

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The details set out herein provide the pertinent information as required by the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and the best accounting practices. The Board of Directors of Aitken Spence PLC has pleasure in presenting the Annual Report and the Audited Financial Statements for the year ended 31st March 2017 which were approved on 26th of May 2017.

### 1. PRINCIPAL ACTIVITIES

Aitken Spence PLC is the holding Company that directly or indirectly owns investments in companies which form the Aitken Spence Group. In addition to the above, the Company provides management and related services to the Group companies. During the year there were no significant changes in the principal

activities of the Company and the Group.

The activities of the Group are categorised into four main sectors namely Tourism, Maritime and Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 322 to 328 of this Annual Report.

### 2. REVIEW OF OPERATIONS

A review of operational and financial performance, the future plans of the Company and the Group are described in greater detail in the Chairman's Message, Managing Director's Review, Management Discussion and Analysis and the Group Performance Review

of this Annual Report. These reports together with the audited Financial Statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

### 3. ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company and the Group prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year. A detailed note of the accounting policies adopted in the preparation of the Financial Statements of the

Company and the Group are given on pages 223 to 135.

## 4. SYNOPSIS OF THE INCOME STATEMENT OF THE COMPANY AND THE GROUP

### 4.1. Group Revenue and Profits

Revenue generated by the Company during the year amounted to Rs. 652.3 million (2015/2016 - Rs 624.9 million). The Group revenue was Rs. 45.9 billion (2015/2016 - Rs. 26.0 billion). An analysis of Group revenue based on business and geographical segments is disclosed in note 6 to the Financial Statements. The profit after tax of the Group was Rs. 4.0 billion (2015/2016 Rs. 2.9 billion). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 2.9 billion (2015/2016 - Rs. 2.0 billion). The segmental profits are disclosed in note 6 to the Financial Statements.

### 4.2. Donations

During the year donations amounting to Rs.7.9 million - were made by the Company, while the donations made by the other Group entities during the year amounted to Rs.2.7 million.

### 4.3. Taxation

A detailed statement of the income tax rates applicable to the individual companies in the Group and a reconciliation of the accounting profits with the taxable profits are given in note 12 to the Financial Statements.

It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in notes 23 and

For the year ended 31st March	Group	Group
	2017	2016
	Rs. '000	Rs. '000
The net profit after providing for all expenses, known liabilities and depreciation on property plant and equipment	5,246,872	3,805,508
Provision for taxation including deferred tax	(1,201,407)	(861,229)
Net profit after tax	4,045,465	2,944,279
Other comprehensive income	1,309,258	916,978
Total comprehensive income for the year	5,354,723	3,861,257
Total comprehensive income attributable to the minority shareholders	(1,456,534)	(1,188,549)
Total comprehensive income attributable to equity shareholders	3,898,189	2,672,708
Transactions directly recognised in the equity statement	50,112	34,043
Balance brought forward from the previous year	34,510,479	32,615,720
Amount available for appropriations	38,458,780	35,322,471
Final dividend for 2015/2016 (2014/2015)	(608,994)	(811,992)
Interim dividend for 2016/2017 (2015/2016)	(507,495)	-
Total Reserves and earnings	37,342,291	34,510,479
Stated Capital	2,135,140	2,135,140
Balance Attributable to equity holders of the Company at the end of the period	39,477,431	36,645,619

GRI G4 - Information on GRI Disclosures

Refer to the GRI Index on pages 306 to 311 for specific details

32 to the Financial Statements. The deferred tax of the Company and the Group are calculated based on the tax rates enacted in law as per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka “On Application of Tax Rates in Measurement of Deferred Tax”. As of the reporting date the deferred tax assets and liabilities are not measured at the proposed rate as it has not been substantially enacted/legislated.

#### 4.4 Dividends

An interim dividend of Rs.1.25 was declared and paid on 30th March 2017 from dividends received by the Company where 10% withholding tax on dividends has been deducted. The Board of Directors provided the statement of solvency to the auditors and obtained the certificate of solvency from the auditors in respect of the interim dividend paid in terms of Section 56 (2) of the Companies Act No 07 of 2007.

The Directors recommended a final dividend payment of Rs. 0.50 per share for the year, the total dividend is paid out of dividends received by the Company where 10% withholding tax on dividends has been deducted. The Directors are satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the Final dividend.

### 5. SYNOPSIS OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

#### 5.1 Stated Capital and Reserves

As at 31st March 2017 the Company had issued 405,996,045 ordinary shares and the stated capital of

the Company was Rs.2.1 billion. The Company’s reserves as at 31st March 2017 were Rs.11.3 billion (2015/2016- Rs.11.2 billion) whereas the total Group’s reserves as at 31st March 2017 were Rs. 37.3 billion (2015/2016-Rs. 34.5 billion). The movement in these reserves is shown in the Statement of Changes in Equity – Company and Group on pages 216 and 217.

#### 5.2. Property, Plant and Equipment, Intangible Assets Biological Assets, Investment Property and Leasehold Property

The details of Property plant and Equipment, Investment Property, Intangible assets, Biological Assets, and Leasehold Property of the Company and Group where applicable are given in notes 15,16,17,18 and 19 to the Financial Statements on pages 248, 251, 252 and 254.

Information in respect of extent, location, valuation of land and building held by the Company and Group are detailed in notes 15.3 and 16.2 to the Financial Statements on pages 249 and 251.

#### 5.3 Contingent Liabilities

The details of contingent liabilities are disclosed in note 42 to the Financial Statements.

#### 6. EVENTS OCCURRING AFTER THE REPORTING DATE

No event of material significance that requires adjustments to the Financial Statements has arisen other than that disclosed in note 47 to the Financial Statements.

#### 7. GOING CONCERN

The Board of Directors is satisfied that the Company and the Group have adequate resources to continue their operations without any disruption in the foreseeable future. The Company’s Financial Statements are prepared on a going concern basis.

#### 8. INFORMATION ON THE BOARD OF DIRECTORS AND THE BOARD SUB COMMITTEES

##### 8.1 Board of Directors

The Board of Directors of the Company comprised of :

	Executive	Non-Executive	Independent
Deshamanya D.H.S. Jayawardena (Chairman)	✓		
Mr. J.M.S. Brito (Deputy Chairman and Managing Director)	✓		
Dr. R.M. Fernando	✓		
Dr. M.P. Dissanayake	✓		
Ms. D.S.T. Jayawardena	✓		
Mr. G.C. Wickremasinghe		✓	✓
Mr. C.H. Gomez		✓	✓
Mr. N.J. de Silva Deva Aditya		✓	
Mr. R.N. Asirwatham		✓	✓

All of the above Directors held office during the entire year. The brief profiles of the Directors are given in pages 28 to 31 of this Annual Report.

Mr. Asirwatham was appointed as an Independent Non-Executive Director and meets the criteria for independence as per the Listing Rules of the Colombo Stock Exchange.

The periods of service of Messrs Wickremasinghe and Gomez as Board Members exceed nine years. Additionally, Mr. Wickremasinghe was an Executive Director on the Board of the Company prior to the assumption of duties as a Non-Executive Director.

The Board is of the view that the periods of service of the said Directors and the Executive Directorships previously held by Mr. Wickremasinghe do not compromise their independence and objectivity in discharging their functions as Directors and, therefore, has determined that Messrs Wickremasinghe and Gomez are ‘independent’ as per the Listing Rules.”

##### 8.2 Board Sub Committees

The following Directors served as members of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Related Party Transactions Review Committee.

##### Audit Committee

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de Silva Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)

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### Remuneration Committee

Mr. G.C. Wickremasinghe (Chairman)  
 Mr. R.N. Asirwatham  
 Mr. C. H. Gomez (appointed w.e.f 01.07.2016)

### Nomination Committee

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

### Related Party Transactions Review Committee

Mr. R.N. Asirwatham (Chairman)  
 Mr. G.C. Wickremasinghe  
 Mr. C.H. Gomez  
 Mr. N.J. de Silva Deva Aditya / Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)

### 8.3 Re-appointment of Directors who are over 70 years of age and Re-election of Directors.

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Deshamanya D. H. S. Jayawardena and Messrs G. C. Wickremasinghe and R. N. Asirwatham, who are over 70 years of age and who vacate office in terms of Section 210(2)(b) of the Companies Act, be re-appointed as Directors in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors.

Mr. J. M. S. Brito, who attained the age of 70 years on 21st August 2016 and vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (a) of the Companies Act, is also recommended by the Nomination Committee and the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

Dr. M. P. Dissanayake who retires by rotation in terms of Article 83 of the Articles of Association of the Company offers himself for re-election.

### 8.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 206 of this Annual Report.

### 8.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. Any interest in transaction disclosed to the Board by a Director in accordance with Section 192 of the Companies Act No.7 of 2007 is duly recorded in the Interests Register.

### 8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2017 are disclosed on page 240 of the Financial Statements.

### 8.7 Related Party Transactions

Related party transactions of the Group are disclosed in note 44 to the Financial Statements. These are recurrent and non-recurrent related party transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the audited Financial Statements as at 31st March 2016.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Company as per the Audited Financial Statements as at 31st March 2016, which required additional disclosures in the Annual Report under Listing Rule 9.3.2(a).

The Group companies and their key management personnel have disclosed on a quarterly basis, the proposed Related Party Transactions (if any) falling under the ambit of Rule 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made were tabled at the quarterly meetings of the Related Party Transactions Review Committee, in compliance with the requirements of the abovementioned rule.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2017.

### 8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2017 and Directors who ceased to hold office during the accounting period are indicated on pages 322 to 328 of this Annual Report.

## 9. HUMAN RESOURCES

The human resources strategies applied and practised by the Group have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. The Group's employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The human capital report is set out on pages 108 to 119 of this Annual Report.

## 10. GOVERNANCE

The Group has not engaged in any activity which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules, regulations and codes of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and Regulatory Bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environment laws and practices.

The Company has no restrictions with regard to shareholders carrying out appropriate analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment of shareholders. The Company's corporate governance practices are set out on pages 42 to 59 of this Annual Report.

#### 11. RISK MANAGEMENT

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 70 to 84 of this report.

#### 12. INTERNAL CONTROLS

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the Company and the Group are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

Board of Directors' Statement on Internal Controls is on page 65, the Statement of Directors' Responsibilities

is on page 211 and the Audit Committee Report is set out on pages 61 and 62 of this report provide further information in respect of the above.

#### 13. STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 211 of this Annual Report.

#### 14. CORPORATE SUSTAINABILITY

The Board of Directors guides and supports the Group's sustainability strategy. It welcomes the implementation of the structured and dynamic integrated sustainability framework. Awards and recognition received during the year are a testament to the Group's commitment as it continues to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this report and at [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability).

#### 15. SHAREHOLDER INFORMATION

There were 4,593 shareholders as at 31st March 2017. The distribution schedule of the number of shareholders and their shareholdings are detailed on page 204 of this Annual Report. The names of the

twenty largest shareholders, together with their shareholdings as at 31st March 2017 are given on page 205 of this Annual Report. The percentage of the shares held by the public as at 31st March 2017 was 51.01%.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the market price per share are given on pages 201 to 203 of this Annual Report.

#### 16. AUDITORS

The independent auditors' report on the Financial Statements is given on page 212 of the Annual Report. The retiring auditors Messrs KPMG Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as auditors and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting.

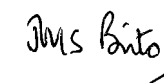
The audit fees payable for the year to the Company auditors Messrs KPMG Chartered Accountants was Rs.1.2 million.

In addition to the above Rs. 1.7 million was payable by the Company for permitted audit related and non audit related services. Messrs KPMG Chartered Accountants the auditors of the Company are also the auditors of certain subsidiaries, joint ventures and associate companies of the Group. The list of the subsidiaries, joint ventures and associate companies audited by them are included on pages 322 to 328 of this Annual Report.

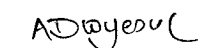
The amount payable by the Group to Messrs KPMG Chartered Accountants as audit fees was Rs. 16.5 million while a further Rs. 9.3 million was payable for permitted audit and non audit related services. In addition to the above Rs 6.5 million was payable to other auditors for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit and non audit related services was Rs.7.4 million. As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and equity accounted investees that would have an impact on their independence.



**D.H.S. Jayawardena**  
Chairman



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



**P W Corporate Secretarial (Pvt) Ltd**  
Company Secretaries

Colombo  
26th May 2017