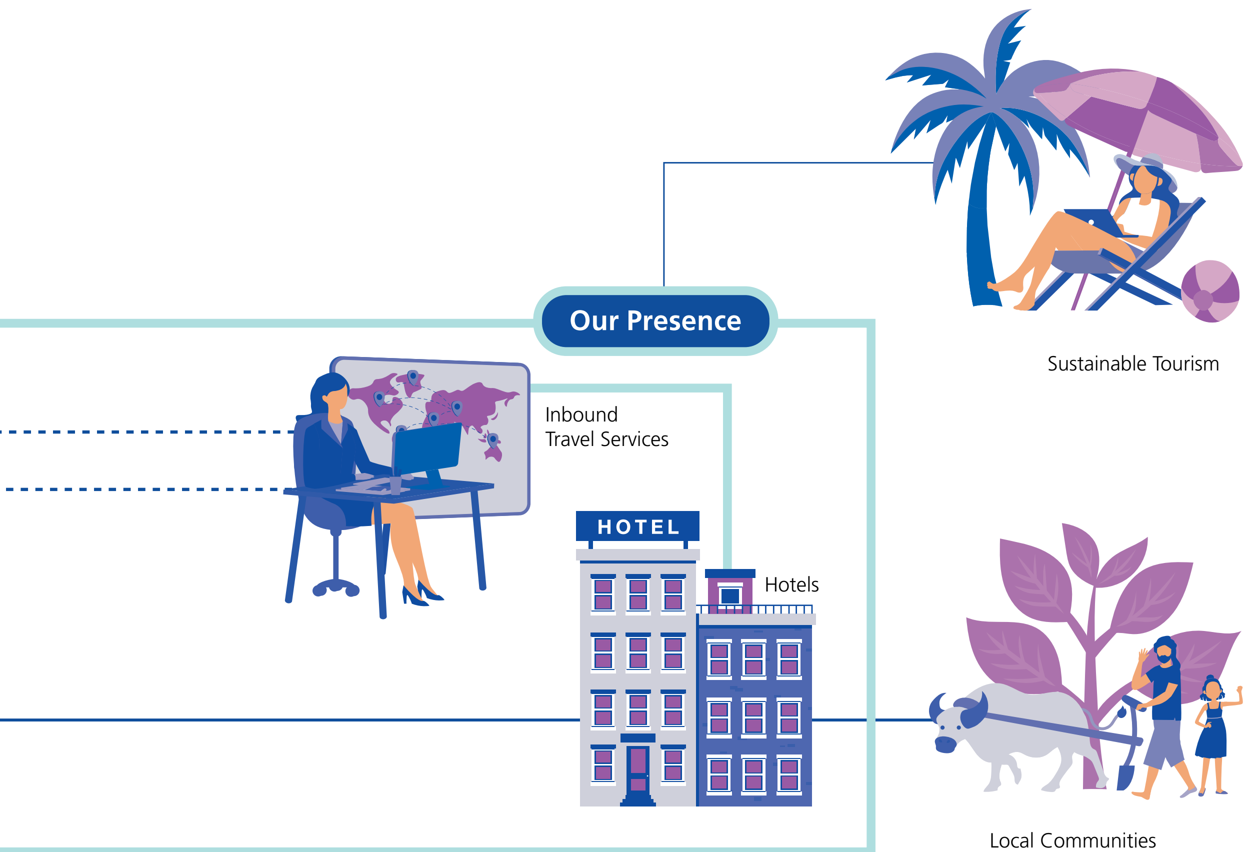


SDG Commitments

Destination Management

Sri Lanka, Maldives, Myanmar

Aitken Spence Travels, in collaboration with TUI, stands as one of the largest destination management companies in the country. Throughout the financial year, it has successfully managed the travel arrangements for over 200,000 tourists visiting Sri Lanka



Airline GSA

Sri Lanka, Maldives

Through its airline GSA operations, Aitken Spence acts as the representative for Singapore Airlines and Jazeera Airlines in Sri Lanka, as well as for Sri Lankan Airlines in the Maldives.

Hotels

Sri Lanka, Maldives, Oman, India

The Group enjoys a strong presence in the hotel sector with a portfolio of 18 hotels in Sri Lanka, Maldives, Oman and India. Aitken Spence Hotels also operates its own hotel school.

VALUE CREATED AND DISTRIBUTED

Performance Highlights-2023/2024

Rs. 67.4 Bn
Revenue

Rs. 15.5 Bn
EBITDA

Rs. 3.7 Bn
Profit before Tax

Contribution to Group

Revenue	Profit before Tax	Assets	Liabilities	Employees	Emissions	Water consumed
61%	41%	55%	62%	26%	49%	89%

Contribution to Economy

220,000+
Inbound Tourists

Rs. 32.2 Bn
Facilitation of Foreign Exchange Generation to the Country

3,678
Employment Generated

14.1%
Female Participation in Labour Force

22,415 GJ
Renewable Energy Generated

Value to Stakeholders

Rs. 9.0 Bn
Value Created for Employees

Rs. 46.7 Bn
Payments to Suppliers and Business Partners

Rs. 37 Mn
Investment in Sustainability Processes

Rs. 8.3 Bn
Taxes paid to Governments (Direct and Indirect)

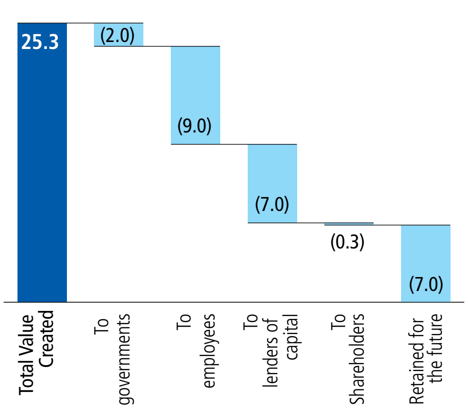
Distribution of Value Added

During the financial year the Tourism Sector witnessed an increase in its economic performance, resulting in a higher value creation of Rs. 25.3 billion. This growth signifies the sector's recovery from challenging times experienced by the industry as a whole and the strategic measures implemented to overcome these challenges.

The Sector's employees, who form the backbone of its service delivery, were the primary beneficiaries of this value creation. Value distributed to employees amounted to 36% of the total value created being a clear indication of the Sector's commitment to its workforce. This distribution not only rewards their hard work and dedication but also underscores their crucial role in maintaining the Sector's high standards of service excellence.

Given the capital-intensive nature of the tourism industry, a significant portion of the investments was financed through debt. As a result, 28% of the economic value created was allocated to the lenders of capital. A total of Rs. 2.0 billion being distributed to governments, and additionally, the Sector retained approximately 28% of the value for the future growth and sustainability of its operational activities.

Distribution of Value Created
Rs.Bn



PESTEL (POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, ENVIRONMENTAL, LEGAL) ANALYSIS

P – Political

Political stability crucially influences tourist perceptions. Upcoming elections in Sri Lanka and India, as well as Middle Eastern crises, may affect tourism by creating uncertainty that can deter potential visitors.

E – Economical

Economic variables significantly impact tourism through changes in disposable income and spending habits, influencing demand. Factors such as currency fluctuations and local economic policies also determine destination attractiveness and capability to host tourists.

S – Social

Tourist lodging preferences are shifting towards more authentic, local experiences. This trend, boosted by platforms like Airbnb and a growing interest in eco-tourism and cultural tourism, challenges traditional hotels and reshapes the industry.

T – Technological

Technological developments including Artificial Intelligence (AI) are transforming tourism operations and customer engagement. Innovations in online booking, digital marketing, virtual reality, and mobile integration are pivotal.

E – Environmental

The importance of environmental considerations in tourism is rising, with a focus on sustainable practices. Climate change, extreme weather events, and environmental policies are increasingly shaping destination choices and operational strategies.

L – Legal

The tourism industry must navigate a complex legal environment that includes compliance with business operation regulations, consumer protection laws, employment standards, and health and safety requirements. Additionally, international sanctions, embargoes, and travel advisories play a critical role.

OPERATING ENVIRONMENT

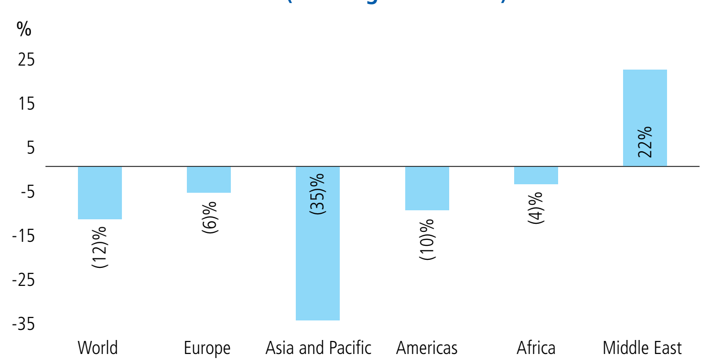
Global Tourism - Key Trends in 2023/2024

Tourist arrivals showed a steady recovery, increasing by 34% globally and reaching 88% of pre-pandemic levels in 2023. The recovery was supported by strong pent-up demand as well as the gradual increase in air connectivity during the year. Although rising tensions in the Middle East, towards the end of the year and the ongoing conflict in Russia impacted markets in these regions, strong recovery in Asian markets and destinations continued to drive the recovery momentum through 2024.

34%

YoY increase in international tourists in 2023

International Tourist Arrivals (% change from 2019)



KEY CHALLENGES AND OPPORTUNITIES 2023/2024

Challenges

- Rising geopolitical tensions including conflicts in the Middle East and Russia continue to impact the recovery momentum of global tourism. The Middle East and Russia are also key source markets for several of markets we operate in
- Recession in Europe impacted on tourist arrivals and spending propensity from this region
- Significant talent migration from Sri Lanka has led to shortages of skilled labour in the hospitality and related sectors

Opportunities

- Significant pent-up demand emerging from successive years of COVID, which translated to higher arrivals across tourist destinations
- Increased focus of governments and stakeholders to promote destinations and strengthen tourism industry infrastructure
- Increased demand for sustainable tourism value proposition

KEY MARKETS

Location	Operations	Market overview 2023/2024
Sri Lanka	Hotels (9), Destination Management and Airline GSA	Sri Lanka's tourism industry experienced a robust revival in 2023, with tourist arrivals more than doubling during the year, to reach 1,487,303 arrivals during the period January to December 2023. India, Russia, United Kingdom, Germany and China were the main source countries for tourist arrivals in 2023. Total arrivals during the three months ending March 2024 amounted to 635,784 compared to 335,679 during the corresponding period in 2023, with each of the first three months of 2024 recording over 200,000 tourist arrivals.
Maldives	Hotels (5), Destination Management and Airlines GSA	Tourist arrivals to Maldives in 2023 amounted to 1.88 million tourists, a 12% increase compared to 2022. Tourist arrivals during the first quarter of 2024 meanwhile remained buoyant, recording a 15.3% increase compared to the corresponding period in 2023. According to data released by the Maldives Tourism Ministry, India has remained the largest tourist market for the country in 2023, followed by Russia and China, respectively. In 2023, nine new resorts were launched in the Maldives, collectively contributing over 2500 additional beds. The growth of room inventory continues to exert pressure on margins in the Maldives.
India	Hotels (1)	Tourist arrivals to India experienced a significant rebound in 2023, with foreign tourist arrivals in 2023 surging 64% compared with 2022, to 9.2 Mn visitors between January and December 2023. However, despite this impressive growth, the sector remains 15.5% below pre-pandemic levels recorded in 2019, according to the Ministry of Tourism's data.
Oman	Hotels (3)	Oman's tourism sector is on a strong growth trajectory, with tourist arrivals to the country recording a YOY increase of 23.5% to 3.6 million arrivals in 2023. Gulf Corporation Council (GCC) continues to be the key source market for Oman tourism due to regional proximity and strong transport links.

TOURISM SECTOR

Statement of Financial and ESG performance (GRI 201-1; 203-1; 302-1; 303-3, 303-4; 305-1, 305-2; 306-5)

	2023/24	2022/23	YoY(%)
Revenue (Rs. Mn)	67,410	56,145	20
EBITDA (Rs. Mn)	15,520	14,235	9
Profit before tax (Rs. Mn)	3,742	2,327	61
Profit after tax (Rs. Mn)	2,253	735	207
Total Assets (Rs. Mn)	110,952	116,904	-5
Total Liabilities (Rs. Mn)	78,761	85,392	-8
SDGs towards which the Sector's performance contributes: 4, 5 and 8			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 8.5, 8.6, 8.9			
Number of Employees	3,678	3,349	10
Employee female representation	14%	13%	8
Employee benefits paid (Rs. Mn)	8,976	9,270	-3
Training hours per employee	26	31	-16
SDGs towards which the Sector's performance contributes: 4, 5, 8 and 12			
Targets: 4.3, 4.4, 4.7, 5B, 8.6, 8.9, 12.2, 12.6, 12.b			
Investment in training (Rs. '000)	3,208	11,181	-71
Brand stewardship	7	144	-95
Number of Certifications	21	28	-25
SDGs towards which the Sector's performance contributes: 8, 9 and 12			
Targets: 8.9, 9.1, 12.6, 12.8, 12.b			
Number of airline GSA relationship	6	5	20
Number of joint venture/equity partnerships	7	7	0
Number of suppliers screened on ESG within the year	37	6	517
Total funds channelled for community development (Rs. Mn)	2	26	-93
SDGs towards which the Sector's performance contributes: 8, 9, 12 and 14			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 14.1, 14.2			
(Note - data for 2023 has been restated as the emission factors have been revised)			
Total energy consumption (GJ)	439,523	392,308	12
Total energy consumed from renewable sources (GJ)	22,415	12,646	77
Scope 1 emissions (tCO2e)	25,646	23,630	9
Scope 2 emissions (tCO2e)	14,963	20,415	-27
Emissions reduced or offset (tCO2e)	3,845	1,229	213
Total water withdrawn (m3)	1,460,264	728,845	100
Total volume of water treated for reuse or safe disposal (m3)	675,690	610,206	11
Total amount of solid waste kept away from landfills			
(Tonnes)	2,438	1,494	63
(Units)	10,785	0	100
(Litres, waste oil)	5,775	3,285	76
Total investment in sustainability driven processes (Rs. Mn)	37	59	-37
SDGs towards which the Sector's performance contributes: 9			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	66,463	72,925	-9
Investment in manufactured capital (Rs. Mn)	1,880	2,010	-6
Number of Keys owned and managed	2,639	2,633	0

DRIVING STRATEGY

The Group's Tourism Sector experienced a marked improvement in performance with a revenue growth of 20% to Rs. 67.4 Bn and an EBITDA growth of 9% to Rs. 15.5 Bn in the financial year 2023/2024.

Healthy occupancy rates across our properties in Sri Lanka, Maldives and India, together with higher room rates supported the improved top line performance of the hotels segment, while expansion initiatives and collaborative partnerships entered into by our destination management segment resulted in a higher number of tourists handled.

Operational costs remained high, particularly in Sri Lanka, due to the spill-over effects of the unprecedented levels of inflation recorded in the latter part of 2022. Although inflation was lower in 2023, the price increases already experienced did not reverse.

The appreciation of the Rupee during the financial year had a negative impact on revenue and profitability. As a result, the profit before tax amounted to Rs. 3.7 Bn compared to Rs. 2.3 Bn during the previous financial year.

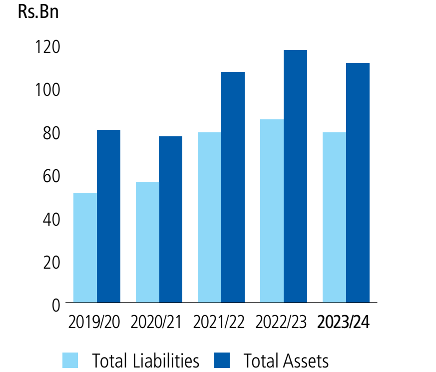
We focused on building capacity across the sector. Training and development opportunities were provided widely, while an increased emphasis was placed on monitoring employee satisfaction and nurturing a positive culture in order to attract and retain skilled employees. Meanwhile, innovative recruitment was adopted to attract young talent from diverse backgrounds into the tourism industry.

Continued pressure on margins due to inflationary pressures, tax increases and higher operational costs necessitated a greater focus on driving operational efficiencies. Several investments were made to strengthen our digital capabilities, including the introduction of a New Distribution Capability platform for travel agents.

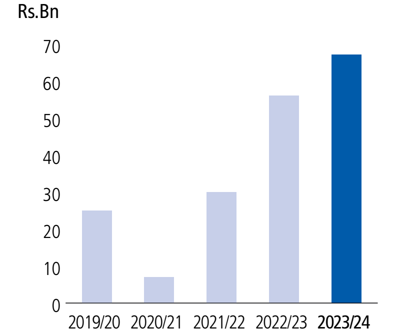
Having operated in tourism for over 50 years, we have continuously developed strong relationships with global players in the industry. We successfully leverage these relationships to strengthen our market presence by entering new markets and developing new products across the segments we operate in.

The Sector is a pioneer in sustainability and has made a mark of transforming industry practices to ensure long-term sustainability of business models and sustainable value creation. Given the projected growth and vast opportunities within the industry, it is crucial that stakeholders actively preserve the natural and social capital fundamental to the industry's success. In response, companies within the Sector have implemented stringent systemic interventions, adhering to international benchmarks and industry standards. Additionally, the industry's susceptibility to climate change underscores the critical role of the sustainability and Disaster Risk Reduction (DRR)/Business Continuity Management (BCM) teams. The Sustainability teams are pivotal in driving operational sustainability strategies of the Sector, while the DRR teams focus on analysing the business model to identify vulnerabilities and develop strategies to bolster resilience. These priorities are reflected in the Sector's performance in sustainability.

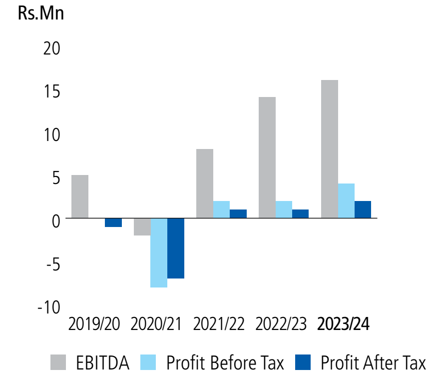
Stability



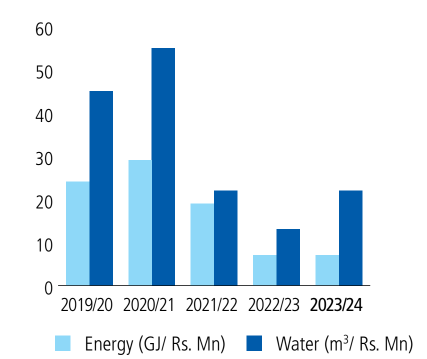
Revenue



Profitability



Resource Consumption per Unit Revenue



FUTURE OUTLOOK

The outlook for the industry remains positive, with the UNWTO expecting international tourism to fully recover to pre-pandemic levels in 2024. The pace of recovery in Asia and evolution of existing economic and geopolitical downside risks will however have a significant impact on the pace of the recovery.

The positive outlook on global tourism bodes well for the hotel segment. Growth in the segment is likely to be mainly from Sri Lanka, given the encouraging increase in arrivals during the past few months. Maldives continues to be a stable market but there is intensifying competition from the guest house segment, due to price pressures. Prospects for India are also positive, although Oman operations are likely to be impacted by the ongoing conflict in the region.

The destination management segment is also likely to benefit from post pandemic recovery, with tour operators developing new and innovative experiences to capture new customer segments. Enhanced connectivity and gradual resumption of business travel also bodes well for the segment.

Although prospects for the Airline GSA segment continues to be promising, with more market segments opting for overseas travel, the air cargo market of Sri Lanka is likely to be negatively impacted by sluggish economic conditions and exchange rate volatility.

Price and margin pressure are likely to be concerns across segments, rendering investments in digitalisation, automation and data analytics crucial for enhancing operational efficiency, improving customer experiences and staying competitive in the rapidly evolving travel industry landscape.

WAY FORWARD

Short Term	Long Term
Sustainable growth in profit and market share & geographical and business expansion	
▪ Revive traditional source markets through innovative offerings ▪ Leverage existing relationships to develop new source markets and new products ▪ Invest in brand awareness campaigns in high potential markets ▪ Focused efforts to streamline processes and enhance service quality through digitisation and automation ▪ Enhance data analytics capabilities to better predict customer behaviour and drive greater operational efficiencies	▪ Develop new source markets by forging new relationships with tour operators ▪ Extend our operational reach into new geographic areas through organic expansion or strategic acquisitions and strengthen our presence in crucial international markets by capitalising on our established brand reputation and industry expertise ▪ Continue investing in comprehensive renovations and refurbishments for the product repositioning of our resorts, ensuring they adapt to evolving market demands
Achieve 'Employer of Choice' status	
▪ Continued focus on building capacity of existing pool of employees	▪ Explore innovative recruitment models and untapped cohorts to access skilled talent for the industry
Reduction in resource footprint	
▪ Increase fleet of hybrid/ electric vehicles ▪ Implement a transition towards sustainable energy by deploying rooftop and floating solar photovoltaic facilities, with the objective of deriving 50% of each resort's energy consumption from renewable sources	▪ Set ambitious goals and targets for reduction in carbon emissions and resource efficiency with more robust mechanisms to monitor progress ▪ Greater collaboration with stakeholders and industry partners to achieve sustainability goals

Hotels

The resurgence of tourist arrivals in Sri Lanka significantly strengthened the segment's performance during the period under review, attributed to an enhanced average occupancy rate of 63%, up from 30% in the preceding year. The segment's impressive performance is reinforced by its geographical diversity, with sustained profitability in the Maldives and India helping to offset challenges experienced in Sri Lanka and Oman, both of which are still in the process of full recovery.

Each market within the segment exhibits unique dynamics, contributing to a diversified portfolio while presenting distinct challenges. Particularly noteworthy are the segment's iconic properties, characterised by scenic locations paired with resorts carefully crafted to integrate seamlessly with their surrounding ecosystems. At the core of this segment's success are its exceptional hospitality and culinary offerings, which consistently earn guest ratings averaging 91% .

Strategic Focus

- Launch targeted marketing campaigns to highlight Sri Lanka's unique attractions and safety protocols, thereby attracting more tourists
- Collaborate with travel influencers and tourism agencies to increase visibility and reach a broader audience.
- Implement talent retention programmes and competitive compensation packages to address migration issues and stabilise the workforce
- Invest in technology to improve operational efficiencies, such as digital concierge services and real-time room availability systems
- Continuously monitor travel trends and guest feedback to quickly adapt strategies to changing market conditions

Key Strategic Initiatives

- Explore opportunities in renewable energy sources for our resorts
- Enhance Learning & Development (L&D) programmes focused on improving service quality and brand alignment across all levels of hotel staff
- Increased investment in Learning & Development aims to address talent migration challenges and bolster hotel teams for consistent service delivery aligned with our brand values.
- Ongoing digitalisation initiatives seek to enhance operational efficiencies and expand guest experiences, enabling broader customer reach.
- With the end of moratoria and ongoing liquidity constraints, prudent management of cash flow is paramount. This careful financial stewardship ensures strategic allocation of investments in light of continuing challenges with occupancy and room rates

SDG Commitments

Locations of Operations


Sri Lanka

08 Properties owned	01 Property managed	1,411 Rooms owned and managed


Maldives

05 Properties owned	05 Properties managed	745 Rooms owned and managed


Oman

01 Properties owned	02 Properties managed	343 Rooms owned and managed

India

01 Properties owned	140 Rooms owned & managed

Hotels

CERTIFICATIONS MAINTAINED

Environmental impact control

Resource consumption, control of impacts on natural ecosystems and biodiversity and control of the generation of emissions, effluents and waste are material concerns for the hotels segment. Within the Group, significant proportions of our environmental footprint are accountable to the segment. Being cognisant of this from the onset, the segment spearheaded the idea of 'building better before', influencing positive change in the industry with their systemic interventions to control environmental impacts from the operations. While all operations maintain diverse management systems for this, given below is a list of the certifications maintained for these systems:

LEED Certified properties

- Heritance Kandalama (Bronze)
- Heritance Negombo (Gold)
- Heritance Aarah (Gold)

Note: Leadership in Energy and Environmental Design (LEED) is a rating system of the United States Green Building Council (USGBC). Securing the LEED certification is testament to the environmental performance of a building. Aitken Spence introduced LEED architecture to the world outside USA with Heritance Kandalama, the first LEED certified hotel in the world. We also introduced LEED certified architecture to the Maldives with Heritance Aarah.

ISO 14001: 2015 Certified Environmental Management Systems

- Heritance Kandalama
- Heritance Tea Factory

Note: All hotels maintain the management systems aligned with the standard. However, due to alignment with Travelife, the certification was not renewed by most hotels.

Product & Service Responsibility

Travelife Gold Certified Hotels

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

Note: The Travelife Sustainability System is an initiative dedicated to promoting sustainable practices within the travel and tourism industry. The Travelife certification illustrates an organisation's compliance with the international Travelife standard for social and environmental sustainability.

Green Fins Accredited Members

- Dive Point, Adaaran Select Hudhuranfushi
- Dive Point, Adaaran Prestige Vadoo
- Dive Point, Adaaran Club Rannalhi

Note: This is an environmental standard and code of conduct for the diving and snorkelling industry.

ISO 22000/ HACCP: 2005 Certified Food Safety Systems

- Adaaran Club Rannalhi
- Adaaran Prestige Vadoo
- Adaaran Select Hudhuranfushi
- Adaaran Select Meedhupparu
- Heritance Ahungalla
- Heritance Kandalama
- Heritance Tea Factory
- Heritance Negombo
- Heritance Aarah
- Turyaa Kalutara

Note: ISO 22000 and HACCP are globally recognised standards that help organisations maintain high food safety standards. ISO 22000 implements systematic and stringent controls across the supply chain, ensuring comprehensive food safety management from sourcing to serving. HACCP (Hazard Analysis and Critical Control Points) focuses on identifying potential hazards and establishing preventive measures. Together, they enable the hotels segment to monitor kitchen operations closely and minimise contamination risks, ensuring guests receive safe, high-quality meals.

Hotels

AWARDS

- Aitken Spence Hotels was ranked among the Top companies in LMD's Most Awarded Hall of Fame, solidifying its position as one of the most distinguished entities in Sri Lanka garnering an impressive tally of 52 awards throughout 2023.

- Aitken Spence Hotels received multiple awards at the prestigious South Asian Travel Awards (SATA) 2023. The series of awards is a strong testament to Aitken Spence Hotels' continuous pursuit of excellence across different facets of the travel and hospitality industry - from sustainability and design to wellness, gender equality and unparalleled guest experiences.

- Heritance Hotels & Resorts demonstrated its achievements at the Culinary Art Competition, hosted by the renowned Chefs' Guild of Sri Lanka. Heritance Ahungalla and Heritance Kandalama earned the distinguished title of Most Outstanding Regional Teams for Down South Resorts and Cultural Triangle Resorts respectively.

INDUSTRY OVERVIEW

In 2023, the global tourism sector faced significant challenges due to ongoing post-COVID recovery efforts and increased geopolitical tensions, leading to economic performance that remained below pre-pandemic levels. Although emerging markets encountered various obstacles, South Asia, particularly India, demonstrated robust growth.

Persistent geopolitical tensions continue to overshadow global tourism, notably affecting transit hubs like the Middle East, which in turn impacts Sri Lanka's tourism sector, due to its reliance on transit traffic. The importance of connectivity for Sri Lanka is underscored by the fact that Sri Lankan Airlines is the only carrier providing direct long-haul flights, with most other airlines route through their home countries. Nonetheless, Sri Lanka's inclusion in global travel rankings bodes well for future growth.

In Malé, the capacity constraints at the current airport significantly restrict airline operations. However, these challenges are expected to be mitigated by the scheduled opening of a new airport in the coming year. Despite this positive development, the surge in the number of guest house accommodations in the Maldives is putting downward pressure on profit margins, exacerbating the existing issues related to limited airline capacity. Although these constraints pose significant challenges, tour operators and destination management companies remain the predominant channels through which tourists are sourced. Nonetheless, the trend towards online bookings is gaining momentum, reflecting a shift in how travel is being planned and purchased.

Meanwhile, in Sri Lanka, the impact of talent migration, which intensified during the recent economic crisis, continues to profoundly affect the tourism industry. This migration has led to a shortage of skilled workers within the sector, challenging the ability to maintain high service standards and manage operational capacities effectively. As a result, there is an urgent need for strategic initiatives to attract and retain talent to ensure sustainable growth and competitiveness in the global tourism market.

Oman's tourism sector demonstrated substantial growth by the end of 2023, reflecting a significant 43.5% increase in airport passenger traffic compared to the previous year. This upswing aligns with the Ministry of Heritage and Tourism's ambitious target to attract 11 million visitors annually by 2040, a key objective under Oman Vision 2040. Muscat International Airport, in particular, experienced a notable 38.7% surge in air traffic, handling over 12.6 million passengers marking a 46.7% increase from 2022.

The hospitality industry in India witnessed a significant revival, characterised by a substantial uptick in hotel prices, airfares and overall travel expenditure. This resurgence was largely driven by increased demand from both domestic and international travellers, marking a promising year for tourism and hospitality across the nation. As the industry moved into 2024, signs of sustained growth were evident, particularly in the domestic travel segment.

Hotels

RISKS & OPPORTUNITIES

Risks

- Geopolitical risks (Russia and the Middle East)
- The recession in Europe poses challenges for Sri Lanka and the Maldives, both which rely on Europe as a key tourism source market
- The Russian market serves as one of the primary sources of tourists for Sri Lanka and the Maldives. The devaluation of the Russian currency is likely to affect Sri Lanka's / Maldives tourism industry
- The Sri Lankan Rupee's volatile appreciation during the year reduced Sector revenue but failed to lower operational costs, which remained high due to the unadjusted cost of goods from the previous currency depreciation
- The mass exodus of skilled professionals resulting from the current economic conditions poses a threat to upholding the quality of service delivery.

Opportunities

- The increase in tourist arrivals to Sri Lanka, coupled with constrained accommodation capacity, is expected to drive a significant rise in accommodation tariffs
- Integrate guest feedback to develop new services and enhance existing offerings, ensuring the resort's amenities evolve in alignment with market trends and guest preferences
- Enhancing tourism offerings with diverse experiences like cultural tours, adventure activities, wellness retreats and culinary tourism attracts a broader spectrum of travellers
- Implementing targeted marketing campaigns to promote our properties as destinations of choice, strategically positioning the unique attractions, cultural heritage, natural beauty and hospitality to boost international visitor numbers and drive tourism revenue

Oman

- **Unified Visa System:** The introduction of a unified VISA system within the GCC is expected to enhance leisure tourism in Oman by simplifying travel procedures and attracting more visitors from neighbouring countries
- **Vision 2040:** Oman's government emphasises tourism as a pivotal element for economic diversification and job creation in its Vision 2040 statement
- **Matrah/Yiti Development Projects:** These development projects reflect the government's commitment to sustainable growth and modernisation, showcasing a forward-thinking approach to boosting the tourism industry

GOVERNANCE MATTERS

- The hotels segment, which is represented by Aitken Spence Hotel Holdings PLC, adheres to all governance requirements as stipulated by regulatory authorities. This ensures that operations not only meet the legal frameworks but also uphold high standards of transparency and accountability. Regular disclosures and compliance checks are integral to maintaining investor trust and public confidence, reflecting the segment's commitment to ethical business practices. Additionally, governance protocols are regularly reviewed and updated to align with evolving legal standards and best industry practices, ensuring sustained compliance and operational excellence
- Global benchmarks maintained towards ensuring a 'net positive' impact on sensitive ecosystems
- Internal and external audit-driven improvements to management systems for governance and risk mitigation
- The transparency and accountability of the public disclosures of Aitken Spence Hotels have been recognised by industry bodies standing testament to the effectiveness of the segment's governance frameworks

Hotels

STRATEGIC OBJECTIVES

Sustainable profit growth

Revenue Optimisation and Customer Satisfaction Focus:

- Implement revenue optimisation strategies such as dynamic pricing and upselling
- Enhance customer satisfaction through personalised experiences and exceptional service

Investment in Facilities and Marketing:

- Invest in refurbishments and upgrades to improve facilities
- Expand marketing efforts to target new customer segments and geographic markets

Diversification and Innovation:

- Diversify revenue streams by introducing new services or amenities
- Invest in research and development to innovate and stay ahead of competitors

Expand reach to new geographies and new business segments

Market Expansion and Relationship Development:

- Identify potential new markets
- Establish partnerships or joint ventures with local businesses to facilitate market entry

Phased Approach and Brand Awareness:

- Develop a phased approach for market entry into new geographies
- Invest in brand awareness campaigns and marketing initiatives to establish a presence

Sustainable Growth and Adaptation:

- Implement a sustainable growth strategy, leveraging partnerships to expand market share
- Continuously evaluate market dynamics and adapt strategies to capitalise on emerging opportunities

Achieve employer of choice status

Employee Engagement Initiatives:

- Develop programs focused on training and career growth to retain and attract high-calibre talent

Inclusive Workplace Culture:

- Enhance employee benefits and nurture a supportive environment to promote inclusivity and positivity

Talent Management Strategies:

- Design comprehensive frameworks for identifying and cultivating high-potential talent

Achieve net zero emissions and reduce resource footprint

Comprehensive Emissions Assessment:

- Conduct a thorough evaluation of current emissions and resource usage across operations to establish a baseline

Resource Footprint Reduction:

- Introduce energy efficiency measures and waste reduction initiatives to minimise resource usage

Renewable Energy Investment:

- Transition to renewable energy sources, such as rooftop and floating solar PV plants, to increase renewable energy share for each resort

Sustainable Procurement Practices:

- Implement responsible sourcing strategies to minimise environmental impact across supply chains

Progress Monitoring:

- Continuously track and measure progress toward net zero emissions targets

Stakeholder Collaboration and Innovation:

- Partner with industry stakeholders and invest in innovative technologies to further reduce environmental impact and reach long-term sustainability goals

Hotels

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - 2%
- Profit before tax - 95%
- Total assets - (11%)
- Total liabilities - (17%)

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Intellectual Capital

- 71 management systems maintained with 17 systems certified
- Award winning team providing unique culinary, cultural and environmental experiences

Manufactured Capital

- Three LEED certified hotels, 18 properties with energy management systems in place and all properties maintain 7R principle for resource management
- Floating solar projects under review for Heritance Aarah and Adaaran Select Meedhupparu

Social & Relationship Capital

- Rs. 1.5 Mn funds channelled to strengthen local communities
- Approximately 15% local suppliers engaged on average
- Approximately 50% of employees from the immediate community within 35-45km radius in Sri Lanka

Human Capital

- 3,273 Employees
- 11% Female representation
- Support for obtaining professional qualifications

Natural Capital

- 39,706 tCO_2e total emissions (scope 1 & 2)
- 1,455,265 m3 total water consumption
- 100% wastewater and effluents safely disposed
- 2,438 MT and 9,998 units of solid waste managed through the 7R principle

PERFORMANCE

The segment experienced notable top-line growth, driven primarily by the revival of tourism in Sri Lanka, which resulted in a 95% increase in profit before tax compared to the previous year. This increase was largely attributed to the impressive performance of the Sri Lankan hotel segment, which saw a remarkable 80% surge in revenue. The substantial improvements in occupancy rates across all properties in Sri Lanka not only enhanced overall performance but also led to an over 90% reduction in losses from the previous year. Wellness tourism emerged as a high-growth area, performing exceptionally well within our portfolio. Additionally, launch of the "Bawa Tour" to celebrate the unique architectural style of the legendary Geoffrey Bawa, distinguishing ourselves as the chain with the most hotels designed by him. Looking ahead, we are committed to expanding our offerings and continuing to provide tourists with unique local experiences, capitalising on our extensive presence across the country.

Meanwhile, the Maldives managed to maintain a stable performance throughout the year despite heightened competition.

In India, the sustained high occupancy levels throughout the year fuelled robust profit growth. Conversely, in Oman, the sector faced hurdles due to regional geopolitics and increased competition from the entry of major international hotel chains, necessitating vigorous efforts to regain market share and push towards profitability.

Operational costs were particularly high in Sri Lanka, exacerbated by the inflation spikes in 2022 and early 2023. Although inflation decreased significantly during the year under review, the Sri Lankan Rupee's appreciation negatively affected profitability. Despite these financial pressures and regional challenges, the stability of profit levels across the segment showcased the Group’s resilience and strategic adaptability.

Hotels

Skilled migration is a significant issue as other markets are opening up and Sri Lankan experienced personnel were able to find opportunities with relative ease. Accordingly, we revived the management trainee programme investing in 8 potential leaders to take up senior positions in the next 5 years by fast tracking progress. Learning and development will be key to success. The industry's ability to attract high quality staff has diminished due to the experience of the past four years, as it is yet in early stages of recovery.

Hotels segment is on track to achieve 10% of energy consumption from all regions to be renewable by 2030. The segment had achieved 3.5% in 2023 and moved up to 6.5% with the power wheeling agreement in India.

Rainwater harvesting systems are in place and 100% of wastewater is treated and reused for gardening, flushing, cleaning etc. Intensity of water consumption declined during the year. We invested in obtaining the Green Globe certifications for 5 properties affirming our commitment to sustainable tourism.

FUTURE OUTLOOK

The segment holds a promising future despite the rising geopolitical tensions and upcoming elections in numerous regions worldwide. Factors such as airline capacity, costs, visa processes and administrative fees are critical in the development of markets.

Growth within this segment is expected to be driven by Sri Lanka, where there is a strong anticipated demand over the next year. To capitalise on these opportunities, it is crucial for Sri Lanka to maintain stability and actively promote the destination to sustain and increase demand in both the medium and long term. However, the costs associated with replacement and refurbishment have risen substantially, necessitating meticulous project alignment to effectively manage cash flow. Additionally, employee turnover and associated costs are expected to remain elevated.

Sri Lanka is on a growth trajectory, but its profit margins are heavily impacted by fluctuating operational costs. In the Maldives, while market conditions are stable, there's a growing pressure due to aggressive pricing from guest houses. The Maldives is currently grappling with the dual pressures of high airline expenses and constrained capacity, with escalating freight charges driving up the costs of inputs. Nonetheless, the launch of a new airport terminal is expected to mitigate some of these issues.

Prospects in India are positive and the hotel is expected to perform well. Chennai possesses the fourth-largest collection of branded hotels in India, with significant demand concentrated along the Old Mahabalipuram Road stretch, thanks to its proximity to IT/ITeS sectors. This has led to considerable supply pressure in the area. Despite this, expected increases in occupancy and room rates suggest a promising growth trajectory. Looking to the future, the outlook remains favourable, with only a limited number of new hotel openings anticipated over the next five years.

Oman has identified tourism as a thrust industry with a 2040 vision and master plan. The government has approved a unified GCC visa system to increase leisure travel. Significant infrastructure projects in Downtown, Yiti, Wahiba Sands and Matrah, coupled with road improvements, are expected to enhance accessibility and attract more visitors However, the hotel industry may face increased competition and pricing pressures from new local and international players. Despite potential regulatory and economic challenges, the positive outlook is supported by a tourism rebound, ongoing infrastructure enhancements and a commitment to sustainability and innovation.

The future landscape of the tourism industry is increasingly shaped by adverse weather conditions. Erratic weather, including more intense monsoons and frequent cyclones, poses significant operational challenges and risks deterring tourists. In response, the strategy of the segment focuses on resilience and adaptability within the tourism infrastructure. Enhancing disaster preparedness and developing comprehensive contingency plans are priorities to safeguard tourists and ensure the continued appeal of these destinations. Promoting sustainable tourism practices is also crucial, ensuring that operations not only withstand current environmental challenges but also thrive in the long term. This proactive approach is fundamental to maintaining the vibrancy and attractiveness as premier tourist destinations, despite the climatic challenges ahead.

Hotels

SASB DISCLOSURES

Hotels & Lodging Standard - Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Unit of measure	Code	
1. Energy Management	Total energy consumed - Non-renewable sources;	Gigajoules (GJ)	SV-HL-130a.1	
	Petrol			-
	Diesel			291,446
	Furnace Oil			-
	LPG			22,144
	Kerosene			-
	Total energy consumed - Renewable sources;			
	Biomass/fuel wood			14,481
	Solar energy			1,852
	Wind energy			6,082
	Percentage grid electricity	Percentage (%)		22%
	Percentage renewable			5%
2. Water Management	Total water withdrawn	Thousand cubic metres (m^3), Percentage (%)	SV-HL-140a.1	1,455,265
	Total water consumed			Sri Lanka, Oman and India - 100% Maldives - 60% is released back into the ocean.
3. Ecological Impacts	Number of lodging facilities located in or near areas of protected conservation status or endangered species habitat	Number	SV-HL-160a.1	16 properties Please refer to the Natural Capital report for details (GRI 304-1, 304-2)
	Description of environmental management policies and practices to preserve ecosystem services	N/A	SV-HL-160a.2	Please refer to the Natural Capital report for details (GRI 3-3)
4. Labour Practices	(1) Voluntary turnover rate for lodging facility employees	Rate	SV-HL-310a.1	31
	(2) Involuntary turnover rate for lodging facility employees			0
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations	Presentation currency	SV-HL-310a.2	None
	(1) Average hourly wage	Presentation currency	SV-HL-310a.3	Not reported due to reasons of confidentiality
	(2) Percentage of lodging facility employees earning minimum wage, by region	Percentage (%)		100% of employees earned above the local stipulated minimum wage in regions of operation
	Description of policies and programmes to prevent worker harassment	N/A	SV-HL-310a.4	Please refer to the Human Capital report for details (GRI 2-26, 3-3, 414-1)
5. Climate Change Adaptation	Number of lodging facilities located in 100-year flood zones	Number	SV-HL-450a.1	2

Hotels

Topic	Accounting Metric	Unit of measure	Code	
ACTIVITY METRICS				
	Number of available room-nights	Number	SV-HL-000.A	847,656
	Average occupancy rate	Rate	SV-HL-000.B	63%
	Total area of lodging facilities	Square metres (m^2)	SV-HL-000.C	316,423
	Number of lodging facilities and the percentage that are: Managed	Number, Percentage (%)	SV-HL-000.D	18, of which 94% are managed
	Number of lodging facilities and the percentage that are: Owned and leased			0
	Number of lodging facilities and the percentage that are: Franchised			0

Destination Management

Purpose

Inspiring to create unforgettable travel experiences and improve people's lives sustainably.

Sri Lanka registered 1.8 million tourist arrivals and Aitken Spence Travels achieved its most successful year to date in terms of passengers handled. The company facilitated positive travel experiences for over 220,000 inbound tourists from both traditional and emerging source markets, representing 12.5% of all arrivals to Sri Lanka. It is estimated that approximately 70% of the arrivals to Sri Lanka are leisure tourists, with the rest visiting for medical tourism or to connect with friends and relatives. As a result, the market share of tourists handled by this segment is considerably higher. The segment endeavours to seek and develop new source countries to diversify the market portfolio to ensure continued arrivals throughout the year. Trusted partnerships, combined with an indomitable spirit drive the success of this segment which is a vital link in the Group's Tourism Sector value chain.

Locations of Operations

Sri Lanka, Maldives, Myanmar

Strategic Focus

- **Drive growth through revival of traditional source markets and developing new source markets**

Key Strategic Initiatives

- **Developing new source markets by forging new relationships with tour operators**
- **Focusing on charters to overcome difficulties of airline connectivity and capacity**
- **Continuous engagement and feedback monitoring with our business partners to improve customer experiences**
- **Ongoing research and testing to innovate authentic and safe travel experiences**

SDG Commitments

4 Quality Education, 5 Gender Equality, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production, 13 Climate Action, 14 Life Below Water, 15 Life on Land

INDUSTRY OVERVIEW

Despite geopolitical tensions and regional conflicts creating a backdrop of uncertainty and affecting travel preferences worldwide, Sri Lanka's tourism sector has sustained its growth trajectory, defying concerns of a global recession. The year began with notable growth in visitor numbers, with daily arrivals reaching over 3,200. As of March 2024, Sri Lanka had achieved a significant milestone, welcoming 1.8 million visitors and generating tourism revenues of USD 2.6 billion. This success was driven by robust global marketing efforts, strategic rebranding initiatives and reinforced trade relationships. Looking to the future, Sri Lanka is committed to pursuing sustainable growth, setting ambitious targets that include drawing 2.3 million tourists and amassing over USD 4 billion in tourism revenue. The industry's resilience and strategic action are well-suited to foster continued prosperity. However, the sector faces challenges such as a substantial VAT increase from 0% to 18% and unplanned increases in entrance fees, which have diminished the destination's competitive edge. Furthermore, the emigration of skilled personnel poses a significant challenge, constraining expansion due to a critical shortage of talent. Despite these obstacles, favourable perceptions of Sri Lanka as a tourist destination bolster the industry's growth prospects. A return to stability is anticipated to facilitate the sector's recovery from extended turmoil. However, the upcoming 2024 elections present potential risks that could influence the industry's trajectory.

RISKS & OPPORTUNITIES

Risks

- Disruptions to the industry from potential elections in 2024
- Implementation of economic policies with negative impacts on the tourism sector such as higher tax rates
- Volatility in exchange rates
- Geopolitical conflicts and sanctions disrupting travel patterns and the cruise ship business.
- Consumers making direct bookings via digital platforms
- Rise of a grey market for destination management
- Inadequate infrastructure and shortage of skilled personnel to support the rising tourism demand.
- Risks from extreme weather events and social unrest stemming from climate change

Opportunities

- Enhancing airline connections
- More effective marketing of Sri Lanka as a travel destination
- Better promotion of off-season travel to Sri Lanka and the Maldives
- Promoting Sri Lanka as a sustainable travel destination, especially with the Group's combined strengths and iconic infrastructure

AWARDS

- Winner - 'Leading Travel Agent – Inbound' and 'Leading Cruising Travel Agent', at the South Asian Travel Awards (SATA) 2023.
- Category Winner of the Hospitality and Tourism sector at the CPM Best Management Practices Company Awards (BMPC) 2024.

CERTIFICATIONS

- ISO 14001: 2015 Certified Environmental Management Systems
- ISO 9001: 2015 Certified Quality Management Systems
- ISO 45001:2018 for Occupational Health & Safety
- Travelife Certified Operation for environmental and social sustainability management in tourism, reporting and compliance obligations for tour operators and travel agents

Destination Management

STRATEGIC OBJECTIVES

Sustainable profit growth

- Expand into adjacent markets or complementary industries to sustain growth
- Foster strategic partnerships and alliances to strengthen market presence and competitiveness
- Initiate targeted marketing campaigns to boost brand visibility and attract new customers
- Improve customer service to enhance satisfaction and foster loyalty

Expand reach to new geographies and new business segments

- Strengthen strategic relationships to develop source markets
- Expand the operational footprint in new geographies through organic growth or acquisitions
- Establish a strong presence in key international markets, leveraging Aitken Spence's brand reputation and expertise
- Aitken Spence Travels to gain recognition as "High Achievers" by its agents and tour operators

Achieve employer of choice status

- Monitor employee satisfaction and nurture a positive culture
- Capitalise on the TUI Knowledge Hub to implement and tailor training programmes that address evolving global travel demands
- Establish Aitken Spence Travels as a preferred tour operator brand, recognised for its commitment to employee well-being and professional development

Achieve net zero emissions and reduce resource footprint

- Net zero pathways are being strategically planned, incorporating budgeted investments for the adoption of hybrid and electric vehicles during the replacement of the existing fleet
- Initiated waste reduction and recycling efforts to lessen environmental impact and conserve resources
- Maintained awareness and capacity building on sustainability and biodiversity conservation among all key stakeholders

PERFORMANCE

12.5%
of Tourist arrivals to Sri Lanka

33
Cruise ships handled in Sri Lanka and Maldives

28,832
Excursions

The number of visitors facilitated by the segment increased by 168%, reflecting the market's growth potential. Top-line growth reached 98%, boosted by increased activity levels. The segment proactively collaborated with new tour operators to develop fresh source markets, overcoming airline connectivity issues with charters as needed. New charters were arranged with support from the Sri Lankan embassies in Turkey, Armenia, Germany and Austria, while the Eastern European charters also continued throughout the winter. The relationship with TUI remains strong, supporting the rebuilding of traditional source markets. The segment handled the two largest tour groups that visited Sri Lanka, catering to over 1,000 passengers each, per tour, reflecting the segment's capabilities. There is potential for further growth as business from Far East markets is yet to pick up. The segment recommenced operations in Myanmar, supporting growth, while Maldivian operations are stable. Despite import restrictions on vehicles posing significant challenges to maintaining transportation comfort with an aging fleet, the segment successfully upheld high customer satisfaction rates through meticulously structured processes designed to ensure the well-being of tour groups. The profit from operations increased by 68% over the previous year. However, the full operational advantage of the increased arrivals was offset by the negative impacts of Sri Lankan Rupee appreciation during the financial year and rising costs.

Focused efforts to streamline processes and enhance service quality supported improved efficiency, as the team was able to handle higher volumes with greater ease and effectiveness. The company adopted a proactive recruitment policy, bringing in young talent from diverse backgrounds into the travel industry and creating a conducive culture supported by training programmes to support their development. The segment has also collaborated with universities that offer tourism as part of their degree programmes to create talent pools to drive growth in the industry.

Sustainable tourism is integral to our operations, underscored by the organisation's dedication, endeavours and investments. The segment promotes awareness through the "Travel Kindly" initiative, providing guests with guidelines on responsible tourism through handouts or digital resources accessible via QR code, supporting the conservation of the country's natural and cultural heritage. Furthermore, collaboration with the Department of Wildlife has been established to protect the endangered Sri Lankan leopard and elephant. The segment remains attentive to its carbon footprint, actively managing it through energy conservation strategies and involving suppliers across the value chain.

Destination Management

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - 98%
- Profit before tax - 5%
- Total assets - 46%
- Business growth and resilience
- Positive cash flows

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Human Capital

- 337 Total employees
- 39% Female representation
- 1,668 Hours of Training
- Enhanced career growth and skills through employee training programmes

Social & Relationship Capital

- Service providers, including jeep suppliers, village guides, cycle activity providers, trekkers and chauffeur guides, are exclusively sourced from local communities
- Provided school bags and stationery to 17 pre-school students and 34 school children from Serupitiya Maha Vidyalaya
- Distributed essential dry rations to 157 low-income households in Serupitiya
- Monthly purchase of 200 handmade reed bags from local suppliers in Kala Wewa for gift packs
- Educating and creating awareness among the supply chain on biodiversity conservation and sustainability

Natural Capital

- Provided financial support to the turtle conservation project at Rekawa to cover labour costs for night patrols protecting turtle nests
- Focused on reducing consumption of paper, water, electricity and fuel due to their significant environmental impact
- 100% of staff are educated and engaged in sustainability and conservation efforts towards building a 'green workforce'

FUTURE OUTLOOK

Tourism is influenced by various factors such as safety concerns, travel convenience and affordability. Macroeconomic conditions in source markets and geopolitical events significantly shape the level of activity within the industry. Notably, conflicts in Ukraine and the Middle East have constrained the growth potential of tourism. Socioeconomic stability in the destination is also key to marketing a destination, and prospects are affected by policies implemented, such as the government's minimum room rates for city hotels, which places the industry at a considerable disadvantage compared to regional and global competitors; this will have an adverse effect on the overall competitiveness of the tourism industry in Sri Lanka. Post-pandemic recovery of the sector is expected to drive growth as tour operators develop new and innovative experiences to capture the market. The segment will continue to develop new markets while rebuilding traditional ones.

Sustainability and digitalisation are crucial for success in catering to the sophisticated preferences of modern tourists. Destination management companies must prioritise significant advancements in technology. Embracing digitalisation, automation and data analytics is essential for boosting operational efficiency, enhancing customer experiences and maintaining competitiveness in the dynamic landscape of the travel industry. Adapting to evolving regulatory landscapes, such as tax regulations and compliance requirements, is crucial for ensuring continued business success and mitigating potential risks associated with legal and regulatory changes. By proactively addressing these challenges and leveraging emerging opportunities, the segment is well-positioned to achieve sustainable growth and maintain its competitive edge in the dynamic travel market.

The segment is currently evaluating additional destinations for expansion and is in the preliminary stages of launching operations in Bangladesh, with the commencement of activities expected in April 2024. Additionally, there are plans to establish operations in Cambodia.

Airline GSA

Purpose

Enhance market presence and optimise operational efficiency through strategic sales, marketing and customer support. We are committed to driving sustainable growth and delivering exceptional service, while upholding the highest standards of integrity and professionalism.

Locations of Operations

Sri Lanka & Maldives

Strategic Focus

Capitalise on enhanced capacity

Key Strategic Initiatives

- **Campaigns encouraging advance purchase.**
- **Implementing a dynamic load management pricing model for cargo**

GSA for Singapore Airlines (SIA) - Cargo and Passenger

GSA for Sri Lankan Airlines in Maldives

GSA for Jazeera Airlines in Sri Lanka

The Group's Airline General Sales Agent (GSA) segment is renowned for adhering to global standards and its commitment to service excellence. As a leading GSA representative in Sri Lanka, this segment manages extensive operations in both passenger and cargo sectors, including activities in the Maldives.

Aitken Spence Aviation (Pvt) Ltd is distinguished as the longest-serving General Sales Agent for Singapore Airlines (SIA), celebrating 52 years of partnership in 2023. This relationship continues to thrive, evidenced by SIA's expanded service from four weekly flights to daily flights, along with an upgrade in aircraft, further enhancing the collaboration. The company was also recognised by SIA for its operational excellence and resilience during the economic crisis, reflecting the high standards developed over half a century.

Ace Aviation Services Maldives Pvt Ltd (Ace Aviation) proudly serves as the GSA for Sri Lankan Airlines in the Maldives, celebrating a significant milestone with its 12th anniversary in December 2023. As the exclusive representative, Ace Aviation has played a pivotal role in facilitating Sri Lankan Airlines' operations in the Maldives. In a testament to its dedication and excellence, the company was honoured with the leading GSA Award at the esteemed South Asian Travel Awards 2023, held in Bangalore. This recognition underscores the company's commitment to providing exceptional service and fostering strong partnerships within the travel industry. Sri Lankan Airlines stands out as the sole international airline operating at key airports in the Maldives: Velaana International Airport in Male and Gan International Airport. In 2023, the airline maintained a robust schedule, offering three daily flights to Male' and two weekly flights to Gan. This commitment resulted in 1,175 flights operated between Male' and Gan, facilitating vital connections for travellers to and from the Maldives.

Royal Spence Aviation (Pvt) Ltd, serves as the GSA for Jazeera Airways, a leading independent airline in the Middle East. Jazeera Airways offers nine weekly flights between Kuwait and Colombo, focusing on high service standards and catering to both business and leisure travellers.

INDUSTRY OVERVIEW

The leisure travel market was and is challenged by the diminishing disposable income and rising cost of living. Corporate travel remained subdued, affected by the widespread adoption of low-cost communication technologies and a downturn in global trade.

During the review period, Singapore Airlines cargo operations saw notable improvements, such as the resolution of the foreign currency crisis and an easing of capacity constraints. Despite these gains, the reduction in air freight rates placed ongoing pressure on profit margins. In a parallel economic context, Sri Lanka faced rising manufacturing costs, driven by IMF-enforced cuts to energy subsidies and increased taxation. Additionally, a reduction in the demand for apparels from Western markets led to a significant downturn in overall air cargo volumes.

Airline GSA

RISKS & OPPORTUNITIES

Risks

- Reduced disposable income dampens leisure travel
- Corporate travel curtailed due to uncertainty
- Increasing competition
- Foreign exchange volatility
- Reduced competitiveness of country's exports
- Increasing cost of fuel
- Risks of global conflicts necessitating re-routing of certain routes thereby significantly increasing the cost of travel

Opportunities

- Growth of tourism sector
- Disruptions in sea freight due to geopolitical tensions
- Improving economic conditions
- Worker migration

STRATEGIC OBJECTIVES

Sustainable profit growth

- Increase market share through increased capacity
- Optimising product mix
- Introduce new distribution capability platform for travel agents

Achieve employer of choice status

- Recognition of high achievers by agent and principal (individuals and teams)
- Training for staff on New Distribution Capability (NDC) system

PERFORMANCE

Longest-serving General Sales Agent for Singapore Airlines

The segment's revenue and profitability declined by 23% and 48%, respectively, primarily due to decreased cargo volumes in Sri Lanka and the Maldives, coupled with a reduction in passenger sales in the Maldives. Additionally, the appreciation of the Sri Lankan Rupee adversely influenced the segment's earnings, given that the GSA commission is pegged to the airline ticket prices.

Despite an increase in passenger sales volume, Singapore Airlines experienced a decline in cargo movements, which resulted in an overall revenue decline compared to the previous year. The profit before tax declined owing to the dip in revenue and increase in costs. Digitalisation and the roll-out of the New Distribution Capability software, supported productivity efficiencies and efforts to reduce paper use. The segment remains committed to reduce the consumption of materials, energy and water and continue to adhere to efficient practices. As part of the Aitken Spence Group, the company's Core Disaster Risk Reduction/ Business Continuity Management (DRR/ BCM) team has undergone extensive training and shared their expertise with the Group's DRR team to strengthen BCM strategies.

The revenue and profitability of the GSA operations of Jazeera Airways increased compared to the previous year. The increase in frequency from four flights a week to daily flights weekly, effective October 2023, contributed to achieving this growth along with travel groups for Umrah and migrant workers emigrating to the Middle East.

Airline GSA

RISKS & OPPORTUNITIES

Risks

- Potential negative impacts on the tourism sector due to the 2024 elections
- Implementation of economic policies with negative impacts on the tourism sector
- Volatility in exchange rates
- Impact of higher taxation
- Geopolitical conflicts and sanctions disrupting travel patterns and the cruise ship business.
- Consumers making direct bookings via digital platforms
- Rise of a grey market for destination management
- Inadequate infrastructure and shortage of skilled personnel to support the rising tourism demand.
- Risks from extreme weather events and social unrest stemming from climate change

Opportunities

- Enhancing airline connections
- More effective marketing of Sri Lanka as a travel destination
- Better promotion of off-season travel to Sri Lanka and the Maldives
- Promoting Sri Lanka as a sustainable travel destination, especially with the Group's combined strengths and iconic infrastructure

GOVERNANCE MATTERS

The operations maintained highest benchmarks of ethics and performance aligned with global best practices in the airline industry.

AWARDS

Aitken Spence Aviation (Pvt) Ltd

- Top 5 Cargo Carrier Award at the "Changi Airline Awards 2023"
- Best Air Cargo Carrier Asia at the "Asian Freight, Logistics and Supply Chain Awards 2023"
- Overall Carrier of the Year Award at the "10th Payload Asia Awards"
- 'Airline of the Year' at the "Air Transport World Annual Airline Industry Achievement Awards" 2023
- CEO Excellence Award 2023

Ace Aviation Services Maldives Pvt Ltd

- Leading GSA Award at the South Asian Travel Awards 2023

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (23%)
- Profit before tax - (48%)
- Total assets - 93%
- Total liabilities - 153%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Human Capital

- 68 Total employees
- 45.6% Female representation
- 107 Hours of Training

Social & Relationship Capital

- Facilitating ease of travel, Sri Lankan Airlines stands out as the sole international airline operating at two key airports in the Maldives: Velaana International Airport in Male' and Gan International Airport
- Improved frequency of flights to Sri Lanka and the Maldives, increasing accessibility of the destinations and travel options to all leisure and business travellers

Natural Capital

- 35.3 tCO2e total emissions (scope 1 & 2)
- 57 m3 water consumption

Airline GSA

FUTURE OUTLOOK

The economic recovery commencing in the second half of 2023 is expected to continue, brightening the prospects for financial year 2024/2025. Outlook for the aviation segment is promising with more market segments opting for overseas travel. However, local landscape plays a pivotal role in the sustenance and improvement in performance. The gain in market share by SIA during the year and the increasing demand for short haul travel, supports the prospects for passenger operations, driving growth.

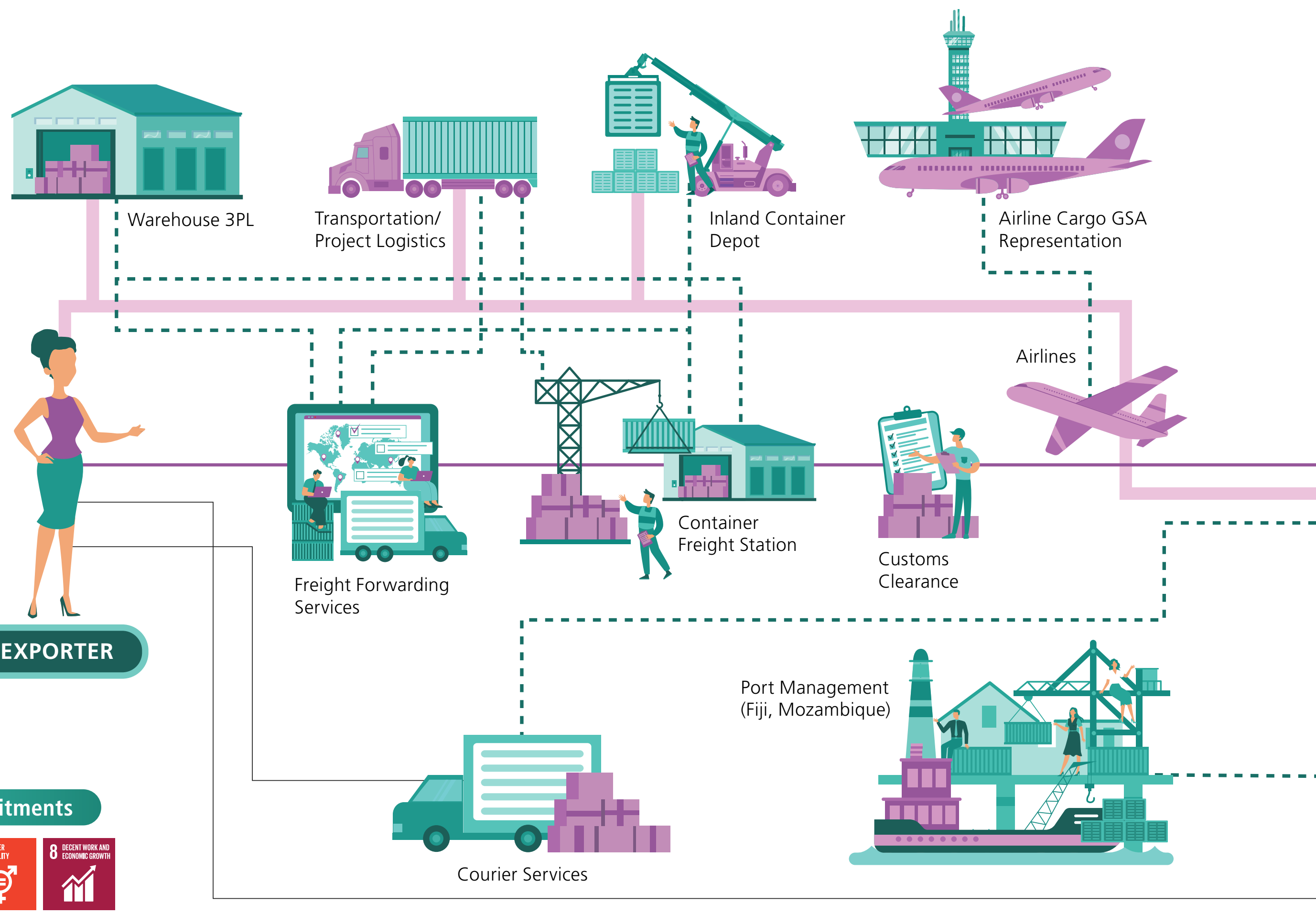
Growth of the air cargo market of Sri Lanka is expected to be sluggish due to global demand factors and the lack of competitiveness of exports, as appreciation of the Sri Lankan Rupee and elevated operational costs deter new investments. Intense competition from other regional sourcing destinations is expected to exacerbate the impact, dampening growth of air cargo volumes. However, the Red Sea crisis has provided a temporary reprieve for air cargo as it increased demand for air freight.

As Ace Aviation Services Maldives looks ahead, it remains dedicated to enhancing the travel experience and strengthening the partnership between Sri Lankan Airlines and the Maldives, continuing to serve as a trusted link for travellers and contributing to the growth and development of the aviation industry in the region.

Maritime and Freight Logistics Sector

The Group enjoys a strong presence along the trade logistics value chain, with a comprehensive range of services including integrated container services, port management and shipping services, airline cargo GSA, freight forwarding and maritime education. Despite the challenging operating conditions that prevailed during the year, the sector continued to consolidate its position by strategically expanding operations and geographical presence with the aim of providing supply chain resilience to the customers.

Our Presence Along the Value Chain (GRI 2-6)



SDG Commitments

Integrated container services

Sri Lanka

Aitken Spence Logistics is a leading integrated logistics provider in Sri Lanka with a range of logistical solutions, including container freight station (CFS), mobile storage solutions, depot operations, transport, warehousing and special operations.

Maritime and port services

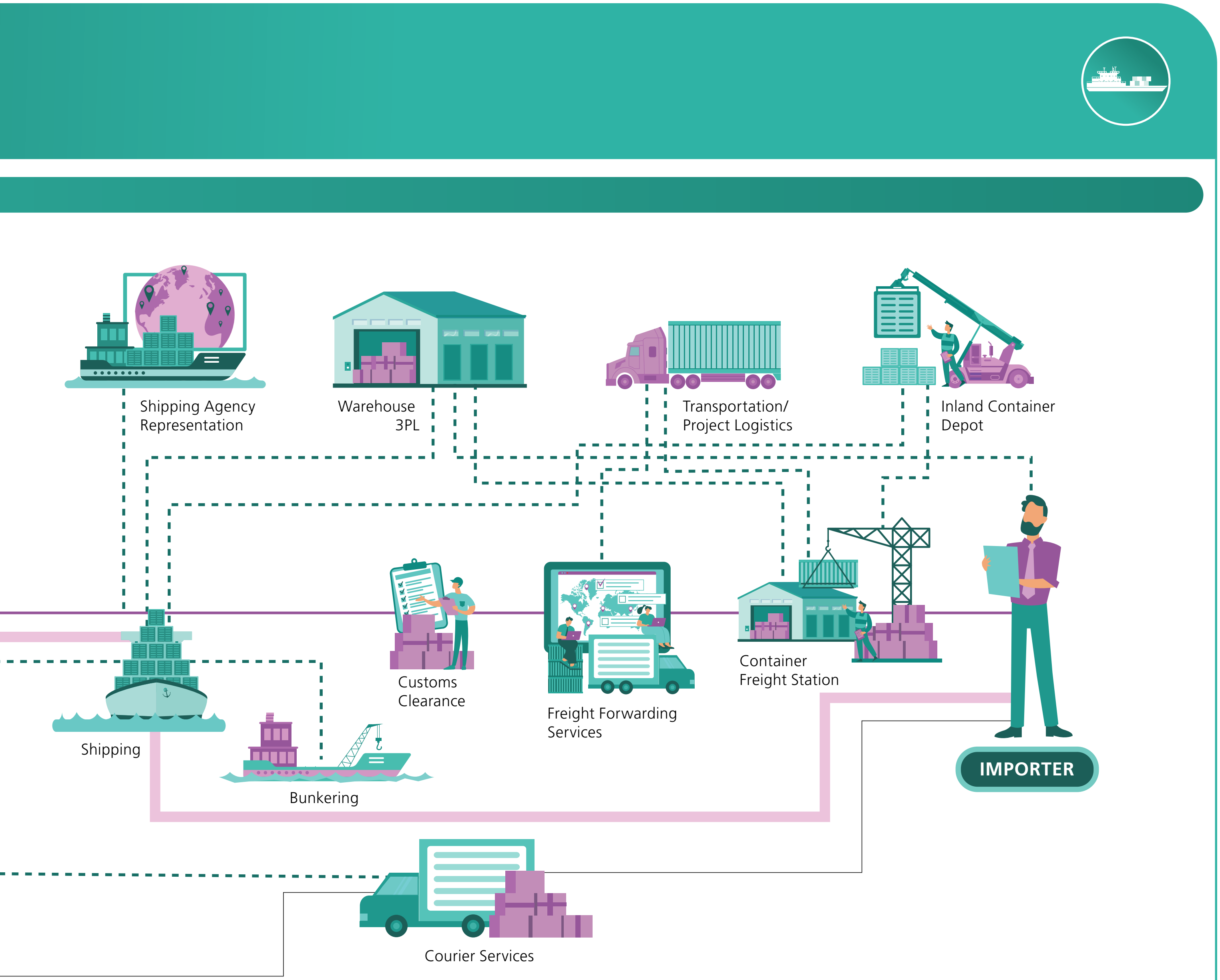
Sri Lanka, Fiji, Mozambique

The port and liner operations of Aitken Spence combine a range of specialised services in the maritime segment. This includes port management, port efficiency enhancement and cargo handling services in Fiji and Mozambique and shipping agency services in Sri Lanka through global partnerships.

Airline GSA (Cargo)

Sri Lanka

Aitken Spence is the cargo General Sales Agent (GSA) for Qatar Airways in Sri Lanka.



Freight Forwarding and Courier

Sri Lanka, Maldives, Myanmar, Bangladesh, Cambodia

A pioneer in the freight forwarding industry in Sri Lanka, Aitken Spence Freight covers a wide spectrum of operations including air and sea freight operations, express courier services and custom house agencies while also representing several international networks.

Maritime education

Sri Lanka, Seychelles

CINEC Campus is a leading higher educational institution in Sri Lanka offering a range of undergraduate, post graduate and doctoral degree programmes in the fields of maritime, management, engineering, aviation, health science and hospitality among others. Vocational training in a range of disciplines is also offered.

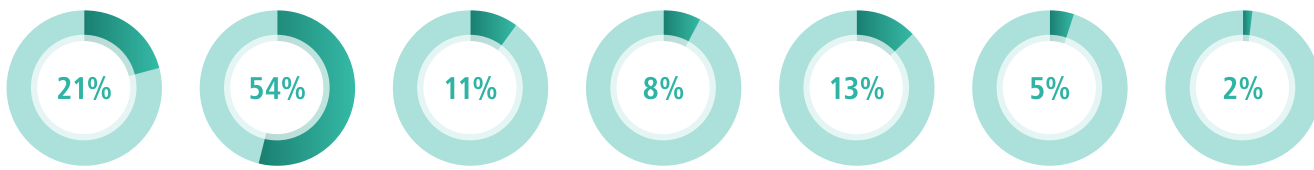
VALUE CREATED AND DISTRIBUTED

Performance Highlights-2023/2024

Rs. 23.6 Bn	Rs. 6.0 Bn	Rs. 4.9 Bn
Revenue	EBITDA	Profit before Tax

Contribution to Group

Revenue | Profit before Tax | Assets | Liabilities | Employees | Emissions | Water consumed



Contribution to Economy

Rs. 2.1 Bn Investment in Infrastructure

Rs. 5.1 Bn Facilitation of Foreign Exchange Generation to the Country

22,975 Number of Student Registrations at CINEC

1,810 Employment Generated

Rs. 8.8 Bn Total Value Added

1,760 New Customers Served

18.5% Female Participation in Labour Force

398 GJ Renewable Energy Generated

Value to Stakeholders

Rs. 2.6 Bn Value Created for Employees

Rs. 9.1 Bn Payments to Suppliers and Business Partners

Rs. 4.0 Mn Investment in Sustainability Processes

Rs. 2.7 Bn Taxes paid to Governments (Direct and Indirect)

Distribution of Value Added

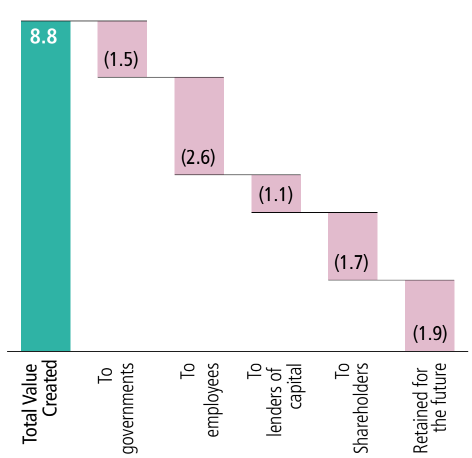
In the year 2023/24, the Maritime & Freight Logistics Sector faced a challenging period marked by lower freight rates and exchange rate fluctuations that impacted its revenue streams. This led to a contraction in the Sector's value creation to Rs. 8.8 billion. Despite these financial headwinds, the Sector remained committed to its stakeholders.

A significant portion of the value created, amounting to Rs. 2.6 billion or 30% of the total, was allocated to the employees. This allocation underscores the Sector's recognition of its employees as a critical component of its operations and its commitment to their welfare.

Shareholders received a distribution equivalent to 20% of the value created. This distribution reflects the Sector's consistency in providing high returns to its shareholders. Reflecting the Sector's lower debt capital, the value distributed to lenders of capital amounted to 11% of the total value created while the Sector contributed 17% of the value created to governments. 22% was retained by the Sector for the future.

Distribution of Value Created

Rs.Bn



CERTIFIED MANAGEMENT SYSTEMS

ISO 14001: 2015 Certified environmental management systems

All operations maintain systems and SOPs for environmental impact control. The following operations have sought certification for their systems;

- Ace Aviation Services (Pvt) Ltd
- Ace Cargo (Pvt) Ltd
- Aitken Spence Cargo (Pvt) Ltd
- Logilink (Pvt) Ltd
- Hapag-Lloyd Lanka (Pvt) Ltd

ISO 9001: 2015 Certified quality management systems

Each segment maintains specific SOPs and systems for quality assurance. The following operations have expanded their systems and sought certification;

- Ace Aviation Services (Pvt) Ltd
- Ace Cargo (Pvt) Ltd
- Aitken Spence Cargo (Pvt) Ltd
- Ace Distriparks (Pvt) Ltd
- Hapag-Lloyd Lanka (Pvt) Ltd
- Fiji Ports Terminal Ltd

ISO 45001:2018 for occupational health & safety

All operations maintain systems and SOPs for occupational health and safety. The following operations have sought certification for their systems;

- Logilink (Pvt) Ltd
- Ace Distriparks (Pvt) Ltd
- Hapag-Lloyd Lanka (Pvt) Ltd
- Ace Containers (Pvt) Ltd

RECOGNITION RECEIVED DURING THE YEAR

Hapag-Lloyd Lanka was recognised as the "Best Customer Service Provider" in the Europe and Mediterranean sectors at the Institute of Chartered Shipbrokers (ICS) Awards 2023.

Hapag-Lloyd was recognised as one of the top five shipping lines at the Port of Colombo Awards 2023.

The Freight Forwarding & Logistics segment at the Global Commerce Corporate Quiz Governor's Challenge Trophy – organised by Shippers Academy Colombo, International Quizzing Association & Central Bank of Sri Lanka

Aitken Spence Logistics was recognised for Customer Service Excellence in the market segment at the CILT Awards.

It also emerged as the first runner-up in the "Market Segment – Customer Service" category.

DBS Logistics (Pvt) Ltd was the winner of the Bronze Award in the Extra Large Category of the Logistics Service Sector at the 2023 National Chamber of Exporters Awards.

Aitken Spence Cargo, serving as the General Sales Agent (GSA) for Qatar Airways Cargo, was acknowledged for achieving the highest electronic Air Waybill (e-AWB) penetration in the Indian subcontinent and Middle East African Region.

PESTEL (POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, ENVIRONMENTAL, LEGAL) ANALYSIS

P – Political

Government regulations, trade agreements, security protocols, and geopolitical dynamics significantly shape the operations of the logistics industry, affecting efficiency and costs.

E – Economical

Economic trends and investments in infrastructure drive demand and determine operational capabilities in logistics.

S – Social

Changes in consumer behaviour and the availability of skilled labour necessitate evolving strategies and resource management in logistics.

T – Technological

Advances in technology and the growth of e-commerce enhance efficiency in logistics through automation, improved tracking, and data analytics.

E – Environmental

Environmental sustainability, the impact of extreme weather events, and climate resilience are central to logistics planning, focusing on reducing emissions and adapting strategies.

L – Legal

Legal frameworks and contractual agreements define responsibilities and operational guidelines within the logistics sector.

OPERATING ENVIRONMENT

Global Trade –Key Trends in 2023/2024

Global merchandise trade witnessed a decline of 1.2% in 2023 amidst diminished demand in developed nations, under performance in East Asian economies and a decrease in commodity prices. Meanwhile, tensions surrounding the Red Sea impacted sea-borne trade, due to disruptions to maritime routes resulting in increases in freight rates towards the latter part of 2023.

60% ~ 70% (YoY)

Decrease in average freight rates

1.2%

Decline in global merchandise trade in 2023

KEY CHALLENGES AND OPPORTUNITIES 2023/2024

Challenges

- A moderation of demand for shipping services, as a result of global recessionary pressures together with excess shipping capacity, led to substantial fluctuations in freight rates during the year. The first three quarters of 2023/2024 also saw disruptions to services, due to cancellations and adjustments in shipping itineraries.
- Sri Lanka faced a decline in import and export volumes amidst subdued economic conditions and import restrictions. Refrigerated cargo, in particular, was severely impacted by restrictions on commodities imported during the year.
- The industry continued to grapple with a growing shortage of skilled workers due to rising levels of migration from the country. Increasing levels of migration also impacted the education sector, with institutions finding it increasingly difficult to attract students for local degree programmes, though the demand for programmes affiliated to foreign universities remained.
- The liberalisation of bunker trade and the privatisation of fuel stations led to a decline in fuel supply contracts with Ceypetco / LIOC, affecting tanker agency representations.

Opportunities

- Transshipment volumes passing through the Port of Colombo increased notably during the last two quarters of 2023/2024, as a result of shipping lines changing their routes to avoid high risk routes.
- The crisis in the Red Sea also led to a reduction in excess capacity and increase in freight rates towards the latter part of 2023/2024.
- Increased opportunities in the industry due to regional alliances, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and an increasing trend towards nearshoring.

KEY MARKETS

Location	Operations	Market overview 2023/2024
Sri Lanka	Integrated container services, port management and shipping services, airline GSA (cargo), freight forwarding & courier services and education	Container throughput at the Port of Colombo expanded by a moderate 1.3% (YoY) to 6.9 Mn TEUs in 2023. The growth, however, was driven mainly by transshipment volumes which accounted for 83% of the port's container throughput during the period. Transshipment volumes increased by 2.1%, with a notable increase witnessed going into 2024, as a result of the Red Sea crisis and the Colombo Port emerging as a transit point for major shipping lines re-routing their vessels around the Cape of Good Hope to avoid disruptions to shipments and resulting high insurance premiums.
Bangladesh	Freight forwarding	The Bangladesh economy witnessed a moderation in growth momentum in 2023 amidst reduced export demand, inflationary pressures and domestic shortages of electricity and fuel. Export growth decelerated sharply during the year, while imports also declined due to lower domestic demand. The resultant decline in trade volumes directly impacted the revenue and profitability of the freight and logistics industry.
Mozambique	Port operations	Aitken Spence provides port management services at the Port of Nacala, which is the country's 3rd largest port. Following the rehabilitation and modernisation of infrastructure, the Port of Nacala, reached record levels in 2023, handling 3.1 Mn tons of freight, 12.5% above the cargo levels handled in 2022. The growth in cargo handled was also supported by the country's economic recovery which gained momentum in 2023, primarily driven by the start of liquefied natural gas (LNG) production at the Coral South offshore facility.
Fiji	Port management services	Aitken Spence manages the two international commercial ports in Fiji; Suva with a container handling capacity of over 100,000 TEUs per annum and Lautoka with a container handling capacity of over 40,000 TEUs per annum. Fiji's post-pandemic economic rebound has been strong, with the economy expanding by 20% and 8%, respectively, in 2022 and 2023, supported by exceptional recovery in the tourism industry. This had positive spillover effects on wholesale and retail trade, transportation and construction sectors and port operations in the country.
Maldives	Freight forwarding	As per the Maldives Monetary Authority update in February 2024, total exports increased by 10%, during the period January to December 2023 while total imports slightly declined by 1%, when compared with the corresponding period of 2022.
Myanmar	Freight forwarding	Political instability and conflict continued to impact economic performance in Myanmar with broad based declines across key sectors and a notable decline in trade volumes. Meanwhile, conflict-induced supply chain and logistic disruptions also continue to challenge operations in the country.
Cambodia	Freight forwarding	The Cambodian economy continued to perform well in 2023 buoyed by a recovery in tourism and robust non-garment manufacturing. Sector's operations in Cambodia benefited from an increase in export volumes, although import volumes witnessed a decline due to lower imports of gold, garment industry related materials, fuel and vehicles.

STRATEGIC OBJECTIVES

Sustainable profit growth

- Investment in a 100,000 sq. ft. container freight station in the main logistics complex at Mabole
- Automation of repetitive manual tasks through RPA and Power Apps
- Enhanced our offering with value additions such as "SpenceViz" platform and "Spence Tracking" to provide real-time visibility from purchase order to goods received notes
- Implementation of a game-changing custom house agency (CHA) / shipping solution for efficient job allocation and task management, optimising human talent
- Strengthened presence in bunkering segment with the chartering of a barge and enhancing Hambantota as an ideal location for bunkering, while promoting same as the "Pit-Stop" for the ships on the East West main line route

Expand reach to new geographies and new business segments

- Wider spectrum of courses offered at CINEC to include aviation, hospitality, health-science and science streams
- Closer collaboration with shipping principals to boost cargo volumes in existing and new destinations thereby increasing market share in the liner segment
- The overseas freight segment commenced operations in Cambodia and set up a regional office in Singapore, further expanding its overseas presence

Achieve employer of choice status

- HR Strategy has been coined to address the expectations of the diverse workforce, as engagement is vital to build a purpose driven team

Achieve net zero emissions and reduce resource footprint

- 66 MT of solid waste safely disposed
- 398 GJ solar energy produced
- Plans in the pipeline towards electrification of part of the fossil fuel needs of the integrated logistics segment to reduce emissions and support the Group's efforts to achieve net zero

DRIVING STRATEGY

Declining trend in global freight rates, lower import and export volumes, fuel price hikes and the appreciation of the Sri Lankan Rupee against the USD impacted the Sector's performance during the year, resulting in a decline in both revenue and profits compared to the record-breaking performance during the previous year. Consolidated revenue declined by 18% to Rs. 23.6 Bn while profits before tax also decreased by 37% to Rs. 4.9 Bn in 2023/2024 as a result of declines in port management operations, liner shipping business, freight forwarding, container logistics segments and cargo GSA operations. On a positive note, the maritime education and overseas freight forwarding operations performed exceptionally well during the year, recording notable improvements in profitability and market share.

The integrated container segment witnessed a 8% decline in revenue amidst lower import and export volumes. The decline in revenue together with multiple fuel price hikes and the appreciation of the Sri Lankan Rupee against the USD, impacted the segment's profitability resulting in a 59.4% decline in profitability compared to the highest ever profit achieved in the previous year. A marginal decline in the operational profits of the port management operation in Fiji was further exacerbated due to the appreciation of the Sri Lankan Rupee, resulting in a lower conversion value.

During the year 2023/2024, the liner segment observed a notable 15% increase in cargo volumes, primarily driven by higher transshipment volumes. Despite the rise in transshipment volumes, the liner shipping and freight segment experienced a decrease in turnover as a result of the decline in freight rates during the period. Freight rates experienced a substantial decline over the first nine months of the 2023/2024 period compared to the previous year. However, rates surged in the last quarter due to a surcharge imposed in response to the crisis in the Red Sea. Despite economic challenges in Bangladesh and Myanmar, the overseas freight segment achieved significant gains in both profits and market share, primarily driven by operations in these countries. The maritime education segment also performed well during the year recording a 14% increase in profitability. Focused efforts to expand its course offerings contributed to this commendable performance.

Amidst the challenging operating conditions that prevailed during the year, the Sector focused on strengthening its value proposition by truly understanding and addressing current customer requirements. The implementation of the EMOJOT platform during the year, enabled the Sector to capture valuable information on customer experience to augment customer propositions. In response to these findings, the Sector introduced key enhancements to its customer value proposition, including cutting edge customer solutions for tracking and tracing from purchase order to goods received note (GRN), such as 'SpenceViz' and

'Spence Tracking'. The Sector also continued to drive efficiencies across business verticals through ongoing investments in technology including a game-changing CHA/shipping solution for efficient job allocation and task management.

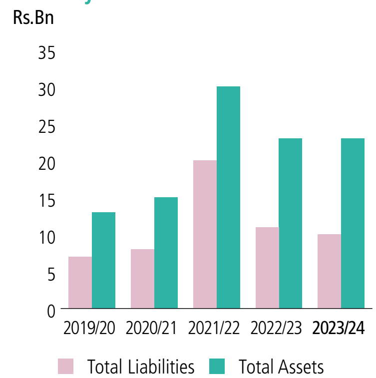
Diversifying its revenue streams and customer bases, whilst maintaining a flexible cost structure, remained key focus areas as the Sector transforms the business into a more agile and resilient operation, better able to thrive in dynamic operating conditions. Strong relationships the Sector has cultivated with its global partners and principals is one of the key strengths. The Sector continued to leverage these relationships to expand its presence in new geographies and business segments.

Workforce shortages were a key risk during the year amidst growing migration levels in the country. As part of the efforts to mitigate this risk, the Sector continued to enhance its employee value proposition, through targeted engagement activities, ongoing career and talent development opportunities and competitive compensation packages to attract and retain skilled professionals. The Sector, during the year, also embarked on an exercise to better articulate its organisation's purpose and core values in order to foster a more cohesive team, working towards common goals.

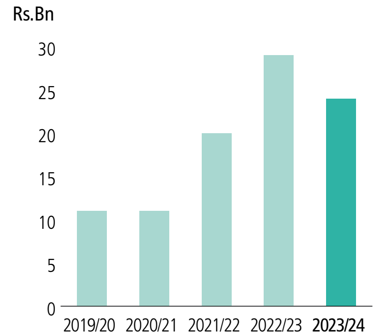
The Sector also continued to achieve steady progress on its energy efficiency journey, recording a 3% reduction in the scope 1 & 2 emissions. Several tangible initiatives were undertaken during the year to achieve environmental goals, including investing in more efficient electrical equipment, LED lighting and solar panels at the newly constructed warehouse.

The Sector has embarked on key initiatives to support the global vision towards Net Zero. The freight team has brought in carbon emission calculation and continues to create awareness among customers when deciding on shipping options. This initiative has brought in a different dimension to the procurement decision, where Customers will look beyond factors such as time and price and will consider the carbon emission when opting for space for their cargo.

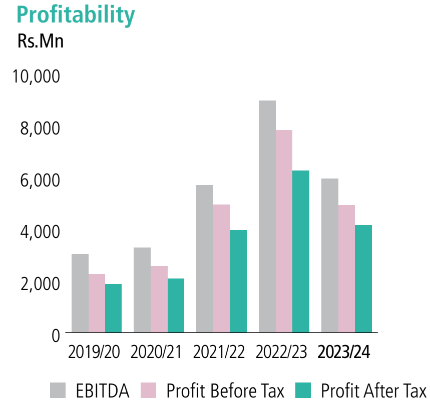
Stability



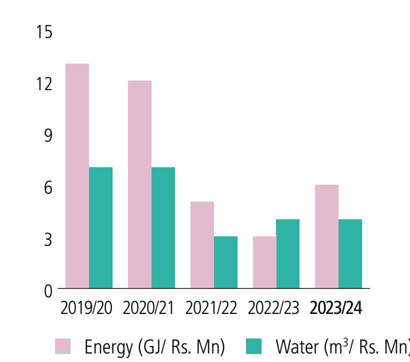
Revenue



Profitability



Resource Consumption per Unit Revenue



NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (18)%
- Profit before tax - (37)%
- Total assets - (3)%
- Total liabilities - (5)%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Intellectual Capital

- Rs. 53 Mn investment in IT systems
- Digitisation of process
    - Streamlined global tracking
    - Optimised operational workflows
    - Elevated client satisfaction

Manufactured Capital

- Investments in property plant and equipment Rs. 2.1 Bn

Natural Capital

- Rs. 4 Mn invested in energy efficient equipment at warehouse.

Human Capital

- 520 new recruits
- Rs. 3.3 Mn invested in training and development

Social & Relationship Capital

- Closer engagement with principals
- Strengthened OHS mechanisms across the sector for all stakeholders
- Payments to suppliers Rs 9.1 Bn

GOVERNANCE MATTERS

Our dedication to strict compliance is demonstrated by the regular and structured internal audits we conduct, reflecting the rigorous standards upheld by the Group. In our business development strategy, we employ a targeted approach, segmenting customers and assigning them to specialised teams to ensure personalised service and effective engagement. Our operations are fortified by solid process compliance, with all Customs House Agent (CHA) activities being closely monitored through the SpenceViz system according to our Standard Operating Procedures (SOPs).

Periodic reviews with senior management focus on non-financial performance metrics such as target setting, performance evaluations, and the strategic application of audit insights. These reviews are integral to our comprehensive audit program, which includes both internal and external audits, like ISO certification and fiscal year-end audits. This program ensures that we consistently refine our practices and maintain the highest standards of operational excellence.

MARITIME AND FREIGHT LOGISTICS SECTOR

Statement of Financial and ESG performance (GRI 201-1; 203-1; 302-1; 303-3, 303-4; 305-1, 305-2; 306-5)

	2023/24	2022/23	YoY(%)
Revenue (Rs. Mn)	23,648	28,972	-18
EBITDA (Rs. Mn)	5,951	8,958	-34
Profit before tax (Rs. Mn)	4,921	7,818	-37
Profit after tax (Rs. Mn)	4,157	6,255	-34
Total Assets (Rs. Mn)	22,588	23,242	-3
Total Liabilities (Rs. Mn)	10,064	10,576	-5
SDGs towards which the Sector's performance contributes: 4 and 5			
Targets: 4.3, 4.4, 4.7, 5.1, 5B			
Number of employees	1,810	1,751	3
Employee female representation	18%	16%	13
Employee benefits (Rs. Mn)	2,622	2,520	4
Training hours per employee	4	8	-50
SDGs towards which the Sector's performance contributes: 4, 5 and 12			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 12.b			
Investment in training (Rs. '000)	3,332	13,549	-75
Number of student registrations at CINEC	22,975	19,861	16
Brand stewardship	4	4	0
Number of certifications	17	13	31
Number of joint venture/equity partnerships	10	9	11
Number of suppliers screened on ESG within the year	-	576	-100
SDGs towards which the Sector's performance contributes: 8, 9, 12 and 14			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 14.1, 14.2			
(Note - data for 2023 has been restated as the reporting boundary and emission factors have been revised)			
Total energy consumption (GJ)	51,039	51,227	0
Renewable energy generated (GJ)	398	477	-17
Scope 1 emissions (tCO2e)	3,425	3,334	3
Scope 2 emissions (tCO2e)	818	1,026	-20
Emissions reduced or offset (tCO2e)	78	94	-17
Total water withdrawn (m3)	32,426	53,730	-40
Total volume of water treated for reuse or safe disposal (m3)	6,336	6,336	0
Total amount of solid waste kept away from landfills			
(Tonnes)	66	767	-91
(Units)	0	864	-100
Total amount of effluents safely disposed (Litres)	0	48	-100
Total investment in sustainability driven processes (Rs. Mn)	4.3	2	153
SDGs towards which the Sector's performance contributes: 9			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	8,982	7,578	19
Warehouse space (sq.ft.)	470,074	401,602	17
Yard capacity (TEUs)	6,500	7,000	-7
Transportation fleet (Nos.)	112	112	0
Investment in manufactured capital (Rs. Mn)	2,053	587	250
Depreciation (Rs. Mn)	784	839	-7

FUTURE OUTLOOK

The anticipated rebound in global trade during the second half of 2024 together with improved domestic conditions, including the possible lifting of import restrictions and gradual improvement in the domestic economy, is expected to improve the prospects of the Maritime & Freight Logistics Sector. Freight rates too have witnessed some upward momentum, although this is mainly on account of the impact of geopolitical developments and resultant shipping disruptions around the globe.

The port and liner segments in particular are expected to benefit from these developments, with higher transshipment volumes and freight rates expected to drive profitability in the segment. Meanwhile, the resumption of cruise calls in November 2023 is also expected to improve performance of the bunkering operations of the segment. The bunkering operation also continues to show significant potential and is a key area of focus going forward. Port operations in Fiji too are expected to perform well during the year, with the expected growth in cargo throughput amidst stable economic conditions. Given the significant growth potential in this segment, the Sector will continue to explore new opportunities by leveraging its strong global partnerships.

Strategic investments made during the past few years have also placed the container freight segment on a clear trajectory of growth. The strategic expansion of the container freight station in Mabole together with the implementation of process automation through Power Apps, have strengthened its position in the warehousing and logistics segment. The container freight segment also continues to expand into new areas, such as reefer and container conversion business, in response to a growing demand for customised solutions.

Overseas operations of the Sector are also expected to deliver notable results in the short to medium term, due to far-sighted efforts to diversify its operations into emerging areas. As part of the three-year-strategic plan, the Sector hopes to expand into third party logistic (3PL) in Bangladesh and continues to explore new verticals in freight forwarding, such as pharmaceuticals and aerospace, while actively looking to acquire new GSAs in overseas locations.

WAY FORWARD

Sustainable profit growth

Revenue diversification

Short Term

- Expand presence in bunkering industry through client acquisition
- Set up a cold room facility and procure freezer trucks
- Increased focus on enhancing service excellence
- Implementation of robotic process automation (RPA) technology in the Container Freight Station Segment (CFS), warehousing and transportation operations

Long Term

- Explore overseas opportunities in integrated container services segment
- Capacity expansion of container freight station in Welisara
- Expand the trucking fleet

Geographical and business expansion

Value enhancement / efficiency

Short Term

- Expansion into 3PL services in Bangladesh
- Explore potential opportunities with new GSAs' to new locations
- Joint venture company in Mozambique to expand port operations in the country

Long Term

- Explore overseas opportunities in integrated container services segment
- Explore overseas opportunities in port management services as well as supply chain services.
- Collaboration in overseas locations

Achieve 'Employer of Choice' status

Employee engagement

Short Term

- Actively address labour retention issues through targeted initiatives to enhance employee engagement and - employee value proposition

Long Term

- 50% female representation by 2028 and achieving a 20% representation of women in leadership positions by 2028

Reduction in resource footprint

Emission control

Short Term

- Gradual replacement of Material Handling Equipment (MHE) with electric-powered variants
- Setting up policy for converting Ports in Fiji as Green Ports.

Long Term

- The Sector has initiated a five-year plan to promote greening operations which includes a range of initiatives including better energy and emission management.
- Planning to convert the ports of Suva and Lautoka as Green ports. Initiatives taken for reduction in emissions from ships and equipment, use of renewable energy and adopting strict policy on waste disposal at sea.

Power to inspire

Preserve and Protect: Our Commitment to Cleaner Coasts

Beaches often accumulate flotsam and jetsam, which tarnish their natural beauty and harms marine ecosystems. For the Maritime & Freight Logistics Sector, organising beach clean-ups represents a meaningful opportunity to contribute positively to a country's natural capital. Such initiatives not only enhance the environmental health of coastal areas, but also reinforce the Sector's commitment to sustainability and community well-being. This approach underscores the importance of preserving natural resources for future generations.

In recent years, the Sector has collaborated with the hotels segment, to support positive environmental efforts along the western coastal areas in Sri Lanka, where the Group has operations. Together, they have provided waste reclaim bins on the beaches, facilitating more efficient beach clean-up events and maintenance initiatives. This is beneficial for the hotels segment, which conducts weekly beach clean-up events. This partnership not only aids in keeping our beaches clean, but also engages local communities and tourists in sustainable practices, emphasising a shared responsibility towards environmental stewardship.

In September 2023, Fiji Ports Terminal Limited, in partnership with local government authorities, carried out a beach clean-up project, covering approximately 6 kilometres of shoreline in Suva and Lautoka cities of Fiji Islands. Nearly 110 staff and their family members volunteered to the project and close to 2.3 MT of inorganic waste was removed from the shore and foreshore areas.

SASB DISCLOSURES

Road Transportation and Air Freight & Logistics - Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Unit of measure	Code	
1. Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions - Total percentage greenhouse gas (GHG) emissions to the atmosphere -	Metric tons (t)	TR-RO-110a.1 TR-AF-110a.1	3,425.03
	(2) Gross global Scope 1 emissions - Carbon dioxide (CO2)			3,413
	(3) Gross global Scope 1 emissions - Methane (CH4)			3
	(4) Gross global Scope 1 emissions - Nitrous oxide (N2O)			9
	(5) Gross global Scope 1 emissions - Hydrofluorocarbons (HFCs)			Negligible
	(6) Gross global Scope 1 emissions - Perfluorocarbons (PFCs)			Negligible
	(7) Gross global Scope 1 emissions - Sulphur hexafluoride (SF6)			Negligible
	(8) Gross global Scope 1 emissions - Nitrogen trifluoride (NF3)			Negligible
	(9) Gross global Scope 1 emissions - What are the regulations to limit GHG emissions	N/A		None
	(1) Discussion of short term strategy or plan to manage scope 01 emissions		TR-RO-110a.2 TR-AF-110a.2	Please refer to the following sections; Sector Review Natural Capital section (GRI 3-3)
	(2) Discussion of short term strategy or plan to emissions reduction targets			
	(3) Discussion of short term strategy or plan to do an analysis of performance against those targets			
	(4) Discussion of long term strategy or plan to manage scope 01 emissions			
	(5) Discussion of long term strategy or plan to emissions reduction targets			
	(6) Discussion of long term strategy or plan to do an analysis of performance against those targets			
	(1) Total fuel consumed	Gigajoules (GJ)	TR-RO-110a.3	45,477
	(2) Percentage of natural gas fuel consumed	Percentage (%)		1% petrol 99% diesel (direct energy)
	(3) Percentage renewable fuel consumed			0
	(1) Fuel consumed by Road transport, percentage - (a) Natural Gas	Gigajoules (GJ)	TR-AF-110a.3	42,448
	(1) Fuel consumed by Road transport, percentage - (b) Renewable	Percentage (%)		0
	(2) Fuel consumed by Air transport, percentage - (a) alternative			N/A
	(2) Fuel consumed by Air transport, percentage - (b) sustainable			
2. Air Quality	Air emissions - (1) NOx (excluding N2O)	Metric tonnes (t)	TR-RO-120a.1 TR-AF-120a.1	Negligible
	Air emissions - (2) Sox			
	Air emissions - (3) particulate matter (PM10)			

Topic	Accounting Metric	Unit of measure	Code	
3. Labour Practices	Percentage of drivers classified as independent contractors	Percentage (%)	TR-AF-310a.1	0
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations	Presentation currency	TR-AF-310a.2	0
4. Workforce Conditions, Health & Safety	(1) Total recordable incident rate (TRIR) - (a) Direct employees	Rate	TR-RO-320a.1 TR-AF-320a.1	0
	(1) Total recordable incident rate (TRIR) - (b) Contract employees			0
	(2) Fatality rate - (a) Direct employees			0
	(2) Fatality rate - (b) Contract employees			0
	(1) Voluntary turnover rate for all employees		TR-RO-320a.2	28
	(2) Involuntary turnover rate for all employees			0
	(1) Description of approach to managing short-term driver health risks	N/A	TR-RO-320a.3	Please refer to the Human Capital report (OHS) (GRI 403)
	(2) Description of approach to managing long-term driver health risks			
5. Supply Chain Management	Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold	Percentage (%)	TR-AF-430a.2	N/A
	Total greenhouse gas (GHG) footprint across transport modes	Metric tons (t)CO2-e per tonkilometre	TR-AF-430a.3	N/A
6. Accident & Safety Management	No. of Road accidents and incidents	Number	TR-RO-540a.1	94 injuries in total. Road accidents are not separately reported.
	Description of implementation and outcomes of a Safety Management System	N/A	TR-AF-540a.1	N/A
	Number of aviation accidents	Number	TR-AF-540a.2	N/A
	(1) Aggregate volume of spills and releases to the environment	Number, Cubic metres (m^3)	TR-RO-540a.3	Zero
	(2) Number of spills and releases to the environment			Zero

ACTIVITY METRICS

	Revenue tonne-kilometres	RTK	TR-RO-000.A TR-AF-000.A	Not reported
	Load factor	Number	TR-RO-000.B TR-AF-000.B	Not reported
	Number of employees		TR-RO-000.C TR-AF-000.C	52
	Number of truck drivers			Prime mover drivers - 88 Bowser drivers - 9 Other drivers - 6 Helpers - 4

Strategic Investments Sector

The Group's Strategic Investments Sector comprises of four segments: power generation, apparel manufacturing, printing and packaging and plantations. Each of these segments is crucial for the country's economic development, playing a vital role in either generating or conserving foreign exchange. By strategically selecting these priority areas, the Group effectively spreads its interests across diverse economic activities. This approach not only secures a stable revenue stream, but also minimises potential impacts from market volatility, thus ensuring the Group's long-term sustainability and growth. Despite a year marked by challenging operational conditions the Sector reported a revenue of Rs. 17.2 Bn reflecting the underlying strength and potential of the Group's diversification strategy. However, the Sector did not perform as expected, as evidenced by a reported loss before tax of Rs. 2.5 Bn highlighting the impact of the prevailing economic environment on even well-positioned and diversified portfolios. The financial performance, while mixed, underscores the importance of the Group's strategic choices in navigating economic uncertainties and positioning itself for future stability and growth. The Strategic Investments Sector, by spanning critical and diverse industries, provides a foundation that not only safeguards but also potentially enhances the Group's market position in the long term.

Power Generation

Sri Lanka

As a long-standing private power producer, the segment has expertise in thermal, wind, solar, hydro and waste to energy technologies.

Apparel Manufacture

Sri Lanka

Our interests in the apparel industry in Sri Lanka comprise of three companies engaged in manufacturing of high-value children's and men's apparel for leading fashion brands in the US and UK.

Printing and Packaging

Sri Lanka

The printing segment comprising of Aitken Spence Printing & Packaging (Pvt) Ltd and Ace Exports (Pvt) Ltd., is a market leader, with a portfolio of products, that includes packaging, books and magazine publications, tags and labels and seasonal products.

Plantations

Sri Lanka

Aitken Spence enjoys a strong presence in Sri Lanka's plantation sector with 13 estates and 17 factories in the low, mid and up country regions of Sri Lanka. Represented by Elpitiya Plantations PLC, the group produces top grade tea, rubber, coconut, cinnamon and oil palm crops as its core business while also having a well diversified non-core crop base.

VALUE CREATED AND DISTRIBUTED

Performance Highlights-2023/2024

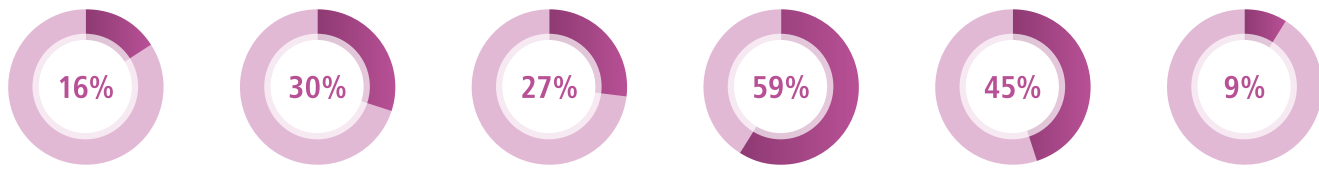
Rs. 17.2 Bn
Revenue

Rs. 2.3 Bn
EBITDA

Rs. 2.5 Bn
Loss before Tax

Contribution to Group

Revenue | Assets | Liabilities | Employees | Emissions | Water consumed



Contribution to Economy

7,538
Employment Generated

Rs. 5.6 Bn
Total Value Added

Rs. 1.5 Bn
Investment in Infrastructure

Rs. 6.8 Bn
Facilitation of Foreign Exchange Generation to the Country

57.6%
Female Participation in Labour Force

753,134 GJ
Renewable Energy Generated

Value to Stakeholders

Rs. 3.1 Bn
Value Created for Employees

Rs. 10.2 Bn
Payments to Suppliers and Business Partners

Rs. 39.0 Mn
Investment in Sustainability Processes

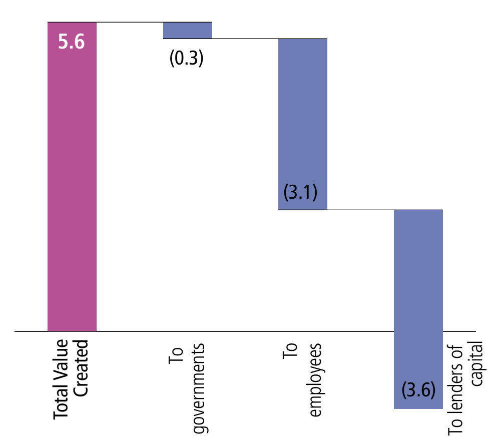
Rs. 863.2 Mn
Taxes paid to Governments (Direct and Indirect)

Distribution of Value Added

Operating in industries crucial to the nation's economic growth, the Strategic Investments Sector generated a value of Rs. 5.6 billion. However, the Sector faced significant challenges during the year, primarily due to unpredictable exchange rate fluctuations and a downturn in the apparel industry. These challenges led the Sector to distribute more to its key stakeholders - governments, employees, and capital lenders - than the value it created during the year.

For the year, the Sector distributed a total of Rs. 7.1 billion. Lenders of capital received the majority share of this distribution, accounting for 52% of the total. Employees, who are integral to the sector's operations, received a distribution that amounted to 44% of the total value while governments received a total of Rs. 0.3 billion. This distribution strategy underscores the Sector's commitment to its stakeholders, even in challenging times.

Distribution of Value Created
Rs.Bn



PESTEL (POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, ENVIRONMENTAL, LEGAL) ANALYSIS

P Political

- Government policies regarding environmental regulations, trade agreements, labour laws, land ownership and energy regulations are pivotal across these sectors.
- International relations and special incentives such as GSP +, customs and duty waivers also play crucial roles, particularly in the power and apparel manufacturing sectors.

E Economical

- Economic stability, inflation rates, currency exchange rates and global commodity prices significantly affect all industries.
- Investment in infrastructure and renewable energy, as well as fuel prices, influence costs and profitability.

S Social

- Consumer preferences for sustainable and ethically sourced products are growing across all sectors.
- Community relations, labour practices and awareness of climate change also impact business operations and consumer choices.

T Technological

- Technological advances like automation, digitisation of supply chains, innovations in crop management and renewable energy technologies are transforming production processes and operational efficiencies.

E Environmental

- All sectors are increasingly affected by environmental concerns, such as climate change, water availability, waste management and the transition to eco-friendly materials and clean energy sources.

L Legal

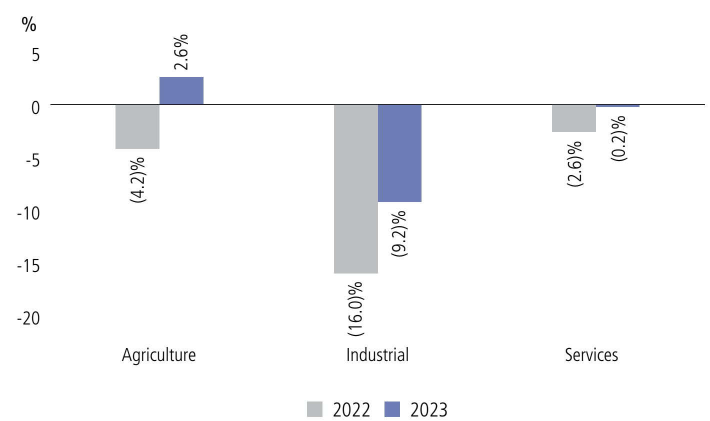
- Compliance with safety regulations, labour standards, environmental laws, copyright laws and energy licensing are essential for legal and operational adherence in these industries.

OPERATING ENVIRONMENT

Sri Lankan Economy

The Sri Lankan economy contracted by 2.3% in 2023 compared to the significant contraction of 7.3% in 2022. The gradual rebound was driven mainly by the revival in the agriculture sector which witnessed a 2.6% increase in 2023 compared to the 4.2% contraction witnessed in 2022. The industrial sector however which continued to be impacted by subdued demand conditions locally and globally witnessed a contraction of 9.2% during the year. Apparel exports during the year declined by 18% during the year as a result of a significant decline in global demand. Demand for the printing and packaging meanwhile was negatively impacted by lower apparel exports and a general downturn in trade volumes. The country's renewable energy generation accounted for 50% of overall electricity generation, significantly lower than the target of 70% by 2030.

Performance of Major Economic Activities



STRATEGIC INVESTMENTS SECTOR

Statement of Financial and ESG performance (GRI 201-1; 203-1; 302-1; 303-3, 303-4; 305-1, 305-2; 306-5)

	2023/24	2022/23	YoY(%)
Revenue (Rs. Mn)	17,158	21,509	-20
EBITDA (Rs. Mn)	2,269	6,192	-63
Profit before tax (Rs. Mn)	(2,460)	543	-553
Profit after tax (Rs. Mn)	(2,259)	657	-444
Total Assets (Rs. Mn)	60,952	66,287	-8
Total Liabilities (Rs. Mn)	34,616	38,316	-10
SDGs towards which the Sector's performance contributes: 4 and 5			
Targets: 4.3, 4.4, 4.7, 5.1, 5B			
Number of employees	7,538	7,681	-2
Employee female representation	58%	60%	-3
Employee benefits paid (Rs. Mn)	3,130	2,857	10
Training hours per employee	11	4	175
SDGs towards which the Sector's performance contributes: 4, 8 and 12			
Targets: 4.3, 4.4, 4.7, 8.4, 8.8, 12.2, 12.6, 12.8			
Investment in training (Rs. '000)	10,124	15,031	-33
Brand stewardship	7	7	0
Number of management systems	80	68	18
Number of certified management systems	37	33	12
SDGs towards which the Sector's performance contributes: 4, 8, 9 and 12			
Targets: 4.3, 4.4, 4.6, 8.5, 8.6, 9.1, 12.8			
Number of joint venture/equity partnerships	6	5	20
Number of suppliers	1,862	3,103	-40
Number of suppliers screened on ESG within the year	444	112	296
Total funds channelled for community development (Rs. Mn)	200	232	-14
SDGs towards which the Sector's performance contributes: 6, 7, 8, 9, 12 and 15			
Targets: 6.3, 6.4, 7.2, 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 15.2, 15.5			
(Note - data for 2023 has been restated as the emission factors have been revised)			
Total energy consumption (GJ)	399,801	401,927	-1
Total energy consumed from non-renewable sources and indirect energy (GJ)	150,120	148,832	1
Total energy consumed from renewable sources (GJ)	219,101	222,046	-1
Total energy generated from renewable sources (GJ)	753,134	690,030	9
Scope 1 emissions (tCO2e)	32,727	31,248	5
Scope 2 emissions (tCO2e)	4,497	4,566	-2
Emissions reduced or offset (tCO2e)	235,273	216,829	9
Total water withdrawn (m3)	143,880	306,404	-53
Total volume of water treated for reuse or safe disposal (m3)	27,405	34,683	-21
Total amount of solid waste kept away from landfills			
(Tonnes)	37,753	31,331	20
(Units)	73	764	-90
(Litres, waste oil)	25,820	104,761	-75
Total investment in sustainability driven processes (Rs. Mn)	39	29	34
SDGs towards which the Sector's performance contributes: 9			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	22,400	21,766	3
Investment in manufactured capital (Rs. Mn)	1,513	2,230	-32

DRIVING STRATEGY

The Strategic Investments Sector recorded a revenue of Rs. 17.2 Bn in amidst challenging operating conditions. Subdued global demand for apparel and declining disposable income in Sri Lanka impacted both the apparel and printing and packaging segments. Revenue from the apparel segment experienced a 26.1% decline due to reduced order volumes and the appreciation of the Sri Lankan Rupee against the USD, while the printing and packaging segment also witnessed a 29.3% decrease in revenue during the year. Increased electricity charges and the cost of raw materials also impacted profitability levels of the two segments. The decline in interest rates during the year assisted the power generation segment in lowering its interest costs thereby the segment was able to reduce the loss recorded in the current financial year compared to the loss recorded in the previous year. The plantation segment recorded a 11% and 18% decline in revenue and profits mainly due to the appreciation of the Sri Lankan Rupee against the USD resulting in lower net sales averages for its main crops.

Revenue diversification was a key focus during the year as the Sector sought to broaden the customer base and the product portfolio across all segments. As part of these efforts, the apparel segment acquired two manufacturing facilities to expand capacity in growth categories, athleisure and active wear. The printing and packaging segment meanwhile secured long term contracts with three new customers, enabling it to broaden its customer base. The plantation segment also achieved significant progress in its diversification efforts, successfully introducing nine new products in value added categories. Elpitiya Plantations PLC also entered into a path-breaking joint venture partnership with the research and development company Ceylon Agro Food Technologies (Pvt) Ltd as part of its focused efforts to identify potential areas for diversification.

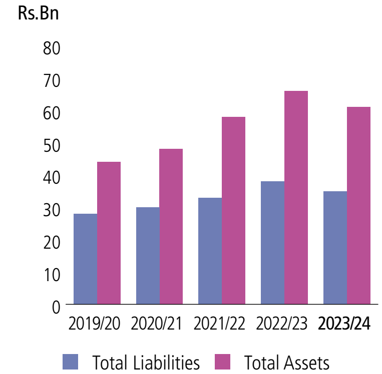
Sustainability concerns and regulations are increasingly shaping industry dynamics and the Sector continued to focus on embedding sustainability considerations into its operations. Across all the segments the Sector focused on developing strategies for achieving net zero by 2035.

FUTURE OUTLOOK

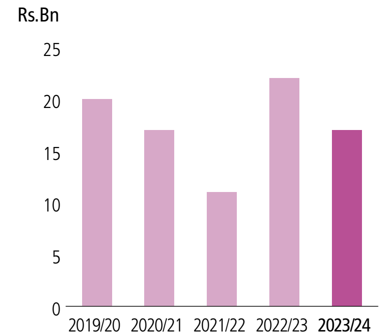
The diversity and growth prospects of the strategic investments portfolio, will drive the performance of the Sector, enabling it to contribute positively to the Group's performance in the coming years. An ongoing focus on driving operational excellence and sustainability has positioned the Sector's businesses as leading players in their respective industries, with a strong market presence locally and globally. The Sector will therefore continue to proactively explore new markets and opportunities to create long term value for the stakeholders. There will also be a strong focus on strategic collaborations that generate mutual value, in order to strengthen the market presence in the industries of the Sector.

For a more detailed analysis of the future prospects of each of the segments within the Strategic Investment sector, please refer the individual segmental reviews.

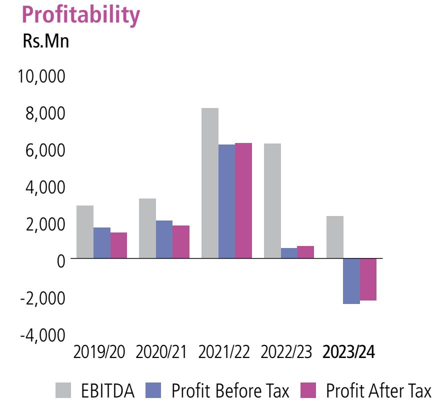
Stability



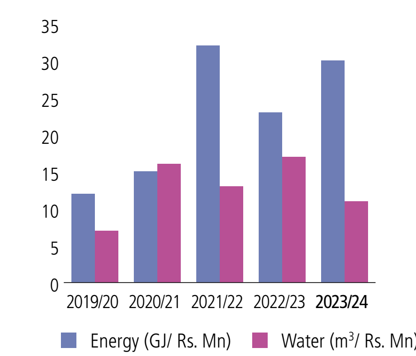
Revenue



Profitability



Resource Consumption per Unit Revenue



Power Generation

Purpose

To play a leading role in the Independent Power Producer (IPP) industry in Sri Lanka

The power generation segment maintains a varied portfolio and is prioritising growth in non-conventional renewable energy to facilitate the country's move towards a low-carbon economy. The Group's ground-mounted solar project, Sagasolar, recorded its first complete year of operation post-acquisition.

Highlights

- The segment produced 170 GWh of energy through renewable and other sources.
- The waste-to-energy facility treated approximately 261,135 MT of solid waste.

Strategic Focus

- Expand the Aitken Spence reach into new geographies

Key Strategic Initiatives

- The operation and maintenance of the waste-to-energy power plant, which was handled by an overseas operator, was taken over by the company during the year
- First full year of operations for Sagasolar post-acquisition
- Concentration on expanding the segment's renewable energy portfolio

SDG Commitments

Locations of Operations

Ace Power Embilipitiya (Private) Limited

Capacity 100 MW - Thermal power plant
Location: Embilipitiya

Ace Wind Power (Private) Limited

Capacity 3 MW - Wind power plant
Location: Ambewela

Branford Hydropower (Private) Limited

Capacity 2.5 MW - Hydro power plant
Location: Matale

Western Power Company (Private) Limited

Capacity 10 MW - Waste to energy power plant
Location: Wattala

Waltrim Energy Limited

Capacity 6.6 MW - Three Hydro power plants
Location: Lindula

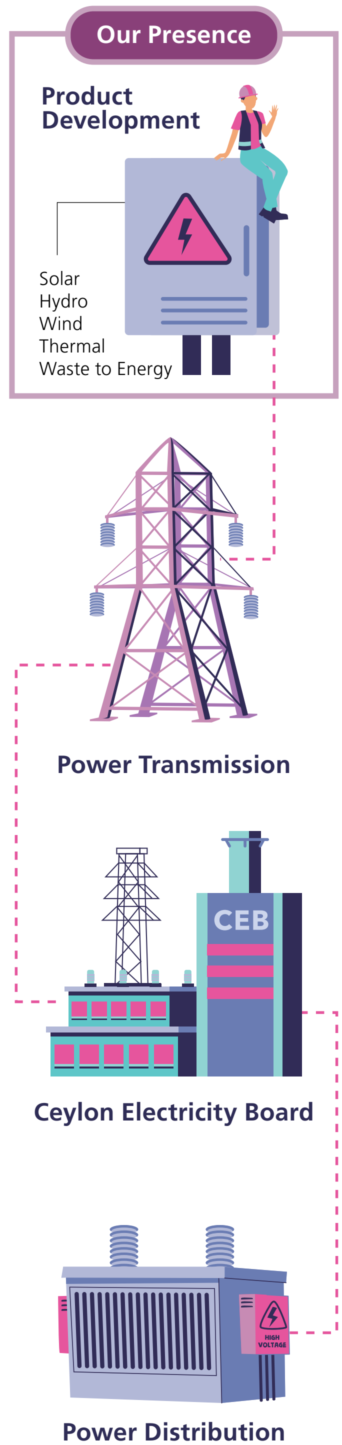
Sagasolar Power (Private) Limited

Capacity 10 MW - Ground mounted solar power plant
Location: Hambantota

Aitken Spence Power (Private) Limited

Capacity 0.75 MW - Roof top solar
Location: Mawaramandiya

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)



Power Generation

INDUSTRY OVERVIEW

The power sector in Sri Lanka has a single customer, the state-owned Ceylon Electricity Board (CEB), which is the sole distributor of electricity and also a power generator. Purchases from independent power producers amounted to 4,003 GWh or nearly 26% of the total power generated, which was 15,588 GWh. It is noteworthy that the CEB turned around from a loss of Rs. 234 Bn to record a profit of Rs. 75.7 Bn, supported by increased tariffs and the reforms undertaken.

RISKS & OPPORTUNITIES

Risks

- Difficulties in procuring required land extents for renewable energy projects in Sri Lanka
- Long delays in CEB settlements of invoices
- High interest rates
- Restrictions on the remittance of foreign exchange for capital investments needed for overseas expansion
- The depreciation of the Sri Lankan Rupee has increased the cost of investments

Opportunities

- Increasing demand for clean energy
- Country commitment to transition to a low-carbon economy
- Overseas geographical diversification leveraging over 20 years of expertise in power generation

STRATEGIC OBJECTIVES

Sustainable profit growth	Achieve employer of choice status	Achieve net zero emissions and reduce resource footprint
Exploring more opportunities in the renewable energy sector	A leadership succession planning initiative was carried out for senior management to establish a pipeline for future leadership transitions	Heightened emphasis on Non-Conventional Renewable Energy (NCRE) to drive growth and attain net-zero emissions across the Group

PERFORMANCE

The power generation segment produced 170 GWh of electricity during the year, which was 6% over the previous year. Hydro power generation was supported by increased days of rainfall, which also benefited the generation of wind power. The waste-to-energy plant operated at a high plant capacity, incinerating 261,135 MT of solid waste, which significantly reduced the emissions that would have been generated if the waste had gone into landfills.

Despite an improvement in its financial performance from the previous year, the segment suffered losses for the second straight year, primarily due to high interest rates and a significant increase in working capital requirements due to delayed settlements by the CEB.

The two new investments in the power segment, mainly the waste-to-energy and the ground-mounted 10 MW solar plant, relied on debt for financing the projects. The ongoing economic crisis, accompanied by a sharp rise in interest rates, has negatively impacted this highly capital-intensive segment. Long delays in receiving payments from the CEB have been reduced but still weigh on the profitability of the segment.

170 GWh
Generated from diverse energy sources

Power Generation

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (17%)
- Total assets - (20%)
- Total liabilities - (8%)

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Intellectual Capital

A pioneer in introducing new technologies to Sri Lanka

Manufactured Capital

170 GWh of power generated at our power plants located across seven districts

Human Capital

- 170 total employees
- 37% increase in employment created during the year
- A team of young engineers from Aitken Spence Power participated in Sri Lanka's first SDG Innovators accelerator programme for young professionals conducted by the UN Global Compact. The project presented by the team was a new idea to reduce emissions from power generation, which was shortlisted among the top three considered to be presented at the Leaders' Summit in New York

Natural Capital

- 29,653 tCO2e total emissions
- 220,616 MT of municipal waste kept away from landfills and repurposed to generate renewable energy
- 215,614 tCO2e emissions reduced in total within the segment
- All wastewater and effluents from the power generation process are responsibly managed
- 100% effluents treated for safe disposal or reuse
- 25,800 Ltrs burnt oil responsibly repurposed or disposed of
- The segment is exploring pathways to align with the Group's ambitious target to achieve net-zero emissions by 2030.

Social & Relationship Capital

- Over 100 suppliers
- Partnership with CMC for effective disposal of municipal solid waste
- Provision of industrial training for 14 engineering undergraduates
- The construction of an access road to a village with 50 families in Hambantota is benefiting the local community by enhancing their access to essential services.
- Educational initiative on waste management at Sathkoralaya Maha Vidyalaya Dikowita and Santha Maria College Uswetakeiyawa

FUTURE OUTLOOK

The country is aiming for a future where 70% of its energy is derived from renewable sources, which is anticipated to create significant growth opportunities in this sector. The power segment is actively seeking expansion opportunities both within the country and internationally. However, it faces challenges due to Sri Lanka's restrictive capital account policies that limit outward foreign investments, which are crucial for its global expansion plans. Additionally, competition for securing new projects has intensified with the entrance of foreign firms. A positive development is the return to profitability of the sole power purchaser, CEB, along with a reduced payment cycle, which bodes well for strengthening the nation's energy resilience.

Power Generation

Power to inspire

Empowering Communities, Transforming Lives

In Sri Lanka's economic centre, the landscape has been profoundly impacted by extensive waste management challenges. Historically, this region suffered from significant waste mismanagement, with large, unregulated landfills causing severe environmental and safety issues, including a notable incident where a landfill collapse resulting in fatalities. This event prompted a nationwide reconsideration of waste management practices. The Western province, responsible for a substantial portion of the nation's waste, has faced critical issues with overflowing landfills and the resulting environmental degradation. The need for effective waste management solutions in this area is urgent to prevent further ecological harm and improve living conditions.

Aitken Spence stepped forward, transcending its corporate identity to emerge as a beacon of optimism by realising what once seemed like an elusive dream: a waste-to-energy plant. The initiative was monumental, marking the first of its kind in Sri Lanka, aiming to convert the very essence of despair; garbage into electricity, a source of light and life.

Aitken Spence's project is more than just a technical achievement; it's a personal story of empowerment for every resident of the Western province. It speaks to the heart of community issues, addressing not just the environmental impact of waste management but also lighting up homes, providing a safer, cleaner environment for future generations. This initiative didn't just change the physical landscape; it transformed lives, offering a narrative of hope and rebirth in places once defined by neglect and despair.

It's a testament to what can be achieved when commitment meets innovation, changing the course of environmental stewardship in Sri Lanka and lighting a path for others to follow.

Through this project, the community saw firsthand how a critical issue could be turned into a sustainable solution, touching the lives of all.

Power Generation

SASB DISCLOSURES

Electric Utilities & Power Generators Standard- Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Unit of measure	Code	
1. Greenhouse Gas Emissions & Energy Resource Planning	(1) Gross global Scope 1 emissions	Metric tonnes (t) CO_2- e, Percentage (%)	IF-EU-110a.1	26,563
	(2) Percentage covered under emissions limiting regulations			Stack emissions apply only to Ace Power Embilipitiya (Pvt) Ltd and Western Power Company (Pvt) Ltd
	(3) Percentage covered under emissions reporting regulations			No regulations stipulated at present
	Greenhouse gas (GHG) emissions associated with power deliveries	Metric tonnes (t) CO_2-e	IF-EU-110a.2	N/A
	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	N/A	IF-EU-110a.3	Please refer Sector Reviews and Natural Capital Report in the Management Discussion and Analysis **(GRI 3-3)**
2. Air Quality	(1) NOx (excluding N2O) - percentage of each in or near areas of dense population	Metric tonnes (t), Percentage (%)	IF-EU-120a.1	Within stipulations regulated by the CEA
	(2) SOx- percentage of each in or near areas of dense population			
	(3) Particulate matter (PM10) - percentage of each in or near areas of dense population			
	(4) Lead (Pb) - percentage of each in or near areas of dense population			
	(5) Mercury (Hg) - percentage of each in or near areas of dense population			
3. Water Management	(1) Total water withdrawn	Thousand cubic metres (m^3), Percentage (%)	IF-EU-140a.1	48,907
	(2) Total water consumed			100%
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Number	IF-EU-140a.2	None
	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A	IF-EU-140a.3	Please refer Natural Capital report **(GRI 3-3)**
4. Coal Ash Management	(1) Amount of coal combustion products (CCPs) generated	Metric tonnes (t), Percentage (%)	IF-EU-150a.1	None
	(2) Percentage recycled			N/A
	Description of coal combustion products (CCPs) management policies and procedures for active and inactive operations	N/A	IF-EU-150a.3	N/A

Power Generation

Topic	Accounting Metric	Unit of measure	Code	
5. Energy Affordability	Average retail electric rate for residential	Rate	IF-EU-240a.1	N/A
	Average retail electric rate for commercial			
	Average retail electric rate for industrial customers			
	(1) Number of residential customer electric disconnections for non-payment	Number	IF-EU-240a.3	
	(2) percentage reconnected within 30 days	Percentage (%)		
	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	N/A	IF-EU-240a.4	
6. Workforce Health & Safety	(1) Total recordable incident rate (TRIR)	Rate	IF-EU-320a.1	0
	(2) Fatality rate			0
	(3) Near miss frequency rate (NMFR) for -(a) direct employees			0
	(3) Near miss frequency rate (NMFR) for (b) contract employees			0
7.End-Use Efficiency & Demand	Percentage of electric load served by smart grid technology	Percentage (%) by megawatt hours (MWh)	IF-EU-420a.2	N/A
	Customer electricity savings from efficiency measures, by market	Megawatt hours (MWh)	IF-EU-420a.3	N/A
8. Nuclear Safety & Emergency Management	Total number of nuclear power units, broken down by results of most recent independent safety review	Number	IF-EU-540a.1	N/A
	Description of efforts to manage nuclear safety and emergency preparedness	N/A	IF-EU-540a.2	N/A
9. Grid Resiliency	Number of incidents of non-compliance with physical or cybersecurity standards or regulations	Number	IF-EU-550a.1	None
	(1) System Average Interruption Duration Index (SAIDI)	Minutes, Number	IF-EU-550a.2	N/A
	(2) System Average Interruption Frequency Index (SAIFI)			N/A
	(3) Customer Average Interruption Duration Index (CAIDI) inclusive of major event days			N/A

Power Generation

Topic	Accounting Metric	Unit of measure	Code	
ACTIVITY METRICS				
	Number of customers served: (1) Residential	Number	IF-EU-000.A	0
	Number of customers served: (2) Commercial			1
	Number of customers served: (3) Industrial			0
	Total electricity delivered to: (1) Residential	Megawatt hours (MWh)	IF-EU-000.B	0
	Total electricity delivered to: (2) Commercial			169,530
	Total electricity delivered to: (3) Industrial			0
	Total electricity delivered to: (4) All other retail customers			0
	Total electricity delivered to: (5) Wholesale customers			0
	Length of transmission and distribution lines	Kilometres (km)	IF-EU-000.C	N/A
	Total electricity generated, percentage by major energy source, percentage in regulated markets	Megawatt hours (MWh), Percentage (%)	IF-EU-000.D	Renewable energy sources - 79% Non-renewable energy sources - 21%
	Total wholesale electricity purchased	Megawatt hours (MWh)	IF-EU-000.E	38,896

Printing & Packaging

Purpose

To be the preferred partner in printing & packaging solutions

Aitken Spence Printing is a one-stop shop offering high quality offset printing and packaging with a range of value-added products. A much sought-after player in the intensely competitive and challenging printing industry, this segment continues to differentiate itself through unparalleled commitment to high quality and sustainability. Our goal is to emerge as a key player in the packaging industry, excelling on a global scale as the markets transition from plastic to more sustainable paper-based solutions. We plan to harness our extensive expertise and the advantages of economies of scale to capitalise on emerging opportunities in sustainable packaging.

Locations of Operations

Mawaramandiya Sri Lanka

Current Capacity & Capabilities

- One-stop-shop for offset printing and packaging
- Printing and packaging services exceeding material conversion of 5,000 MT per annum
- Value added packaging is the key specialty and includes processes such as varnishing, laminating, foiling, embossing and printing on metalised boards
- Ability to accommodate short lead items
- Renowned for expertise in crafting high quality coffee table books
- Digital printing capability

Strategic Focus

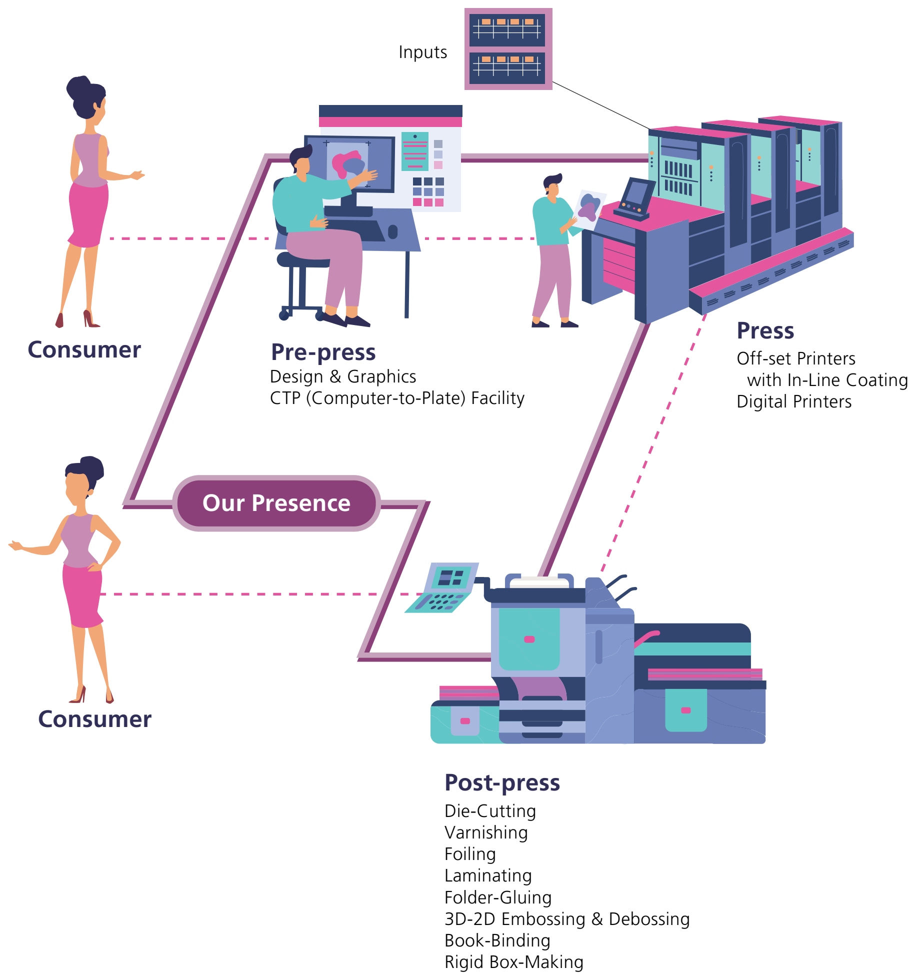
- Transforming into an industry leader by scaling up operations and expanding customers and product portfolios.

Key Strategic Initiatives

- Realigning the marketing strategy and building capacity of the marketing team to pursue growth aspirations
- Leverage technology as a key competitive strength
- Committed to achieve net zero by 2030 and planning a pathway in line with methodologies of the Science Based Targets initiative (SBTi) methodologies

SDG Commitments

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)



AWARDS

- Sri Lanka Print Excellence Awards 2023, organised by SLAP: Won one gold and one silver award.
- Sri Lanka Packaging Awards - Lanka Star 2023: Won two gold, five silver and one bronze awards.

CERTIFICATIONS

- Integrated management system certified for ISO 14001: 2015 (environmental impact control), ISO 9001:2015 (quality management) and ISO 45001:2018 (OHS)
- Forest Stewardship Council Chain of Custody Certification
- Compliant with Sedex Members Ethical Trade Audit (SMETA – 4 Pillar)
- Intertek's supplier qualification programme – Achiever

Printing & Packaging

INDUSTRY OVERVIEW

The printing and packaging industry is intensely competitive and was impacted by lacklustre demand as world trade volumes stagnated at a mere 0.4%. The printing and packaging industry is undergoing significant transformations driven by sustainability, technological advancements, and changing consumer preferences. There is a noticeable shift towards sustainable materials in packaging, largely influenced by increasing environmental awareness among consumers and stricter regulations. Companies are increasingly using biodegradable, compostable, and recycled materials to create packaging solutions. Environmental concerns and regulations shape the future of the industry, presenting opportunities for growth in paper based solutions as customers seek alternatives for plastic packaging.

RISKS & OPPORTUNITIES

Risks

- Commodity price risk
- Exchange rate volatility
- Lower disposable income impacting food, beverage, tobacco and tea segments
- Reduced demand from the apparel segment
- Increased energy cost
- Talent retention specially on skilled labour

Opportunities

- Growing demand for sustainable packaging
- Pursue growth opportunities in overseas markets
- Diversification into flexible packaging
- Strengthen supply chains

STRATEGIC OBJECTIVES

Sustainable profit growth

- Focus marketing drive to enhance growth in exports
- Ensure that 50% of the revenue is secured through long-term contracts or agreements
- Strengthening customer value proposition using feedback from 'Spence-Way' survey

Expand reach to new geographies and new business segments

- The segment aims to actively engage in partnerships for international expansion and enter into new product segments

Achieve employer of choice status

- Enhancing efficiency by advancing skills, reinforcing frameworks and building resilience in a performance driven culture
- Prime focus for maintenance of a healthy and safe work environment
- Enhance training and development programmes

Achieve net zero emissions and reduce resource footprint

- Programmes identified to support the net zero pathway to progressively lower GHG emissions in the printing operations
- Adhering to the 7Rs and adopting creative solutions to reduce waste

GOVERNANCE MATTERS

- The segment conducts thorough safety risk audits internally while external auditors are entrusted with all compliance and ISO audits, ensuring adherence to the highest standards without significant issues.
- Every minor non-conformity and observation from these audits are promptly addressed, demonstrating a commitment to continuous improvement and stringent risk management practices within the segment
- Currently, there is a focus on the "Johkasou" Sewage Treatment Plant (STP) system, with plans to commission the STP plant within the next four months. This initiative reflects a forward-thinking approach to environmental stewardship and community well-being within the segment.

Printing & Packaging

PERFORMANCE

Subdued global demand for apparel tags and declining disposable income in Sri Lanka resulted in lower FMCG sales. This proved to be a drag on business volumes. The segment also witnessed orders with a reduced number of impressions during the year, reflecting high levels of cost consiciousness among customers due to the uncertainty of retail demand. Consequently, revenue dropped by 29% from the previous year, mainly due to fluctuations in exchange rates and reductions in both price and output. Profitability declined by 71% relative to 2022/23, influenced by an increase in energy costs and higher costs of raw materials, which were acquired when the Rupee depreciated, alongside lower capacity utilisation.

During the year under review, we experienced a significant turnover in managerial roles and skilled machine operators due to migration amid the economic crisis, impacting on our performance. However, a modest increase in demand for tea, fast-moving consumer goods and confectionery in the fourth quarter offers a hopeful outlook and we anticipate this trend will persist into the coming year.

Sustainability is crucial for growth in the printing industry, with global value chain participants placing high importance on the composition, traceability and circularity of packaging materials. The printing segment has long been a leader in sustainability, effectively distinguishing itself from competitors. We are committed to providing eco-friendly paper-based solutions, including FSC-certified paper and board and offering printing services from a low-carbon factory.

The segment revived its annual employee engagement activities which served to uplift morale and build team spirit after four years. The annual staff outing, cricket tournament and religious observances were highlights that saw high levels of participation by employees. We continued our support for community activities in the vicinity of our facility as set out in the Social & Relationship Capital Report.

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (29%)
- Profit before tax - (71%)
- Total assets - (16%)

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Manufacturing and Intellectual Capital

- Energy Efficiency Initiatives:
  - Upgrading of capacitor banks to enhance system efficiency
  - Upgrade of energy-efficient controllers for air conditioning units to minimise energy use
- Processes developed to increase efficiency of the use of water and electricity within the plant

Human Capital

- 163 Total employees
- 9% Female representation
- Rs. 0.4 Mn in invested in training
- Create jobs within their operations, fostering local skill development and stable income sources for the community.
- Developed in-house capability to measure emissions

Natural Capital

- 989 MWh of renewable energy generated through rooftop solar at the factory
- 981 tCO_2e total emissions (scope 1&2)
- 1,724 m3 of wastewater responsibly managed
- 891 MT of solid waste responsibly managed

Social & Relationship Capital

- Forest Stewardship Council (FSC) certified for printing and packaging operations
- Consistent on time delivery of orders
- A dedicated new product development team focused on increasing value for customers.
- Collaborative partnerships for sustainability and cost optimisation
- 40% of the suppliers are SMEs/ MSMEs/ local suppliers
- Ongoing support extended to the PHI office Makola North, Biyagama Pradeshiya Saba, as well as schools, hospitals and other key entities in the local community
- Investment in community of Rs. 335,150

Printing & Packaging

FUTURE OUTLOOK

In a competitive and challenging business landscape, the segment has strategically reshaped its business strategies to address future challenges effectively. The segment remains ambitious of the opportunities in the coming years.

To realise these targets, the segment has set specific objectives that include increasing on-time delivery rates, keeping customer returns and rework below 0.1%, optimising existing capacity utilisation and expanding the segment's operations into new markets through joint ventures or strong partnerships. These goals are designed not only to enhance our operational efficiency but also to extend our global footprint.

A key strategic component is the emphasis on strong employee relationships. The segment is dedicated to enhancing employee welfare, providing ongoing training and development, promoting a safe and healthy workplace and nurturing a performance-oriented culture is a priority for the segment. By investing in employees and building solid partnerships the segment endeavours to reach strategic goals and solidify the market presence. These collective actions are fundamental to our aim of excelling in the global printing industry.

Power to inspire

Paper for Well-being: Supporting Our Community

Located in Mawaramandiya, just outside Colombo, Aitken Spence Printing has become a pillar of local community support and development. By establishing its operations, the company has not only spurred job creation but has also integrated with the local community, working closely with institutions like the local temple, MOH office, Pradeshiya Sabha and the Divisional Hospital to foster community growth.

A particularly impactful initiative undertaken last year involved the Udupila Divisional Hospital, a facility crucial yet under-resourced, located merely four kilometres from our factory. This hospital, vital to the local community, serves hundreds of villagers daily, offering treatment through its emergency treatment unit and outpatient clinics. During a challenging time, worsened by national economic difficulties that resulted in decreased government supplies, the hospital urgently needed paper for critical services, such as writing prescriptions and packaging medicines.

Responding to the hospital's urgent request for assistance, our company stepped in and donated over 200 kg of paper on multiple occasions, effectively addressing the critical shortage. The hospital's overwhelming gratitude not only underscored the significance of our contribution but also reinforced our commitment to continue supporting them as part of our ongoing community development interventions.

Apparel Manufacture

The apparel segment demonstrated its resilience in a difficult year, with a focus on transformation-led growth in an industry increasingly focusing on sustainability. The segment added new customers and broadened the range of products with the acquisition of two manufacturing facilities, thereby enhancing its competitiveness in growth segments, such as circular knits and sportswear. A strong compliance culture, reinforced by globally renowned certifications and agile management of resources, supported the resilience of the segment.

Locations of Operations

1. Mathugama

Current Capacity

39 Mn produced minutes (woven cluster)

2. Koggala- Export Processing Zone

Current Capacity

60 Mn produced minutes (woven cluster)

Projected Growth

The capacity of the woven cluster is expected to reach 200 Mn produced minutes. Meanwhile, the knit cluster, once operational, is projected to gradually build up to a capacity of 200 Mn produced minutes

Strategic Focus

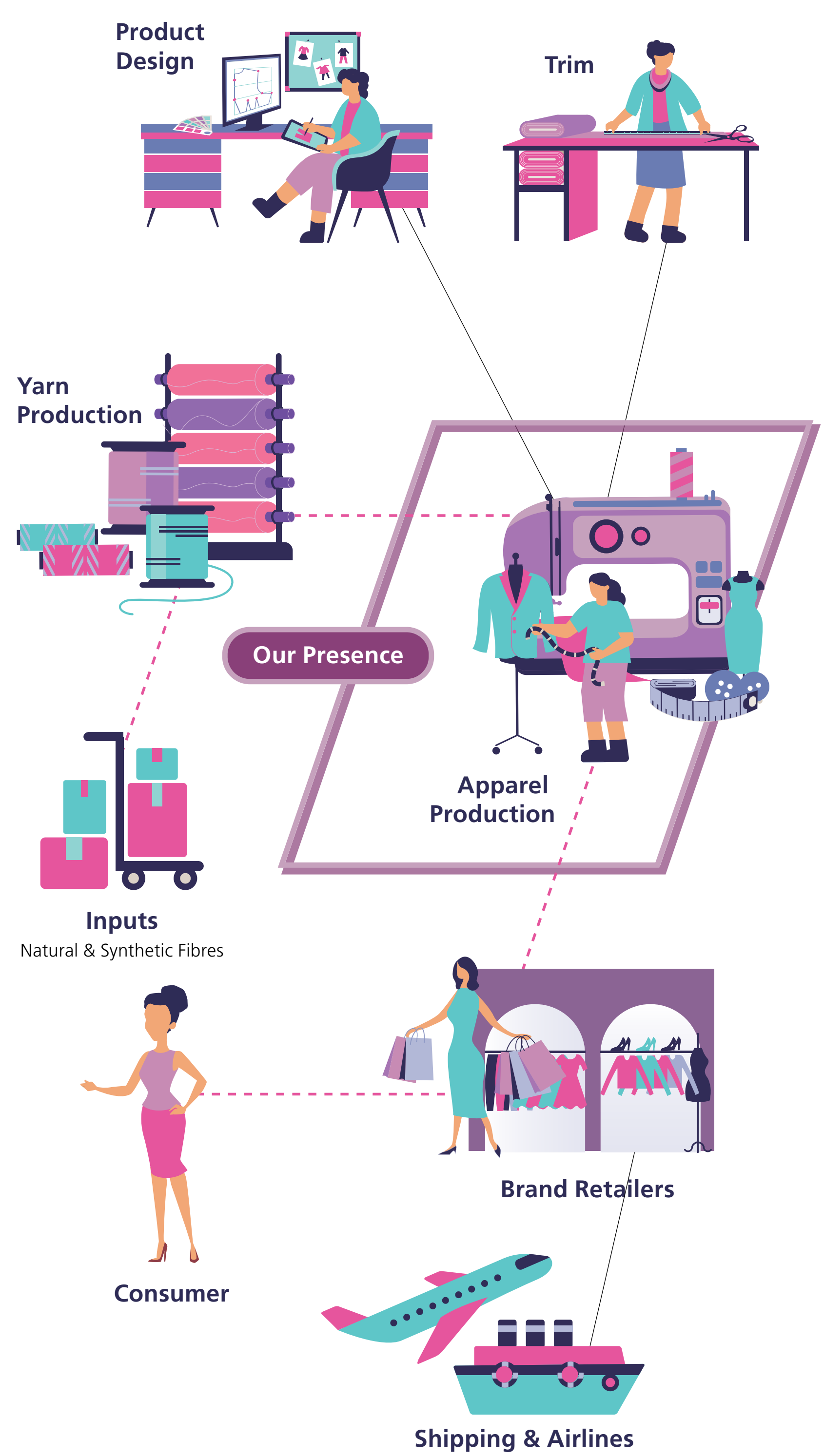
- Driving transformation and expanding customers and product portfolio, strengthening our base to enable systematic growth in the future.

Key Strategic Initiatives

- Acquisition of two facilities with a view to extending capabilities to manufacture circular knits
- Transforming all facilities with digitalisation and increased automation
- Leadership Development: Developing future leaders through targeted programmes at manager and supervisor levels

SDG Commitments

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)



Apparel Manufacture

CERTIFICATIONS

- Compliance+ certification for Aitken Spence Garments (Pvt) Ltd
- ISO 9001: 2015 certified quality management system – Aitken Spence Garments (Pvt) Ltd
- Sedex registered supplier – Aitken Spence Garments (Pvt) Ltd
- Gold certificate of compliance: Worldwide Responsible Accredited Production (WRAP) – Aitken Spence Garments (Pvt) Ltd
- Global Organic Textile Standard (GOTS - Version 5.0) – Aitken Spence Garments (Pvt) Ltd
- Higg Index compliance achieved by Ace Apparels (Private) Limited, Aitken Spence Garments (Pvt) Ltd

AWARDS

- CPM Best Management Practices Award 2024 – Aitken Spence Garments (Pvt) Ltd and Ace Apparels (Pvt) Ltd among the "Top 10" recipients

- CPM Best Management Practices Award 2023 – Top 10 companies awarded to Ace Apparels (Pvt)Ltd
- Ceylon National Chamber of Industries (CNCI) Awards 2023 – Merit award in the manufacturing sector extra large category, national level

INDUSTRY OVERVIEW

Global demand was subdued over the year due to elevated inventory levels in key markets, specifically the USA and Europe. This situation resulted in a decrease in business orders, driven by an accumulation of unsold goods, due to previous over estimations of demand. Furthermore, inflation rates in these regions have escalated to unprecedented levels, thereby eroding consumer purchasing power. Consequently, there has been a notable shift in consumer behaviour, with a focus on necessities and a significant reduction in discretionary spending. The resultant excess manufacturing capacity, created a buyer's market, exerting pressure on margins. The volatility of the exchange rate affected the profitability of the industry.

Looking ahead to 2024, the prevailing mood among fashion industry leaders is one of uncertainty, due to expected modest economic growth, ongoing inflation and low consumer confidence. In this environment, companies face the challenge of finding areas of opportunity and new ways to enhance performance.

McKinsey's review of fashion predictions indicates that the global industry will achieve a growth rate of 2 to 4 percent in 2024, with differences depending on the region and country. The luxury sector is again predicted to contribute the largest portion of economic profit.

The value of Sri Lankan apparel exports declined by 18% to USD 4.9 Bn, reflecting these challenges. The recent decrease in order volumes is due to several key factors affecting the market. These challenges necessitate strategic adjustments for manufacturers to adapt to the changing market dynamics and maintain their competitive edge.

Apparel Manufacture

RISKS & OPPORTUNITIES

Risks

- Volatile market conditions globally
- Country risk
- Lack of bilateral free trade agreements
- Lack of backward integration
- Impact of climate change on supply chains
- Increasing sustainability related regulation

Opportunities

- Consolidation of the segment, supporting growth through acquisition
- Demand for sustainable and eco-friendly apparel products
- Synergies created by expanding the presence of the Group along the value chain
- Established traceability and sustainability of products supplied to the markets
- Leveraging sustainability adherence in manufacturing operations
- Recent asset acquisition supports expansion into athleisure and activewear
- Transitioning to digital technologies and implementing the concept of "Industry 4.0"
- Investing in rooftop solar energy systems

GOVERNANCE MATTERS

The governance framework of the segment emphasises a systematic approach to ensure operational excellence, focusing on compliance, data integrity and sustainability. Key elements include:

- Data-Driven Decision Making: Leveraging the Power BI tool to capture and analyse production-related data
- Regular Management Reviews: Weekly and fortnightly meetings address critical issues and long-term goals, focusing on non-financial performance
- An audit system is in place, comprising internal and external audits for quality assurance and ESG
- Buyer audits assess technical and social compliance, reflecting the company's commitment to maintaining high standards

STRATEGIC OBJECTIVES

Sustainable profit growth

- Collaborative partnerships with suppliers
- Building a strategic and sustainable customer base
- Cost optimisation

Expand reach to new geographies and new business segments

- Enhancing capabilities in Koggala EPZ
- Establishing an overseas presence as a commercial and procurement hub
- Collaborating with a suitable partner to set up a new knit fabric mill, expanding presence along the value chain
- Product differentiation and diversification

Achieve employer of choice status

- Awareness through employer branding and sponsorships
- Leadership development programmes implemented to nurture leadership qualities among employees, encouraging professional growth

Achieve net zero emissions and reduce resource footprint

- Strategies outlined towards net zero by 2030
- Developing strategies and partnerships with industry leaders to ensure the circularity of fabric waste
- Investing in renewable energy sources
- Implementing energy-efficient technologies and practices

Apparel Manufacture

PERFORMANCE

Throughout the year, both revenue and profitability experienced a decline, primarily due to reduced order volumes. This was further aggravated by the appreciation of the Sri Lankan Rupee against the USD. The apparel segment managed its operations during the year to curtail potential losses to a minimal level, reflecting its resilience and agility. The order pipeline was sustained with the addition of two new customers and the acquisition of two new lines for circular knitwear, which will expand the product portfolio in key growth areas. Prioritising staff retention and cost optimisation yielded significant savings, supported by detailed analyses in these areas and enhanced production scheduling efficiency.

Central to our strategy was the development and retention of our employees. We provided extensive training, totalling over 10,000 hours, to enhance efficiency, quality and skill development. Additionally, we utilised production data to drive performance improvements and motivation. Fortnightly reviews were conducted to manage critical issues and maintain high performance levels. Our commitment to continuous improvement, guided by audits and management reviews, resulted in significant efficiency gains.

Improving resource efficiency and integrating sustainable resources into manufacturing processes are now imperative for the segment. As consumer trends, particularly in European markets, gravitate towards second-hand garments and eco-friendly products, the industry is adapting to these changing demands. This heightened focus on sustainability, not only aligns with evolving consumer preferences, but also enhances the industry's long-term viability and resilience. The number of certifications listed above reflects our commitment to upholding high standards in sustainability.

USD 17 Mn
Foreign exchange generated

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

Revenue	-	(26)%
Profit before tax	-	(100%)
Total assets	-	4%
Total liabilities	-	(19%)

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Manufacturing and Intellectual Capital

- Three manufacturing plants located in Koggala and Mathugama
- Perfect score achieved on the WRAP recertification audit

Natural Capital

- Carbon neutral certified for 2022-2023

Human Capital

- P.A.C.E (Personal Advancement Career Enhancement) programme specifically designed to empower women in the workplace, focusing on career development and personal growth, facilitated at our factories
- Enrichment of the local communities with the majority of the workforce being from the locality
- Cultural transformation journeys: Initiatives aimed at transforming the workplace culture, ensuring it supports continuous learning, inclusivity and employee engagement

Social & Relationship Capital

- Apparels produced pieces - 3.6 Mn
- "Ape Rahe Piyasa", an eco-friendly store, launched to sell homegrown produce and homemade food of our employees to inspire their entrepreneurial spirit
- Collaborative partnerships through the supply chain to ensure sustainability and cost optimisation

FUTURE OUTLOOK

Globally, the apparel industry is forecast to grow by 4% to USD 1.9 Tn, while in Sri Lanka, it is expected to grow by 4.8% to USD 8 Bn by 2030. The Group's apparel segment plans to focus on driving growth and transformation in the short to medium term, moving to higher levels of automation and efficiency. As part of our strategic expansion plans, we are considering the establishment of a dedicated design and commercial hub. This new arm will enhance our ability to meet and exceed the evolving demands of our clients, ensuring we provide designs that would align with their specific needs. This initiative represents a proactive approach to diversify our offerings and strengthen our market position. Sustainability is an integral part of our growth plans and we will be exploring necessary process improvements that support our growth aspirations. As the industry is largely supported by women, we will continue to focus on programmes such as P.A.C.E (Personal Advancement & Career Enhancement) to uplift their lives and prospects. Additionally, cultural transformation journeys and leadership development programmes are implemented to foster a culture of continuous learning and growth among employees, strengthening commitment and capabilities to drive growth in this vital sector.

Apparel Manufacture

SASB DISCLOSURES

Apparel, Accessories & Footwear- Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Unit of measure	Code	
1. Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	N/A	CG-AA-250a.1	N/A - the company's scope does not include restricted substances
	Discussion of processes to assess and manage risks or hazards associated with chemicals in products		CG-AA-250a.2	Management approach to ensure occupational health and safety is discussed in the Human Capital report.
2. Environmental Impacts in the Supply Chain	(1) Percentage of Tier 1 supplier facilities in compliance with wastewater discharge permits or contractual agreements	Percentage (%)	CG-AA-430a.1	100%
	(2) Percentage of supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements			90%
	(1) Percentage of Tier 1 supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module		CG-AA-430a.2	100%
	(2) Percentage of supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module			90%
3. Labour Conditions in the Supply Chain	(1) Percentage of Tier 1 supplier facilities that have been audited to a labour code of conduct	Percentage (%)	CG-AA-430b.1	100%
	(2) Percentage of supplier facilities beyond Tier 1 that have been audited to a labour code of conduct			85% of the suppliers have been assessed aligned to the labour code of conduct of which over 75% have also been audited for SMETA or Social & Labour Convergence Programme (SLCP)
	(3) Percentage of total audits conducted by a third-party auditor	Rate		Audits are not required as the customers carry out required due diligence audits on the selected suppliers.
	(1) Priority non-conformance rate		CG-AA-430b.2	No major non-compliances reported. In the industry, major non-compliances would result in an immediate discontinuation of service.
	(2) Associated corrective action rate for suppliers' labour code of conduct audits			No major non-compliances reported. In the industry, major non-compliances would result in an immediate discontinuation of service.
	(1) Description of the greatest labour risk	N/A	CG-AA-430b.3	Please refer the Risk Report
	(2) Description of the greatest environmental, health and safety risks in the supply chain			Please refer the Risk Report

Apparel Manufacture

Topic	Accounting Metric	Unit of measure	Code	
4. Raw Materials Sourcing	(1) List of priority raw materials; for each priority raw material	N/A	CG-AA-440a.3	Fabrics - Cotton, Linen, Polyester
	(2) Environmental or social factor(s) most likely to threaten sourcing			Please refer the Risk Report.
	(3) Discussion on business risks or opportunities associated with environmental or social factors			Please refer the Risk Report
	(4) Management strategy for addressing business risks and opportunities			Please refer the apparel segment review
	(1) Amount of priority raw materials purchased, by material	Metric tonnes (t)	CG-AA-440a.4	Total fabrics purchased - 2,902,200 yards
	(2) Amount of each priority raw material that is certified to a third-party environmental or social standard, by standard			0

ACTIVITY METRICS

	(1) Number of : Tier 1 suppliers	Number	CG-AA-000.A	23 (including fabric suppliers)
	(2) Number of :Suppliers beyond Tier 1			51

Plantations

Purpose

Represent the entire value chain in tea, rubber, oil palm, berries, cinnamon, coffee and other agricultural crops; and excel in strategic transformation by embracing innovative technologies.

The plantation segment, with tea and rubber as its primary crops, has successfully diversified into oil palm and berries. It is now advancing into agricultural technology with the aim of transforming the agriculture industry in Sri Lanka across all potential crops, by providing scientifically sustainable solutions.

The acquisition of a 50% stake in Ceylon Agro Food Technologies (Pvt) Ltd(CAFT), a research and development company in agri technology, supports this aspiration, while adding a new revenue stream to the segment. Thus the plantation segment is forging ahead in a transformational path in its value creation model through these strategic initiatives.

Strategic Focus

- Revolutionising the plantation segment by strategically leveraging resources to elevate value creation while expanding our product portfolio.

Key Strategic Initiatives

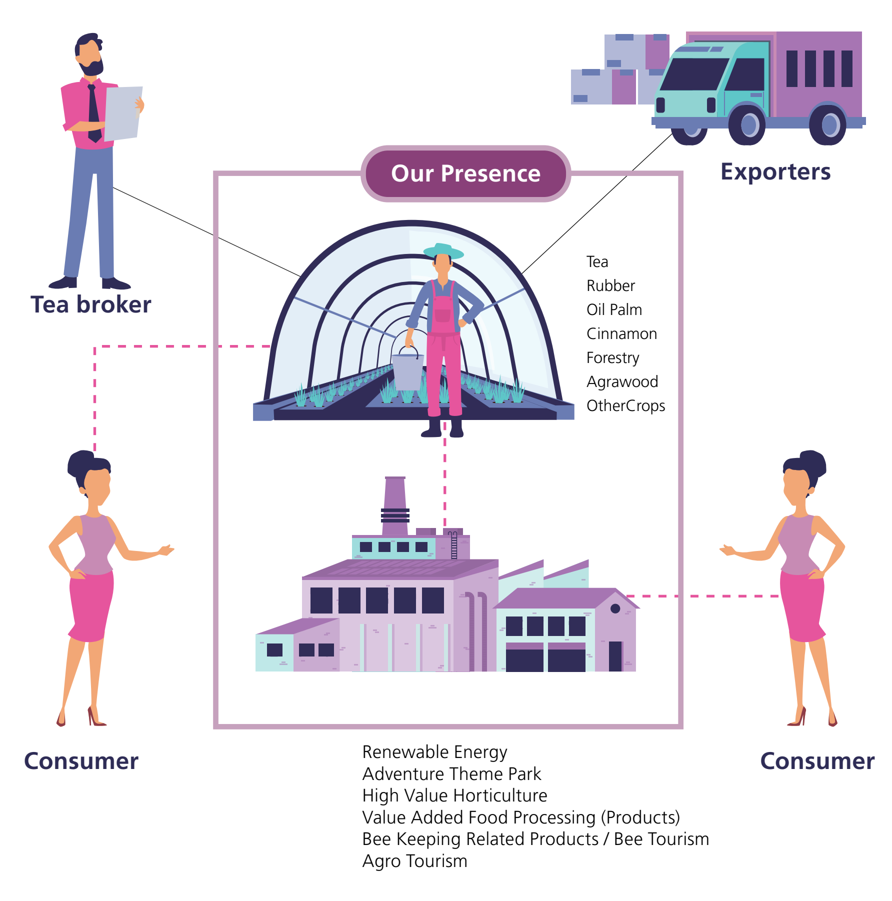
- Acquisition of Ceylon Agro Food Technologies (Pvt) Ltd to enhance the research and development capabilities of the segment
- Established the Elpitiya Plantations Social Sustainability Trust for the benefit of our community
- Added eleven new products to value added operations
- Exploring further opportunities to expand the renewable energy portfolio
- Investing in carbon sequestering mechanisms

SDG Commitments

Locations of Operations

Location	Crop	Manufacturing Facility
Up Country – Sri Lanka (Nuwara Eliya)	Tea, berries and other agri crops	▪ 06 manufacturing facilities ▪ Hydro power plants ▪ Rooftop solar power systems.
Mid Country – Sri Lanka (Kandy)	Tea and other agri crops	▪ 02 manufacturing facilities ▪ Rooftop solar power systems
Low Country – Sri Lanka (Galle)	Tea, rubber, oil palm, cinnamon and other agri crops	▪ 08 manufacturing facilities and one cinnamon processing centre ▪ Rooftop solar power systems
Retail Operations 'Harrow House' at Vauxhall Street	Elpitiya Plantations' first gourmet shop at Vauxhall Street in Colombo presents an exclusive selection of products from its own brands. This boutique shop features a range of offerings, including the popular Tropifruit beverages, "BerryMuch" fresh berries, jams and the premium "Harrow Ceylon Choice" teas, spices, bee's honey, treacle and other similar products.	

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)



Plantations

AWARDS

- Recognised at the Best Corporate Citizen Sustainability Award 2023, organised by the Ceylon Chamber of Commerce;
- Top 10 Corporate Citizens award
- Environmental sustainability project award for the "Fix to Fix it" initiative
- Social sustainability project award for the "Ready to be Ready" initiative
- Category B, overall 1st Runner up at the Best Corporate Citizen Sustainability Award 2023
- Merit award winner at the Best Management practices-2023, organised by the Chartered Professional Managers of Sri Lanka.
- Winner at the Sustainability Awards for the agricultural sector (Large category) organised by the German Industry and Commerce in Sri Lanka and (AHK Sri Lanka) Friedrich Nauman Foundation.

CERTIFICATIONS

- 7 Forestry Stewardship Council certified estates
- 6 Rainforest Alliance certified estates
- 7 ISO 22000/HACCP certified factories for food safety
- Sri Lanka organic agriculture production and processing (SLS 1324:2018) obtained for Elpitiya Plantations PLC

INDUSTRY OVERVIEW

The plantation industry in Sri Lanka faces a dynamic set of challenges, heavily influenced by government policies. The sector is grappling with regulations such as the ban on oil palm cultivation and wage policies that do not align with productivity, alongside an increased tax burden. These policies are pivotal in shaping the operational landscape of the plantations.

Environmental sustainability and economic factors, such as fluctuating energy prices and exchange rate volatility, also play critical roles. The sector's initial position in the value chain, makes it particularly vulnerable to climate-related risks, impacting both its sustainability and operational efficiency.

Economic stability in Sri Lanka has shown some improvement; however, challenges such as rising tax rates continue to significantly impact plantation operations. Additionally, the appreciation of the Rupee has impacted the profitability of plantations, as earnings from primary crops are closely tied to the USD.

Labour market challenges are prominent, with significant shortages due to a workforce that increasingly favours stable white-collar jobs over manual labour. This issue is compounded by talent migration, driven by the economic downturn, affecting all levels of the workforce.

Plantations

RISKS & OPPORTUNITIES

Risks

- Climate change
- Inconsistent policies and regulatory frameworks
- Government intervention on wages and collective bargaining process
- Impacts of the economic crisis
- Labour migration
- Spread of Pesta Leaf Disease in the rubber plantations

Opportunities

- Geographically spread land base
- Crop diversification
- Non-agricultural diversification
- Increase use of technology in agriculture to transform the sector
- Carbon capture and sequestration
- Availability of renewable energy sources

STRATEGIC OBJECTIVES

Sustainable profit growth

- Increase the non-plantation business revenue to 30% of the total business revenue
- Creating new revenue streams using drone technology for precise application of fertiliser in coconut, paddy & other agricultural sectors
- Investment in berry expansion project

Expand reach to new geographies and new business segments

- Conducting feasibility studies to explore new geographic markets for plantation products
- Evaluating potential locations for expanding hospitality operations, aligning with the Group's geographical expansion objectives
- Strengthening the presence in existing international markets, focusing on optimising operations and market share

Achieve employer of choice status

- Rolling out comprehensive employee engagement programmes and training initiatives across all business segments to upskill the workforce, aiming to position the company as an Employer of Choice
- Providing housing, water, sanitation, health, nutrition and assistance for education, specifically targeted at improving the living standards and well-being of plantation employees and their families
- Ensuring operational health and safety systems are in place to establish a secure working environment for all employees

Achieve net zero emissions and reduce resource footprint

- Review of sustainability plans and strategies
- Biochar project for terrestrial carbon capture and sequestering carbon
- Bamboo cultivation to create carbon sinks
- Generating compost from biodegradable waste
- Rainwater harvesting
- Expanding the renewable energy portfolio

Plantations

PERFORMANCE

The plantation segment continues to invest in transforming a conventional agriculture based organisation in a journey that began with the diversification into cultivation of oil palm in 1999 and expanded to berries in 2018.

The acquisition of CAFT this year provides the plantation segment with the scientific and technological know-how to find sustainable solutions for a wide range of agriculture related issues affecting primary crops. This move considerably enhances the prospects for the segment, as it embarks on a journey to transform the agriculture sector of the country. At present, the diversification programmes have contributed significantly in stabilising profitability, with over 50% of profits being attributable to diversification.

Elpitiya Plantations has consistently delivered healthy profits, ranking amongst the top three plantation companies in Sri Lanka in terms of profitability. Whilst oil palm and tea contributed considerably to the profit of the company, the berry project, too, has recorded the highest profit before tax, affirming the success of the diversification undertaken. A strong balance sheet supports the growth aspirations of the segment with net assets of Rs. 9.0 Bn. The year under review however witnessed a decline in the segment's revenue mainly due to the lower net sales averages secured for its three main crops of tea, rubber and oil palm, due to appreciation of the Rupee during the year. The revenue decline of 11% led to a 18% decline in the segments profit before tax.

Environment sustainability is critical to sustainable value creation. Science based decision making and systemic approach to impact control, aligned with global benchmarks such as Rainforest Alliance (RA) certification, the Forest Stewardship Council (FSC) certification and Round Table on Sustainable Palm Oil (RSPO) Certification affirms the preservation of important ecosystems, biodiversity, water resources, chemical management and many other environmental aspects. The projects undertaken are noteworthy and discussed further in the Natural Capital section of this report.

A number of ongoing programmes are in place to uplift the lives of plantation workers, including housing, health, women empowerment and financial literacy. IT centres and libraries on the plantations immensely contribute to knowledge enhancement of the workers' children.

In the aftermath of the economic crisis, the segment commenced offering a meal for every plantation worker reporting to work, to ease their burden, while taking care of the nutrition of the employees. The crèches provide childcare for the workers enabling them to remain in employment while supporting child care and nutrition.

The diversification programmes have enabled the segment to create different roles that are more appealing to a younger generation, albeit needing a different skill set. The segment also focused on strengthening the team for the planned transformation and invested in leadership training for many.

5.371 GwH
of power supplied to CEB through renewable energy sources

The segment also became the first regional plantation company to invest in a research and development arm to support innovation and techniques to build resilience of the industry.

GOVERNANCE MATTERS

- Plantation segment is represented by a public listed company and all governance requirements stipulated by the regulatory authorities are strictly adhered to.
- Digitisation of the field level processes and upgrading of the Microsoft ERP to cloud version
- Aligned objectives and targets with local and global development priorities.
- Senior management team is educated on sustainability related topics and also completed the 21st century Board Leadership programme conducted by the ICASL, targeting the knowledge enhancement at a senior decision making level
- Certified management systems maintained for environmental & social governance and product responsibility
- Developed Disaster Risk Reduction (DRR) plans and appointed team.

Plantations

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (11%)
- Profit before tax - (18%)
- Total assets - 6%
- Total liabilities - 11%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Human Capital

- 4,847 Total employees
- 50% Female representation
- Rs. 3.5 Mn invested in training and development
- 72,330 hours of training provided
- Continuously providing meals to all workers to ease their economic burden.
- Introduction of the 'Family Block Plucking system' to employees to encourage an entrepreneurial spirit and provide additional income.
- Arrangements made to provide essential items at a reduced cost and an extended credit facility, so that employees are self-sufficient and still able to afford goods by themselves with dignity.

Manufacturing and Intellectual Capital

- Eleven new products have been introduced: Tamarind Fizzy Drink, Soursop Fizzy Drink, Lemonade Fizzy Drink, Ginger Lime Fizzy Drink, Real Strawberry Jam, Peanut Butter, Soursop Sensation, Soursop Fruit Medley, Soursop Strawberry Explosion, Soursop Mango Twist, and Freeze-Dried Kola Kenda
- Use of drone technology for precision agriculture
- 100% rooftops of the factories utilised to generate solar energy
- 5.371 GWh renewable and clean energy produced from mini-hydro power plants

Natural Capital

- Rs. 20.1 Mn invested in sustainability driven processes
- 7,462 tCO_2e total emissions (scope 1&2)
- 60,826 m3 total water consumed
- 72% of the total water consumed is from harvested rainwater
- 13,466m3 wastewater safely managed
- Low country estate cluster re-surveyed for biodiversity and documented in the low country cluster
- Biochar produced from refuse cinnamon wood sequestering carbon which also enriches the soil, houses microorganisms and filters toxins
- 323 MT composted waste repurposed as fertiliser

Social & Relationship Capital

- Crèche facilities maintained across the estates, with qualified child development centre officers from the local community overseeing the education and nutrition of the children
- Facilitating medical consultations for workers and villagers at estate medical centres
- Rs. 604.1 Mn funds channelled through our relationship capital towards strengthening our communities
- "Get to School Project" continues to provide educational materials to 659 school children, with an investmemt of over Rs 3.5 Mn
- "Ready to be Ready Project" supports the plantation community with company-grown vegetables to enhance food security and nutrition, investing more than Rs 2.5 Mn
- Annual health camps conducted for health screening of all workers to detect non-communicable diseases (NCDs), with expenses exceeding Rs. 34 Mn
- Nutrient supplements distributed to 23 orphaned children and 36 families with children with special needs
- Formal stakeholder engagement platforms enabled for workers and community members to voice their grievances and need
- Teams appointed at estate level and trained on emergency response procedures as part of the segment's DRR mechanism.

Plantations

FUTURE OUTLOOK

The outlook for the segment is positive, supported by its strategic approach to diversification. The segment is focused on a future characterised by sustainability, innovation and technological advancement. By leveraging data-driven insights and adopting technologies, such as artificial intelligence (AI), the company is dedicated to advancing sustainable agricultural practices and expanding its product lineup. This adoption of technology will not only optimise operations but also enhance decision-making processes.

Furthermore, the segment is committed to market expansion, ensuring its products reach a wider audience, while upholding high ethical standards. The company's strategic outlook includes adapting to global trends, reinforcing brand recognition and fostering a culture of innovation. With a strong commitment to corporate governance, risk management and employee well-being, the segment is poised to lead the evolving plantation industry into a sustainable and tech-enabled future.

The segment is exploring to diversify into new markets, including the fast moving consumable food market (FMCG), adventure/agro tourism, high valued horticulture backed with science-based solutions and expanding to retail operations overseas. New products are being explored to also include tissue cultured plants, basket of all berries, tropical fruits and agarwood.

However, the segment is aware of the dependence on a stable economic and political climate, as well as resilience against risks emanating from climate change.

Power to inspire

Igniting Minds, Empowering Futures.

Empowering generations through education, the 'Light to Learn' project transcends local impact, aligning with global sustainability goals. Enhancing literacy, worker engagement, and inclusivity, the project amplifies Elpitiya Plantations' commitment to people, planet, and profit. Pioneering a transformative journey in IT literacy, the project creates a skilled workforce rooted in heritage, propelling Elpitiya Plantations towards a sustainable future. This community-driven initiative supports Sri Lanka's national policies, embodying the essence of corporate vision and global responsibility for a brighter, more equitable tomorrow.

Cultivating Communities, Enriching Lives

Elpitiya Plantations launched a unique project to ensure continued nutrition and food security within its estates. The multi-faceted project aimed to prevent the risk of hunger and malnutrition within the company's 13 estates, which are home to over 30,000 individuals. Project 'Ready to Be Ready' was designed to fulfil the essential nutritional needs of our estate communities and was structured around three key pillars, as illustrated below:

- **Vegetable cultivation within estates: Vegetable cultivation and distribution to residing communities within all 13 estates.**
- **Distribution of dry ration packs: Distribution of dry ration packs on a monthly basis to all workers' families.**
- **Provision of free meals to all estate workers: A nutritious meal is provided free of charge to all workers.**

Plantations

SASB DISCLOSURES

Agricultural Products Standard- Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Unit of measure	Code	
1. Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions - Total percentage greenhouse gas (GHG) emissions to the atmosphere	Metric tons (t)	FB-AG-110a.1	5,577
	(2) Gross global Scope 1 emissions - Carbon dioxide (CO2)			2,719
	(3) Gross global Scope 1 emissions - Methane (CH4)			138
	(4) Gross global Scope 1 emissions - Nitrous oxide (N2O)			2,720
	(5) Gross global Scope 1 emissions - Hydrofluorocarbons (HFCs)			Negligible
	(6) Gross global Scope 1 emissions - Perfluorocarbons (PFCs)			Negligible
	(7) Gross global Scope 1 emissions - Sulphur hexafluoride (SF6)			Negligible
	(8) Gross global Scope 1 emissions - Nitrogen trifluoride (NF3)			Negligible
	(9) Gross global Scope 1 emissions - What are the regulations to limit GHG emissions	N/A		The industry currently has no regulations. However, based on the voluntary standards adopted by the company aligned with the company's strategies, such as Rainforest Alliance and Forestry Stewardship Council, the company has enforced higher benchmarks for emission control. Please refer to Natural Capital section of the report for more detail.
	(1) Discussion of short term strategy or plan to manage scope 01 emissions	N/A	FB-AG-110a.2	The company's strategies and targets are discussed in the Sector Review and Natural Capital section of the report. More details can also be found in the Elpitiya Plantations PLC annual report of 2023/2024.
	(2) Discussion of short term strategy or plan to emissions reduction targets			
	(3) Discussion of short term strategy or plan to do an analysis of performance against those targets			
	(4) Discussion of long term strategy or plan to manage scope 01 emissions			
	(5) Discussion of long term strategy or plan to emissions reduction targets			
	(6) Discussion of long term strategy or plan to do an analysis of performance against those targets			

Plantations

Topic	Accounting Metric	Unit of measure	Code	
	(1) Fleet fuel consumed	Gigajoules (GJ)	FB-AG-110a.3	Energy consumed for mobile combustion; Petrol - 1,711 GJ Diesel - 6,381 GJ
	(2) Percentage renewable (total renewable energy % from the fleet fuel consumed)	Percentage (%)		0%
2. Energy Management	(1) Operational energy consumed	Gigajoules (GJ), Percentage (%)	FB-AG-130a.1	203,299
	(2) Percentage grid electricity			6%
	(3) Percentage renewable			89%
3. Water Management	(1) Total water withdrawn	Thousand cubic metres (m^3), Percentage (%)	FB-AG-140a.1	60,826
	(2) Total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress			No water withdrawn from regions in high or extremely high water stress.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A	FB-AG-140a.2	Please refer to the Natural Capital report **(GRI 3-3)**
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	Number	FB-AG-140a.3	None
4. Food Safety	(1) Global Food Safety Initiative (GFSI) audit - non-conformance rates	Rate	FB-AG-250a.1	N/A Our operations are certified with ISO 22000/ HACCP No non-conformities identified.
	(2) Global Food Safety Initiative (GFSI) audit - associated corrective action rates for (a) major			
	(2) Global Food Safety Initiative (GFSI) audit - associated corrective action rates for (b) minor non-conformances			
	Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program	%	FB-AG-250a.2	N/A
	(1) Number of recalls issued	Number MT	FB-AG-250a.3	0
	(2) Total amount of food product recalled			0
5. Workforce Health & Safety	(1) Total recordable incident rate (TRIR)	Rate	FB-AG-320a.1	164 minor injuries recorded. 209 man days losses recorded and compensation already paid for 52 cases.
	(2) Fatality rate			0
	(3) Near miss frequency rate (NMFR) for - (a) direct employees			18
	(3) Near miss frequency rate (NMFR) for - (b) seasonal and migrant employees			N/A

Plantations

Topic	Accounting Metric	Unit of measure	Code	
6. Environmental & Social Impacts of Ingredient Supply Chain	(1) Percentage of agricultural products sourced that are certified to a third-party environmental or social standard	Percentage (%) by cost	FB-AG-430a.1	0
	(2) Percentages by standard			Over 30% of the green leaf is purchased from suppliers and small-holders registered with the Sri Lanka Tea Board and Tea Small-Holder Development Authority. While due diligence procedures and verification processes are followed by these institutions to ensure compliance and ESG, currently there is no certification applied to them. The GAP (Good Agricultural Practices) certification from the Department of Export Agriculture is currently being introduced to these networks.
	(1) Suppliers' social and environmental responsibility audit - non-conformance rate	Rate	FB-AG-430a.2	Zero non - compliances
	(2) Suppliers' social and environmental responsibility audit - associated corrective action rate (a) major non-conformances			Zero non - compliances or non - conformities
	(3) Suppliers' social and environmental responsibility audit - associated corrective action rate (b) minor non-conformances			In the plantations segment, aligned with their management systems for ESG, 126 suppliers were screened on environmental and social impacts. The company regularly visits suppliers and conducted awareness building sessions to ensure expected standards are maintained.
	Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing	N/A	FB-AG-430a.3	N/A
7. GMO Management	Discussion of strategies to manage the use of genetically modified organisms (GMOs)	N/A	FB-AG-430b.1	N/A
8. Ingredient Sourcing	Identification of principal crops and description of risks and opportunities presented by climate change	Percentage	FB-AG-440a.1	The company has comprehensive strategies to identify and mitigate sustainability and climate change related risks. For example, the rainwater harvesting strategies and soil carbon improvement strategies were developed in response to identified risks. Please refer to the Risk Report and the Sustainability Strategy review of the Elpitiya Plantations PLC annual report of 2023/2024 for more details.
	Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress	(%) by cost	FB-AG-440a.2	Not Applicable

Plantations

Topic	Accounting Metric	Unit of measure	Code	
ACTIVITY METRICS				
	Production by principal crop - Tea	MT	FB-AG-000.A	4,248
	Production by principal crop - Rubber			241
	Production by principal crop - Palm oil			23,617
	Number of processing facilities	Number	FB-AG-000.B	Tea - 7 Rubber - 1 Outside the reporting boundary: 3 factories have been leased out and 5 factories are not in operation currently.
	Total land area under active production	Hectares	FB-AG-000.C	8,838.02 ha utilised in different scopes in the production process where 5,973.84 ha is used for cultivation. Biodiversity surveys have been conducted across the entire land area to ensure net positive impact from our operations on the ecosystems we work within.
	Cost of agricultural products sourced externally	Rs. Mn	FB-AG-000.D	926,632

Services Sector

The Services Sector consists of operations in insurance, elevator agency, facilitation of overseas remittances and property management. Long standing partnerships with some of the world's leading principals in money transfer services, elevator manufacturing and insurance, together with relentless dedication to excellence and innovation has made the Services Sector an undisputed leader in many of these segments. The Sector experienced a marginal decline in revenue compared to the previous year, with revenue decreasing by 5%, to Rs. 2.2 Bn. Despite this, the profitability of the Sector increased marginally by 2% to Rs. 522.8 Mn. While the insurance, property and elevator segments performed significantly better, enhancing the Sector's overall results, the profitability of the money transfer operations recoded a decline impacting the overall performance of the Sector. Although the segment facilitated an increased volume of remittances this decline was a result of the severe fluctuation of the foreign exchange rate impacting the overall performance of the segment.

Money Transfer

Sri Lanka

Representing globally renowned principals MMBL Money Transfer (Pvt) Ltd is a leading player in this segment.

Property Management

Sri Lanka

Owns and operates 195,000+ sq.ft. of commercial office space in the heart of Colombo

Insurance

Sri Lanka, Maldives

The insurance segment provides highly specialised services, including marine cargo surveying for Lloyds of London. Additionally, it provides insurance brokering and consultancy services for corporates.

Elevator Agency

Sri Lanka, Maldives

The elevator segment enjoys a strong position in the market, as the sole distributor for OTIS elevators, escalators and moving walkways in Sri Lanka and Maldives.

VALUE CREATED AND DISTRIBUTED

Performance Highlights-2023/2024

Rs. 2.2 Bn
Revenue

Rs. 783.8 Mn
EBITDA

Rs. 522.8 Mn
Profit before Tax

Contribution to Group

Revenue	Profit before Tax	Assets	Liabilities	Employees	Emissions	Water consumed
2%	5%	4%	3%	2%	1%	0.4%

Contribution to Economy

255
Employment Generated

Rs. 86.8 Bn
Facilitation of Foreign Exchange Generation to the Country

Rs. 1.9 Mn
Investment in Training and Development

Rs. 1.3 Bn
Total Value Added

18%
Female Participation in Labour Force

900,000+
Total Transactions of Inward Remittances

Value to Stakeholders

Rs. 537 Mn
Value Created for Employees

Rs. 1.1 Bn
Payments to Suppliers and Business Partners

Rs. 1.0 Mn
Investment in Sustainability Processes

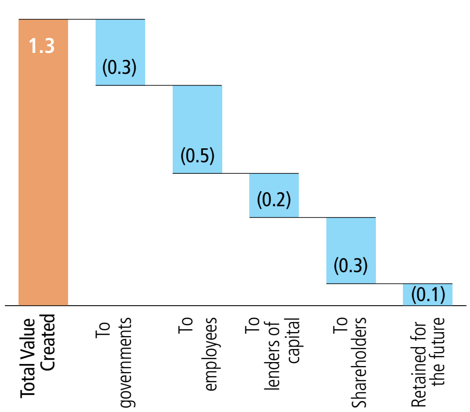
Rs. 371.7 Mn
Taxes paid to Governments (Direct and Indirect)

Distribution of Value Added

During the financial year, the Services Sector contributed positively towards its economic impact by generating a value of Rs. 1.3 Bn through its operations. The sector's labour-intensive nature was reflected in the distribution of this value. A significant portion of the value, Rs. 0.5 Bn or 40% of the total, was allocated to its employees, highlighting their crucial role in the sector's operations.

Shareholders and capital lenders, who provide the necessary financial resources for the sector, received 21% and 13% of the value created, respectively. The Sector also distributed 19% of the total value to governments. In a strategic move to ensure its future sustainability and growth, the Sector retained 7% of the value created.

Distribution of Value Created
Rs.Bn



PESTEL (POLITICAL, ECONOMIC, SOCIAL, TECHNOLOGICAL, ENVIRONMENTAL, LEGAL) ANALYSIS

P – Political

Instability and regulatory changes in key markets, can significantly disrupt operations and affect the profitability of businesses across various segments. This instability can include civil unrest, changes in foreign policy, and shifts in trade regulations, leading to unpredictable operational environments.

E – Economical

Reduced consumer income, increased tax rates, fluctuating interest rates, currency volatility, inflation, and rising unemployment can significantly impact business costs and consumer demand.

S – Social

Increased social awareness about the legitimacy of money transfer businesses could positively influence the Sector by building trust and customer loyalty.

T – Technological

Advancements in mobile applications and transaction technologies are likely to enhance efficiency and customer experience in elevator maintenance and money transfer services.

E – Environmental

Extreme weather conditions could disrupt service operations in both elevator maintenance and money transfer segments, affecting the connectivity and timeliness of the services.

L – Legal

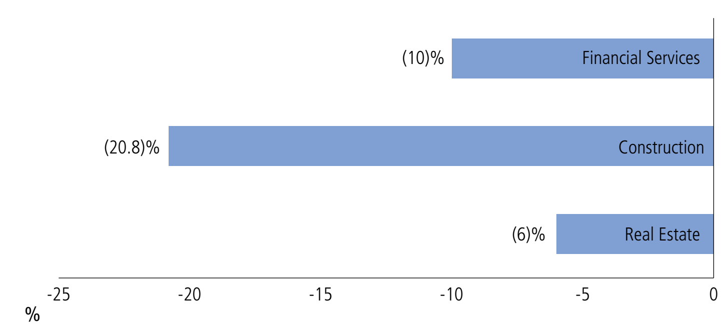
Regulatory changes, such as modifications in exchange control laws and stricter anti-money laundering measures, are expected to have a positive impact by improving operational standards and compliance across these industries.

OPERATING ENVIRONMENT

Services Sector

The services sector in Sri Lanka contracted by 0.2% in 2023 compared to a contraction of 2.6% in 2022. Within the services sector, the financial services and real estate activities subsectors witnessed contraction during the year, largely due the high interest rate environment, particularly during the first half of the year. The construction industry meanwhile also recorded a significant contraction of 20.8% in 2023 mainly due to the holdback of construction projects.

Year-on-Year Growth in Economic Actvities - 2023



KEY CHALLENGES AND OPPORTUNITIES 2023/2024

Risks

- Volatility of the Rupee and the resulting impact on the segment's profitability
- Impact of inflationary pressures on operational expenses
- Over supply and rental pressure for commercial real-estate
- Reduced volumes of imports and resultant impact on cargo insurance

Opportunities

- Strong growth in inward remittances
- Resurgence in the construction sector

SERVICES SECTOR

Statement of Financial and ESG performance (GRI 201-1; 203-1; 302-1; 303-3, 303-4; 305-1, 305-2; 306-5)	2023/24	2022/23	YoY(%)
Revenue (Rs. Mn)	2,166	2,270	-5
EBITDA (Rs. Mn)	784	736	6
Profit before tax (Rs. Mn)	523	514	2
Profit after tax (Rs. Mn)	300	429	-30
Total Assets (Rs. Mn)	6,885	5,746	20
Total Liabilities (Rs. Mn)	3,765	2,550	48
SDGs towards which the Sector's performance contributes: 4 and 5			
Targets: 4.3, 4.4, 4.7, 5.1, 5B,			
Number of Employees	255	252	1
Employee female representation	18%	15%	20
Employee benefits paid (Rs. Mn)	537	486	10
Training hours per employee	30	47	-36
SDGs towards which the Sector's performance contributes: 4, 5 and 12			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 12.b			
Investment in training (Rs. '000)	1,906	2,619	-27
Brand stewardship	5	4	25
Number of certifications	3	3	0
SDGs towards which the Sector's performance contributes: 8 and 12			
Targets: 8.5, 8.8, 8.10, 12.b			
Number of joint venture/ equity partnerships	4	3	33
Number of suppliers screened on ESG within the year	78	61	28
SDGs towards which the Sector's performance contributes: 8, 9 and 12			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b			
(Note - data for 2023 has been restated as the emission factors have been revised)			
Total energy consumption (GJ)	4,731	8,462	-44
Scope 1 emissions (tCO2e)	203	294	-31
Scope 2 emissions (tCO2e)	521	889	-41
Emissions reduced or offset (tCO2e)	7	4	71
Total water withdrawn (m3)	6,998	5,619	25
Total amount of solid waste kept away from landfills			
(Tonnes)	7	9	-14
(Units)	4	76	-95
Total investment in sustainability driven processes (Rs. Mn)	1	3	-71
SDGs towards which the Sector's performance contributes: 9			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	3,185	3,231	-1
Investment in manufactured capital (Rs. Mn)	25	18	39

DRIVING STRATEGY

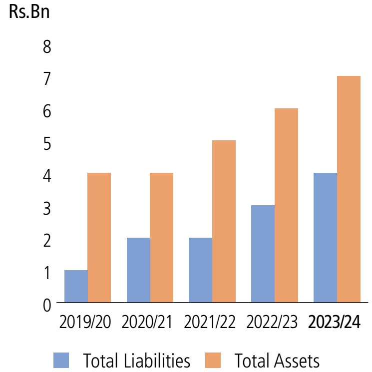
The Services Sector encountered challenges due to the volatility of the Rupee adversely affecting the money transfer segment., In contrast, the insurance segment recorded the highest ever profits in its 155-year history, supported by increased demand, amid an uncertain socioeconomic climate.

The elevator segment successfully navigated through significant challenges, such as high working capital costs and project delays, achieving a return to profitability. With margins continuing to be impacted by rising operational costs, cost management was a key area of focus to improve profitability. The segment witnessed a turnaround in its profitability during the year mainly due to strategically managing its cost and the negative impact of exchange fluctuation.

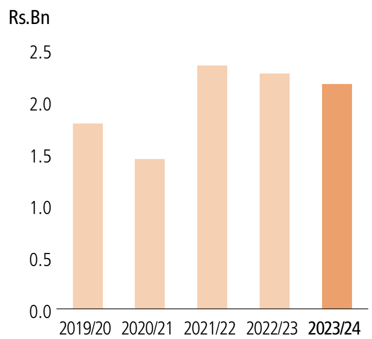
Digitisation of processes, particularly in the insurance and money transfer segments are vital and is expected to bring about significant benefits in terms of cost and operational efficiencies in the coming years. In the property management segment, a comprehensive energy audit was conducted as part of the segment's efforts to reduce energy consumption.

Geographical expansion was also a priority during the year where existing relationships and the forging of new relationships facilitated the growth strategy. Money transfer segment's network of sub-representatives was expanded in order to extend the reach to serve additional customers especially in the rural provinces of the country. Increasing the number of principals and customer touch points will remain a focus as the segment seeks to expand its presence and diversify risks.

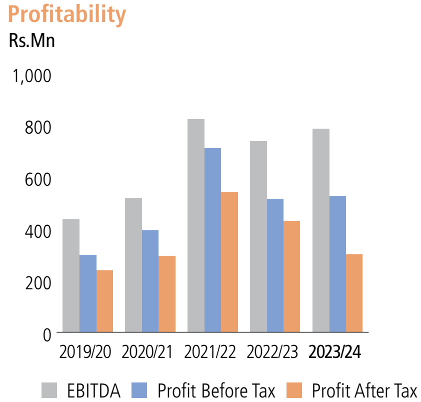
Stability



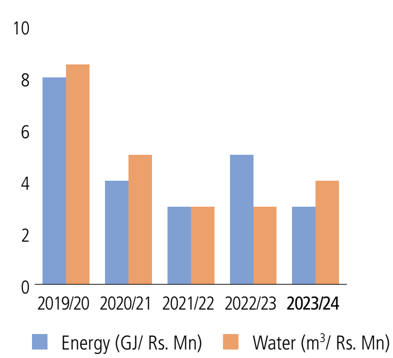
Revenue



Profitability



Resource Consumption per Unit Revenue



FUTURE OUTLOOK

With the economy showing signs of a gradual recovery in the financial year 2024/25, prospects for the Services Sector are expected to improve significantly. The gradual pick up in global trade, together with the removal of import restrictions are expected to drive demand for cargo insurance. Strong growth in inward remittances support a positive outlook for the money transfer business of the Sector. The construction industry, meanwhile, is also expected to witness a resurgence in line with the expected economic recovery. As the economy bounces back the Sector anticipates an increase in the demand for commercial space in the medium to long term. Efforts to strengthen the digital proposition and drive innovation across segments to capitalise on emerging prospects is a key focus area for the Sector. The Sector will continue to leverage its relationships with partners and customers while actively exploring new partnership opportunities to drive future growth.

Insurance

Purpose

Being the trusted partner and adviser to ensure business continuity and economic growth.

The insurance segment engages in brokerage activities as well as cargo surveying, claims handling and risk assessment, for international insurers. As a licensed insurance broker, the segment advises individuals and corporates on arranging insurance schemes in accordance with their business activities. The partnership with Lloyd's for cargo surveying, established in 1876, represents the oldest relationship for the Group and is also one of the oldest for Lloyd's.

The segment also represents other renowned international insurers and claim settling companies, providing a range of services such as cargo surveys, claims assessment and settling and salvage disposal.

Locations of Operations

Sri Lanka and Maldives

Strategic Focus

- Advancing its insurance-related services involves a multi-pronged approach, focused on enhancing partnerships, expanding both geographically and in service offerings and adopting digital transformation.

Key Strategic Initiatives

- Secure existing agencies and increase the number of principals
- Expanding insurance brokerage and risk management services into Maldives
- Increase penetration of risk management services in Sri Lanka and providing clients with comprehensive risk mitigation and loss prevention measures
- Automation of processes

SDG Commitments

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)

INDUSTRY OVERVIEW

Reduced volumes of imports stemming from the strained economic conditions in Sri Lanka and the continuing restrictions on import of vehicles impacted agency business. In addition, advancements in packaging and technology have led to a reduction in cargo claims and surveys. The elevated risk profile of the country negatively affected the insurance broking operations, leading to stricter and more costly conditions in the reinsurance market. This tightening resulted in higher premiums and more selective coverage, impacting the ability to underwrite significant risks. Significant currency fluctuations throughout the year affected the profitability of the industry.

RISKS & OPPORTUNITIES

Risks

- Cyber security
- Geopolitical risk, war and sanctions resulting in varying terms and conditions
- Lack of disposable income to spend on insurance products
- Competition from aggregators
- Difficulties faced in re-insurance

Opportunities

- Business expansion through new products, services and penetration into new segments
- Cross selling opportunities within the Group
- Technological advances increasing potential for insurance

Insurance

STRATEGIC OBJECTIVES

Sustainable profit growth	Expand reach to new geographies and new business segments	Achieve employer of choice status	Achieve net zero emissions and reduce resource footprint
▪ Acquisition of small and medium scale brokering outfits to increase market share. ▪ Strategic alliances with brokers and/or financial institutions for mutual business benefits	▪ Partnered with a risk management company for risk assessment inspections ▪ Expanding brokering services to the region with expanded networks ▪ Facilitating reinsurance by partnering with foreign brokers to boost reinsurance-related business activities	▪ Assisting employees to obtain professional qualifications in insurance	▪ Efficiency improvement and reduction of resource consumption through an integrated data management system

PERFORMANCE

Revenue and profitability in the insurance segment increased by 27% and 33% respectively, marking the highest profit before tax in the segment's history of over 155 years. This significant growth was due to an increase in the values insured. Additionally, the uncertain socioeconomic climate compelled more individuals and companies to seek insurance coverage. The rise in top-line revenue was primarily driven by higher premium rates and an increase in the number of marine insurance surveys conducted during the year. Premiums under management increased by 40% over the previous year, supporting a rise in industry ranking by three positions for its brokering operation. The ability to deal with multiple insurers operating in the market creates opportunities to offer risk mitigation solutions to clients.

The segment further developed its capacity to deliver customised insurance coverage through technical negotiations, thereby enhancing its capacity to provide added value to customers. The segment continues to encourage all staff to improve their skills by acquiring professional insurance qualifications as it is essential to have a professionally qualified team to manage the business.

The segment developed a disaster risk reduction (DRR) plan for natural and man-made disasters to enhance business continuity. The segment continues to build a culture centred around sustainability within the organisation with relevant capacity building opportunities being provided to every employee.

As a Lloyd's Agency, the segment is responsible for conducting surveys for the majority of cargo claims.

LLOYD'S Agency

Insurance

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - 27%
- Profit before tax - 33%
- Total assets - (22%)
- Total liabilities - 12%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Natural Capital

- Process improvements planned to improve resource efficiency
- Reduced emissions through car pooling
- Use of FSC certified paper for printing and reduction of paper usage through automation

Manufacturing and Intellectual Capital

- Ongoing digital transformation and process digitisation efforts.

Human Capital

- 15 Total employees
- 47% Female representation
- Rs. 0.4Mn invested in training
- Encouraged and guided employees towards obtaining professional insurance qualifications.
- Promoted capacity building among employees through workshops and training programs for enhanced professional development.

Social & Relationship Capital

- Six collaborative partnerships, including the recent partnership with a risk management company for risk assessment services.
- Guiding clients in risk profiling to secure advantageous terms from reinsurance markets.
- Providing insurance solutions for individuals, small and medium-sized enterprises (SMEs)

FUTURE OUTLOOK

Global trade is forecast to increase by 2.6% in 2024 and by 3.3% in 2025, supporting moderate growth in cargo-related business in the year ahead. Provided the restriction on vehicle imports is lifted, it could significantly boost this business line. Higher levels of insurance awareness will support the growth of the insurance broking business. The addition of new services and membership in the Protection & Indemnity Club will also support growth, strengthening prospects for this segment.

We will further develop our team's capabilities, shifting attitudes and behaviours to enhance our competitive edge. By implementing AI solutions, cloud-based systems and applications, we will strengthen our value proposition for insurers and claims handling companies, which also supports business growth. The segment continues to seek partnerships and strategic alliances with overseas companies to further diversify its revenue model. Diversified growth into geographies and new services will be a key strategic priority, leveraging our knowledge and the resources of the Group and our trusted partnership.

Property Management

The property management segment owns and manages the Aitken Spence Towers, located on Vauxhall Street, Colombo which comprises of a total rentable area of 195,784 sq.ft. Approximately 75% of this space is occupied by companies of the Aitken Spence Group, while the remainder is leased to other corporate entities. The strategic location supports both operational synergies for the Aitken Spence Group and offers premium office space to other businesses, fostering a professional environment conducive to an efficient workspace.

The property showcases a seamless integration of modern architecture and effective environmental management practices facilitated through a Building Management System (BMS), which ensures optimal climate control and enhances the efficiency of the building's operations. This feature underlines the commitment of the segment to provide a sustainable and comfortable working environment.

Locations of Operations

Vauxhall Street, Colombo 2

Key Strategic Initiatives

- **Enhanced Energy Efficiency**
  Conducting energy audits and implementing measures to reduce energy consumption
- **Employees**
  Creating awareness among tenants and their employees about minimising energy consumption

SDG Commitments

INDUSTRY OVERVIEW

Demand for commercial real estate in Colombo is currently subdued as the country recovers from an economic crisis. In recent years, the market has seen a substantial addition of commercial spaces with the commencement in operations of newly constructed commercial properties. However, the pandemic led shift to work from home (WFH) has maintained its momentum even post pandemic with many preferring the work from home option leading to certain businesses opting for smaller office space. Consequently, at the end of the year, there remains an oversupply of vacant 'A' Grade commercial space.

There is, however, a growing demand for office space providers who can supply flexible locations for incubators, startups and subscription-based seating arrangements with centralised facilities.

Additionally, rising costs of construction materials, coupled with the depreciation of the Rupee have led to higher expenses in the construction of future projects. These increased costs are expected to deter new entrants from the market.

PERFORMANCE

The revenue and profitability of the segment rose by 26% and 32%, respectively. This enhancement in financial performance was principally driven by an increase in rates and higher occupancy levels compared to the previous year, along with rigorous control and management of operational and maintenance expenses. The segment persistently manages the energy and water consumption of the office complex, actively working to reduce usage through continuous improvements in the technology utilised within the building management system.

Property Management

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - 26%
- Profit before tax - 32%
- Total assets - (2%)
- Total liabilities - 9%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Natural Capital

- 521.4 tCO2e total emissions (scope 1&2)
- 6,876.7m3 total water consumption
- 100% wastewater and effluents safely disposed
- 7.5 MT solid waste responsibly managed 50% reduction in energy consumption per unit revenue from 2022/2023

Human Capital

- 22 Employment opportunities created
- 22.7% Female participation in labour force

Manufacturing Capital

- State-of-the-art office complex, encompassing 195,784 sq.ft.

Social & Relationship Capital

- 109 Customers
- 134 Suppliers

FUTURE OUTLOOK

As the economy recovers, we expect a significant rise in demand for A-grade commercial space. While this may lead to increased price competition, our property management segment stands to gain from the elevated pricing that new market entrants will introduce as equilibrium is restored. To secure our standing in this premium segment, we must focus on the maintenance of our interiors, facilities, and exterior. We will continue to monitor market developments closely to reinforce our reputation as a reliable provider of high-quality commercial space.

Elevators

Purpose

Elevating everyday journeys with our commitment to safety, quality and service excellence.

Despite a slowdown in the construction sector and the significant volatility of the Sri Lankan Rupee, the elevator segment returned to profitability by pursuing a strategy aimed at sustainable growth. A consultancy arm was established to take the segment's expertise on vertical transportation systems into the construction industry, through a collaboration with an overseas partner. As the exclusive local partner for the globally recognised OTIS elevators, our commitment to passenger safety is unmatched in the market. We are the sole agency in Sri Lanka and Maldives, to possess an ISO-certified integrated management system encompassing safety, environmental and quality standards. The segment is conducting research and has commenced testing new product options that will enhance customer experience in an elevator.

Locations of Operations

- Sri Lanka & Maldives
- Elevator training centre at CINEC Campus

Strategic Focus

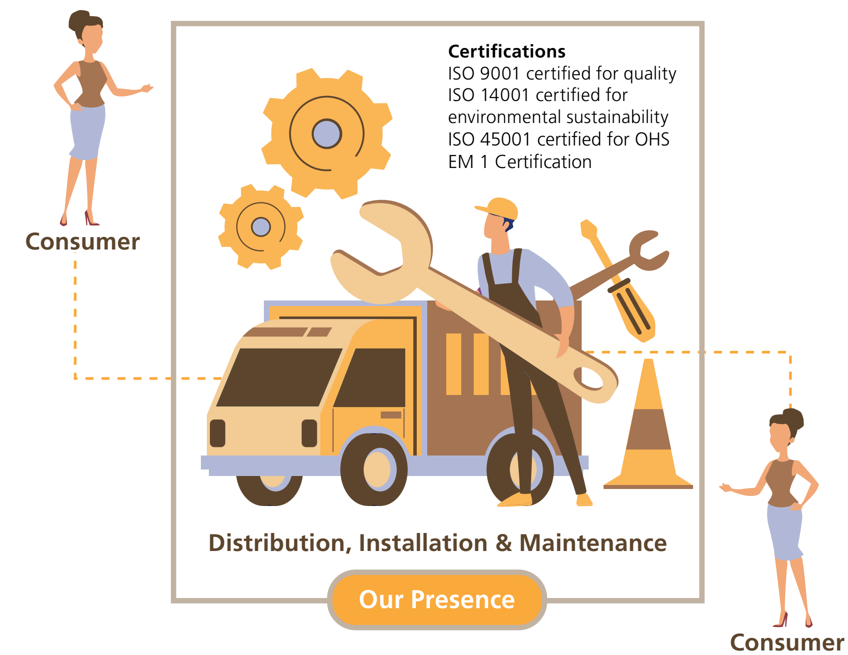
- Diversification into new products and services in related fields, leveraging over three decades of expertise in advanced vertical transportation technologies.

Key Strategic Initiatives

- Strategically expanding our vertical transportation systems consultancy, enhancing global offerings with value-added services
- Ensuring that technical teams are equipped with the latest technological knowledge of elevator systems
- Implemented an integrated customer relationship management system to connect technical, operations and sales teams

SDG Commitments

OUR PRESENCE ALONG THE VALUE CHAIN (GRI 2-6)



INDUSTRY OVERVIEW

The construction industry in Sri Lanka faced significant upheaval, including delays due to challenges in global logistics, shortages of materials, inflation, reduced demand and regulatory uncertainty. Increased competition pressured pricing and margins, compounded by the entry of low cost products. A persistent shortage of skilled technicians and engineers has further impacted operational costs and service delivery timelines. As of 2024, despite these challenges, the industry shows potential for recovery and growth over the next five years. Supported by improved economic conditions and government investment in infrastructure, as well as a resurgence in residential and commercial projects, demand for new construction and infrastructure projects are expected to increase.

RISKS & OPPORTUNITIES

Risks

- Geopolitical tension
- Project delays and cancellations due to economic issues
- Intensifying competition
- Technological obsolescence
- Compliance risk
- Volatility in the Sri Lankan Rupee against the USD
- Supply chain disruptions due to adverse weather conditions

Opportunities

- Recovery of the Sri Lankan economy and the construction sector
- Replacement market due to technological advancements
- Diversify into new market segments and geographies
- Urbanisation and infrastructure development projects

Elevators

STRATEGIC OBJECTIVES

Sustainable profit growth	Expand reach to new geographies and new business segments	Achieve employer of choice status	Achieve net zero emissions and reduce resource footprint
▪ Achieve a 15% annual growth in maintenance revenue	▪ Provide expert consultancy services in vertical transportation solutions for the construction industry ▪ Continuously engage in research and development to innovate and launch new products	▪ Invest in employee development programs to continuously enhance knowledge and skills, keeping pace with rapidly evolving technologies ▪ ISO 45001 certified workplace to ensure safety at all times	▪ Implement an integrated ISO Management System for ISO 14001 and 9001 ▪ Achieve a significant reduction in paper usage through process automation ▪ Enhance environmental management and sustainability training for all staff

PERFORMANCE

During the financial year, the elevator segment returned to profitability, overcoming several formidable challenges. This performance is particularly commendable given the delayed receivables on government contracts, the high cost of working capital and losses incurred from the revaluation of contract assets and debtors following the appreciation of the Rupee. Moreover, the delayed completion of ongoing projects has compounded these financial challenges.

The venture with CINEC campus also saw four batches completing the NVQ Level 3 certification, facilitating gainful employment for youth. Employee safety continues to be a key concern and the ISO certified health and safety protocols were strictly enforced to record another year of zero incidents. Support was provided for employees to pursue relevant qualifications, enhancing their performance and career prospects. Process automation was a key focus area with the roll out of a customer relationship management (CRM) system, field force management system and contract management system, supporting operational efficiencies, cost management and customer satisfaction. Disaster risk reduction (DRR) assessments were completed during the year, strengthening the segment's resilience. The elevator segment is aligned to meet its 2030 net zero goals.

1,500+
number of elevators managed and maintained

Elevators

GOVERNANCE MATTERS

- Maintain detailed records and audit trails for all automation systems, with regular internal and external audits for compliance, including ISO 9001, 14001 and 45001 standards
- Weekly meetings with heads of departments to strategise alongside continuous improvements based on audit outcomes such as waste reduction, improved safety measures and better waste management
- In-house sustainability training and risk assessments to fortify senior management's capabilities and proactive planning

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Profit before tax - +100%
- Total assets - (2%)
- Total liabilities - 1%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Human Capital

- 178 total employees
- 11% female representation
- 16% of new recruits were female
- Multiple training programmes for employees to strengthen their skills across all business areas and support to obtain professional qualifications
- Successfully maintained ISO 45001:2018 certified management system to ensure a safe workplace

Manufacturing and Intellectual Capital

- Research for development of new products and services
- Automated our processes to improve on the customer experience by digitising and digitalising the systems
- Commenced a 24/7 dedicated call centre with a CRM system

Natural Capital

- 69 tCO_2e total emissions
- ISO 14001 certified management system utilised to manage environmental impact

Social & Relationship Capital

- 4 batches of NVQ Level 3 certified courses for elevator servicemen
- 4 batches of seafarers were trained on elevator maintenance
- The supplier rating system enhances its supply chain efficiency and reputation, while offering suppliers clear improvement metrics and potential business growth opportunities
- Stationery distribution through project "Hands for Hope" in Wadduwa, Sri Lanka
- Conducted elevator etiquette and safety trainings at major client sites
- Installed the elevator at Lions Eye Hospital free of charge, with the provision of free maintenance services for the next 5 years

FUTURE OUTLOOK

Construction activity is expected to resume with economic recovery albeit at a slow pace. While competition is a concern, the reputation of the principal combined with that of the Aitken Spence Group is a key strength that enables the segment to compete effectively. Technology advancement makes installed models obsolete, posing difficulties in sourcing spare parts, while also creating a future replacement market that seeks smart technology and energy efficiency. The segment is looking for and testing complementary products that will facilitate modernisation or will provide value added solutions which can be marketed to all vertical transportation systems.

The segment will also focus on its employer brand and creating a dynamic organisation culture as it is a critical factor for growth, enabling it to attract and retain specialised talent which is key to driving innovation and sustainable growth.

Money Transfer

Purpose

To be the most preferred remittance services provider in Sri Lanka.

MMBL Money Transfer (MMBL) has experienced a significant upward trajectory in its operations, highlighted by a remarkable 71% growth in remittances. This growth is complemented by an expansion in the number of strategically located payout outlets, enhancing accessibility and convenience for customers. Moreover, MMBL's growth in market share is notably higher than the overall industry growth, with the company handling 75% of Western Union's market share in Sri Lanka. This impressive performance underscores MMBL Money Transfer's strong position and effectiveness in the competitive remittance market.

Locations of Operations

3,000+ Sub-representatives

Strategic Focus

- Expanding the number of principals represented
- Increase the share of business from existing principals
- Expand the network
- Provide digital solutions to remittance recipients

Key Strategic Initiatives

- Launched MMBL Money Master loyalty app to reward and retain loyal customers
- Expanded sub-representative locations to serve a broader clientele
- Partnered with new principals to attract customers from new countries

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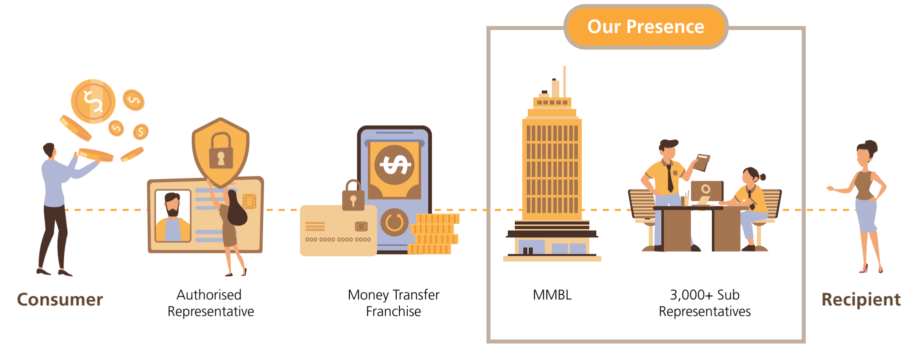
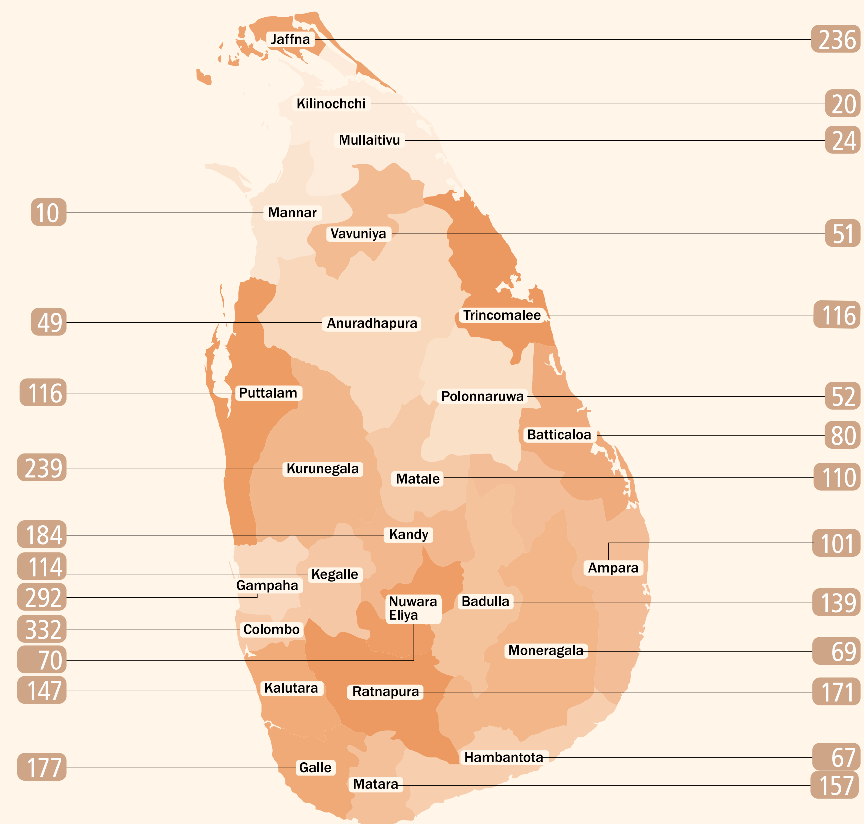
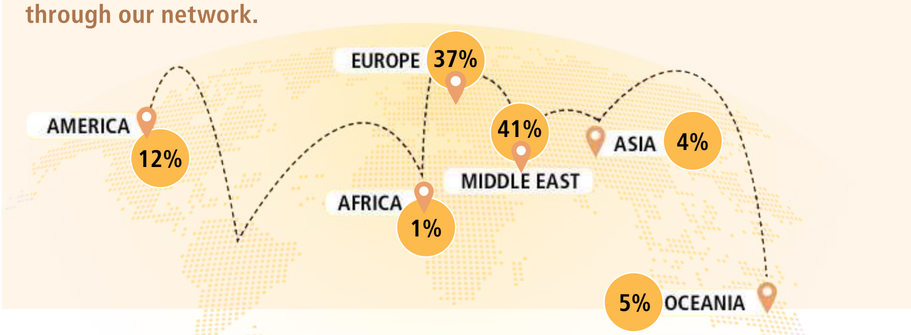


DISTRIBUTION OF SUB-REPRESENTATIVES



Source corridors from which worker remittances are directed to Sri Lanka through our network.



Money Transfer

INDUSTRY OVERVIEW

Inward remittances increased by 57.5% to USD 5,690 Mn overtaking exports to become the country's single largest source of foreign exchange. This is largely due to an increasing migrant worker population with most sending money to Sri Lanka to support loved ones. With an increasing number of Sri Lankans seeking opportunities overseas, this is a vital lifeline to provide for the support of young families and aging parents.

RISKS & OPPORTUNITIES

Risks

- Reliance on few large principals
- Intense competition from financial sector players such as commercial banks.
- Increasing regulatory requirements for Anti-Money Laundering(AML)/Countering the Financing of Terrorism (CFT)
- Exchange rate volatility
- Cyberattacks
- Changes in fiscal policy

Opportunities

- Increase the number of principals to reduce dependency on one principal for direct to bank operations.
- Leverage network strengths to attract other principals to enhance revenue streams.
- To grow the number of sub-representatives that can payout large values and are open for extended hours for business.
- Introduce a digital solution to the remittance receiver.

STRATEGIC OBJECTIVES

Sustainable profit growth

- Introduce new principals
- In the medium term enhance wallet share with existing principals
- Implement a better document management system.
- Introduce cost reduction measures and a cost-conscious culture among the employees

Expand reach to new geographies and new business segments

- Launch MMBL Money Transfer App
- Expand the number of locations

Achieve employer of choice status

- Develop staff engagement strategies by fostering a learning culture
- Employee recognition awards

Achieve net zero emissions and reduce resource footprint

- Reducing overall resource consumption by 10% in 12 months.

PERFORMANCE

MMBL revenue remained at almost the same levels as of the previous year as a result of the Sri Lankan Rupee appreciating against the US dollar, despite the increase in the number of transactions by 61%

The increase in the number of transactions is due to the increase in direct to bank operation which recorded a growth of 100% as well as overall growth with MoneyGram and Ria as both operations grew by over 50%. An islandwide network of over 3,000 sub-representatives is a key contributor to growth which the segment plans to expand to improve competitiveness.

Profitability of this segment was adversely impacted by the appreciation of the Sri Lankan Rupee during the last quarter of the financial year. Despite the commendable growth in volumes, the flat top line and the increasing operational costs exerted pressure on the segment's thin margins. Timing of cash flows is critical and frequent utilisation of overdrafts to support the smooth operation of direct to bank transfers also added to the costs, as interest rates were high during the first half of the financial year. Consequently, the segment reported a decline in profits compared to the previous year.

99.6%
of transactions are remitted within 2 seconds to bank accounts

Money Transfer

NURTURING OUR CAPITALS AND VALUE CREATED THROUGH 2023-2024

Financial Capital

- Revenue - (6%)
- Profit before tax - (79%)
- Total assets - 125%

Positive figures denote a growth over last year; negative figures denote a decline over last year.

Manufacturing and Intellectual Capital

- Launch of mobile application and Implemented strong technology driven processes
- An efficient call centre maintained to communicate with customers and gather feedback to improve our services.

Human Capital

- 40 Employment Opportunities Created
- 38% Female participation in labour force
- Develop staff engagement strategies while fostering a learning culture
- Introduced an annual employee award to enhance motivation and recognition

Natural Capital

- Waste Management system donated to Point Pedro hospital
- 62.9 tCO_2e total emissions

Social & Relationship Capital

- Facilitated 4% of total foreign exchange remittances to the country
- Facilitating nearly 80,000 transactions per month from migrant workers
- Locations for remittances kept open for extended operating hours with locations facilitated in close proximity to families of migrant workers
- Anti Money Laundering training of 530 hours
- School supplies provided to students in Galenbiduna Wewa, Kahatagasdigiriya, Ratmalana, Hirigalgoda, Akurala & Katharagama

FUTURE OUTLOOK

Strong growth in inward remittances supports a positive outlook for the money transfer business of the Group. The segment's growth aspirations are supported by a broad network of sub-representatives, a modern technology platform that enhances convenience for stakeholders and a firm commitment to real-time settlements with sub-representatives. Cost and foreign exchange management are key imperatives which are being addressed to improve profitability in the current financial year. The segment plans to grow its network to 5,000 sub-representatives and increase the number of principals, driving strategic growth in the long term. As economic conditions normalise and the demand for dollars increases, MMBL is confident of improved profitability of the operation in the year ahead.