

**DYNAMIC  
EVOLVING**

**PASSION FOR  
EXCELLENCE**

**Annual Report 2012-2013**

Financial, environmental and social performance

PASSION FOR  
EXCELLENCE

#### Forward looking statements

When formulating this integrated report, we have attempted to move from a compliance-driven approach to an approach led by our business activities and user needs, in order to better report what we do. While we have ensured as far as possible that reporting compliance requirements have been met, we have also made an effort to present in this context our business model, strategy and performance.

Furthermore, we have enhanced our reporting of future plans and outlook, therefore this report contains many forward looking statements. In most cases these will be indicated by the use of words such as 'target', 'believe', 'expect', 'may', 'anticipate', 'plan', 'will', 'strategy', 'prospect', 'foresee', 'possibility', 'estimate', 'project', 'can', 'intend', and others with similar meaning.

These statements are based on our current plans, estimates and projections; therefore such statements involve inherent risks and uncertainties as a number of factors could cause the actual result to deviate from the targeted one. Among the factors that would impact future results are global and local political and economic conditions; changes to government policy; currency and interest rate fluctuations; changes to the competitive landscape; failure to recruit the right employees; unexpected changes in costs and expenses; new investments and divestitures; and our success/failure at marketing new products and services.

As such, please note that Aitken Spence undertakes no obligation to update or revise the forward-looking statements herein, after the distribution of this Annual Report.

Aitken Spence has long been recognised as one of the best performing companies in the South Asian region. Our heritage in Sri Lanka that goes back well over a century and a half also makes us one of the best established companies; a leader in the industries we serve and a benchmark of corporate citizenship for many.

Today, our energy and drive to perform has not diminished. In every task we execute, the overriding desire to excel shines through. As a result, the last decade has seen us transform our company into a dynamic, rapidly evolving and diversified conglomerate, preferred by thousands of partners, customers and investors.

The strength, the reach, a visionary approach and values honed by years of commitment to a single cause - our passion for excellence.



**This is an integrated annual report.  
A guide to reading it is given overleaf.**

## AN INTRODUCTION TO THE CONTENTS OF THIS REPORT

We are pleased to present to stakeholders our integrated annual report for the year ended 31st March 2013.

This report covers the integrated sustainable economic performance of the companies in which Aitken Spence PLC has significant operational and management control, including activities in Asia and Africa. The report provides information on our subsidiaries, joint ventures and equity-accounted investees. The names and details of the companies are set out on pages 245 to 250.

The material issues discussed in the report, set out on pages 4 and 5, were identified through an internal process of engagement with executive management across the business to determine what would substantially influence the sustainability of the Group, and the assessments and decisions of our stakeholders.

The information herein is provided in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) in alignment with the International Financial Reporting Standards (IFRS) the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange, as well as the Code of Corporate Governance Principles 2009 and other related guidance. This being the first reporting cycle since the transition to the new Sri Lanka Accounting Standards, the annual audited accounts and the notes to the accounts explain the implications and reconciliations as a result of the convergence. We have once again used the Global Reporting Initiative (GRI) G3.1 guidelines in preparing our integrated annual report and this year, we have reported at a self-declared B level.

A limitation in this report is that the sustainability performance is monitored for our operations only in Sri Lanka and the Maldives. Also, where sustainability systems are still in the implementation process, comprehensive data is not yet available. Our reporting process is driven and supervised entirely by the internal expertise of the Group and our short to medium term goal is to make the disclosures inclusive of all operational activities material and relevant to the impacts and risks within

## IN PREPARING OUR SECOND INTEGRATED REPORT WE HAVE SOUGHT TO TELL THE STORY OF THE YEAR ENDED 31ST MARCH 2013 IN A COMPREHENSIVE AND CONCISE MANNER.

our systems and is focused on educating the stakeholders about the operations of Aitken Spence.

A feedback form with contact details for comments, suggestions and queries by stakeholders is available online. Further our social media could also be used to get in touch with us for feedback and comments.

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

Our sustainability priorities were identified mostly through a scientific assessment of the impacts we have on the different environs that make up the systems within the sphere of the Aitken Spence Group's influence. These priorities were further verified by studying the historical data of the organisation, feedback from specific key stakeholders and guidance from the senior management and the subsidiary sustainability teams.

In order to identify the indicators in respect of which information should be disclosed on, we first short listed performance indicators of significant importance to the Group which need to be monitored. These indicators were then filtered through the sustainability sub-committee following which the senior management were consulted. Identification of the disclosures was governed by materiality of the indicators, completeness of the information available and the requirements of the stakeholders.

We recognise that we have some way to go before we can report regarding all issues identified as material to our stakeholders. We have however made a strong start on formulating a stakeholder engagement strategy with the support of an independent third party, and expect to implement this in the year ahead, both at Group-level and within our operating activities. This is aimed at determining the factors that would substantially influence the sustainability of the Aitken Spence Group, and the assessments and decisions of our stakeholders.

 For a full GRI table go to [www.aitkenspence.com/sustainability](http://www.aitkenspence.com/sustainability)

<b>SNAPSHOT OF MATERIAL ISSUES</b>	<b>page 04</b>
<b>STAKEHOLDER ENGAGEMENT</b>	<b>page 18</b>
<b>CHAIRMAN'S MESSAGE</b>	<b>page 28</b>
<b>MANAGING DIRECTOR'S REVIEW</b>	<b>page 34</b>
<b>FINANCIAL STATEMENTS</b>	<b>page 157</b>

## CONTENTS

Page

### GROUP OVERVIEW

- 4 Snapshot of Material Issues
- 10 About Aitken Spence PLC
- 12 Group Highlights
- 14 What We Do
- 16 Business Geographies
- 18 Stakeholder Engagement and Materiality Study

### LEADERSHIP REVIEW

- 28 Chairman's Message
- 34 Managing Director's Review

### GROUP PERFORMANCE REVIEW

- 42 Management Discussion and Analysis
- 43 Aitken Spence Strategy
- 48 Tourism Sector
- 62 Cargo Logistics Sector
- 74 Strategic Investments Sector
- 86 Services Sector
- 98 Financial Review
- 105 People and Culture

### GOVERNANCE REVIEW

- 110 Corporate Governance Report
- 116 Nomination Committee Report
- 117 Remuneration Committee Report
- 118 Audit Committee Report
- 126 Risk Management Report
- 130 Board of Directors
- 135 Board of Management
- 142 Senior Management Teams

### FINANCIAL STATEMENTS

- 150 Statement of Directors' Responsibilities
- 151 Annual Report of Directors
- 156 Independent Auditors' Report
- 157 Financial Statements
- 225 Ten Year Summary
- 226 Consolidated Financial Statements in USD

Page

### INVESTOR INFORMATION

- 228 Investor Information

### SUPPLEMENTARY INFORMATION

- 233 Awards and Certifications
- 237 UN Global Compact
- 239 GRI Index
- 245 Group Companies and Directorate
- 251 Glossary of Terms
- 254 Notice of Meeting
- 255 Form of Proxy
- IBC Corporate Information

#### LEADERSHIP REVIEW

- 28 Chairman's Message
- 34 Managing Director's Review

#### GROUP PERFORMANCE REVIEW

- 48 Tourism Sector
- 62 Cargo Logistics Sector
- 74 Strategic Investments Sector
- 86 Services Sector

## SNAPSHOT OF MATERIAL ISSUES

### MATERIAL ISSUE 1: COMMUNITY

DEVELOPMENT OF LOCAL ECONOMY

ENABLING ACCESS TO ENTREPRENEURSHIP AND  
EMPLOYMENT OPPORTUNITIES

### MATERIAL ISSUE 2: ENVIRONMENT

ENERGY EFFICIENCY AND RENEWABLE ENERGY

MANAGING CARBON EMISSIONS

ECO SYSTEM CONSERVATION

### MATERIAL ISSUE 3: ECONOMIC DEVELOPMENT

FOREIGN INCOME GENERATION TO THE COUNTRY

STRENGTHENING LIVELIHOODS

VALUE CREATION IN THE ECONOMY

### MATERIAL ISSUE 4: DELIVERING SUSTAINABLE VALUE TO CUSTOMERS

QUALITY ASSURANCE

EXCEEDING CUSTOMER EXPECTATIONS

INNOVATION

PRODUCT SAFETY

### MATERIAL ISSUE 5: SUSTAINED RETURNS

FINANCIAL PERFORMANCE

### MATERIAL ISSUE 6: PEOPLE AND CULTURE

COMPETENCY DEVELOPMENT

OCCUPATIONAL HEALTH AND SAFETY

WORK LIFE BALANCE

HUMAN RIGHTS

*Material issues are in random order.*

**MATERIAL  
ISSUE 7:  
RESPONSIBLE  
SUPPLY CHAIN**

OPTIMISED LOGISTIC SOLUTIONS

RELIABILITY OF THE SUPPLY CHAIN

ETHICAL, ENVIRONMENTAL AND SOCIAL COMPLIANCE

**MATERIAL  
ISSUE 8:  
ASSURANCE,  
REPORTING,  
GOVERNANCE**

INTERNAL CONTROL

INTEGRATED SUSTAINABILITY POLICY

TRANSPARENCY IN REPORTING

CODE OF ETHICS

**THE DIVERSITY OF THE GROUP'S OPERATIONS IN BOTH SCALE AND NATURE MEANS THAT EACH INDUSTRY SEGMENT HAS ITS OWN UNIQUE SET OF STAKEHOLDERS, CONCERNS, IMPACTS, RISKS, OPPORTUNITIES AND BENEFITS. THEREFORE A 'ONE-SIZE-FITS-ALL' SOLUTION IS NEITHER SUITABLE NOR SUSTAINABLE FOR THE GROUP.**

## THE NEW LOOK

The Aitken Spence corporate office at Vauxhall Street gets a whole new look.





## THE NEW LOOK

The new spacious foyer and lobby area of the Aitken Spence Tower II completes the modern and cosmopolitan appearance of the office complex. The lobby design with floor to ceiling glass walls maximises the usage of natural light and minimises the energy consumption. Beyond the reception four spacious elevators have been installed to ease congestion during peak times. Two of the elevators are observation lifts which provide the visitors a panoramic view of the city of Colombo. Friendly though sophisticated, the new vibrant look of the Aitken Spence Towers symbolises an organisation that is ready for tomorrow whilst retaining its core values.





## ABOUT AITKEN SPENCE PLC

We are a diversified conglomerate with a leadership position in hotels and tourism, maritime, integrated logistics and cargo services; and power generation industries in Sri Lanka. We also have significant interests in printing and packaging, garments, plantations, insurance and information technology.

Established in 1868 by two British entrepreneurs focused on trading and maritime services, the business was converted to a Private Limited Liability Company in 1952 and listed on the Colombo Stock Exchange in 1983.

## OUR VISION

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



Aitken Spence owns and manages an internationally-acclaimed chain of hotels and resorts in Sri Lanka, the Maldives, India and Oman. Our travel company, a joint venture with TUI, is Sri Lanka's largest and represents over 200 leading tour operators worldwide.

Aitken Spence is Sri Lanka's largest provider of logistics solutions, with an unrivalled gamut of services that include maritime services, cargo, express, container-related services, warehousing, supply chain management and specialised transport. We are amongst Sri Lanka's largest independent power producers with a portfolio in thermal, wind and hydro power plants.

Today, we operate in six countries spanning South Asia, the Middle East and Africa. We believe in leading strategic growth businesses and possess a credible record of working with global leaders in the sectors in which we operate.

We have been the agents for Lloyd's of London in Sri Lanka since 1876 and have been representing Singapore Airlines, TNT and OTIS

for several decades. We are also a principal agent in Sri Lanka for Western Union Money Transfer.

We received the accreditation of being recognised by Forbes as one of the most successful publicly traded companies with annual sales under USD 1 billion outside of the United States, for three consecutive years.

The Company is a signatory to the United Nations' Global Compact and has been repeatedly recognised by the country's leading business chamber as one of the best corporate citizens in Sri Lanka for the past seven consecutive years.

We were adjudged as Sri Lanka's Best Corporate Citizen in 2012. We were also recognised with sector awards in the Economic and Governance, Environment and Financial Performance categories.

We enthusiastically embrace the Code of Governance Principles and take pleasure in releasing our second integrated report.



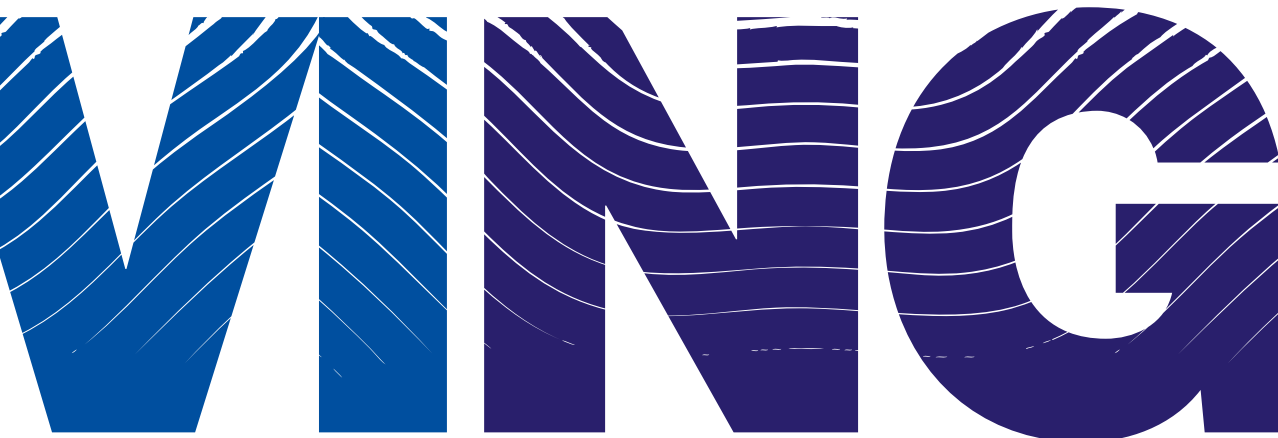
We operate 25 hotels and resorts in four countries and can claim to be the largest resort operator in Sri Lanka.

#### TOURISM



We are the largest logistics operator with a track record of pioneering services covering the entire range of logistic operations

#### CARGO LOGISTICS



In addition to the contribution made to the national grid through thermal power generation over the last decade, we have now embarked on the generation of renewable energy, and have already commissioned hydro and wind power plants.

#### STRATEGIC INVESTMENTS

The Board fully subscribes to the guiding principles of giving all stakeholders greater insight into the sustainability of our businesses and the state of the markets in which we operate, as well as frankly and factually reflecting the opportunities and challenges we face.



The success of our involvement in insurance, elevator agency, money transfer, property development and management and other services throughout the years has proven our commitment towards serving our customers and principals.

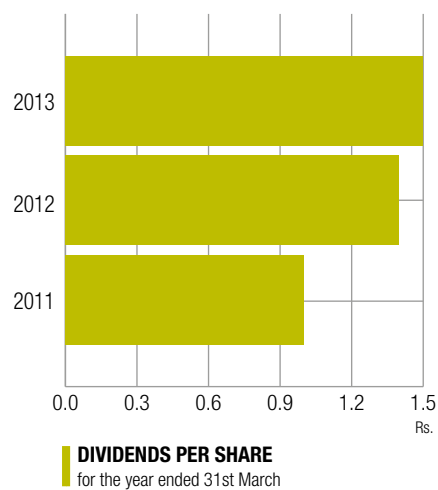
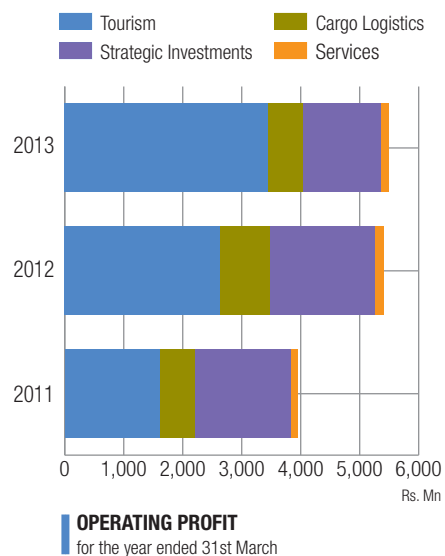
#### SERVICES

The integrated reporting process is a journey, one on which we embark not with trepidation but with enthusiasm. We welcome feedback on our reporting practices and standards.

#### MANAGEMENT DISCUSSION AND ANALYSIS

TOURISM SECTOR	page 48
CARGO LOGISTICS SECTOR	page 62
STRATEGIC INVESTMENTS SECTOR	page 74
SERVICES SECTOR	page 86

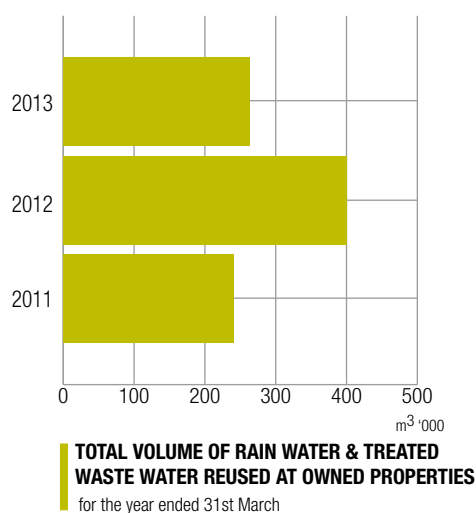
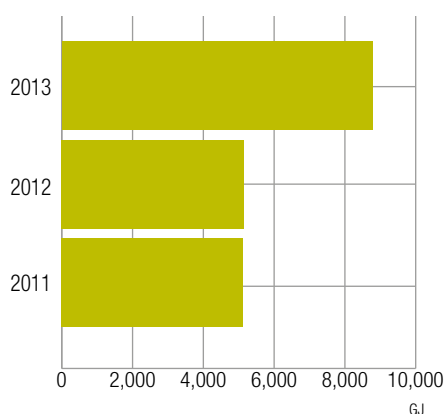
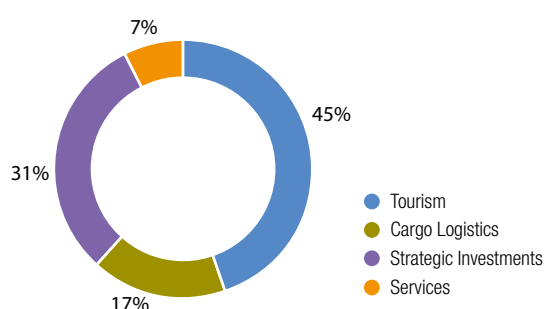
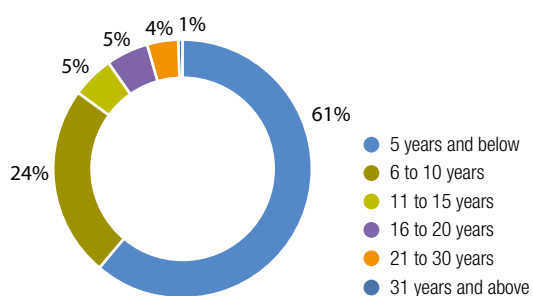
## GROUP HIGHLIGHTS



# Performance

Financial Indicators	2012-2013	2011-2012	% Change
Group revenue with equity-accounted investees (Rs.mn)	38,252	31,988	19.6
Group revenue (Rs.mn)	37,140	31,022	19.7
Profit from operations (Rs.mn)	5,503	5,402	1.9
Profit attributable to equity shareholders of the company - excluding non recurring capital gains (Rs. mn)	3,267	2,897	12.8
Profit attributable to equity shareholders of the company (Rs.mn)	3,267	3,488	(6.3)
Earnings per share (Rs.)	8.05	8.59	(6.3)
Dividends per share (Rs.)	1.50	1.40	7.1

Sustainability Indicators	2012-2013	2011-2012	% Change
Total amount of GHG emissions reduced and/or offset (tonnes)	4,626	2,018	129.2
Number of employees trained	9,350	7,570	23.5



## WHAT WE DO

### TOURISM

Hotels  
Inbound & Outbound travel  
Airline GSA



WE REMAIN A PIONEERING LEADER IN THE TOURISM SECTOR, WITH A STRONG PORTFOLIO OF AWARD WINNING PROPERTIES IN FOUR COUNTRIES



Aitken Spence is one of Sri Lanka's leading conglomerates with a business portfolio that includes interests in **tourism, freight, ports and shipping, power and energy, plantations, and more**. From 1868 onwards, Aitken Spence has been a meaningful player in the local economy, with the **right fundamentals, the drive to create win-win solutions, and with a strong ethical platform**. As an entity, we constantly evaluate our portfolio of businesses and the markets that we operate in to ensure that they offer us strong value proposition. Over the years, we have grown organically with most of our businesses returning profits and recording steady growth; **we have embraced change, introduced a performance driven culture and constantly seek new industries and geographies where we can have a lasting impact.**

### STRATEGIC INVESTMENTS

Power Generation  
Printing & Packaging  
Garment Manufacture  
Plantations



THE DIVERSIFIED INTERESTS IN THESE COMPLEX SECTORS DELIVER HIGH EMPLOYMENT, VIGOROUS ACTIVITY AND ECONOMIC VALUE ADDITIONS TO THE COUNTRY



## CARGO LOGISTICS

Maritime Services  
Integrated Logistics  
Freight Forwarding  
Courier Services



WE ARE THE LEADING PROVIDER  
OF MARITIME SERVICES, FREIGHT  
FORWARDING AND INTEGRATED  
LOGISTICS IN SRI LANKA



## THE TRUE ECONOMIC VALUE OF OUR BUSINESS

THE BOARD AND THE EXECUTIVE TEAM ARE OF ONE MIND IN BELIEVING THAT **SUBSTANTIVE, INTEGRATED REPORTING** WILL GIVE ALL OUR STAKEHOLDERS AN ACCURATE AND MEANINGFUL UNDERSTANDING OF OUR BUSINESS, ITS PLACE IN SOCIETY AND ITS SUSTAINABILITY. WE TAKE PRIDE IN THE STEPS WE HAVE TAKEN THIS YEAR TO BUILD ON THE EFFORT OF PAST YEARS TO ASSIST OUR STAKEHOLDERS TO ASSESS, IN THE BROADER SCOPE, **THE TRUE ECONOMIC VALUE OF OUR BUSINESS.**

## SERVICES

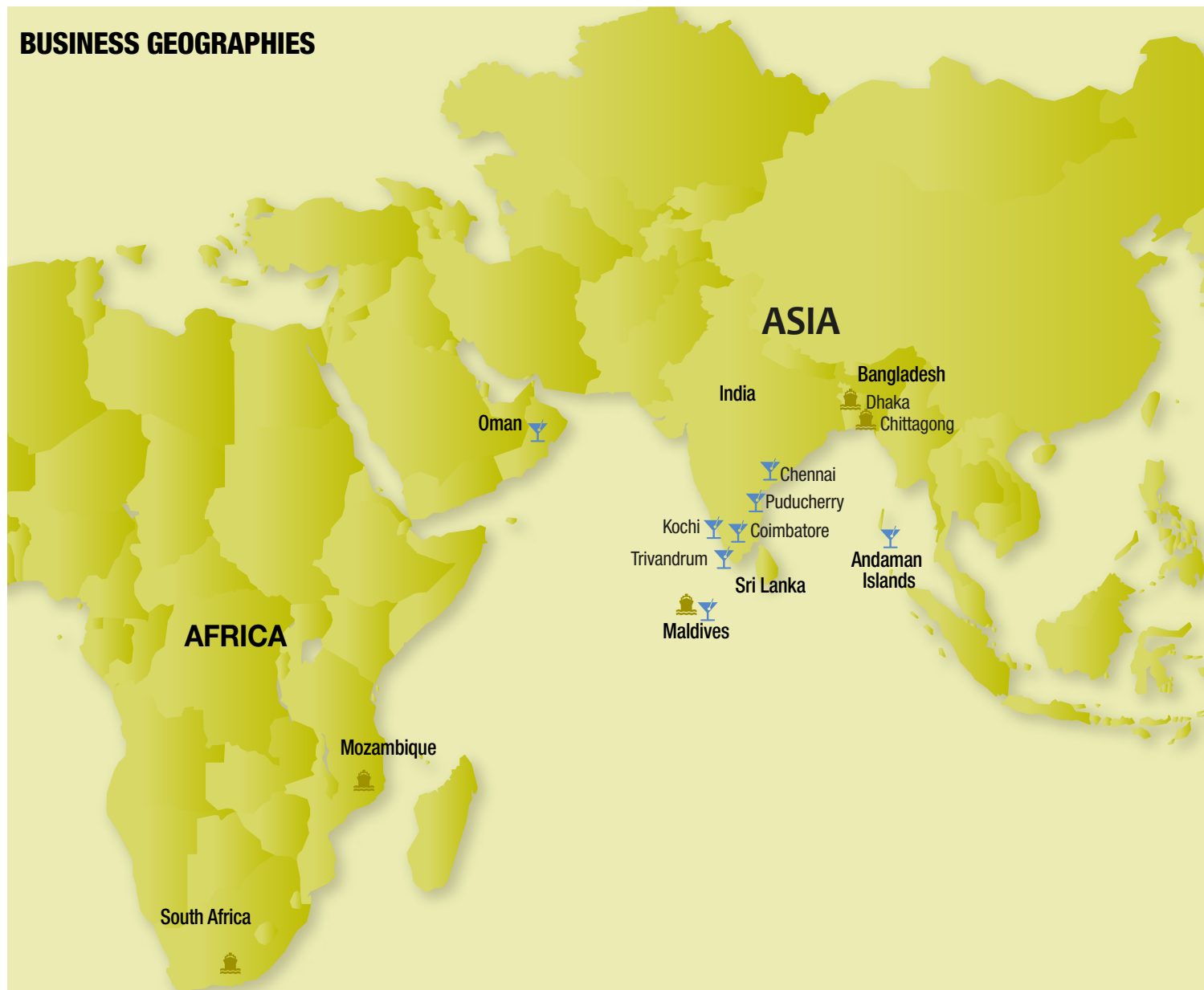
Inward Money Transfer  
Elevator Agency  
Insurance  
Property Management  
Information Technology



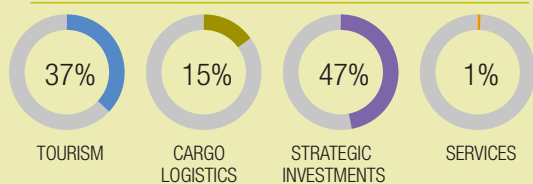
IN SRI LANKA THESE SECTORS  
HAVE PERFORMED ADMIRABLY  
OVER THE YEARS



## BUSINESS GEOGRAPHIES



### CONTRIBUTION TO GROUP REVENUE



TOURISM



CARGO LOGISTICS



STRATEGIC INVESTMENT



SERVICES



GROUP OVERVIEW
LEADERSHIP REVIEW
GROUP PERFORMANCE REVIEW
GOVERNANCE
FINANCIAL STATEMENTS
INVESTOR INFORMATION
SUPPLEMENTARY INFORMATION

# Stakeholder Engagement and Materiality Study

EMPLOYEES, INVESTORS, THE COMMUNITY, THE ENVIRONMENT

INSPIRE  
CONFIDE

## MATERIALITY ASSESSMENT

The process of impact assessment, identification of material issues, management system guidelines and best practices are primarily guided by scientific study at Aitken Spence. The Group's SBUs engage with their key stakeholders as and when necessary and the key concerns highlighted through these engagements influence the strategies. The sustainability strategy of the Aitken Spence Group is built on an impact based assessment method and in all efforts priority is given to the impacts identified through scientific studies and stakeholder feedback.



## BASIS FOR IDENTIFICATION AND SELECTION OF STAKEHOLDERS WITH WHOM WE SHOULD ENGAGE

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

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

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

## KEY STAKEHOLDER CATEGORIES:

- Employees
- Investors, shareholders, banks and financial institutions
- Customers
- Industry Partnerships and Associations
- Suppliers/ Service Providers
- Community
- Environment/ Environmental Interest Groups
- Government and Regulatory Bodies

## CHANNELS OF ENGAGEMENT

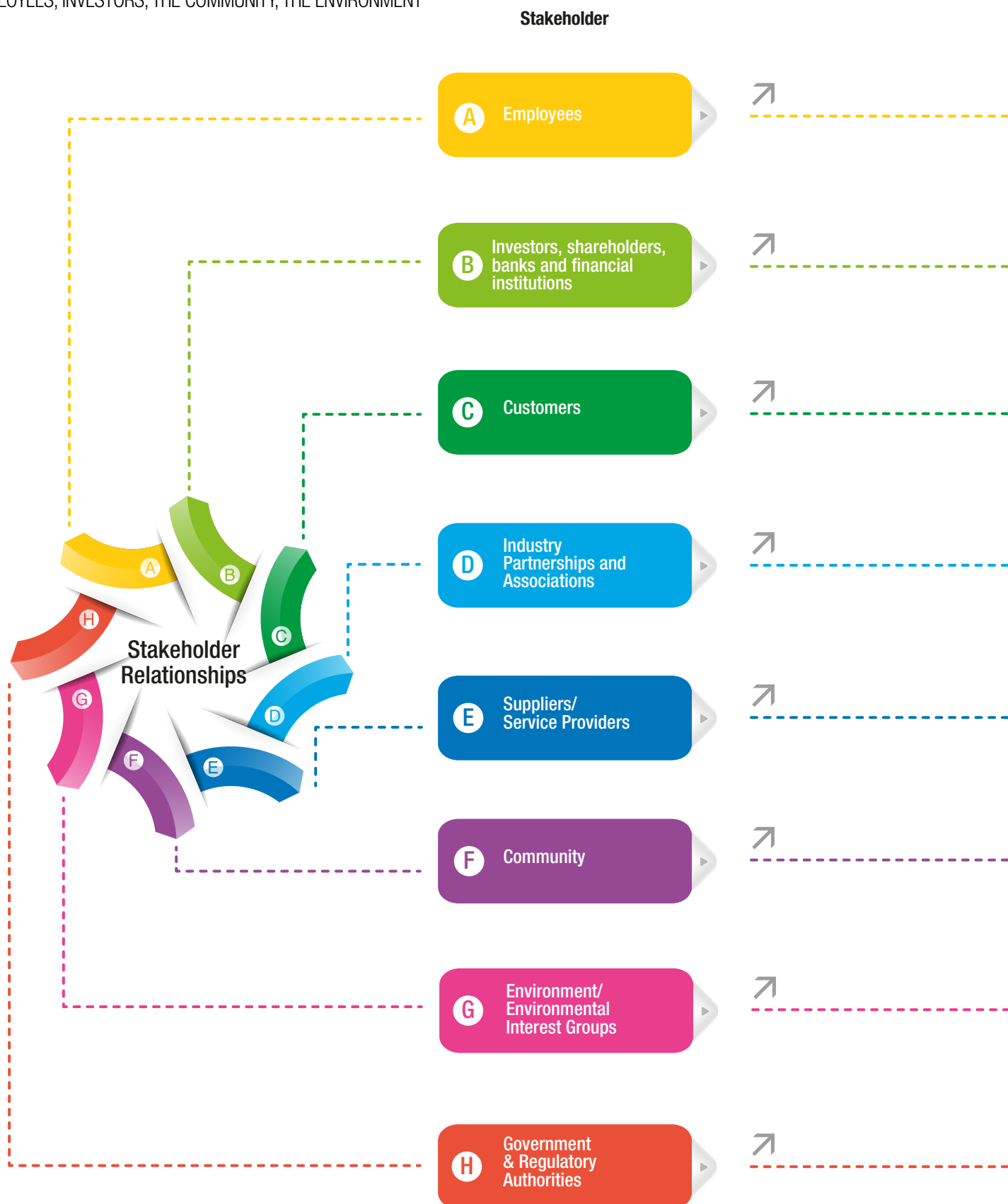
The Group uses many channels of engagement, which facilitate continuous feedback to both the Company and its stakeholders. At Aitken Spence, the feedback thus received is analysed based on (1) the relevance and priority of each stakeholder, (2) severity of any significant impacts, (3) business priorities and (4) striking the triple bottom line balance. The methods of engagement for the key stakeholders with whom we have proactively engaged are discussed in this report.

The Group conducts scientific study and maintains regular contact with significant stakeholder groups that are directly related to us; these include shareholders, partners, employees, interest groups, Global Compact network links and communities that are directly related to us.

The stakeholder engagement diagram on pages 20 to 21 indicates the channels of engagement with each stakeholder group and the key concerns raised through such engagement. They are discussed in greater detail in the relevant sections of the Management Discussion and Analysis on pages 42 to 97.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY STUDY:

EMPLOYEES, INVESTORS, THE COMMUNITY, THE ENVIRONMENT



## Channels of Engagement

## Key areas of interest for stakeholders and the organisation

- Employee satisfaction surveys
- Internal newsletters and intranet
- Performance reviews
- Open door policy
- Grievance handling procedures
- Small group meetings with the Managing Director
- Group and SBU level events

- Occupational health and safety
- Remuneration and benefits
- Career progression
- Skills development
- Human Rights at the Workplace
- Work life balance

- Annual General Meeting and other meetings
- Financial reporting
- Website and social media
- Media
- Investor discussions

- Return on Investment/ ROE
- Ethical conduct
- Environmental and social governance
- Resilient balance sheet
- Sustainable profitability
- Corporate communication

- Customer satisfaction surveys
- Buyer inspections/ audits
- Direct contact
- Customer service and support points-of-contact

- Quality and reliability of products and services
- Ethical production
- Value for given price
- Data security and privacy of information disclosed to the organisation
- Innovation of products and services to meet new trends in markets and customer need

- Direct contact
- Participation in forums and training programmes
- Communication via sub agents or representatives
- Site visits and service level agreements
- Meetings and lobby groups

- Adherence to international benchmarks
- Prevention of corruption
- Assurance of products / services
- Progress on agreed activities / procedures
- Capitalising on new business opportunities by catering to the needs of the clientele

- Direct dialogue
- Participation in seminars on quality and efficiency
- Supplier appraisals

- Ethical conduct and production
- Profitability
- Assurance for service requirements, concerns, solutions
- Professionalism and on time service
- Efficiency and effectiveness of operations
- Competitive advantage

- Direct communication
- Local purchasing engagements
- Dialogues with community groups
- Media and annual reports

- Development of infrastructure
- Employment generation and extending opportunities for local entrepreneurs/ students
- Environmental conservation
- Building sustainable social relationships
- Safety, health and welfare

- Dialogue with policymakers, regulatory authorities and experts
- Direct communication
- Compliance reviews
- Media

- Climate change mitigation
- Management of environmental impacts
- Waste management
- Compliance with environmental standards, laws and regulations of the country

- Dialogue with policymakers, regulatory authorities and experts
- Reports and meetings
- Participation in industry / national level events
- Compliance reviews
- Media

- Compliance
- Generation of employment
- Foreign income generation
- Payment of taxes / fees / levies due to government / regulatory bodies
- Prevention of corruption

## STAKEHOLDER ENGAGEMENT AND MATERIALITY STUDY:

EMPLOYEES, INVESTORS, THE COMMUNITY, THE ENVIRONMENT

### ENGAGING WITH EMPLOYEES

We practice an open door policy across the Group where employees are able to have direct contact with Senior Management by requesting for a meeting. Any employee with a new product idea or innovative service opportunity is able to discuss their ideas with their supervisors and/ or senior managers. There have been many ideas implemented across the Group which have originated from our employees.

Grievances of the employees are treated with importance and if necessary, employees are able to email the respective Managing Directors with any grievances or feedback. The Group has a whistle blowing policy whereby staff members can forward any grievances, complaints or feedback to a private email address monitored by an independent third party. Full confidentiality is offered to employees who provide feedback. Issues brought up are communicated to the highest governance body and necessary action is taken according to each individual case. Social media and the Aitken Spence blog are monitored by the Group Business Development division and feedback is conveyed to the Board of Management.

To enable more opportunities for staff members to communicate with Managing Directors, divisional meetings are convened by the Managing Directors as and when necessary. An annual young-executives meeting is a new addition where a selected group of executives throughout the Group meet the highest governance body to communicate their views on the growth potential of the company, areas for improvement and any other concerns.

Aitken Spence human resources conducts a variety of surveys engaging various stakeholders. 'Employee Satisfaction Surveys' are conducted frequently to strategically identify and project the employee viewpoint in a variety of areas which are considered equally important to the employee and the employer. Aitken Spence human resources has strict measures in place to ensure the confidentiality of the information gathered. This is in order to encourage employees to put forward their true ideas and opinions. Addressing these concerns has an immense impact on enhancing productivity and efficiency levels. Another tool used to engage with the employees is through the conduct of work studies and job evaluations. Here, discussions are held with the employee to gather their input with respect to their job in order to see how improvements could be made. These evaluations include the analysis of the type of work, workload, responsibilities, accountabilities, and facilities provided.

Exit interviews for employees who are resigning or retiring from the organisation are also channels where feedback is obtained on company practices, workplace satisfaction and other pertinent details.

### ENGAGING WITH SHAREHOLDERS

Shareholders have access to the highest governance body to express their views, comments and observations. Feedback thus obtained give direction to the strategies and action plans across the Group. Our presence on social media and disclosure of information in line with international standards is meant to provide avenues for the stakeholders to find information and communicate with the Company their concerns and suggestions.

### CUSTOMERS

During the year, the Company also carried out a customer satisfaction survey on a sample SBU to understand customer needs and the position of our product offering in the market. Various surveys are conducted to reach customers and potential customers. Customer surveys are carried out frequently in evaluating the service standards offered by various industries under the Aitken Spence Group. Customers are approached through visits to customer sites/offices, by email and over the phone. This provides knowledge to increase the levels of service standards and to enhance the relationship ensuring the trust placed on both parties. Having one-to-one discussions with our clients and potential customers enables Aitken Spence as a service provider to address customer concerns in order to maintain and continuously improve the service standards.

### STAKEHOLDER ENGAGEMENT, KEY AREAS OF INTEREST AND THE ORGANISATION'S RESPONSE:

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

During the year, there were several examples of the Company responding to stakeholder concerns, directly addressing issues that arose during engagement. In Mabole, for example the logistics sector launched a project to develop the container yard and a 400ft stretch of road at the cost of the company to improve the facility for customers and community members. An employee suggestion to the management saw fruition with the introduction of "Chillax Evenings", a monthly get-together organised by the Group for the enjoyment of employees.

## STRENGTHS, OPPORTUNITIES AND CHALLENGES

At Aitken Spence, we constantly assess our businesses and their stakeholders and monitor the current business and operational environments with a view to identifying the potential opportunities and

challenges for the company and in order to evaluate the Company's competitive strengths and advantages. This process allows the company to proactively address each opportunity and challenge in order to improve our readiness and mitigate our risks, thereby achieving our ultimate goals of building a sustainable business:

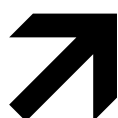
## STRENGTHS OF THE ORGANISATION

Strengths	The Advantage	Our Approach
Management expertise	Strong domain knowledge, proven experience in building businesses, reputed for intellectual capital	Proactive key employee retention processes, succession planning to train and mentor next line of intellectual leadership
Diversity of industries and business sectors	Presence in many key industry sectors insulates overall Group performance against potential risks and negative impacts to some business sectors	Regular strategic evaluation of micro and macro economic fundamentals with a view to invest and/or divest to maintain optimum portfolio
Geographic and regional diversity	The geographic distribution of operations allows the Group to spread its risk among several regions, leaving it better prepared to offset a potential downturn in one region with strong performance from another	Seeking expansion in overseas markets utilising our management capabilities and investment capacity
Stable financial structure	Ability to attract and retain strategic partnerships, capacity to expedite new investments/ventures, greater access to funds and more advantageous negotiation powers with financial institutions, greater efficiency in day to day operations	Focused strategic decision making in choosing areas of investment, diversified portfolio of businesses, tactical decision making in business entry and exit strategies, management of Group wide cash flows
Reputation	Has earned the respect and trust of existing and potential stakeholders as a responsible corporate citizen	Strong focus on governance and sustainable development; commitment to long-standing global partners
Brand	Strong corporate brand with high equity allows for easy recognition and recall; strategy of umbrella branding results in wide acceptance and economies of scope	Corporate communications division to manage brand and perception through positive and consistent brand communication; brand awareness education for employees

## STAKEHOLDER ENGAGEMENT AND MATERIALITY STUDY:

EMPLOYEES, INVESTORS, THE COMMUNITY, THE ENVIRONMENT

Strengths	The Advantage	Our Approach
Job satisfaction and security of employees	An empowered, motivated workforce, driven towards performance and aware of the wider goals of the organisation	Proactive engagement with employees to address mutual concerns; extensive training for personal and skills development; responding to the changing nature of the workforce; promotion of work -life balance; regular benchmarking of remuneration and benefits.
Stability and consistency	A good investment for shareholders; stable partner for stakeholders and a just and meaningful contributor towards the economy	A positive but conservative philosophy towards growth and expansion to ensure long-term performance and sustainability; agile decision making
Governance and risk management	Strong focus on internal controls, well established policies and procedures. Encourage culture of doing business ethically and inculcating strong corporate values at all levels.	Regular training and awareness sessions to employees at all levels. Regular interactions with the members of the Board Audit Committee and external auditors to discuss key concerns or early warning signs.
IT infrastructure	State of the art ERP and network infrastructure backed by a highly skilled technical resource pool to take the organisation to the next level in digitization by proactively engaging in technology.	More emphasis on information security, data protection and compliance systems. Future investments in IT will be driven by more energy efficient/carbon neutral equipment and technology.
Property and physical infrastructure	A strong base of land and infrastructure in sought-after locations; iconic physical infrastructure considered benchmarks in respective industries.	Evaluating opportunities to utilise existing land and property base for further expansion; strong ethic on maintaining high standards of infrastructure with proper construction process utilising best available inputs.



## STAKEHOLDER INPUT

IN DEVELOPING OUR SUSTAINABILITY STRATEGY WE HAVE HAD SIGNIFICANT STAKEHOLDER INPUT FROM OUR CUSTOMERS, INVESTORS, SUPPLIERS, FINANCIAL INSTITUTIONS, GOVERNMENT OFFICIALS AND TRADE UNIONS. WE HAVE ALSO INVOLVED OUR STAFF AND MANAGEMENT, EXTENSIVELY ACROSS A NUMBER OF BUSINESSES, IN WORKSHOPS AND INTERVIEWS FOR THEIR OPINIONS ON THE CHALLENGES AND PRIORITIES WE MAY FACE AS A GROUP IN THE FUTURE.

OUR INDIVIDUAL BUSINESSES ARE EACH DIRECTLY RESPONSIBLE FOR ENGAGING WITH THEIR OWN STAKEHOLDERS ON RELEVANT ISSUES.

## OPPORTUNITIES

Opportunity	Addressing the opportunities
Emerging global niche markets and new customer segments provide opportunities to attract new investors and provide new growth opportunities.	Developing products to address global trends and demands efficiency and productivity enhancement and management in ports.
Macro economic growth, rapidly advancing middle-class and emerging unique business opportunities in the Asian and African continent pave the way for new business ventures.	Exploring business ventures beyond existing geographical presence.
Evolution of technology and business connectivity create unlimited opportunities for products and services that cater to evolving customer needs.	Integrating digital concepts and technology to business strategies. Diversity in operations and the product/service offering.
As organisations increase effort to maximise cost efficiency within the operations, focus is shifting towards outsourcing business operations.	Investing in a Knowledge Process Outsourcing operation to cater to the global market demand.
Focus on climate change mitigation has opened doors to many opportunities in new products and services that contribute positively towards climate change mitigation and ensuring a sustainable future. Provision of eco-friendly and socially responsible products and services create opportunities to increase brand equity.	Leadership in eco-friendly products and services. Positioning in the country as a responsible corporate citizen. Ecosystem conservation efforts. Renewable energy projects of the Group companies. Carbon neutral printing facility. Carbon neutral destination management operations and owned fleet. Investment in innovative agricultural projects.
Infrastructure development in the country is enabling growth opportunities for businesses.	Partnering with new hotel operators and brands.
There is an increased demand for business intelligence education as evolving business opportunities require a more skilled workforce.	Development of internal educational capabilities and engagement with external academic institutions and industry associations.

## FUTURE DIRECTION FOR STAKEHOLDER ENGAGEMENT

A large organisation such as Aitken Spence is required to constantly improve its practices, systems and strategies. As a result we tend to challenge ourselves and set the benchmark higher and higher.

As such, we find that the most evident area of improvement in our approach is in proactive engagement with the general public,

customers in new markets and potential stakeholders. Towards this end, we have taken steps to take targeted action in the forthcoming year to improve our performance in this area. An independent stakeholder engagement study will be undertaken with third parties to determine whether the material issues we have identified internally remain valid and to identify new material issues that the Group needs to take action on. Our aim is to find guidance from the stakeholders for our sustainability strategy.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY STUDY:

EMPLOYEES, INVESTORS, THE COMMUNITY, THE ENVIRONMENT

### CHALLENGES

Challenges	Addressing the challenges
Impacts on environment, ecosystem services and biodiversity	<ul style="list-style-type: none"> <li>• Environmental Management Systems and network of trained and certified internal EMS auditors</li> <li>• Pollution control across the Group</li> <li>• Green Philosophy implemented across the hotel operations in Sri Lanka and the Maldives.</li> <li>• Energy management systems across the hotel chain; ISO 50001 certified energy management system at the Heritance hotels</li> <li>• Obtaining and retaining LEED certified architecture</li> </ul>
Retention and attraction of talent	<ul style="list-style-type: none"> <li>• Sustainable talent management schemes</li> <li>• Succession planning</li> <li>• Encouraging work - life balance for employees</li> <li>• Employee competency development</li> <li>• Proactive employee relations</li> </ul>
Data security	<ul style="list-style-type: none"> <li>• Ongoing monitoring and risk management of the IT Systems</li> </ul>
Competition from new entrants in traditional businesses	<ul style="list-style-type: none"> <li>• Quality assurance of products and services</li> <li>• Total solution product offering through diversification</li> </ul>
Increasing energy cost	<ul style="list-style-type: none"> <li>• Energy management activities across Aitken Spence</li> <li>• Creating awareness on the importance of energy conservation amongst all stakeholders</li> <li>• Investment in renewable energy</li> </ul>
Fluctuating weather patterns due to climate change	<ul style="list-style-type: none"> <li>• Forestry management</li> <li>• Renewable energy investment</li> <li>• Monitoring and control of emissions</li> <li>• Energy management systems and environmental management systems</li> </ul>
Regulatory barriers and adverse macro - economic trends locally and globally	<ul style="list-style-type: none"> <li>• Diversification in geographical markets</li> <li>• Diversification of products</li> </ul>

## A GREAT PLACE TO WORK

The aim of Aitken Spence is to develop a culture and a workforce that is empowered to realise their potential for growth. Aitken Spence is a great place to work because of the plethora of opportunities available to experience and learn in diverse sectors and disciplines.

- Sustainable talent management
- Productive work environment
- Work life balance
- Employee competency development
- Diversity
- Human rights and proactive employee relations
- Compliance

## HIGH INVOLVEMENT IN THE COMMUNITIES WE WORK IN

Aitken Spence believes that the business should provide opportunities for communities to develop themselves and become more self-sufficient. Towards this, our efforts and investments amounting to millions in investment have been recognised at many platforms.

- Infrastructure development
- Local purchasing and entrepreneurship development
- Extending learning opportunities: Empowering Sri Lanka First, setting up the Aitken Spence School of Hospitality
- Channelling funds for community development
- Elder and childcare programmes

## A VALUABLE INVESTMENT

Aitken Spence is a valuable investment that has proven its stability and leadership. In all key industries the Group has been operating in for over 150 years.

- Stable financial structure
- Diversity in operations
- Sustained returns
- Economic growth

## LEADERSHIP IN ECOSYSTEM SERVICE CONSERVATION

Environmental and ecosystem conservation is a passion for Aitken Spence. The Group takes pride in the bold steps taken by the SBUs to lead by example.

- First carbon neutral green printing facility
- Destination management operation and owned fleet of vehicles which are carbon neutral
- Certified energy management systems
- Investment in forestry management and biodiversity conservation
- Awareness building and setting standards on environmental conservation
- Renewable energy

# Chairman's Message

**D.H.S. JAYAWARDENA**

Chairman

**“THE AITKEN SPENCE  
PASSION FOR EXCELLENCE  
HAS STOOD IN GOOD  
STEAD PROMPTING US TO  
ACHIEVE EXCELLENCE IN  
EVERYTHING WE DO – IT  
IS THIS PASSION THAT  
DEFINES OUR PEOPLE AND  
THE WAY OUR BUSINESSES  
ARE RUN; THAT DRIVES  
OUR STRATEGIES AND  
OUR COMMITMENT TO  
BEING A GOOD CORPORATE  
CITIZEN.”**



## CHAIRMAN'S MESSAGE

**The Board proposes a dividend of Rs. 1.50 per share which is a dividend growth of 7.1%. As the Company continues to grow and invest through internally generated funds and debt, we have been able to maintain healthy levels of debt and equity, whilst utilising debt capital at optimal levels.**

I have pleasure in presenting the Annual Report on the economic, social and environmental performance of your company, together with the financial statements for the year ended 31st March 2013.

Your company has had a year of mixed fortunes with challenges and pressures that have tested our strength and our ability to adapt, combined with fresh opportunities and prospects that excite us about the road ahead. Throughout these opportunities and challenges the Aitken Spence passion for excellence has stood in good stead prompting us to achieve excellence in everything we do – it is this passion that defines our people and the way our businesses are run; that drives our strategies and our commitment to being a good corporate citizen.

### ECONOMIC ENVIRONMENT

World economic growth was a slow 3.2% in 2012, compared to 3.8% in 2011; amid continued downturn in the Euro zone and sluggish demand in other advanced economies. Although European policymakers seem to have prevented a near breakup of the Euro area, problems such as low capital and constant adjustment to new fiscal measures continue to impact the advanced economies of Europe. Emerging markets and developing economies yet again out-performed their advanced counterparts and grew at 5.1% in 2012; and are expected to perform marginally better in 2013. Emerging economies, especially those in Asia, have witnessed a revival of exports and a return of consumer demand.

Following two years of 8% growth, the Sri Lankan economy grew at a slower but healthy pace of 6.4% in 2012. Sri Lanka's strong capital and banking system controls have enabled the country to withstand the pressures of the global slowdown. However, unfavourable weather conditions during the year added pressure by negatively affecting agricultural output and severely impacting hydro power generation. Inflation remained at single digit levels for the fourth consecutive year, reaching 7.6% in December 2012; per capita income grew to USD 2,923 from USD 2,836 in 2011, with the Government working towards

achieving the USD 4,000 per capita mark by 2016. The International Monetary Fund estimates the economy will grow by 6.3% in 2013.

At the beginning of the year the Central Bank adopted a tight monetary policy which included raising interest rates and imposing an 18% ceiling on the credit growth of commercial banks. Although the Central Bank lifted its credit ceiling by end 2012, the prevalent high interest rate regime continued to impact growth with most businesses forced to restrict planned investments as the higher cost of debt servicing made investment justification difficult. Furthermore, macro-economic challenges such as rising energy and labour costs result in difficult conditions for both local and foreign investors.

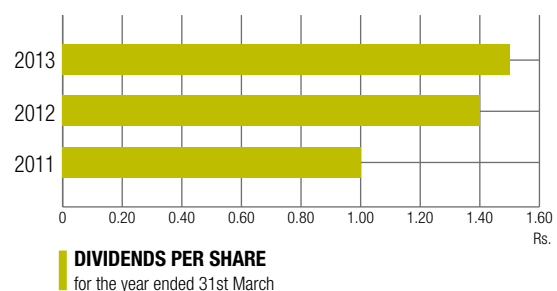


### CORPORATE PERFORMANCE

Revenue of the Group for the year under review was Rs 37.1 billion which was a 19.7% growth over the previous year. Profit after tax of the Group was Rs 4.3 billion which was an increase of 10.6% over the previous year's profit after tax of Rs 3.8 billion excluding the reported capital gains on the sale of the shares of Colombo International Container Terminals Ltd.

Net profit attributable to shareholders amounted to Rs. 3.3 billion, compared to Rs. 3.5 billion inclusive of capital gains recorded last year.

The Board proposes a dividend of Rs. 1.50 per share which is a dividend growth of 7.1%. As the Company continues to grow and invest through internally generated funds and debt, we have been able to maintain healthy levels of debt and equity, whilst utilising debt capital at optimal levels.



# VALUE CREATION



## EXCEPTIONAL PERFORMANCE

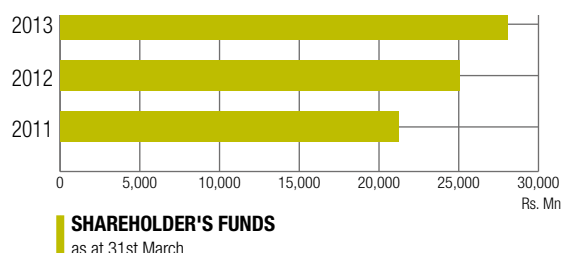
**“HERITANCE KANDALAMA AND HERITANCE TEA FACTORY, PERFORMED EXCEPTIONALLY WELL DURING THE YEAR TO RECORD THE HIGHEST EVER PROFITS. HERITANCE AYURVEDA MAHA GEDARA COMPLETED ITS FIRST FULL YEAR OF OPERATIONS, PROVIDING A GOOD RETURN AND SHOWING MUCH POTENTIAL FOR THE FUTURE, AFFIRMING THE GROUP’S DECISION IN CONVERTING THE PROPERTY INTO A SPECIALISED AYURVEDA RESORT”.**

We are proud to say that we have not approached our shareholders for funds in fifteen years. This is particularly noteworthy considering that our dividend record has improved significantly during this period, and will continue to grow in line with our earnings record.

The Sri Lankan Tourism sector has performed reasonably well but was affected somewhat with the country attracting a higher number of lower-end or budget tourists who do not regularly patronise star class establishments. Our beach front properties were particularly affected by this trend. However the round trip properties Heritance Kandalama and Heritance Tea Factory, performed exceptionally well during the year to record the highest ever profits. Heritance Ayurveda Maha Gedara completed its first full year of operations, providing a good return and showing much potential for the future, affirming the Group’s decision in converting the property into a specialised ayurveda resort. Our proposed new resorts in Negombo and Kalutara are nearing completion and will be added to our portfolio in the coming years.

Our resorts in the Maldives returned an excellent performance once again, a remarkable achievement considering the political uncertainty there as well as the new taxation policies that came into effect this year. The Maldivian tourism industry has consistently attracted high value tourists and our substantial investments in our Adaaran resorts continue to pay rich dividends.

The maritime segment saw a scaling down of its operations in the African continent this year due to some of the efficiency management contracts in the African ports coming to an end. We will continue to explore further investment opportunities in that region. I am also



delighted that we have entered into a public-private partnership with the government of Fiji to manage cargo handling at the country’s main ports – Suva and Lautoka. The previous year we strengthened our maritime portfolio by increasing our stake in the Colombo International Nautical and Engineering College (CINEC), an investment that has already proven to be successful. Your Company’s strength in cargo logistics lies in its position as the single largest composite provider of end-to-end logistics solutions, an advantage we will continue to exploit as opportunities arise.

The power segment faces some uncertainty both in Sri Lanka and in Bangladesh where we are faced with inordinate delays due to external factors which are beyond our control. We are optimistic that a positive outcome would be witnessed in the next financial year, both in Sri Lanka and in Bangladesh.

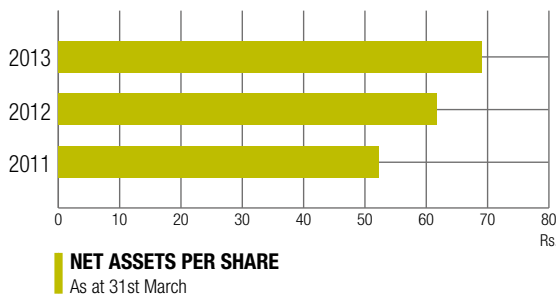
The Aitken Spence Printing facility in Mawaramandiya is truly a showpiece of the Group’s commitment to sustainable development

## CHAIRMAN'S MESSAGE



### SUSTAINABLE PERFORMANCE

"AITKEN SPENCE HAS OVER THE LAST FEW YEARS **ACCELERATED ITS SUSTAINABILITY AGENDA**; STRIVING TO SET BENCHMARKS IN **ENVIRONMENTAL AND SOCIAL GOVERNANCE**. THIS REPORT PRESENTS A COMPREHENSIVE ANALYSIS OF OUR SUSTAINABILITY PERFORMANCE WHICH I TRUST WOULD ATTRACT YOUR INTEREST."



and environmental conservation. I look forward to reporting better returns from our investment in the new green facility in the near future.

It is heartening to note the good results of both the plantation and garment segments – these results can be attributed to a strong focus on improving productivity and efficiency while managing costs.

I am proud to say the strength of our Group is "our people". The quality and expertise of our people remains the source of our competitive edge.

Governance and risk management are vital elements of the Aitken Spence culture and we place great emphasis on ensuring that all appropriate systems are in place to secure our shareholder wealth and minimise any negative impacts on stakeholders. Our corporate governance structure is in compliance with "The Code of Best Practice on Corporate Governance" issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

Aitken Spence has over the last few years accelerated its sustainability agenda; striving to set benchmarks in environmental and social governance. This report presents a comprehensive analysis of our sustainability performance which I trust would attract your interest. We welcome you to provide us with feedback on how we may improve our reporting in future.

### OUTLOOK

The opportunity created by His Excellency the President Mahinda Rajapaksa by defeating three decades of terror cannot be diminished; Sri Lanka's infrastructure development over the past few years has been substantial and I welcome the addition of the new Mattala Rajapaksa International Airport as well as the anticipated opening of the new Colombo-Katunayake expressway. For serious investors with a long term view, Sri Lanka remains one of the best places to invest, and as a key private sector player, Aitken Spence looks forward to working in partnership with such investors in future.

In order for Sri Lanka to continue with the anticipated growth, a vibrant and empowered private sector must be an essential player in the economy; we urge the regulators to ensure that the right competitive and operating environment is created for businesses to grow in order for us to contribute meaningfully to the economy.

Through three decades of war, the private sector continued to lead economic development in the country, by investing and building businesses under difficult socio-political conditions. Today, the private sector must be encouraged to think bigger and to take Sri Lanka to the world. The state must have confidence in the private sector which is an essential engine of growth to the country's economy.

The need of the hour is an enabling environment that entrusts the economic development to local entrepreneurs who have the capability to power it, in partnership with the public sector. While foreign investment is important for countries such as ours, it is equally important that such investors are screened for their viability and their long term capacity and that an equal playing field is provided to the local business community as well.

A key factor that must be addressed in the pursuit of our economic goals is the quality of our human resources. While opportunities have emerged requiring skilled and qualified human resources, finding suitable candidates to fill such positions has become a challenge.

Governance and risk management are vital elements of the Aitken Spence culture and we place great emphasis on ensuring that all appropriate systems are in place to secure our shareholder wealth and minimise any negative impacts on stakeholders.

## APPRECIATIONS

I thank my colleagues on the Board for their steady vision and the support they have extended to me.

On behalf of the Board, I thank the Board of Management and the Sector Management teams for leading Aitken Spence through challenging times, while instilling in its culture a passion for excellence.

I take this opportunity to thank Mr. Gehan Perera who retired from the Board of Directors after serving the Company for over 30 years. I also wish to welcome Mr. C. R. De Silva, President's Counsel and a former Attorney General and Solicitor General of Sri Lanka, to the Board of Directors.

I thank each and every member of the Aitken Spence team for their contribution and commitment towards our vision and goals. Their sense of accountability; their professionalism and their passion will hold the company in good stead in the future.

A special thank you to our shareholders, who have always shown faith in the Company and its management; it is your confidence that drives us forward to achieve success, thereby ensuring that your interests are secured. Thus your continued support and cooperation is greatly appreciated.



**D.H.S. Jayawardena**

*Chairman*

27th May 2013

PASSION FOR EXCELLENCE



# Managing Director's Review

**J.M.S. BRITO**

Deputy Chairman and Managing Director

**“WE PRESENT AN INTEGRATED REPORT THAT DISCUSSES THE ECONOMIC, SOCIAL AND ENVIRONMENTAL STRATEGIES AND PERFORMANCE OF AITKEN SPENCE PLC. THIS REPORT DISCUSSES THE VIABILITY OF OUR OPERATIONS TODAY AND THE SUSTAINABILITY OF OUR BUSINESSES TOMORROW.”**

## MANAGING DIRECTOR'S REVIEW



### STRONG FOUNDATION

**"THE STRONG FOUNDATION OF AITKEN SPENCE IS THE BREADTH AND MAGNITUDE OF OUR MANY INDUSTRY SECTORS; GIVING US THE CAPACITY TO DELIVER INTEGRATED, COMPOSITE SOLUTIONS. THIS, ALLOWS US TO OFFER THE MULTINATIONAL CLIENTELE THE GUARANTEE OF A COMPLIANT AND RESPONSIBLE BUSINESS PARTNER."**

The Group was once again able to achieve a commendable performance for the year 2012/13 despite the macro-economic and global challenges we encountered. Our diversity and innate capabilities provided us with the ability to respond strategically and with agility to changing conditions whilst staying on course with the greater vision of Aitken Spence.

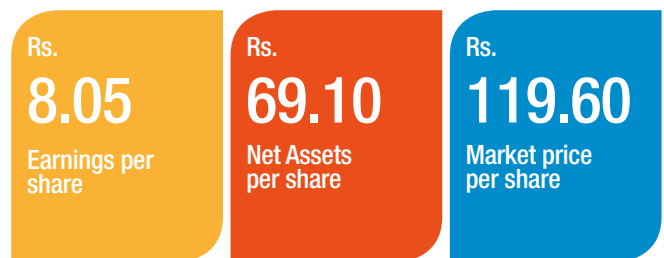
This year too, we present an integrated report that discusses the social, environmental and economic strategies and performance of Aitken Spence PLC., and its subsidiaries and equity-accounted investees. This report discusses the manner in which we add value to stakeholders across these parameters, the viability of our operations today and the sustainability of our businesses tomorrow. At the outset, we have disclosed the material issues that affect our business – these overarching issues are those we have identified as posing the greatest impact on our sustainability and our strategies are aligned towards mitigating any adverse impacts while growing our businesses.

The report is presented in conformance with the new Sri Lanka Accounting Standards (SLFRSs and LKASs) following convergence with International Financial Reporting Standards (IFRSs) with effect from 1st January 2012. We have also followed the GRI guidelines for sustainability reporting.

### PERFORMANCE

The Group recorded a net profit from operations for the period of Rs. 5.5 billion. This being a 14.4% increase over the net profit recorded for the previous year of Rs. 4.8 billion, before capital gains. The Group's consolidated revenue increased by 19.7% to reach Rs. 37.1 billion during the year whilst the Group's consolidated net assets per share stood at Rs. 69.10 at the end of the financial year. This being 11.5% higher than at the end of the last financial year.

The share price of your company stood at Rs. 119.60 at the end of the financial year, reflecting a 6.1% growth over the previous year and I am happy to note that the current share price is around Rs. 135.00. The total shareholder return for the year was 7.5% whilst the three year compound total shareholder return was 10.5% per annum.



Given the external pressures in the global and local economy, Aitken Spence focused during the year on achieving operational excellence, cost optimisation, and adopting a positive approach in our marketing culture, which are explained in greater detail in the following pages as well as in the Management Discussion and Analysis of this report. The strong foundation of Aitken Spence is the breadth and magnitude of our many industry sectors; giving us the capacity to deliver integrated, composite solutions. This, together with our proven reputation for compliance with human rights, labour laws and health and safety as well as our leadership in environmental sustainability, allows us to offer the multinational clientele the guarantee of a compliant and responsible business partner.

Our sectoral and geographic diversification allows us greater flexibility and risk-control while a number of our businesses earn dollar-based revenues; insulating us from foreign exchange fluctuations to a greater degree. These factors, together with our well institutionalised processes and access to capital at competitive rates, holds us in good stead for the future.

In terms of expansion, we will continue to explore new avenues of business as well as new markets both in Sri Lanka and overseas, where we may utilise our proven capabilities in management to build sustainable new businesses.

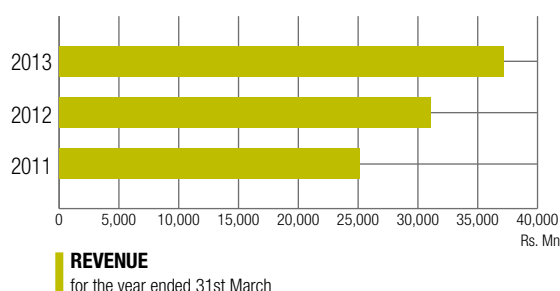
### TOURISM

Although the Tourism sector recorded a good performance during the year, our expectations of a strong performance from the Sri Lankan hotels sector were somewhat impacted by the changing ground realities of the tourism industry. Even though tourist numbers into Sri

# PERFORMANCE DRIVEN

Lanka grew beyond one million in 2012, the star class space in which we perform was not heavily patronised. However it is noteworthy that many hotels and guest houses at the lower end are benefitting from the growth of this tourist segment, expanding the positive impact of the industry on the economy. Nevertheless the operating standards of such accommodation must be well regulated to ensure that Sri Lanka faces no reputational risk. As Sri Lanka is an island and thus limited by its ability to grow the industry purely on volume, the industry's marketing strategy and tourist promotion drive internationally must be stepped up in order to attract the higher spending tourists.

Our Sri Lankan resorts, Heritance Kandalama and Heritance Tea Factory as well as Heritance Ayurveda Maha Gedara, returned good performances. The beach properties however faced the brunt of the market's shift towards low-cost accommodation.



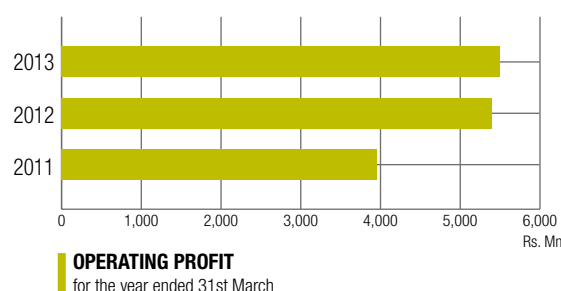
Our Maldivian sector enjoyed a successful year, despite some political instability and the introduction of a new system of taxation. The Maldives has consistently promoted itself well on an international scale and has, as a result, been able to attract the top end of the tourism market. We expect further improvement in the Maldives economy following the presidential election due to be held in September 2013.

Our managed hotels in Oman reported improved performances but our operations in India remain under pressure due to high operating costs.

The inbound travel segment returned a strong performance during the year, but continues to see declining interest from the traditionally

**The inbound travel segment returned a strong performance during the year, the segment has strategically explored several new markets in Asia and Eastern Europe which have been identified as growth markets. Our joint venture partner TUI has shown strong commitment to building the Sri Lankan market.**

strong European markets. The segment has strategically explored several new markets in Asia and Eastern Europe which have been identified as growth markets. Our joint venture partner TUI has shown strong commitment to building the Sri Lankan market, and we hope that they would fly the new Boeing Dreamliner aircraft due to be added to their fleet in the near future to Sri Lanka as well. The travel segment is being mindful of the potential impact of low-end travellers, who typically opt for informal tour operators and guides, bypassing the larger, organised destination management companies.



The tourism industry is benefitting from much of the infrastructure development in the country as well as from the expansion of the national carrier's route network, the new regional airlines adding Sri Lanka as a destination, and the interest shown by international hotel chains to enter the market. While Sri Lanka's beaches and cultural offering will remain its main attractions, it is also important from a tourism perspective to transform Colombo into an international

## MANAGING DIRECTOR'S REVIEW

One of the highlights was the launch of the new eco-friendly green factory of our printing segment. The factory is one of the best available in Sri Lanka and the region and its LEED certified standards are globally marketable.

metropolis with more exciting sporting and cultural events as well as world class shopping, entertainment including gaming and dining options. In this respect, the Colombo beautification programme spearheaded by the Urban Development Authority must be praised for the transformation that it is continuing to achieve while thanking the Government of Sri Lanka for the development of the country's infrastructure and the facilitation of a climate for business growth.

### CARGO LOGISTICS

The maritime segment scaled down its port efficiency enhancement operations in Africa with the conclusion of majority of its contracts, which together with the slowdown in external trade in Sri Lanka, had a negative impact on the sector's performance. However, the liner and freight forwarding operations contributed positively by retaining customers and generating higher volumes. Inward, outward and transshipment volumes declined during the year and it is essential that concrete measures are taken to ensure the Port of Colombo continues to attract transshipment demand. The investment made by Aitken Spence in Colombo International Nautical and Engineering College (CINEC) last year yielded positive results which contributed significantly to the segment's performance.

We entered into a fifteen year concession agreement with the Fijian government-owned Fiji Ports Corporation Ltd., on 30th April 2013, to

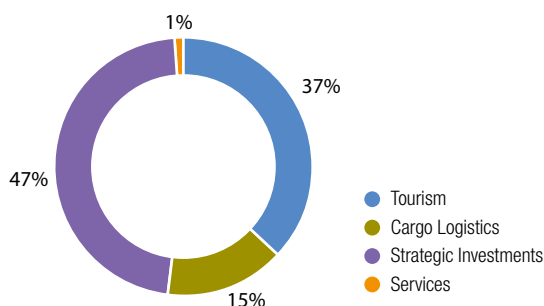
manage cargo handling operations at the ports of Suva and Lautoka. Under the Public Private Partnership, Aitken Spence PLC., will own a 51% stake in Ports Terminal Ltd., which holds the concessions, for an investment value of approximately FJD 10.5 million subject to the approvals of the relevant regulatory authorities. This strategic venture allows us to use our extensive knowledge and experience in port efficiency management to develop the two largest Fijian ports as premier regional maritime hubs.

The logistics segment has been able to exploit its position as an integrated solutions provider to perform well amid stagnating market conditions. Declining trade impacted container activities but segments such as warehousing, container freight station, project cargo handling and bulk liquid transportation returned strong performances. We have continued to invest in state of the art systems and equipment to achieve greater levels of operational efficiency, to combat the industry downturn and increased competition. The development of the container yard in Wattala has faced many delays; however we have focused on ensuring the highest quality of construction to ensure the lowest maintenance requirements in the future.

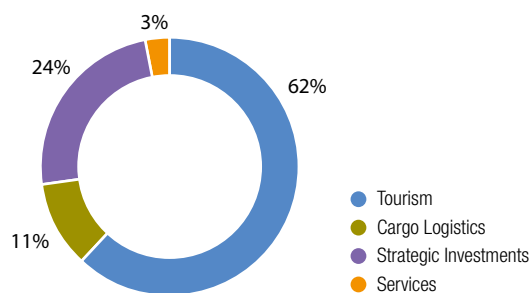
The freight forwarding and courier segment contributed significantly during the year, with its sea freight and air freight operations performing exceptionally well. The segment benefitted from smart pricing strategies, increased bargaining power and better marketing, despite lower than expected growth in key European markets. I am happy to note that the segment's overseas operations in Bangladesh and the Maldives also made encouraging contributions.

### STRATEGIC INVESTMENTS

The power segment has made a satisfactory contribution during the year, due to the full operation of our 100MW thermal power plant in Embilipitiya. Unfortunately the performance of the segment was affected as the operations of our power plants in Matara and Horana



**SECTOR REVENUE**  
for the year ended 31st March 2013



**SECTOR OPERATING PROFIT**  
for the year ended 31st March 2013



## CAPACITY BUILDING

**“THE AITKEN SPENCE GROUP HAS ALWAYS POSITIONED ITSELF PRIMARILY AS A REPOSITORY OF THE SKILLS, KNOWLEDGE AND EXPERTISE OF ITS PEOPLE. OUR FUNDAMENTAL BUSINESS STRATEGY REVOLVES AROUND UNLEASHING THE HUMAN POTENTIAL OF OUR PEOPLE BY PROVIDING THEM THE RIGHT CULTURE, CONDITIONS AND OPPORTUNITIES TO PERFORM AT THEIR BEST.”**

were discontinued with the cessation of our 10 year Power Purchase Agreements with the Ceylon Electricity Board. Negotiations on extending those contracts are continuing with the companies offering very attractive tariffs. The segment has also faced strain on its finances due to unusual delays in settlements from the Ceylon Electricity Board.

In Bangladesh, our two proposed power projects are facing uncertainty from delays in obtaining land as well as lending restrictions placed on banks. We are confident that these issues will be overcome in the coming year.

In the year under review, we began operations of our wind power plant which is yet to experience a full season of wind. We anticipate the plant to perform well in 2013/14. The country's current energy woes are indicative of the need to seek viable sources of renewable energy. We hope to pursue opportunities in renewable energy and look forward to state support towards these initiatives. The segment's proposed project to convert Colombo's municipal waste to energy is also in the pipeline, and we hope to see progress of this project in the coming year. This project will also provide a sustainable solution to the perennial garbage disposal problem faced by the city of Colombo.

The Garments segment reported a very positive year, and has been able to retain its preferred vendor status with key buyers. The segment has been fortunate that most of its customers are based in the US market, which is gradually recovering unlike the European markets which continue to remain under pressure, especially after the removal of GSP+ concessions. During the year, we modernised the factory and consolidated operations to create greater efficiencies which resulted in improved productivity levels; and we anticipate continued strong performance from the segment.

One of the highlights for 2012/13 was the launch of the new eco-friendly green factory of our printing segment. The factory is one of the best available in Sri Lanka and the region and its LEED certified standards are globally marketable. While the result of the move is yet to be evident in its performance due to the high debt servicing costs, the segment has also invested in state of the art equipment which has helped increased productivity. We hope to see the impact of these improvements during the coming year. The present interest rate scenario however will continue to be a challenge to the segment, which is servicing high levels of debt, related to the relocation.

The Plantations segment enjoyed a successful year, with both palm oil and tea reporting gains while rubber continued to be under pressure. The segment's strategic diversification into palm oil has paid rich dividends, as the low labour-intensity of palm oil has enabled significant cost savings. Overall, the company benefitted from the strong agricultural practices and a great commitment to cost management, combined with continuous investment in manpower training in a bid to improve quality and productivity. We have also announced a venture with a Chinese partner to export value added tea customised for the Chinese market, a move which allows us to capitalise on the growing demand for value addition.

The plantations industry faces yet another wage increase in 2013/14, hence to ensure the sustainability of the industry, it is important to consider linking future wage increases to attendance and performance and permit market forces have a greater influence on wage rates.

### SERVICES

The services sector had a good year, with a strong performance from the inward money transfer segment while growth was reported in the insurance segment and elevator segment.

The OTIS elevator agency continues to see demand for the high-end product, securing several prestigious contracts in Sri Lanka and the Maldives during the year. Over the last few years, OTIS has expanded its presence across Sri Lanka. In order to cater to the service needs of these installations, the segment will establish maintenance centers in the regions.

MMBL Money Transfer (Pvt) Ltd., had yet another healthy performance achieving higher volumes as well as higher revenues per transaction. Inward remittances grew by 16.3% as a result of better education of migrant workers and the growing number of professional/skilled migrant workers. MMBL has stepped up its marketing efforts in key corridors and has also created greater accessibility by expanding its retail network to over 2,500 payout locations.

The newly launched Information Technology segment has had positive responses to its internally developed software and is in negotiations regarding several significant implementations. The company is an Oracle Gold level partner as well as an Oracle University reseller and

## MANAGING DIRECTOR'S REVIEW



### FOCUS DRIVEN

**"THE AITKEN SPENCE TEAM HAS PROVEN ONCE AGAIN WHY IT IS CONSIDERED ONE OF THE BEST IN SRI LANKA – FOR ITS ABILITY TO WORK TOWARDS A COMMON VISION, ITS ABILITY TO RESPOND WITH AGILITY TO CHANGING CONDITIONS AND ITS SINGLE MINDED FOCUS ON PERFORMANCE."**

training organisation – progress from these business lines is expected to reflect in the performance of 2013/14.

The Property Management segment completed our Head Office - Aitken Spence Towers II at Vauxhall Street, with the construction of a contemporary new lobby and the addition of more passenger elevators. The company has also attracted several prestigious corporate clients to lease office space at the Towers, thereby achieving 100% utilisation of the space.

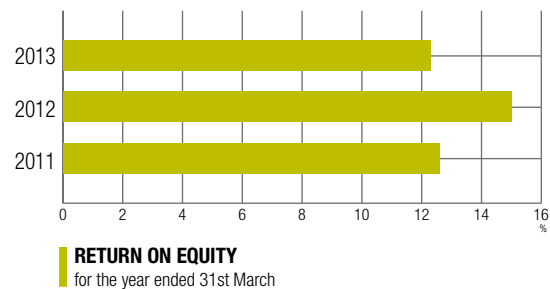
The service sector also ventured into the in-demand high-end retirement community market by forming a joint venture with US partners to build and operate a luxury gated community. With the graying population increasing globally, we see this venture as an opportunity to utilise our strength in tourism services. The proposed retirement community will consist of luxury villas and associated support services, to be built in Negombo. The project is at present being marketed internationally, particularly targeting Sri Lankan expatriates in the US, Europe and Canada.

### PEOPLE AND CULTURE

The Aitken Spence Group has always positioned itself primarily as a repository of the skills, knowledge and expertise of its people. Our fundamental business strategy revolves around unleashing the human potential of our people by providing them the right culture, conditions and opportunities to perform at their best. Over the past few years, we have formalised our performance and results-oriented culture, and have thus been able to better understand and analyse knowledge and skill gaps while identifying top performers who may be groomed for succession.

We express our continued support to the United Nations Global Compact, its ten principles and its focused initiatives on specific sustainability challenges. We continue to play a leading role in the Global Compact Network Sri Lanka, by working together with peers to strengthen the proliferation of sustainable business practices in the country.

This year we were adjudged as Sri Lanka's Best Corporate Citizen by the Ceylon Chamber of Commerce. The sector awards for the Economic and Governance category and Environment category were also won by Aitken Spence while being accredited with the category award for the best Financial Performance.



As a Group engaged in many businesses that are labour-driven, we are concerned about the lack of skilled labour available in the market. The country has a shortage of training facilities, resulting in supply constraints in critical sectors such as tourism. While we are doing our part by operating our own hotel school as well as the CINEC Maritime Campus for potential maritime and management professionals, we urge the authorities to address the lack of quality training opportunities for the labour force. The growing number of professional and skilled workers opting for foreign employment or migration is also cause for alarm.

### IT AND SHARED SERVICES

At corporate level, the Group's IT strategy focused this year on strengthening information security and server virtualisation, following the extensive streamlining, rationalisation and consolidation efforts undertaken during the last few years. A fully fledged disaster recovery centre is now in operation, and all major operational data has been moved into the centre at year end. An Oracle IPM was implemented at the Group shared services during the year while an Oracle warehouse

management solution incorporating billing and service contracts was implemented for the logistics sector, a first in Sri Lanka.

The future we believe is in cloud computing; we are taking rational steps towards cloud computing while being cautious that security is ensured as companies such as ours have a critical need to control the database and prevent hacking. A cloud-based solution was implemented in our Maldives resorts during the year. In the forthcoming year we will be on evaluating more cloud based solutions and energy efficient hardware; the Group is also progressing well towards obtaining ISO 27000 with the process scheduled for completion during the second half of 2013/14.

## APPRECIATIONS

My appreciations go to the Chairman and Board of Directors who have extended support and advice to me at all times; and my colleagues on the Board of Management who have as always, executed the ambitious plans we have set out to achieve.

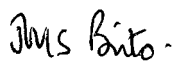
I wish to place on record the contributions made by key members of our Board of Management, Mr. Gehan Perera, and Mr. Devan de Mel and the Managing Director of our Logistics segment, Mr. Nimal Perera who retired from service to the Group during the year. Their long term contribution to the Group has been significant and we wish them well.

I am honoured by the trust placed in myself and my colleagues on the Board by our shareholders, and wish to emphasise that we are committed to building value for your investment.

Our day to day operations rely on a complex ecosystem of business partners, principals, suppliers and customers, whose trust and loyalty are essential for our success. I say thank you to each and every one of them.

This year too, the Aitken Spence Team has proven once again why it is considered one of the best in Sri Lanka – for its ability to work towards a common vision, its ability to respond with agility to changing conditions and its single minded focus on performance. I thank all the men and women of the Aitken Spence family for their commitment, hard work and dedication.

I wish you all the very best and look forward to a successful future.



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

27th May 2013

# Management Discussion and Analysis

# FOCUS

**THE SUSTAINABILITY OF THE AITKEN SPENCE GROUP IS DEPENDENT ON OUR ABILITY TO FULFIL OUR CORE PURPOSE OF DELIVERING PRODUCTS & SERVICES THAT ENABLE ECONOMIC AND SOCIAL DEVELOPMENT IN A SUSTAINABLE WAY.**

## **SUSTAINABILITY MEANS:**

To secure access to the capital resources we require to maximise our contribution to the sectors we operate financial, manufactured, human, social and environmental capital - we need to maintain the trust of our stakeholders and to conduct our operations in an ethical way while minimising our impact on the societies and the natural environment within which we operate.

TOURISM SECTOR	page 48
CARGO LOGISTICS SECTOR	page 62
STRATEGIC INVESTMENTS SECTOR	page 74
SERVICES SECTOR	page 86

## THE AITKEN SPENCE STRATEGY

Aitken Spence is a leading conglomerate in Sri Lanka, listed on the Colombo Stock Exchange with a well diversified portfolio of businesses. The pillars on which our diversification strategy rests are the four core sectors in which the company operates, namely, tourism, cargo logistics, strategic investments and services. Over the years,



we have expanded our operations in key segments where we have built core competencies and ventured into new business areas where we have acquired proficiencies through joint ventures and strategic partnerships with international and local corporates. We have also taken our expertise in core sectors to overseas markets and replicated the success story achieved in Sri Lanka. Our operations are spread across the globe, from Asia, to Africa and the Middle East and to the South Pacific. We have been in business for over one and a half centuries with our roots firmly planted on a fertile base nurtured by indigenous knowledge supplemented with superior technical skills. We are a Sri Lankan enterprise with a truly global reach.

The diversity of our businesses minimises investment risks and smoothen any adverse impact on profitability if fluctuations occur in a particular industry. This has provided us opportunities for growth even during times of economic downturn.

Our success in implementing the diversification strategy is built upon the contributions made by the highly skilled and experienced human resource base we are privileged to have. Whether in product development, customer service or introducing innovations transcending global boundaries, our highly motivated employees lead where it matters.

We are the market leaders in most of the business segments we operate due to a fine balance of paying attention to our stakeholders to identify their evolving needs and having the capacity and capability to respond through innovations in products and services to meet those requirements. We take pride in outperforming the competition by delivering exceptionally high standards of product performance and customer service, while adhering to principles of sustainability. In doing so, we have provided consistently high returns to our shareholders while satisfying the multiple needs of all stakeholders.

## WE ASPIRE TO DELIVER STAKEHOLDER VALUE BY;

- **Positive economic value creation through geographical, business and product diversification.**
- **Employment generation, reward and retention.**
- **Contribution to society through our corporate social responsibility initiatives.**
- **Sustaining the business environment in which we operate.**

## THE BUSINESS SENSE

The Group has inherent strengths in the four core sectors in which we operate, which make these sectors attractive for further expansion and investments. Therefore we continue to look for new opportunities as we believe in the long term sustainability of these sectors.

## THE AITKEN SPENCE STRATEGY



### THE CASE FOR CONGLOMERATES

THE CASE FOR CONGLOMERATES CAN BE SUMMED UP IN ONE WORD: **DIVERSIFICATION**. ACCORDING TO BASIC FINANCIAL THEORY, BECAUSE THE BUSINESS CYCLE AFFECTS INDUSTRIES IN DIFFERENT WAYS, DIVERSIFICATION RESULTS IN A REDUCTION OF INVESTMENT RISK. A DOWNTURN SUFFERED BY ONE SUBSIDIARY, FOR INSTANCE, CAN BE COUNTERBALANCED BY STABILITY, OR EVEN EXPANSION, IN ANOTHER VENTURE.

#### Tourism

- Idyllic location of resorts in Sri Lanka and Maldives
- Management competence and experience
- Unique architectural design of properties
- Excellence in service.

#### Cargo Logistics

- Only Sri Lankan corporate with the requisite infrastructure to provide the total range of logistics solutions in Sri Lanka
- Reliability in services, backed by an experienced team
- Experience in management of ports in overseas jurisdictions
- Vast network of reputed International Principals and Agents.

#### Strategic Investments

- Infrastructure investments in strategic areas
- Ability to leverage on the expertise and experience to cultivate new markets
- Use of advanced technology in all avenues of production and manufacture
- Commitment towards economic and community development
- Preferred vendor status among key customers.

#### Services

- A motivated and highly skilled human resource dedicated towards customer service
- Excellent relationships built with the principals over the years
- State of the art facilities and commercial premises
- Proven reliability and efficiency in activities performed.

### OUR UNIQUE FORTE

**The number one Sri Lankan resort operator** - Aitken Spence has twenty five resorts under its umbrella in diverse geographical locations with a total room portfolio in excess of 2,000.

**Our destination management company** - Aitken Spence Travels (Pvt) Ltd., is equipped with the finest resources and possesses the capability to offer best value propositions to our partners and clients. This has fortified our reputation as the most professional destination management service provider in the country. The company also holds the distinction of winning the presidential award for the "Best Destination Management Company in Sri Lanka" a record three times and is Sri Lanka's first Destination Management Company to be ISO 9001:2008 quality certified.

**A leading independent power producer** – In addition to investments in thermal power generation, we are also embracing renewable energy for our future Sri Lankan projects in keeping with our commitment to the environment. We have already commissioned hydro and wind power plants and are on course to set up the first ever waste to energy plant in Sri Lanka.

**Maritime services** - Agents for major international shipping lines. Only Sri Lankan company to venture into port management overseas with a recent foray into acquisition and investment.

**Largest integrated logistics operation in the country** - We offer integrated transportation services in air-sea freight forwarding, warehousing, distribution, courier services and ground transport, covering the gamut of services related to the physical cargo flow process, from shipper to recipient. Our transportation fleet is the largest owned by a private operator and we operate the largest container freight station in Sri Lanka.

**State of the art environmentally friendly printing facility** - We are the leaders in providing high quality printing solutions to our clientele. Our state of the art LEED Gold Certified environmentally friendly, carbon neutral printing facility is the first of its kind in the region. The 77,000 sq. ft new facility is spread over 3.4 acres on the outskirts of Colombo and boasts many modern technological and sustainable features.



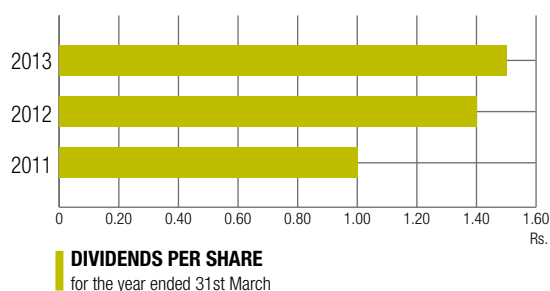
Our state of the art LEED Gold Certified environmentally friendly, carbon neutral printing facility.

**A team of over 6,000 people** – who are experienced and skilled to innovate and evolve with the current global economic environment.

**More than USD 50 million invested in overseas projects** - We are an emerging global powerhouse. Aitken Spence directly and through its subsidiaries has to date invested in excess of USD 50 million in the Maldives, India and Bangladesh and has just concluded an agreement for investment in the South Pacific. We believe that our foray into the global arena will give us the geographic diversity in investments necessary to be resilient in a rapidly changing global market, to achieve consistent returns for our shareholders.

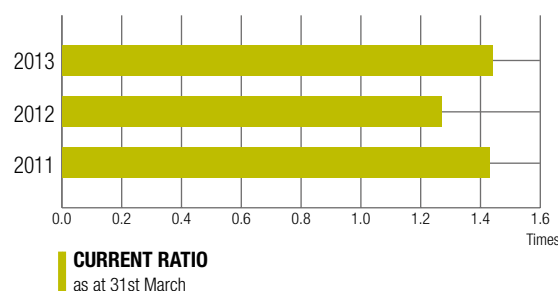
## CONSISTENT SHAREHOLDER RETURNS

Over the years, Aitken Spence had delivered on its promise to the shareholders by ensuring a consistent return on their investments. We have provided one of the most consistent and dependable investment opportunities to discerning investors.



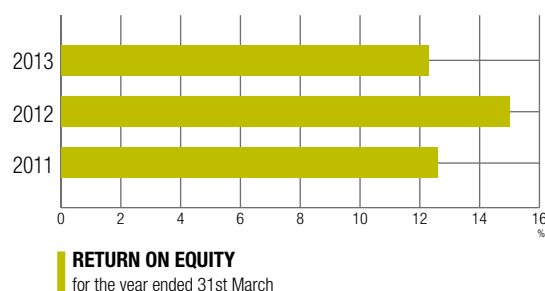
## PRUDENT MANAGEMENT OF FUNDS

Our prudent financial management practices ensure that Aitken Spence always maintains a healthy working capital to power its businesses. We use our negotiating skills and bargaining strength to source lowest cost funding on both a short term and long term bases from the competitive market without unduly burdening the shareholders of the Company.



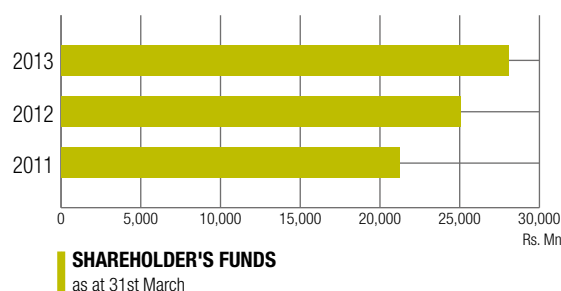
## CONSISTENT RETURN ON CAPITAL EMPLOYED

Our prudent corporate strategies have resulted in the delivery of a consistent return on capital employed in the business, thereby enhancing shareholder wealth. We believe in conceptualising and implementing long term strategies aimed at ensuring a consistently high return on capital employed and this will be our focus in the future.



## STRONG ASSET BASE

Our asset base had been accumulated steadfastly over the years and provides a strong foundation which ensures that the Company is able to withstand shocks and tremors in the competitive business environment.



## THE AITKEN SPENCE STRATEGY

### SUSTAINING FUTURE GROWTH

The Aitken Spence Group constantly seeks strategies to fuel the growth and expansion of our current business segments as well as opportunities of diversification into new business areas. Our organic and inorganic growth initiatives have focused on local development strategies as well as global market opportunities; and are geared towards creating value to all our stakeholders.

We believe that sustainable growth can only be achieved by being proactive, through meticulous planning and decision making, leading to investments with solid fundamentals which generate consistent returns over time.

Across all our businesses, we are investing and facilitating research and development to ensure that we continuously innovate to remain the market leader. We are also ensuring the quality of our workforce by improving retention through better employee engagement and ensuring career progression through coaching and mentoring. We also continuously introduce techniques to enhance efficiency and effectiveness in the operations and processes.

#### Tourism

Strategies for the Tourism sector include seeking hotel management contracts in Asia and Middle East in the short term and acquiring new properties in the Maldives; working on a franchise operation in Sri Lanka with a reputed international hotel chain and setting up new properties in Sri Lanka in niche positions: in the medium to long term.

#### Cargo Logistics

Strategies for the Cargo Logistics sector would be to exploit the strong brand equity enjoyed by Aitken Spence allowing it to secure further opportunities in port management and efficiency enhancement and setting up inland container depots and warehousing in the global market. We are also looking at avenues of expanding cargo logistic services in the region.

#### Strategic Investments sector

The way forward for the power segment would be to focus on setting up green field power plants in the emerging markets and to undertake the investment in renewable energy projects in Sri Lanka. The strategy for printing segment would be to differentiate the portfolio and offer solutions which benchmark international standards. Our approach in the plantation segment would be to focus on the higher-margin packaged tea products which can be exported to emerging markets such as China, Japan and Korea, explore opportunities for palm oil rehabilitation/management in emerging markets and diversification

with reliable partners into mini hydropower projects, and vegetable/fruit cultivation.

In the present context, the following areas have been identified as having potential for strategic growth, and as such the Group is pursuing its options for business expansion with strategic partners in these segments.

- Real Estate Development with the focus on luxury retirement communities;
- Commercial Agriculture with special emphasis on high-tech organic farming technology in Sri Lanka to cater to the export as well as the domestic market.
- Knowledge Business Processes and Information Technology Solutions to meet the needs of customers with specific needs.
- Executive and tertiary education in specialised areas such as hotel management, utilising the vast resource of industry knowledge available in the Group to cater to the increasing demand for tertiary and executive education in Sri Lanka.

### SUSTAINABILITY STRATEGY

The sustainability strategy of Aitken Spence PLC is built on the concept that any business solution must strike a sound balance between economic, social and environmental impacts in order to be sustainable. Developing a sustainability strategy for a group of our size and diversity is an ongoing process, and one that takes into account the vast theoretical expectations and global trends related to sustainable development. At Aitken Spence, the process of sustainability involves identifying what is required to ensure the sustainability of the operation; acknowledging the reality of the current situation; and setting qualitative goals and quantitative targets to fix the gaps in the system.

In 2009, the Group formalised the Integrated Sustainability Policy which encapsulates the Group's long term goals in 19 qualitative policy clause statements, related to compliance, ethical conduct, environment, community outreach, sustainable processes, governance, stakeholder engagement, quality, customer service, talent management, innovation, health and safety, human rights, information security, continuous improvement and credible reporting.

The Board of Aitken Spence PLC., the Board of Management and the Sustainability Committee are responsible for setting guidelines and giving direction to the implementation of this policy. The strategic business units are expected to work towards the gradual adherence of the policy, through a tiered system of implementation of essential action points, expected action points and exemplary action points.

**“In the Management Discussion and Analysis that follows, we have presented the above sustainability performance information together with the financial and operational details in order that a more comprehensive, better integrated picture emerges.”**

Companies must undertake a process of leading positive change through the championing of a clearly identified strategic sustainability thrust, known as Strategic Differentiation. The differentiation so identified must be one that is directly connected to the operations of each SBU and therefore a source of sustainable business benefit.

The Group's sustainability activities are conceptualised, directed and managed entirely through internal expertise, and driven by the Sustainability Team which is supported by subsidiary-level sustainability sub committees.

The inaugural Sustainability Awards of Aitken Spence PLC were conducted in August 2012 where Aitken Spence Hotels emerged winners, Aitken Spence Cargo and Aitken Spence Printing tied for second place and Aitken Spence Travels came in third place. This awards scheme is based on the results of a sustainability rating system.

Alongside the Strategic Differentiation of SBUs, the Group has identified the Empowering Sri Lanka First (ESLF) initiative as its collective effort for differentiation. Across the island, many youth lose opportunities for lucrative employment because of their lack of English language skills and/or inability to effectively utilise technology. The purpose of ESLF is to provide English and IT learning opportunities to less privileged children in grade 3 until they complete grade 5.

The classes will be held in less-privileged communities, initially in close proximity to Aitken Spence business interests. As the first phase, classes in Dambulla, Ahungalla and Mawaramandiya are scheduled to commence in early May 2013. relevant teachers will be selected from the same community in the hope that they can add more value to the educational opportunities available for children of the communities.

## REPORTING OUR PERFORMANCE

The main focus areas of the Group, subject to the relevance and materiality to the SBU and nature of operations, are energy and water consumption; renewable energy; waste resource management; biodiversity conservation and protection of ecosystems; community development; education and skills development; product and service quality and responsibility; occupational health and safety; human rights at the workplace and sustainability reporting.

In the Management Discussion and Analysis that follows, we have presented the above sustainability performance information together with the financial and operational details in order that a more comprehensive, better integrated picture emerges. We have set forth the stakeholder engagement mechanism together with the key material issues that have arisen during our engagement with the main stakeholders. Furthermore, we have also provided sector-wise summaries of the capital building activities undertaken by each sector; our strengths, weaknesses and opportunities; and the issues that have arisen from sector-specific stakeholder engagement. With the purpose of disclosing information according to integrated reporting the depictions in the sector reviews summarises the key inputs, value adding activities and the targeted result of these activities for each sector.

We are very keen to hear from you on how you perceive this report. Please enable us to make our reporting better by writing to us at ([info@aitkenspence.lk](mailto:info@aitkenspence.lk)) to tell us whether this report has met with your expectations; what you would like us to include in future reports and what changes you would like us to make in the way we have presented this report.

# TOURISM SECTOR

## TOURISM

Hotels  
Inbound & Outbound travel  
Airline GSA



WE REMAIN A PIONEERING LEADER  
IN THE TOURISM SECTOR, WITH A  
STRONG PORTFOLIO OF AWARD  
WINNING PROPERTIES IN FOUR  
COUNTRIES

Contribution to Group	2012-13	2011-12
Revenue (Rs. mn)	14,063	11,262
Profit before tax (Rs. mn)	3,445	2,622
Total assets (Rs. mn)	23,829	20,880
Total liabilities (Rs. mn)	7,440	7,109
Employees	2,789	2,957

REVENUE

**14bn**

PBT

**3,445mn**

ASSETS

**24bn**

EMPLOYEES

**2,789**





## SECTOR REVIEW: TOURISM

The global tourism industry crossed the milestone of 1 billion tourists in 2012, with worldwide tourist arrivals growing by 4.7% in 2012 from 980 million in 2011. Despite economic pressures around the world, tourism demand remained robust and the UN World Tourism Organisation (UNWTO) expects growth in 2013 to be between 3% and 4%. Emerging economies of the Asia and Pacific region performed stronger than their developed counterparts, reporting 233 million arrivals, a growth of 7%. Of the sub-regions, South Asia grew slower at 4% while South East Asia recorded a higher growth of 9%, which the UNWTO attributes to the implementation of policies that foster intra regional cooperation and coordination in tourism.

The Chinese and Russian markets accounted for the highest growth rates in expenditure abroad at 42% and 31% respectively while it is also significant to note that the strategically important traditional source markets the United Kingdom and Germany also performed well growing by 5% and 3% respectively.

Sri Lanka reached its own milestone during the year, surpassing the 1 million arrivals mark to welcome 1,005,605 tourists who brought in all-time high annual revenue of USD 1.04 billion, a 25.1% growth year on year. However classified hotels have reported declines in guest nights and occupancy rates in 2012, mainly due to the rapid expansion of unregistered hotels, guest houses and home stays, a concept promoted by the Sri Lanka Tourism Development Authority. The presence and demand for the informal sector is not reflected in official tourism statistics and therefore its impact has not yet been fully estimated. However, a strong indication of the informal sector's performance is the declining occupancy rates reported by the formal sector hotels, especially during the peak months.

According to records, Sri Lanka attracted tourists mainly from India, UK, Germany, France and Australia which together represented 46.8% of tourist arrivals. Out of these tourists, 74% arrived on holiday, 9% for business purposes and 17% to visit friends and relatives, attend conventions and meetings, or for religious and cultural purposes.

The country's infrastructure to support the tourism industry improved significantly during the year, including the second international airport opening in Mattala, the development of tourism on the East coast with the proposed addition of over 800 rooms, and the city beautification programme in Colombo. With the proposed completion of the Katunayake expressway and the outer circular road in the near future, travel time within Sri Lanka would be significantly reduced which would be a benefit for travellers to experience the bio diversity within the country in a short period of time.

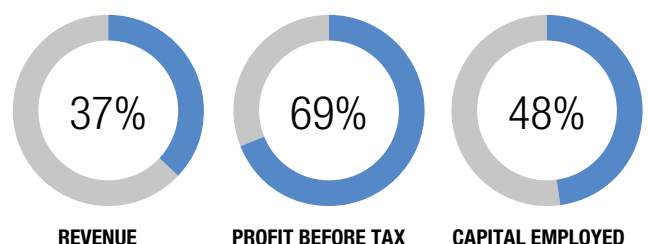
## SECTOR PROFILE:

Activity & Market Position

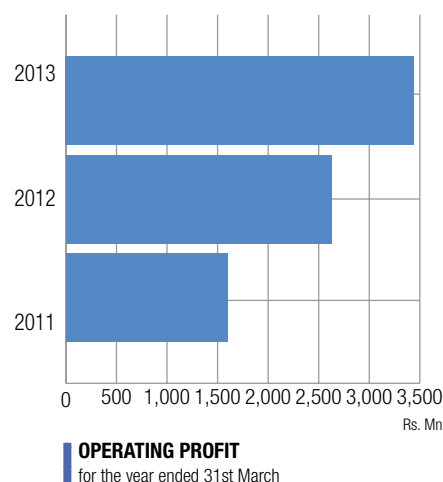
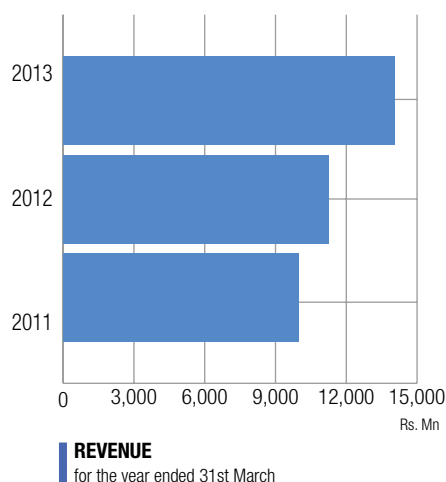
**The first** resort chain in Sri Lanka to be awarded the ISO 50001 certification for energy management systems.

**“Best Ayurveda Resort”** at the 4th FIT Health and Wellness Awards held at ITB 2013 in Berlin.

- |                |  |
|----------------|--|
| <b>1972</b>    | The general sales agency of Singapore Airlines was obtained by the Group; which we have retained up to now.  |
| <b>1974</b>    | The first resort hotel, 'Neptune Hotel' was constructed in Beruwala designed by the renowned architect Geoffrey Bawa. Neptune is now re-branded as 'Heritage Ayurveda Maha Gedara'.                                |
| <b>1977</b>    | The Company which is an IATA agent moved into inbound and outbound travel, with this 'Aitken Spence Travels Ltd' was incorporated.   |
| <b>1978</b>    | 'Aitken Spence Travels' entered into an agency agreement with TUI which is a one of the world's leading leisure travel companies.  |
| <b>1981</b>    | The first five star resort 'Triton' was constructed in Ahungalle designed by the renowned architect Geoffrey Bawa. Triton Hotel is now branded as 'Heritage Ahungalle'.  |
| <b>1991/92</b> | Aitken Spence Hotels is listed in the Colombo Stock Exchange with an issued share capital of Rs.150mn  |
| <b>1993</b>    | Became the first Sri Lankan hospitality company to broaden its horizons and develop an overseas portfolio by entering into the Maldivian tourism sector with the acquisition of Bathala Island resort in Maldives. |



Stakeholder	Engagement	Key areas of interest for stakeholders
Investor	Board meetings Annual General Meetings and other meetings Media	Growth in revenue across all properties Pursue growth opportunities through acquisitions and management contracts in appropriate resorts. Higher return on investment
Customer	Direct contact Social media	Client service Create unique guest/client experience Quality and service of products
Employees	Performance appraisals Management meetings Internal group gatherings	Recognition and rewards Skills development Career progression Work-life balance
Community	Direct contact Community gatherings	Employment opportunities Local infrastructure development Economic development Responsible business operation Pollution prevention
Regulators	Media Direct contact Meetings Regular liaison with various government departments	Compliance Contribution towards industry standards Contribution towards inbound marketing of the destination
Environmental Interest Groups	Direct contact Industry seminars and forums	Championing ecosystem service conservation and water security Pollution prevention and waste control Setting standards Renewable energy
Suppliers	Direct contact Industry seminars and forums	Providing opportunities for local suppliers Reliable working relationships
Financial institutions	Direct contact Meetings	Reliability and reputation Return on investment



## BEST PERFORMING SECTOR

THE LEISURE & TOURISM SECTOR IS GROWING AT A VERY RAPID PACE, COVERING A WIDE AND DIVERSE RANGE OF PRODUCTS AND SERVICES. AS THE SECTOR CONTINUES TO GROW GLOBALLY, SO DO THE OPENINGS FOR COMPANIES LIKE US, WHO ALREADY HAVE A FIRM FOOTHOLD IN THE INDUSTRY WITH A STRONG PORTFOLIO OF LUXURY HOTEL PROPERTIES.

## SECTOR REVIEW: TOURISM

<b>1994</b>	Commenced commercial operations of Heritance Kandalama one of the world's defining ecologically conscious hotels and became the first Asian hotel to receive the prestigious 'green globe 21' certification.
<b>1996</b>	The first theme hotel in Sri Lanka 'The Tea Factory' commences operations.
<b>2004</b>	Aitken Spence Travels enters into a JV partnership with TUI of which the results are exceptional.
<b>2005</b>	Launched 'Adaaran Prestige Water Villa' - a twenty exclusive luxury water villas at Meedhupparu Island ; Maldives.
<b>2006</b>	Entering the Indian hospitality industry by securing the management of five hotel properties in India.
<b>2007</b>	Obtains the management of four hotel properties in Oman, becoming the first hospitality company to enter the Middle East.
<b>2008</b>	The Group opens 'Adaaran Prestige Vadoo' the fifth resort with fifty luxury villas in close proximity to the Malè atoll.

Over 850 rooms were added to the formal room inventory in the country during the year, 23 of them in the 3 star category and 834 in the unclassified category which includes boutique and small luxury hotels.

The Maldivian tourism industry achieved a 2.9% growth in arrivals during 2012 to 958,027 from 931,333 in 2011. The Maldivian target of 1 million tourists was missed due to a combination of factors that affected tourism, including political instability and a decline in average room nights from 7 in 2011 to 6.7 in 2012. The typically high-value Maldivian tourism market continues to see the highest demand from the relatively low yield Chinese market. Chinese arrivals grew 24% to 229,551 in 2012 over the previous year while three years ago in 2009, this figure stood at just 60,660.

### PERFORMANCE OF THE SECTOR

The Tourism sector of the Group comprises of the operation of resorts in Sri Lanka and overseas, provision of destination management services, managing hotels in Sri Lanka and overseas and, the GSA operations for Singapore Airlines in Sri Lanka, and Sri Lankan Airlines in the Maldives.

The sector recorded a revenue growth of 24.9% over the previous year to achieve Rs 14.1 billion. The main contributor towards this growth

was the Maldivian resort segment which saw a 25.8% improvement in revenue over last year. The destination management segment also witnessed an 15.9% year on year revenue growth.

The sector recorded profit before tax of Rs 3.4 billion which is a 31.4% increase in profitability. The tax charge for the sector increased by 34.7%, mainly due to Maldives resorts being taxed for a full financial year in 2012/13, after the introduction of Business Profit Tax in the Maldives.

The profit after tax of the sector increased by 30.8% to record Rs 2.9 billion. The Tourism sector contributes 68.8% of the profit after tax of the Group.

### HOTELS

The Sri Lankan hotels sector returned a better performance than the previous year as the round trip properties have done very well, resulting in a profit before tax growth of 66.5%. Heritance Kandalama and Heritance Tea Factory posted their highest ever profits with profit before tax being 131.0% higher than the previous year. The new conference facility opened at our flagship hotel Heritance Kandalama has been well received by the MICE (Meetings, Incentives, Conferences, Exhibitions) market.

However we were not able to achieve the profit growth anticipated from Sri Lankan resorts, particularly the beach properties due to stiff competition as a result of the country not yet being able to harness its full potential of attracting high spending tourists and due to the mushrooming of small time guest houses and similar places of accommodation, most of which are not registered with Sri Lanka Tourist Board. This is a serious concern for registered hotels as the operation of non registered places of accommodation could pose a serious reputation risk to the country.

During the year, the sector completed the first phase of development at the former Ramada Resort which was reopened as The Sands by Aitken Spence Hotels. The second phase, which has now commenced, will see the addition of a further 90 rooms.

Heritance Ahungalla and The Sands did not perform up to expectation, as the entire beach offering was under pressure from heightened competition due to the substantial addition of rooms by both formal and informal operators. We note with concern that a significant percentage of tourists visiting Sri Lanka for "sun, sea and sand" are budget travellers and hence the pressure on rates in the star class beach properties have hampered their performance.

Phased refurbishment at Hilltop was completed during the year and the resort is being positioned as a three star resort in Kandy.



Aitken Spence has a chain of luxury hotels and resorts in Sri Lanka, Maldives, India and Oman. With over three decades in the hotels industry, our expertise in the sector is unmatched.



Our decision to venture into a specialised ayurveda resort has paid dividends with Heritance Ayurveda Maha Gedara becoming profitable during its first full year of operations. The property has enjoyed consistently high demand, with occupancy rates around 95%, and has already become internationally acclaimed as the best ayurvedic treatment-based property in Sri Lanka. Heritance Ayurveda Maha Gedara was recognised as the “Best Ayurveda Resort” at the fourth FIT Health and Wellness Awards held at ITB 2013 in Berlin, the world’s largest travel trade fair.

The Maldivian sector continued to be a major contributor to the profits of the Group as it has been for the last decade, despite the political volatility and new tax policies prevalent during the year.

We welcome a move by the Maldivian government to increase the buildable area on its islands from 20% to 30%, and are evaluating expansion opportunities on the islands we currently lease, while being mindful that such expansion does not dilute the experience by causing congestion.

The hotel management segment of the Group which manages and oversees all 25 resorts operated by the group in Sri Lanka, Oman, Maldives and India performed exceptionally well with a 16.5% increase in revenue and 39.8% in profit before tax. The growth in contribution was seen from the Maldives and Oman with the segment bouncing back in 2012/13, with the year ahead looking promising. The performance of the Group’s managed properties in India is yet to deliver the desired results, and the Group is monitoring their performance with a view to adopting appropriate strategies in future. Nevertheless we are constantly seeking opportunities to expand our

presence in the region by offering our proven management expertise. Aitken Spence has a well established reputation for being a proficient hotel management company, and with our special capabilities in resort management we are well positioned to pursue similar hotel management contracts in other countries in the region.

Finding skilled and qualified staff remains a daunting challenge for the entire tourism sector in Sri Lanka; the lack of training facilities in the country has meant that despite high demand, the right kind of candidates are not available for recruitment. At Aitken Spence, we train young recruits at our own hotel school and provide them with extensive on-the-job training; while high performing employees are also offered cross-exposure opportunities at our overseas properties so that they are exposed to diverse tourism environments, while ensuring the continuity of their career. We have also focused on recruiting a greater number of people from the North and East, to support the economies of the former war-torn regions.

## FUTURE OUTLOOK

The Government is working towards a target of attracting 2.5 million tourists by the year 2016, with earnings projected to reach USD 2.7 billion by then. In working towards this goal, the Sri Lanka Tourism Development Authority together with the industry must make concerted effort to ensure a sustainable increase in capacity and resources. The market must evolve towards attracting the higher-end segments, as growth in the low-end segments alone will not enable the achievement of the set targets.

## SECTOR REVIEW: TOURISM



It is critical to position and market Sri Lanka as a destination in a way that attracts the optimal mix of tourists while protecting the country's tourism offering. We look forward to promoting a national marketing effort on a global platform, similar to those recently undertaken by our regional competitors with much success. The imminent entry of several international hotel chains enhances the image and marketability of the destination; while welcoming the move, as significant players in the industry we also urge authorities to exercise fairness in regulations and prioritise environmental issues in any proposed development.

In 2013/14, the Sri Lankan hotels sector faces one of its toughest years yet in terms of cost escalation as the government has increased minimum wages by 40% while energy prices will rise by 25%. Rises in energy and payroll costs will have a spiralling effect on other associated overheads, leading to an estimated overall cost escalation of 20 to 25%. The segment has taken all possible cost management measures to mitigate the impact from these cost increases. While the East coast and Northern peninsula offer exciting new ground for tourism developments, the industry must be supported with the necessary transportation infrastructure to draw in tourists to these regions. A robust domestic air transportation is essential in this regard – allowing travellers to reach their destination easier and faster.

The extended downturn in Europe will continue to impact beach properties, with the growth expected from the traditional markets being minimal due to their extreme price sensitivity. To offset the drop in European arrivals, we are now strategically focusing on alternative markets such as India, Middle East, and China, while promoting the MICE segment.

The global shift towards booking holidays online continues to grow and our e-business department, set up a few years ago in response to market dynamics, has performed exceedingly well. The web marketing platform handles all four destinations and has been capitalised fully to drive revenue growth this year. We will continue to fortify the e-business segment to grow direct sales volumes.

The short terms plans for Aitken Spence include the addition of 90 more rooms at "The Sands" in Kalutara and 143 more at a new Heritance property in Negombo. We are also evaluating potential development projects on the land portfolio available to us while seeking opportunities in tourism hotspots such as the Galle Fort. Aitken Spence is also in a strong position to selectively offer its management services to suitable partners in Sri Lanka and overseas.

## INBOUND TRAVEL

The traditional European markets performed poorly due to the protracted recession, with 373,063 arrivals during 2012, a lower than expected 18.4% increase from 2011. Eastern European markets such as Russia and Ukraine contributed better with a 43% increase. While the Indian market dominated with 176,000 arrivals, it only recorded a marginal growth of 3%. Arrivals from East Asia rose 38% from 96,000 to 132,000 during the year, with major interest from China, Japan, Thailand, Taiwan, the Philippines and Korea.

The competitive framework for Destination Management Companies (DMC) changed drastically during the year, with the mushrooming of small travel agents who offer cost-based pricing to principals. As the demand for specialised activities grows, the market has become further fragmented with some DMC's choosing to focus on niche segments.

The growth of the informal sector had its impact on the destination management companies, which did not report a significant increase in numbers. In addition to this threat from within, the destination management companies in Sri Lanka compete not just among themselves, but also with the regional DMCs. Increasing fuel prices have also had their impact on the industry due to high prices of airfare and transportations and this trend is set to continue as regional destinations such as India, Thailand and Indonesia offer comparatively better value. The cost of package tours has also been impacted by increased government taxes and the increase in entrance ticket prices at places of interest.

Thus the industry requires the support of a well-managed master plan to market the destination to attract the right mix of tourists. While it is economically important for every segment of tourist to be represented, the industry and the economy do not stand to gain from the proliferation of visitors who focus on extracting the best value

**“Our integration into Worldcome – a global destination management specialist consisting of 22 companies around the world has paved the way for extensive cross selling opportunities.”**

by seeking budget category accommodation, using public transport, engaging informal guides and opting for shorter stays.

We note greater interest in Sri Lanka among operators with the country receiving global attention as a tourism hotspot and the enhancement of tourism infrastructure. The potential for the sector thus remains positive; the current challenges of the sector however require immediate attention and collective action by both the private sector and tourism authorities.

The strategic direction for the travel sector during the short to medium term involves consolidating and growing the traditional European markets through product differentiation and competitive pricing, as that market continues to hold the strongest potential for Sri Lanka. However we will focus also on a set of emerging markets identified as having high potential while also concentrating on new specialised segments such as nature, wildlife, wellness, and medical tourism. We have partnered with key tour operators in our target markets to secure high margins, by striking a healthy balance between volumes and contribution.

World tourism is shifting towards an experiential model, with more travellers avoiding group travel and making greater use of online and technology platforms to garner themselves better deals and more exciting tour options. We also recognise the impact of social media to a business such as ours and will work towards an effective social media strategy.

Aitken Spence Travels (AST), the destination management segment of the Group recorded the highest ever profits with an increase in profit before tax of 7.5 %.

The strength of Aitken Spence lies in its ability to build strategic partnerships with leaders in the travel industry; However expanding the business in an environment where the role of DMCs is diminishing will involve building a closer network, especially with charter and tour operators, hoteliers and airlines.

Our integration into Worldcome – a global destination management specialist consisting of 22 companies around the world has paved the way for extensive cross selling opportunities which we hope to harness during the coming year.

The corporate business and incentive travel segment is a growing influence in global travel and in a bid to drive this segment, we have now become part of the Carlsson Wagonlit Travel network which is a global leader in business travel, meetings and event management. This partnership allows us to leverage our strengths with the reputation and expertise of a global specialist.

Aitken Spence Travels continues to strengthen its people, systems and processes in order to enhance its leadership position and to remain competitive. The company is ISO 9001:2008 certified. Recognising the importance of being aware of the impact we have on the environment, we have also completed calculating our carbon footprint and have offset the same, thereby becoming a carbon neutral entity.

Training and development is a priority and during the year, management staff received an average 9 hours of training per person while operational staff underwent an average of 65 hours of training. The travel industry is typically a high turnover industry and to counter this we have in place many strategies to improve retention, including, empowerment initiatives and overseas exposure for our staff. These efforts enabled AST to improve its customer satisfaction levels where a survey of all tourists managed during the year saw our service ranked above satisfactory by 99.5%, of whom 73% ranked us excellent.

### SINGAPORE AIRLINES GSA

Our 40 year relationship with Singapore Airlines as its longest serving General Sales Agent (GSA) performed to expected targets for both passenger and cargo volumes. During the year, the GSA moved into new premises on the ground floor of Aitken Spence Towers, delivering more convenience to customers and gaining greater visibility.

It is encouraging that Singapore Airlines sees strategic potential in Sri Lanka; the product offering is a competitive one – with daily flights and better aircraft deployed on the route. While margin pressures dominate the business, we have nevertheless consistently invested in training our personnel to deliver the highest degree of professionalism and domain knowledge, which will continue to be our competitive advantage.

## SECTOR REVIEW: TOURISM

### Strengths

- Risk distributed among four destinations and strong regional presence
- Iconic properties in the best locations.
- Experienced management team
- Expansion opportunities due to availability of land owned by the Company in the east coast and south coast.

### Opportunities

- Rapidly developing infrastructure facilities in Sri Lanka
- Diversity in Sri Lanka and the cultural heritage.
- People and culture

### Challenges

- Sri Lankan resorts need to compete with cheaper regional destinations.
- Increase in energy cost
- Political uncertainty in the Maldives
- High construction and operating cost

## MANAGEMENT APPROACH FOR ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The sector has sought leadership in environmental and social sustainability and has consistently benchmarked itself against international standards and best practices. Today, the sector sets yardsticks for the entire region in environmental and social sustainability through the many different management systems, policies, procedures and general practices it has in place to identify and manage environmental and social aspects of the operation.

Aitken Spence Travels maintains a quality policy, environmental policy and a safety policy for the chauffeurs. Aitken Spence owned and managed hotels maintain an environmental policy, switching off policy, purchasing policy, 7R principle, food safety policy and energy and water saving policies.

Aitken Spence Travels operations have ISO 9001:2008 certified quality management systems to proactively identify customer needs and provide services that meet those needs through continuous quality improvement. To ensure the safety of the food and beverage products offered to the customers, Aitken Spence hotels have implemented food safety systems that are in line with the ISO 22000/HACCP standard requirements. All hotel properties in Sri Lanka and Maldives with the exception of Hotel Hilltop are ISO 22000/ HACCP: 2005 certified. HACCP systems are implemented in the hotel properties in Oman as well.

The sector has strategic interests in conserving eco systems as they believe in adding the unique flavour of each location to the products

and services offered to the guests which cannot be achieved without protecting the environment first.

Aitken Spence Hotels was ahead of the rest of the Group in the implementation of the Environmental Management Systems (EMSs) and all Aitken Spence properties have EMSs aligned with the requirements of the ISO 14001 standard to manage their impact on the environment. All Heritance properties and Aitken Spence properties in Sri Lanka, with the exception of Hotel Hill Top, have obtained the ISO 14001 certification as well. Adaaran resorts in Maldives have also implemented EMS's. Aitken Spence Travels also implemented an EMS which obtained the ISO 14001:2004 certification in March 2013.

### Environment

Provision of energy efficient or renewable energy based products and services to the customer is a key operational activity for this sector. Aitken Spence Travels has achieved significant savings in fuel consumption through its management systems showing its commitment to protecting the environment. By better scheduling and combining transfers, Aitken Spence Travels saved 9,440 litres of petrol and 10,115 litres of diesel during the year. Aitken Spence Travels measured its carbon footprint for the year and obtained the carbon neutral certification, becoming the first carbon neutral destination management operation and owned fleet in the country.

Our hotels have long understood the need for environmental and energy management systems as strategies towards sustainability of the businesses and managing cost escalations. Both Heritance Tea Factory and Heritance Kandalama use gasifiers to produce energy from sustained biomass, which in turn powers the boilers to produce steam for hot water generation and laundry operations. At Heritance Ayurveda Maha Gedara, kitchen waste is used to produce biogas for use in the Ayurvedic herbal preparation. Heritance Ayurveda Maha Gedara also generates electricity through solar photovoltaic systems which feed the national grid via a net metering agreement with the local service provider. The property also reduces the furnace oil consumed by using solar hot water panels to augment the temperature of the water before it is fed to the clarifier.

Aitken Spence Hotels segment has successfully quantified its carbon emissions from energy resources used for the hotel management operation. Heritance Ahungalla was the first resort hotel in the world to obtain the ISO 50001 certification for its energy management system. The Heritance chain has the honour of being the first hotel chain in Sri Lanka to obtain the ISO 50001 across all hotel operations. Measures to save energy at the hotels include replacing old equipment to reduce excess energy consumption and several operational strategies.

**“The sector has sought leadership in environmental and social sustainability and has consistently benchmarked itself against international standards and best practices. Today, the sector sets yardsticks for the entire region in environmental and social sustainability.”**

Preventive maintenance systems and energy management teams address energy related matters of each hotel.

Direct energy consumed in the owned operations of the sector			
Diesel	5,291,227 ltrs	Biomass	640,052 kg
Petrol	831,816 ltrs	LPG	189,597 kg
Furnace Oil	169,230 ltrs	Biogas	9,879 kg
Indirect energy consumed (GJ)			
Electricity	29,633 GJ	Solar energy	4,920 GJ
Energy saved due to conservation and efficiency improvements (GJ)			6,744
Total amount of Green House Gas Emissions (tonnes)			21,747
GHG emissions reduced and/ or offset (tonnes)			2,309

The Maldives resorts have also taken action to reduce energy consumption, such as changing the power house configuration of the generators to achieve maximum efficiency, replacing the old equipment in the reverse osmosis plant to reduce the excess energy consumption, enabling the use of natural light by introducing skylights, and introducing efficient solar water heating systems.

In a bid to reduce the water consumption all hotels of the Group place 1.5 litres water bags in cistern tanks in all guest rooms and in all public area washrooms, and indirectly save energy through the reduced need for treated water. Seven of the hotels in Sri Lanka have waste water treatment units.

Waste water management in the owned operations of the Tourism Sector	
Total water withdrawal	1,281,296 m <sup>3</sup>
Total volume of water treated	320,952 m <sup>3</sup>
Total volume of grey water and treated waste water reused	256,151 m <sup>3</sup>

The sector takes considerable effort to ensure continuous education of staff members to achieve the behavioural change required to meet their environmental targets. The environmental policy of the hotels and the Green philosophy behind their management approach are displayed in the hotel rooms and the social media sites to educate the guests. Aitken Spence Travels educates their employees on important

topics, such as the forest diversity of Sri Lanka that can add value to their clients. A unique concept that took form within Aitken Spence Hotels is the 7R concept for waste management that has the ultimate objective of zero waste dumping. The concept can be explained through some examples from the hotels.

**Reject** products, services, techniques which can cause environmental damage. All non - biodegradable material such as packaging material and plastic are rejected wherever possible

**Reduce** the use of resources especially non - renewable and non- bio degradable resources. Aitken Spence Travels reduced the usage of paper by introducing the e-filing system and e-faxing. The hotels have implemented different methods to reduce resource consumption. A plastic inventory is maintained in the hotels with the goal of gradually eliminating the use of plastics. Ongoing awareness programs through leaflets and pamphlets in rooms educate guests on minimising electricity and water usage.

**Reuse** every possible resource to reduce the consumption of fresh resources. Many of the hotels reuse treated water from sewage treatment plants for watering their gardens.

**Reclaim** what cannot be reused. All waste water is reclaimed by the hotels to be treated and reused for gardening. Sludge from the sewage treatment plant is converted to fertilizer and sold to community farmers at nominal prices. All waste material from the hotels is segregated, quantified and either sold for reuse or recycled so that none of it ends up in waste dumps.

Segregation of waste in Owned Operations			
Dry waste	215,587 kg	Cardboard & paper	23,137 kg
Wet waste	1,157,750 kg	Iron	23,428 kg
PET bottles	588,484 Nos and 951 kg	Used oil	38,187 ltrs
Plastic cans	16,781 Nos and 28 kg	Timber	165 T/load and 4,500 kg
Glass bottles	35,464 Nos and 8,470 kg	Hazardous waste	921 kg
Glass pieces	9,921 kg		

## SECTOR REVIEW: TOURISM

**Repair** what is broken and reuse them. All our resorts repair broken items to reuse them wherever possible.

**Replace** what cannot be rejected, reduced or reused with more environmental friendly options.

**Recycle** every material so that nothing goes to waste dumps. From waste water, cooking oil and engine oil to metal cans, plastic containers, PET bottles, all waste material that can be recycled is sold or handed over to be recycled responsibly.

The sector takes special care to manage areas rich in biodiversity. Heritance Kandalama maintains a 190 acre area of owned-forest which is protected from poachers. Our resorts in Sri Lanka do not border on areas of high biodiversity value. In other properties, Adaaran Select Hudhuranfushi is located on a leased island of 84 acres, Adaaran Select Meedhupparu on a leased island of 44 acres, Adaaran Club Rannalhi on a leased island of 8 acres and Adaaran Prestige Vadoo on a leased island of 2.5 acres, where all the islands maintain erosion control and the house reef around the island is protected. In subsurface areas, Heritance Ahungalla has a area of 12 acres while Heritance Tea Factory has an area of 25 acres that is subsurface as part of the old tea factory. Adaaran Select Hudhuranfushi is on an island located in Male' atol. Adaaran Select Meedhupparu is on an island located in the Raa atol and Vadoo island of Adaaran Prestige Vadoo is located in the Vadoo Channel. All the islands are within areas which are rich in marine bio diversity. Efforts are taken in all properties to ensure biodiversity is preserved. During construction and the supply of materials and goods, the management takes utmost care not to harm or damage bio diversity of the environment. Beach erosion is controlled through beach nourishment programmes.

### Local Purchasing & Value Chain

Heritance properties have a written purchasing policy and common practices for preferring locally based suppliers. Suppliers are registered based on the proximity and operational efficiency to contribute towards the economic growth of the local supplier, taking into consideration the cost, quality, efficiency as well as food miles travelled, to reduce carbon emissions in the provision of meals at the hotels. As per the local purchasing policy of Heritance Hotels, priority is always given to the suppliers within the immediate community of the hotel. Further, food items such as vegetables and fruits are purchased from the villagers at their field itself at a reasonable rate. In addition, Heritance properties also give priority to local suppliers in construction, civil work, repairs and other services. We obtain the services of dedicated and certified suppliers to fulfill the balance requirement of supplies. At Heritance Ayurveda Maha Gedara, we have embraced on a project to

uplift indigenous arts and craft by promoting local handicrafts at our crafts centre. The Arts & Crafts Centre was constructed at a cost of Rs. 1.8 million which benefits 10 award winning crafts persons while also promoting local culture to a global audience.

While cost, quality and reliability are key factors when selecting resource suppliers, priority is given to local suppliers where 'local' is defined by the proximity to the location of the operation. For example, most Sri Lankan hotels define 'local' as the vicinity within a 10km to 20km radius of the hotel. For Heritance Kandalama, 'local' refers to a region within a 30 to 40km radius as well as the Kandalama village. For other operations, this definition is somewhat different and due to availability of resources, it is not an easy task implementing a written policy for local purchasing. Adaaran properties define 'local' as Maldives.

All hotels also focus on providing employment to persons from their locality - 10% of the senior management at Heritance Ahungalla and 19% of the senior management at Heritance Kandalama are from the respective local communities while on average, many of the hotels can claim about 80% staff members from the local community.

Aitken Spence Travels would define the 20km radius vicinity of each event or destinations that tourists are taken to as 'local' and sources 100% of the resources from local suppliers if the environmental and social benchmarks set by the industry and principals are met. For example, for safaris in Kaudulla, Minneriya and the Eco Park the suppliers are sourced from Habarana. Around Rs. 21 million has been spent on renting safari vehicles from local suppliers instead of investing in our own vehicles for the above purpose. The travels segment also extends investment and support towards the development of local communities. Aitken Spence Travels provided assistance to thirteen regular transport suppliers to purchase brand new vehicles so that they could provide better quality service to their guests.

Local Purchasing	
Vegetables & fruits:	Sri Lanka Hotels: 90 – 100% where possible
Fish:	Sri Lanka Hotels: 100% where possible Maldives Hotels: 100%
Meat:	Sri Lanka Hotels: Between 25 – 40%
Building material	Sri Lanka Hotels: 70 – 80%
Safari vehicles:	Aitken Spence Travels: 100%

The sector also works with industry stakeholders to maintain social and environmental sustainability and to reach satisfactory levels of industry relations. During the year, Aitken Spence Travels conducted



The Arts and Crafts Centre was constructed at a cost of Rs. 1.8 million which benefits 10 award winning crafts persons while also promoting local culture to a global audience.

training programmes on park ethics to the suppliers in Yala, Habarana, Horton Plains, Mirissa and Balapitiya. All externally sourced vehicle chauffeurs were given training in vehicle maintenance and first aid while the chauffeurs were given a separate training in endemic birds in Sri Lanka and tourist attractions in the island. Currently more than 100 chauffeurs have been trained. Discussions were held with suppliers regularly to improve their products and services.

At "The Sands" Kalutara, the Executive Chef and his team educated local suppliers on ISO 22000, the international standard for food safety management system. Further, The Sands provided a drinking water line to beach operators. Heritance Kandalama initiated the Hospitality School 'Kandalama School of Tourism and Hotel Operation' to train and develop local youth to gain access to the current job market further strengthening their commitment to contribute positively towards the development of tourism in Sri Lanka.

## Community Engagement

Heritance Ahungalla maintains the children's ward at the Balapitiya base hospital and assists them regularly. Total funds channelled from the hotel towards donation of sports equipment, educational goods and financial assistance to the community amounts to Rs. 0.2 million. Heritance Kandalama invested Rs. 9.4 million on the community in provision of facilities for differently abled persons, sanitation facilities, building material, educational assistance, access to water and other forms of assistance.

Before these projects are carried out, the organisation conducts community needs assessments to determine infrastructure and other services needed and responds accordingly. Needs assessments are generally conducted through direct contact with community members or community leaders. Heritance Kandalama identifies community needs through meetings with religious leaders, Grama Niladaris, school principals and community members.

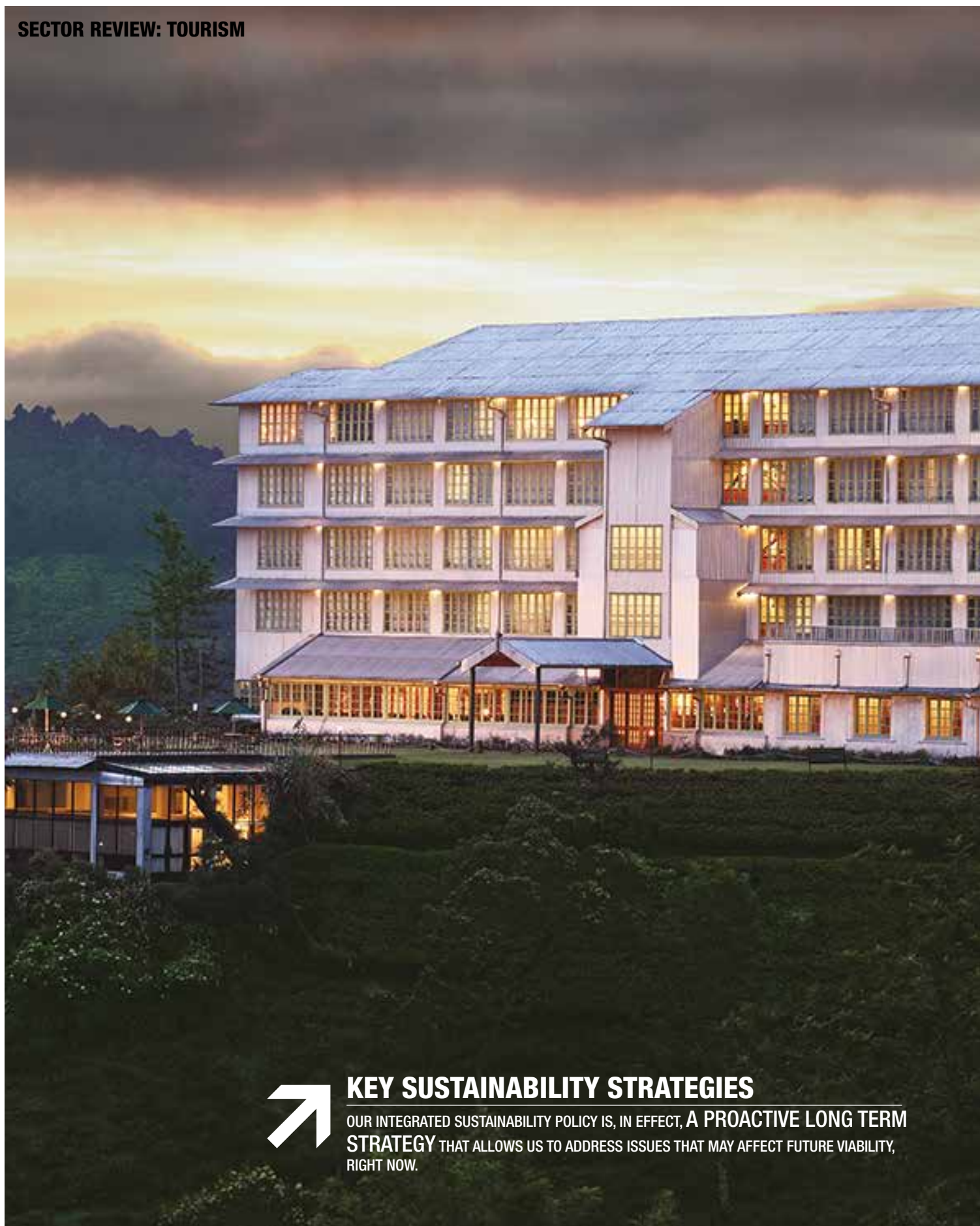
Heritance Tea Factory has appointed two employees to coordinate with the village in assessing the requirements of the community and gaining their feedback. More than 50% of the hotel staff lives within the village that we operate in and regular discussions with them have also helped us to determine the services needed. As a result

of discussing with the village coordinators and the staff, Heritance Tea Factory hotel organised a teacher to provide extra classes for the year 5 students who sit for the scholarship examination. In the year 2012 as a result of the hotel's initiative, for the first time in 10 years, one student in the area successfully passed the grade 5 Scholarship examination. The hotel also donated two computers to the local school.

In other community engagement efforts the sector has been involved in philanthropic activities, child and elder care programmes, entrepreneurship development, employee volunteerism and educational assistance activities. Aitken Spence Travels contributed essential items worth Rs. 0.2 million to 100 families in the North Central province that were affected by the floods. The Grilicidia project of Heritance Kandalama and Heritance Tea Factory provides local farmers with an income exceeding Rs. 13 million while also being a cleaner energy source for the hotel. Heritance Kandalama committed Rs.0.8 million, towards organising employee volunteerism activities such as building a house for a disabled person in Diganpathaha, Dambulla. Earl's Regency conducted an awareness programme with live demonstrations for advanced level school children from 3 schools to commemorate the World Tourism Day 2012.

In Maldives, Adaaran Select Meedhupparu donated eight computers to local schools distributed among three local islands. Adaaran Select Meedhupparu also organised island clean up campaigns, reef clean up and tree planting campaigns to encourage employee volunteerism. The sector extends assistance towards differently abled persons and allows provisions in the properties with lifts and low height steps and ramps. Heritance Ahungalla employs six differently abled persons while Heritance Kandalama and Poovar Island Resort hotel employ three differently abled persons each. Heritance Tea Factory hotel and Earl's Regency employ two differently abled persons at each property.

## SECTOR REVIEW: TOURISM



### KEY SUSTAINABILITY STRATEGIES

OUR INTEGRATED SUSTAINABILITY POLICY IS, IN EFFECT, A PROACTIVE LONG TERM STRATEGY THAT ALLOWS US TO ADDRESS ISSUES THAT MAY AFFECT FUTURE VIABILITY, RIGHT NOW.



## Product Responsibility

The Quality Management Systems implemented across the sector ensure that efforts are taken to provide the best experience to customers and channels are made available for customers to provide feedback. The Diamond Club maintains information about customer loyalty and provides services according to the customer preferences. While no major conflicts or breaches of customer data have been experienced in the segment with the clients, any complaints received from clients help the sector to improve the services.

Adaaran properties introduced all -inclusive holiday packages to their customers as research identified customers prefer to buy all -inclusive holiday packages. The sector pays attention to continuously improve product and service quality and allocate a percentage of the revenue for research and development activities.

# CARGO LOGISTICS SECTOR

## CARGO LOGISTICS

Maritime Services  
Freight Forwarding & Courier  
Integrated Logistics



WE ARE THE LEADING PROVIDER OF MARITIME SERVICES, INTEGRATED LOGISTICS AND FREIGHT FORWARDING IN SRI LANKA

Contribution to Group	2012-13	2011-12
Revenue (Rs. mn)	5,743	5,663
Profit before tax (Rs. mn)	556	839
Total assets (Rs. mn)	5,747	5,169
Total liabilities (Rs. mn)	2,064	1,716
Employees	1,055	1,076

REVENUE

**5.7bn**

PBT

**556mn**

ASSETS

**5.7bn**

EMPLOYEES

**1,055**





## SECTOR REVIEW: CARGO LOGISTICS



We have integrated our operations in air-sea freight forwarding, warehousing, distribution, couriers and transport ...

Sluggish external trade had an impact on the performance of the cargo handling, ports and aviation subsector of the economy which recorded only 5.7% growth in 2012, compared to 7.2% in 2011. Container throughput volumes in the port of Colombo totalled 4.2 million Twenty Foot Equivalent Units (TEUs), 1.8% lower than the previous year while the total cargo handled remained flat at 65.1 million metric tons. Transshipment volumes were 1.9% lower and domestic container throughput dropped by 2.5% while ship traffic also fell by 4.6% as Sri Lanka's external trade declined. Sri Lankan imports dropped by 5.4% to USD 19.2 billion from USD 20.3 billion in 2011, and exports dropped by 7.4% to USD 9.8 billion from USD 10.6 billion.

Container volumes from Asia to Europe declined by 5% consequent to the contraction of imports to Europe while the industry dynamics indicated a rationalisation of operations among players and considerable dips in freight rates. Despite world trade remaining flat, ship capacity increased substantially during the year. The supply thereby largely outweighing demand, resulting in heavy competition and pressure on rates. The sector also faced mounting strain from increasing energy prices and exchange rate fluctuations.

In these challenging conditions, the Cargo Logistics sector recorded a revenue of Rs. 5.7 billion which was a 1.4% growth over the previous year; however profit before tax declined by 33.7% to 556.3 million, attributed mainly to the ceasing of some contracts in the sector's port management activities in the African continent. It is to the credit of the sector that it has successfully managed to offset the negative impacts of the loss of revenue from the African continent through various new strategies. The sector contributes by 10.7% to the Group's profits from operations.

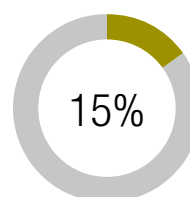
### SECTOR PROFILE:

Activity & Market Position

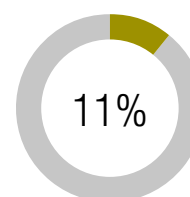
**First** Sri Lankan company to venture into port efficiency management outside the country.

**OVER 3 DECADES** of successful partnership with TNT Express, one of the world's leading courier company.

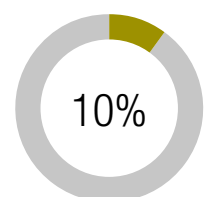
- |                |   |
|----------------|---|
| <b>1873</b>    | Commencement of Aitken Spence & Co. in Colombo as the largest shipping agency.  |
| <b>1980</b>    | Diversified operations into international freight forwarding in Sri Lanka.  |
| <b>1981</b>    | The Group was appointed as agents for TNT Express, one of the world's leading courier companies.  |
| <b>1985</b>    | Commenced container transportation services and a inland container terminal in Mattakkuliya.  |
| <b>1987/88</b> | Established Ace Container Terminals (Pte) Ltd to handle the first free trade zone inland dry port in the country.                       |
| <b>2007</b>    | The first Sri Lankan Company to venture into 'Port Efficiency Management' outside Sri Lanka.  |
| <b>2009</b>    | Acquires 'Logilink (Pvt) Ltd' a container freight station operation with specialised solutions for warehousing and garments on hangers. |
| <b>2011</b>    | The Group becomes the largest shareholder of CINEC which is the Sri Lanka's largest private sector maritime & higher education campus.  |



REVENUE

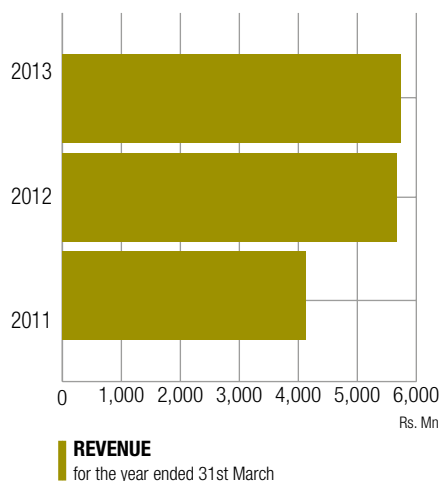


PROFIT BEFORE TAX



CAPITAL EMPLOYED

Stakeholder	Engagement	Key areas of interest for stakeholders
Customer	Media Direct contact Contact centres Sales teams	Reasonable price and good service level Speed and efficiency of delivery and clearing of goods
Employees	Performance appraisals Meetings Discussion forums	Occupational health and safety Improve trade union relationships Employee relationship management Employee benefits Career progression and training
Investors	Board meetings Annual General Meetings Investor meetings	Profitability Brand enhancement Reputation
Suppliers	Service level agreements Direct contact Social media Continuous interaction through procurement	Reliable working relationship Competitive rates with industry standards
External stakeholders	Media Direct contact	Health and safety Emission control from heavy machinery Pollution prevention Responsible operations
Regulators	Media Direct contact	Occupational health and safety Compliance with industry standards
Financial institutions	Direct contact Meetings	Reliability and reputation Return on investment



## LARGEST LOCAL LOGISTICS SOLUTION PROVIDER

AITKEN SPENCE IS SRI LANKA'S LARGEST LOGISTICS OPERATOR WITH A TRACK RECORD OF SUPERIOR PERFORMANCE AND PIONEERING SERVICES WITH LOGISTIC OPERATIONS FROM CONTAINER HANDLING, CARGO, COURIER, SUPPLY CHAIN MANAGEMENT AND PORT MANAGEMENT. OUR MARITIME SERVICES SEGMENT REPRESENTS LEADING SHIPPING LINES.

## SECTOR REVIEW: CARGO LOGISTICS

### MARITIME

The maritime segment is involved in a multitude of business activities including, the provision of port management and efficiency improvement services, representing global container shipping lines, providing agency services to vessels calling at ports in Sri Lanka, freight forwarding and providing maritime and management education.

With some of our port management contracts coming to an end in the African continent, the overall performance of the segment reflected a decline in profits. The extent of the African operation's impact on the maritime segment's performance is evident in the results of the sector, while the segment's revenue decreased by 26.5% and profit before tax declined by 60.6%, the segment's revenue from activities other than the African operations recorded a 25.0% growth while net profit before tax from these activities increased by 15.9%.

The liner and freight forwarding business areas were able to retain customers and generate increased volumes which were reflected in a revenue growth of 12.3%. The segment reported a marginal decline in profits due to exchange rate adjustments and increased competition, which manifested in the form of rampant price undercutting in the industry, resulting in lower margins.

Declines were also reported in inward, outward and transshipment volumes. This was largely due to the drop in market rates far below the levels that our principal's were willing to offer. In the liner business, we are restricted by the strategies of the shipping principal that we represent and our performance depends largely on the principal's decision on freight rates, service calls, transshipment routing etc. We make every effort to add value to the partnership with our principals by monitoring trends and adjusting local strategies accordingly.

The face of the global shipping industry is changing and it is critical that we prepare for the impacts of this change. Among the recent developments, consolidation between major operators has resulted in four large alliances exerting control over 80% of the worldwide capacity while larger vessels with greater capacity have commenced operations servicing a limited number of ports of call. Such developments on a global scale require us to ensure that our business strategies are sufficiently dynamic in order to reap consistent benefits.

We also note with concern that container ports in India have been facing a capacity crunch leading to slow growth in transshipment cargo which could have an adverse impact on Sri Lanka's maritime industry. Hence appropriate diversification strategies must be adopted by the industry to ensure that the country remains a competitive location.

With the investment made in Colombo International Nautical and Engineering College (CINEC) last year, Aitken Spence became the single largest shareholder of the world class maritime education and training facility catering to around 14,000 students per year. CINEC contributed 31.7 % to the profit before tax of the maritime segment. The partnership with CINEC allows us to exploit the tremendous demand for skilled human resources as Sri Lanka positions itself as a major regional hub for maritime services.

On the African continent, we are seeking a shift towards investment driven operations. Towards this end, we will forge prospective partnerships with players in the supply chain management industry with a view to entering joint ventures that can add value and increase synergies. The African continent is a fertile market for players offering productivity and efficiency enhancement solutions with the greater African economy also speeding towards development and offering much promise to our operations there. Our experience in the region has grown from an initial strategy of training and development to mentoring and then to efficiency management. As in the past, we will evolve as the opportunities arise.

We took a significant step in expanding our global horizons by entering in to a fifteen year concession agreement with Fiji Ports Corporation Ltd, a company owned by the government of Fiji, to manage the cargo handling operations at the ports of Suva and Lautoka. This strategic venture is a Public - Private partnership where Aitken Spence PLC., will be the major shareholder in Ports Terminal Ltd., the concession holder. Ports of Suva and Lautoka are the main international ports catering to the needs of Fiji and are vital nerve centres of the island-nation's economy. We will be making use of our extensive international experience in port efficiency and productivity management practices to ensure Suva and Lautoka become world class ports in the South Pacific.

We will soon enter into a strategic partnership in Bangladesh to operate and manage the agency for a leading global container line.

The overarching goals of the maritime segment include the management of current volumes and customer bases in the short term and in the medium term, seeking new business opportunities in the maritime sector in Sri Lanka. In the long-term we will be focussing our efforts on new business ventures overseas. As such the segment is actively pursuing opportunities outside Sri Lanka for investment in port management, liner shipping and inland container terminals. Among the opportunities we plan to pursue in the short term are provisioning large logistics support for potential oil exploration projects and offshore marine services.



The partnership with CINEC allows us to exploit the tremendous demand for skilled human resources as Sri Lanka positions itself as a major regional hub for maritime services.



#### Strengths:

- Management expertise and the ability of retaining trained employees
- The reputation that we have in the market which is assisting us to retain existing customers and secure new customers.
- Ability to offer services to all destinations as well as offering value added services to customers

#### Opportunities:

- The G6 alliance will be offering six coordinated services to the East coast of USA.
- The development of the Colombo south container terminal and Magam Ruhunupura Mahinda Rajapaksa Port.
- Opportunities for managing maritime related activities in overseas markets.

#### Challenges:

- Slow down on global trade and the Euro economic crisis.
- Consolidation between major shipping lines.
- Increase in the supply of global container carrier capacity supply vis-a-vis the demand.

#### INTEGRATED LOGISTICS

The integrated logistics segment which encompasses the land-based logistics operations of the Group reported encouraging performance, as we benefitted from the demand for integrated products and services, thereby surmounting many negative factors affecting the business. Container related activities reflected a decline on the back of the weakening external trade but these setbacks were overcome through strong performance in warehousing, container freight station operations and bulk liquid transportation.

Continuous capital investments were made during the year to improve efficiency levels, especially in relation to depots, container freight stations (CFS), transport and special operation activities. The segment saw strong potential in logistics solutions for project cargo handling and increasing demands for warehousing services during the first half of the year.

The CFS operations performed exceptionally well, with Logilink, our specialised CFS solution for the garment sector, enjoying 100% utilisation. This BOI company is patronised by major international brands and is a model that we may expand in future. The segment now offers the largest fleet of reefer containers and cold storage solutions in the company; and has a strong presence at the Bandaranaike International Airport while also being offered an opportunity to establish a presence at the Mattala Rajapaksa International Airport and Magam Ruhunupura Mahinda Rajapaksa Port in Hambantota.

## SECTOR REVIEW: CARGO LOGISTICS

**“Our overseas operations in Bangladesh and the Maldives had noteworthy growth. We are expanding our portfolio of offerings in overseas markets by adding more products to the mix; this is in pursuit of regional expansion as a strategy for future growth.”**

The future for the segment lies in providing one-stop innovative logistics products using the synergies within cargo and maritime activities. Towards this end, we are already developing suitable products in partnership with Group companies and suppliers, and evaluating state of the art equipment, which can provide a distinct competitive advantage. We anticipate the segment's profits to be challenged from a dip in rates as a reaction to the downturn in the industry and increased competition. The segment however is poised to benefit by capturing opportunities from the continuing post-war boom in infrastructure projects as well as the country's critical requirement for energy projects.

The proposed development of the container yard in Mabole is nearing completion and is slated to become the best and largest container depot facility in the country.

The IT infrastructure of the sector was enhanced during the year with the implementation of the Oracle warehouse management system, which brings in greater efficiencies and better monitoring abilities. Furthermore, the implementation of a revamped transport management system and container tracking system is in progress. We are also testing a GPS fleet tracking system ahead of its implementation. Tangible results from these implementations should come online during the next financial year.

In the medium to long term, we have also targeted overseas investments such as an internal container depot in Cape Town and the establishment of a fully-fledged maritime campus in South Africa.

### Strengths:

- **One of the largest private sector owned Logistics Infrastructure facilities in the country**

- **Diversity of the operation as we provide the entire spectrum of logistics activities.**
- **Experienced and skilled staff.**

### Opportunities:

- **Infrastructure development in the country would create opportunities for logistic solutions in project cargo handling.**
- **Business opportunities with the south container terminal of the port of Colombo, Magam Ruhunupura Mahinda Rajapaksa Port and the Mattala Rajapaksa International Airport.**
- **Overseas expansion in integrated logistics.**

### Challenges:

- **Continuing slow down in the global economy.**
- **Capacity increases in the industry.**
- **Contraction of imports to Europe as a result of the prolonged recession**

## FREIGHT FORWARDING AND COURIER

The freight forwarding and courier segment performed exceptionally well in 2012/13, with strong growth recorded from its air freight, courier and the overseas operations. The revenue and profit before tax of the freight forwarding and express segment grew by 38.4% and 55.8% respectively compared to the previous year.

The division recorded strong performances in the freight segment, despite the drop in overall imports. In a competitive sphere that consists of over 300 players, it was an impressive achievement to achieve higher than targeted performance. The brokerage division was negatively affected, while the project cargo handling division also failed to achieve projected results as some anticipated businesses did not materialise and also due to the escalation in transport costs, which

could not be passed on in full to the customer. The Qatar Airways Cargo GSA operation which was operational for the full financial year is showing promising growth.

While we were under pressure from the low growth in European markets which were originally expected to do well, our pricing strategies, increased bargaining power and better marketing efforts drove positive results. We also strategically set forth to protect our key accounts especially during peak periods by bearing additional airline costs ourselves.

Our overseas operations in Bangladesh and the Maldives had noteworthy growth, despite Bangladesh experiencing a dip in freight operations. An encouraging contribution was reported from the Maldives which boosted the overall overseas business. We are expanding our portfolio of offerings in overseas markets by adding more products to the mix; this is in pursuit of regional expansion as a strategy for future growth. Our operations in Pakistan are also turning the corner and are expected to achieve growth in profitability in the near future.

The international express division representing TNT, witnessed an 8% growth in volumes, in a stagnant industry which reported a 4% drop. In particular, the division benefitted from the favourable cross currency exchange rate between the Euro and the US dollar. A key development during the year was the abandonment of merger plans between TNT Express and UPS (United Parcel Service). Aitken Spence has been the local partner of TNT for well over three decades and we look forward to strengthening this partnership in the years to come.

We welcome a move by the authorities to introduce electronic data exchanges to monitor local movements of cargo by connecting the entire documentation chain from the Sri Lanka Ports Authority to Customs. The exchanges are now in their implementation phase and once fully online, will have long term positive effects. The success of the system may have its downside though, as it could lead to the redundancy of the role of clearing agents.

The sector is closely following developments in Mattala, where the second international airport is beginning to expand operations by welcoming more airlines. Our strengths in catering to the new economy of Hambantota will be in the form of support services and warehousing for both sea and air transport. During the year, we established our presence in Hambantota by opening an office at the heart of this fast growing district.

The freight forwarding industry continues to face difficulty in attracting quality employees; while making every effort to train and promote from within. The segment has felt the crunch of key resources opting for opportunities overseas. In order to improve the readiness of the current cadre, we also undertake strategic training in partnership with the CINEC maritime campus to develop their knowledge and capacity to provide customers with a total solution in logistics.

The greatest challenge for companies such as ours is the mushrooming of unregulated suppliers whose model is not viable for larger, structured players. However we are pursuing opportunities of backward integration in order to sustain the business through strategies for volume growth. In the short term, we will be impacted by the escalation in fuel and energy prices which cannot immediately be passed on to the customer.

A positive development in this scenario is that our comprehensive integrated supply chain solutions are complemented by our compliance with human rights, labour laws and health and safety. These compliance levels allow us to offer multinational clientele the guarantee of a compliant and responsible business partner.

#### Strengths:

- **Ability to provide total logistics solutions.**
- **Sustained Cargo Sector - EMS ISO 14001:2004 Certification. First Freight Forwarder in Sri Lanka to achieve this certification in 2011. A requirement by key strategic customers.**
- **Risk distribution due to regional presence.**

#### Opportunities:

- **Intra-Asia container volume growth expected mainly due to growth in China and India.**
- **Despite negative growth of garment industry possible shift of orders from Bangladesh in the short / medium term due to the prevailing political climate in Bangladesh.**
- **Regular inflow of transshipments from Bangladesh, Maldives & certain Asia Pacific origins to keep cargo volumes up through Colombo gateway.**

#### Challenges:

- **Global Economy to remain sluggish through weaker demand from developed countries**
- **Increased airline capacity and over capacity in container ships will put pressure on freight rates.**
- **Increasing in energy and fuel cost.**

### MANAGEMENT APPROACH FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

In order to manage its social and environmental impacts, the cargo logistics sector has adopted the integrated sustainability policy and its implementation framework in addition to the existing management systems, procedures and general practices. The Aitken Spence Cargo segment has maintained the ISO 9001 Quality Management Systems Certification since 1997; Ace Aviation Services (Pvt) Ltd was one of the first cargo airline GSA's to obtain this certification in 2008. In the year 2011, Aitken Spence Cargo (which includes Ace Cargo (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd and Ace Aviation Services (Pvt) Ltd.) became the first major freight forwarder in Sri Lanka to obtain the

## SECTOR REVIEW: CARGO LOGISTICS

**“The sector prioritises investing in its people and during the year specialised training programmes received increased focus. A human resources programme was also initiated to enhance two way communication, facilitated by human resources co-ordinators appointed to each segment. ”**

ISO 14001 certification for their environmental management system (EMS). Aitken Spence Logistics also has in place a safety policy and is in the process of documenting their EMS while maintaining required system procedures for the EMS. Aitken Spence Shipping has also been maintaining the ISO 9001 certification since 1996. The sector has implemented the procedures required for an EMS aligned to the ISO 14001 standard, and is in the process of documenting their EMSs which include seven separate systems.

Aitken Spence Cargo has been an exceptionally active member of the Group's sustainability team.

### Stakeholder Management

The cargo logistics industry in Sri Lanka has not yet evolved to a stage where suppliers can be screened on the grounds of environmental or social concerns. While there is no formal written policy for the selection of suppliers, the companies in the sector however opt for suppliers that offer environment friendly services and/or products where feasible, while the procurement of material is handled locally as much as possible, resorting to imports only where the required items are not available locally.

The key stakeholders are kept informed about the organisation's commitments. For example, senior management communicates with our international agents and principals about the recognition achieved by the company for efforts in sustainability, thereby demonstrating actions, awareness and commitment to environmental sustainability.

The logistics segment also conducted several capacity building programmes to strengthen industrial relations with several stakeholder groups; these included training programmes conducted for container

surveyors with a reputed container surveyor, reefer container technician and inspector. Familiarisation visits were also organised for customers as well as academic institutions such as the CINEC Maritime Campus while educational programmes were conducted for specific freight forwarding communities as well.

The sector prioritises investing in its people and during the year specialised training programmes received increased focus. A human resources programme was also initiated to enhance two way communication, facilitated by human resources coordinators appointed to each segment. The sector has been faced with a shortage of skilled labour and our response to this trend has been to offer our existing workers improved compensation and facilities; we will also evaluate the option of outsourcing key tasks should the need arise.

### Occupational Health & Safety

In a labour intensive business such as ours, health and safety conditions must be constantly monitored and potential threats mitigated accordingly. We ensure our employees use modern safety equipment while health and safety audits are conducted regularly. Workers also receive training on safe practices in a bid to continuously improve their working conditions and ensure workplace safety.

### Community Engagement

Employee volunteerism is encouraged at organisational level; some of the year's events included the annual blood donation drive of Aitken Spence PLC; a career guidance seminar and donation of seven computers for the use of the Dedunupitiya MV school in Mawanella; and the donation of another ten computers to a school in the vicinity of our packing warehouse. In keeping with the spirit of supporting



youth education, Aitken Spence Shipping also provided internship and training opportunities to maritime and logistics sector students. Aitken Spence Logistics also provided funds to the Hendala Temple and schools in the vicinity in the form of sponsorships to encourage their academic activities.

The sector has a documented procedure to review and evaluate sustainability activities against the expected outcomes. Such evaluation is carried out by senior management team members, including the Managing Director. In the recent management review, it was found that projects carried out thus far have met the expected outcomes and the intended benefits.

## Environment Management

Total carbon emissions for the sector were calculated at 5,700.8 tonnes carbon dioxide. There is a limitation to this number as Aitken Spence Logistics has maintained records for their significant direct energy consumption but has insufficient data calculated on indirect energy consumption. Increased operations in the sector meant that there was a negative cumulative energy saving during the year.

Efforts to save energy and reduce carbon emissions within the sector include increasing awareness among staff members on the 'Switch Off' policy, use of daylight wherever possible, rewiring of electrical equipment and lighting to make switch arrangements more effective, replacing tungsten lights and restricted usage of the boiler and water dispensers.

Aitken Spence Logistics has introduced manual trolleys to reduce the use of electrical forklifts inside the warehouse, while it has also opted for battery operated forklifts in place of those that consume diesel. The company has also increased energy efficiency by opting for turbine ventilation instead of exhaust fans in the warehouses. The Logistics sector also took action to reduce machine idling time, and has minimised night-time container handling operations to save energy and reduce noise pollution. Furthermore, as our contribution towards minimising the environmental impact of our operations, we have invested in state of the art machinery that complies with stringent 'Euro 3' emission standards. Aitken Spence Logistics is putting in place systems to obtain better energy management data, and hope to

disclose more detailed information about energy savings and carbon emissions in the future.

The sector is keen to increase awareness of its sustainability efforts and engages with key stakeholders as often as possible. Aitken Spence Cargo organised an awareness programme for senior management and staff covering the integrated sustainability policy, UN Millennium Development Goals and the UN Global Compact and other sustainability efforts. More capacity building programmes have been conducted for staff members on environmental management system related activities as well as fire safety, occupational health and safety and quality management system related activities. The sector also took measures to create awareness among business partners and the general public by sending bilingual communication material regarding Corporate Sustainability, UNGC, and Aitken Spence Integrated Sustainability Policy to key service providers.

The sector is in full compliance with all regulatory requirements and has obtained all necessary permits and licenses for its operations. As such there have been no significant fines and/or non monetary sanctions on environmental or other grounds.

The sector also applies the 7R principle where possible. Aitken Spence Logistics uses low strength detergents to clean containers and take effort to store solid waste of hazardous nature securely until proper disposal is carried out. Aitken Spence Cargo recycles packing materials such as bubble wrap, demi paper, cartons, plywood sheets and wood wool/ paper, thus saving on the purchase of new material. In addition the division uses shredded waste paper as packing material in the warehouses to reduce paper usage.

## Product Responsibility

Aitken Spence Cargo and Aitken Spence Shipping which operate under ISO 9001 quality management systems, have in place specific procedures and processes to continually improve customer service. The periodic re-certification audits conducted by independent third parties assure that the quality management systems meet international standards at both Aitken Spence Cargo and Aitken Spence Shipping.

## SECTOR REVIEW: CARGO LOGISTICS



### A VERY PROFITABLE SECTOR

AS PART OF OUR TOTAL LOGISTICS SOLUTION, WE PROVIDE AIR FREIGHT, SEA FREIGHT, BROKERAGE, MARITIME AND SUPPLY CHAIN SOLUTIONS, OPERATING THROUGH A WORLDWIDE NETWORK OF AGENTS.





As part of its continuous improvement of products and services, the Air Freight division of Aitken Spence Cargo (Pvt) Ltd has supported the initiative of one of its key partners to introduce prototype “Garments on Hangers” loading devices which could be used as a substitute for normal aluminium fabrications. The sector is constantly seeking such new products and mechanisms which demonstrate our commitment to greener logistic solutions. As the industry shifts towards greener operations, the sector is ready to take on a leadership role in driving sustainability.

# STRATEGIC INVESTMENTS SECTOR

## STRATEGIC INVESTMENTS

Power Generation  
Printing & Packaging  
Garment Manufacture  
Plantations



THE DIVERSIFIED INTERESTS IN THESE COMPLEX SECTORS DELIVER HIGH EMPLOYMENT, VIGOROUS ACTIVITY AND INCREASINGLY GOOD RETURNS.

Contribution to Group	2012-13	2011-12
Revenue (Rs. mn)	17,908	14,581
Profit before tax (Rs. mn)	838	1,562
Total assets (Rs. mn)	22,890	21,519
Total liabilities (Rs. mn)	12,605	11,967
Employees	1,913	1,363

REVENUE

**18bn**

PBT

**838mn**

ASSETS

**23bn**

EMPLOYEES

**1,913**





## SECTOR REVIEW: STRATEGIC INVESTMENTS

The strategic investments sector of the Group comprises of the following business activities – power generation, printing and packaging, manufacture of garments and the plantation segment.

The revenue of the sector increased to Rs 17.9 billion which is a growth of 22.8% and the profit from operations grew by 12.5% to Rs. 1.3 billion excluding the capital gain recorded on the sale of the shareholding in Colombo south container terminal the previous year. The strategic investment sector contributed 46.8% to the revenue of the Group and 16.7% to the profit before tax of the Group.

### POWER GENERATION

The revenue of the segment grew by 24.9% due to the Embilipitiya power plant recording 66.4% growth in revenue over the previous year. However, the segment had a lacklustre year of performance with profit before tax declining by 16.4% due to the conclusion of the power purchase agreements of the two power plants in Horana and Matara. The ten-year power purchase agreements of Matara and Horana concluded in April 2012 and December 2012 respectively. We are presently in negotiations with the Ceylon Electricity Board (CEB) on the renewal of the two power purchase agreements and are cautiously optimistic about reaching a mutually beneficial conclusion in the near future.

The Embilipitiya power plant recorded a profit before tax growth of over 200% in comparison with the previous financial year, during which the plant was not functioning for a period of four months.

The segment had made a strategic decision to explore opportunities for expansion in thermal power generation overseas due to there being only limited prospects available in Sri Lanka. We have encountered certain difficulties in the proposed expansion plans in Bangladesh as a result of the complexities involved in securing land for the commencement of the projects. However we are optimistic that these problems will be resolved in the near term in order to bring the power projects to fruition.

The segment is also pursuing opportunities in renewable resources such as biomass, solar and wind energy; such renewable resources are economically important and viable for countries such as ours that are overdependent on high-cost thermal power.

As the first step in the strategic shift to renewable energy, we commenced commercial operations of our wind power generation plant situated at Ambewela during the financial year. This plant is yet to go through a full season of wind as it commenced operation during the off season. Commercial operations also commenced at the Branford hydropower plant located at Matale, which unfortunately

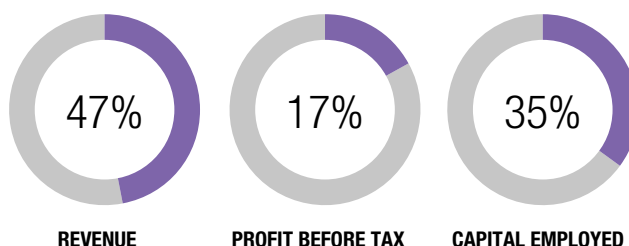
## SECTOR PROFILE:

Activity & Market Position

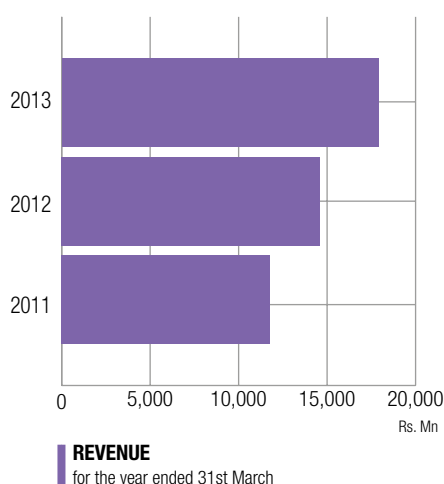
**First** LEED Gold certified environmental friendly green printing facility in the Region.

**Sri Lanka's first** power generation company to obtain ISO 14001, OHSAS 18001 and ISO 9001 for all three thermal power plants in Sri Lanka.

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



Stakeholder	Engagement	Key areas of interest for stakeholders
Investors	Board meetings Annual General Meetings Investor meetings	Ethical conduct Environmental and social governance Profitability and Value addition
Customer	Media Direct contact Contact centres Sales teams	Quality assurance and support services Customer satisfaction Product safety Innovative product and service offering
Employees	Performance appraisals Meetings Discussion forums	Job satisfaction Occupational health and safety Career progression Work life balance
Suppliers	Service level agreements Direct contact Social media Continuous interaction through procurement	Ethical business conduct Profitability Reliable after sales service Sustainable working relationships
Community development	Media Direct contact	Infrastructure development Employment opportunities Entrepreneurship development Ethical conduct
Environmental Interest Groups	Media Direct contact Forums and industry events	Pollution prevention Ecosystem service conservation Championing environmental protection Setting standards
Government and Regulators	Media Direct contact Regular liaison with various government departments	Compliance with national level regulations and industry standards Occupational health and safety Economic development
Financial institutions	Direct contact Meetings	Reliability and reputation Return on investment



## BEST PERFORMING SECTOR

THE STRATEGIC INVESTMENTS SECTOR IS GROWING AT A VERY RAPID PACE, COVERING A WIDE AND DIVERSE RANGE OF PRODUCTS AND SERVICES. AS THE SECTOR CONTINUES TO GROW GLOBALLY, SO DO THE OPENINGS FOR COMPANIES LIKE THE AITKEN SPENCE GROUP, WHO ALREADY HAVE A FIRM FOOTHOLD IN THE INDUSTRY WITH A STRONG PORTFOLIO OF WORLD CLASS SERVICES.

## SECTOR REVIEW: STRATEGIC INVESTMENTS

faced flood damage during the latter part of 2012 and was closed for repairs shortly thereafter. Although both plants have not contributed at expected levels during the financial year, we are optimistic that they will reach full potential in the financial year 2013/14.

We firmly believe that renewable energy power plants will have immense potential for the future and would continue to seek new opportunities to expand in this direction. We are confident that our investments in such plants would be supported by the relevant authorities and the CEB as it would ease the burden on the state in meeting the future demand for electricity in the country.

### Strengths:

- Domain expertise as the leading Independent Power Producer
- Capacity for investment and procuring external financing
- Long standing relationships with world renowned EPC contractors

### Opportunities:

- Investment opportunities in the region
- Growing demand for alternative energy

### Challenges:

- Shift in Government policy towards Independent Power Producers and off-take agreements
- Renewal of licenses for two plants still under negotiation
- Impact of climate change on Hydro and Wind power

## PRINTING & PACKAGING

The printing segment recorded an eventful year – with operations being moved to a new LEED Gold certified green facility in Mawaramandiya. With customers increasingly demanding environmentally friendly printing, the carbon neutral green plant allows us to market ourselves internationally as the first in the region to achieve this status.

The financial performance of the segment was impacted by internal and external factors; the segment was not able to harness the full benefit of the year on year revenue growth of 19.5% to its profits due to the increase in interest costs as a result of the debt funding obtained for its relocation. The packaging operation, which is a key supplier to the tea industry, was affected by the mixed fortunes of tea in the global market but we are happy to note that tea packaging volumes were beginning to recover towards the latter part of the year.

Our customer base has also become more diversified, with the revenue split between local and export orders becoming healthier. We will continue to strategically expand our overseas markets through targeted marketing efforts.

The high interest rate regime is a concern for the segment which has extensive borrowings; the heavy competition in the segment does not allow us to pass on such interest costs to customers. The depreciation of the rupee also influences our raw material imports as 90% of the material we utilise are imported. The company also bears the majority of cost increases resulting from the weakening of the rupee in order to remain competitive. On the positive side, the segment has benefitted from the Government's introduction of the SVAT tax policy under which VAT payments are deferred, as well as the TIEP (Temporary Import for Export Purposes) scheme under which we export.

The focus going forward is on lean manufacturing and we have already commenced a study of our work cycle with the assistance of a specialist, with a view to making process improvements. The introduction of a new state of the art six-colour printing machine is slated to increase the number of impressions by a significant percentage in the coming year. The sector has also adopted an industry-specific Enterprise Resource Planning System during the year, which will streamline vendor management to offer greater benefit to partners.

As a heavily automated industry, printing is under pressure from rising energy and fuel costs; despite the external pressures, we are poised to garner the benefits of increased capacity and output due to the efficiencies introduced by the new press and post-press machinery installed in 2012/13; while capitalising on our strengths - shorter lead times, strong service ethic and the state of the art eco-friendly factory.

The new factory premises have a range of green features including rainwater harvesting, recycling of waste water, natural lighting and energy efficient air conditioning; the LEEDS Gold certification obtained by the building is an international endorsement of its leadership in energy and environmental design.

### Strengths:

- Sri Lanka's only green printing facility
- High capacity and efficiency due to modern technology.
- Management expertise

### Opportunities:

- Projected economic growth in the country
- Diversification into new printing products



We firmly believe that renewable energy power plants will have immense potential for the future and would continue to seek new opportunities to expand in this direction.

## INPUTS

- Our brand behaviour and values
- Our expertise
- Partnerships and networks
- Infrastructure and specialised assets
- Technology
- Information system
- Financial resources

## VALUE ADDING ACTIVITIES

- Talent enhancement
- High service standards
- Strategic management
- Effective supply chain management
- Quality assurance
- Health and safety standards
- Setting industry standards
- Innovation

## OUTPUT

- Customer satisfaction and loyalty
- Skilled and motivated employees
- Positive economic value
- Community development
- Innovative products and services
- Responsible production

- Global trend shifting towards carbon-neutral, green printing options

### Challenges:

- Growing operational costs, especially energy and fuel
- High interest rates
- Heightened competition from the region

## GARMENTS

The segment had an exceptional year with revenue growth of 17.5% and profit before tax growth of 12.3%, while the equivalent standard hours have increased by 20% compared to the previous year. The company had a full order book throughout the year and enjoyed preferred vendor status with major customers. The devaluation of the rupee also created marginal benefits although foreign exchange cross rate volatility during the latter part of the year had a negative impact on the segments' results.

US customers showed greater interest during the year, while those in the United Kingdom and European Union continue to be affected by dismal economic conditions. Customers are minimising sourcing complexities by reducing their vendor bases. Therefore securing a preferred vendor status is critical to maintaining a pipeline of orders.

The company began modernising the factory during the year, introducing earth-friendly concepts wherever possible. In the short term, the segment will continue to improve its environmental impact by upgrading and developing the machinery to achieve greater efficiency. The segment incurred a capital expenditure of Rs. 94 million for the year, the major portion of it being for upgrading of machinery in order to improve efficiency.

A key factor driving the performance of the segment has been the excellent relations maintained with employees and unions. In the coming year, the segment will give priority to maintaining positive dialogue with employees and will enhance the technical and personal development training made available to them. The production facility situated in a rural area has enabled us to recruit from in-and-around the locality. We have further entrenched ourselves with the local community by extending our assistance to public welfare projects in the area, thereby empowering the rural economy.

The segment is faced with burgeoning fuel and energy costs, which will have a direct impact on utility and transportation costs. Where ever possible, we are taking the initiative to reduce electricity usage through adopting greener methods such as the installation of prismatic skylights while continuous improvements will be made to the current production methods through work study and method study exercises. Despite such increased costs, we anticipate short-term business growth mainly via productivity enhancements and modernisation.

### Strengths:

- Preferred vendor status with key customers
- Specialisation in manufacturing garments for a niche market of the customer base.
- Higher efficiency and productivity following factory modernisation

### Opportunities:

- Customers placing higher value on socially responsible and compliant vendors.
- Infrastructure development and the creation of an investor-friendly environment.

## SECTOR REVIEW: STRATEGIC INVESTMENTS

**“In a positive development that holds much potential for the future, Elpitiya Plantations entered into a 50-50 joint venture with a Chinese partner during the year, to produce specialty tea targeting the Chinese market. This BOI approved venture is likely to bring substantial benefits in the future.”**

- Concentration by stakeholders on emerging markets

### Challenges:

- Increased cost of production due to rising energy, fuel and labour costs
- Global economic slowdown
- Shortage of skilled and unskilled labour

## PLANTATIONS

Elpitiya Plantations PLC (EP) has recorded its best performance in 15 years posting an over 150% increase in profit before tax, mainly as a result of the strong performances in the palm oil and tea segments. Revenue increases were due to the contribution from higher tea prices, which grew by 23% and palm oil prices, which grew by 22%. Several factors contributed to the growth of the segment such as the depreciation of the rupee against the USD, increased demand from Russia, Iran, Libya and Turkey for tea, low crops in Kenya and North India due to adverse weather conditions also pushed prices. Increase in local taxes on imported oil palm increased the domestic demand for the product. Carrying out sustainable agricultural practices and stringent cost control methods enabled the company to record a profit from the tea segment. New Peacock estate in particular achieved a record tea yield for the year, resulting in an all time high profitability. The company has continuously invested in manpower training and such training for estate workers has been one of the main contributory factors towards the improved productivity and product quality.

Palm oil continues to be a profit driver at field level and the cost of production of a kilogram of oil palm was well controlled while the profit margin increased by 38% due to its less labour intensive nature. Profits from rubber however have been far below expectation due to

a dip in global prices, increased competition from countries such as Thailand, Malaysia and Indonesia, and a decrease in demand due to the global economic downturn affecting the automobile market.

In a positive development that holds much potential for the future, Elpitiya Plantations entered into a 50-50 joint venture with a Chinese partner during the year, to produce speciality tea targeting the Chinese market. This BOI approved venture is likely to bring substantial benefits in the future.

Lifestyle Solutions (Pvt) Ltd, our rubberwood furniture factory, has failed to deliver the expected results mainly due to the global economic downturn. The company is considering alternative options available to it such as timber, eco-tourism and hydropower, and speciality tea and rubber products for niche markets.

The plantation segment has been delivering strongly on its sustainability strategy. While pursuing environmental sustainability, it has also focused on improving the quality dimension of its products and therefore have obtained ISO 22000 certification for food safety during the year.

The impact of global warming is a looming threat to the plantation industry. Already, weather patterns have been adversely affected by this phenomenon while increasing the threat created by pests and diseases. Such events affect productivity in all forms of agriculture and impacts planting cycles. To address these environmental concerns, the estates have developed various systems to curtail wastage and conserve rainwater, with the planting of shade trees and producing our own organic fertiliser to supplement artificial fertiliser.

The increasing cost of energy is another major factor that will affect every industry as alternative energy sources are limited and costly. Most of our factories are geared to control energy use through energy

management systems that include the effective use of hydropower whenever available and the daily monitoring of the unit cost of energy.

During the past few years we have been able to harness the hydropower potential of our estates and now have several renewable energy projects in the pipeline. Dunsinane Cottage Mini hydropower project, with a capacity of 900kW, is under construction and will be commissioned in June 2013, while two other projects, Upper Sheen mini hydropower with a capacity of 400 kW and Upper Dunsinane mini hydro project designed with a capacity of 600 kW - are in the planning stage and are slated for completion in 2013/14.

The plantations segment's fortunes are linked to many external variables that affect its stability. In 2013/14, all regional plantation companies will be faced with a new wage increase which will substantially increase the cost of production. It is important that the industry negotiates a productivity-linked wage that is affordable so that it does not erode the competitiveness of Ceylon Tea. A more stable collective bargaining mechanism must also be developed for plantations to make them more sustainable. In this environment, we urge the government to play a facilitating role by not imposing any legislation or taxes that will reduce the competitiveness of plantation producers.

The future of the plantations industry appears very encouraging at this stage as demand for Ceylon Tea and palm oil is growing significantly. Sluggish rubber prices however are likely to continue for the short term with declining demand from China, India and Europe. There is a new area of opportunity for the plantation sector to optimise their land base by engaging in fruit and vegetable cultivation. However, the segment's future hinges upon the adoption of effective strategies to manage spiralling costs and increase productivity, as well as garnering the understanding and the support of the Government and trade unions.

#### Strengths:

- Widely spread lands and crops in all three geographical elevations in the country
- Well trained labour force, staff and executives with a good mix of both experienced and young energetic personnel
- Diversification into successful forward integration projects

#### Opportunities:

- Exploit the natural resources which have not yet been tapped
- Plant larger extents of timber and fuelwood for future
- Expand the manufacture of speciality teas catering to the international markets

#### Challenges:

- Growing cost of production due to an uncontrollable labour wage increase which is not correlated to productivity
- Vulnerability to adverse climate changes
- The younger generation is moving away from the industry

- Completed level 1 and level 2 certification towards ISO 14001:2004 for our estates
- Environmental awareness programmes conducted for estate management staff and labour force
- Secondary containment tanks and sediment tanks at Deviturai rubber factory to minimise waste/water effluents
- Solid waste segregation tank and waste water containment tank at Talgaswella Tea factory.
- Distributed over 1000 biodegradable bags amongst estate employees for day to day use.
- Tungsten bulbs replaced with CFL bulbs to reduce energy consumption
- The use of fibre reinforced plastic lightweight withering fans replacing the aluminium fans to save energy.
- The controlled use of trough withering fans during peak hours
- Estate workers discouraged from bringing polythene into the fields
- Ensured upto 90% polythene-free operations
- Compost bins placed on estates to prepare organic fertilizer

## MANAGEMENT APPROACH FOR ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The integrated sustainability strategy of the Group is implemented across the Strategic Investments sector. The management approach ensures that social and environmental sustainability can be recapitulated through the different management systems, procedures and general practices of the sector.

The sector adheres to all specific rules and regulations and maintains the stipulated standards in the industries they operate in. Steps are taken to manage the operations above the standard requirements.

All companies in the sector have environmental management systems in place. Occupational health and safety hazard identification inspections are carried out by the appointed OHS teams and 6S practices introduced within the Group are implemented and maintained across the board.

Aitken Spence Power became Sri Lanka's first power generation company to obtain ISO 14001, OHSAS 18001 and ISO 9001 for all power plants in operation, thereby setting an example to the Group by leading in safety procedures and environmental conservation practices in traditionally polluting industries.

## Management Systems and Standards

The Garments segment also has many systems and procedures in place to meet the requirements of the industry. The company has adhered to the rigid compliance requirements of the prestigious clients that it is serving and has maintained the Worldwide Responsible Accredited Production (WRAP) certification since 2009. Accordingly

## SECTOR REVIEW: STRATEGIC INVESTMENTS

the company has many procedures in place to ensure social and environmental sustainability of their operations. The Environmental Management System (EMS) is currently being documented and the company has appointed teams to manage and maintain necessary roles and responsibilities.

The Matugama garment factory has an OHS team, 6S team, and an EMS team. The teams jointly discuss and institute the necessary actions to maintain the systems. The Garments segment maintains documented policies which are rigidly complied with including those related to the environment, anti-discrimination, child labour, equal opportunities, health and safety, and recruitment to ensure social and environmental sustainability and a metal-free policy and a needle policy help maintain the quality of products. In addition, the segment also has laid down strict disciplinary procedures, emergency medical procedures and quality procedures which are meticulously followed.

The Plantations segment strives to implement food safety management systems according to the ISO 22000/HACCP standard requirements and environmental management systems according to the ISO 14001 standard guidelines across their estate clusters. New Peacock Estate, Dunsinane Estate, Talgaswella Estate, Nayapane Estate and Deviturai Estate have obtained the certification for their food safety systems and the segment is currently in the process of obtaining the ISO 14001 certification for Talgaswella and Deviturai estates. Elpitiya Lifestyle Solutions (Pvt) Ltd, which manufactures furniture for export, received the Forestry Stewardship Certificate (FSC) accreditation from the Control Union of Certifications of Netherlands.

In addition to maintaining general industry standards, Aitken Spence Printing & Packaging is ISO 9001:2008 certified for quality management systems and is in the process of implementing ISO 14001 environmental management system. The company has planned and implemented efforts to ensure occupational health, safety and welfare of all stakeholders and has a trained team that is overlooking this area. A contingency plan for natural disasters, chemical spill prevention procedure and an emergency situation list are documented and maintained towards the same effort.

### Environment

The Matugama garment factory has an evaporative cooling system which has greatly improved working conditions and reduced energy consumption while contributing to the environmental friendly policies. The management has recently installed prismatic skylights, a fuel efficient generator and a capacitor bank to further reduce energy consumption with a view of being more environmental friendly in the production process. Process changes were introduced to improve overall productivity and to reduce the consumption of energy per unit

of production. Through all these optimisation initiatives the segment was able to reduce their annual energy cost by over 25%.

Each of the estates in the plantations segment has an environmental management team. The segment engages in the production of renewable energy through mini hydropower projects, which won the category award for "Green Hydropower of RPC Sector" at the National Plantation Awards 2012 in recognition of outstanding performance by industry stakeholders. Total production of hydro energy during the year amounted to 31,596.46 GJ. To manage the wastewater generated, Deviturai rubber factory constructed a wastewater treatment plant, and wastewater samples are tested routinely. The segment continues to take meaningful decisions to preserve the environment and is preparing the appropriate infrastructure at every estate to measure the volume of wastewater in future.

Aitken Spence Printing & Packaging took a bold step towards shifting its operations to a more eco-friendly facility which is a LEED Gold certified building structure of which the carbon emissions have been calculated and offset. The company hopes to continually improve their energy efficiency and reduce emissions through process control and behavioural changes in the staff.

As a new initiative we work closely with identified customers and encourage them to convert their packaging requirements to completely 'green' material that is FSC (Forestry Stewardship Council) certified paper and board, and vegetable based ink.

The Aitken Spence power management team has been recognised year on year for their 6S practices. During the last financial year, the company decided to make the working environment polythene free and took steps to provide paper bags to visitors and employees at the entrance to the office so that they can discard the polythene. The team at the Horana power plant designed an innovative system to clean soiled polythene lunch sheets so that it can be handed over for recycling along with other polythene and plastic materials. Levels of nitrogen oxide, and sulphur oxide and total particles per million have been maintained below the stipulated maximum emission levels at all three thermal power plants. The Embilipitiya power plant maintains a herb garden which takes up 34 acres of the 44 acre property to accommodate about 10,000 to 15,000 plants, medicinal herbs, agricultural projects, animal husbandry and beekeeping projects.

Waste management procedures have been implemented by the Matugama factory for many years and all recyclable material is sold to third party vendors while the remaining waste is reused or disposed of responsibly. Lighting equipment is sent back to the original vendor for recycling and food waste is given to poultry farms as animal feed. During the year, the company's waste management systems



We work closely with identified customers and encourage them to convert their packaging requirements to completely 'green' material that is FSC (Forestry Stewardship Council) certified paper and board, and vegetable based ink.

processed fabric waste, food waste, cardboard and paper, polythene waste, plastic cans, iron and scrap metal.

At Aitken Spence Plantations, most factories have constructed waste oil/used oil containment bays inside their chemical/ oil stores to prevent soil contamination. The segment also launched many operations over the years to replace artificial fertilizer with organic fertilizer to mitigate the negative impacts to the micro and macro environments. As a result, several compost pits are maintained to produce in-house compost to meet daily fertilizer requirements. The plantation segment grows leguminous cover crops to improve soil properties to control the growth of weeds, which would otherwise require the use of chemicals and weedicides. All employees are required to return empty plastic bottles which contain the chemical/ fertilizers to collect new bottles. As a general practice, chemical stores are constructed with a secondary contaminations bay/tank to avoid direct soil contamination. At all of the estates, workers are encouraged to stop or minimise polythene consumption and are provided with biodegradable bags for their daily requirements.

## Product Responsibility

Product responsibility is of paramount importance to the garments segment and routine inspections are conducted internally and externally as per international, national and industry norms where the segment has shown continual improvement on all aspects of product responsibility.

Product development in the plantation segment takes shape through the food safety management systems and other industry standards. The segment has identified the prime buyers of the Elpitiya Plantations teas and engages with those buyers, as well as those at the tea auctions, on a regular basis with a view to understand their needs and expectations. The products are continuously improved through innovations and quality upgrades. Aitken Spence Printing & Packaging maintains efforts to provide the best products and services to their customers and has continuous quality improvement schemes in place. These efforts have been recognised year on year at many platforms, most notably at the Collate Sri Lanka Print Exhibition & Awards organised by the Sri Lanka Association of Printers and the Lanka Star Awards organised by the Sri Lanka Institute of Packaging.

## Community Engagement

Among the many activities encouraging employee volunteerism and increasing the opportunities to engage with community members, the Matugama garment factory conducted English classes for the children of factory employees, awareness programmes on environment and sustainability for the general public and implemented a programme called 'Gedarata 6S' for a group of employees in an effort to influence productivity in their households.

The efforts of the Embilipitiya power plant to provide its neighbourhood communities with access to fresh water were proven fruitful when a study conducted by an external research organisation found that many independent local industries have started business ventures in the area after being given better access to water. This is also proof of the effectiveness of the organisation's practice of identifying the needs and the potential impacts of future activities prior to commencing projects, in order to generate meaningful value.

The continuous social development strategies on plantations focused on women and children, covering a whole array of services ranging from interventions in medical care, health and nutrition, education, sports, and recreation, to the improvement of quality of drinking water, sanitation and infrastructure. The segment also encouraged workers to upgrade religious institutions within estates and facilitated charitable organisations to build new housing on a few of our estates in collaboration with the plantation company. An elders home to accommodate forty retired workers from our plantations is in the pipeline, which will be the first in the plantation segment and will be funded by "Foundation Abbe' Pierre" of France and Elpitiya Plantations PLC.

The segment also employs 189 persons with disabilities to ensure they have a steady income. Total funds channelled towards these efforts amount to Rs. 110.6 million.

SECTOR REVIEW: STRATEGIC INVESTMENTS



## SUSTAINABILITY STRATEGIES

THE CONTINUOUS SOCIAL DEVELOPMENT STRATEGIES ON PLANTATIONS FOCUSED ON WOMEN AND CHILDREN, COVERING A WHOLE ARRAY OF SERVICES RANGING FROM INTERVENTIONS IN MEDICAL CARE, HEALTH AND NUTRITION, EDUCATION, SPORTS, AND RECREATION





Aitken Spence Printing & Packaging has carried out many social engagement activities to maintain a channel of communication with the local stakeholders. The company also volunteered to become one of the first SBUs in the 'Empowering Sri Lanka First' programme and is working to facilitate English language and IT education for approximately 60 less-privileged students in their community. Through this effort the Dhamma School adjacent to the printing facility will also receive support for the renovation of two classrooms which will be fully equipped to conduct the classes. The company facilitated expert training on new techniques and methods for English language teaching for 4 aspiring young teachers from the area. The employees of Aitken Spence Printing have volunteered their time to manage the project.

# SERVICES SECTOR

## SERVICES

Inward Money Transfer  
Elevator Agency  
Insurance  
Property Management  
Information Technology



IN SRI LANKA THESE SECTORS HAVE PERFORMED  
ADMIRABLY OVER THE YEARS

Contribution to Group	2012-13	2011-12
Revenue (Rs. mn)	537	482
Profit before tax (Rs. mn)	163	160
Total assets (Rs. mn)	3,020	2,704
Total liabilities (Rs. mn)	507	322
Employees	450	395

REVENUE

**537mn**

PBT

**163mn**

ASSETS

**3bn**

EMPLOYEES

**450**





## SECTOR REVIEW: SERVICES



Our marketing structure has been strengthened, with emphasis on enhancing awareness and visibility

The services sector comprises the operations of the insurance survey and claim settling agency, insurance brokering, elevator agency, inward money transfer business, property development and the information technology services of the Group.

The combined operations of the sector contributed Rs 537.4 million to the revenue of the Group which is an 11.4% increase over the previous year. The sector's combined profit before tax of Rs 162.8 million is an increase of 1.5% over the previous year. The sector contributes 3.3% to Group profit before tax.

### INSURANCE SECTOR

Revenue from the insurance division grew 17.5 % on the back of a strong performance by the brokering activity, a 106% increase in claims settling activity and a 37% increase in commission income. Revenue from surveys was 3% lower due to a 10% drop in the number of surveys; declines were also reported from insurance services and salvage operations. The segment's net profit before tax was up 20.1% year on year.

We experienced a decrease in surveys due to the World Food Programme (WFP) scaling down its imports but our strong relationship with the WFP enabled us to secure a pre-shipment inspection contract for export cargo.

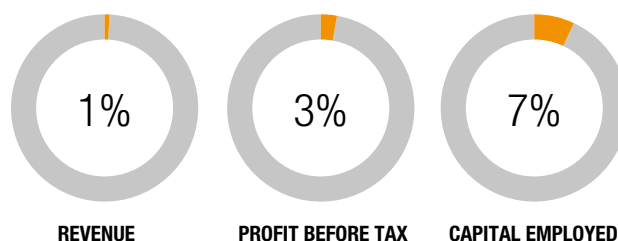
### SECTOR PROFILE:

Activity & Market Position

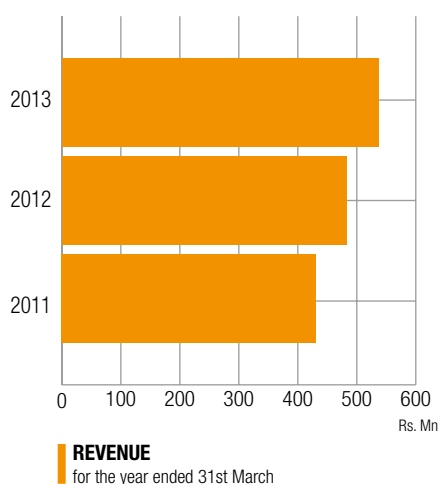
**Over a century** of successful partnership with the world renowned insurer of Lloyd's of London.

**The largest** money transfer service network with over 2,500 payout locations in Sri Lanka

- 1876** The Group was appointed as agents for Lloyds of London; position which the company holds to this date by providing survey & claim settling agents for reputed insurance companies.
- 1973** Incorporated 'Aitken Spence Exports Ltd' To process and export essential oils which now exports dry rations & perishables to Maldives hotels & also markets bottled water.
- 1989** Aitken Spence acquires a majority stake in 'Elevators (Pvt) Ltd, which provides marketing, installing & maintaining services of OTIS lifts, escalators & other equipment.
- 1995** Construction and operation of "Aitken Spence Tower at Vauxhall Street.
- 2006** Entering into the financial services market by being the principal agent for Western Union Money Transfer Services in Sri Lanka; MMBL.
- 2008** Aitken Spence Corporate office is relocated to 'Aitken Spence Tower II, with the completion of the construction of a modern office complex.



Stakeholder	Engagement	Key areas of interest for stakeholders
Investors	Board meetings Annual General Meetings Investor meetings	Profitability Brand enhancement Good governance Information security
Customer	Media Direct contact Contact centres Sales teams	Innovation in products and services Data security and privacy of information Quality assurance Product and service responsibility
Employees	Performance appraisals Meetings Discussion forums	Career progression Skills development Work – life balance Benefits
Suppliers	Service level agreements Direct contact Social media Continuous interaction through procurement	Continuous discussion and improvements on service standards and requirements Sustainable working relationship Ethical conduct
Community development	Media Direct contact	Compliance with laws and regulations of the country and the industry Employment generation
Government and Regulators	Media Direct contact	Compliance with laws and regulations of the country and the industry Employment generation
Financial institutions	Media Direct contact	Ethical conduct Pollution prevention Economic development



## BROADEST PORTFOLIO OF SERVICES

AITKEN SPENCE IS SRI LANKA'S LARGEST SERVICE PROVIDER WITH A TRACK RECORD OF SUPERIOR PERFORMANCE AND PIONEERING SERVICES IN MONEY TRANSFER AND INSURANCE. OUR INSURANCE ARM REPRESENTS LEADING INSURERS AND MANAGES OUR INSURANCE OPERATIONS IN SRI LANKA.

## SECTOR REVIEW: SERVICES

**“The East and South East Asian markets along with Canada and the Middle East hold the greatest future potential for the sector and as such, we have implemented many initiatives within remittance originating countries, including the placement of our resources in selected corridors in the regions.”**

During the year, the sector consolidated its relationship with the People's Insurance of China and developed a new combined surveys and claims settlement process in engagement with them.

The Aitken Spence advantage has always been its position as the only company offering the entire range of insurance related services, including analysis, tallying, and hull and machinery surveys. Increased involvement in infrastructure projects, insurance inspections, and capitalising on the growing opportunities in pre-insurance valuations are slated to be the way forward. The segment's existing skill and resource base can be extended to offer services such as investigations on companies, deaths, thefts and medical claims, which have the potential to be new sources of revenue and value addition in the future.

### Strengths:

- Capability to offer the entire gamut of insurance related services
- The backing of international partners such as Lloyd's of London, with a relationship of over 150 years and the People's Insurance Company of China
- Management expertise

### Opportunities:

- Business propositions arising from the opening of the new international airport and the port at Hambantota.
- Infrastructure development undertaken by the Government
- Increasing awareness that is among countries in the region to have standardised inspection procedures

### Challenges:

- Envisaged new regulations in the Maldives to be implemented by the Maldives Monetary Authority

- The competition from numerous individual surveying entities who compete through price at the cost of quality and professionalism
- Reduction of the inflow of foreign food aid from agencies such as WFP, in view of the completion of resettlement of IDP's

## ELEVATORS SEGMENT

It is encouraging that Sri Lanka's post-war boom in property development continues unabated resulting in the demand for elevators and escalators increasing. However, the market is saturated with over twelve suppliers. In such a price sensitive market, OTIS has been able to retain its position, due to our ability to provide reliable after sales and technical support for the customers who have placed orders with us. During the year, we were able to secure several prestigious contracts, amongst which was the installation of ten escalators and two elevators at the largest department store in Sri Lanka.

The segment's revenue increased by 7.7% and net profit before tax dropped marginally by 4.0% while maintenance revenues registered a 54% increase during the year, but were offset to a certain degree by a 47% decrease in repair revenues. The gross profit margin on installations has dropped to 10% from 35%. The operations in the Maldives registered a 41% increase in revenue.

OTIS installations today span the entire country, and we anticipate sustained demand as more international brands and multinationals consider investments in large scale projects in Sri Lanka. In order to cater to the service needs that would arise in future, the company is seeking to establish regional hubs to enable efficient maintenance and after sales support.



OTIS installations today span the entire country, and we anticipate sustained demand as more international brands and multinationals consider investments in large scale projects in Sri Lanka.



In the Maldives, OTIS recorded an increase in sales; however our core operations have been seriously affected by the imposition of Goods and Services Tax and Withholding tax during the year under review.

#### Strengths:

- OTIS brand image
- Installations across the country that are being efficiently maintained and serviced
- Advanced technology enabling a more compact elevator system which offers architects and designers greater flexibility in building designs

#### Opportunities:

- Pace of post-war development in the country
- The entry of top international hotel chains and property development companies to Sri Lanka
- Capability to offer greener solutions with energy saving and eco friendly options

#### Challenges:

- High-end product offered in a price-conscious market
- Lack of skilled labour with the required knowledge in construction and maintenance
- The volatility of the Rupee against major international currencies

### INWARD MONEY TRANSFER

MMBL Money Transfer (Pvt) Limited (MMBL), the largest principal agent for Western Union in Sri Lanka, grew at a healthy pace during the year, recording a net profit before tax growth of 56.9%. Revenue

registered a 16.6% growth year on year, led by an 7.4% increase in the number of transactions handled, due to competitive pricing and focused marketing. An 8.5% increase in revenue per transaction was recorded, partly due to a rupee depreciation during the first half of the year which was somewhat negated by the subsequent appreciation of the rupee in the latter half.

The segment benefited from a 16.3% growth in inward remittances to Sri Lanka which reached USD 6 Billion in 2012, with worker remittances contributing to the bulk of the total. While Sri Lanka witnessed increased labour migration under the higher paid professional and skilled category, the growth of inflows was also the result of the wider availability of formal remittance channels, including exchange house networks set up by the commercial banks. More migrant workers increased their remittances following fiscal incentives such as a five-year tax exemption on investments made by them in capital goods to commence new businesses.

While we acknowledge initiatives by the Central Bank and the Sri Lanka Bureau of Foreign Employment to educate migrant workers on the dangers of using illegal channels of money transfer, we note with concern the regularisation and regulation of illegal channels such as 'hawala' and 'undial' in key corridors such as Canada, UK and Western Europe. These principal grey channels of money transfer match the official channels in volumes, and their regularisation allows them to now use the local banking system for distribution of remittances. Our competitive space has also become more challenging, with many new players entering the market with more focused marketing overseas, especially by the local banks that also offer money transfer services.

## SECTOR REVIEW: SERVICES

**“MMBL continuously monitors service levels and end-customer service by carrying out random customer surveys to identify customer needs. In addition strict compliance standards are maintained with independent audits to ensure compliance of best practices and anti-money laundering initiatives.”**

During the year, we focused on expanding the MMBL retail network which currently has over 2,500 payout locations, the largest money transfer service network in Sri Lanka. We also enhanced service and efficiency levels of the network by encouraging sub-representatives to convert their operations from conventional phone and fax transmission to the internet. Our marketing structure has been strengthened, with emphasis on enhancing awareness and visibility whilst our marketing investment locally has been targeted towards recipients of inward money transfers.

The East and South East Asian markets along with Canada and the Middle East hold the greatest future potential for the sector and as such, we have implemented many initiatives within remittance originating countries, including the placement of our resources in selected corridors in the regions.

In the short term, the company will utilise its resources to consolidate its market leader position through focused sales and marketing activities. In the medium term the company will strengthen its core product (Western Union) through value addition, towards reaching its long term goal of becoming the preferred financial services company in Sri Lanka.

### MMBL

#### Strengths:

- **The largest and most wide spread retail network of over 2,500 distribution agents in Sri Lanka**
- **Strategic presence and activities in selected market corridors**

- **Our principal Western Union Global network, being the largest and the most recognised global network in the world.**

#### Opportunities:

- **Growing population of skilled migrant workers with higher earnings**
- **Offer of fiscal incentives for migrant workers to invest in capital goods in Sri Lanka**
- **Emergence of new labour markets for Sri Lankan migrant workers**

#### Challenges:

- **Low entry barriers resulting in increased number of players in the market**
- **Regularisation of certain informal channels in some countries where remittances originate**
- **Competition posed by established banks with wide networks of branches**

### INFORMATION TECHNOLOGY

The Information technology segment which is in its infancy, has been building up a customer base in its drive to penetrate the market. Negotiations are ongoing with several key clients and we are positive about the vast potential of this segment.

The strong product development expertise offered by the segment has resulted in locally developed software that compares favourably with expensive internationally developed software with the marketability and acceptance of internally developed plantation sector ERP showing positive results.

As an Oracle Gold level partner, the segment has undertaken several Oracle ERP installations which will be rolled out during the coming year. Our appointment as an Oracle University Approved Education Reseller Partner and training centre is also gaining traction and we are in discussions to partner several organisations in Oracle training in 2013/14.

#### Strengths:

- **Goodwill created in the market as a result of effective delivery**
- **Intellectual Property ownership for the ERP systems for Plantation Companies**
- **Certified/ own resources which could be used to cater to a diverse range of IT solutions**

#### Opportunities:

- **Lack of a comprehensive ERP solution for the plantations sector in the country**
- **Competitive advantage due to use of locally developed resources**

#### Challenges:

- **Aggressive pricing strategies of competitors**
- **Still perceived as a young company in the market**
- **Lack of trained /readily available resources in the industry**

### PROPERTY MANAGEMENT SEGMENT

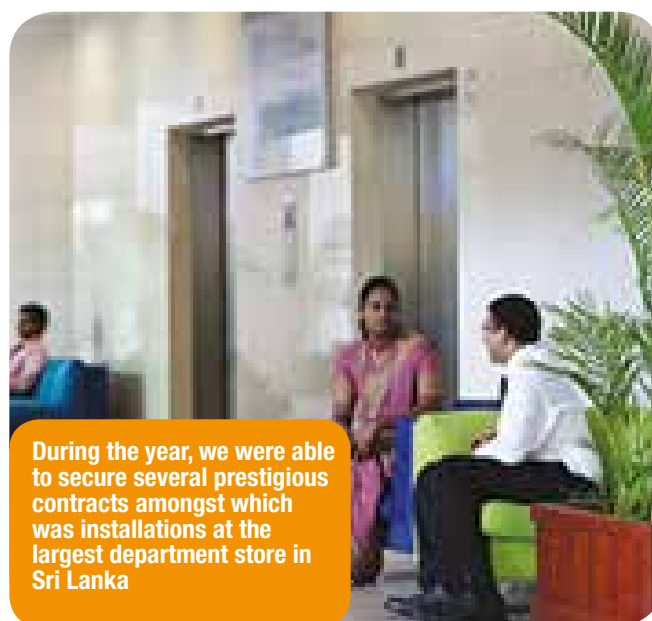
The property segment, which owns and manages the Aitken Spence Towers at Vauxhall street, recorded year on year increases of 9.8% in revenue and 13.5% in net profit before tax, as a result of an increase in rental income from tenants.

During the year, the segment invested Rs. 250 million in the completion of the Tower II with the construction of a spacious contemporary lobby area and also installed two additional observation elevators, to ease congestion during peak hours.

The building currently enjoys 100% occupancy, with several group companies sharing the space with other prestigious corporate clients. The segment evaluated the rates prevalent in the rental market and in light of the state of the art facilities provided increased rates during the year to be in line with the market, which positively influenced our revenue.

The segment is facing mounting pressure from external variables such as high costs of energy and maintenance. Therefore it is fortunate that the green features of the building and sustainability policies would have an overall cost benefit in the long-term.

Modern environmentally friendly design features have been incorporated into the building, including wet and dry garbage disposal, rain water harvesting, C- Bar (lighting system) for efficient control of lights within the entire building during day and night, energy efficient equipment for lighting and air conditioning, to mention a few. The



**During the year, we were able to secure several prestigious contracts amongst which was installations at the largest department store in Sri Lanka**

segment takes regular control measures to ensure that the current procedures and processes are continued and sustained, while also ensuring occupational health and safety by carrying out routine training programmes for maintenance staff and tenants.

### Retirement Community

Aitken Spence has embarked on a pioneering effort in Sri Lanka to build and manage a retirement community. The Company has partnered with two respected American investors via a joint venture entity, which has purchased 30 acres of land in Negombo. A renowned architect has been engaged as the design consultant for the project. It is envisaged to construct 140 luxury villas in a picturesque environment catering to retirees who would expect an extremely high level of service and comfort.

The company is of the view that the ageing populations in Sri Lanka and the Western nations create a growing market for such products and services. Until now this segment has not been focused on in Sri Lanka which the company considers a potential growth segment. The company is at present establishing the marketing and distribution channels in key targeted countries and will be embarking on a major marketing campaign both in Sri Lanka and in key Western nations with a significant Sri Lankan migrant population.

### MANAGEMENT APPROACH FOR ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The integrated sustainability policy and its implementation framework have been introduced across the sector, therefore the companies have Environmental Management Systems (EMSs), occupational health and safety hazard identification and control measures, human rights focal points and human resource partners in place to maintain the different systems that ensure environmental and social sustainability.

## SECTOR REVIEW: SERVICES

**“The Property Management segment completed our Head Office - Aitken Spence Tower II - at Vauxhall Street, with the construction of a contemporary new lobby and the addition of more passenger elevators. The company has also attracted several prestigious corporate clients to lease office space at Towers, thereby achieving 100% utilisation of the space.”**

Many of the companies within the sector have specific operational systems formulated under the guidance and standards of their overseas principals; which includes OTIS procedures for the operation and maintenance of elevators.

### Local Community Engagement

The diverse supply requirements of the sector make it difficult to implement a blanket local purchasing policy; but wherever possible, companies ensure supplies are purchased from local suppliers. The sector has several examples of working with local entrepreneurs, such as extending assistance to MMBL's network of Business Development Officers (BDO) and their 2,500+ locations, which enable financial access to rural communities through an environmentally and socially sustainable process. Many of these BDOs make the MMBL service available in their villages via rural banks, multipurpose cooperative societies and certain Sanasa societies as well. Our money transfer service provides a safe and reliable option to local families as well as small entrepreneurs, who are often at low income levels.

### Accessibility and Safety

An audit was conducted in 2011 with a recognised organisation to identify how the Aitken Spence Tower I which was built in 1995, may become more accessible to differently abled persons and the organisation is currently in the process of implementing some of the identified improvements. The facilities are already available in the Tower II which was completed in 2010.

Aitken Spence Property Developments Ltd., (ASPDL) employs one staff member with physical disabilities and Elevators (Pvt) Limited employs

one person with vision impairment. Both companies have made a concerted effort to render the working environment more accessible and comfortable for these employees.

The car park was demarcated to allow pedestrians to walk freely, and more signage was included to inform drivers to maintain low speed limits. Three accidents were reported from the car park area during the year and the company hopes to ensure there are zero accidents by evaluating safety procedures in the building and its car parks, together with emergency evacuation procedures. A new action plan to be followed, in the event of an emergency is being drafted for implementation in 2013/2014.

### Environment

Aitken Spence Property Developments (Pvt) Ltd., (ASPDL) maintains a Building Management System (BMS) and continually takes effort to improve the building conditions for its tenants, who include the Aitken Spence companies. The Aitken Spence Towers building design incorporates many green features which together with efficiency improvements and interventions by tenants have enabled significant sustainability achievements.

Performance Data for the Segment	
Total energy consumption in the segment	9,221GJ
Total GHG emissions	1,833.6 tonnes
Total water withdrawal in the segment	41,054 m <sup>3</sup>
Total grey water reused	121.7 m <sup>3</sup>
Total amount of paper and cardboard recycled from Aitken Spence Towers	15,397 kg



**The company's customer service ethos focuses on providing the right information to customers the first time, and being proactive in the identification and resolution of technical problems and customer concerns.**

All waste water is passed through a grease filter before it is discharged to the urban sewerage system. The segment is taking steps to increase the tree cover around the building by planting trees around the premises and in the atrium.

Nine staff members were trained on ISO 14001 standard requirements for the environmental management system of the building premises and on how to prevent pollution in the Beira Lake. Another training programme was conducted for the externally sourced janitorial and security staff members on the activities required to maintain the EMS as well as hazard spotting and control activities, as per the Occupational Health & Safety (OHS) procedures.

Chemicals used for janitorial purposes have been replaced with biodegradable options while other waste streams are segregated for proper disposal. The company is currently working on revising the waste management procedure for the building in order to streamline the environmental friendly disposal of all waste.

To support the efforts of the EMS many of the companies occupying the building uses a "switching off policy" and make uses of natural lighting during the day as much as possible. In order to reduce energy consumption and maintenance cost for the clients from the products sold by Elevators (Pvt) Ltd, the company promotes OTIS Elevators with regenerative drives, compact machines and unlubricated models. The OTIS Gen 2 REGEN type elevator system is upto 50% more energy efficient than conventional systems, enabling developers and owners to manage their building more economically.

The company gives priority to educating employees on the efficient use of fuel and lubricants for maintenance operations, and the proper disposal of toxic waste. A number of audits have been conducted by the team to identify energy and resource usage. It was also found that the volume of oil and cotton used in maintenance operations had reduced simply because the staff were educated on the need for reducing their harmful impact on the environment. Elevators (Pvt) Ltd. has also implemented the 7R principles and a sustainability policy. The immediate effects of the principles include optimising natural light; reducing the use of electricity by introducing T-5 type energy efficient fluorescent lamps powered by modern electronic ballast;

reusing paper and recycling waste paper; reclaiming batteries for safe disposal; repairing computers by upgrading RAM to improve performance; replacing the drive systems in elevators with energy efficient options and recycling of batteries.

MMBL launched a project in the previous financial year to reduce paper usage by about 80% through maintaining documents on digital formats. The first stage involved digitising front office operations and was completed successfully. The second stage integrates the solution with the existing oracle system which will involve an investment of around Rs. 2.5 to 3 million. The project is due for completion in 2013/14. Efforts were also taken by the staff to reduce energy consumption within the office premises; while energy consumed at Vauxhall Street and Colpetty offices remained the same, the Kurunegala office experienced an increased of about 25% in consumption due to the installation of 2 new lit sign boards for branding activities carried out at the venue; which were essential due to the high competition in the area.

## Customer Engagement

Elevators (Pvt) Ltd. developed a sales automation system to handle customer inquiries and its sales procedure with less resources, whilst significantly improving response time. The company's customer service ethos focuses on providing the right information to customers the first time, and being proactive in the identification and resolution of technical problems and customer concerns.

MMBL continuously monitors service levels and end-customer service by carrying out random customer surveys to identify customer needs. In addition strict compliance standards are maintained with independent audits to ensure compliance of best practices and anti-money laundering initiatives. Extending their services to the communities further, the company took on the task of educating prospective migrant workers and their beneficiaries (dependents) on the importance of using legal channels to transfer foreign remittance. While the financial literacy workshops conducted by MMBL staff members focus on the risks of using the many illegal and informal channels, they are also a source of attracting more customers. Training programmes have been conducted at the Sri Lanka Bureau of Foreign

## SECTOR REVIEW: SERVICES



### **SIGNIFICANT SUSTAINABILITY ACHIEVEMENTS**

THE AITKEN SPENCE TOWERS BUILDING DESIGN INCORPORATES MANY GREEN FEATURES WHICH TOGETHER WITH EFFICIENCY IMPROVEMENTS AND INTERVENTIONS BY TENANTS HAVE ENABLED SIGNIFICANT SUSTAINABILITY ACHIEVEMENTS.





Employment training centres for migrant workers as well as their families present so that the entire process of foreign remittance is not an alien concept to them. MMBL hopes to align the service with a mobile solution and is working with the principals to obtain the necessary approvals and arrangements. Across the sector, sustainability driven projects are evaluated by the senior management and expected outcomes have been successfully met in all projects.

# Financial Review

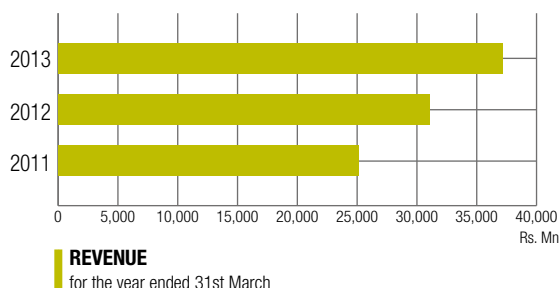
## CONSOLIDATED GROUP PERFORMANCE

The financial year 2012/13 posed considerable challenges to the business sector in Sri Lanka. A tight monetary policy was practiced by the Central Bank in order to contain inflation, and consequently interest rates moved up significantly increasing the borrowing costs of corporates such as Aitken Spence. Rising operating costs resulting from increased energy prices narrowed margins, while the strengthening of the Rupee impacted export revenues and proceeds from sales denominated in foreign currency. Despite the growth in the number of tourist arrivals to Sri Lanka average occupancies in the star class resorts remained flat mainly due to the majority of the visitors preferring to patronise inexpensive but unrated guest houses and smaller hotels.

Tourist arrivals from key western markets remained stagnant due to the continuing recession in Europe and the price competition from popular East Asian tourist destinations. Weakened financial strength of the state electricity monopoly adversely impacted independent power producers. In this challenging environment, the Aitken Spence Group performed creditably to achieve growth in a majority of the business sectors it operates in while taking significant strides in several overseas markets to develop new opportunities.

## GROUP REVENUE

The Group reported consolidated a revenue of Rs. 37.1 billion (net of the share of revenues of equity-accounted investees) during the financial year 2012/13 which was a growth of 19.7% from the previous year. Main contributions to the revenue came from the Strategic Investments and Tourism sectors with revenues of Rs. 16.8 billion (23.4% YoY growth excluding equity-accounted investees) and Rs. 14.1 billion (24.9% YoY growth) respectively. The Group revenue from domestic operations was Rs. 27.9 billion which was a 75.1% share of the total revenue whilst the balance was contributed by overseas operations.



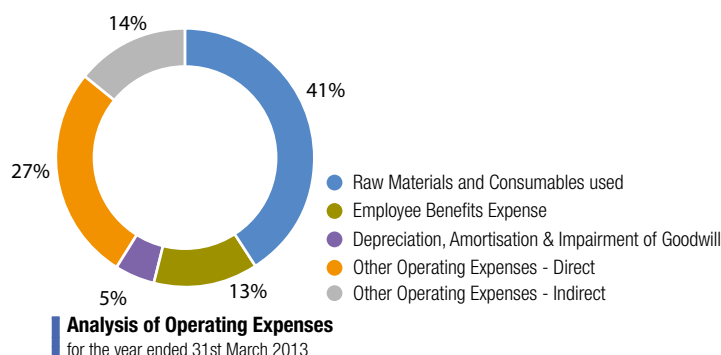
The revenue increase in the Strategic Investments sector was mainly the result of increased prices of heavy furnace oil which is a pass through for the power generation segment and the 100 MW power plant in Embilipitiya recording a full year of operations whereas in the previous year the plant was non operational for four months for technical reasons. The Tourism Sector achieved a commendable growth in revenues owing to the increased tourist arrivals and the resulting occupancy increases.

## GROUP PROFITABILITY AND OPERATING COSTS

The Group reported a marginal growth in operating profit during the financial year 2012/13. The consolidated profit from operations or Earnings Before Interest and Tax (EBIT) was Rs. 5.5 billion (1.9% YoY growth) and the consolidated net profit after tax was Rs. 4.3 billion (4.1% YoY decline) of which Rs. 3.3 billion was attributable to the equity holders. The profit attributable to the equity holders was a marginal 6.3% decline over the previous year.

The marginal decline in the profitability was due to the non-recurring capital gain the Group reported in the previous financial year. Without the distortion caused by this capital gain, the profit from operations grew by 14.4% and the profit attributable to the equity holders increased by 12.8% during the year. Due to the same reason the other operating incomes reported by the Group as well as all the operating ratios also have shown declines from the previous financial year although the Group has achieved a significant growth on its core operations

The Group's operating profit margin decreased from 17.4% in the previous financial year (unadjusted for the non-recurring capital gain) to 14.8% during the financial year 2012/13.



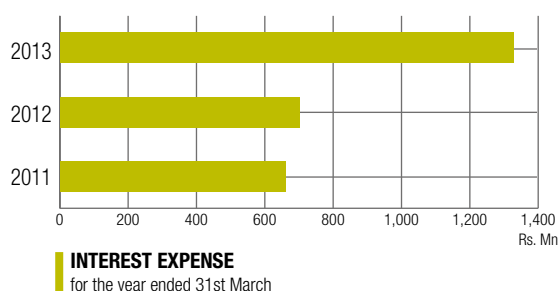
The Group's total operating costs amounted to Rs. 31.1 billion for the year, being 85.0% of the Group net revenue. This is in comparison to Rs. 26.2 billion recorded as Group operating cost in the previous

financial year, which amounted to 85.9% of net revenue. The increase in the total operating cost was Rs. 4.9 billion in the financial year under review, which was an increase of 18.6% compared with the previous year. The increase in operating costs was primarily due to the 23.3% increase in raw materials and consumables used in operations which amounted to 41.5% of the total operating costs. The total expense incurred for raw materials and consumables was Rs. 12.9 billion (Rs. 10.5 billion in the previous financial year). The higher cost of heavy furnace oil used in thermal power generation was one of the main reasons for the increase in raw materials and consumables.

Other direct operating expenses increased by 19.3% during the year. The total direct operating expenses amounted to Rs. 8.4 billion (Rs. 7.0 billion in the previous financial year). Depreciation and amortisation expenses also increased by 24.7% during the financial year and the expense amounted to Rs. 1.4 billion (Rs. 1.1 billion in the previous financial year).

## FINANCING COSTS AND THE INTEREST COVER

The rise in interest rates during the financial year 2012/13 had a significant impact on both the finance income and expenses of the Group. During the year the Group maintained a net borrowing position and therefore the total finance expense was more than the finance income. The net financing expense of the Group amounted to Rs. 683.0 million during the financial year under review in comparison with Rs. 304.5 million in the previous financial year (124.3% increase YoY).



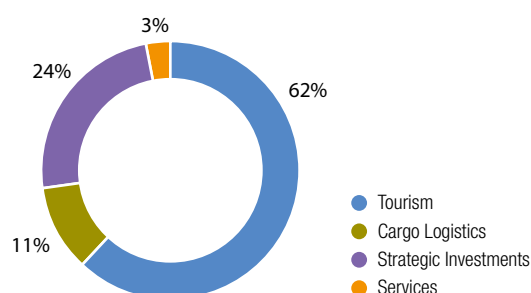
The total finance income during the year was Rs. 760.9 million which was a 61.4% increase over the previous year (Rs. 471.4 million). During the year the Group invested its surplus funds arising from the mismatch in borrowing and investment timings in government securities and bank deposits thereby benefitting from the rise in interest rates. However, the steep increase in lending rates during the year resulted in the Group's average borrowing rates rising and, as a consequence, the total finance expense for the year amounted to

Rs. 1.4 billion recording an increase of 86.1% in comparison with the previous financial year. The total finance expense was also impacted due to the increase in borrowings in the Tourism sector particularly for the Maldives resorts and the Strategic Investments sector for the investments in the printing facility and for the investment in the power segment.

The interest cover, which is an indication of the cash available to meet interest payment obligations of the Group was a very healthy 9.5 times.

## SECTOR REVENUE AND PROFITABILITY

Performances of the four business Sectors of the Group are discussed in detail under the Sector Review in the Management Discussion and Analysis.



**SECTOR OPERATING PROFIT**  
for the year ended 31st March 2013

### Tourism Sector

During the financial year 2012/13 the Tourism sector of the Group reported a 24.9 % growth in revenue to Rs. 14.1 billion whilst recording a 31.0 % increase in profit from operations to Rs. 3.4 billion. The profitability was favourably impacted by increased occupancies, room rates and improved operational efficiencies as a result of innovative strategies implemented by the sector.

### Cargo Logistics Sector

The Cargo Logistics sector reported a 1.4% growth in revenue to Rs. 5.7 billion while profit from operations decreased by 31.1% to Rs. 586.6 million during the financial year 2012/13. The decline in the profitability mirrored the slow down in the import export trade of the country and due to the conclusion of the port management contract in the African continent.

## FINANCIAL REVIEW

### Strategic Investments Sector

The Strategic Investments sector reported a 23.4 % increase in revenue and a 25.1% decline in profit from operations during the financial year under review. The revenue and the profit from operations reported by the sector were Rs. 16.8 billion and Rs. 1.3 billion respectively. The decline in the sector profitability was due to the capital gains recorded on the sale of shares in Colombo International Container Terminals Ltd the previous year.

### Services Sector

The Services sector, which comprises of the Group's service based operations, reported revenues of Rs. 537.4 million during the year under review, which is an increase of 11.4% over the previous financial year. The profit from operations of the sector decreased marginally by 3.5% during the financial year 2012/13 to Rs. 148.5 million.

### Share of Profits from Equity-Accounted Investees

The share of profits from equity-accounted investees increased by 111.1% over the previous year to Rs. 181.5 million, mainly due to the contribution made by Elpitiya Plantations PLC. High prices obtained for tea and oil palm during the financial year resulted in the plantations sector reporting a much improved profitability.

### Taxation

The Group's provision for taxation for the financial year 2012/13 was Rs. 747.2 million which was a marginal increase of 0.1% from the previous year (2011/12 – Rs. 746.1 million). The income tax charge for the year was Rs. 645.3 million which is a 17.5% increase over the previous financial year. The Income tax of the Group increased mainly due to the increase in tax rates for Group Companies in Sri Lanka and the full years effect of the Business Profit tax in the Maldives. Business Profit Tax (BPT) introduced in July 2011 in the Republic of Maldives had its full effect during the current financial year which led to an increase of 61.1% in income tax charge for the year.

The income tax liability arising from the Sri Lankan operations increased by 37.8% during the year mainly due to the increase in the tax rate of small companies belonging to the Group. The above increase in income tax was to some extent mitigated by the tax concessions granted to Companies within the Group which were expanding their business operations. The Group observed a significant decline in taxes in the Cargo Logistics sector due to the expiration of port management contracts in the African region.

The dividend tax for the financial year under review was Rs. 68.2 million which is a 26.6% decrease from the previous financial year. The decrease in dividend tax was a result of the reduction in dividends

received from power sector companies of the Group. The deferred tax charge for the financial year was Rs. 60.9 million, against Rs. 93.9 million in the previous financial year. The deferred tax charged for the year was the effect of accelerated depreciation allowances and substantial utilisation of tax losses during the financial year. The Group's effective tax rate for the financial year was 14.9% compared to 14.4% in the previous year.

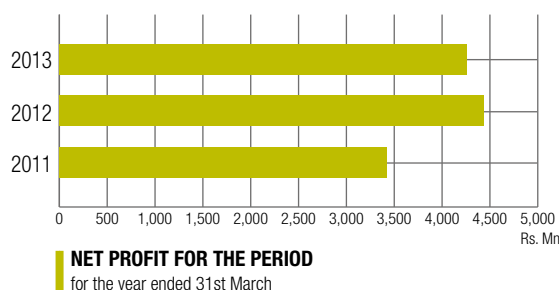
### NET PROFIT AND THE NET PROFIT MARGIN

The consolidated net profit after tax for the financial year 2012/13 was Rs. 4.3 billion. This was a marginal dip of 4.1% in comparison with the previous financial year before adjusting for the non-recurring capital gain recorded by the Group in that year. The consolidated net profit after tax shows a noteworthy 10.6% growth over the previous year when the non-recurring items are adjusted.

The main contributor to the growth in net profit after tax was the Tourism sector with a 30.8% increase. The net profit figure reported by the Tourism sector was Rs. 2.9 billion. The Services sector achieved a marginal growth of 4.4% with a net profit of Rs. 132.0 million while the Strategic Investments and Cargo Logistics sectors reported negative growths while reporting net profits of Rs. 780.2 million and Rs. 414.1 million respectively.

The Group's net profit margin was 11.5% for the financial year 2012/13 in comparison with the 14.3% margin in the previous financial year without adjusting for the non-recurring items (adjusted net profit margin for the financial year 2011/12 was 12.4%).

### NON CONTROLLING INTEREST (MINORITY INTEREST)



The non controlling interest increased marginally to Rs. 987.2 million (previous financial year Rs. 949.6 million) by 4.0%. The share of profits of the non controlling interest in the Tourism sector had a considerable increase which was off-set by the lower profitability of the Strategic Investments sector resulting in a marginal net increase at a consolidated level.

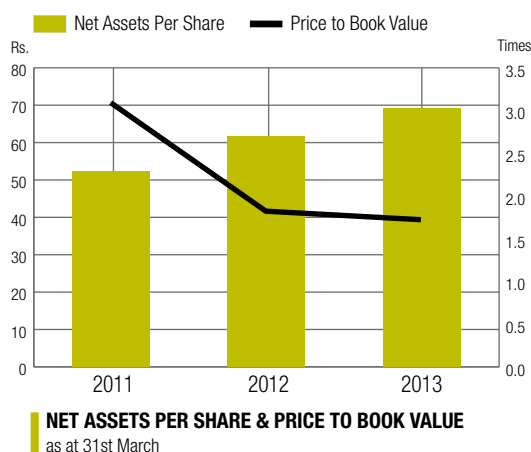
## PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS

The profit attributable to the equity holders for the financial year 2012/13 was Rs. 3.3 billion in comparison with the Rs. 3.5 billion reported for the previous financial year. It must be noted that this 6.3% decline is due to the non-recurring capital gain the Group reported in the previous financial year. After adjusting for non-recurring items the profit attributable to the equity holders for 2012/13 is 12.8% higher than for the previous financial year.

## TOTAL ASSETS AND NET ASSETS PER SHARE

The total assets of the Group were Rs. 56.2 billion at the reporting date. This was an increase of 10.1% compared to the previous year. Property, plant and equipment was the main component with a value of Rs. 24.0 billion (previous year Rs. 22.6 billion) comprising of 42.8% of the total assets as at the end of the year.

The net assets per share of the Group was Rs. 69.10 at the end of the financial year 2012/13. This was a 11.5% increase over the net assets per share of Rs. 61.96 at the end of the previous financial year. The Price to Book Value (PBV) of the Group was 1.73 times compared to Price to Book Value ratio of 1.82 times at the end of the last financial year. This decline was due to proportional increase of the net assets per share being higher than the proportional increase of the market price per share.



## LIQUIDITY

The liquidity position of the Group remained strong with the working capital increasing to Rs. 6.8 billion at the end of the financial year under review from Rs. 4.0 billion in the previous financial year. The current ratio improved to 1.44 from 1.27 in the previous year while the quick asset ratio increased to 1.32 from 1.15 in the previous year.

## TOTAL ASSETS TURNOVER

The total asset turnover ratio of the Group was 0.69 times for the financial year under review and was a marginal increase from the previous financial year. 42.9% of the Group's total assets are invested in the Tourism sector while 41.3% is invested in the Strategic Investments sector. 10.4% and 5.4% are invested in the Cargo Logistics and Services sectors respectively.

## CAPITAL EXPENDITURE

The Group invested a total of Rs. 2.7 billion in non-current assets during the financial year under review which is a 42.5% decrease over the previous financial year. The total value of the property, plant and equipment held by the Group was Rs. 24.0 billion while the total non-current assets amounted to Rs. 33.7 billion at the end of the financial year. The substantial investments were in Tourism sector for Rs. 1.4 billion while the Strategic Investments sector attracted Rs. 771.2 million mainly in the renewable energy projects and the new printing facility. Out of the total non-current assets Rs. 16.4 billion was in the Tourism sector out of which Rs. 12.1 billion (74.2%) was categorised as property, plant and equipment while Rs. 10.7 billion was in the Strategic Investments sector. Cargo Logistics and Services sectors had non-current assets to the value of Rs. 3.6 billion and Rs. 2.6 billion.

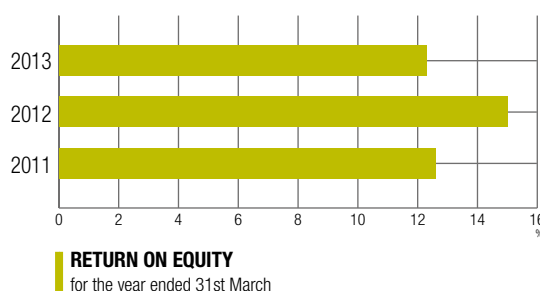
## RETURN ON EQUITY

The Group recorded a return on equity of 12.3% for the financial year under review compared to 15.0% reported in the previous year. The return on equity reported for the financial year 2011/12 was calculated by including the non-recurring capital gain recorded during the year and upon adjustment amounts to 12.5%.

## SHAREHOLDER RETURNS

### Earnings per Share

The Group reported earnings per share of Rs. 8.05 for the financial year under review. The earnings per share of Rs. 8.59 reported for

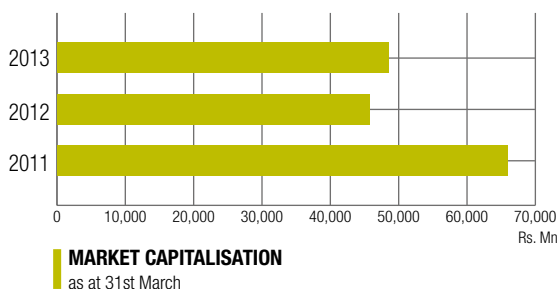


## FINANCIAL REVIEW

the previous financial year was inclusive of the non-recurring capital gain the Group recorded during the year. The earnings per share for the financial year 2011/12 on recurring earnings was Rs. 7.14. The Group's earnings per share growth on recurring earnings was 12.8% for the financial year 2012/13.

### Market Price per Share and Market Capitalisation

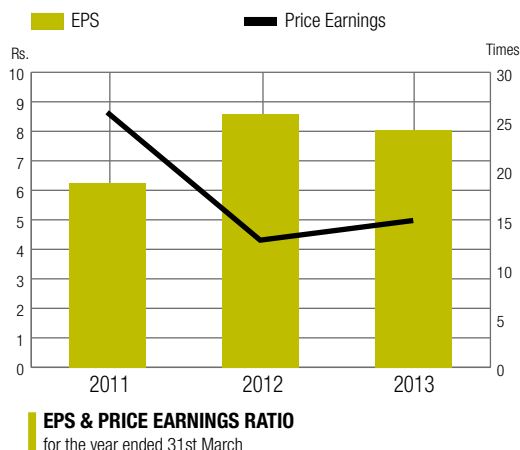
The market price of the company's share was Rs. 119.60 at the end of the financial year 2012/13, compared to Rs. 112.70 at the end of the previous financial year, an increase of 6.1%. The lowest price at which the share traded during the year under review was Rs 100.00 whilst the highest traded price was Rs 136.30. The total value of the shares traded during the year amounted to Rs 15.4 billion. The market capitalisation of Aitken Spence PLC was Rs 48.6 billion at the end of the financial year which was 2.2% of the total market capitalisation of



the Colombo Stock Exchange.

### Price Earnings Ratio

The price earnings ratio of the company at the end of the financial year 2012/13 was 14.9 times compared to 13.1 times at the end of the previous financial year. The market price earnings ratio was 15.5 times at the end of the financial year and the company's multiple was at a 5.2% discount to the market multiple.



### Dividends per Share

The Board is recommending a first and final dividend payment of Rs 1.50 for the financial year, a 7.1% increase over the previous financial year.

### Total Shareholder Returns

The total shareholder returns was 7.5% for the financial year 2012/13 compared to a negative 29.7% in the previous year. During the same period, the All Share Price Index of the Colombo Stock Exchange appreciated by 6.2%. The Group's three year compounded total shareholder return is 10.5%.

## TREASURY OPERATIONS

### Interest Rate and Cash Management

The weighted average yields for treasury bills of all three denominations gradually increased during the first few months of the year, peaking in September. The 12-month treasury bill weighted average yield was 11.32% at the beginning of the financial year; peaked at 13.30% and moved down ending the year at 11.35%. A similar trend was witnessed across 3-month and 6-month durations and the year end yields were 9.26% and 10.25% respectively.

The inflation as measured by the Colombo Consumer's Price Index decelerated as a result of the tight monetary policy maintained by the authorities and by the end of the financial year decreased to 7.5% on a year-on-year basis. With the inflation being maintained at low levels the Central Bank effected a 25 basis point cut in policy rates in December 2012 and the Repurchase rate and the Reverse Repurchase rate were revised to 7.50% and 9.50% respectively. The revision of policy rates were aimed at stimulating the economy which showed signs of slowdown with the declines in both imports and exports during the year. Further cuts in policy rates were witnessed in May 2013 with the rates being revised by 50 basis points.

Despite the measures taken to stimulate the economy by making borrowing costs more affordable the Average Weighted Prime Lending Rate (AWPLR) continued to move northwards. The AWPLR was 12.65% at the beginning of the financial year and reached a high of 14.42% in March 2013. High borrowing costs made the investment climate difficult for most companies. The Group treasury closely monitors the funding costs across all the business sectors of Aitken Spence and negotiates with lenders to ensure that the borrowing terms are acceptable. The treasury also manages the liquidity of the Group in order to ensure the efficient utilisation of monetary resources. The liquidity management is facilitated through the internal matching of borrowing and lending positions of strategic business units of the Group. Excess funds are invested in highest yielding instruments and

the maturities are managed to ensure that sufficient working capital is available for regular business activities. The treasury also makes use of arbitrage opportunities available in the market, based on appropriate yield curve positioning combined with vigilant and relentless monitoring of money markets. During the financial year the Group's funding costs largely remained below AWPLR due to favourable borrowing terms and the prudent management of liquidity by the Group treasury.

The Group's cash and short term deposits increased by 1.9% to Rs 2.2 billion in the financial year 2012/13, from Rs 2.1 billion in the previous financial year. Net finance expenses increased to Rs 683.0 million, from Rs 304.5 million in financial year 2011/12 as a result of the increase in average borrowing costs and the increased utilisation of approved facilities.

The treasury makes use of electronic banking facilities provided by a number of international banks in its cash management process. Majority of the Group companies are linked to cash management platforms of major international banks thereby facilitating the monitoring and funds transfer aspects of treasury operations. The Group works closely with many banks, both domestic and international, and has obtained financing facilities on competitive terms. Aitken Spence PLC., possessed clean borrowing facilities in excess of Rs. 4 billion at the end of the financial year 2012/13 which could be drawn and utilised with short-notice to fund investments and working capital requirements.

During the financial year 2012/13, the Group concluded its negotiations with a major European development funding agency to obtain a foreign currency denominated term loan which would be utilised to fund equity investments of the holding company in various projects. It is expected that the Group's overall borrowing costs would be favourably impacted by the utilisation of this facility in the coming financial year.

### Foreign Exchange Management

The Rupee remained somewhat volatile during the first few months of the financial year 2012/13 but began to strengthen in December 2012. The appreciation continued up to the end of the financial year with the US Dollar to Rupee exchange rate reaching 126.85 by end March. The strengthening of the Rupee which occurred despite the negative growth in exports was primarily due to the increased inward remittances from expatriate workers, higher income generated by the tourism sector and the issue of US Dollar bonds by both the government and the private sector.

The Aitken Spence Group is a net foreign exchange earner. The treasury continued with its foreign exchange management activities of the Group during the year and ensured that strategic business units were kept abreast of the latest developments in foreign exchange markets. The treasury also ensured that foreign exchange generating

Group companies, mainly those operating in travel, shipping and cargo sectors, obtained competitive rates for their conversions by closely monitoring the market movements. The treasury assists the inward remittance business of the Group by negotiating for best rates to convert inflows thereby enhancing the profitability of the operation.

During the year the Central Bank issued a number of directives aimed at liberalising foreign exchange transactions including the permission granted for those companies with foreign exchange earnings to open Foreign Exchange Earners Accounts (FEEA). Pursuant to these directives a number of foreign exchange generating companies in the Group have opened such accounts enabling them to receive and maintain balances in foreign currency.

### COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective 1st January 2012 Sri Lanka converged and adopted International Financial Reporting Standards and the Institute of Chartered Accountants having authority under the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 issued and enacted a new volume of Sri Lanka Accounting Standards which are applicable for accounting periods beginning on or after 1st January 2012. The new Sri Lanka Accounting standards comprise of accounting standards prefixed both SLFRS (corresponding to IFRS) and LKAS (Corresponding to IAS) and are commonly referred as SLFRS.

The Company and the Group successfully converged with the new standards effective 1st April 2012 and this is the first set of financial statements prepared for the Group under the new Sri Lanka Accounting Standards (SLFRSs/LKASs).

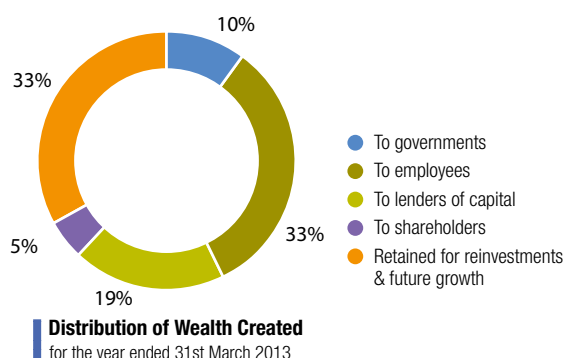
The Company and the Group were required to apply these standards retrospectively, with all adjustments pertaining to converging with the new standards adjusted to the Statement of Changes in Equity. The Company and the Group have adopted all applicable standards. As per the requirement of SLFRSs/LKASs three statements of Financial Position as at 1st April 2011, 31st March 2012 and 31st March 2013 have been reported in the financial statements of the Company and the Group.

Reconciliation is provided as note 50 which provides reconciliation and the notes between the reported profits under the previous Sri Lanka Accounting Standards and the new Sri Lanka Accounting Standards.

## FINANCIAL REVIEW

### STATEMENT OF VALUE ADDED

	2012/13	2011/12	2010/11	2009/10	2008/09
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Total revenue</b>	<b>37,139,927</b>	31,021,623	25,143,811	24,168,970	29,307,818
Purchase of goods and services	(25,807,077)	(21,575,034)	(15,947,674)	(15,700,541)	(21,862,281)
	<b>11,332,850</b>	9,446,589	9,196,137	8,468,429	7,445,537
Other operating and interest income	<b>773,395</b>	1,557,442	749,168	438,666	810,188
Share of profits of equity-accounted investees	<b>181,501</b>	85,983	95,304	19,102	(9,239)
<b>Total value added by the Group</b>	<b>12,287,746</b>	11,090,014	10,040,609	8,926,197	8,246,486
<b>Distributed as follows</b>					
To governments (income tax and revenue tax)	10% 1,280,817	11% 1,224,609	8% 802,155	8% 739,885	8% 635,783
To employees (salaries and other costs)	33% 3,997,179	32% 3,580,485	30% 3,055,354	29% 2,624,483	27% 2,216,935
To lenders of capital (interest on loan capital and minority interest)	19% 2,314,839	15% 1,651,768	15% 1,552,704	20% 1,829,540	25% 2,062,444
To shareholders (dividends)	5% 608,994	5% 568,394	4% 405,996	3% 270,664	3% 257,131
Retained for reinvestments and future growth (depreciation and retained profits)	33% 4,085,917	37% 4,064,758	43% 4,224,400	40% 3,461,625	37% 3,074,193
	<b>100% 12,287,746</b>	<b>100% 11,090,014</b>	<b>100% 10,040,609</b>	<b>100% 8,926,197</b>	<b>100% 8,246,486</b>



### Statement of Value Added

As an exemplary corporate citizen, Aitken Spence Group is aware of the responsibility it holds towards its stakeholders. Thus, the Group is continuously committed towards increasing the value generation through its activities and creating a positive impact on the Sri Lankan economy and the society. The consistent increase in wealth created by the Group over the years bears evidence of the strong commitment it has pledged.

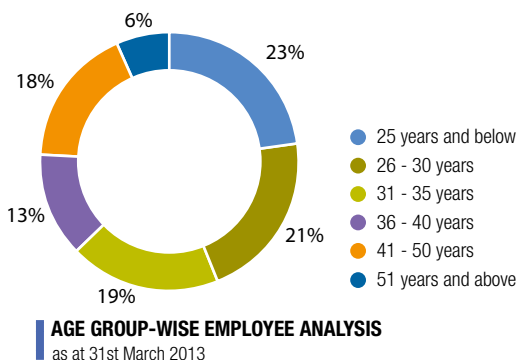
The value added statement indicates the value generated by the Group during the financial year and how it is appropriated. Through its operations during the year under review, the Aitken Spence Group created a total wealth of Rs. 12.3 billion, which is a 10.8 % increase over the previous year.

Employees of the Group received 32.5% of the value created, whilst 10.4% was distributed to government authorities as taxes. Rise in interest rates during the year under review resulted in a sizeable increase in the portion distributed to lenders of capital, which amounted to 18.8% of the total. The shareholders of the Group was allotted 5.0% in the form of dividends of the total value created and 33.3% was retained by the Group for future investments and working capital requirements.

# People and Culture

Effectively and meaningfully managing the “People and Culture” aspect of our Group is a priority for Aitken Spence, and has been identified as a material issue in our overall strategy. The strength of Aitken Spence lies in the skills and expertise of our 6,207 employees; we are aware to ensure the sustainable growth of the Group, we must create the right culture through talented, creative, results oriented and engaged employees. Our strategy therefore has focused on facilitating the unleashing of human potential by attracting the right talent, managing performance and providing them with the right tools.

We have achieved a good balance of the various parameters relating to our executives: 45% have served the Group for more than five years. The Group’s efforts to retain and motivate a strong pool of young executives have resulted in 18% of our managers being below 35 years.



The Group continuously evaluates its human resources policies and working environment as new generations of youth make their way onto the job market. The composition of our cadre has gradually shifted towards the younger generation – today, over one third of our executives are under 35 years of age. Retaining them depends on our ability to provide an inspiring and rewarding environment that can compete with their hunger for new experiences and their desire to explore the world on their own terms.

## THE GROUP’S HUMAN RESOURCES STRATEGY PIVOTS ON SEVEN PARAMETERS -

- Sustainable talent management
- Occupational health and safety
- Employee competency development
- Performance management
- Compliance
- Work life balance
- Diversity, human rights and employee relations

## SUSTAINABLE TALENT MANAGEMENT

The Group’s talent management strategy lays great emphasis on training the Group’s industry specialists and management categories through structured training as well as exposure to different training opportunities across businesses, in order to groom the next generation of leaders. The Group’s succession plan has identified successors for critical positions and performance management for this group includes providing the relevant and required motivators, as well as providing periodic and continuous feedback on performance.

The Group has a resource base of emerging young high performers to take over future leadership responsibilities and we recognise the importance of equipping them with globally competitive tools. As such, we have embarked on a project to send identified young leaders to internationally recognised institutions overseas to study novel leadership and management styles. Towards this end, a group of high potential employees across categories has been identified, and Group Human resources has tied up foreign institutions which cater to the specific requirements of each high potential individual.

## OCCUPATIONAL HEALTH AND SAFETY

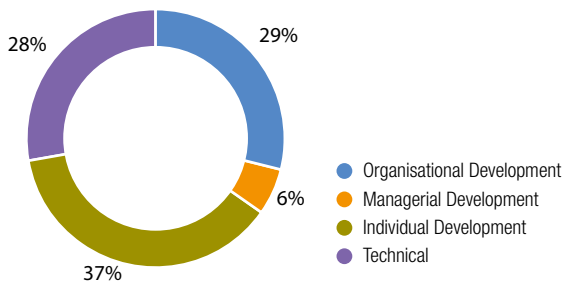
The Group’s proactive approach to occupational health and safety (OHS) has consistently been proactive, and over and above compliance. In businesses carrying high OHS-risk, formal systems are in place for continuous monitoring and improvement of existing practices. The current practices have enabled the Group to maintain a critical incident free working environment while no major lost workday incidents have been recorded for over five years.

## COMPETENCY DEVELOPMENT

The employee competency development strategy involves the provision of training opportunities designed to develop key competencies. The required competencies are identified through a training needs analysis which compare desired competencies against current levels.

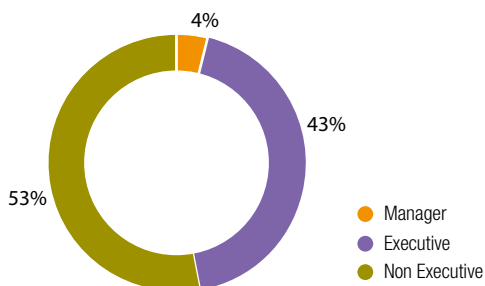
The quantum of training and development programmes conducted for employees of the Group saw a significant growth in 2012/13, with 9350 employees trained through 396 training programmes. The programmes covered technical areas and core competencies in interpersonal skills and managerial skills. In order to build a sustainable training and development culture within the Group, special focus was also given to the creation of suitably skilled internal trainers.

## PEOPLE AND CULTURE



**TYPES OF TRAINING**  
for the year ended 31st March 2013

The Aitken Spence School of Management was established during the year to extend a formal academic recognition to the structured training provided in-house. In future, relevant training programmes will be geared towards the awarding of certificates and diplomas that are externally recognised. Majority of the faculty will be trained resource personnel from Aitken Spence who have a wealth of industry experience.

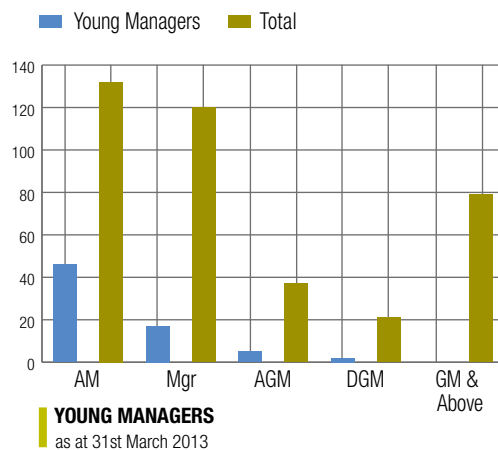


**EMPLOYEES TRAINED CATEGORY-WISE**  
for the year ended 31st March 2013



## PEOPLE MANAGEMENT STRUCTURE AT AITKEN SPENCE

The Group has a well structured framework for the management and development of our people and culture. Aitken Spence Human Resources was set up with the mandate to effectively manage this aspect by providing relevant and required motivators; periodic and continuous feedback on performance; development opportunities based on training need analysis; and ensuring an organisational climate which promotes care, safety, stability and contentment.



**YOUNG MANAGERS**  
as at 31st March 2013

For the Maldives segment a human resources committee was formed during the year comprising of a human resources executive from each Maldivian resort to encourage active participation, and speedy and effective decision making at all resorts. This enabled the management to focus further on fine tuning policies related to human resources and increase human resources related activities as well as streamline human resources procedures throughout the Maldivian resorts. All the resorts have a staff village. The human resources executives are also responsible for overall staff welfare.

A programme launched last year to develop the managers of the Maldives resorts continued this year, with intensive experiential content including managing productivity, developing subordinates, management and communication styles and team building exercises. The managerial level staff at in the Maldives resorts were also admitted to the management training programme (MTP) of Aitken Spence, which is considered to be the license to manage in the Group.

The Group's efforts at human resource management were recognised with a Silver Award at the HRM Awards 2012, organised by Human Resource Professionals (HRP). Aitken Spence was the only conglomerate to receive an award in this competition. We consider

this award a motivation to improve and continue the human resources initiatives of the Group.



The Group's efforts at human resource management were recognised with a Silver Award at the HRM Awards 2012, organised by Human Resource Professionals (HRP). Aitken Spence was the only conglomerate to receive an award in this competition. We consider this award a motivation to improve and continue the Human Resources initiatives of the Group.



### Employee Satisfaction Surveys

In order to obtain employee's direct feedback on the issues that affect them the most, human resources conducts annual employee satisfaction surveys with the results, concerns and feedback reported to the Board of Directors and Senior Management. Furthermore, we also use Exit Interviews with employees leaving the services of our organisation as a channel of obtaining feedback on company practices, workplace satisfaction and any other relevant details.

### Video of the Corporate Song

This year, we introduced the new corporate song video which has helped to enhance the corporate image and take forward the warm and friendly nature of the Aitken Spence employees.

### 6S and HR Competition

Since 2002, Aitken Spence human resources has been conducting an annual 6S Competition with the aim of maintaining and uplifting productivity standards. This year, in recognition of the role of good human resources practices in increasing productivity, we included an audit of human resources functions of each participating subsidiary into the competition. We hope this would further promote the championing human resources practices within the Group.

### Corporate Communication

Engagement with the internal and external stakeholders of Aitken Spence is driven by the Corporate Communication unit, which operates within Group human resources. Diverse mediums of communication in the form of articles, news releases, editorials, publications and other written communications are constantly developed to ensure that the brands and image of the organisation are well managed. Digital and social media platforms such as Facebook, Twitter, LinkedIn, YouTube and blogs are utilised in a proactive manner to cultivate engagement with the public and update them on the activities of the Group.

The Group's quarterly newsletter, 'Ace', continues to be one of the most effective ways of providing employees and customers with information of interest about overall Group events, awards, promotions etc. The Group's newsletter in Sinhala, 'Athwela', is published on a monthly basis covering all newsworthy articles, and is circulated via email to all employees; printouts are made available on the Human resources notice boards for those who do not have email access. The 'Knowledge Centre' which functions as the internal group blog, provides employees an opportunity to share information and interact with one another. On the blog, employees can also access all company notices and email announcements circulated through the years.

#### Strengths:

- Reputation as a preferred employer
- A credible history of compliance and responsible practices
- Leadership in key sectors of the economy

#### Offering to employees:

- Cross-functional exposure to group businesses
- Mentoring & coaching by foremost industry specialists
- Equal opportunity and above par benefits
- Good governance and corporate responsibility

#### Challenges:

- Shortage of suitably skilled staff
- Increasing migration overseas of professionals and skilled workers
- Attracting and adapting to the new age worker

### HR Benefits

A committee was appointed to review the policy on insuring employees, taking into consideration the increasing requirement for better insurance schemes. Consequently, the Group doubled the sum insured on the health policy for managers and executives with less than 10 years of service. Different rates were identified for increment

## PEOPLE AND CULTURE

for employees based on their categories and years of service while the policy on reimbursement for OPD treatment was also streamlined to ensure effective monitoring.

The Group also invested in the welfare of employees and their families, with special emphasis on worker community in the plantation sector. The contribution towards recreation and health was quadrupled, ensuring an organisational climate which promotes care, safety, stability and contentment. Employees are encouraged to have a work life balance. As part of our contribution, we have extended flexible working hours for those who work with overseas markets such as employees in the BPO, travel and tourism sectors. Also among the initiatives for the year was the introduction of a metered three-wheeler service in May 2012, which has proven to be a safe, cost effective, convenient and reliable transport option for employees.

### Work Life Balance

The Aitken Spence Human resources and Sports Club spearheads many of the activities – from sports and entertainment to employee volunteerism - designed to improve the work-life balance of our employees. This year's eventful calendar of employee engagement activities included the following:

- Different Strokes Children's Art Competition (employees' children) & Cookery Demonstration (for parents):
- Vesak Lantern Competition & Ice Cream Dansela
- Chillax Evenings
- Burn - A fitness initiative
- Sing-A-Long 2012:
- Sport-o-Rama 2012
- Memory enhancement programme for employees' children
- Spence Beach Bash
- Blood Donation Campaign
- Christmas Party 2012
- Spence Bowling Tournament
- Blood Donation Campaign
- Spence Talent Show 2013

The growing incidence of illnesses related to the lack of fitness and bad food habits is a potential risk to employee health and well-being. The Aitken Spence Sports Club promoted physical well-being by providing employees access to a gymnasium, swimming pool, aerobics lessons and nutritional guidance. The Annual Sports Day of the Group 'Sport-o-Rama' provides a platform for the sports talent within the group to be recognised, and to gain an opportunity to perform at

mercantile level. During the year under review, Aitken Spence was represented at the annual mercantile sporting tournaments for Cricket (MCA E Division), Swimming and Volleyball.

On the fitness front, the Group also organised "Burn", a campaign focusing on weight and fat loss, with the participation of 100 employees. The programme, the first of its kind in the Group, spanned a period of two months with weekly winners and overall winners being identified.

We recognise however that wellness goes beyond physical wellbeing and therefore organised several events that enabled employees, and their families to interact and socialise outside the daily work setting. Such programmes included the Memory Enhancement Programme conducted by Group Human resources, the Different Strokes Art Competition for the children of Aitken Spence employees, and the Christmas Carols 2012 which over 4000 employees and family members attended. From Spence Beach Bash to Bowling Tournaments and a Sing-A-Long, the programme line up is tailored to cater to the tastes and expectations of the diverse membership.

A new programme introduced during the year under review was the Spence Talent Show 2013, the first show of its nature at Aitken Spence. Organised with the aim of recognising the best vocalists within the Group, the search attracted 89 soloists and 10 duets for the competition from across the Group and was extremely well received among the entire staff.

Another key initiative that began during the year and which will continue on a monthly basis is "Chillax Evenings", a relaxed gathering hosted by subsidiaries at the Diamond Room at our Corporate Office. The evenings include light entertainment and refreshments together with a lucky draw and games has proven to be a popular mode for employees to enjoy the company of their colleagues and network with other SBU members. The Chillax Evenings was initiated by Aitken Spence Human resources in response to a suggestion from a member of the staff

# Governance & Leadership

## **GOVERNANCE MEANS:**

The Board is the highest governing authority in the Group and has ultimate responsibility for corporate governance. It appreciates that strategy, risk, performance and sustainability are inseparable and the Board is responsible for approving the strategic direction of the Group, which integrates these elements. The Board is governed by a charter that sets out the framework of its accountability, responsibility and duty to the Company.

**THE BOARD OF AITKEN SPENCE PLC IN PROMOTING AND SUPPORTING THE HIGHEST STANDARDS OF BUSINESS INTEGRITY, ETHICS AND CORPORATE GOVERNANCE, AND IN ADOPTING THE CODE OF GOVERNANCE PRINCIPLES, CONTINUED TO CONDUCT THE BUSINESS OF THE GROUP WITH PRUDENCE, TRANSPARENCY, INTEGRITY AND ACCOUNTABILITY, AND IS PLEASED TO DELIVER THIS INTEGRATED ANNUAL REPORT.**

# GOVERNANCE

# Governance Report

**ROBUST CORPORATE GOVERNANCE IS AN INTEGRAL COMPONENT OF THE STRUCTURES AND PROCESSES OF AITKEN SPENCE IN ITS CONTINUOUS TRANSFORMATION AS A VIBRANT, RAPIDLY EVOLVING AND DIVERSIFIED CONGLOMERATE THAT IT IS TODAY. WE AT AITKEN SPENCE TAKE PRIDE IN OUR LONG HISTORY OF BEING ONE OF THE BEST PERFORMING COMPANIES IN THE SOUTH ASIAN REGION BY DOING THE RIGHT THINGS, THE RIGHT WAY.**

2013 has been yet another dynamic year with the Company striving towards the formulation of an enhanced integrated report – an approach led by our business activities and governed by our sound corporate governance principles and practices. The effective execution of board decisions in accordance with the intentions of our stakeholders – inclusive of the efforts of all who contribute towards the achievement of both internal and external stakeholder goals of the Company, – is paramount in our commitment to achieve excellence.

This persistent commitment to being a Benchmark of Corporate Citizenship is realised through the leadership and collaboration of each and every individual across our group and its subsidiaries. We work collectively to conduct vigorous integration of plans and actions, resulting in a process that continuously challenges the status quo and that ensures, high standards of decision making, implementation, monitoring and reviewing, with appropriate remedial action and revision of decisions being applied where necessary – whilst simultaneously being dynamic and flexible with respect to the unpredictable micro and macroeconomic environment. In our quest for growth and harnessing of opportunities and developing a presence in key business areas across the globe via strategic synergies and partnerships, we strive to enhance long-term stakeholder value whilst perpetuating the highest standards of integrity, accountability, transparency and business ethics.

## **PASSION FOR EXCELLENCE: EVOLVING, OUTSTANDING PERFORMANCE, BEST TRUSTED, VALUE CREATION & FOCUSED**

Our actions are harnessed and sustained to drive a culture of continuous improvement in sustainability and eco efficiency whilst upholding the highest standards of corporate governance principles and practices as adopted by the Company, and as exemplified in this enhanced and integrated report. These principles and practices are drawn upon the jointly issued guidelines of the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and other Codes of Professional Institutes, Chambers of Commerce and Industry Associations.

## **THE BOARD**

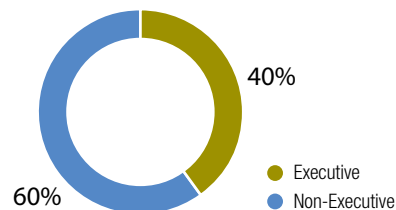
### **Board Balance and Independence**

Our Board consists of a Chairman, Deputy Chairman & Managing Director and eight other Directors, six of whom are Non-Executive Directors as outlined in table on page 112.

Mr. G. M. Perera who was a member of the Board resigned with effect from 31/12/2012.

Mr. C. R. De Silva P.C. was appointed to the Board as an Independent Non-Executive Director on 08/04/2013.

### **Balance of Executive and Non-Executive Directors**



As denoted in their profiles (pages 130 to 134) the Board comprises of two Chartered Accountants and a former investment banker. These Directors with their academic and/or entrepreneurial financial skills, business acumen and broad practical wisdom, impart substantial value, knowledge and independent judgement towards decision making and the execution of matters concerning finance and investment.

None of the Directors are related to each other and as such they are able to express their views independently and objectively.

All our Independent Non-Executive Directors are assigned the task of acting as critical friends to the Board and are responsible for:

- bringing a wide range of skills with rich and versatile experience, including independent judgement on issues related to strategy, financial and operational performance, key appointments, and standards of business conduct, ethics and all matters pertaining to the Board;

- offering constructive criticism of strategies brought before the Board
- scrutinising and challenging performance across the Group's business sectors;
- assessing the risk and the integrity of financial information and controls; and
- determining the Company's policy for executive remuneration, and the remuneration packages

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with their performance of duties at the optimal level as Directors of the Company, with sufficient time being allocated by each member to fulfilling the said duties. Relevant changes to the commitments of all the Directors are reported to the Board as and when they occur.

Furthermore, each Non-Executive Director submits a signed declaration of his independence/non-independence against specific criteria on a yearly basis.

Where applicable, any conflicts/concerns made aware of by the Directors during the financial year that cannot be unanimously resolved are recorded in the Board minutes.

### Board Meetings

Board Meetings were held five times during this financial year and were presided over by the Chairman. The Board Meetings are scheduled in advance enabling the Directors to plan their commitments facilitating attendance at the meetings. Any instances of non-attendance at the meetings were due to personal commitments or illness, and Directors were provided with briefing materials for discussion on a later date with the Chairman or Managing Director. Attendance at the 2012/2013 Board Meetings are indicated in the Table on page 112.

The Directors are provided with the agenda and Board papers in advance giving them adequate time to review the Board papers and call for any additional information and clarification. They are able to formulate independent views that enable their active and effective participation.

Matters pertaining to the Managing Director's Report/concerns, up-to-date financial accounts, respective operational updates, and where applicable, reports from the Nomination Committee, Audit Committee, and Remuneration Committee are discussed. Additionally, further discussions pertaining to both commercial and non-commercial strategy, technology strategy, talent and succession planning, partner

## Independence of Non-Executive Directors

**Mr. G. C. Wickremasinghe:** The Board having considered the circumstances and the criterion of independence in relation to Mr. G.C. Wickremasinghe, has construed him to be independent as he refrains from any involvement in the day-to-day management of the Company or any of its subsidiaries.

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

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

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

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

**Mr C.R. De Silva P.C.:** Appointed to the Board as an Independent Director on the 8th of April 2013.

relationships, associated markets and so forth are delved into an in-depth manner when necessary.

Minutes of the Board Meetings are accurately recorded and circulated to the Directors for confirmation at the next meeting. When decisions are taken via circular resolutions, all relevant information are sent with the circular resolution to enable the Directors to clearly comprehend the purpose for which a resolution is being circulated, prior to obtaining their consent.

### The Role of the Board

The Board is responsible for the formulation and implementation of sound business strategies within the Group and has the powers and duties afforded within the milieu of relevant laws of the country, international laws, regulatory authorities, professional institutes and trade associations. The Board is responsible for:

## GOVERNANCE REPORT

Name of Director	Board Meeting Attendance	Direct/Indirect Interest in Shareholding	Involvement/ Interest in Supply Contract
<b>Chairman</b> - Deshamanya D.H.S. Jayawardena	5/5	Indirect	Yes
<b>Deputy Chairman and Managing Director</b> - Mr. J.M.S. Brito	5/5	Direct	Yes
<b>Executive Directors</b> - Dr. R.M. Fernando	5/5	-	Yes
Mr. G.M. Perera *	3/4	-	No
Dr. M.P. Dissanayake	5/5	-	No
<b>Independent/Non-Executive Directors</b> - Mr. G. C. Wickremasinghe	3/5	Direct/ Indirect	No
Mr. C.H. Gomez	2/5	-	No
Mr. N.J. de Silva Deva Aditya	3/5	-	Yes
Mr. V.M. Fernando	3/5	-	Yes
Mr. R.N. Asirwatham	5/5	Direct	No
Mr. C.R. De Silva P.C. #	-	-	-
<b>Alternate Directors</b> - Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)	2/5	-	-
Dates of Meetings	08/05/2012 : 28/06/2012 : 03/08/2012 : 18/12/2012 : 21/02/2013		

\* (Resigned on 31/12/2012)

# Appointed as a Director on 08/04/2013

- Ensuring that the Managing Director, Board of Management and the senior management teams demonstrate the right balance of independence, knowledge, skill, background and experience to implement strategy and initiate fresh perspectives.
- Ensuring that those delegated with the authority to manage the operations of the Company adhere to the policies and procedures of the Group.
- Effective implementation of senior management succession strategy.
- Ensuring that the Company's values and principles are aligned with the adoption of and compliance with appropriate and applicable statutes, accounting and financial regulations, environmental and ethical standards, and compliance with regulatory and stakeholder requirements.
- Recommending the appointment or removal of the external auditors subject to the approval of the shareholders at the Annual General Meeting.
- Appointing Directors to the Audit, Remuneration and Nomination Committees, who possess the experience and expertise to add value to the Committees to which they are appointed.
- Self-evaluation of the Board is conducted on its own performance and that of its Committees.
- Reviewing and approving the operational and financial budgets, and monitoring the performance of the individual Strategic Business Units of the Group, whilst seeking complete information to form views, critique management and take strategic decisions.

- Introducing appropriate and effective systems to secure integrity of information, internal controls and risk management systems to encompass all aspects of the businesses.
- Evaluation of all new businesses and investment proposals in depth prior to commitment, restructuring and re-engineering existing businesses of the Group where necessary.

### The Chairman

**Deshamanya D.H.S. Jayawardena**

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

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

## Deputy Chairman & Managing Director

*Mr. J.M.S. Brito*

A fellow member of the Institute of Chartered Accountants of London & Wales with a Degree in Law and a Master's Degree in Business Administration, our Deputy Chairman and Managing Director is responsible for:

- Day-to-day management of Group business operations with the support of our Executive Directors, Board of Management and our senior management team.
- Revision and implementation of the Company's strategies and policies.
- Maintaining a close working relationship with the Chairman, and being a sounding board for the Chairman as and when necessary.

## The Company Secretary

*Mr. R.E.V. Casie Chetty*

The Company Secretary acts as Secretary to the Board and is present at all Board Meetings. In addition, our Company Secretary:

- Assists the Chairman in ensuring that the Board Members have full and timely access to all relevant information/ documentation whilst making sure that appropriate facilities are available for the proper conduct of meetings and effective decision-making.
- Is accountable for guaranteeing that the correct Board procedures are followed, and that the applicable rules and regulations are reviewed regularly and complied with.
- Advises the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary.
- Manages the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their duties.

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

There is a clear distinction between the functions and responsibilities of the Chairman and the Managing Director. This separation of duties ensures a balance of power and authority within the organisation, so that no one person has unfettered powers of decision-making and implementation.

## BOARD EFFECTIVENESS

### Appraisal of the Group Performance

The Board in consultation with the Managing Director reviews and approves the operational and financial budgets/targets in line with the short, medium and long-term objectives of the Group that should be met by the respective business units during the year.

The evaluation of performance is conducted by the Board annually, along with assessment of whether failure to meet such set targets was reasonable under the given circumstances.

### Performance Evaluation

Performance evaluation of the Board, its Committees and individual Directors takes place annually on a self-appraisal basis within the terms of reference to its/their key responsibilities outlined on pages 111 to 112 and of the Nomination Committee (see page 116). The Remuneration Committee consults the Chairman and the Managing Director regarding the remuneration proposal including revision of salary packages to Executive Directors and the Senior Management, taking into consideration the internal and external socioeconomic factors. No Director is involved in determining his/her own remuneration.

A portion of the remuneration is in the form of a 'performance bonus', which is based on the achievement of both individual and corporate goals and targets.

Non-Executive Directors are remunerated as per the Articles of Association of the Company; the fees and reimbursable expenses are payable taking into consideration the basis of services performed at the Board and Committee Meetings.

## GOVERNANCE REPORT

### Appointment of Directors

Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director, containing the nature of his/her expertise in relevant functional areas, other directorships held, memberships on Board Committees and the nature of the appointment.

### Re-election of Directors

In accordance with the Companies Act No. 07 of 2007 and the Articles of Association of the Company, the relevant Directors submit themselves for re-election at the Annual General Meeting to be held on 27/06/2013. The Nomination Committee has declared to the Board that the contributions made by the Directors offering themselves for re-election at the Annual General Meeting in 2013 are effective and affirms the Company's continuous support of their re-election.

**The Articles of Association of the Company** empowers the Board of Directors to either fill a casual vacancy in the directorate or to appoint additional Directors. Directors so appointed hold office until the next Annual General Meeting at which they are eligible for election.

The Company's Articles of Association provide for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to one third (but not exceeding one third) to retire from office by rotation. The offices of the Chairman and the Managing Director, are not subject to retirement by rotation.

**The retiring Directors** are selected on the basis of those who have been in office the longest since their last election. In the event that more than one Director is appointed on the same date, the retiring Director is determined either by agreement or by lot. A retiring Director is eligible for re-election. In order to ensure that the Board comprises of members who add value to the Group, the Board evaluates the contribution made by each retiring Director before recommending such Director for re-election.

### Independent Advice

The Board acknowledges that certain occasions may arise when one or more of the Directors feel it necessary to seek impartial professional guidance at the Company's expense. The agreed upon formal procedure enabling such advice is managed by the Company Secretary.

### Indemnification of Directors

In accordance with the Company's Articles of Association and the Companies Act No. 07 of 2007, Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. For this purpose the Company maintains a Directors' and Officers' liability insurance policy throughout the financial year. Neither our indemnity nor the insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently (or is liable for any act or omission in his capacity as a Director).

### Board Committees

In addition to Board meetings, individual Directors are members of the various sub committees of the Board; the Nomination Committee, the Audit Committee and the Remuneration Committee, each of which is attended by the respective Director after due preparation prior to such meetings. The Directors dedicate sufficient time before such meetings to review respective documentation relating to the meeting, and call for additional information for any further clarification, in addition to familiarising themselves with the micro and macro economic factors, legal risk and political changes in the global business environment.

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

Name of Director	Nomination Committee	Remuneration Committee	Audit Committee
<b>Chairman</b> - Deshamanya D.H.S. Jayawardena	1/1	Present by Invitation	-
<b>Deputy Chairman and Managing Director</b> - Mr. J.M.S. Brito	1/1	Present by Invitation	4/4 Present by Invitation
<b>Executive Directors</b> - Dr. R.M. Fernando	-	-	-
Mr. G.M. Perera *	-	-	-
Dr. M.P. Dissanayake	-	-	-
<b>Independent/Non-Executive Directors</b>			-
- Mr. G.C. Wickremasinghe	Chairman 1/1	Chairman 1/1	4/4
Mr. C.H. Gomez	-	-	2/4
Mr. N.J. de Silva Deva Aditya	-	-	3/4
Mr. V.M. Fernando	1/1	1/1	-
Mr. R.N. Asirwatham	1/1	1/1	Chairman 4/4
Mr. C.R. De Silva P.C. #	-	-	-
<b>Alternate Directors</b> - Mr. A.L. Gooneratne (Alternate Director to Mr. N.J. de Silva Deva Aditya)			
Dates of Meetings	28/06/2012	23/06/2012	27/06/2012 22/11/2012 19/12/2012 05/02/2013

\*\*Resigned on 21/02/2013

# Appointed as a Director on 08/04/2013

## GOVERNANCE REPORT NOMINATION COMMITTEE REPORT

### NOMINATION COMMITTEE



#### Chairman:

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

#### Secretary to Committee:

Mr. R.E.V. Casie Chetty

#### Members:

Deshamanya D.H.S. Jayawardena (Chairman of Aitken Spence PLC)

Mr. J.M.S. Brito (Deputy Chairman and Managing Director Aitken Spence PLC)

Mr. V.M. Fernando (Independent Non-Executive Director)

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

#### Key Objective:

To ensure that the Board is comprised of persons who individually and collectively possess a large reservoir of knowledge, experience and entrepreneurial skills, thereby enabling the Board to perform its responsibilities and duties effectively.

#### Responsibilities:

- Identifies and makes recommendations to the Board on suitable candidates for appointment and re-appointment as Directors, giving full consideration to succession planning and the leadership requirements of the Group.
- Regular review of the current Board with recommendations made for the future - in relation to the structure, size and composition of the Boards of Group Companies, considering the diversity and balance of skills, knowledge and expertise, and the independence of the Non-Executive Directors.
- Oversees the performance evaluation of the Board, its committees and individual Directors.

### FUNCTIONS OF THE COMMITTEE

The Committee formally met once during the year under review, and all the members were in attendance.

The Committee evaluates the performance of the existing Directors, the composition of the present Boards of Directors of Group Companies and their future requirements, the suitability of new appointments and the re-appointments of existing Directors to such Boards. The Committee also assesses the combined knowledge, skills and experience of the Directors in order to ensure that they serve on the appropriate Boards in order to meet the strategic demands facing the Company.

Accordingly, the Committee having considered the areas of qualifications, competencies, independence, conflicts of interest of the Directors in relation to the requirements of the Company, reviewed and recommended changes considered necessary with respect to the composition of the Boards of Group Companies. The Nomination Committee further evaluated the suitability of promotions of employees to higher levels of management and these recommendations were made to the Board of Directors.

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

**G.C. Wickremasinghe**

*Chairman*

*Nomination Committee*

Colombo

14th May 2013

## GOVERNANCE REPORT

### REMUNERATION COMMITTEE REPORT

#### REMUNERATION COMMITTEE



##### Chairman:

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

##### Secretary to Committee:

Mr. R.E.V. Casie Chetty

##### Members:

Mr. V.M. Fernando (Independent Non-Executive Director)

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

##### On Invitation:

Deshamanya D.H.S. Jayawardena (Chairman, Aitken Spence PLC)

Mr. J.M.S. Brito (Deputy Chairman and Managing Director, Aitken Spence PLC)

##### Key Objective:

Accountable to the Board for the consideration and recommendation of policy on Executive remuneration packages for individual Directors and Senior Management.

##### Responsibilities:

- Determining the policy of remuneration of the Directors and the management team.
- Evaluating the performance of the Managing Director, Executive Directors, and the individual and collective performance of Directors and Senior Management of the Strategic Business Units.
- Determination of overall individual packages, including compensation on termination of office.
- Ensuring that duties are executed within the recognised principles of good governance.

The Directors comprising the above Committee are independent of management and are totally free from any business, personal or other relationships that may interfere with the exercise of their independent judgement.

#### FUNCTION OF THE COMMITTEE

The Group remuneration policy remained unchanged during the year under review and the Committee formally met once.

The Group policy on remuneration packages is to attract the best calibre of professional, skilled and managerial talent to the Group, to retain such employees within the Group, and to motivate and encourage them to perform at the optimum level.

The Group has a structured and professional methodology to evaluate the performance of employees. The policy ensures that internal equity and fairness among employees are maintained and that a suitable work environment and working conditions are provided. Further, there is no discrimination on account of gender, age, ethnicity or religion.

The Remuneration Committee having considered the performance of the Group and the Strategic Business Units and the contribution of the employees to the Strategic Business Unit to which they are attached, approved promotions and the revision of individual remuneration packages. These packages were based on the cost of living, inflation and comparative industry norms. No Director was involved in deciding his/ her own remuneration.

The Remuneration Committee's decisions were based on these policies and practices, which ensured that sound and measured judgements were adopted at all times.

**G.C. Wickremasinghe**  
Chairman  
Remuneration Committee

Colombo  
14th May 2013

## GOVERNANCE REPORT AUDIT COMMITTEE REPORT

### AUDIT COMMITTEE



#### Chairman:

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

#### Secretary to Committee:

Mr. R.E.V. Casie Chetty

#### Members:

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

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

Mr. N.J. de Silva Deva Aditya/Mr. A. L. Gooneratne (Alternate Director for Mr. N. J. de Silva Deva Aditya) (Independent Non-Executive Director)

#### By Invitation:

Mr. J.M.S Brito (Deputy Chairman and Managing Director Aitken Spence PLC)

Ms. N. Sivapragasam (Chief Financial Officer)

Mr. V.M. Gunatilleka (Chief Corporate Officer)

Mr. C.R.F. de Costa (Chief Internal Auditor)

#### Key Objective:

To provide effective financial governance over the appropriateness of the Group's financial results as well as the performance of both internal and external audit functions along with the management of the Company's systems of internal control, business risks and all pertinent compliance activities.

#### Responsibilities:

- Reviews financial results, announcements and financial statements.
- Monitors compliance with applicable statutory and listing requirements.
- Assesses and reports to the Board on the quality and acceptability of the Group's accounting policies and practices, along with critical accounting policies and practices.
- Manages the relationship with the External Auditors.
- Assesses correspondence from regulators regarding the Company's financial reporting.
- Evaluates the scope, extent and effectiveness of the execution of duties by the Group's internal audit department.
- Examines and provides recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving strategic objectives.
- Oversees the Group's compliance process.
- Carries out an in-depth examination of specific areas of financial reporting, risks and internal controls as determined by the Committee.

### MEETINGS AND ATTENDANCE

The Audit Committee formally met four times during the year ended 31st March 2013 as per Table on page 115.

Whenever the Audit Committee considered it necessary, the functional heads and the finance heads of the Strategic Business Units, whose audit reports were being reviewed and discussed, were also invited to attend these meetings.

The Audit Committee uses its extensive experience, knowledge and specialised expertise to assist the Board of Directors to perform their duty of ensuring that the Company's internal controls and risk management systems are adequate, and also that the conduct of business is in accordance with best practices. The Audit Committee also provides the overall strategic direction and inputs to the activities of the Group Internal Audit Department using the expertise of the internal audit staff to carry out financial and operational audits, risk assessments and IT security reviews in a more effective manner.

The annual and quarterly financial statements that were prepared in strict compliance with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards were reviewed and subsequently discussed with the Audit Committee prior to being approved by the Board.

The Audit Committee reviewed the implementation of the new Sri Lanka Accounting Standards, which converged, with the International Financial Reporting Standards in the Group, and the resulting effect on the Financial Statements for the year ended 31st March 2013 and the statement of financial position as at 1st April 2011 as required by the Sri Lanka Financial Reporting Standards – first time adoption.

The Audit Committee reviewed and approved the annual audit plan of the Group Internal Audit Department, which was prepared after a careful assessment of the business activities of the

SBU's of the Group, and the various risks such entities are exposed to. The Audit Committee reviewed in detail, the financial and operational audit reports and the risk reports issued by the Group Internal Audit Department and recommended necessary remedial action.

The Group Internal Audit Department also updates the Audit Committee on the status of the follow-up action on previously reported audit findings on a regular basis through dashboards and scorecards. The Audit Committee ensures that the heads of the respective sectors undertake follow-up action in a timely manner.

The Audit Committee reviews the skills and competencies of the internal audit staff and ensures that adequate resources are provided to enable the Group Internal Audit Department to complete the fieldwork as per the annual audit plan.

#### External Audit

The Audit Committee met the External Auditors Messrs KPMG to plan, review and monitor the progress of the statutory audit, discuss in detail the audit findings and observations of the external auditors and, agreed on timelines to implement the audit recommendations. The Audit Committee also reviewed the fees proposed by the external auditors and made recommendations to the Board.

The Audit Committee having evaluated the performance of the external auditors decided to recommend to the Board of Aitken Spence PLC., the re-appointment of Messrs KPMG, as the Auditors of the Company for the current year, subject to the approval of the shareholders at the forthcoming Annual General Meeting.



**R.N. Asirwatham**  
*Chairman*  
*Audit Committee*

Colombo  
14th May 2013

## GOVERNANCE REPORT

### SHAREHOLDER ENGAGEMENT

We are committed to maintaining effective two-way communication with all investors. To this end, the Board conducts regular discussions with Institutional Investors based on mutual understanding of objectives, particularly those relating to governance and strategy.

Existing and prospective investors are able to make well-informed decisions in their dealings with the Company via the comprehensive and balanced reports and financial statements published annually and on a quarterly basis. The Company further conducts meetings between major shareholders on an on-going basis, whilst at the same time answering queries from all shareholders and analysts, through the Company Secretarial Division and/or Communications Team.

The principal communication with individual investors is via the Company website, the quarterly financial statements, corporate disclosures, annual report, and through the Annual General Meeting at which they are encouraged to be present, actively participate and vote. The Annual General Meeting provides an opportunity for shareholders to make any applicable comments or observations, seek clarifications, and cast their vote on relevant issues. Shareholders are free to informally convene with our Directors after the conclusion of the meeting.

The comprehensive annual report equips both existing and potential stakeholders with up-to-date information and facilitates appropriate decision-making. Additionally we encourage all investors/shareholders to carry out adequate analysis and obtain independent advice regarding their investment in the Company.

### INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for formulating and implementing sound systems of internal control and risk management for the Group and for reviewing its effectiveness and integrity on a continuous basis. The internal audit division assists the Board of Directors and the Audit Committee in carrying out the above task.

Any internal control system has its inherent limitations which mean that adverse effects can not be entirely eliminated. However the systems are designed to manage risk and hence we have taken appropriate steps to minimise situations of misstatements or loss. We have an internal audit division which monitors and review the internal controls for purposes of protecting stakeholder investments and assets.

### Review Effectiveness

The Board and the Audit Committee have reviewed the effectiveness of the financial, operational and compliance controls, and internal control systems, including risk management for the period and have taken appropriate remedial steps where necessary.

### Code of Business Conduct and Ethics

The Company has developed and institutionalised a strong set of corporate values and a Code of Conduct that is circulated to Directors and all employees. The Board ensures that Directors and employees strictly comply with the Code of Business Conduct and Ethics at all levels in the performance of their official duties, communications, role-modelling and in any other circumstances, so as to prevent the tarnishing of the Company's image in any manner. The violation of the Code of Ethics is an offence that is subject to disciplinary action.

### Going Concern

The relevant Declaration regarding the Going Concern Statement is set out in the 'Annual Report of the Directors' on page 152 of this Annual Report.

### Risk Management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 126 to 129.

### Annual Report

The Board of Directors are responsible for the preparation of the Annual Report and confirm that the quarterly reports, annual financial statements and the annual review of operations of the Company and its subsidiaries, that are incorporated in this Annual Report have been prepared and presented in a reliable manner, based on a balanced and comprehensive assessment of the financial performance of the Company and its subsidiaries.

All financial statements are in accordance with the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act and the Listing Rules of the Colombo Stock Exchange. We have duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. Messers KPMG, Chartered Accountants have audited the consolidated financial statements and the financial statements of the Company.

	Reference to SEC & ICASL Code; CSE Listing Rules	Compliance	Details of Compliance
<b>1. Company</b>			
<b>A. Directors</b>			
<b>A.1 / 7.10.1 (a), 7.10.2 (a) and 7.10.3 (c-d) The Board</b>			
The Board comprises of a Chairman, a Deputy Chairman and Managing Director, and eight other Directors, six of whom are Non-Executive Directors who act as critical friends to the Board whilst collaborating with them in providing strategic direction. The Board considers the long-term interest of all stakeholders of the Group in their continuous efforts to ensure good governance and the effective functioning of the Company.			
The names and profiles of each of the Directors are on pages 130 to 134 of this Annual Report. None of the Directors are related to each other, enabling each of the Directors to express their views independently and objectively.			
Company Board meetings	A.1.1	Complied	Please refer Pages 111 to 112
Responsibilities of the Board	A.1.2	Complied	Please refer Pages 111 to 112 and 150
Compliance with laws and access to independent professional advice	A.1.3	Complied	Please refer Pages 114 and 150
Company Secretary	A.1.4	Complied	Please refer Page 113
Independent judgment of the Directors	A.1.5	Complied	Please refer Pages 110 to 111
Dedicating adequate time and effort	A.1.6	Complied	Please refer Pages 111 and 114
Training for new and existing Directors	A.1.7	Complied	Any new director who is appointed to the Board is given if necessary appropriate training. The Board has recognised that there is a need for continuous training and development of skill for better performance of their duties.
<b>A.2. Chairman and Chief Executive Officer</b>			
There is a clear demarcation of responsibilities between the Chairman and the Managing Director. The functions performed by the Chairman and the Managing Director are distinct and separate, ensuring the balance of power and authority within the organisation, so that no person has unfettered powers of decision-making and implementation. (Please refer pages 112 to 113)			
Clear division of responsibilities of the Chairman and the CEO	A.2.1	Complied	As mentioned above the Company has segregated the duties between the Chairman and the Managing Director (pages 112 to 113).
<b>A.3 Chairman's Role</b>			
The Chairman is responsible for preserving order within the Board and good corporate governance of the Group whilst facilitating the effective discharge of Board functions and business strategies.			
Role of Chairman	A.3.1	Complied	Please refer Page 112
<b>A.4 Financial Acumen</b>			
Financial acumen	A.4	Complied	The Directors with their academic and/or entrepreneurial financial skills, business acumen and wide practical wisdom contribute substantial value, knowledge and independent judgment to decision making on matters concerning finance and investment, (see page 110) and Directors profiles on pages 130 to 134.
<b>A.5 Board Balance</b>			
Presence of Non-Executive Directors	A.5.1 7.10.1 (a), 7.10.2(a) and 7.10.3 (a)	Complied	Please refer Pages 110 to 112.

## GOVERNANCE REPORT

	Reference to SEC & ICASL Code; CSE Listing Rules	Compliance	Details of Compliance
Independence of Non-Executive Directors	A.5.2 & 5.3 5.5 7.10.2 (a-b) and 7.10.3 (a-b)	Complied	Please refer Pages 110 to 112.
Annual Declaration of Non-Executive Directors	A.5.4 7.10.2 (b)	Complied	Please refer Page 111.
Requirement to appoint a 'Senior Non-Executive Director'	A.5.6 and A.5.7	Not applicable	This is not relevant to the Company as the Chairman and the Managing Director's roles are segregated.
Chairman conducting meetings with the Non-Executive Directors	A.5.8	Complied	The Chairman meets with the Independent Non-Executive Directors as and when necessary.
Recording of concerns in the Board minutes	A.5.9	Complied	Please refer Page 111.
<b>A.6 Supply of Information</b>			
Obligation of the Management to provide appropriate and timely information	A.6.1	Complied	The Group has a state of the art management information system to process and monitor the performance of the Group. Appropriate and timely information is made available to the Board members who make further inquiries when necessary.
Adequate time for circulation of respective Board documents	A.6.2	Complied	Please refer Pages 111 and 114.
<b>A.7 Appointments to the Board</b>			
Nomination Committee and the assessment of composition of the Board	A.7.1 and 7.2	Complied	The names of the members of the Committee are on page 115 and on the inner back cover of the Annual Report.
Disclosure to Shareholders	A.7.3	Complied	Please refer Page 114.
<b>A.8 Re-election</b>			
Re-election of Directors	A.8.1 and 8.2	Complied	Please refer Pages 114 and 153.
<b>A.9 Appraisal of Board performance</b>			
Appraisals of the Board and the sub committees	A.9.1, A.9.2 and A.9.3	Complied	Please refer Pages 113 and 117.
<b>A.10 Disclosure of information in respect of Directors:</b>			
Directors disclosures	A.10.1 7.10.3 (c-d)	Complied	<p>The names of the Directors of the Board, their leadership expertise, skills and their profiles are disclosed on pages 130 to 134 of this report.</p> <p>Related party transaction of the Directors are indicated on note 46 of the financial statements.</p> <p>The number of board meetings attended by the Directors is given on page 112 of this report.</p> <p>Names of the Chairmen and the members of the Board Committees are provided on pages 112, 115 to 118 and in the inner back cover of the Annual Report.</p>

	Reference to SEC & ICASL Code; CSE Listing Rules	Compliance	Details of Compliance
<b>A.11 Appraisal of Chief Executive</b>			
Setting of the annual targets and the appraisal of the Managing Director	A.11.1 and A.11.2	Complied	Please refer Page 113
<b>B DIRECTORS REMUNERATION</b>			
<b>B.1/ 7.10.5 Remuneration Procedure</b>			
Establishment of a remuneration committee and its composition	B.1.1, B.1.2 and B.1.3 7.10.5 (a) and 7.10.5 (b)	Complied	Please refer Pages 115 and 117
Determination of the remuneration of the Non-Executive Directors	B.1.4	Complied	Please refer Page 113
Consultation with the Chairman and the Managing Director	B.1.5	Complied	Please refer Page 113
<b>B.2 Level and Make up of Remuneration</b>			
Level and make-up of the remuneration of Directors and comparison of remuneration with other companies	B.2.1, 2.2 and 2.3	Complied	Please refer Page 117
Performance based remuneration	B.2.4	Complied	Please refer Pages 113 and 117
Executive share options	B.2.5	Not applicable	As at date, the Company has no share options made available to the Directors, Executives or employees of the Company.
Designing the remuneration.	B.2.6	Complied	The procedure followed in deciding the remuneration of employees is set out in the Remuneration Committee report that is given on page 117.
Early Termination of Directors	B.2.7 and B.2.8	Complied	Is determined by the Articles of Association of the Company.
Remuneration of non-executive Directors	B.2.9	Complied	Non-Executive Directors are paid a fee and/or a reimbursement for their participation in Board and Committee meetings as set out under B.1.4.
<b>B.3 / 7.10.5 (C) DISCLOSURE OF REMUNERATION</b>			
Disclosure of remuneration	B.3.1	Complied	The names of the members of the Remuneration Committee are indicated as per the table on page 117 and listed on the inner back cover. The report of the Committee is given on page 117 of this Annual Report. Please refer note 11 to the financial statements for the details of remuneration paid to the Directors and key management personnel.
<b>C. RELATIONS WITH SHAREHOLDERS</b>			
<b>C.1 Constructive use of Annual General Meeting</b>			
Use of Proxy	C.1.1	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to the Chairman.
Separate resolution for substantially separate issues	C.1.2	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue.

## GOVERNANCE REPORT

	Reference to SEC & ICASL Code; CSE Listing Rules	Compliance	Details of Compliance
Chairmen of Board Committees to be present	C.1.3	Complied	At the Annual General Meeting the respective Chairmen of the Remuneration, Audit and Nomination Committees are present to provide any clarification to shareholders as necessary.
Adequate notice of Annual General Meeting and summary of Procedures	C.1.4 and C.1.5	Complied	The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days' notice prior to the date of the Annual General Meeting.
<b>C.2 MAJOR TRANSACTION</b>			
Disclosures of Major transactions	C.2.1	Complied	There were no major transactions during the financial year that materially altered the Company's net asset base or the consolidated Group net asset base.
<b>D. ACCOUNTABILITY AND AUDIT</b>			
<b>D.1 Financial Reporting</b>			
Board responsibility to present the financial statements	D.1.1	Complied	Please refer Page 150.
Annual Report of the Directors	D.1.2	Complied	The Directors have made the required declarations on pages 151 to 155 of this Annual Report.
Statement by the Directors and the Auditors	D.1.3	Complied	The Statement of Directors' Responsibilities is on page 150 of the Annual Report. The Auditor's Report on the financial statements for the year ended 31st March 2013 is presented on page 156 of this Annual Report.
Management discussion and analysis	D.1.4	Complied	The management discussion and analysis is presented as the operational review of the company and its subsidiaries on pages 42 to 108 of this Annual Report.
Declaration by the Board as to whether the business is a going concern.	D.1.5	Complied	The relevant declaration is presented in the Annual Report of the Directors on page 152 of this Annual Report.
Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	D.1.6	Not applicable	This is not applicable to the Company however should the situation arise an Extraordinary General Meeting would be called upon and the shareholders would be notified accordingly.
<b>D.2 Internal Control</b>			
Directors to review internal Controls	D.2.1	Complied	Please refer Pages 118 to 120 and 150.
Requirement to review the need for an Internal Audit function	D.2.2	Not applicable	The Group already has an Internal Audit Division, and as such this is not applicable. Please refer Pages 118 to 119.
<b>D.3 / 7.10.6 Audit Committee</b>			
Composition of the Audit Committee and its Duties	D.3.1 and D.3.2/ 7.10.6 (a) and 7.10.6 (b)	Complied	Please refer Pages 118 to 119.
Terms of Reference of the Audit Committee	D.3.3	Complied	Please refer Pages 118 to 119.

	Reference to SEC & ICASL Code; CSE Listing Rules	Compliance	Details of Compliance
Disclosures of the members of the Audit Committee	D.3.4 7.10.6(c)	Complied	The names of the members of the Audit Committee are indicated on page 118.  The Audit Committee reviews the scope and results of the audits and their effectiveness, and the independence and objectivity of the Internal Audit function. Report of the Audit Committee is on pages 118 to 119 of this Annual Report.

#### D.4 Code Of Business Conduct and Ethics

We are committed to carrying out all business activities to the highest standards of integrity, ethical values and professionalism, whilst following the laws of the country, international laws and compliance as per the stakeholders' expectations.

Disclosure on a presence of code of business conduct and ethics	D.4.1	Complied	Please refer page 120.
Affirmation of the code of conduct and ethics	D.4.2	Complied	As per the Chairman's statement on Page 32 of this Annual Report, the Company affirms its adherence to good business conduct and ethics.

#### D.5 Corporate Governance Disclosures

Disclosures of Corporate Governance	D.5.1	Complied	The Company aims to achieve consistent growth and value creation, improve stakeholder satisfaction and relationships in all the business activities whilst adhering to the highest standards of corporate governance as is evident in this report on pages 110 to 125.
-------------------------------------	-------	----------	--

## 2. SHAREHOLDERS

### E. INSTITUTIONAL INVESTORS

Shareholder voting	E.1.1	Complied	Please refer Page 120.
--------------------	-------	----------	------------------------

### F. OTHER INVESTORS

#### F.1 Investing and divesting decision

Investing and divesting decision	F.1	Complied	Please refer Page 120.
----------------------------------	-----	----------	------------------------

#### F.2 Shareholder Voting

Individual shareholders voting	F.2	Complied	Please refer Page 120.
--------------------------------	-----	----------	------------------------

# Risk Management

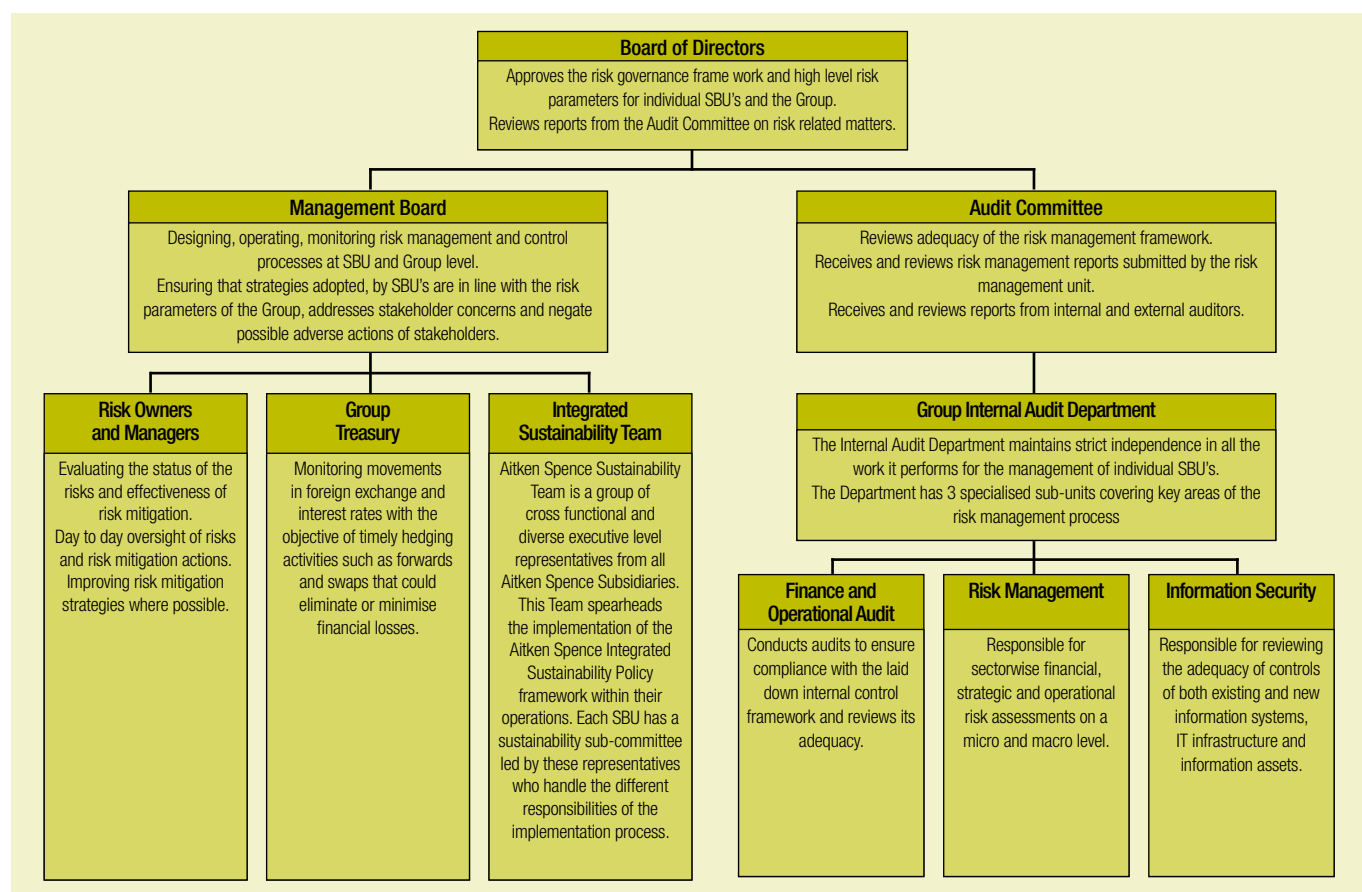
Risk can be defined as the probability of or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities. In the past, the single key recognised risk was credit risk. However, today, the evolution and integration of financial markets and technology have resulted in new risks that could have a significant impact on businesses if not managed efficiently. Risk Management, is the process of analysing exposure to risks by identifying vulnerabilities and their probability of outcome in order to determine how to best handle such exposure. It also looks at implementing various policies, procedures and practices that work to identify, analyse, evaluate, and monitor risks, followed by applications and solutions to minimise the probability of occurrence and/ or the impact of the identified risks.

The Aitken Spence Group is involved in a diverse range of business activities, spanning across several industries, market segments and geographical locations. Whilst this diversification provides a hedge against the positive correlation of business and environmental risks, it also exposes the Group to a wider range of risks and opportunities. With globalisation and technology bringing about astonishing changes in international and domestic markets this becomes even more important

and the failure to adopt such measures could result in financial losses, lost opportunities and in extreme cases even corporate failure. Thus effective risk management is critical in achieving the Group's strategic objectives in a highly competitive and uncertain environment.

The Group recognises the importance of adopting a proactive approach when dealing with risk and has a comprehensive system of controls in place to manage risks. The Group is equipped with a Risk Unit which conducts regular reviews of the major risks that could affect its business and financial performance and creates and maintains awareness of these risks within the Group. The mitigation strategies adopted by the Group attempt to create a suitable balance between entrepreneurial attitude and the level of risk associated with business opportunities.

The risks are identified, evaluated and mitigated through internal processes and a combination of a 'top-down' (driven by the Board) and 'bottom-up' (originating from the operations) approaches. This has been made possible because the Group has clearly identified the role of the Board of Directors and their responsibilities in managing all risks affecting the Group. In each area, the Board is supported by the Board of Management, the Audit Committee, and Managers with key functional responsibilities.



## KEY RISKS IDENTIFIED AND FACED BY THE GROUP

LOW	MEDIUM	HIGH
Investment Risk Environmental Risk Occupational health, safety and welfare Product and Service Safety Legal Risk Reputation Risk	Interest Rate Risk Foreign Exchange Risk Employee Risk Technology Risk Operational Risk Credit Risk	Competitive Risk Economic Risk

**Interest rate risk** is defined as the probability of income losses arising, owing to a change in domestic or foreign interest rates. The Group is affected by this risk mainly through its borrowing costs. The Group's Treasury Division monitors and forecasts market interest rates and ensures that appropriate steps are taken to maximise returns on financial investments and minimise the cost of borrowing. Hedging mechanisms and efficient management of the Group's cash flows as well as closely monitored foreign currency positions also help to minimise interest rate risk.

**Foreign exchange risk** is defined as the adverse impact of exchange rate fluctuations on the Group's cash flows, assets and liabilities, and business activities such as purchasing of capital goods, raw materials and services and the resultant conversion to rupees. The Group's Treasury Division monitors the effect of foreign currency movements on the Group's businesses and takes steps to ensure that timely and appropriate hedging activities are taken to mitigate foreign exchange risks. The Treasury also provides advice to SBU's within the Group on strategies to minimise costs and maximise revenue in Sri Lankan rupees, when dealing with foreign currencies. Derivatives, swaps and other forms of financial instruments are also used to mitigate this risk.

**Competitive risk** can be defined as the probability of loss from a decline in a company's competitiveness due to both qualitative and quantitative factors. Competitor activity and performance is monitored and compared in order to understand the Group's current position and formulate future strategies of the Group.

**Credit risk** is the probability of the loss of income owing to default by the company's debtors. The Group conducts an in-depth analysis of debtors in each SBU on a regular basis. Debtor concentration and overdue debtors of each SBU is also monitored constantly so as to minimise losses. The collection process and individual monitoring also takes place at SBU level as part of their day to day operational activities.

**Economic risk** is the risk of the possibility of an economic downturn negatively impacting the Group's investments and business operations. The Risk Unit of the Group closely monitors domestic and global economic activity that could have an impact on the Group's businesses. Information on domestic economic performance and key economic indicators, is circulated to the Management on a quarterly basis. Periodic reviews of economic conditions in foreign countries

that are home to business operations of the Group and are probable locations for new investment opportunities are also carried out. The Unit also carries out industry studies that include recent trends and developments together with significant competitor activity on a regular basis. Additionally, strong relationships are maintained with relevant stakeholders, lobby groups and trade unions.

**Investment risk** is the risk of losses resulting from a poor performing investment and/ or uncertainties attached while making an investment. A stringent evaluation of risks associated with each new investment is carried out by in-house expertise and external resources as and when required. Envisaged bottlenecks of a project are identified at the project planning stage, so as to eliminate or undertake mitigatory measures before venturing in to the detailed evaluation stage and the subsequent execution stage. When investing in new projects, preference is given to the formation of strategic alliances with reputed partners for the creation of synergies. The Group ensures its investments strictly consider and address potential adverse ethical, social and environmental factors. Additionally, the Group continuously looks at diversifying its investment portfolio and adding value to its existing portfolio by investing in research and development, improving existing processes and obtaining certifications that validate best practices.

**Operations risk** is the direct or indirect loss resulting from insufficient or failed internal processes, people, systems, or external events. A structured and uniform set of internal controls has been implemented and is being adhered to, throughout the Group. Periodic and impromptu checks are carried out by the Group's Internal Audit Division to ensure compliance and the effectiveness of these controls.

**Reputation risk** is the probability of a decline or loss of the Group's reputation. In order to maintain its reputation and preserve the confidence of its various stakeholders, the Group has in place an effective compliance system which includes, a Corporate Communications Unit, with representation from all Strategic Business Units of the Group. This ensures up to date accurate communication with all stakeholders. The Group is also equipped with a Business Development Unit, through which all media communications are channelled, ensuring consistency in communications. The Corporate Communications Unit also maintains the Group's brand image, and monitors and helps subsidiaries to maintain graphical and visual standards of the brand and has also commenced initiatives to

## RISK MANAGEMENT

assess specific aspects of behavioural values that contribute towards delivering the brand promise. The Group has its own code of ethics which is made known to its staff via workshops on ethical behaviour, training programmes on company procedures, anti-corruption policies etc., which are also mentioned in employee contract letters. Aitken Spence also believes in reliability, trust and the quality of service in all its interactions with customers. Each subsidiary has its own set of customers and is equipped with a process of obtaining feedback from customers to assess their satisfaction levels and to generate continuous improvement. The Group actively involves itself in community development and places importance on being a socially responsible corporate citizen. It also adheres strictly to statutory requirements and environmental regulations.

**Legal risk** is the probability of losses arising from the uncertainty of legal actions or losses arising from the misinterpretation of prevailing laws, regulations and contracts. The risk could also arise due to legal or regulatory incapacity despite having adequate documentation which may result in the un-enforceability of contracts with counterparties. The Group is equipped with a dedicated centralised in-house legal division that assists and advises the Group and its SBU's on legal matters. External professional counsel is also used when required. Periodic reviews and audits are also carried out by the Internal Audit Division in collaboration with the Legal Division to ensure that all business units conform to legal, regulatory and statutory requirements. Additionally the Group's Risk Unit regularly updates the Group's Risk Register which comprise of all acts, regulations and licenses the Group needs to have in place and is used as a guideline in conducting operational risk assessments. The Aitken Spence Group recognises and accepts its responsibilities as a public quoted company, a tax-payer and an employer, thus ensuring that all statutory and legal requirements are met in all transactions.

**Technological risk** could be identified as the business risk associated with the use, ownership, operation, involvement, influence and adoption of Information Technology (IT) within an organisation. Information Technology supports core business processes that a company uses to develop, deliver, and manage its products, services, and also greatly assists in ensuring smooth operations. By understanding the role that technology plays in supporting various business functions, the Management of Aitken Spence has taken a proactive approach and established a framework to better understand where relevant technology risks lie. Identified key risks for the organisation and their related impacts are as follows.

- Hacking carried out by internal/ external parties which could cause brand damage and unauthorised access to confidential data, the rapid expansion of number of mobile devices, and

their functionality which could result in a loss / release of critical business data, security and identity management issues.

- Malware continues to increase in sophistication, and has more avenues for execution which could result in significant hardware failures and lost productivity.
- The inadequate preparation for failures of systems links and improper capacity planning, which could result in adverse operational impacts and a loss of business opportunities.

The Group is equipped with a dedicated IT Security Risk Unit, which designs and implements strategies to mitigate risks faced by the Group. Strategies in place to mitigate identified risks are as follows:

- In line with the standard implementation of ISO 27001, the Corporate Information Security Policy Manual was updated to include; policies on social network use, policies on mobile device use, policies on capacity management, policies on unauthorised and unlicensed software use, policies on malware identification, isolation, and remediation and policies on segregation of duties.
- A comprehensive network vulnerability assessment (external/ internal) was also conducted and its recommendations are being implemented.
- Employee information security awareness workshops are being conducted periodically.
- Frequent Information Technology General Control reviews are being conducted to ensure control compliance in segregation of duties, access controls, IT policies, change management etc.
- A comprehensive security incident management framework is being developed in line with the implementation of ISO 27001.
- Systems failure events are treated as occasional. IT hardware/ software capacity is monitored to ensure availability of sufficient computational resources.

**Product and service safety risk** refers to possible adverse aspects of the organisation's products, services and activities involving health, safety, welfare, information, labelling, marketing and privacy that can directly affect the Group's key stakeholders.

Compliance with the laws and regulations of the country and industry specific standards is a priority for the Group and there have been no incidents of non - compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotions and sponsorship. No complaints have been raised regarding breaches of customer privacy and losses of customer data.

All Strategic Business Units have in place, specialised management systems to address product and service responsibility concerns.

Continual capacity building on this topic is conducted either through Group Human Resources or through external parties when necessary.

The Group's companies maintain 13 ISO 22000/HACCP certifications which include 8 certifications in the Hotels sector for the Heritance and Adaaran properties. The Plantations sector has already secured 5 ISO 22000/ HACCP certifications and is in the process of implementing food safety systems within the rest of their operations. Additionally, Elpitiya Lifestyle Solutions (Pvt) Limited received the Forestry Stewardship Certificate (FSC) assuring their clientele that the wood sourced for their products stem from managed forests.

All three power plants of the Group are, OHSAS 18001, ISO 9001 and ISO 14001 certified, showing their commitment to provide an efficient service to the national grid.

Aitken Spence Garments have maintained the Worldwide Responsible Accredited Productions Certification and have continual programmes to motivate their staff and ensure the ethical production within the garment factory process.

The Group follows, Quality Management Systems where applicable and currently maintain 10 ISO 9001 certifications.

**Employee risk** can be defined as the risks arising from the inability to attract, motivate and retain skilled and experienced staff. The recruitment of high calibre staff, effective induction to the Group's corporate culture, training and development with structured career development plans, fostering a reward and recognition culture are the norm in all Strategic Business Units of the Group. While recognising the importance of employee retention, the Group has implemented a system of internal transfers, job rotations and innovative reward systems. Succession planning for all departments and business units are being formulated; the respective staff are being trained and groomed and a vibrant Management Training Programme (MTP) is maintained for this purpose. Various employee engagement activities are organised frequently so as to enhance employee motivation. Emphasis is also given to maintaining a good working environment. The Group has an open door policy where any employee can speak to the Chief Human Resource Officer of the Group, Senior Management or the employee's Supervisors / Managers regarding their concerns.

**Occupational health, safety and welfare**, refers to concerns of safety, health and welfare for all stakeholders within the Group's operational boundaries as well as resulting adverse physical and psychological effects. Core conventions of the International Labour Organisation, are ratified within the legal system of the country, and all Strategic Business Units of the Group abide by laws and regulations relevant to their scope of operations. Operational Audits are conducted on a frequent basis to analyse if such compliances are met. The Group also has in place an Integrated Sustainability Policy, which is supported by an implementation framework which covers occupational health and safety. SBUs within the Group have identified Occupational Health and Safety Officers (OHS) and the Group is in the process of providing them the necessary capacity building to handle this responsibility.

Certificate training in First Aid conducted by the Group's HR Division and Fire Safety training conducted by the Group's Security Division are examples of such capacity building programmes.

In keeping with the first two principles of the United Nations Global Compact (UNGC) on Human Rights, the Group is currently working towards applying the essential action points of the Human Rights Protection Framework developed by the Business Leaders' Initiative for Human Rights and the UNGC. A gap analysis of the Group's policies, practices and procedures to implement a Human Rights Protection Framework was carried out with in house expertise. Representatives have been appointed across the Group and act as Human Rights Focal Points. These representatives were briefed on the Framework, and the systems and procedures the organisation currently has in place with the aim of equipping them with the knowledge to handle any vulnerabilities within their operations. The Focal Points were also informed to continually identify gap areas within the Group's operations and bring them to the notice of the Sustainability Team so that necessary corrective and/or preventive action can be taken.

The Group also aims to have an Environmental and Social Governance Procedure which it hopes to incorporate into its Integrated Sustainability Policy.

**Environmental risk** is the probability of the Group's operations being affected owing to adverse environmental impacts caused through human activity. The Group currently has in place 43 Environmental Management Systems(EMS's), aligned to ISO 14001:2004 standard, which attempt to scientifically mitigate/eliminate the adverse environmental impacts cause by the Group's activities. Of these EMSs 12 are already ISO 14001 certified. These EMS's include programmes to manage activities, primarily in the areas of energy management, renewable energy investment, waste management, water management and the protection of biodiversity and natural eco-systems. The Group also ensures that areas of high biodiversity are protected and preserved. The Group makes it a priority to ensure that its products, services or activities have minimum impact on areas of high biodiversity value outside protected areas. The Group shares its experiences and best practices and enables the sharing of knowledge and skills through industry engagements such as the Sustainability Knowledge Hub of the Sri Lanka Network of United Nations Global Compact. This is a proactive step the Group has taken to contribute towards environmental trusteeship both nationally and internationally.

# Board of Directors



## Mr. D.H.S. Jayawardena

Mr. Harry Jayawardena is one of Sri Lanka's most successful businessmen and heads many successful enterprises in very diverse fields of activity. He is the Founder Director and current Chairman/Managing Director of the Stassen Group of Companies – a diversified group in exports and import trade, and Lanka Milk Foods (CWE) PLC. He is also the Chairman of the Distilleries Company of Sri Lanka PLC., Lanka Bell (Pvt) Ltd., Browns Beach Hotel, Balangoda Plantations PLC., and Madulsima Plantations PLC. He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka. Mr. Jayawardena was the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

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

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



## Mr. J.M.S. Brito

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

Mr. Brito was appointed to the Board of Aitken Spence PLC., in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.



### Dr. R.M. Fernando

Dr. Rohan Fernando who heads Plantations and Business Development at Aitken Spence PLC., holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK.

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

He also leads the CSR and Sustainability Initiatives of the Group. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

He is the Honorary President of CIM, Sri Lanka region and Chairman of United Nations Global Compact Network, Ceylon. He also serves on the Advisory Committee of the Sri Lanka Business at Biodiversity Platform of the Ceylon Chamber of Commerce.

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



### Dr. P. Dissanayake

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

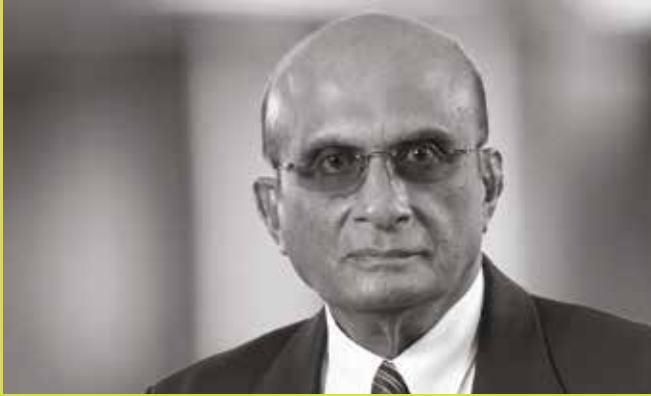
Dr. Dissanayake is a former Chairman/CEO of Sri Lanka Ports Authority and also a former Chairman of state owned Jaya Container Terminals Ltd., and Sri Lanka Port Management Consultancy Services Ltd.

Dr. Dissanayake who serves on the UN/UNCTAD Panel as an expert on Ports & Shipping is a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board and Past Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat. He is a member of the Faculty Industry Consultative Board – Dept. of Transport & Logistics Management of the University of Moratuwa and Chairman of Ceylon Chamber of Commerce -Steering Committee on Ports, Shipping, Aviation and Logistics and Jt. Managing Director of CINEC Maritime and Management Campus.

Dr. Dissanayake a University of Oxford Business Alumni is a Graduate of Harvard Business School Executive Education Programme on “Global Economy”.

He is also a Past Chairman of the Institute of Chartered Shipbrokers and Past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch). He is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers; Contribution to society Award by PIMA of the University of Sri Jayewardenapura and Services Rendered to the Shipping Industry by Ceylon Association of Ships’ Agents.

## BOARD OF DIRECTORS



### **Mr. G.C. Wickremasinghe**

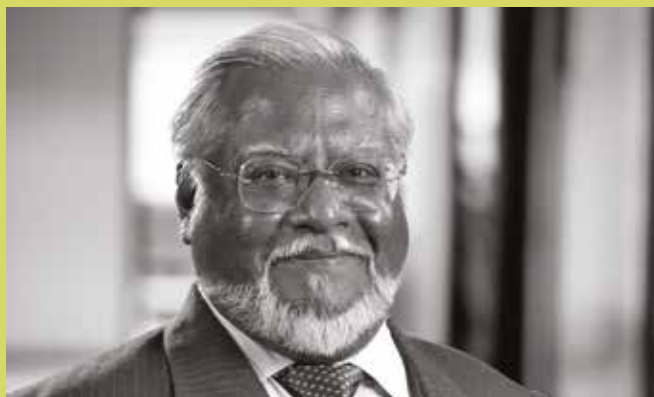
Mr. G.C. Wickremasinghe started his career in 1954 on an Aitken Spence managed plantation. He has therefore had an unbroken association of nearly 60 years with the Company. After over a decade as a professional planter he moved to the Company's head office in 1965 to take over the Estate Agency Department. In the early 70's, he also took charge of the Insurance division, including the Lloyd's Agency and the Singapore Airlines Agency. When the Insurance industry was liberalised in the late 80's, he played an active role in the formation of Union Assurance Ltd., and served a stint as its Chairman.

Mr. Wickremasinghe was appointed to the Board of Aitken Spence PLC., in 1972 and was Chairman from 1996 to 1997. He has therefore been a Director of the Company continuously for a period of over 40 years. He has a wide and varied experience in many business sectors. Mr. Wickremasinghe has the distinction of being responsible for the concept and construction of the Group's unique theme hotel - The Heritage Tea Factory.



### **Mr. C.H. Gomez**

Mr. Charles Gomez is a former Investment Banker with over 30 years of experience in the finance industry. He has worked for several major financial institutions, and brings to the Company a wealth of experience in regard to international financial markets. Mr. Gomez is a partner of a financial services company based in Gibraltar and serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence PLC., in May 2002.



### Mr. N.J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, who was appointed to the board of Aitken Spence PLC., in September 2006, is an aeronautical engineer, scientist and economist, is a Conservative Member of the European Parliament elected from the SE England. He is the Vice President of the Development Committee; ECR Co-ordinator and Conservative Spokesman for Overseas' Development and Co-operation. He was the Co Leader of the Parliamentary Delegation to the UN World Summit and General Assembly 2006, Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East; - Co Co-ordinator Assembly of 79 Parliaments of the EU-ACP 2004 and the President EU India Chamber of Commerce from 2005. In 2012 he stood for and came runner up, beating the Liberal candidate into 3rd place to be the President (Speaker) to the European Parliament. He was the first Asian to be elected as a Conservative Member of British Parliament, first Asian MP to serve in the British Government as PPS in the Scottish Office and first Asian born MP to be elected to the European Parliament. He was nominated as a candidate to succeed Kofi Annan as Secretary General to the UN in 2006. He is a Hon. Ambassador without portfolio for Sri Lanka; the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985; awarded the honour "ViswaKirthi Sri Lanka Abhimani" by the Buddhist Clergy for his Services to Sri Lanka and given the Knighthood with Merit of the Sacred Constantinian Military Order of St. George for his global work on poverty eradication. He is a Fellow of the Royal Society for Arts, Manufacture and Commerce (Est: 1765).



### Mr. V. M. Fernando

Mr. Manilal Fernando who is an Attorney-at-Law started his practice in his home town in Kalutara in 1972 and was the Secretary of the Bar Association, Kalutara for many years. He was appointed to the Board of Aitken Spence PLC., in May, 2008.

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

He has since 1990 been a Vice President of the National Olympic Committee of Sri Lanka.

## BOARD OF DIRECTORS



### Mr. R.N. Asirwatham

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

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



### Mr. C.R. De Silva P.C.

Mr. Chitta Ranjan De Silva P.C. was a former Attorney General and Solicitor General of Sri Lanka. He was the Chairman of the Lessons Learnt and Reconciliation Commission.

He was called to the Bar in 1974. In 1975 he joined the Attorney General's Department as a State Counsel and was appointed as a Senior State Counsel in 1983 and Deputy Solicitor General in 1996. He was called to the Inner Bar as President's Counsel in 1997 in which year he was appointed as an Additional Solicitor General of Sri Lanka. He was appointed as the Solicitor General in 1997. In 2007 he was appointed as the Attorney General of Sri Lanka and held this office until his retirement in 2009.

He has been a member of the Official Delegations from Sri Lanka to the Afro Asian Legal Consultative Committee held in Islamabad, UN Human Rights Council, UN Human Committee, UN Convention Against Torture Committee, UN Convention on the Elimination of Racial Discrimination and the UN Human Rights Council sessions in Geneva.

He was a lecturer and examiner at the Defence University and an examiner at the Sri Lanka Law College. He was a member of the Law Commission of Sri Lanka, the National Child Protection Authority, Drug Control Board and the Council of Legal Education Sri Lanka. Further, he was a Consultant to the Securities and Exchange Commission of Sri Lanka.

He is a Director of Cargills Agricultural and Commercial Bank Ltd. He was appointed to the Board of Aitken Spence PLC., in April 2013.

# Board of Management



## Mr. J.M.S. Brito

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

Mr. Brito was appointed to the Board of Aitken Spence PLC., in April 2000; Managing Director in January 2002; and Deputy Chairman and Managing Director in April 2003.



## Dr. R.M. Fernando

Dr. Rohan Fernando who heads Plantations and Business Development at Aitken Spence PLC., holds a PhD and a MBA from the University of Colombo and is also a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, (CIM) UK.

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

He also leads the CSR and Sustainability Initiatives of the Group. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.

He is the Honorary President of CIM, Sri Lanka region and Chairman of United Nations Global Compact Network, Ceylon. He also serves on the Advisory Committee of the Sri Lanka Business at Biodiversity Platform of the Ceylon Chamber of Commerce.

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

## BOARD OF MANAGEMENT



### **Dr. P. Dissanayake**

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

Dr. Dissanayake is a former Chairman/CEO of Sri Lanka Ports Authority and also a former Chairman of state owned Jaya Container Terminals Ltd., and Sri Lanka Port Management Consultancy Services Ltd.

Dr. Dissanayake who serves on the UN/UNCTAD Panel as an expert on Ports & Shipping is a Past Chairman of the Central Advisory Council of Sri Lanka Transport Board and Past Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat. He is a member of the Faculty Industry Consultative Board – Dept. of Transport & Logistics Management of the University of Moratuwa and Chairman of Ceylon Chamber of Commerce -Steering Committee on Ports, Shipping, Aviation and Logistics and Jt. Managing Director of CINEC Maritime and Management Campus.

Dr. Dissanayake a University of Oxford Business Alumni is a Graduate of Harvard Business School Executive Education Programme on “Global Economy”.

He is also a Past Chairman of the Institute of Chartered Shipbrokers and Past Chairman of the Chartered Institute of Logistics and Transport (Sri Lanka branch). He is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers; Contribution to society Award by PIMA of the University of Sri Jayewardenapura and Services Rendered to the Shipping Industry by Ceylon Association of Ships' Agents.



### **Mr. R.E.V. Casie Chetty**

Mr. Ranjan Casie Chetty is the Company Secretary of Aitken Spence PLC., and a Director of Aitken Spence Group Ltd., Aitken Spence Hotel Holdings PLC., and various other companies in the Aitken Spence Group. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, a Fellow of the Chartered Institute of Management Accountants of UK and a Fellow of the Certified Management Accountants of Sri Lanka. He is also a Member of the Chartered Management Institute of UK and has been awarded the Joint Diploma in Management Accounting Services. He has over 40 years post qualifying experience. During this period he has held very senior and responsible positions in many reputable private sector organisations. He has been actively involved in numerous committees of Professional Institutes and Chambers of Commerce. He served as a Member of the Advisory Commission constituted under the Companies Act No. 17 of 1982. He was a former Chairman of the Sri Lanka Apparel Exporters Association.



### Mr. K.R.T. Peiris

Mr. Rohantha Peiris heads Freight Forwarding, Express and Airline division and he brings into the industry a depth of knowledge and valuable expertise. He is responsible for operations in Bangladesh, India, Pakistan and the Maldives. He was also a Director of the American Chamber of Commerce for two consecutive years and presently represents the Company at all American Chamber of Commerce activities. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them in an advisory capacity. He is also a Director of SLFFA Cargo Services Ltd. He is a Member of the Chartered Institute of Logistics & Transport – International and is also affiliated with most of the industry bodies.



### Ms. N. Sivapragasam

Ms. Nilanthi Sivapragasam who is the Chief Financial Officer of the Group is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants of UK. She is a member of the Statutory Accounting Standards and the Statutory Auditing Standards Committees and serves on the Committees of the Tax and Financial Reporting Faculties of the Institute of Chartered Accountants of Sri Lanka. She is also a member of the Urgent Issues Task Force which was set up by the Council of the Institute to provide clarification and interpretation on the application of the Sri Lanka Accounting Standards and is the Chairperson of the CFO forum.

Ms. Sivapragasam currently serves on the Sri Lanka Accounting & Auditing Standards Monitoring Board which has been set up by an Act of Parliament and is a council member of the Sri Lanka Institute of Directors and is also a Member of the Taxation Sub-Committee and Financial & Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce. She previously served on the Board of Governance of The Chartered Institute of Management Accountants – Sri Lanka Division.

She completed her articles at Ernst & Young Colombo and has over 25 years of post qualifying experience in industry.

## BOARD OF MANAGEMENT



### **Mr. S.M. Hapugoda**

Mr. S. Malin Hapugoda heads the Hotel Sector of the Group. He is a professional hotelier counting many years of managerial experience at senior level within several hotel companies and is an Honorary Member (Past President) of the Tourist Hotels' Association of Sri Lanka and a Member of the Tourism Cluster of the National Council for Economic Development (NCED). He is a Fellow of the Chartered Institute of Management, UK. He is a graduate of the Sri Lanka Institute of Tourism & Hotel Management (SLITHM) and is a fellow and founder President of the Ceylon Hotel School Graduates Association. He holds a diploma in hospitality, restaurant and institutional administration from the Rayerson Institute of Technology, Toronto, Canada.



### **Ms. N.W. de A. Guneratne**

Ms. Nimmi Guneratne is the Managing Director of both Aitken Spence Insurance (Pvt) Ltd., and Aitken Spence Insurance Brokers (Pvt) Ltd. She is also the General Manager of the Lloyd's Agency in Colombo and the Maldives, and also the Chief Legal Officer of the Aitken Spence Group. She is a Fellow of the Chartered Insurance Institute of UK, and a Chartered Insurance Practitioner and holds a Bachelor's Degree in Law and is also an Attorney-at-Law. She is a visiting lecturer and examiner in Insurance Law at the Sri Lanka Law College, and is also a lecturer and examiner of the Sri Lanka Insurance Institute. She is a Past President of the Sri Lanka Insurance Institute.



### Mr. C.M.S. Jayawickrama

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



### Mr. R.G. Pandithakorralage

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

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

He is a past president of the International Public Management Association for Human Resources - (IPMA-HR) Sri Lanka Chapter and Executive Committee Member of the IPMA-HR Asia Network. He is a Founder/Fellow member and a past president of the Association of Human Resource Professionals in Sri Lanka (HRP). He was the Chairman of the Executive Committee of HRM Awards 2010.

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

## BOARD OF MANAGEMENT



### Mr. D.S. Mendis

Mr. Dinesh Mendis who heads the Financial Solutions segment is additionally responsible for Aitken Spence Technologies (Pvt) Ltd. He is also involved in new business initiatives of the Group. He holds a Bachelor of Science Degree (Magna Cum Laude) in Business Administration specialising in Marketing and Economics from Slippery Rock University of Pennsylvania, USA. During his final year he was chosen as the Outstanding Student in both Marketing and Economics of the University. He also obtained a Master's Degree in Business Administration from The University of Texas, USA. He worked in the Logistics sector of the Group for 11 years from 1994 to 2005, the last five of which was as a Subsidiary Director. During this period he also served two years in the Executive Committee of the Sri Lanka Freight Forwarders Association and as a Director of SLFFA Cargo Services Ltd. He also has international experience working in the retail industry in the USA.



### Mr. V.M. Gunatilleka

Mr. Vipula Gunatilleka currently serves as the Group Chief Corporate Officer/Director of Aitken Spence Group Ltd., overlooking the BPO, information technology, risk management, audit and compliance activities of Aitken Spence.

He counts over 20 years experience holding senior accounting positions in some of the blue chip companies in Sri Lanka, Singapore and Australia. He started his accounting career at KPMG in Colombo and then worked at Hayleys Group in Sri Lanka for few years before joining Electronic Data Systems Group in Singapore where he worked as the Finance Director. He also worked for the GE Group in Australia as a Controller for the ANZ region.

Prior to joining Aitken Spence, he worked as the Group Chief Financial Officer of Dialog Axiata PLC. Vipula was a key member of the senior management team responsible for restructuring the Dialog Group and implementing many key strategic initiatives to turn around the Dialog Group. He was also the Chief Financial Officer/Acting CEO of the national carrier Sri Lankan Airlines and played a pivotal role during the management transition of the National Carrier from Emirates to the Government of Sri Lanka in 2008.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), Fellow Member of the Chartered Institute of Management Accountants of UK (FCMA) and Fellow Member of the Certified Public Accountant of Australia (FCPA), holds a MBA from the University of Colombo and a GE Trained Six Sigma.

He has been a board member of CIMA Sri Lanka Board from 2010-2012 and currently serves as the Vice Chairman of CIMA Sri Lanka Board, Council Member of SLASSCOM and Board Member Sri Lanka Accounting Standards and Monitoring Board.



### Mr. P. Karunathilake

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

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

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



### Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi is the Deputy Chairman/Jt Managing Director of all power sector subsidiaries of Aitken Spence PLC. Mr. Wickremarachchi has held senior positions both in public and private sector organisations. Immediately prior to joining Aitken Spence PLC., Mr. Wickremarachchi worked as a Consultant in Liberia under a USAID funded project in the renewable energy sector.

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

He possesses an MSc in Engineering and an MBA. He had attended many Executive Development Programs including the programs conducted by the JFK School of Government of Harvard University, USA and the National University of Singapore.

## Senior Management Team Tourism

*Names In Alphabetical Order*



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



**Mr. D.J. de Cruz**



**Mr. C.L.B. Ekanayake**



**Mr. S.T.B. Ellepola**



**Mr. G.P.J. Goonewardene**



**Mr. J.T.P. Gunawardana**



**Mr. A.S. Hapugoda**



**Mr. M.H. Jayah**



**Mr. N.A.N. Jayasundera**



**Mr. S.K.R.B. Jayaweera**



**Mr. T.D.U.D. Peiris**



**Mr. D.D. Perera**



**Mr. P.L. Perera**



**Mr. S.A.P. Perera**



**Mr. R.S. Rajaratne**



**Mr. N. Ratwatte**



**Mr. H.P.N. Rodrigo**



**Mr. B.H.R. Sariffodeen**



**Mr. D.L. Warawita**



**Mr. M.P. Wijesekera**

## **Senior Management Team Cargo Logistics**

*Names In Alphabetical Order*



**Mr. K.R. Aluwihare**



**Mr. A.M.M. Amir**



**Ms. T.D.M.N. Anthony**



**Mr. J.E. Brohier**



**Mr. I.S. Cuttilan**



**Mr. D.R.C. Hindurangala**



**Mr. A. Jayasekera**



**Mr. F.P. Paiva**



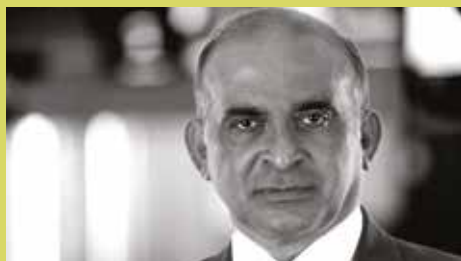
**Mr. N.P. Wakwella**

# Senior Management Team Strategic Investments

*Names In Alphabetical Order*



**Mr. C.R.F. de Costa**



**Mr. J.S.A. Fernando**



**Mr. A.L.W. Goonewardena**



**Ms. R.I.D. Katippearachchi**



**Mr. R.T.B. Navaratne**



**Mr. V.S. Premawardhana**

## **Senior Management Team Services**

*Names In Alphabetical Order*



**Mr. J.V.A. Corera**



**Mr. C.C.S. Dissanayake**



**Mr. A.E.A. Perera**



**Mr. R.G. Salgado**



**Mr. A.N. Seneviratne**



**Ms. W.A.D.L. Silva**



**Mr. K.A.K. Wanniarachchi**

SUPPLEMENTARY INFORMATION	INVESTOR INFORMATION	FINANCIAL STATEMENTS	GOVERNANCE	GROUP PERFORMANCE REVIEW	LEADERSHIP REVIEW	GROUP OVERVIEW
------------------------------	----------------------	----------------------	------------	-----------------------------	-------------------	----------------

# Financial Information

# Produ



**AITKEN SPENCE PLC  
IS WITH STRONG  
FUNDAMENTALS. OUR  
BUSINESS PORTFOLIO IS  
WELL POSITIONED IN  
HIGHLY ATTRACTIVE  
MARKETS AND  
GEOGRAPHIES TO CAPITALISE  
ON GLOBAL TRENDS.**

**THE RIGHT FUNDAMENTALS MEANS:**

At Aitken Spence we strive to exceed the needs of our customers. We know we must demonstrate integrity in all our actions and the kind of leadership that makes us a role model in all we do. We value our people and treat them with fairness and we take responsibility for the quality of our work and the services and products we provide.

We always ensure that our shareholder's interests are at the forefront of what we do, and that giving them consistently improving investment returns remain a priority to us.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the financial statements and other statutory reports. The responsibilities of the Directors, in relation to the financial statements of Aitken Spence PLC and the Consolidated Financial Statements of the Group are set out in this report.

The Directors confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2013 incorporated in this report have been prepared in accordance with the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records which reflect the true financial position of each such Company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities.

The Directors having considered the Group's business plans, and a review of its current and future operations, are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the financial statements.

The financial statements presented in the Annual Report for the year ended 31st March 2013, have been prepared based on the new Sri Lanka Accounting Standards (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012. The comparative figures for the year ended 31st March 2012 were restated based on the new accounting standards. The Directors have selected the appropriate accounting policies and such policies

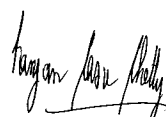
adopted by the Group are disclosed and explained in the financial statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2013 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2013 reflect a true and fair view of the Company and the Group respectively.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors Report.

The Directors confirm to the best of their knowledge that all payments due and payable to the employees, the regulatory and statutory authorities by the Company, its subsidiaries and joint ventures have been either duly paid or adequately provided for in the financial statements.

By Order of the Board,



**R.E.V. Casie Chetty**  
*Company Secretary*

Colombo  
20th May 2013

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, the Colombo Stock Exchange Listing Rules and the best accounting practices. The Board of Directors of Aitken Spence PLC., has pleasure in presenting the Annual Report and the audited financial statements for the year ended 31st March 2013 which were approved by the Board of Directors on 28th of May 2013.

## 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, Cargo Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 245 to 250 of the 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 Financial Review of the 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. Convergence and adopting of Sri Lanka Accounting Standards (SLFRSs/LKASs)

The Company and the Group prepared their annual financial statements upto 31st March 2012 in accordance with Sri Lanka Accounting Standards which were in effect applicable for the said period.

With Sri Lanka converging fully with the International Financial Reporting Standards (IFRS), the Institute of Chartered Accountants of Sri Lanka has issued new Sri Lanka Accounting Standards (commonly known as SLFRSs/LKASs) which is applicable for financial periods beginning on or after 1st January 2012.

The financial statements prepared for 31st March 2013 are the first financial statements which are prepared in accordance with these Sri Lanka Accounting Standards (SLFRSs/LKASs). As required by the standards, the Company and the Group have prepared their opening Statement of Financial Position (previously known as Balance Sheet) as at 1st April 2011 on the basis that these standards were applicable retrospectively with all the applicable adjustments directly recognised in the opening reserves. Accordingly the financial statements for the period ended 31st March 2012 were restated to be in accordance with SLFRS/LKAS.

## 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.535.5 million. (2012 – Rs.448.4 million). The Group revenue was Rs. 37,140 million (2012 – Rs.31,022 million) which is a growth of 19.7% compared to the previous year. An analysis of Group revenue based on business and geographical segments is disclosed in note 8 to the financial statements on pages 178 to 179.

The profit after tax of the Group was Rs. 4,254 million (2012 - Rs. 4,437 million). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs.3,267 million (2012 - Rs.3,488 million). The segmental profits are disclosed in note 8 to the financial statements on page 178.

### 4.2. Donations

During the year, donations amounting to Rs 860,000 /- were made by the Company, while the donations made by the other Group entities during the year amounted to Rs.1,686,365/-.

<b>For the year ended 31st March</b>	<b>GROUP 2013 RS.'000</b>	<b>GROUP 2012 RS.'000</b>
The net profit after providing for all expenses, known liabilities and depreciation on property, plant and equipment	5,001,262	5,183,354
Provision for taxation including deferred tax	(747,176)	(746,090)
Net profit after tax	4,254,086	4,437,264
Other comprehensive income	263,698	1,134,397
Total comprehensive income for the year	4,517,784	5,571,661
Total comprehensive income attributable to the minority shareholders	(1,041,635)	(1,315,472)
Total comprehensive income attributable to equity shareholders	3,476,149	4,256,189
Transactions directly recognised in the equity statement	(9,020)	(10,616)
Balance brought forward from the previous year	25,154,522	21,314,945
Amount available for appropriation	28,621,651	25,560,518
Final Dividend for 2011/2012 (2010/11)	(568,394)	(405,996)
Balance attributable to equity holders of the Company at end of the period	28,053,257	25,154,522

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 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 14.6 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 25 and 32 to the financial statements.

## 4.4 Dividends

The Directors recommended a dividend payment of Rs.1.50 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 confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the final dividend.

## 5. Synopsis of the statement of financial position of the Company and the Group

### 5.1 Stated Capital and Reserves

As at 31st March 2013 the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2,135 million. The Company's reserves as at 31st March 2013 were Rs.10,998 million whereas the total Group's reserves as at 31st March 2013 were Rs.25,918 million (2012-Rs. 23,019 million). The movement in these reserves is shown in the Statement of Changes in Equity - Group on page 160.

### 5.2 Debentures

The value of the outstanding unsecured redeemable debentures as at 1st April 2012 was Rs. 384 million.

#### (i) Fixed rate debentures

As at 1st April 2012 the value of the outstanding fixed rate unsecured redeemable debentures was Rs. 120 million, which together with the annual interest was duly settled on 25th October 2012.

#### (ii) Floating rate debentures

The value of the outstanding floating rate unsecured redeemable debentures outstanding as at 1st April 2012 was Rs. 264 million. Interest applicable for the floating rate debenture was duly paid on 25th April 2012 and 25th October 2012. The Company redeemed the balance outstanding of this debenture on 25th of October 2012.

## 5.3. Property, Plant and Equipment

The carrying value of property plant and equipment for the Company and the Group as at 31st March 2013 amounted to Rs 141 million and Rs. 24,042 million respectively.

The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company and the Group amounted to Rs.19 million and Rs.2,588 million respectively.

## 5.4. Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2013 amounted to Rs.3,456 million and Rs. 1,662 million respectively.

## 5.5 Market Value of Freehold Properties

Land recognised as property, plant and equipment in the financial statements in the Group are recorded at revalued amounts. Revaluation of these lands is performed with sufficient regularity so that the carrying value of the lands do not differ materially to its market value. Revaluation was performed by professionally qualified independent valuers having appropriate experience in valuing properties in the locality of the land being revalued. If the fair value of land does not change other than by an insignificant amount at each reporting date the Group revalues such land every five years.

Details of the revalued land, revaluation surplus, and the original cost are given in note 17.3 to the financial statements. Group records all other assets at cost and check for any impairment of these assets when Group identifies any trigger for impairment.

## 5.6 Contingent Liabilities

The details of contingent liabilities are disclosed in note 44 to the financial statements on page 213.

## 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 49 to the financial statements on page 215.

## 7. Going Concern

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

## 8. Information on the Board of Directors and the Board Sub Committees

### 8.1 Board of Directors

The Board of Directors of the Company as at 31st March 2013 comprised of:

Deshamanya D.H.S. Jayawardena - *Chairman*

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

Dr. R.M. Fernando

Dr. M.P. Dissanayake

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya

Mr. V.M. Fernando

Mr. R.N. Asirwatham

All the above Directors of the Company held office during the entire year.

Mr. A.L. Gooneratne was appointed as an Alternate Director to Mr. N.J. de S. Deva Aditya with effect from 8th May 2012.

Mr. G.M. Perera who was a Board member resigned with effect from 31st December 2012.

Mr. C.R. De Silva P.C. was appointed to the Board on 8th April 2013.

The profiles of the Directors are given on pages 130 to 134 of the Annual Report.

### 8.2 Board Sub Committees

The following Directors of the Board serve as members of the Audit Committee, the Remuneration Committee and the Nomination Committee.

#### **Audit Committee**

Mr. R.N. Asirwatham (Chairman)

Mr. G.C. Wickremasinghe

Mr. C.H. Gomez

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

#### **Remuneration Committee**

Mr. G.C. Wickremasinghe (Chairman)

Mr. V.M. Fernando

Mr. R.N. Asirwatham

#### **Nomination Committee**

Mr. G.C. Wickremasinghe (Chairman)

Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito

Mr. V.M. Fernando

Mr. R.N. Asirwatham

### 8.3 Recommendation for re-election

Dr. M.P. Dissanayake retires by rotation in terms of Article 84 of the Articles of Association of the Company and offers himself for re-election at the forthcoming Annual General Meeting.

Deshamanya D.H.S. Jayawardena attained the age of 70 years on 17th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Deshamanya D.H.S. Jayawardena who has attained the age of 70 and that he be re-elected as a Director at the Annual General Meeting.

Mr. G.C. Wickremasinghe attained the age of 70 years on 15th August 2003 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. G.C. Wickremasinghe who has attained the age of 79 and that he be re-elected as a Director at the Annual General Meeting.

Mr. R.N. Asirwatham attained the age of 70 years on 26th August 2012 and in accordance with Section 210(2) of the Companies Act No. 7 of 2007, he vacates office at the forthcoming Annual General Meeting. A notice of a resolution has been received from a shareholder that the age limit of 70 years referred to in Section 210(1) of the said Companies Act shall not apply to Mr. R.N. Asirwatham who has attained the age of 70 and that he be re-elected as a Director at the Annual General Meeting.

Mr. C.R. De Silva P.C. retires in terms of Article 90 of the Articles of Association of the Company and offers himself for election at the forthcoming Annual General Meeting.

### 8.4 Directors' Shareholding and their Interests

The Directors' shareholdings and their interests are provided in the Investor information on page 232 of the Annual Report.

### 8.5 Interest Register

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

### 8.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2013 are disclosed on page 180 of the financial statements.

### 8.7 Related Party Transactions

Related party transactions of the Group are disclosed on pages 213 to 215 of the Annual Report. These interests have been duly declared at Directors meetings.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 8.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2013 and Directors who ceased to hold office during the accounting period are indicated on pages 245 to 250 of the Annual Report.

## 9. Human Resources

Our Human Resources strategies and practices have translated into the creation of a dynamic and competent human resource team with sound succession planning and a remarkably low attrition rate. Our employment strategies are reviewed periodically by the relevant committees and the Board of Directors. The Human Resource Report is set out on pages 105 to 108 of the Annual Report.

## 10. Governance

The Group has not engaged in any activity, which contravenes the national and international laws. The Group rigidly adheres to relevant national and international regulations 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 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 108 to 125 of the Annual Report.

## 11. Risk Management

The Directors have established and adhere to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievements of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 126 to 129 of this report.

## 12. Internal Controls

The Board of Directors ensures that the Group has an effective internal control system which ensures that the assets of the

Company and the Group are safeguarded and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Group adopts procedures which result in financial and operational effectiveness and efficiency.

The Statement of Directors' Responsibilities on page 150 and the Audit Committee Report set out on page 118 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 for in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 150 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 our commitment as we continue to benchmark our 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 4,261 shareholders as at 31st March 2013. The distribution schedule of the number of shareholders and their share holdings are detailed in pages 228 to 232 of the Annual Report. The names of the twenty largest shareholders, together with their shareholdings as at 31st March 2013 are given on page 231 of the annual report. The percentage of the shares held by the public as at 31st March 2013 was 40.07%.

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 228 to 232 of the Annual Report.

## 16. Auditors

The independent auditors' report on the financial statements is given on page 156 of the Annual Report. The retiring auditors Messrs KPMG have stated their willingness to continue in office and a resolution to re-appoint them as auditors and grant

authority to the Board to determine their remuneration will be proposed at the Annual General Meeting.

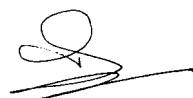
The fees payable to the Company auditors Messrs KPMG was Rs. 860,000/-.

In addition to the above Rs. 806,070/- was payable by the Company for permitted audit related and non audit related services including tax advisory services.

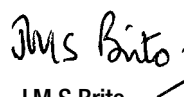
Messrs KPMG the auditors of the Company are also the auditors of certain subsidiaries, joint ventures and equity-accounted investees of the Group. The list of the subsidiaries, joint ventures and equity-accounted investees audited by them are included on pages 245 to 250 of the Annual Report.

The amount payable by the Group to Messrs KPMG as audit fees was Rs 9,870,123/- while a further Rs. 5,376,697/- was payable for permitted audit and non audit related services including tax advisory services. In addition to the above Rs.4,839,919/- was payable to other auditors for carrying out audits in the subsidiaries, joint ventures and associates where the audits were conducted by them. The amount payable to such other auditors for permitted audit and non audit related

services including tax advisory services was Rs.1,268,804/- . 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*



**R.E.V. Casie Chetty**  
*Company Secretary*

Colombo  
28th May 2013

# INDEPENDENT AUDITORS' REPORT



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF AITKEN SPENCE PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31st March, 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 157 to 224 of the Annual Report.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.  
An audit also includes assessing the accounting policies used

and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March, 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

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

**CHARTERED ACCOUNTANTS**  
Colombo

28th May, 2013

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

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

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

# INCOME STATEMENTS

For the year ended 31st March	Notes	GROUP		COMPANY	
		2013	2012	2013	2012
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>	9	<b>37,139,927</b>	31,021,623	<b>535,500</b>	448,428
Revenue tax		(533,641)	(478,519)	(9,960)	(8,516)
<b>Net revenue</b>		<b>36,606,286</b>	30,543,104	<b>525,540</b>	439,912
Other operating income	10	<b>12,508</b>	1,086,078	<b>557,466</b>	1,837,391
Changes in inventories of finished goods and work-in-progress		(11,487)	(5,875)	-	-
Raw materials and consumables used		(12,913,768)	(10,475,739)	-	-
Employee benefits expense		(3,997,179)	(3,580,485)	(336,742)	(275,385)
Depreciation, amortisation and impairment	11	(1,428,073)	(1,145,483)	(59,881)	(51,396)
Other operating expenses - direct	12	(8,398,247)	(7,042,263)	-	-
Other operating expenses - indirect		(4,367,202)	(3,977,480)	(265,986)	(234,669)
<b>Profit from operations</b>		<b>5,502,838</b>	5,401,857	<b>420,397</b>	1,715,853
Finance income	13	<b>760,887</b>	471,364	<b>694,908</b>	417,589
Finance expenses	13	(1,443,964)	(775,850)	(557,435)	(361,300)
<b>Net finance income / (expense)</b>		<b>(683,077)</b>	(304,486)	<b>137,473</b>	56,289
Share of profit of equity-accounted investees (net of tax)	24	<b>181,501</b>	85,983	-	-
<b>Profit before tax</b>	11	<b>5,001,262</b>	5,183,354	<b>557,870</b>	1,772,142
Income tax expense	14	(747,176)	(746,090)	(11,482)	(12,479)
<b>Profit for the year</b>		<b>4,254,086</b>	4,437,264	<b>546,388</b>	1,759,663
<b>Attributable to:</b>					
Equity holders of the company		<b>3,266,838</b>	3,487,669	<b>546,388</b>	1,759,663
Non-controlling interests		<b>987,248</b>	949,595	-	-
<b>Profit for the year</b>		<b>4,254,086</b>	4,437,264	<b>546,388</b>	1,759,663
Earnings per share - Basic/Diluted (Rs.)	15	<b>8.05</b>	8.59	<b>1.35</b>	4.33
Dividends per share (Rs.)	16	<b>1.50</b>	1.40	<b>1.50</b>	1.40

The notes on pages 164 through 224 form an integral part of these financial statements.

Figures in brackets indicate deductions.

## STATEMENTS OF COMPREHENSIVE INCOME

<i>For the year ended 31st March</i>	GROUP		COMPANY	
	2013	2012	2013	2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the year</b>	<b>4,254,086</b>	4,437,264	<b>546,388</b>	1,759,663
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	(51,107)	655,651	-	-
Revaluation of property, plant and equipment	280,247	365,668	-	-
Net change in fair value of available-for-sale financial assets	36,961	(65,063)	3,238	(3,063)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(2,403)	-	(1,014)	-
Share of other comprehensive income of equity-accounted investees	-	178,141	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>263,698</b>	1,134,397	<b>2,224</b>	(3,063)
<b>Total comprehensive income for the year</b>	<b>4,517,784</b>	5,571,661	<b>548,612</b>	1,756,600
<b>Attributable to:</b>				
Equity holders of the parent	3,476,149	4,256,189	548,612	1,756,600
Non-controlling interests	1,041,635	1,315,472	-	-
<b>Total comprehensive income for the year</b>	<b>4,517,784</b>	5,571,661	<b>548,612</b>	1,756,600

The notes on pages 164 through 224 form an integral part of these financial statements.

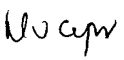
Figures in brackets indicate deductions.

# STATEMENTS OF FINANCIAL POSITION

As at		GROUP			COMPANY		
		31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
		Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS							
Non-Current Assets							
Property, plant and equipment	17	24,041,780	22,585,836	18,546,977	141,046	159,426	158,245
Investment property	18	1,661,596	1,662,349	1,662,992	3,455,995	3,457,305	3,460,705
Intangible assets	19	654,056	643,600	139,112	76,037	48,537	50,884
Leasehold property	20	1,463,930	1,521,101	1,354,028	-	-	-
Pre-paid operating leases	21	980,731	1,028,164	5,455	-	-	-
Finance lease receivables	22	2,325,091	2,512,923	2,286,621	-	-	-
Investments in subsidiaries and joint ventures - unquoted	23	-	-	-	4,946,407	4,838,877	4,424,972
Investments in subsidiaries - quoted	23	-	-	-	2,458,287	2,458,287	2,458,287
Investments in equity-accounted investees	24	1,931,205	1,770,117	1,472,162	165,000	165,000	165,000
Deferred tax assets	25	222,147	209,769	137,694	-	-	-
Other financial assets	26	462,117	392,737	483,620	232,403	159,348	160,939
		33,742,653	32,326,596	26,088,661	11,475,175	11,286,780	10,879,032
Current Assets							
Inventories	27	1,824,723	1,783,317	1,607,724	2,484	1,651	1,755
Finance lease receivables	22	168,964	90,976	549,599	-	-	-
Trade and other receivables	28	9,972,627	8,947,611	4,182,377	3,315,508	3,614,452	2,531,381
Current tax receivable		180,918	158,172	122,298	168,596	140,483	109,659
Deposits and prepayments		1,129,843	755,758	547,022	53,075	60,176	23,205
Other financial assets	26	6,764,163	4,596,615	5,369,121	3,227,060	2,469,924	2,714,592
Cash and short-term deposits		2,217,994	2,176,837	736,009	62,885	819,042	20,554
		22,259,232	18,509,286	13,114,150	6,829,608	7,105,728	5,401,146
Assets classified as held for sale	29	149,125	149,125	181,489	57,237	57,237	70,837
Total Assets		56,151,010	50,985,007	39,384,300	18,362,020	18,449,745	16,351,015
EQUITY AND LIABILITIES							
Equity							
Stated capital	30	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	30	12,695,793	12,454,684	10,929,074	6,328,970	6,294,948	5,540,921
Retained earnings		13,222,324	10,564,698	8,250,731	4,669,527	4,723,331	4,126,754
Total equity attributable to equity holders of the company		28,053,257	25,154,522	21,314,945	13,133,637	13,153,419	11,802,815
Non-controlling interests		5,449,444	4,708,800	4,154,265	-	-	-
Total Equity		33,502,701	29,863,322	25,469,210	13,133,637	13,153,419	11,802,815
Non-Current Liabilities							
Interest-bearing liabilities	31	6,245,351	5,742,548	4,143,648	2,542,500	2,100,000	844,000
Deferred tax liabilities	32	504,743	429,238	256,001	-	-	-
Employee benefits	33	447,390	391,409	335,637	73,405	56,394	46,936
		7,197,484	6,563,195	4,735,286	2,615,905	2,156,394	890,936
Current Liabilities							
Interest-bearing liabilities	31	1,370,093	2,135,469	1,718,328	157,500	544,000	568,000
Provisions	34	277,103	490,661	457,827	-	-	-
Trade and other payables	35	7,713,638	6,720,453	3,912,058	2,355,097	2,328,000	2,274,960
Current tax payable		501,238	286,567	179,647	-	-	-
Other financial liabilities	36	-	57,847	-	-	-	-
Bank overdrafts and other short-term borrowings		5,588,753	4,867,493	2,911,944	99,881	267,932	814,304
		15,450,825	14,558,490	9,179,804	2,612,478	3,139,932	3,657,264
Total Equity and Liabilities		56,151,010	50,985,007	39,384,300	18,362,020	18,449,745	16,351,015

The above statement of financial position is to be read in conjunction with the notes to the financial statements on page 164 to 224.

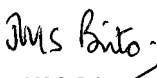
I certify that the financial statements for the year ended 31st March 2013 are in compliance with the requirements of the Companies Act No. 7 of 2007.

  
**Ms. N. Sivapragasam**  
**Chief Financial Officer**

The Board of Directors is responsible for preparation and presentation of these financial statements.  
For and on behalf of the Board:

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

28th May 2013.  
Colombo, Sri Lanka

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

# STATEMENT OF CHANGES IN EQUITY

## Group

For the year ended 31st March 2013	Attributable to equity holders of the company							Total	Non-controlling interests	Total equity
	Stated capital	Revaluation reserve	Other Capital reserves	General reserves	Exchange fluctuation reserve	Available for sale reserve	Retained earnings			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 01st April 2011</b>	2,135,140	4,864,773	127,521	5,570,692	314,919	51,169	8,250,731	21,314,945	4,154,265	25,469,210
Profit for the period	-	-	-	-	-	-	3,487,669	3,487,669	949,595	4,437,264
Other comprehensive income for the period	-	404,564	-	-	428,752	(64,796)	-	768,520	365,877	1,134,397
<b>Total comprehensive income for the period</b>	-	404,564	-	-	428,752	(64,796)	3,487,669	4,256,189	1,315,472	5,571,661
Share of net assets of equity-accounted investees	-	-	-	-	-	-	(3,472)	(3,472)	(1,693)	(5,165)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	(7,144)	(7,144)	(15,701)	(22,845)
Transfer to general reserve	-	-	-	757,090	-	-	(757,090)	-	-	-
Dividends for 2010/2011	-	-	-	-	-	-	(405,996)	(405,996)	-	(405,996)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	-	(743,543)	(743,543)
<b>Total contributions and distributions, recognised directly in equity</b>	-	-	-	757,090	-	-	(1,173,702)	(416,612)	(760,937)	(1,177,549)
<b>Balance as at 31st March 2012</b>	2,135,140	5,269,337	127,521	6,327,782	743,671	(13,627)	10,564,698	25,154,522	4,708,800	29,863,322
Profit for the period	-	-	-	-	-	-	3,266,838	3,266,838	987,248	4,254,086
Other comprehensive income for the period	-	208,757	-	-	(36,607)	37,161	-	209,311	54,387	263,698
<b>Total comprehensive income for the period</b>	-	208,757	-	-	(36,607)	37,161	3,266,838	3,476,149	1,041,635	4,517,784
Share of net assets of equity-accounted investees	-	-	-	-	-	-	419	419	187	606
Direct costs on share issues by subsidiary companies	-	-	-	-	-	-	(8,231)	(8,231)	(2,859)	(11,090)
Effect of acquisitions, disposals and change in percentage holdings in subsidiaries	-	-	-	-	-	-	(1,208)	(1,208)	4,496	3,288
Transfer to general reserve	-	-	-	31,798	-	-	(31,798)	-	-	-
Dividends for 2011/2012 (note 16)	-	-	-	-	-	-	(568,394)	(568,394)	-	(568,394)
Dividends paid by subsidiary companies to minority shareholders	-	-	-	-	-	-	-	-	(302,815)	(302,815)
<b>Total contributions and distributions, recognised directly in equity</b>	-	-	-	31,798	-	-	(609,212)	(577,414)	(300,991)	(878,405)
<b>Balance as at 31st March 2013</b>	<b>2,135,140</b>	<b>5,478,094</b>	<b>127,521</b>	<b>6,359,580</b>	<b>707,064</b>	<b>23,534</b>	<b>13,222,324</b>	<b>28,053,257</b>	<b>5,449,444</b>	<b>33,502,701</b>

The notes on pages 164 through 224 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

## Company

For the year ended 31st March 2013

	Stated capital	Revaluation reserve	General reserves	Available for sale reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance as at 01st April 2011</b>	2,135,140	-	5,543,980	(3,059)	4,126,754	11,802,815
Profit for the period	-	-	-	-	1,759,663	1,759,663
Other comprehensive income for the period	-	-	-	(3,063)	-	(3,063)
<b>Total comprehensive income for the period</b>	-	-	-	(3,063)	1,759,663	1,756,600
Transfer to general reserve	-	-	757,090	-	(757,090)	-
Dividends for 2010/2011	-	-	-	-	(405,996)	(405,996)
<b>Total contributions and distributions, recognised directly in equity</b>	-	-	757,090	-	(1,163,086)	(405,996)
<b>Balance as at 31st March 2012</b>	2,135,140	-	6,301,070	(6,122)	4,723,331	13,153,419
Profit for the period	-	-	-	-	546,388	546,388
Other comprehensive income for the period	-	-	-	2,224	-	2,224
<b>Total comprehensive income for the period</b>	-	-	-	2,224	546,388	548,612
Transfer to general reserve	-	-	31,798	-	(31,798)	-
Dividends for 2011/2012 (note 16)	-	-	-	-	(568,394)	(568,394)
<b>Total contributions and distributions, recognised directly in equity</b>	-	-	31,798	-	(600,192)	(568,394)
<b>Balance as at 31st March 2013</b>	2,135,140	-	6,332,868	(3,898)	4,669,527	13,133,637

The notes on pages 164 through 224 form an integral part of these financial statements.

Figures in brackets indicate deductions.

GROUP OVERVIEW

LEADERSHIP REVIEW

GROUP PERFORMANCE  
REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

SUPPLEMENTARY  
INFORMATION

## CASH FLOW STATEMENTS

For the year ended 31st March	GROUP		COMPANY	
	2013	2012	2013	2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash flows from operating activities</b>				
Profit before tax	5,001,262	5,183,354	557,870	1,772,142
<b>Adjustments for</b>				
Depreciation and amortisation	1,349,568	1,145,483	59,881	51,396
Impairment of property, plant and equipment and goodwill	78,505	-	-	-
Interest expense	1,327,591	639,299	553,206	356,338
Gain on disposal of property plant and equipment	(28,737)	(61,671)	(8)	(8,173)
(Gain) / loss on disposal of group investments	6,523	(590,798)	-	(590,798)
Gain on disposal of available-for-sale financial assets reclassified from equity	(11,089)	(995)	(6,212)	(995)
Gain on retirement of assets held for sale	-	(343)	-	(12,781)
Interest income	(760,887)	(471,364)	(694,908)	(417,589)
Gain on bargain purchase	-	(7,784)	-	-
Share of profit of equity-accounted investees (net of tax)	(181,501)	(85,983)	-	-
Provision for impairment / (write back) of trade and other receivables	47,554	17,054	(6)	(14,611)
Net foreign exchange (gain) / loss	(31,036)	(4,536)	4,772	(61,554)
Provision for retirement benefit obligations	116,561	88,476	23,500	13,404
	1,913,052	666,838	(59,775)	(685,363)
<b>Operating profit before working capital changes</b>	6,914,314	5,850,192	498,095	1,086,779
(Increase)/decrease in trade and other receivables	(1,072,570)	(4,782,287)	298,950	(1,068,460)
(Increase)/decrease in inventories	(41,406)	(175,593)	(833)	104
(Increase)/ decrease in deposits and prepayments	(374,085)	(208,736)	7,101	(36,971)
Increase/(decrease) in trade and other payables	991,830	2,810,293	25,742	51,964
Increase/(decrease) in provisions	(213,558)	32,834	-	-
	(709,789)	(2,323,489)	330,960	(1,053,363)
<b>Cash generated from operations</b>	6,204,525	3,526,703	829,055	33,416
Interest paid	(1,327,591)	(639,299)	(553,206)	(356,338)
Income tax paid	(492,804)	(585,821)	(39,595)	(43,302)
Retirement benefit obligations paid	(59,256)	(43,837)	(6,489)	(3,946)
	(1,879,651)	(1,268,957)	(599,290)	(403,586)
<b>Net cash generated from/(used in) operating activities</b>	4,324,874	2,257,746	229,765	(370,170)
<b>Cash flows from investing activities</b>				
Investment in subsidiaries, joint ventures and equity-accounted investees	(4,595)	(852,910)	(107,530)	(490,366)
Effect of changes in percentage holding in subsidiaries and joint ventures	(6,786)	(58,984)	-	-
Purchase of equity and debt securities	(88,986)	(176,097)	(88,986)	-
Purchase of property, plant and equipment	(2,588,357)	(3,587,332)	(19,238)	(34,093)
Purchase of intangible assets	(76,156)	(21,969)	(48,461)	(13,295)
Purchase of investment property	-	(109)	-	(109)
Prepayemt of rentals of operating leases	-	(1,022,800)	-	-
Proceeds from disposal of property, plant and equipment	83,295	144,987	15	8,840
Proceeds from disposal of intangible assets	73	-	-	-
Refund of pre-paid lease rentals	38,067	-	-	-
Receipts on finance lease receivables	92,314	620,150	-	-
Proceeds from sale of equity and debt securities	23,449	671,754	15,930	671,754
Proceeds / (purchase) of other financial assets and liabilities (net)	(2,101,040)	747,678	(736,697)	225,153
Proceeds on retirement of assets held for sale	-	32,708	-	22,880
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(302,815)	(743,543)	-	-
Dividends received from equity-accounted investees	25,615	-	-	-
<b>Net cash generated from/(used in) investing activities</b>	(4,905,922)	(4,246,467)	(984,967)	390,764

(carried forward to next page)

The notes on pages 164 through 224 form an integral part of these financial statements.

Figures in brackets indicate deductions.

For the year ended 31st March	GROUP		COMPANY	
	2013	2012	2013	2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<i>(brought forward from previous page)</i>				
<b>Cash flows from financing activities</b>				
Interest received from deposits	692,338	489,056	682,907	435,632
Proceeds from interest-bearing liabilities	3,366,073	3,246,944	600,000	1,800,000
Repayment of interest-bearing liabilities	(3,614,550)	(1,763,371)	(544,000)	(568,000)
Direct cost on share issue by a subsidiary company	(11,090)	-	-	-
Dividends paid	(567,039)	(404,920)	(567,039)	(404,920)
<b>Net cash generated from / (used in) financing activities</b>	<b>(134,268)</b>	<b>1,567,709</b>	<b>171,868</b>	<b>1,262,712</b>
<b>Net increase in cash and cash equivalents</b>	<b>(715,316)</b>	<b>(421,012)</b>	<b>(583,334)</b>	<b>1,283,306</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(2,655,443)</b>	<b>(2,234,431)</b>	<b>546,338</b>	<b>(736,968)</b>
<b>Cash and cash equivalents at the end of the year (note B)</b>	<b>(3,370,759)</b>	<b>(2,655,443)</b>	<b>(36,996)</b>	<b>546,338</b>

#### A. Disposal of joint venture

During the year the Group divested its investment in Business Travels Services LLC., a joint venture company. The fair value of assets and liabilities disposed of this divestment is as follows;

	Rs.'000
Property, plant and equipment	(1,196)
Trade and other receivables	(73,708)
Deposits and prepayments	(1,323)
Employee benefits	1,453
Trade and other payables	68,251
Net assets disposed	(6,523)
Purchase consideration received on acquisition	-
Net cash inflow on disposal	-

#### B. Cash and cash equivalents at the end of the year

For the year ended 31st March	GROUP		COMPANY	
	2013	2012	2013	2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash at bank and in hand	1,204,674	647,880	62,885	19,042
Short term deposits	1,013,320	1,528,957	-	800,000
Short-term bank borrowings	(5,588,753)	(4,867,493)	(99,881)	(267,932)
Cash and cash equivalents as previously reported	(3,370,759)	(2,690,656)	(36,996)	551,110
Effect of exchange rate changes	-	35,213	-	(4,772)
<b>Cash and cash equivalents as restated</b>	<b>(3,370,759)</b>	<b>(2,655,443)</b>	<b>(36,996)</b>	<b>546,338</b>

The notes on pages 164 through 224 form an integral part of these financial statements.

Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Reporting Entity

Aitken Spence PLC., (the “Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The company’s registered office and the principal place of business is located at “Aitken Spence Tower II”, 315 Vauxhall Street, Colombo 02.

The consolidated financial statements of the Company as at, and for the year ended 31st March 2013 comprise the financial statements of Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in equity-accounted investees and jointly controlled entities.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 245 to 250 of this report.

Aitken Spence PLC does not have an identifiable parent.

## 2 Basis of Preparation

### 2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Financial Statements for the year ended 31st March 2012 which were prepared in accordance with the Sri Lanka Accounting Standards that existed immediately prior to 1st January 2012 (SLASs), are available upon request from the Company’s registered office located at “Aitken Spence Tower II”, 315 Vauxhall Street, Colombo 02, or in the company website [www.aitkenspence.com](http://www.aitkenspence.com).

These are the Company’s and the Group’s first financial statements prepared in accordance with SLFRSs/LKASs, with the application of SLFRS 1 - First-time Adoption of Sri Lanka Accounting Standards.

The Statement of the financial position as at 1st April 2011 (date of transition to SLFRSs/LKASs) and 31st March 2012, the statements of Income, comprehensive income, changes in equity and the cash flows for the year ended 31st March 2012, were retrospectively prepared based on the Sri Lanka Accounting Standards (SLFRSs/LKASs) effective from 1 January 2012 as required by SLFRS 1 – First-time Adoption of Sri Lanka Accounting Standards (SLFRSs).

An explanation of how the transition to SLFRSs/LKASs, has affected the reported financial position, financial performance and the cash flow of the Group and the Company is provided in note 50.

### 2.2 Responsibility for financial statements

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements

### 2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2013 were authorised for issue by the Board of Directors on the 28th of May 2013.

### 2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for measurement of the following material items in the statement of financial position.

Land recognised under property, plant and equipment, financial assets and financial liabilities classified as fair value through profit or loss and available for sale assets are measured at fair value: while retirement benefit obligations are measured at the present value of defined benefit obligations.

### 2.5 Functional currency

The financial statements are presented in Sri Lankan rupees, which is the Group’s functional currency. All financial information presented in rupees has been rounded to the nearest thousand.

### 2.6 Use of estimates and judgements

The preparation of financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, is provided below:

## Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an appropriate interest rate to discount them. Management makes certain assumptions based on their judgment in forecasting future operating results.

## Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment

## Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

## Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

## Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## Recognition of deferred tax assets

Management applies significant judgment on the extent to which deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

## 2.7 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future confirm

that they do not intend either to liquidate or to cease operations of any business unit of the Group.

## 3 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements of the Group and the Company and in preparing the opening statement of financial position as at 1st April 2011 for the purposes of the transition to SLFRSs/LKASs.

The accounting policies have been applied consistently by Group entities.

### 3.1 Basis of consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Existence of control is evident when the Company controls the composition of the Board of Directors, holds more than half of the issued shares of the entity, controls more than half of the potential voting rights of the entity, or when control is provided by virtue of contractual arrangements.

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

#### 3.1.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date, as the fair value of the consideration transferred and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the

## NOTES TO THE FINANCIAL STATEMENTS

acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

After initial recognition goodwill is stated at cost less accumulated impairment losses.

The goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible asset.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

### **3.1.1.2 Non-controlling interest**

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non – controlling interest" in the Consolidated Income Statement.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non – controlling interest" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interest arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

### **3.1.2 Equity accounted investees (investments in associates)**

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

The Group's investments in its equity accounted investees are accounted for using the equity method

Under the equity method Investments in equity-accounted investees are recognised initially at cost. The carrying amount of the investment is adjusted at each reporting date to recognise changes

in the Group's share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity-accounted investees are recognised against the equity value of the Group's investment.

The income statement reflects the Group's share of the results of operations of the equity accounted investees. When there has been a change recognised directly in the equity of the entity, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees.

The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement and represents profits or loss after tax and non-controlling interests in the subsidiaries of the equity-accounted investees.

The financial statements of the equity accounted investees are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in 'share of losses of an equity accounted investee' in the income statement.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

### **3.1.3 Interest in joint ventures**

Entities in which the Group has joint control over the financial and operating policies are termed joint ventures. The Group's interests in such jointly controlled entities are accounted for on a proportionate consolidation basis. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an equity accounted investee.

#### 3.1.4 Reporting date

All the Group's subsidiaries, jointly controlled entities and equity-accounted investees have the same reporting period as the parent company.

#### 3.1.5 Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

#### 3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 Foreign currencies

#### 3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transaction. All monetary assets and liabilities denominated in foreign currency at the reporting date are translated at the rate prevailing on the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined.

Foreign currency differences arising on re-translation are recognised in profit or loss, except for differences arising on the re-translation of available for sale equity investments, a financial liability designated a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

#### 3.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at exchange rate approximating to the actual rate at the time of the transaction. For practical purposes this is presumed to be the average rate during each month. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest, and in any other partial disposal of foreign operation, the relevant proportion is reclassified to profit or loss.

### 3.3 Financial instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction cost, which is insignificant is expensed immediately to the income statement.

#### 3.3.1 Non-derivative financial assets

##### 3.3.1.1. Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS

### Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, are recognised in profit or loss.

Attributable transaction costs of fair value through profit or loss financial assets are recognised in profit or loss when incurred.

The Company has categorised its portfolio of investments treasury bills and treasury bonds as financial assets at fair value through profit or loss. The Group has not designated any equity instruments in this category

### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction cost is significant. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

### Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. If the transaction cost is significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the Financial year the Group has not designated any financial assets as held-to-maturity investments.

### Available-for-sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. The Group investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to profit or loss.

The Group designates listed and unlisted equity investments that are not held for trading purposes as available for sale financial instruments. Debt securities in this category are those which are

intended to be held for an indefinite period of time and which may be sold or redeemed in response to needs for liquidity or in response to changes in the market conditions.

Interest income on available-for-sale debt securities calculated using the effective interest method and dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

### 3.3.1.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

### Loans and Receivables

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together assets with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the profit or loss. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

### Available for sale.

For equity instruments classified as available for sale financial assets a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

Impairment losses of an available-for-sale security investment are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### 3.3.1.3 Derecognition of financial assets

The Group derecognises a financial asset when

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
- The entity has transferred substantially all the risks and rewards of the asset, or
- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

### 3.3.2 Non - derivative financial liabilities

#### 3.3.2.1 Initial recognition and measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its non-derivative financial liabilities into following categories:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

#### Other financial Liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

#### 3.3.2.2 Derecognition of financial assets and liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

#### 3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.3.4 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

#### 3.3.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.4. Property, plant and equipment

#### 3.4.1 Recognition and measurement

Property, plant and equipment other than land, are measured at cost less accumulated depreciation and accumulated impairment losses.

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

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at their re-valued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of the same land.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land are disclosed in note 17.3.1 to the financial statements.

#### 3.4.2 Significant components of property plant and equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

#### 3.4.3 Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is

probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### 3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

<b>Leased Assets</b>	<b>Over the periods of the lease</b>
Buildings	20 - 50 years
Plant and Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years
Motor Vehicles	04 - 10 years
Furniture and Fittings	10 years
Computer Equipment	3-5 years
Crockery, Cutlery and Glassware	3-5 years
Speed Boats	5 years
Soft Furnishing	5-10 years

Power generation plants of some of the group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

The cost of major planned overhauls capitalised are depreciated over the period until the next planned maintenance.

### 3.5 Investment properties

#### 3.5.1 Recognition and measurement

Investment property is land and buildings that are held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods and services or for administrative purposes. Investment property is measured at cost at initial recognition and subsequently at cost less aggregate depreciation. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognise the decline.

Upon transition to SLFRSs/LKASs the Group elected to measure land classified under investment property at fair value on 1st of April 2011 and use this fair value as deemed cost on this date.

### 3.5.2 Depreciation

No depreciation is provided on land treated as investment property.

Depreciation of other investment property of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of the assets on a straight-line method.

### Leased Assets

#### Over the periods of the lease

Buildings

Over 20 - 50 years

In the consolidated financial statements, properties which are occupied by companies within the Group for the production or supply of goods and services or for administrative purposes are treated as property, plant and equipment, while these properties are treated as investment property in the financial statements of the company owning the asset.

## 3.6 Leases

### 3.6.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as leased assets under property, plant and equipment and are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments. Leased assets are depreciated over the remaining lease period or the useful life of the asset, whichever is shorter.

### 3.6.2 Operating leases

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

### 3.6.3 Leasehold property

The initial cost of acquiring leasehold property is treated as an operating lease and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

### 3.6.4 Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criteria are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, If the Group concludes that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently as payments are made the liability is reduced and imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

## 3.7 Intangible assets

### 3.7.1 Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible assets arising from development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Expenditure incurred during the research phase of an internal project is recognised in the income statement

### 3.7.2 Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

### 3.7.3 Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by

## NOTES TO THE FINANCIAL STATEMENTS

changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### 3.7.4 Intangible assets recognised by the Group.

#### 3.7.4.1 Computer software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets

The Group amortises the computer software over period of 3 to 5 years.

#### 3.7.4.2 Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

The Group amortises the website costs over a period of 3 to 5 years.

#### 3.7.4.3 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 3.1.1.

### 3.7.5 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

## 3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on a weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads based on normal operating capacity.

## 3.9 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on re-measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

## 3.10 Impairment – Non-financial assets

The carrying amounts of the Group's non financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

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

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

### 3.10.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

### 3.10.2 Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed

if there has been a change in the estimates used to determine the recoverable amount.

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

### 3.11 Liabilities and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances that become repayable after one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

### 3.12 Employee benefits

#### 3.12.1 Defined benefit plan - retiring gratuity

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

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

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

The liability is not externally funded.

The Group recognises all actuarial gains and losses arising from defined benefit plans in the income statement

#### 3.12.2 Defined contribution plan

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

The Group contributes a sum not less than 12% of the gross emoluments of employees as provident fund benefits and 3% as trust fund benefits, respectively.

#### 3.12.3 Short-term employee benefits

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

### 3.13 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### 3.13.1 Provision for major overhauls

Provision is made on a monthly basis for major overhaul costs based on the estimated overhauls to be carried out within the estimated interval between two major overhauls. The cost of the actual overhaul carried out is set off against the provision. The adequacy of the provision balance is reviewed at a consistent frequency, and any under / over provision which arises due to a change in estimate and the timing of the major overhauls, is adjusted in the income statement for the period in which such under / over provision is identified.

### 3.14 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax and intra-group sales.

#### 3.14.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.14.2 Sale of goods

Revenue from the sale of goods is recognised on accrual basis when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

### 3.14.3 Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period

#### 3.14.3.1 Hotel operation

In respect of the Group's hotel operations, apartment revenue is recognised on the rooms occupied on a daily basis, and food and beverage sales are accounted for at the time of sale.

#### 3.14.3.2 Loyalty points programme of Hotel Companies

'Diamond points' a loyalty programme, allows customers to accumulate points when they patronise the Group hotels which could be redeemed for future hotel accommodation, subject to a minimum number of points being obtained. Consideration received on hotel rooms occupied is allocated between the current sales and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying a statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed. The Group has not included extensive disclosure regarding the loyalty programme as the amounts are not significant.

#### 3.14.3.3 Lease income

Minimum lease payments receivable under a finance lease are apportioned between the finance income and the reduction of the outstanding receivable. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the financial asset.

#### 3.14.3.4 Installation of elevators

Revenue on installation of elevators is recognised in the income statement by reference to the stage of completion of the transaction at the reporting date. Stage of completion is measured by reference to cost incurred to date as a percentage of total estimated total cost for each installation.

#### 3.14.3.5 Commission income

When the Group acts in the capacity of an agent rather than the principal in a transaction, the revenue recognition is the net amount of commission earned by the Group.

### 3.14.4 Use by others of entity assets

#### 3.14.4.1 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the

financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

#### 3.14.4.2 Dividends

Dividend is recognised when the right to receive such is established, which is generally when the dividend is declared.

#### 3.14.4.3 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is accounted for on a straight-line basis over the rent period.

### 3.15 Expenditure

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

### 3.16 Finance Income /(Expenses)

Finance income comprises interest income on funds invested, other than the income from investments categorised under available-for-sale financial assets, which income is recognised in the other comprehensive income statement. Gains on the disposal of interest generating investments whether classified under fair value through profit or loss or under available-for-sale financial assets is recognised under finance income

Interest income is recognised as it accrues in profit or loss, using the effective interest method

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in note 13 to the financial statements.

### 3.17 Government grants and subsidies.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Grants and subsidies which intend to compensate an expense or loss already incurred or received for the purpose of immediate financial support with no future related costs, are recognised in

the income statement in the period in which the grant becomes receivable.

Grants and subsidies related to assets are immediately recognised in the statement of financial position as deferred income, and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and recognised to the profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the applicable market rate, the effect of this favourable interest is regarded as a government grant.

### 3.18 Income tax expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in profit or loss except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

#### 3.18.1 Current Tax

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

##### 3.18.1.1 Companies incorporated in Sri Lanka

Provision for current tax for companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

##### 3.18.1.2 Companies incorporated outside Sri Lanka

Provision for current tax for companies incorporated outside Sri Lanka have been computed in accordance to the relevant tax statutes as disclosed in note 14.3 to the financial statements.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

#### 3.18.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets

or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

#### 3.18.3 Economic service charge

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

### 3.19 Operating Segments

An operating segment is a distinguishable component of the Group that engages in business activities from which it earn revenues and incurs expenses, including revenues and expenses that relate to transactions with Group's other segments.

The operations of the Group are categorised under four segments based on the nature of the products or services provided by each segment and the risks and rewards associated with the economic environment in which these segments operate. The performance of the Group is evaluated based on the performance of these four main segments by the Group's Managing Director (chief operating decision maker). The internal management reports prepared on these segments are reviewed by the Group's Managing Director on a monthly basis. Details of the Group companies operating under each segment and the products and services offered under each segment are provided under Group Companies in pages 245 to 250.

### 3.20 Movement of reserves

Movements of reserves are disclosed in the statement of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.21 Cash flow

The cash flow statement is reported based on the “indirect method”.

### 3.22 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control.

Commitments and Contingent liabilities are disclosed in Note 41 and 44 to the financial statements.

### 3.23 Related Party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies and decisions of the other, irrespective of whether a price is being charged.

### 3.24 Earnings per share

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

## 4 First Time Adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs)

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRSs/LKASs. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with the Sri Lanka Accounting Standards that existed immediately prior to 1st January 2012 (SLASs) Accordingly, the Group has prepared financial statements which comply with SLFRSs/LKASs applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1st April 2011 the date of transition to SLFRSs/LKASs for the Group.

### Optional exemptions as permitted in the SLFRS – 1 First Time Adoption of Sri Lanka Accounting Standards (SLFRSs)

#### Deemed Cost

The Group elected to measure some items of Property Plant and equipment and all items of investment property at the date of

transition to SLFRS (i.e. 1st April 2011) at their fair values and use the fair values as their deemed cost at that date

### Investments in subsidiaries, jointly controlled entities and equity accounted investees

The Group elected to account for its investments in subsidiaries, jointly controlled entities and equity accounted investees at cost as recognised previously as per the previous Sri Lanka accounting standards.

### Borrowing Cost

The Group opted to apply transition provisions set out in LKAS 23 – Borrowing Costs and capitalise the borrowing costs that are directly attributable to construction of qualifying assets after the transition date of 1st April 2011.

## 5 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

## 6 New accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Group expects that these standards when applied will have substantial impact to the financial performance, financial position and disclosures. The Group will be adopting these standards when they become effective.

SLFRS 9 – Financial Instruments

SLFRS 10 – Consolidated Financial Statements

SLFRS 11 – Joint Arrangements

SLFRS 12 – Disclosure of Interest in other entities

SLFRS 13 – Fair value measurement

## 7 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability

### 7.1 Property, plant and equipment acquired in business combinations

The fair value of Property, plant and equipment recognised as a result of a business combination is the estimated amount for which

a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arms length transaction. The fair value of items of plant, equipment fixtures and fittings is based on market prices for similar items when available and depreciated replacement cost when appropriate.

## 7.2 Property, plant and equipment owned by the Group

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, values the land owned by the Group based on the market values. This is the estimated amount for which land could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arms length transaction.

## 7.3 Investment property

Investment property is valued for disclosure purpose by the directors based on the market value, being the estimated amount for which the property could be exchanged on the reporting date between a willing buyer and a willing seller in an arms length transaction.

## 7.4 Equity securities

The fair value of the equity securities is determined by reference to their quoted share price at the reporting date if quoted; or if unquoted either using discounted cash flow analysis using expected future cash flows and a market related discounted rate, or based on the net assets of the investee company

## 7.5 Financial instruments other than equity securities carried at fair value through profit or loss and available-for-sale investments

Fair value of these financial instruments is estimated by discounting the difference between contractual instrument price and the current instrument price for the residual maturity of the contract based on quoted price, or obtained from brokers if not quoted, using a credit adjusted risk free interest rate.

## 7.6 Defined benefit plan – retirement benefit obligations

The define benefit plan is valued by a professionally qualified external actuary using the project unit credit method using the standard rate of inflation, discount rate and anticipation of future salary increases.

## 7.7 Contingent consideration

The fair value of contingent consideration arising in a business combination is calculated based on the expected payment amount and their associated probabilities discounted to present value when appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 Operating segments

### 8.1 Business segments

#### 8.1.1 Business segment analysis of group revenue and profit

	Tourism sector		Cargo logistics sector		Strategic investments		Services sector		Total	
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total revenue generated	15,503,153	12,678,164	6,351,822	6,150,753	18,286,145	14,789,607	734,952	663,884	40,876,072	34,282,408
Inter - segmental revenue	24,254	46,409	399,065	353,426	189,267	155,885	178,168	164,363	790,754	720,083
Intra-segmental revenue	1,415,907	1,369,767	209,501	134,665	188,463	53,067	19,412	17,106	1,833,283	1,574,605
Total revenue with equity-accounted investees	14,062,992	11,261,988	5,743,256	5,662,662	17,908,415	14,580,655	537,372	482,415	38,252,035	31,987,720
Share of equity-accounted investees' revenue	-	-	-	-	(1,112,108)	(966,097)	-	-	(1,112,108)	(966,097)
<b>Revenue from external customers</b>	<b>14,062,992</b>	<b>11,261,988</b>	<b>5,743,256</b>	<b>5,662,662</b>	<b>16,796,307</b>	<b>13,614,558</b>	<b>537,372</b>	<b>482,415</b>	<b>37,139,927</b>	<b>31,021,623</b>
Profit from operations	3,443,263	2,627,960	586,596	851,827	1,324,489	1,768,144	148,490	153,926	5,502,838	5,401,857
Finance income	278,440	217,368	52,198	40,826	412,051	203,543	18,198	9,627	760,887	471,364
Finance expenses	(347,490)	(271,492)	(82,466)	(53,226)	(1,010,095)	(447,929)	(3,913)	(3,203)	(1,443,964)	(775,850)
Share of profit of equity-accounted investees (net of tax)	70,442	48,183	-	-	111,059	37,800	-	-	181,501	85,983
<b>Profit before tax</b>	<b>3,444,655</b>	<b>2,622,019</b>	<b>556,328</b>	<b>839,427</b>	<b>837,504</b>	<b>1,561,558</b>	<b>162,775</b>	<b>160,350</b>	<b>5,001,262</b>	<b>5,183,354</b>
Income tax expense	(516,847)	(383,680)	(142,230)	(248,703)	(57,346)	(79,864)	(30,753)	(33,843)	(747,176)	(746,090)
<b>Profit for the year</b>	<b>2,927,808</b>	<b>2,238,339</b>	<b>414,098</b>	<b>590,724</b>	<b>780,158</b>	<b>1,481,694</b>	<b>132,022</b>	<b>126,507</b>	<b>4,254,086</b>	<b>4,437,264</b>
Non cash expenses	66,458	17,398	39,750	40,506	78,910	27,253	7,921	10,417	193,039	95,574
Depreciation and amortisation	775,994	519,452	162,745	137,468	339,592	421,359	71,237	67,204	1,349,568	1,145,483
Impairment	29,736	-	-	-	48,769	-	-	-	78,505	-

There were no impairment losses recognised directly to the equity, or any reversals of impairment losses recognised in profit or directly in the equity during the year.

Rs. 14.9 billion of revenue, which amounts to 40% of the Group's total revenue for the year, is attributable to one customer (state owned enterprise) recorded under strategic investment sector.

#### 8.1.2 Business segment analysis of group assets and liabilities

	Tourism sector		Cargo logistics sector		Strategic investments		Services sector		Total	
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segment assets	22,522,866	19,790,499	5,746,893	5,168,609	22,265,161	20,838,548	3,020,419	2,703,999	53,555,339	48,501,655
Investments in equity-accounted investees	1,306,279	1,230,636	-	-	624,926	539,481	-	-	1,931,205	1,770,117
Goodwill on consolidation	-	-	-	-	-	-	-	-	515,341	564,110
Assets classified as held for sale	-	-	-	-	-	-	-	-	149,125	149,125
<b>Total assets</b>	<b>23,829,145</b>	<b>21,021,135</b>	<b>5,746,893</b>	<b>5,168,609</b>	<b>22,890,087</b>	<b>21,378,029</b>	<b>3,020,419</b>	<b>2,703,999</b>	<b>56,151,010</b>	<b>50,985,007</b>
Segment liabilities	7,440,288	7,108,682	2,063,977	1,715,981	12,605,121	11,966,568	506,566	321,867	22,615,952	21,113,098
Eliminations / adjustments	-	-	-	-	-	-	-	-	32,357	8,587
<b>Total liabilities</b>	<b>7,440,288</b>	<b>7,108,682</b>	<b>2,063,977</b>	<b>1,715,981</b>	<b>12,605,121</b>	<b>11,966,568</b>	<b>506,566</b>	<b>321,867</b>	<b>22,648,309</b>	<b>21,121,685</b>
Additions to non current assets	1,413,330	2,433,976	209,928	282,515	771,180	1,801,860	270,076	113,859	2,664,513	4,632,210

## 8.2 Geographical information

Geographical analysis of the Group's revenue and non current assets is stated based on the country where the sale occurred or the service was rendered.

### 8.2.1 Geographical information - revenue

	TOTAL REVENUE GENERATED		REVENUE FROM EXTERNAL CUSTOMERS	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sri Lanka	30,835,950	25,135,108	27,910,056	22,655,733
Maldives	9,749,291	7,812,500	8,942,208	7,034,382
Other countries	290,831	1,334,800	287,663	1,331,508
	40,876,072	34,282,408	37,139,927	31,021,623

### 8.2.2 Geographical information - non current assets

	NON CURRENT ASSETS	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Sri Lanka	23,193,215	21,650,219
Maldives	7,818,153	8,053,896
Other countries	284,739	288,254
	31,296,107	29,992,369
Investments in equity-accounted investees	1,931,205	1,770,117
Goodwill on consolidation	515,341	564,110
	33,742,653	32,326,596

## 9 Revenue

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rendering of services	34,821,773	28,900,881	490,048	402,085
Sale of goods	1,814,497	1,610,742	-	-
Lease interest income	503,657	510,000	-	-
Royalty income	-	-	45,452	46,343
	37,139,927	31,021,623	535,500	448,428

## 10 Other operating income

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividends from group subsidiaries and joint ventures	-	-	548,066	1,162,823
Dividends on available-for-sale financial assets	6,870	8,145	100	263
Gain / (loss) on disposal subsidiaries	(6,523)	590,798	-	590,798
Gain on disposal of available-for-sale financial assets re-classified from equity	11,089	995	6,212	995
Gain on retirement of assets held for sale	-	343	-	12,781
Gain on disposal of property, plant and equipment	28,737	61,671	8	8,173
Compensation received	-	13,500	-	-
Government grants	634	-	-	-
Gain on bargain purchase	-	7,784	-	-
Net foreign exchange gain / (loss)	(45,990)	392,368	(4,772)	61,554
Sundry income	17,691	10,474	7,852	4
	12,508	1,086,078	557,466	1,837,391

# NOTES TO THE FINANCIAL STATEMENTS

## 11 Profit before tax

Profit before tax is stated after charging the following:

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost of inventories and services	25,831,349	21,571,130	316,445	265,184
Directors' remuneration and fees	315,467	222,722	67,443	37,571
Auditors' remuneration				
- KPMG	9,870	8,890	860	750
- Other auditors	4,840	6,039	-	-
Fees paid to Auditors for non-audit services				
- KPMG	5,377	3,977	806	286
- Other auditors	1,269	4,937	50	-
Depreciation of property, plant and equipment and investment property	1,255,293	1,087,002	38,920	35,754
Amortisation of intangible assets and operating leases	94,275	58,481	20,961	15,642
Impairment of property, plant and equipment and goodwill	78,505	-	-	-
Operating lease payments	324,389	282,772	-	-
Provision for impairment / (write back) of trade & other receivables	47,554	17,054	(6)	(14,611)
Legal Expenses	11,308	7,196	433	71
Defined contribution plan cost - EPF & ETF	280,271	228,718	33,206	27,820
Defined benefit plan cost - Retirement benefits	116,561	88,476	23,500	13,404

## 12 Other operating expenses-direct

Direct operating expenses as disclosed in the income statement refers to the cost of services other than staff costs which are directly related to revenue.

Since most of the companies in the Group operate in service industries, other direct operating expenses represents a substantial portion of the total operating costs.

## 13 Finance income and finance expenses

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Finance income</b>				
Interest income on financial assets classified as fair value through profit or loss	153,914	184,797	153,914	184,797
Interest income on loans and receivables	550,425	286,567	529,181	220,979
Dividend income on preference shares	-	-	11,813	11,813
Net change in fair value of financial assets classified as fair value through profit or loss	56,548	-	-	-
	760,887	471,364	694,908	417,589
<b>Finance expenses</b>				
Interest expense on financial liabilities measured at amortised cost	(1,327,591)	(639,299)	(553,206)	(356,338)
Net change in fair value of financial assets classified as fair value through profit or loss	-	(62,874)	-	-
Other finance charges	(116,373)	(73,677)	(4,229)	(4,962)
	(1,443,964)	(775,850)	(557,435)	(361,300)

Borrowing costs capitalised by the Group on qualifying assets during the financial year amounted to Rs. 10.2 million (2011/2012 - Rs. 45.1 million). (Company-nil)

Borrowing costs capitalisation rate is 14.06%.

## 14 Income tax expense

The income tax provision of Aitken Spence PLC., its subsidiaries, joint venture companies and equity-accounted investees which are resident in Sri Lanka have been calculated on their adjusted profits at 28% in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto.

The tax status of companies in the Group which are;

- Enjoying income tax exemptions/concessionary tax rates are given in note 14.1
- Incorporated in Sri Lanka and operating outside Sri Lanka are given in note 14.2
- Incorporated and operating outside Sri Lanka are given in note 14.3

### 14.1 Companies exempt from income tax /liable to tax at concessionary rates

#### Companies exempt from tax

Company	Statute	Period
Ace Power Generation Horana (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2012/2013
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2014/2015
Branford Hydropower (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years from 1st Year of Profit
Ace Wind Power (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years from 1st Year of Profit
Aitken Spence Property Developments (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 Years Ending 2012/2013
Golden Sun Resorts (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 Years Ending 2012/2013
Logilink (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years Ending 2014/2015
Aitken Spence Hotels (International) (Pvt) Ltd	Section 13(b) of the Inland Revenue Act No. 10 of 2006	Indefinite

#### Companies liable to tax at concessionary rates

Company	Tax Rate and Statute	Period
Aitken Spence Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Holdings PLC	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Hotel Managements (Pvt) Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Hethersett Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Kandalama Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
MPS Hotels Ltd	12% under Section 46 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence (Garments) Ltd	12% under Section 52 of the Inland Revenue Act No. 10 of 2006	Indefinite
Aitken Spence Apparels (Pvt) Ltd	12% under Section 56 of the Inland Revenue Act No. 10 of 2006	Indefinite
Ace Container Repair (Pvt) Ltd	12% under Section 52 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Ace Exports (Pvt) Ltd	12% under Section 52 and 56 of the Inland Revenue Act No. 10 of 2006	Ending 2014/2015
Vauxhall Property Developments (Pvt) Ltd	2% of Turnover under Section 17 of BOI Law No. 4 of 1978	15 Years Ending 2018/2019
Aitken Spence Plantation Managements PLC	12% under Section 46 of Inland Revenue Act No. 10 of 2006	Indefinite
Elpitiya Plantations PLC	Agricultural Profits Liable for Tax at 10% under Section 48A of Inland Revenue Act No. 10 of 2006	Indefinite

In addition, the following income tax exemptions and concessions are available for companies operating in the Group in terms of Inland Revenue Act No. 10 of 2006 and amendments thereto;

- Profits and income earned in foreign currency (other than any commission, discount or similar receipt) from services rendered in or outside Sri Lanka to a party outside Sri Lanka is exempt from income tax in terms of section 13 (ddd) of the above Act.
- Profits and income from transshipment agency fees are liable for income tax at 15%.
- Profits and income from any undertaking for the operation and maintenance of facilities for storage, development of software and educational services carried out in Sri Lanka are liable for income tax at 10%.
- A maximum of 25% qualifying payment deduction for expansions under section 34 of the above Act., for investments not less than Rs. 50 million in fixed assets made by any undertaking on investments specified in section 16C or section 17A.

### 14.2 Companies Incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Port Management Container Service (Pvt) Ltd	South Africa	Business profits of the company are liable for income tax at 28% in South Africa and exempt from income tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Oman	Business profits of the company are liable for income tax at 12% in Oman and exempt from income tax in Sri Lanka, under Section 13 (b) of the Inland Revenue Act No. 10 of 2006

# NOTES TO THE FINANCIAL STATEMENTS

## 14.3 Companies Incorporated and operating outside Sri Lanka

Company	Country	Tax Status
Jetan Travel Services Company (Pvt) Ltd	Republic of Maldives	Liabe for income tax at 15% as per Maldives Tax Law
Cowrie Investments (Pvt) Ltd	Republic of Maldives	Liabe for income tax at 15% as per Maldives Tax Law
Crest Star Ltd	Hong Kong	Nil
Crest Star (BVI) Ltd	British Virgin Islands	Nil
ADS Resorts (Pvt) Ltd	Republic of Maldives	Liabe for income tax at 15% as per Maldives Tax Law
Unique Resorts (Pvt) Ltd	Republic of Maldives	Liabe for income tax at 15% as per Maldives Tax Law
Spence Maldives (Pvt) Ltd	Republic of Maldives	Liabe for income tax at 15% as per Maldives Tax Law
Aitken Spence Hotel Services (Pvt) Ltd	India	Liabe for income tax at 30.9% as per Indian Tax Law
Aitken Spence Hotel Managements (South India) Pvt Ltd	India	Liabe for income tax at 30.9% as per Indian Tax Law
P.R.Holiday Homes (Pvt) Ltd	India	Liabe for income tax at 30.9% as per Indian Tax Law
Ace Bangladesh Ltd	Bangladesh	Liabe for income tax at 37.5% as per as per Bangladesh Tax Law

- Profits and income derived from the provision of services by non-resident companies operating in the Republic of Maldives is subject to withholding tax of 10%.

**14.4** The companies in the Group have brought forward losses amounting to Rs. 2,459 million (2011/12 – Rs. 2,311 million) which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted on these losses amounts to Rs. 79 million (2011/12 - Rs. 70 million). Aitken Spence PLC has a brought forward tax loss of Rs. 151 million (2011/12 - Rs. 167 million) which is available to be set off against the future tax profits of the company. Deferred tax asset not accounted on these losses amounts to Rs. 42 million (2011/12 - Rs. 47 million).

## 14.5 Income tax expense

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax on current year profits (note 14.6)	645,335	549,081	12,879	7,609
Deferred tax expense / (income) (note 14.7)	60,939	93,946	-	-
Tax on dividends paid by subsidiaries	68,200	92,977	-	-
Under / (over) provision in respect of previous years	(27,298)	10,086	(1,397)	4,870
	747,176	746,090	11,482	12,479

## 14.6 Reconciliation of the accounting profit and tax on current year

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before tax	5,001,262	5,183,354	557,870	1,772,142
Consolidation adjustments	55,292	18,349	-	-
<b>Profit after adjustments</b>	<b>5,056,554</b>	<b>5,201,703</b>	<b>557,870</b>	<b>1,772,142</b>
Income not liable for income tax	(1,678,328)	(2,390,815)	(564,251)	(1,162,822)
Effect of revenue tax at source	540,383	350,063	-	-
Accounting (gain) / losses adjusted for tax purposes	(6)	(14,611)	(6)	(14,611)
<b>Adjusted profit / (loss)</b>	<b>3,918,603</b>	<b>3,146,340</b>	<b>(6,387)</b>	<b>594,709</b>
Non - taxable receipts / gains	(49,922)	(94,000)	(25,859)	(663,701)
Aggregate disallowed expenses	1,765,975	1,478,210	200,566	209,797
Capital allowances	(1,314,798)	(994,310)	(57,080)	(43,010)
Aggregate allowable deductions	(554,780)	(744,010)	(69,546)	(61,285)
Utilisation of tax losses	(118,929)	(187,261)	(15,576)	(13,452)
Qualifying payment deductions	(84,486)	-	-	-
Current year tax losses not utilised	438,594	603,954	-	-
<b>Taxable income</b>	<b>4,000,257</b>	<b>3,208,923</b>	<b>26,118</b>	<b>23,058</b>
<b>Income tax charged at:</b>				
Standard rate of 28%	186,935	105,205	8,000	7,250
Concessionary rate of 10%, 12% or 15%	76,195	85,667	-	-
Other rates	675	600	-	-
Varying rates on off - shore profits	381,530	357,609	4,879	359
	645,335	549,081	12,879	7,609

## 14.7 Deferred tax expense / (income)

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Origination / (reversal) of temporary differences	61,782	127,900	-	-
Change in unrecognised other temporary differences	(15)	49,204	-	-
Recognition of previously unrecognised tax losses	(828)	(83,158)	-	-
	60,939	93,946	-	-

## 15 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

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

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
Net profit attributable to ordinary shareholders of the parent (Rs.)	3,266,837,835	3,487,669,031	546,388,451	1,759,663,350
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings per share (Rs.)	8.05	8.59	1.35	4.33

As there were no share options outstanding at year end, diluted earnings per share is equal to the basic earnings per share for the year.

## 16 Dividends

	2012/2013	2011/2012
	Rs.'000	Rs.'000
Final ordinary dividend recommended Rs.1.50 per share (2011/12 - Rs.1.40 per share)	608,994	568,394
	608,994	568,394

The Directors have recommended a final dividend payment of Rs. 1.50 per share for the year ended 31st March 2013 to be approved at the Annual General Meeting on 27th June 2013.

The entire dividend for the year will be paid out of dividends received by the company.

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2013.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 Property, plant and equipments

### 17.1 Group

	Freehold Land	Freehold buildings	Plant machinery and equipment	Motor vehicles	Leasehold motor vehicles	Furniture and fittings	Capital work-in- progress	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or revaluation</b>								
Balance as at 01.04.2011	6,282,867	10,828,850	5,543,499	1,223,502	4,909	1,264,916	632,405	25,780,948
Surplus on revaluation	365,668	-	-	-	-	-	-	365,668
Companies acquired during the year	369,665	188,829	96,476	9,327	13,347	31,368	-	709,012
Exchange difference	1,892	889,107	180,658	17,948	-	41,569	2,126	1,133,300
Additions	82,131	130,415	886,696	124,116	1,666	31,789	2,330,519	3,587,332
Transfers	-	398,362	163,049	4,256	-	23,649	(596,134)	(6,818)
Disposals / write-off	-	(72,727)	(83,211)	(49,532)	(5,301)	(5,198)	(100)	(216,069)
<b>Balance as at 31.03.2012</b>	<b>7,102,223</b>	<b>12,362,836</b>	<b>6,787,167</b>	<b>1,329,617</b>	<b>14,621</b>	<b>1,388,093</b>	<b>2,368,816</b>	<b>31,353,373</b>
Surplus on revaluation	280,247	-	-	-	-	-	-	280,247
Companies disposed during the year	-	-	(5,834)	-	-	-	-	(5,834)
Exchange difference	(5,921)	(48,911)	(10,442)	(1,132)	-	(2,500)	(6,323)	(75,229)
Additions	110,820	590,627	981,393	158,173	9,660	115,655	622,029	2,588,357
Transfers	-	927,206	1,205,344	-	-	693	(2,172,686)	(39,443)
Disposals / write-off	-	(9,652)	(175,312)	(45,106)	(2,147)	(11,998)	(3,013)	(247,228)
<b>Balance as at 31.03.2013</b>	<b>7,487,369</b>	<b>13,822,106</b>	<b>8,782,316</b>	<b>1,441,552</b>	<b>22,134</b>	<b>1,489,943</b>	<b>808,823</b>	<b>33,854,243</b>
<b>Accumulated depreciation / impairment</b>								
Balance as at 01.04.2011	-	2,686,426	3,317,295	542,847	2,803	683,376	1,224	7,233,971
Companies acquired during the year	-	35,205	66,968	5,605	7,530	25,125	-	140,433
Exchange difference	-	272,062	130,874	12,597	-	30,922	-	446,455
Charge for the year	-	248,717	608,309	137,067	4,286	87,871	-	1,086,250
Transfers	-	2,609	(8,727)	(20)	-	(680)	-	(6,818)
Disposals / write-off	-	(2,213)	(77,192)	(43,393)	(4,621)	(5,335)	-	(132,754)
<b>Balance as at 31.03.2012</b>	<b>-</b>	<b>3,242,806</b>	<b>4,037,527</b>	<b>654,703</b>	<b>9,998</b>	<b>821,279</b>	<b>1,224</b>	<b>8,767,537</b>
Companies disposed during the year	-	-	(4,638)	-	-	-	-	(4,638)
Exchange difference	-	(19,047)	(7,941)	(2,430)	-	(2,103)	-	(31,521)
Charge for the year	-	383,580	614,982	145,748	4,487	105,743	-	1,254,540
Impairment for the year	-	-	-	-	-	-	29,736	29,736
Transfers	-	7	(10,955)	-	-	428	-	(10,520)
Disposals / write-off	-	(7,683)	(145,655)	(32,227)	(1,241)	(5,865)	-	(192,671)
<b>Balance as at 31.03.2013</b>	<b>-</b>	<b>3,599,663</b>	<b>4,483,320</b>	<b>765,794</b>	<b>13,244</b>	<b>919,482</b>	<b>30,960</b>	<b>9,812,463</b>
<b>Carrying amount as at 31.03.2013</b>	<b>7,487,369</b>	<b>10,222,443</b>	<b>4,298,996</b>	<b>675,758</b>	<b>8,890</b>	<b>570,461</b>	<b>777,863</b>	<b>24,041,780</b>
Carrying amount as at 31.03.2012	7,102,223	9,120,030	2,749,640	674,914	4,623	566,814	2,367,592	22,585,836
Carrying amount as at 01.04.2011	6,282,867	8,142,424	2,226,204	680,655	2,106	581,540	631,181	18,546,977

The value of property, plant and equipment pledged by the Group as security for facilities obtained from banks amounted to Rs. 5,519 million (2011/2012- Rs. 9,919 million).

Capital work-in-progress represents the amount of expenditure recognised under property plant and equipment during the construction of a capital asset.

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations which are accounted for in foreign currencies and translated to the reporting currency at the closing date.

In compliance with the accounting policy, the Group revalues land owned by the Group companies by independent professional valuers at least once in every five years. Details of the revalued land are given in the note 17.3.1 to the financial statements. There were no tax implications or tax liabilities arising due to the revaluation of land.

Property plant and equipment as at 31st March 2013 includes fully depreciated assets having a gross carrying amount of Rs. 901 million that is still in use.

## 17.2 Company

	Plant machinery and equipment	Motor vehicles	Furniture and fittings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or revaluation</b>				
Balance as at 01.04.2011	109,361	94,033	81,213	284,607
Additions	8,459	18,803	6,831	34,093
Disposals	(2,259)	(2,160)	(2)	(4,421)
<b>Balance as at 31.03.2012</b>	<b>115,561</b>	<b>110,676</b>	<b>88,042</b>	<b>314,279</b>
Additions	11,310	4,480	3,448	19,238
Disposals	(1,477)	-	(4)	(1,481)
<b>Balance as at 31.03.2013</b>	<b>125,394</b>	<b>115,156</b>	<b>91,486</b>	<b>332,036</b>
<b>Accumulated depreciation / impairment</b>				
Balance as at 01.04.2011	82,850	25,312	18,200	126,362
Charge for the year	10,725	14,032	7,488	32,245
Disposals	(2,092)	(1,635)	(27)	(3,754)
<b>Balance as at 31.03.2012</b>	<b>91,483</b>	<b>37,709</b>	<b>25,661</b>	<b>154,853</b>
Charge for the year	11,034	18,596	7,980	37,610
Disposals	(1,471)	-	(2)	(1,473)
<b>Balance as at 31.03.2013</b>	<b>101,046</b>	<b>56,305</b>	<b>33,639</b>	<b>190,990</b>
<b>Carrying amount as at 31.03.2013</b>	<b>24,348</b>	<b>58,851</b>	<b>57,847</b>	<b>141,046</b>
Carrying amount as at 31.03.2012	24,078	72,967	62,381	159,426
Carrying amount as at 01.04.2011	26,511	68,721	63,013	158,245

There were no property plant and equipment pledged by the Company as security for facilities obtained from banks.

Property plant and equipment as at 31st March 2013 includes fully depreciated assets having a gross carrying amount of Rs. 101 million that is still in use.

# NOTES TO THE FINANCIAL STATEMENTS

## 17.3 Freehold land

### 17.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Extent	Carrying amount as at 31.03.2013	Revaluation surplus	Carrying amount at cost
				Rs.'000	Rs.'000	Rs.'000
Aitken Spence PLC. <sup>a</sup>	315, Vauxhall Street, Colombo 02	31.03.2009	1 A 1 R 0 P	900,000	898,843	1,157
Aitken Spence PLC. <sup>a</sup>	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	1 A 0 R 20.40 P	223,650	218,659	4,991
Aitken Spence PLC. <sup>a</sup>	170, Sri Wickrema Mw., Colombo 15	31.03.2009	3 A 3 R 31.00 P	188,000	145,039	42,961
Aitken Spence PLC. <sup>a</sup>	Moragalla, Beruwala	31.03.2009	10 A 1 R 23.97 P	499,200	498,246	954
Aitken Spence PLC. <sup>a</sup>	290/1, Inner Harbour Road, Trincomalee	31.03.2009	0 A 1 R 10.92 P	12,700	12,700	-
Ace Containers (Pvt) Ltd. <sup>a</sup>	775/5, Negombo Road, Wattala	31.03.2009	22 A 0 R 24.88 P	1,240,700	1,145,309	95,391
Ace Containers (Pvt) Ltd. <sup>a</sup>	385, Colombo Road, Welisara	31.03.2009	8 A 3 R 12.23 P	424,000	337,327	86,673
Ace Power Generation Matara (Pvt) Ltd. <sup>a</sup>	Hittetiya - Matara	31.03.2009	0 A 0 R 5.68 P	284	84	200
Ahungalla Resorts Ltd. <sup>b</sup>	"Ahungalla Resorts", Galle Road, Ahungalla	15.06.2010	10 A 2 R 39.25 P	509,039	470,001	39,038
Ahungalla Resorts Ltd. <sup>b</sup>	Meeraladuwa Island, Ahungalla	15.06.2010	26 A 2 R 10.40 P	423,525	333,093	90,432
Aitken Spence (Garments) Ltd. <sup>a *</sup>	222, Agalawatte Road, Matugama	31.03.2009	2 A 3 R 0 P	8,800	6,220	2,580
Aitken Spence Hotel Holdings PLC. <sup>b</sup>	"Heritage Ahungalla", Galle Road, Ahungalla	31.03.2012	11 A 3 R 34.02 P	565,000	547,559	17,441
Aitken Spence Property Developments Ltd. <sup>a</sup>	"Creamland Farm", Mawaramandiya.	31.03.2009	3 A 0 R 25.08 P	30,300	5,872	24,428
Clark Spence and Co., Ltd. <sup>a</sup>	24-24/1, Church Street, Galle	31.03.2009	0 A 1 R 27.90 P	67,900	67,865	35
Golden Sun Resorts (Pvt) Ltd. <sup>b</sup>	418, Parallel Road, Kudawaskaduwa, Kalutara	20.10.2012	5 A 1 R 37.90 P	280,500	260,727	19,773
Golden Sun Resorts (Pvt) Ltd. <sup>b</sup>	49, Sea Beach Road, Kalutara	20.10.2012	0 A 1 R 30.32 P	21,000	19,520	1,480
Heritage (Pvt) Ltd. <sup>b</sup>	Moragalla, Beruwala	31.03.2009	5 A 3 R 6.80 P	194,500	183,420	11,080
Kandalama Hotels Ltd. <sup>b</sup>	Kandalama, Dambulla	31.03.2009	169 A 2 R 22.00 P	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd. <sup>b</sup>	Ayurvedic village - Moragalla, Beruwala	31.03.2009	0 A 0 R 19.30 P	4,425	362	4,063
PR Holiday Homes (Pvt) Ltd. <sup>c</sup>	Cochin - Kerala	31.03.2012	16 A 3 R 24.00 P	202,348	58,208	144,140
Vauxhall Investments Ltd. <sup>a</sup>	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	0 A 1 R 21.08 P	76,287	54,448	21,839
Vauxhall Property Developments Ltd. <sup>a</sup>	305, Vauxhall Street, Colombo 02	31.03.2009	0 A 2 R 37.50 P	529,000	514,269	14,731
				6,410,158	5,779,387	630,771

\* Denotes the land owned by joint venture companies. The extent of the Land is the total owned by the company while the carrying value is the Group's share recognised in the consolidated financial statements.

The above land have been revalued by independent, qualified valuers on the basis of current market value.

<sup>a</sup> Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)

<sup>b</sup> Valuation of the land was carried out by Mr. K.C.B Condegama, A.I.V (Sri Lanka)

<sup>c</sup> Valuation of the land was carried out by Mr. T.T. Kripananda Singh, B.S.C.(Engg.) Civil, MICA, FIE, FIV, C.(Engg.) of N. Raj Kumar and Associates, India.

### 17.3.2 Land carried at cost / fair value

Company	Location	Acquisition date	Extent	Carrying amount as at 31.03.2013
		Rs.'000		Rs.'000
Ace Distriparks (Pvt) Ltd.	80, Negombo Road, Wattala	29.09.2009	2 A 2 R 17.03 P	369,562
Ahungalla Resorts Ltd.	"Ahungalla Resorts", Galle Road, Ahungalla	20.04.2011	2 A 1 R 08.00 P	59,002
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kalutara	27.08.2010	1 A 3 R 23.20 P	51,978
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kalutara	20.10.2011	0 A 1 R 33.50 P	9,174
Aitken Spence Resorts Ltd.	Kudawaskaduwa, Kalutara	24.04.2012	0 A 0 R 10.00 P	4,801
Aitken Spence C & T Investments (Pvt) Ltd. *	Uluambalama Kadirana, Negombo	23.05.2012	30 A 0 R 00 P	89,274
Branford Hydropower (Pvt) Ltd.	263, 1st lane, Gangabada Road, Kaludewala, Matale	11.05.2009	2 A 0 R 23.32 P	3,183
Branford Hydropower (Pvt) Ltd.	263, 1st lane, Gangabada Road, Kaludewala, Matale	02.11.2010	1 A 0 R 1.31 P	7,350
Colombo International Nautical & Engineering College *	Millennium Drive, IT Park, Malabe	27.10.2011	7 A 1 R 26.72 P	155,100
Colombo International Nautical & Engineering College *	Mirishena, Ethnamadala, Kalutara North	27.10.2011	1 A 1 R 6.00 P	4,120
Logilink (Pvt) Ltd.	309/4 a, Negombo Road, Welisara	16.07.2010	2 A 1 R 9.50 P	82,491
M.P.S. Hotels Ltd.	200/21, Peradeniya Road, Kandy	01.04.2011	3 A 1 R 8.00 P	241,176
				1,077,211

\* Denotes the land owned by joint venture companies. The extent of the Land is the total owned by the company while the carrying value is the Group's share recognised in the consolidated financial statements.

### 17.3.3 Total carrying amount of land

Land carried at revalued amount	6,410,158
Land carried at cost	1,077,211
	<b>7,487,369</b>

## 18 Investment property

### 18.1 Movement during the year

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or revaluation</b>				
Balance at the beginning of the period	1,663,350	1,663,241	3,509,088	3,508,979
Additions	-	109	-	109
<b>Balance at the end of the period</b>	<b>1,663,350</b>	<b>1,663,350</b>	<b>3,509,088</b>	<b>3,509,088</b>
<b>Accumulated depreciation / impairment</b>				
Balance at the beginning of the period	1,001	249	51,783	48,274
Charge for the year	753	752	1,310	3,509
<b>Balance at the end of the period</b>	<b>1,754</b>	<b>1,001</b>	<b>53,093</b>	<b>51,783</b>
<b>Carrying amount as at 31st March</b>	<b>1,661,596</b>	<b>1,662,349</b>	<b>3,455,995</b>	<b>3,457,305</b>

### 18.2 Details of land under investment property

Location	Extent	Carrying value of investment property		Number of buildings
		Group	Company	
		Rs.'000	Rs.'000	
315, Vauxhall Street, Colombo 02	1 A 1 R 0 P	-	900,000	2
316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.37 P	-	223,650	3
170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	-	195,473	8
Moragalla, Beruwala	10 A 1 R 23.97 P	-	552,076	9
290/1, Inner Harbour Road, Trincomalee	0 A 1 R 10.92 P	-	12,700	1
Irakkakandi Village, VC road, Nilaweli	113 A 1 R 1.00 P	1,644,096	1,572,096	4
3/2, Seewali lane, Kudaedanda, Wattala	0 A 0 R 36.10 P	17,500	-	-
		<b>1,661,596</b>	<b>3,455,995</b>	

## NOTES TO THE FINANCIAL STATEMENTS

Properties which are occupied by the companies within the Group for the production or supply of goods and services or for administration purposes are treated as property plant and equipment in the consolidated financial statements while these properties are treated as investment property in the relevant company's statement of financial position.

### 18.3 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of the above property based on the Directors valuation as at 31st March 2013 for the Group was Rs. 3,021 million (2011/2012 - Rs. 3,035 million), and for the company was Rs. 4,681 million (2011/2012 - Rs. 4,760 million).

### 18.4 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 15.7 million (2011/2012 - Rs. 15.7 million) (Group-nil). There were no direct operating expenses arising on any of the above investment properties.

There were no restrictions on the realisability of any investment property or on the remittance of income or proceeds of disposal.

## 19 Intangible assets

### 19.1 Group

	Goodwill	Software	Other intangibles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or valuation</b>				
Balance as at 01.04.2011	68,822	162,915	-	231,737
Companies acquired during the year	-	5,728	-	5,728
Additions	495,287	21,969	-	517,256
Transfers from property, plant and equipment	-	6,818	-	6,818
<b>Balance as at 31.03.2012</b>	<b>564,109</b>	<b>197,430</b>	<b>-</b>	<b>761,539</b>
Exchange difference	-	(1,004)	-	(1,004)
Additions	-	74,460	1,696	76,156
Transfers from property, plant and equipment	-	39,443	-	39,443
Disposals	-	(217)	-	(217)
<b>Balance as at 31.03.2013</b>	<b>564,109</b>	<b>310,112</b>	<b>1,696</b>	<b>875,917</b>
<b>Accumulated amortisation / impairment</b>				
Balance as at 01.04.2011	-	92,625	-	92,625
Charge for the year	-	18,496	-	18,496
Transfers from property, plant and equipment	-	6,818	-	6,818
<b>Balance as at 31.03.2012</b>	<b>-</b>	<b>117,939</b>	<b>-</b>	<b>117,939</b>
Exchange difference	-	(1,081)	-	(1,081)
Charge for the year	-	45,569	290	45,859
Impairment during the year	48,769	-	-	48,769
Transfers from property, plant and equipment	-	10,520	-	10,520
Disposals	-	(145)	-	(145)
<b>Balance as at 31.03.2013</b>	<b>48,769</b>	<b>172,802</b>	<b>290</b>	<b>221,861</b>
<b>Carrying amount as at 31.03.2013</b>	<b>515,340</b>	<b>137,310</b>	<b>1,406</b>	<b>654,056</b>
Carrying amount as at 31.03.2012	564,109	79,491	-	643,600
Carrying amount as at 01.04.2011	68,822	70,290	-	139,112

There were no intangible assets pledged by the Group as security for facilities obtained from the banks.

Intangible assets as at 31st March 2013 includes fully amortised assets having a gross carrying amount of Rs. 77 million that is still in use.

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

- Business growth – Based on the long term average growth rate for each business unit.  
The weighted average growth rate used is consistent with the forecast included in industry reports.
- Inflation – Based on current inflation rate.
- Discount rate – Risk free rate adjusted for the specific risk relating to the industry.
- Margin – Based on past performance and budgeted expectations.

## 19.2 Company

	Software	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
<b>Cost or valuation</b>		
Balance at the beginning of the period	109,920	96,625
Additions	48,461	13,295
<b>Balance at the end of the period</b>	<b>158,381</b>	<b>109,920</b>
<b>Accumulated amortisation / impairment</b>		
Balance at the beginning of the period	61,383	45,741
Charge for the year	20,961	15,642
<b>Balance at the end of the period</b>	<b>82,344</b>	<b>61,383</b>
<b>Carrying amount as at 31st March</b>	<b>76,037</b>	<b>48,537</b>

There were no intangible assets pledged by the Company as security for facilities obtained from the banks.

Intangible assets as at 31st March 2013 includes fully amortised assets having a gross carrying amount of Rs. 37 million that is still in use.

## 20 Leasehold properties

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
<b>Cost</b>		
Balance at the beginning of the period	1,789,901	1,546,442
Exchange difference	(13,441)	243,459
<b>Balance at the end of the period</b>	<b>1,776,460</b>	<b>1,789,901</b>
<b>Accumulated amortisation</b>		
Balance at the beginning of the period	268,800	192,414
Exchange difference	(2,998)	36,492
Amortisation during the year	46,728	39,894
<b>Balance at the end of the period</b>	<b>312,530</b>	<b>268,800</b>
<b>Carrying amount as at 31st March</b>	<b>1,463,930</b>	<b>1,521,101</b>

The acquisition cost of the leasehold rights of the Island of Vadoo in the Republic of Maldives is recognised under leasehold properties.

## 21 Pre-paid operating leases

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance at the beginning of the period	1,028,164	5,455
Additions during the period	-	1,022,800
Less: Amortisation for the period	(1,688)	(91)
Adjustments for exchange difference	(7,678)	-
Refund of overpayment of pre-paid rentals	(38,067)	-
<b>Balance at the end of the period</b>	<b>980,731</b>	<b>1,028,164</b>

Prepaid lease rentals for the Island of Meedhupparu, Hudhuranfushi and Rannalhi in the Republic of Maldives and properties at Biyagama and Katunayake are recognised under pre-paid operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 Finance lease receivables

Upon recognition of the power plant owned by Ace Power Embilipitiya (Pvt) Ltd., under IFRIC 4 the arrangement was accounted as a finance lease where Ace Power Embilipitiya (Pvt) Ltd is treated as the lessor. The non escalable capacity charge of the income is recognised as the capital and interest recovery of the lease.

### 22.1 Movement during the year

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance at the beginning of the period	2,603,899	2,836,220
Less: Settlements during the period	(92,314)	(620,150)
Adjustments for exchange difference	(17,530)	387,829
<b>Balance at the end of the period</b>	<b>2,494,055</b>	<b>2,603,899</b>
Current portion of finance lease receivables	168,964	90,976
Non current portion of finance lease receivables	2,325,091	2,512,923

### 22.2 Ageing of gross finance lease receivables and present value of lease receivables

	31.03.2013			31.03.2012			01.04.2011		
	Gross investment	Unearned income	Present value	Gross investment	Unearned income	Present value	Gross investment	Unearned income	Present value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Not Later than one year	637,027	468,063	168,964	586,859	495,883	90,976	1,046,496	496,897	549,599
One to five years	2,762,406	437,315	2,325,091	3,425,151	912,228	2,512,923	3,493,621	1,207,000	2,286,621
Over five years	-	-	-	-	-	-	-	-	-
	<b>3,399,433</b>	<b>905,378</b>	<b>2,494,055</b>	<b>4,012,010</b>	<b>1,408,111</b>	<b>2,603,899</b>	<b>4,540,117</b>	<b>1,703,897</b>	<b>2,836,220</b>

## 23 Investments

### 23.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding	Group holding	31.03.2013	31.03.2012	01.04.2011
				Rs.'000	Rs.'000	Rs.'000
<b>a) Ordinary Shares</b>						
<b>Subsidiary companies</b>						
Ace Cargo (Pvt) Ltd. (d)	990,000	100.00	100.00	245,173	245,173	231,547
Ace Container Repair (Pvt) Ltd. (d)	2,250,000	100.00	100.00	22,500	22,500	22,500
Ace Container Terminals (Pvt) Ltd. (d)	1,550,002	100.00	100.00	15,500	15,500	15,500
Ace Containers (Pvt) Ltd. (d)	4,010,000	100.00	100.00	40,100	40,100	40,100
Ace Distriparks (Pvt) Ltd. (d)	8,900,000	100.00	100.00	89,000	89,000	89,000
Ace Exports (Pvt) Ltd.	1,400,000	100.00	100.00	14,000	14,000	14,000
Ace Freight Management (Pvt) Ltd. (d)	5,222,500	100.00	100.00	36,307	36,307	36,307
Ace International Express (Pvt) Ltd. (d)	10,000	100.00	100.00	100	100	100
Ace Printing & Packaging (Pvt) Ltd.	10,000	100.00	100.00	100	100	100
Ace Windpower (Pvt) Ltd	13,250,000	100.00	100.00	132,500	119,250	-
Aitken Spence Apparels (Pvt) Ltd.	1,500,000	100.00	100.00	15,000	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd. (d)	10,000	100.00	100.00	820	820	820
Aitken Spence Exports (Pvt) Ltd.	52,500	100.00	100.00	514	514	514
Aitken Spence Group Ltd. (b) (c) (d)	10,000	100.00	100.00	100	100	100
Aitken Spence Hotel Managements (Pvt) Ltd.	4,020,000	100.00	100.00	40,200	40,200	40,200
Aitken Spence Insurance (Pvt) Ltd.	10,000	100.00	100.00	100	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd.	150,000	100.00	100.00	1,500	1,500	1,500
Aitken Spence Maritime Ltd. (d)	140,000	100.00	100.00	1,400	1,400	1,400
Aitken Spence Printing & Packaging (Pvt) Ltd.	10,000,000	100.00	100.00	100,000	100,000	47,600
Aitken Spence Shipping Ltd. (d)	2,038,072	100.00	100.00	132,717	132,717	132,717
Aitken Spence Technologies (Pvt) Ltd. (b)	1,577,506	100.00	100.00	13,888	13,888	1,888

a,b,c,d - refer note 46

	Number of shares	Company holding	Group holding	31.03.2013	31.03.2012	01.04.2011
		%	%	Rs.'000	Rs.'000	Rs.'000
Branford Hydropower (Pvt) Ltd.	16,400,100	100.00	100.00	223,000	223,000	210,000
Logilink (Pvt) Limited. (d)	30,000,000	100.00	100.00	222,690	222,690	222,690
Royal Spence Aviation (Pvt) Ltd. (c)	50,000	100.00	100.00	500	500	500
Spence International (Pvt) Ltd. (d)	1,500,000	100.00	100.00	15,000	15,000	15,000
Spence Logistics (Pvt) Ltd. (d)	25,000	100.00	100.00	650	650	650
Triton (Pvt) Ltd.	10,000	100.00	100.00	50	50	50
Vauxhall Cargo Logistics (Pvt) Ltd. (d)	10,000,000	100.00	100.00	50,000	50,000	50,000
Vauxhall Investments (Pvt) Ltd.	1,320,000	100.00	100.00	13,200	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd.	11,270,000	100.00	100.00	153,401	153,401	153,401
Aitken Spence Developments (Pvt) Ltd. (d)	46,000	92.00	92.00	1,825	1,825	1,825
Aitken Spence Property Developments (Pvt) Ltd. (b)	74,865,000	90.00	99.96	748,650	748,650	748,650
Western Power Company (Pvt) Ltd.	80	80.00	80.00	200,000	200,000	-
Aitken Spence Moscow (Pvt) Ltd. (c)	37,500	75.00	75.00	375	375	375
Ace Power Embilipitiya (Pvt) Ltd. (a)	124,033,413	74.00	74.00	1,404,415	1,404,415	1,404,415
Elevators (Pvt) Ltd. (a)	133,500	66.75	66.75	7,302	7,302	7,269
Ace Alliance Power Ltd. (a)	6,400	64.00	64.00	96	96	-
Ace Power Generation Horana (Pvt) Ltd.	20,046,998	51.00	51.00	200,470	200,470	200,470
Ace Power Generation Matara (Pvt) Ltd.	21,523,362	51.00	51.00	215,234	215,234	215,234
Alliance Spence Power Ltd. (a)	5,100	51.00	51.00	80	-	-
Ace Aviation Services (Pvt) Ltd. (d)*	10,001	50.00	100.00	263	263	263
Aitken Spence Hotel Management Asia (Pvt) Ltd. (b)*	4,924,500	49.00	86.99	49,245	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd. *	10,323,225	49.00	86.99	99,000	99,000	99,000
Kandalama Hotels (Pvt) Ltd. *	6,000,000	37.00	82.99	182,050	182,050	182,050
Aitken Spence Corporate Finance (Pvt) Ltd.	2	100.00	100.00	-	-	-
Ace International (Pvt) Ltd.	-	-	-	-	-	2,800
Aitken Spence Aviation (Pvt) Ltd. (a) (c)*	-	-	100.00	-	-	-
Aitken Spence Resources (Pvt) Ltd. *	-	-	100.00	-	-	-
Aitken Spence Shipping Services Ltd. (d)*	-	-	100.00	-	-	-
A E Lanka (Pvt) Ltd. *	-	-	100.00	-	-	-
Clark Spence & Company (Pvt) Ltd. (d) *	-	-	100.00	-	-	-
Port Management Container Services (Pvt) Ltd. (d)*	-	-	100.00	-	-	-
ADS Resorts (Pvt) Ltd. *	-	-	86.99	-	-	-
Aitken Spence Hotel Managements (South India) (Pvt) Ltd. *	-	-	86.99	-	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	-	-	86.99	-	-	-
Unique Resorts (Pvt) Ltd. *	-	-	86.99	-	-	-
Ahungalla Resorts Ltd. *	-	-	74.49	-	-	-
Aitken Spence Resorts (Pvt) Ltd. *	-	-	74.49	-	-	-
Crest Star (BVI) Ltd. (a)*	-	-	74.49	-	-	-
Crest Star Ltd. *	-	-	74.49	-	-	-
Golden Sun Resorts (Pvt) Ltd. *	-	-	74.49	-	-	-
M.P.S. Hotels (Pvt) Ltd. (c)*	-	-	74.49	-	-	-
Neptune Ayurvedic Village (Pvt) Ltd. *	-	-	74.49	-	-	-
PR Holiday Homes (Pvt) Ltd. *	-	-	73.57	-	-	-
Heritance (Pvt) Ltd. *	-	-	73.00	-	-	-
Aitken Spence Hotels Ltd. *	-	-	72.99	-	-	-
Jetan Travel Services Company (Pvt) Ltd. *	-	-	70.77	-	-	-
Hethersett Hotels Ltd. *	-	-	65.22	-	-	-
Cowrie Investments (Pvt) Ltd. (a)*	-	-	44.69	-	-	-
<b>Joint ventures</b>						
Aitken Spence Travels (Pvt) Ltd. (a) (c)	1,704,000	50.00	50.00	60,876	60,876	60,876
Aitken Spence (Garments) Ltd.	998,750	50.00	50.00	26,257	26,257	26,257
Aitken Spence C & T Investments (Pvt) Ltd. (a) (b)	9,420,000	50.00	50.00	94,200	-	-

a,b,c,d - refer note 46

## NOTES TO THE FINANCIAL STATEMENTS

	Number of shares	Company holding	Group holding	31.03.2013	31.03.2012	01.04.2011
		%	%	Rs.'000	Rs.'000	Rs.'000
MMBL Money Transfer (Pvt) Ltd. (a)	750,000	50.00	50.00	35,566	35,566	35,566
Hapag-Lloyd Lanka (Pvt) Ltd. (a) (d)*	-	-	60.00	-	-	-
Spence Maldives (Pvt) Ltd. (d) *	-	-	60.00	-	-	-
Delta Shipping (Pvt) Ltd. *	-	-	51.00	-	-	-
Ace Travels & Conventions (Pvt) Ltd. (c) *	-	-	50.00	-	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. (c) *	-	-	50.00	-	-	-
Clark Spence Garments Ltd. *	-	-	50.00	-	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a) (d)*	-	-	50.00	-	-	-
Ace Bangladesh Ltd. (a) *	-	-	49.00	-	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (a) (d)*			40.00			
				<b>4,905,914</b>	4,798,384	4,390,779

### b) Preference Shares

Aitken Spence Aviation (Pvt) Ltd. (c)	500,000	100.00	100.00	5,000	5,000	5,000
Aitken Spence Hotel Holdings PLC. (a)	16,500,000	100.00	100.00	165,000	165,000	165,000
Aitken Spence (Garments) Ltd.	4,000,000	72.70	72.70	40,000	40,000	40,000
				<b>210,000</b>	210,000	210,000
Provision for impairment of investments				<b>(169,507)</b>	(169,507)	(175,807)
<b>Carrying amount as at 31st March</b>				<b>4,946,407</b>	4,838,877	4,424,972

## 23.2 Investment in subsidiaries - quoted

	Number of shares	Company holding	Group holding	31.03.2013	31.03.2012	01.04.2011
		%	%	Rs.'000	Rs.'000	Rs.'000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	239,472,667	71.20	74.49	2,458,287	2,458,287	2,458,287
<b>Carrying amount as at 31st March</b>				<b>2,458,287</b>	2,458,287	2,458,287
Market value as at 31st March				<b>17,720,977</b>	16,763,087	21,839,907

The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs.223 million.

\* Investments are held by one of the following companies - Aitken Spence Hotel Holdings PLC., Aitken Spence Hotels Ltd., Aitken Spence Travels (Pvt) Ltd., Aitken Spence (Garments) Ltd., Ace Cargo (Pvt) Ltd., Triton Ltd., Aitken Spence Shipping Ltd., Aitken Spence Cargo (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Hotels (International) Ltd., Crest Star (BVI) Ltd., Aitken Spence Hotel Management Asia (Pvt) Ltd., Clark Spence & Company Ltd., Aitken Spence Hotel Management (Pvt) Ltd., Vauxhall Property Developments (Pvt) Ltd., or Port Management Container Services (Pvt) Ltd.

Jetan Travel Services Company (Pvt) Ltd., Cowrie Investments (Pvt) Ltd., ADS Resorts (Pvt) Ltd., Unique Resorts (Pvt) Ltd., and Spence Maldives (Pvt) Ltd. are incorporated in the Republic of Maldives, Crest star (BVI) Ltd. is incorporated in the British Virgin Islands, Crest star Ltd. is incorporated in Hongkong, Ace Bangladesh Ltd., Ace Alliance Power Ltd., and Alliance Spence Power Ltd., are incorporated in Bangladesh, PR Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Management (South India) (Pvt) Ltd. are incorporated in India, while all other companies are incorporated in Sri Lanka.

a,b,c,d - refer note 46

## 24 Investments in equity-accounted investees

### 24.1 Investment in equity-accounted investees - unquoted

	GROUP					COMPANY				
	No. of shares	Holding	31.03.2013	31.03.2012	01.04.2011	No. of shares	Holding	31.03.2013	31.03.2012	01.04.2011
			%	Rs.'000	Rs.'000			%	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (b)										
(Ordinary shares)	8,300,000	38.97	165,000	165,000	165,000	8,300,000	38.97	165,000	165,000	165,000
(consolidated with Elpitiya Plantations PLC (a) (b))										
M.P.S. Hotels Ltd. (Ordinary shares)	-	-	-	-	36,114	-	-	-	-	-
<b>Carrying amount as at 31st March</b>			<b>165,000</b>	165,000	201,114			<b>165,000</b>	165,000	165,000
Share of movement in equity value			<b>459,926</b>	374,481	353,096			-	-	-
<b>Equity value of investments</b>			<b>624,926</b>	539,481	554,210			<b>165,000</b>	165,000	165,000

a,b,c,d - refer note 46

## 24.2 Investment in equity-accounted investees - quoted

	GROUP					COMPANY				
	No. of shares	Holding	31.03.2013	31.03.2012	01.04.2011	No. of shares	Holding	31.03.2013	31.03.2012	01.04.2011
		%	Rs.'000	Rs.'000	Rs.'000		%	Rs.'000	Rs.'000	Rs.'000
Browns Beach Hotels PLC. (a)										
(Ordinary shares)	48,627,103	27.96	928,077	923,482	841,101	-	-	-	-	-
(consolidated with Negombo Beach Hotels (Pvt) Ltd.)										
<b>Carrying amount as at 31st March</b>			<b>928,077</b>	923,482	841,101			-	-	-
Share of movement in equity value			<b>378,202</b>	307,154	76,851			-	-	-
<b>Equity value of Investments</b>			<b>1,306,279</b>	1,230,636	917,952			-	-	-
Market value of quoted investments as at 31st March			<b>836,386</b>	706,415	941,796			-	-	-
Equity value - unquoted			<b>624,926</b>	539,481	554,210	Net book value- unquoted		<b>165,000</b>	165,000	165,000
Equity value - quoted			<b>1,306,279</b>	1,230,636	917,952	Net book value - quoted		-	-	-
<b>Equity value as at 31st March</b>			<b>1,931,205</b>	1,770,117	1,472,162	Net book value as at 31st March		<b>165,000</b>	165,000	165,000

## 24.3 Summarised financial information of equity-accounted investees

	31.03.2013					
	Total assets	Total liabilities	Net assets	Revenue	Profit (net of tax)	Dividends
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (b)						
(consolidated with Elpitiya Plantations PLC.)	1,682,439	1,057,513	624,926	1,112,108	111,059	25,615
Browns Beach Hotels PLC. (a)						
(consolidated with Negombo Beach Hotels (Pvt) Ltd.)	1,316,430	10,151	1,306,279	-	70,442	-
	2,998,869	1,067,664	1,931,205	1,112,108	181,501	25,615
	31.03.2012					
	Total assets	Total liabilities	Net assets	Revenue	Profit (net of tax)	Dividends
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (b)						
(consolidated with Elpitiya Plantations PLC. (a) (b))	1,696,371	1,156,890	539,481	966,097	37,800	-
Browns Beach Hotels PLC. (a)						
(consolidated with Negombo Beach Hotels (Pvt) Ltd.)	1,285,903	55,267	1,230,636	-	48,183	-
	2,982,274	1,212,157	1,770,117	966,097	85,983	-
	01.04.2011					
	Total assets	Total liabilities	Net assets	Revenue	Profit (net of tax)	Dividends
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Aitken Spence Plantation Managements PLC (b)						
(consolidated with Elpitiya Plantations PLC.)	1,646,770	1,138,446	508,324	1,017,340	93,643	34,066
Browns Beach Hotels PLC. (a)						
(consolidated with Negombo Beach Hotels (Pvt) Ltd.)	932,024	14,072	917,952	108,446	(4,628)	-
M.P.S. Hotels Ltd.	56,117	10,231	45,886	35,597	6,289	-
	2,634,911	1,162,749	1,472,162	1,161,383	95,304	34,066

a,b - refer note 46

# NOTES TO THE FINANCIAL STATEMENTS

## 25 Deferred tax assets

### 25.1 Movement in deferred tax assets

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance at the beginning of the year	209,769	137,694
Exchange gain / (loss)	(3,061)	705
Reversal of temporary differences transferred from/ (to) income statement	15,439	71,370
<b>Balance at the end of the year</b>	<b>222,147</b>	<b>209,769</b>

### 25.2 Composition of deferred tax assets

	GROUP	
	31.03.2013	31.03.2012
	Rs.'000	Rs.'000
Deferred tax assets attributable to:		
Defined benefit obligations	48,284	37,075
Tax losses carried forward	273,612	257,760
Other items	23,935	20,563
Property, plant and equipment	(123,684)	(105,629)
<b>Net deferred tax assets</b>	<b>222,147</b>	<b>209,769</b>

### 25.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2013	Recognised in income statement	Exchange gain / (loss)	As at 31st March 2012	Recognised in income statement	Exchange gain / (loss)	As at 1st April 2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred tax assets</b>							
Defined benefit obligations	48,284	11,209		37,075	(3,880)	-	40,955
Tax losses carried forward	273,612	15,852		257,760	44,892	-	212,868
Other items	23,935	6,433	(3,061)	20,563	(3,991)	705	23,849
Companies acquired / (transferred) during the year	-	-		-	(5,011)	-	5,011
	<b>345,831</b>	<b>33,494</b>	<b>(3,061)</b>	<b>315,398</b>	<b>32,010</b>	<b>705</b>	<b>282,683</b>
<b>Deferred tax liability</b>							
Property, plant and equipment	(123,684)	(18,055)		(105,629)	39,360	-	(144,989)
	<b>(123,684)</b>	<b>(18,055)</b>	<b>-</b>	<b>(105,629)</b>	<b>39,360</b>	<b>-</b>	<b>(144,989)</b>
<b>Net deferred tax assets</b>	<b>222,147</b>	<b>15,439</b>	<b>(3,061)</b>	<b>209,769</b>	<b>71,370</b>	<b>705</b>	<b>137,694</b>

## 26 Other financial assets

	Notes	GROUP			COMPANY		
		31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Other non-current financial assets</b>							
Unquoted debt securities and equity securities	26.1	462,117	392,737	483,620	232,403	159,348	160,939
		<b>462,117</b>	<b>392,737</b>	<b>483,620</b>	<b>232,403</b>	<b>159,348</b>	<b>160,939</b>
<b>Other current financial assets</b>							
Bank deposits	26.3	5,369,255	4,012,030	2,498,994	2,119,069	2,124,041	150,000
Government securities	26.4	1,096,713	343,043	2,560,280	1,096,713	343,043	2,560,280
Quoted equity securities	26.2	281,898	241,542	304,820	3,300	2,840	4,312
Unquoted debt securities and equity securities	26.1	15,450	-	-	7,978	-	-
Forward foreign exchange contracts	26.5	847	-	5,027	-	-	-
		<b>6,764,163</b>	<b>4,596,615</b>	<b>5,369,121</b>	<b>3,227,060</b>	<b>2,469,924</b>	<b>2,714,592</b>

## 26.1 Unquoted debt securities and equity securities

	GROUP				COMPANY			
	No. of shares	31.03.2013	31.03.2012	01.04.2011	No. of shares	31.03.2013	31.03.2012	01.04.2011
		Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd. (Secured Redeemable Debentures)	-	206,735	130,700	55,700	-	206,735	130,700	55,700
Sumiko Lanka Hotels (Pvt) Ltd. (Preference shares)	-	-	-	75,000	-	-	-	75,000
Rainforest Ecolodge (Pvt) Ltd. (Ordinary shares)	3,000,000	30,000	25,000	25,000	3,000,000	30,000	25,000	25,000
Palm Village Hotels Ltd. (Ordinary shares)	907,837	4,410	10,070	10,070	934,707	1,766	3,533	3,533
Business Process Outsourcing LLC. (Ordinary shares)	7,500	8,640	8,640	8,640	7,500	8,640	8,640	8,640
Poovar Island Resorts (Ordinary shares)	988,764	126,650	126,650	126,650	-	-	-	-
Barefoot Resorts and Leisure (Pvt) Ltd. (Ordinary shares)	25,000	86,590	86,590	86,590	-	-	-	-
Cargo Village Ltd. (Ordinary shares)	38,571	357	357	357	-	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd. (Ordinary shares)	10,000	100	100	100	-	-	-	-
Skyenet Worldwide Express Management Company Ltd. (Ordinary shares)	1,000	99	99	99	-	-	-	-
Colombo International Nautical and Engineering College (Pvt) Ltd. (Ordinary shares)	-	-	-	90,450	-	-	-	-
		463,581	388,206	478,656		247,141	167,873	167,873
Adjustment for fair value of investments		13,986	4,531	4,964		(6,760)	(8,525)	(6,934)
<b>Carrying amount as at 31st March</b>		<b>477,567</b>	<b>392,737</b>	<b>483,620</b>		<b>240,381</b>	<b>159,348</b>	<b>160,939</b>
<b>Current unquoted debt and equity securities</b>		<b>(15,450)</b>	-	-		<b>(7,978)</b>	-	-
<b>Non current unquoted debt and equity securities</b>		<b>462,117</b>	<b>392,737</b>	<b>483,620</b>		<b>232,403</b>	<b>159,348</b>	<b>160,939</b>

## 26.2 Quoted equity securities

	GROUP				COMPANY			
	No. of shares	31.03.2013	31.03.2012	01.04.2011	No. of shares	31.03.2013	31.03.2012	01.04.2011
		Rs.'000	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
DFCC Bank (Ordinary shares)	24,770	399	399	399	24,770	399	399	399
Overseas Realty (Ceylon) PLC. (Ordinary shares)	3,750	37	37	37	3,750	37	37	37
Colombo Dockyard PLC. (Ordinary shares)	13,543	123	123	123	-	-	-	-
Hatton National Bank PLC. (Ordinary shares)	191,400	4,060	4,060	4,060	-	-	-	-
Distilleries Company of Sri Lanka PLC. (Ordinary shares)	1,500,000	256,817	256,817	256,817	-	-	-	-
		261,436	261,436	261,436		436	436	436
Adjustment for fair value of investments		20,462	(19,894)	43,384		2,864	2,404	3,876
<b>Carrying amount as at 31st March</b>		<b>281,898</b>	<b>241,542</b>	<b>304,820</b>		<b>3,300</b>	<b>2,840</b>	<b>4,312</b>

## 26.3 Bank deposits

Bank deposits include fixed deposits, call deposits and bank reverse repos which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

## 26.4 Government securities

Government Securities represents the financial assets (treasury bills and treasury bonds) measured at fair value through profit or loss which are held for trading purposes.

## 26.5 Forward foreign exchange contracts

Financial assets at fair value through profit or loss reflect the positive change in fair value of foreign exchange forward contracts to convert US Dollars amounting to 1,875,000/- as at 31st March 2013, and 3,813,500/- as at 31st March 2011.

There was a negative change in the fair value of foreign exchange forward contracts to convert US Dollars 3,955,000/- as at 31st March 2012 due to the movement of exchange rates.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 Inventories

	GROUP			COMPANY		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw materials	1,269,765	1,414,101	1,333,840	-	-	-
Work-in-progress and finished goods	77,314	81,714	79,244	-	-	-
Consumables	477,644	287,502	194,640	2,484	1,651	1,755
	1,824,723	1,783,317	1,607,724	2,484	1,651	1,755

Value of inventories pledged as security for facilities obtained by the Group from banks, amounted to Rs. 72 million as at 31st March 2013. (2011/2012-Rs. 900 million)  
(Company-nil)

## 28 Trade and other receivables

	GROUP			COMPANY		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	7,829,687	7,438,967	3,466,261	-	-	-
Other receivables	2,182,759	1,597,535	776,892	526,283	611,879	272,611
Amounts due from subsidiaries and joint ventures	-	-	-	2,754,980	2,981,362	2,248,879
Amounts due from equity-accounted investees	12,288	6,100	23,326	10,591	3,983	8,143
Provision for impairment of trade and other receivables	(83,636)	(114,055)	(103,307)	-	-	(15,094)
	9,941,098	8,928,547	4,163,172	3,291,854	3,597,224	2,514,539
Loans to employees	31,529	19,064	19,205	23,654	17,228	16,842
	9,972,627	8,947,611	4,182,377	3,315,508	3,614,452	2,531,381

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

### Loan to company officers - summary

	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance as at the beginning of the year	17,228	16,842
Loans granted during the year	11,850	7,400
	29,078	24,242
Recoveries during the year	(5,424)	(7,014)
Balance at the end of the year	23,654	17,228

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

## 29 Assets classified as held for sale

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

	GROUP			COMPANY		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Share of net assets of equity-accounted investees classified as held for sale	141,446	141,446	141,446	57,237	57,237	57,237
Net current assets of group companies classified as held for sale	7,679	7,679	40,043	-	-	13,600
	149,125	149,125	181,489	57,237	57,237	70,837

There were no discontinued operations recognised in the income statement during the period.

## 30 Stated capital and reserves

### 30.1 Stated capital

	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000
Stated capital as at 31st March	2,135,140	2,135,140	2,135,140

	31.03.2013	31.03.2012	01.04.2011
	No. of shares	No. of shares	No. of shares
Opening balance	405,996,045	405,996,045	27,066,403
Issue of shares on subdivision	-	-	378,929,642
Closing balance	405,996,045	405,996,045	405,996,045

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

### 30.2 Reserves

#### Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant and equipment. There were no restrictions on distribution of these balances to the shareholders.

#### General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

#### Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group and the portion of exchange gain or loss arising from the translation of the hedge instrument in relation to cash flow hedges.

#### Other capital reserves

This represents the portion of share premium of subsidiaries attributable to the Group.

#### Available-for-sale reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

## 31 Interest-bearing liabilities

### 31.1 Movement of interest-bearing liabilities

Group as at 31st March 2013

Bank / financial institute	Balance as at 31.03.2013	Impact of exchange rate fluctuation	New loans obtained during the year	Capital repayment	Balance as at 01.04.2012	Total interest paid 2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC.	2,244,562	(13,364)	103,083	(2,230,579)	4,385,422	266,451
DFCC Bank.	1,992,142	(629)	144,524	(145,852)	1,994,099	225,324
Commercial Bank of Ceylon PLC.	782,546	4,016	624,044	(378,243)	532,729	80,912
HSBC.	2,569,339	(3,241)	2,491,003	(370,705)	452,282	48,992
Nations Trust Bank PLC.	22,587	(916)	-	(98,530)	122,033	2,723
National Savings Bank.	-	-	-	(100,000)	100,000	12,005
Union Assurance PLC.	-	-	-	(100,000)	100,000	13,401
Employees' Trust Fund.	-	-	-	(100,000)	100,000	12,005
Indian Bank.	-	-	-	(80,000)	80,000	10,302
Bank of Ceylon.	-	-	-	(6,050)	6,050	128
Eagle Income Fund.	-	-	-	(2,400)	2,400	288
Premier Leasing & Finance Ltd.	1,050	39	-	(391)	1,402	-
Incorporated Trustees of the Church of England in Ceylon.	-	-	-	(800)	800	96
International Water Management Institute Pension Fund.	-	-	-	(800)	800	96
Sampath Bank PLC.	3,218	-	3,417	(199)	-	-
	7,615,444	(14,095)	3,366,071	(3,614,549)	7,878,017	672,723
<b>Current portion of Interest -bearing liabilities</b>	<b>(1,370,093)</b>				<b>(2,135,469)</b>	
<b>Non Current Interest -bearing liabilities</b>	<b>6,245,351</b>				<b>5,742,548</b>	

# NOTES TO THE FINANCIAL STATEMENTS

Group as at 31st March 2012

Bank / financial institute	Balance as at 31.03.2012	Impact of exchange rate fluctuation	Companies acquired	New loans obtained during the year	Capital repayment	Balance as at 01.04.2011	Total interest paid 2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC.	4,385,422	368,636	-	1,346,400	(681,329)	3,351,715	208,741
DFCC Bank.	1,994,099	28,849	-	1,768,894	(71,128)	267,484	90,084
Commercial Bank of Ceylon PLC.	532,729	26,775	2,408	59,240	(463,137)	907,443	41,868
HSBC.	452,282	73,552	-	70,844	(130,029)	437,915	17,925
Nations Trust Bank PLC.	122,033	32,250	-	-	(115,065)	204,848	5,812
National Savings Bank.	100,000	-	-	-	(75,000)	175,000	15,728
Union Assurance PLC.	100,000	-	-	-	(75,000)	175,000	22,396
Employees' Trust Fund.	100,000	-	-	-	(75,000)	175,000	16,617
Indian Bank.	80,000	-	-	-	(60,000)	140,000	15,916
Bank of Ceylon.	6,050	-	-	-	(14,067)	20,117	915
Eagle Income Fund.	2,400	-	-	-	(1,800)	4,200	377
Premier Leasing & Finance Ltd.	1,402	-	-	1,565	(163)	-	-
Incorporated Trustees of the Church of England in Ceylon.	800	-	-	-	(600)	1,400	126
International Water Management Institute Pension Fund.	800	-	-	-	(600)	1,400	126
Federal Bank Ltd.	-	-	-	-	(454)	454	-
	7,878,017	530,062	2,408	3,246,943	(1,763,372)	5,861,976	436,631
<b>Current portion of Interest -bearing liabilities</b>	(2,135,469)					(1,718,328)	
<b>Non Current Interest -bearing liabilities</b>	5,742,548					4,143,648	

Company as at 31st March 2013

Bank / financial institute	Balance as at 31.03.2013	New loans obtained during the year	Capital repayment	Balance as at 01.04.2012	Total interest paid 2012/2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DFCC Bank.	1,300,000	-	-	1,300,000	168,244
Hatton National Bank PLC.	700,000	-	-	700,000	89,437
Commercial Bank of Ceylon PLC.	700,000	600,000	(160,000)	260,000	73,198
National Savings Bank.	-	-	(100,000)	100,000	12,005
Union Assurance PLC.	-	-	(100,000)	100,000	13,401
Employees' Trust Fund.	-	-	(100,000)	100,000	12,005
Indian Bank.	-	-	(80,000)	80,000	10,302
Eagle Income Fund.	-	-	(2,400)	2,400	288
Incorporated Trustees of the Church of England in Ceylon.	-	-	(800)	800	96
International Water Management Institute Pension Fund.	-	-	(800)	800	96
	2,700,000	600,000	(544,000)	2,644,000	379,073
<b>Current portion of Interest -bearing liabilities</b>	(157,500)			(544,000)	
<b>Non Current Interest -bearing liabilities</b>	2,542,500			2,100,000	

## Company as at 31st March 2012

Bank / financial institute	Balance as at 31.03.2012	New loans obtained during the year	Capital repayment	Balance as at 01.04.2011	Total interest paid 2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DFCC Bank.	1,300,000	1,200,000	-	100,000	75,170
Hatton National Bank PLC.	700,000	600,000	-	100,000	55,295
Commercial Bank of Ceylon PLC.	260,000	-	(280,000)	540,000	41,868
National Savings Bank.	100,000	-	(75,000)	175,000	15,728
Union Assurance PLC.	100,000	-	(75,000)	175,000	22,396
Employees' Trust Fund.	100,000	-	(75,000)	175,000	16,617
Indian Bank.	80,000	-	(60,000)	140,000	15,916
Eagle Income Fund.	2,400	-	(1,800)	4,200	377
Incorporated Trustees of the Church of England in Ceylon.	800	-	(600)	1,400	126
International Water Management Institute Pension Fund.	800	-	(600)	1,400	126
	2,644,000	1,800,000	(568,000)	1,412,000	243,619
<b>Current portion of Interest -bearing liabilities</b>	(544,000)			(568,000)	
<b>Non Current Interest -bearing liabilities</b>	2,100,000			844,000	

## 31.2 Analysed by capital repayment

## Group as at 31st March 2013

Bank / financial institute	Payable in less than 3 months	Payable within 3 to 12 months	Payable within 1 - 2 years	Payable within 2 - 5 years	Payable after 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC.	123,471	422,910	548,999	966,508	182,674	2,244,563
Commercial Bank of Ceylon PLC.	4,629	21,387	36,015	427,030	293,485	782,545
DFCC Bank.	23,369	181,465	336,003	1,239,740	211,565	1,992,143
Nations Trust Bank PLC.	22,587	-	-	-	-	22,586
HSBC.	142,242	426,725	558,392	1,179,952	262,028	2,569,339
Premier Leasing & Finance Ltd.	101	306	643	-	-	1,050
Sampath Bank.	225	676	2,317	-	-	3,218
	316,624	1,053,469	1,482,369	3,813,230	949,752	7,615,444

## Company as at 31st March 2013

Bank / financial institute	Payable in less than 3 months	Payable within 3 to 12 months	Payable within 1 - 2 years	Payable within 2 - 5 years	Payable after 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC.	-	52,500	122,500	525,000	-	700,000
Commercial Bank of Ceylon PLC.	-	7,500	17,500	390,000	285,000	700,000
DFCC Bank.	-	97,500	227,500	975,000	-	1,300,000
	-	157,500	367,500	1,890,000	285,000	2,700,000

# NOTES TO THE FINANCIAL STATEMENTS

## 31.3 Analysed by Interest Rate

As at	GROUP				COMPANY			
	31.03.2013		31.03.2012		31.03.2013		31.03.2012	
	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged	Total borrowing	Net book value of collateral pledged
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Term loans linked to AWPLR</b>								
DFCC Bank.	1,700,325	556,055	1,622,231	489,522	1,300,000	-	1,300,000	-
Hatton National Bank PLC.	1,182,476	659,150	1,295,979	671,807	700,000	-	700,000	-
Commercial Bank of Ceylon PLC.	782,546	289,981	532,729	286,194	700,000	-	260,000	-
	3,665,347	1,505,186	3,450,939	1,447,523	2,700,000	-	2,260,000	-
<b>Term loans linked to LIBOR</b>								
HSBC.	2,569,227	2,511,780	452,131	754,850	-	-	-	-
Hatton National Bank PLC.	359,559	214,004	2,265,455	2,160,040	-	-	-	-
DFCC Bank.	208,009	187,000	217,345	187,000	-	-	-	-
Nations Trust Bank PLC.	22,586	60,161	122,033	337,139	-	-	-	-
	3,159,381	2,972,945	3,056,964	3,439,029	-	-	-	-
<b>Term loans linked to AWDR</b>								
Hatton National Bank PLC.	694,848	831,000	823,988	831,000	-	-	-	-
DFCC Bank.	70,000	120,000	120,000	120,000	-	-	-	-
Bank of Ceylon.	-	-	6,050	-	-	-	-	-
	764,848	951,000	950,038	951,000	-	-	-	-
<b>Debentures linked to treasury bills</b>								
Union Assurance PLC.	-	-	100,000	-	-	-	20,000	-
National Savings Bank.	-	-	100,000	-	-	-	100,000	-
Employees' Trust Fund.	-	-	100,000	-	-	-	100,000	-
Indian Bank	-	-	80,000	-	-	-	40,000	-
Eagle Income Fund.	-	-	2,400	-	-	-	2,400	-
Incorporated Trustees of the Church of England in Ceylon	-	-	800	-	-	-	800	-
International Water Management Institute Pension Fund	-	-	800	-	-	-	800	-
	-	-	384,000	-	-	-	264,000	-
<b>Fixed rate debentures and term loans</b>								
Union Assurance PLC.	-	-	-	-	-	-	80,000	-
Indian Bank.	-	-	-	-	-	-	40,000	-
DFCC Bank.	13,809	116,600	34,524	122,200	-	-	-	-
Hatton National Bank PLC.	7,681	-	-	-	-	-	-	-
Sampath Bank PLC.	3,218	-	-	-	-	-	-	-
Premier Leasing & Finance Ltd.	1,049	-	1,402	-	-	-	-	-
Hongkong & Shanghai Banking Corporation Ltd.	111	-	150	-	-	-	-	-
	25,868	116,600	36,076	122,200	-	-	120,000	-
Total interest bearing loans and borrowings	7,615,444	5,545,731	7,878,017	5,959,752	2,700,000	-	2,644,000	-

### 31.4 Analysed by currency equivalent in rupees

As at	GROUP		COMPANY			
	31.03.2013 Rs. Equivalent		31.03.2012 Rs. Equivalent		31.03.2013 Rs. Equivalent	31.03.2012 Rs. Equivalent
	Rs.'000	%	Rs.'000	%	Rs.'000	Rs.'000
United States Dollars	3,159,382	41	3,492,293	-	-	-
Sri Lankan Rupees	4,456,062	59	4,385,724	100	2,700,000	2,644,000
	7,615,444	100	7,878,017	100	2,700,000	2,644,000

## 32 Deferred tax liabilities

### 32.1 Movement in deferred tax liabilities

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance at the beginning of the year	429,238	256,001
Companies acquired during the year	-	7,921
Exchange gain / (loss)	(873)	-
Origination of temporary differences transferred to / (from) income statement	76,378	165,316
Balance at the end of the year	504,743	429,238

### 32.2 Composition of deferred tax liabilities

	GROUP	
	31.03.2013	31.03.2012
	Rs.'000	Rs.'000
Deferred tax liabilities attributable to ;		
Property, plant and equipment	517,652	444,069
Undistributed profits of consolidated entities	32,356	8,588
Deferred interest expense	300	877
Companies acquired during the year	-	7,921
Defined benefit obligations	(21,593)	(22,940)
Tax losses carried forward	(23,972)	(9,277)
Net deferred tax liabilities	504,743	429,238

### 32.3 Movement in tax effect of temporary differences - Group

	As at 31st March 2013	Recognised in income statement	Exchange gain / (loss)	As at 31st March 2012	Recognised in income statement	Subsidiaries acquired	As at 1st April 2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred tax liabilities</b>							
Property, plant and equipment	517,652	74,456	(873)	444,069	177,953	-	266,116
Undistributed profits of consolidated entities	32,356	23,768	-	8,588	(3,909)	-	12,497
Deferred interest expense	300	(577)	-	877	(824)	-	1,701
Companies acquired/ (transferred) during the year	-	(7,921)	-	7,921	-	7,921	-
	550,308	89,726	(873)	461,455	173,220	7,921	280,314
<b>Deferred tax assets</b>							
Defined benefit obligations	(21,593)	1,347	-	(22,940)	(8,674)	-	(14,266)
Tax losses carried forward	(23,972)	(14,695)	-	(9,277)	770	-	(10,047)
	(45,565)	(13,348)	-	(32,217)	(7,904)	-	(24,313)
<b>Net deferred tax liabilities</b>	504,743	76,378	(873)	429,238	165,316	7,921	256,001

# NOTES TO THE FINANCIAL STATEMENTS

## 33 Employee benefits

### 33.1 Retirement benefits obligations

	GROUP			COMPANY		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present value of unfunded obligations	447,390	391,409	335,637	73,405	56,394	46,936
<b>Total present value of the obligation</b>	<b>447,390</b>	<b>391,409</b>	<b>335,637</b>	<b>73,405</b>	<b>56,394</b>	<b>46,936</b>

### 33.2 Movement in present value of the defined benefit obligations

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined benefit obligations at the beginning of the period	391,409	335,637	56,394	46,936
Benefits paid by the plan	(59,256)	(43,837)	(6,489)	(3,946)
Current service cost	42,337	36,105	6,975	5,166
Interest cost	46,320	39,563	6,767	5,632
Actuarial (gains) / losses	27,904	12,808	9,758	2,606
Exchange difference	129	112	-	-
Defined benefit obligations of companies acquired during the year	-	11,021	-	-
Defined benefit obligations of companies disposed during the year	(1,453)	-	-	-
<b>Defined benefit obligations at the end of the period</b>	<b>447,390</b>	<b>391,409</b>	<b>73,405</b>	<b>56,394</b>

### 33.3 Expenses recognised in profit or loss

	GROUP		COMPANY	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current service cost	42,337	36,105	6,975	5,166
Interest cost	46,320	39,563	6,767	5,632
Actuarial (gains) / losses	27,904	12,808	9,758	2,606
	<b>116,561</b>	<b>88,476</b>	<b>23,500</b>	<b>13,404</b>

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2013. The actuarial present value of the promised retirement benefits as at 31st March 2013 amounted to Rs. 447,389,831/- (Company - Rs. 73,405,447/-) The liability is not externally funded.

The principal actuarial assumptions used in determining the cost are given below;

- Discount rate 12%.
- Salary increments will range between 7% and 11% p.a.
- Retirement age of 55 years.
- The company will continue in business as a going concern

Assumptions regarding future mortality are based on published statistics and mortality tables.

## 34 Provisions

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance at the beginning of the period	490,661	457,827
Additional provision for the year	1,158,767	593,267
Amounts used during the year	(1,372,325)	(560,433)
<b>Balance at the end of the period</b>	<b>277,103</b>	<b>490,661</b>

A Provision is made on a monthly basis for major overhaul costs of power plant in Embilipitiya based on the estimated overhauls to be carried out within the interval between two major overhauls. The cost of the actual overhaul carried out is set off against this provision. Estimated time between two major overhauls is 18 months.

### 35 Trade and other payables

	GROUP			COMPANY		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	3,017,937	2,462,172	1,289,858	-	-	-
Other payables	4,686,132	4,234,739	2,618,142	257,813	355,612	330,633
Amounts due to subsidiaries and joint ventures	-	-	-	2,091,253	1,967,010	1,940,706
Amounts due to equity-accounted investees	136	14,088	482	24	726	45
Unclaimed dividends	6,007	4,652	3,576	6,007	4,652	3,576
Deferred grants	3,426	4,802	-	-	-	-
	7,713,638	6,720,453	3,912,058	2,355,097	2,328,000	2,274,960

#### 35.1 Deferred grants

	GROUP	
	2012/2013	2011/2012
	Rs.'000	Rs.'000
Balance as at the beginning of the year	4,802	-
Companies acquired during the year	-	4,802
Grants received for the year	1,099	-
Amortised during the year	(2,475)	-
<b>Balance as at the end of the year</b>	<b>3,426</b>	<b>4,802</b>

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

### 36 Other financial liabilities

	GROUP		
	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000
Forward foreign exchange contracts (refer note 26.5)	-	57,847	-
	-	57,847	-

# NOTES TO THE FINANCIAL STATEMENTS

## 37 Financial instruments

### 37.1 Carrying amounts and fair values of financial instruments

#### 37.1.1 Carrying amounts and fair values of financial instruments - Group

		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2013</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	9,357,076	-	-	615,551	9,972,627	9,972,627
Deposits and prepayments		-	84,128	-	-	1,045,715	1,129,843	1,129,843
Other financial assets	26							
- Unquoted debt securities and equity securities		-	206,736	270,831	-	-	477,567	477,567
- Quoted equity shares		-	-	281,898	-	-	281,898	281,898
- Other bank deposits		-	5,369,255	-	-	-	5,369,255	5,369,255
- Government securities		1,096,713	-	-	-	-	1,096,713	1,096,713
- Forward foreign exchange contracts		847	-	-	-	-	847	847
Cash and short-term deposits		-	2,217,994	-	-	-	2,217,994	2,217,994
		1,097,560	17,235,189	552,729	-	1,661,266	20,546,744	20,546,744

#### Financial liabilities

Interest-bearing liabilities	31	-	-	-	7,615,444	-	7,615,444	7,615,444
Trade and other payables	35	-	-	-	5,921,637	1,792,001	7,713,638	7,713,638
Other financial liabilities	36							
- Forward foreign exchange contracts		-	-	-	-	-	-	-
Bank overdrafts and other short-term borrowings		-	-	-	5,588,753	-	5,588,753	5,588,753
		-	-	-	19,125,834	1,792,001	20,917,835	20,917,835

		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2012</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	8,633,295	-	-	314,316	8,947,611	8,947,611
Deposits and prepayments		-	77,531	-	-	678,227	755,758	755,758
Other financial assets	26							
- Unquoted debt securities and equity securities		-	130,700	262,037	-	-	392,737	392,737
- Quoted equity shares		-	-	241,542	-	-	241,542	241,542
- Other bank deposits		-	4,012,030	-	-	-	4,012,030	4,012,030
- Government securities		343,043	-	-	-	-	343,043	343,043
- Forward foreign exchange contracts		-	-	-	-	-	-	-
Cash and short-term deposits		800,000	1,376,837	-	-	-	2,176,837	2,176,837
		1,143,043	14,230,393	503,579	-	992,543	16,869,558	16,869,558

#### Financial liabilities

Interest-bearing liabilities	31	-	-	-	7,878,017	-	7,878,017	7,878,017
Trade and other payables	35	-	-	-	5,216,077	1,504,376	6,720,453	6,720,453
Other financial liabilities	36							
- Forward foreign exchange contracts		57,847	-	-	-	-	57,847	57,847
Bank overdrafts and other short-term borrowings		-	-	-	4,867,493	-	4,867,493	4,867,493
		57,847	-	-	17,961,587	1,504,376	19,523,810	19,523,810

## 37.1.1 Carrying amounts and fair values of financial instruments - Group

		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01st April 2011</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	3,937,246	-	-	245,131	4,182,377	4,182,377
Deposits and prepayments		-	74,144	-	-	472,878	547,022	547,022
Other financial assets	26							
- Unquoted debt securities and equity securities		-	55,700	427,920	-	-	483,620	483,620
- Quoted equity shares		-	-	304,820	-	-	304,820	304,820
- Other bank deposits		-	2,498,994	-	-	-	2,498,994	2,498,994
- Government securities		2,560,280	-	-	-	-	2,560,280	2,560,280
- Forward foreign exchange contracts		5,027	-	-	-	-	5,027	5,027
Cash and short-term deposits		-	736,009	-	-	-	736,009	736,009
		2,565,307	7,302,093	732,740	-	718,009	11,318,149	11,318,149
<b>Financial liabilities</b>								
Interest-bearing liabilities	31		-	-	5,861,976	-	5,861,976	5,861,976
Trade and other payables	35	-	-	-	2,765,376	1,146,682	3,912,058	3,912,058
Other financial liabilities	36							-
- Forward foreign exchange contracts		-	-	-	-	-	-	-
Bank overdrafts and other short-term borrowings		-	-	-	2,911,944	-	2,911,944	2,911,944
		-	-	-	11,539,296	1,146,682	12,685,978	12,685,978

## 37.1.2 Carrying amounts and fair values of financial instruments - Company

		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2013</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	3,272,756	-	-	42,752	3,315,508	3,315,508
Deposits and prepayments		-	704	-	-	52,371	53,075	53,075
Other financial assets	26							
- Unquoted debt securities & equity securities		-	206,736	33,645	-	-	240,381	240,381
- Quoted equity shares		-	-	3,300	-	-	3,300	3,300
- Other bank deposits		-	2,119,069	-	-	-	2,119,069	2,119,069
- Government securities		1,096,713	-	-	-	-	1,096,713	1,096,713
Cash and short-term deposits		-	62,885	-	-	-	62,885	62,885
		1,096,713	5,662,150	36,945	-	95,123	6,890,931	6,890,931
<b>Financial liabilities</b>								
Interest-bearing liabilities	31	-	-	-	2,700,000	-	2,700,000	2,700,000
Trade and other payables	35	-	-	-	2,159,294	195,803	2,355,097	2,355,097
Bank overdrafts and other short-term borrowings		-	-	-	99,881	-	99,881	99,881
		-	-	-	4,959,175	195,803	5,154,978	5,154,978

## NOTES TO THE FINANCIAL STATEMENTS

### 37.1.2 Carrying amounts and fair values of financial instruments - Company

		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2012</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	3,593,952	-	-	20,500	3,614,452	3,614,452
Deposits and prepayments		-	204	-	-	59,972	60,176	60,176
Other financial assets	26							
- Unquoted debt securities and equity securities		-	130,700	28,648	-	-	159,348	159,348
- Quoted equity shares		-	-	2,840	-	-	2,840	2,840
- Other bank deposits		-	2,124,041	-	-	-	2,124,041	2,124,041
- Government securities		343,043	-	-	-	-	343,043	343,043
Cash and short-term deposits		800,000	19,042	-	-	-	819,042	819,042
		1,143,043	5,867,939	31,488	-	80,472	7,122,942	7,122,942
<b>Financial liabilities</b>								
Interest-bearing liabilities	31	-	-	-	2,644,000	-	2,644,000	2,644,000
Trade and other payables	35	-	-	-	2,123,196	204,804	2,328,000	2,328,000
Bank overdrafts and other short-term borrowings		-	-	-	267,932	-	267,932	267,932
		-	-	-	5,035,128	204,804	5,239,932	5,239,932
		Trading at fair value *	Loans and receivables	Available for sale	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01st April 2011</b>								
<b>Financial assets</b>								
Trade and other receivables	28	-	2,449,505	-	-	81,876	2,531,381	2,531,381
Deposits and prepayments		-	198	-	-	23,007	23,205	23,205
Other financial assets	26							
- Unquoted debt securities and equity securities		-	55,700	105,239	-	-	160,939	160,939
- Quoted equity shares		-	-	4,312	-	-	4,312	4,312
- Other bank deposits		-	150,000	-	-	-	150,000	150,000
- Government securities		2,560,280	-	-	-	-	2,560,280	2,560,280
Cash and short-term deposits		-	20,554	-	-	-	20,554	20,554
		2,560,280	2,675,957	109,551	-	104,883	5,450,671	5,450,671
<b>Financial liabilities</b>								
Interest-bearing liabilities	31	-	-	-	1,412,000	-	1,412,000	1,412,000
Trade and other payables	33	-	-	-	1,980,339	294,621	2,274,960	2,274,960
Bank overdrafts and other short-term borrowings		-	-	-	814,304	-	814,304	814,304
		-	-	-	4,206,643	294,621	4,501,264	4,501,264

**37.1.3** The Group and the Company does not have any financial instruments designated as fair value through profit or loss on initial recognition as at 31st March 2013.

Total value of financial assets pledged as securities for facilities obtained from banks amounted to Rs.37.8 million (2011/2012 - Rs.7.9 million) company - Nil.

### 37.2 Fair value hierarchy

The Group and the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based observable market data

As at 31 March 2013, the Group held the following financial instruments measured at fair value.

#### Group

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2013</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	270,831	270,831
- Quoted equity shares	281,898	-	-	281,898
- Government securities	1,096,713	-	-	1,096,713
- Forward foreign exchange contracts	-	847	-	847
<b>Total assets</b>	<b>1,378,611</b>	<b>847</b>	<b>270,831</b>	<b>1,650,289</b>
Other financial liabilities				
- Forward contracts	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2012</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	262,037	262,037
- Quoted equity shares	241,542	-	-	241,542
- Government securities	343,043	-	-	343,043
- Forward foreign exchange contracts	-	-	-	-
Cash and short-term deposits	800,000	-	-	800,000
<b>Total assets</b>	<b>1,384,585</b>	<b>-</b>	<b>262,037</b>	<b>1,646,622</b>
Other financial liabilities				
- Forward contracts	-	57,847	-	57,847
<b>Total liabilities</b>	<b>-</b>	<b>57,847</b>	<b>-</b>	<b>57,847</b>

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01st April 2011</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	427,920	427,920
- Quoted equity shares	304,820	-	-	304,820
- Government securities	2,560,280	-	-	2,560,280
- Forward foreign exchange contracts	-	5,027	-	5,027
<b>Total assets</b>	<b>2,865,100</b>	<b>5,027</b>	<b>427,920</b>	<b>3,298,047</b>
Other financial liabilities				
- Forward contracts	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Company

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2013</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	33,645	33,645
- Quoted equity shares	3,300	-	-	3,300
- Government securities	1,096,713	-	-	1,096,713
	1,100,013	-	33,645	1,133,658

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 31st March 2012</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	28,648	28,648
- Quoted equity shares	2,840	-	-	2,840
- Government securities	343,043	-	-	343,043
Cash and short-term deposits	800,000	-	-	800,000
	1,145,883	-	28,648	1,174,531

	Level 1	Level 2	Level 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01st April 2011</b>				
Other financial assets				
- Unquoted debt securities and equity securities	-	-	105,239	105,239
- Quoted equity shares	4,312	-	-	4,312
- Government securities	2,560,280	-	-	2,560,280
	2,564,592	-	105,239	2,669,831

## 38 Financial risk management objectives and policies.

The Group's risk management structures, processes and procedures are explained in the risk report on page 126 to 129 of the annual report.

The objective of the financial risk management strategy of the Group is to minimise the impact of risks that arise due to the use of financial instruments. The risks that are unmanaged can potentially result in the Group being unable to achieve its budgeted profits in a given financial year. Hence, importance is given by the Group to manage financial risks.

To achieve this objective the Group has established a number of policies and guidelines that are followed across all business sectors. Such policies and guidelines are subject to periodic review in order to maintain their relevance in the evolving financial markets in which the Group operates.

In this part of the report we would be covering the financial impact that would arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subjected to.

### 38.1 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in market factors such as exchange rates and interest rates. Such risks could affect Group's income and expenses and could have a potentially adverse impact on the profits attributable to the shareholders. The objective of market risk management is to manage and control market risk exposures within acceptable limits while optimising returns.

#### Currency risk

Aitken Spence is a diversified group with operations and transactions across many business sectors and geographies. The Group has investments abroad and has raised debt funding from foreign sources. Its markets are diverse and spread across the globe. The diversity of our operations exposes the Group to currency risk since it transacts in many foreign currencies other than the functional currency in which we report.

The Group is exposed to currency risk on sales, purchases, investments and borrowings. The Group has significant investments in the Republic of Maldives whose net assets are exposed to foreign currency translation risk. The main foreign currencies in which the Group transacts are the USD and the Euro while its exposures to other foreign currencies are not material.

The Group's total USD denominated borrowings amounts to Rs. 3.2 billion. Most of the USD denominated loans have been taken by SBUs with foreign currency income which acts as a natural hedge against translational losses. The conscious matching of foreign currency denominated borrowings against foreign currency income had enabled the group to manage the currency risk without entering into elaborate hedging mechanisms.

The Group treasury monitors the fluctuations in foreign currencies and advises SBU's with appropriate strategies to minimise risks. Short term forward contracts are often used by SBU's with foreign exchange denominated income to maximise returns on conversions. Similar strategies are adopted by Group companies having foreign currency denominated outflows such as payments to overseas suppliers and importation of machinery and equipment.

#### Foreign currency sensitivity

An estimation of the approximate impact of the currency risk with respect to financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of this risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company and the Group as at 31st March 2013.

#### Group

As at 31st March 2013	Effect on profit before tax	Effect on equity
	Rs.'000	Rs.'000
LKR depreciates against USD by 5%	(60,252)	202,849
LKR appreciates against USD by 5%	67,243	(202,849)

The effect on equity arises from the investments made by the Group in the Republic of Maldives. We have not accounted for the sensitivity arising in any of the other investments as the Groups exposure to them immaterial.

#### Company

As at 31st March 2013	Effect on profit before tax
	Rs.'000
LKR depreciates against USD by 5%	21,665
LKR appreciates against USD by 5%	(21,665)

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises on interest bearing financial instruments recognised in the statement of financial position.

The interest rate risk of the Company and the Group arises from financial instruments which are exposed to variable or fixed rate interest rates. Variable interest rates expose the Company and the Group to cash flow risks due to the impact on the quantum of interest payable. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest rate movements.

The Group manages the interest rate risk by entering into interest rate swaps where appropriate especially in respect of debt instruments with variable rates. The Group treasury closely monitors market interest rate movements and implements appropriate investment strategies in order to minimise the interest rate risks associated with financial instruments with fixed rates. For example, in an environment where the market rates are on an upward trend, the majority of portfolio investments would be made on short tenures to minimise the negative movements in fair values of investments.

#### Interest rate sensitivity

At the reporting date the interest rate sensitivity profile of the Group's interest bearing financial instruments were as follows:

Impact on profit and loss	Financial assets	Rupee financial liabilities	USD financial liabilities
	Rs.'000	Rs.'000	Rs.'000
Decrease of 100 basis points in Rupee interest rate	5,473	44,561	-
Increase of 100 basis points in Rupee interest rate	(5,411)	(44,561)	-
Decrease of 10 basis points in USD interest rate	-	-	3,159
Increase of 10 basis points in USD interest rate	-	-	(3,159)

At the reporting date the interest rate sensitivity profile of the Company's interest bearing financial instruments were as follows:

Impact on profit and loss	Financial assets	Rupee financial liabilities	USD financial liabilities
	Rs.'000	Rs.'000	Rs.'000
Decrease of 100 basis points in Rupee interest rate	5,473	27,000	-
Increase of 100 basis points in Rupee interest rate	(5,411)	(27,000)	-

#### Equity price risk.

The Group has adopted that its investment in subsidiaries, joint ventures and equity-accounted investees are recorded at cost as per LKAS-27- Consolidated and Separate financial statements and therefore it is scoped out from LKAS 39 – Financial instruments: recognition and measurement.

## NOTES TO THE FINANCIAL STATEMENTS

All the investments made by the Group that are classified as a financial asset are categorised as available for sale asset. At the reporting date the value of these investments are as follows :

Quoted equity instruments – Rs. 282 million

Unquoted equity instruments – Rs. 271 million

We have not carried out the sensitivity analysis for the above as the Group's exposure to the such is not material.

### 38.2 Liquidity management

The liquidity risk of the Group arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the Group's operations while impairing investor, customer and supplier confidence thereby weakening its competitive position, The Group had adopted a number of strategies in order to ensure that sufficient cash resources are available to meet both operational and investment liquidity needs whilst meeting its debt servicing obligations.

The Group closely monitors cash inflows and outflows both at consolidated and sector levels to ensure matching of cashflows wherever possible. The maturity profile of the Group's investments is structured in a manner so that they meet expected cash outflows. The investment strategy is conservative and subject to rigorous evaluations to ensure that there is no capital erosion.

The Group has sufficient approved banking facilities in reserve and had over Rs 4 billion undrawn facilities as at the end of the financial year, which could be utilised at a short notice. The Group evaluates its funding requirements at frequent intervals and access debt and capital markets at appropriate times.

The Group has implemented a strategic working capital management plan across all sectors whereby the receivables are closely monitored and debtors' period is minimised. Careful vendor evaluations and procurement strategies ensure that correct prices are paid for inputs and maximum credit periods are negotiated to optimise the working capital cycle.

The Group ensures its liquidity is maintained by investing in short, medium and long term financial instruments to support operational and other funding requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

#### Group

As at 31 st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total capital commitment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	316,624	1,053,469	1,482,369	3,813,230	949,752	7,615,444
Bank overdraft and other short term borrowings	5,588,753	-	-	-	-	-	5,588,753
Trade payables	1,798,281	710,453	509,338	-	-	-	3,018,072
Other Payables	612,203	1,403,623	887,739	-	-	-	2,903,565
	7,999,237	2,403,700	2,405,546	1,482,369	3,813,230	949,752	19,125,834

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

#### Company

As at 31 st March 2013	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total capital commitment
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing liabilities	-	-	157,500	367,500	1,890,000	285,000	2,700,000
Bank overdraft and other short term borrowings	99,881	-	-	-	-	-	99,881
Other Payables	2,091,277	18,017	50,000	-	-	-	2,159,294
	2,191,158	18,017	207,500	367,500	1,890,000	285,000	4,959,175

### 38.3 Credit risk management

Credit risk refers to the risk carried by the Group owing to a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The total carrying amount of the credit risk pertaining to the Group as at 31st March 2013 is the summation of balances under the following categories of financial assets.

The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as 31 st March 2013.

As at 31 st March 2013	Group	Company
	31.03.2013	31.03.2013
	Rs.'000	Rs.'000
Trade receivables and other receivables	9,357,076	3,272,756
Deposits and prepayments	84,128	704
Other financial assets	7,226,280	3,459,463
Cash and Short term deposits	2,217,994	62,885

The credit risk arising from the deposits made in financial institutions are managed by the Group Treasury in accordance with the policy directions provided by the Board of Directors. The Group Treasury advises the SBU's regarding the investment opportunities available and guidance is provided in order to minimise the risk of default.

Aitken Spence transacts only with a limited number of institutions all of which have stable credit ratings. The Group's exposure and credit ratings of counterparties are continuously monitored and a diversified investment portfolio is maintained to minimise the unsystematic risk.

#### **Trade Receivables and other receivables**

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas.

The majority of the Group's trade receivables are due for settlement within 90 days comprising of 81.4% of total receivables as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility for this rests with the sector financial controllers and the senior management teams. The Group as a policy does not offer credit to individuals unless collateral is obtained in the form of bank guarantees or advances to cover the receivable.

Credit policies of SBUs are prepared subsequent to analysing the credit profile of a customer. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. Reference from bankers or credit information databases are obtained when it is considered necessary. Each SBU's has identified credit limits for each of its customers and if the customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained. The total collateral received on trade receivables are Rs. 268 million.

Apart from the state owned enterprise who is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state owned enterprise is 63.2% of total trade receivables of the Group as at 31st March 2013. Recoverability of the outstanding receivables from the state owned enterprise is guaranteed through the Implementation Agreement entered into with the Government of Sri Lanka by the respective SBU's and hence the Group does not consider the outstanding debt to pose any credit risk.

	<b>As at 31 st March 2013</b>
	<b>Rs.'000</b>
Less than 30 days	2,987,548
More than 30 days but less than 60 days	1,795,903
More than 60 days but less than 90 days	1,589,424
More than 90 days but less than 180 days	1,139,594
More than 180 days but less than 365 days	268,770
More than 365 days	48,448
<b>Total gross trade receivables</b>	<b>7,829,687</b>
Impairment provision for trade receivables	(45,377)
<b>Total net trade receivables</b>	<b>7,784,310</b>

### **39 Capital management**

The capital management strategy adopted by Aitken Spence group is aimed at maintaining sufficient and adequate levels of working capital for day to day operations and long term capital for investment and growth. A suitably structured capital base is essential in order to maintain investor confidence in the company, and ensures that it achieves sustained long term growth while maintaining the capability to withstand fluctuating economic fortunes. The capital of the Group consists of equity and debt. The components of the equity capital are the stated capital, retained earnings and reserves while the debt capital consist of long and short term debt sourced from financial institutions and capital markets.

#### **39.1 Strategy**

The capital management strategy of the company is based on four key dimensions, namely, preserving, optimising, raising and investing of capital. Due consideration is given to each of these dimensions to ensure that the Group can meet the challenges of the highly competitive and rapidly evolving business environment. Preservation of capital takes a high priority in the capital management strategy since its erosion can endanger the company's very existence. We ensure that there is sound cash flow planning and that the cash requirements for both short and long terms are identified while continuing to efficiently manage our receivables. Investments are made according to the risk – return parameters established by the Board and we ensure that no undue risks that could endanger the capital base are taken. Operating costs are managed in order to ensure the maintenance of margins within budgeted limits.

Optimising capital is a vital aspect of our strategy for the simple reason that capital is scarce. Efficient allocation of capital is ensured through stringent evaluation of potential investment opportunities. Ranking of projects by net present values and ensuring that internal rate of return hurdles are surpassed are some of the practices that we adopt in order to optimise capital. We strive to achieve greater operational efficiencies that would result in minimising the capital tied up in the operating cycle. The debt to equity ratio [defined as the ratio between non-current interest bearing borrowings to the total equity and minority interest] is closely monitored to ensure the efficient use of equity capital. The Group also ensures that asset performance is maximised.

Diversified business sectors of Aitken Spence group have embarked on a long term strategy of growth. A vital factor that can have a dampening effect on growth is the lack of capital for investments. In order to ensure that the Group has sufficient reserves of capital we are constantly on the lookout for cost effective methods of raising new capital. Our sources for raising capital are both domestic and foreign. The Group access debt and equity capital markets at appropriate times to maintain the debt to equity ratio and the Weighted Average Cost of Capital (WACC) at an acceptable level.

The Group makes capital investment decisions only after making thorough evaluations. Our project investments are supported by financial modelling, in-depth sensitivity analysis and thorough due diligence. Scenario analysis also compliments our decision making process. Portfolio investments are mainly concentrated on gilt-edge securities such as treasury bonds and bills while deposits are placed in institutions with a high credit rating. In order to minimise the risk of default exposure to a single institution is avoided. We ensure that cash does not idle.

# NOTES TO THE FINANCIAL STATEMENTS

## ESSENTIALS OF THE CAPITAL MANAGEMENT STRATEGY

Preservation	Optimisation	Raising	Investing
Sound cashflow planning	Improving operational efficiencies	Assessment of requirements for capital	Financial modelling and sensitivity analysis
Efficient and effective management of receivables	Ranking of projects	Sourcing capital from lowest cost sources with least stringent covenants.	Due diligence
Cost Management	IRR hurdle rates	Monitoring of WACC to ascertain the cost of funding.	Exposure limits
Risk identification and mitigation.	Benchmarking of asset performance		Gilt-edge securities preferred.

### 39.2 Methodology

The Groups' capital management policy had been set by the Board and the Group treasury plays a key role in implementation. The Group treasury functions as a financial intermediary within the Group and carries out the allocation of capital between Strategic Business Units (SBU) in order to optimise the utilisation. This ensures that the WACC of the Group is minimised whilst ensuring that adequate working capital is available across all the sectors. Capital preservation is ensured by the risk management practices that the Group has adopted. The Group treasury ensures that investments are made according to the risk and diversification parameters sanctioned by the Board.

Raising of capital is carried out both at the SBU and Group levels. Subsequent to the identification of a need discussions are held with potential providers of capital where the Group treasury plays an active role in ensuring that the cost of capital is minimised and that the covenants associated with funding arrangements are acceptable to the Group.

In project investments financial modelling, sensitivity analysis and calculation of internal rate of return are carried out either by the Group's Corporate Finance division or the SBU which is promoting the project with the help of the former. Once the Board approves a project in principle, a financial and a legal due diligence is conducted before making the investment to ensure that the envisaged returns would in-fact materialise in the future.

The Group has implemented policies with regard to management of receivables that are followed by financial controllers of business sectors. Innovative cost management strategies are being implemented as an on-going practice across all sectors which ensures that the risk of a business reporting a loss is minimised and the capital invested in the business is preserved.

### 40 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 23.1 and pages 245 to 250 respectively. Included in the consolidated financial statements are the following items that represent the Group's interest in the assets and liabilities, revenue and expenses of the joint ventures.

	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000
Income	4,158,054	3,448,173	2,858,405
Expenses	3,713,864	3,084,770	2,631,343
Current assets	1,478,389	1,297,850	1,041,646
Non-current assets	661,036	457,059	214,268
Current liabilities	1,511,049	1,392,251	958,122
Non-current liabilities	130,134	81,929	50,683

### 41 Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March have not been provided for in the financial statements.

	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000
Approximate amount approved but not contracted for	1,773,260	4,441,473	3,846,024
Approximate amount contracted for but not incurred	823,310	191,790	168,521
	2,596,570	4,633,263	4,014,545

### 42 Lease commitments

Lease rentals due on non-cancellable operating leases of the Group are as follows;

	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000
Lease rentals payable within one year	321,707	324,101	279,955
Lease rentals payable between one and five years	1,609,245	1,620,817	1,068,968
Lease rentals payable after five years	6,189,725	6,556,367	962,159
	8,120,677	8,501,285	2,311,082

## 42.1 Details of leases under operating lease

Company	Location of the leased properties	Unexpired lease periods
Kandalama Hotels Ltd.	Dambulla	29 years
Hethersett Hotels Ltd.	Nuwara Eliya	81 years
Jetan Travel Services Company (Pvt) Ltd.	Republic of Maldives	28 years
Cowrie Investments (Pvt) Ltd.	Republic of Maldives	35 years
ADS Resorts (Pvt) Ltd.	Republic of Maldives	13 years
Unique Resorts (Pvt) Ltd.	Republic of Maldives	32 years
Ace Container Terminals (Pvt) Ltd.	Biyagama	74 years
Ace Container Terminals (Pvt) Ltd.	Katunayake	74 years

## 43 Cessation of Power purchase agreements of Ace Power Generation Matara (Pvt) Ltd and Ace Power Generation Horana (Pvt) Ltd.

The Power Purchase Agreements signed between The Ceylon Electricity Board and Ace Power Generation Matara (Pvt) Ltd and Ace Power Generation Horana (Pvt) Ltd expired on 26th March 2012 and 19th December 2012 respectively. The Companies are in the process of negotiating extensions for the said power purchase agreements for a further period.

The Directors of the respective companies on assessment of the circumstances are confident that the outcome will be positive, and hence the going concern assumption is adopted in presenting the financial statements of the respective Companies.

## 44 Contingent liabilities

The contingent liabilities as at 31.03.2013 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,741 million. Of this sum Rs. 1,503 million and Rs. 238 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to equity-accounted investees. Liabilities as at 31.03.2013 on guarantees given by subsidiaries to third parties amounted to Rs. 4,935 million. None of the above guarantees were in relation to facilities obtained by companies other than companies within the Group. There were no guarantees given in relation to facilities obtained by Aitken Spence PLC.

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

## 45 Directors' fees

The Directors of the Company have received fees amounting to Rs. 122,400 /- from subsidiaries for the year ended 31st March 2013.

## 46 Related party transactions

Aitken Spence Group carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures, which are transacted at normal business terms. The pricing policy applicable to such transactions are comparable with those that would have been charged from unrelated companies.

Mr. D.H.S. Jayawardena Chairman of the company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management Asia (Pvt) Ltd., Ace Power Horana (Pvt) Ltd., and Ace Power Matara (Pvt) Ltd., which are Subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC, an associate company and the Chairman, Managing Director or a Director of companies indicated by "\*" in the list of companies disclosed under note 46.4.

Mr. J.M.S. Brito, Deputy Chairman /Managing Director of the company is also the Chairman or a Director of the subsidiaries, joint ventures and equity-accounted investees that are indicated by "a" in notes 23 and 24 to the financial statements. Mr. J.M.S Brito is also the Chairman of DFCC Bank PLC, and DFCC Vardhana Bank PLC.

Dr. R.M. Fernando a Director of the company is also the Managing Director or a Director of the companies marked by "b" in note 23 and 24 to the financial statements.

Mr. G.M. Perera a Director of the company till 31.12.2012 was also the Managing Director or a Director till 31.12.2012 of the companies marked by "c" in note 23 and 24 to the financial statements. He is also a Director of Rainforest Ecologde (Pvt) Ltd.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "d" in note 23 and 24 to the financial statements.

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

Mr. N. J. de S Deva Aditya a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of Distilleries Company of Sri Lanka PLC and Melstacorp Ltd.

Mr. V.M. Fernando a Director of the company is also the Chairman of Shipping and Cargo Logistics (Pvt) Ltd., which is a joint venture company of the Group. He is also the Chairman or a Director of Hyundai Lanka (Pvt) Ltd., Stallion Plantations (Pvt) Ltd. and Dynamic AV Technologies (Pvt) Ltd. and he is also the vice president of National Olympic Committee (NOC).

# NOTES TO THE FINANCIAL STATEMENTS

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of CIC Holdings PLC, Ceylon Agro Industries Ltd., Dialtex Industries Ltd., Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Renuka Hotels (Pvt) Ltd., Royal Ceramics Lanka PLC and Dankotuwa Porcelain PLC.

Transactions and outstanding balances between the companies within the group and related parties are given in note no. 46.1 - 46.6.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2012/2013	2011/2012	2012/2013	2011/2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>46.1 Transactions with subsidiary companies listed in note 23</b>				
Income from services rendered	464,264	390,020	N/A	N/A
Rent income received	15,735	15,735	N/A	N/A
Allocation of common personnel and administration expenses	57,729	42,112	N/A	N/A
Purchase of goods and services	70,289	29,652	N/A	N/A
Interest income received	162,161	140,321	N/A	N/A
Interest paid	145,295	264,157	N/A	N/A
<b>46.2 Transactions with equity-accounted investees listed in note 24</b>				
Sale of goods and services	4,066	4,260	14,172	7,068
Purchase of goods and services	1,126	615	4,574	14,014
<b>46.3 Transactions with joint venture companies listed in note 23</b>				
Sale of goods and services	50,339	54,148	N/A	N/A
Purchase of goods and services	789	2,658	N/A	N/A
Interest paid	66,348			
<b>46.4 Transactions with other related companies</b>				
Sale of goods and services	-	-	233,003	270,443
Purchase of goods and services	168,110	120,225	675,502	675,755
Loans obtained	-	1,800,000	144,524	3,100,895
Repayment of loans and debentures	-	-	145,852	752,457
Short/ long term facilities as at 31st March	1,300,000	2,000,000	2,198,599	8,193,231

Transactions with Ambewela Livestock Company Ltd.\*, Ambewela Products (Pvt) Ltd.\*, Bell Solutions (Pvt) Ltd.\*, Ceylon Agro Industries Ltd., Ceylon Garden Coir (Pvt) Ltd.\*, CIC Holdings PLC, Continental Insurance Lanka Ltd.\*, Dankotuwa Porcelain PLC, Dialtex Industries Ltd., Distilleries Company of Sri Lanka PLC\*, Dynamic AV Technologies (Pvt) Ltd., Hyundai Lanka (Pvt) Ltd., Indo Lanka Exports (Pvt) Ltd.\*, Lanka Bell (Pvt) Ltd.\*, Lanka Dairies (Pvt) Ltd.\*, Lanka Milk Foods (CWE) PLC\*, Melstacorp Ltd.\*, Mercantile Merchant Bank Ltd., Milford Exports (Ceylon) (Pvt) Ltd.\*, National Olympic Committee (NOC), Pattipola Livestock Company Ltd.\*, Pelwatte Sugar Industries PLC\*, Periceyl (Pvt) Ltd.\*, Rajawella (Holdings) Pvt Ltd., Renuka Hotels (Pvt) Ltd., Royal Ceramics PLC, Stallion Plantations (Pvt) Ltd., Stassen Exports (Pvt) Ltd.\*, Stassen Foods (Pvt) Ltd.\*, Stassen International (Pvt) Ltd.\*, Stassen Natural Foods (Pvt) Ltd.\* and Texpo Industries (Pvt) Ltd.\* are reflected under transactions with other related companies, above.

	Balances with Aitken Spence PLC			Balances with Group companies		
	31.03.2013	31.03.2012	01.04.2011	31.03.2013	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>46.5 Amounts due from related parties</b>						
Fully owned subsidiaries	1,645,313	1,139,269	1,008,612	N/A	N/A	N/A
Partly owned subsidiaries	1,070,194	1,812,181	1,189,208	N/A	N/A	N/A
Joint ventures	39,473	29,912	51,059	N/A	N/A	N/A
Amount due from subsidiaries & joint ventures	2,754,980	2,981,362	2,248,879	N/A	N/A	N/A
Equity-accounted investees	10,591	3,983	8,143	12,288	6,100	23,326
Other related companies	-	-	-	10,747	6,831	7,136
<b>46.6 Amounts due to related parties</b>						
Fully owned subsidiaries	718,241	618,192	764,960	N/A	N/A	N/A
Partly owned subsidiaries	88,535	108,240	622,175	N/A	N/A	N/A
Joint ventures	1,284,477	1,240,578	553,571	N/A	N/A	N/A
Amount due to subsidiaries & joint ventures	2,091,253	1,967,010	1,940,706	N/A	N/A	N/A
Equity-accounted investees	24	726	45	136	14,088	482
Other related companies	1,300,000	2,000,000	200,556	1,996,327	6,754,080	3,988,882

#### 46.7 Transactions with key management personnel

Aitken Spence PLC., considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of group companies. There were no loans given to Directors of the company during the financial year.

Compensation paid to / on behalf of key management personnel of the Company is as follows.

	COMPANY	GROUP
	Rs.'000	Rs.'000
Short term employee benefits	67,443	422,149
Post employment benefits	-	18,191

No post-employment benefits were paid to key management personnel of Aitken Spence PLC during the financial year. The Company/Group did not have any material transactions with its key management personnel or their close family members during the year.

#### 47 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2013	31.03.2012
	Rs.'000	Rs.'000
United States Dollar	126.89	127.85
British Pound	192.04	204.88
Euro	162.14	171.18
Oman Rial	329.49	332.96
South African Rand	13.69	16.63
Indian Rupee	2.33	2.50
Maldivian Rufiyaa	8.24	8.30
Bangladesh Taka	1.62	1.56

#### 48 Number of employees

The number of employees of the Group at the end of the year was 6,207 (2012 - 5,791) The number of employees of the Company at the end of the year was 201 (2012 - 192).

#### 49 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs. 1.50 per share for the year 2012/2013 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 16 to the financial statements.

There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 50 Reconciliations on transition to new Sri Lanka Accounting Standards (SLFRS/LKAS)

### 50.1 Reconciliation of Consolidated Income Statement for the year ended 31st March 2012.

As stated in note 2.1, these are Group's / Company's first financial statements prepared in accordance with new Sri Lanka Accounting Standards, prefixed both SLFRS and LKAS, promulgated by The Institute of Chartered Accountants of Sri Lanka. The accounting policies set in note 3 have been applied in preparing the financial statements for the year ended 31st March 2013, the comparative information presented for the year ended 31st March 2012 and preparation of an opening statements of financial position as at 01st April 2011.

In preparing its opening SLFRS statement of financial position, the Group / Company has adjusted amounts reported previously in financial statements prepared in accordance with previous SLASs. An explanation of how the transition from previous SLASs has affected the Group's / Company's financial position and financial performance is set out in the following tables and notes.

	Notes	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
		Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>	50.7.1	30,670,417	351,206	31,021,623
Revenue tax		(478,519)	-	(478,519)
<b>Net revenue</b>		30,191,898	351,206	30,543,104
Other operating income	50.7.2	698,246	387,832	1,086,078
Changes in inventories of finished goods and work-in-progress		(5,875)	-	(5,875)
Raw materials and consumables used	50.7.3	(9,856,597)	(619,142)	(10,475,739)
Employee benefits expense		(3,580,485)	-	(3,580,485)
Depreciation and amortisation expense	50.7.4	(1,777,449)	631,966	(1,145,483)
Other operating expenses-direct	50.7.5	(6,076,253)	(966,010)	(7,042,263)
Other operating expenses-indirect	50.7.6	(3,989,102)	11,622	(3,977,480)
<b>Profit from operations</b>		5,604,383	(202,526)	5,401,857
Finance income	50.7.7	489,056	(17,692)	471,364
Finance expenses	50.7.8	(693,975)	(81,875)	(775,850)
Net finance expense		(204,919)	(99,567)	(304,486)
Share of profit of equity-accounted investees (net of tax)	50.7.9	63,993	21,990	85,983
<b>Profit before tax</b>		5,463,457	(280,103)	5,183,354
Income tax expenses	50.7.10	(752,900)	6,810	(746,090)
<b>Profit for the year</b>		4,710,557	(273,293)	4,437,264
<b>Attributable to:</b>				
Equity holders of the parent		3,709,162	(221,493)	3,487,669
Non-controlling interests		1,001,395	(51,800)	949,595
<b>Profit for the year</b>		4,710,557	(273,293)	4,437,264
Earnings per share Basic/Diluted (Rs.)		9.14	(0.55)	8.59

### 50.2 Reconciliation of Consolidated Statement of Comprehensive Income for the year ended 31st March 2012

	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the period</b>	-	4,437,264	4,437,264
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	-	655,651	655,651
Revaluation of property, plant and equipment	-	365,668	365,668
Net change in fair value of available-for-sale financial assets	-	(65,063)	(65,063)
Share of other comprehensive income of equity-accounted investees	-	178,141	178,141
<b>Other comprehensive income for the year net of tax</b>	-	1,134,397	1,134,397
<b>Total comprehensive income for the year</b>	-	5,571,661	5,571,661
<b>Attributable to:</b>			
Equity holders of the parent	-	4,256,189	4,256,189
Non-controlling interests	-	1,315,472	1,315,472
<b>Total comprehensive income for the year</b>	-	5,571,661	5,571,661

### 50.3 Reconciliation of equity - Group

		Reconciliation of equity as at 31 March 2012			Reconciliation of equity as at 1 April 2011 (date of transition to SLFRS / LKAS)		
		As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS / LKAS	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS / LKAS
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	50.7.11	27,893,497	(5,307,661)	22,585,836	23,925,653	(5,378,676)	18,546,977
Investment property	50.7.12	102,156	1,560,193	1,662,349	102,799	1,560,193	1,662,992
Intangible assets	50.7.13	528,857	114,743	643,600	134,026	5,086	139,112
Leasehold properties		1,521,101	-	1,521,101	1,354,028	-	1,354,028
Pre-paid operating Leases		1,028,164	-	1,028,164	5,455	-	5,455
Finance lease receivables	50.7.14	-	2,512,923	2,512,923	-	2,286,621	2,286,621
Investments in equity-accounted investees	50.7.16	1,470,157	299,960	1,770,117	1,335,002	137,160	1,472,162
Deferred tax assets	50.7.10	210,468	(699)	209,769	138,314	(620)	137,694
Other financial assets	50.7.17	383,495	9,242	392,737	473,945	9,675	483,620
		33,137,895	(811,299)	32,326,596	27,469,222	(1,380,561)	26,088,661
<b>Current assets</b>							
Inventories	50.7.18	1,788,467	(5,150)	1,783,317	1,607,724	-	1,607,724
Finance lease receivables	50.7.14	-	90,976	90,976	-	549,599	549,599
Trade and other receivables	50.7.19	8,959,927	(12,316)	8,947,611	4,171,699	10,678	4,182,377
Current tax receivable		158,172	-	158,172	122,298	-	122,298
Deposits and prepayments		755,758	-	755,758	547,022	-	547,022
Other financial assets	50.7.17	6,133,621	(1,537,006)	4,596,615	5,309,362	59,759	5,369,121
Cash and short-term deposits	50.7.20	647,880	1,528,957	2,176,837	736,009	-	736,009
		18,443,825	65,461	18,509,286	12,494,114	620,036	13,114,150
Assets classified as held for sale		149,125	-	149,125	181,489	-	181,489
<b>Total Assets</b>		51,730,845	(745,838)	50,985,007	40,144,825	(760,525)	39,384,300
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to equity holders of the parent</b>							
Stated capital		2,135,140	-	2,135,140	2,135,140	-	2,135,140
Reserves		12,557,127	(102,443)	12,454,684	11,071,652	(142,578)	10,929,074
Retained earnings		10,855,377	(290,679)	10,564,698	8,309,395	(58,664)	8,250,731
		25,547,644	(393,122)	25,154,522	21,516,187	(201,242)	21,314,945
Non-controlling interests		5,700,409	(991,609)	4,708,800	5,129,687	(975,422)	4,154,265
<b>Total Equity</b>	50.7.21	31,248,053	(1,384,731)	29,863,322	26,645,874	(1,176,664)	25,469,210
<b>Non-current liabilities</b>							
Interest bearing liabilities		5,742,548	-	5,742,548	4,143,648	-	4,143,648
Deferred tax liabilities	50.7.10	444,582	(15,344)	429,238	267,078	(11,077)	256,001
Employee benefits		387,984	3,425	391,409	335,637	-	335,637
		6,575,114	(11,919)	6,563,195	4,746,363	(11,077)	4,735,286
<b>Current liabilities</b>							
Interest bearing liabilities		2,135,469	-	2,135,469	1,718,328	-	1,718,328
Provisions	50.7.22	-	490,661	490,661	-	457,827	457,827
Trade and other payables	50.7.23	6,618,149	102,304	6,720,453	3,942,669	(30,611)	3,912,058
Current tax payable		286,567	-	286,567	179,647	-	179,647
Other financial liabilities	50.7.24	-	57,847	57,847	-	-	-
Bank overdrafts and other short-term borrowings		4,867,493	-	4,867,493	2,911,944	-	2,911,944
		13,907,678	650,812	14,558,490	8,752,588	427,216	9,179,804
<b>Total Equity and Liabilities</b>		51,730,845	(745,838)	50,985,007	40,144,825	(760,525)	39,384,300
Net Assets per share (Rs.)		62.93	(0.97)	61.96	53.00	(0.50)	52.50

## NOTES TO THE FINANCIAL STATEMENTS

### 50.4 Reconciliation of Company Income Statement for the year ended 31st March 2012

	Notes	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
		Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>		448,428	-	448,428
Revenue tax		(8,516)	-	(8,516)
<b>Net revenue</b>		439,912	-	439,912
Other operating income		1,837,391	-	1,837,391
Employee benefits expense		(275,385)	-	(275,385)
Depreciation and amortisation expense		(51,396)	-	(51,396)
Other operating expenses-indirect		(234,669)	-	(234,669)
<b>Profit from operations</b>		1,715,853	-	1,715,853
Finance income	50.7.7	423,819	(6,230)	417,589
Finance expenses		(361,300)	-	(361,300)
<b>Net finance expense</b>		62,519	(6,230)	56,289
<b>Profit before tax</b>		1,778,372	(6,230)	1,772,142
Income tax expenses		(12,479)	-	(12,479)
<b>Profit for the period</b>		1,765,893	(6,230)	1,759,663
Earnings per share - Basic/Diluted (Rs.)		4.35	(0.02)	4.33

### 50.5 Reconciliation of Company Statement of Comprehensive Income for the year ended 31st March 2012

	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS/LKAS
	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the period</b>	-	1,759,663	1,759,663
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets	-	(3,063)	(3,063)
<b>Other comprehensive income for the period, net of tax</b>	-	(3,063)	(3,063)
<b>Total comprehensive income for the period</b>	-	1,756,600	1,756,600

## 50.6 Reconciliation of equity - Company

		Reconciliation of equity as at 31 March 2012			Reconciliation of equity as at 1 April 2011 (date of transition to SLFRS / LKAS)		
		As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS / LKAS	As per SLAS	Effect of transition to SLFRS/LKAS	As per SLFRS / LKAS
Notes		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	50.7.11	207,963	(48,537)	159,426	209,129	(50,884)	158,245
Investment property	50.7.12	672,488	2,784,817	3,457,305	675,888	2,784,817	3,460,705
Intangible assets	50.7.13	-	48,537	48,537	-	50,884	50,884
Investments in subsidiaries and joint ventures - unquoted	50.7.15	4,888,877	(50,000)	4,838,877	4,599,972	(175,000)	4,424,972
Investments in subsidiaries - quoted		2,458,287	-	2,458,287	2,458,287	-	2,458,287
Investments in equity-accounted investees		165,000	-	165,000	165,000	-	165,000
Other financial assets	50.7.17	167,873	(8,525)	159,348	167,873	(6,934)	160,939
		8,560,488	2,726,292	11,286,780	8,276,149	2,602,883	10,879,032
<b>Current assets</b>							
Inventories		1,651	-	1,651	1,755	-	1,755
Trade and other receivables	50.7.19	3,356,764	257,688	3,614,452	2,285,506	245,875	2,531,381
Current tax receivable		140,483	-	140,483	109,659	-	109,659
Deposits and prepayments		60,176	-	60,176	23,205	-	23,205
Other financial assets	50.7.17	3,275,568	(805,644)	2,469,924	2,700,721	13,871	2,714,592
Cash and short-term deposits	50.7.20	19,042	800,000	819,042	20,554	-	20,554
		6,853,684	252,044	7,105,728	5,141,400	259,746	5,401,146
Assets classified as held for sale		57,237	-	57,237	70,837	-	70,837
<b>Total Assets</b>		15,471,409	2,978,336	18,449,745	13,488,386	2,862,629	16,351,015
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to equity holders of the parent</b>							
Stated capital		2,135,140	-	2,135,140	2,135,140	-	2,135,140
Reserves		6,494,816	(199,868)	6,294,948	5,737,726	(196,805)	5,540,921
Retained earnings		1,670,127	3,053,204	4,723,331	1,067,320	3,059,434	4,126,754
<b>Total Equity</b>	50.7.21	10,300,083	2,853,336	13,153,419	8,940,186	2,862,629	11,802,815
<b>Non-current liabilities</b>							
Interest bearing liabilities		2,100,000	-	2,100,000	844,000	-	844,000
Employee benefits		56,394	-	56,394	46,936	-	46,936
		2,156,394	-	2,156,394	890,936	-	890,936
<b>Current liabilities</b>							
Interest bearing liabilities		544,000	-	544,000	568,000	-	568,000
Trade and other payables	50.7.23	2,203,000	125,000	2,328,000	2,274,960	-	2,274,960
Bank overdrafts and other short-term borrowings		267,932	-	267,932	814,304	-	814,304
		3,014,932	125,000	3,139,932	3,657,264	-	3,657,264
<b>Total Equity and Liabilities</b>		15,471,409	2,978,336	18,449,745	13,488,386	2,862,629	16,351,015
Net Assets per share (Rs.)		25.37	7.03	32.40	22.02	7.05	29.07

# NOTES TO THE FINANCIAL STATEMENTS

## 50.7 Notes to the reconciliations

### 50.7.1 Revenue

	GROUP
	2011/2012
	Rs.'000
Adjustment arising from recognition of revenue on gross basis *	960,970
Decrease in revenue in Ace Power Embilipitiya (Pvt) Ltd resulting from application of IFRIC 4, Determining whether an Arrangement contains a Lease.	(620,154)
Revision of revenue recognition of elevator and escalator installation.	10,390
	351,206

\* In instances when it was identified that the Group entities act as the principal rather than an agent upon reassessment of the substance of the transaction the revenue on these transactions was re-measured on Gross basis.

### 50.7.2 Other operating income

The movement in the other operating income represents the exchange gain on application of IFRIC 4, Determining whether an Arrangement contains a Lease.

### 50.7.3 Raw materials and consumables used

The movement in the Raw material and consumables represents the provision made for the major overhaul of the power plant in Embilipitiya and the other adjustments on application of IFRIC 4, Determining whether an Arrangement contains a Lease, by Ace Power Embilipitiya (Pvt) Ltd.

### 50.7.4 Depreciation and amortisation expense

	GROUP
	2011/2012
	Rs.'000
Adjustment in depreciation due to recognition of components in Property, plant & equipment.	(29,995)
Difference in depreciation due to restatement of assets at their fair value under the deemed cost exception given for the first time adoption of SLFRSs	42,226
On application of IFRIC 4, Determining whether an Arrangement contains a Lease, by Ace Power Embilipitiya (Pvt) Ltd.	593,602
Reversal of goodwill impairment recognised due to re-assessment of goodwill.	26,133
	631,966

### 50.7.5 Other operating expenses-direct

	GROUP
	2011/2012
	Rs.'000
Impact to the direct expenses on recognition of revenue on gross basis	(960,970)
Impact to the direct expenses on change in revenue recognition of installation of elevators	(5,040)
	(966,010)

### 50.7.6 Other operating expenses-indirect

	GROUP
	2011/2012
	Rs.'000
Impairment of trade debtors on application of SLFRS/LKAS.	(8,272)
Reversal of provision for fall in value of investments recognised under previous standards.	19,894
	11,622

### 50.7.7 Finance income

	GROUP	COMPANY
	2011/2012	2011/2012
	Rs.'000	Rs.'000
Fair valuing of government securities & other financial instruments classified as fair value through profit & loss on application of SLFRS 32 & 39	(17,692)	(18,043)
Dividend income on preference shares	-	11,813
	(17,692)	(6,230)

## 50.7.8 Finance expenses

	GROUP 2011/2012 Rs.'000
Recognition of forward foreign exchange contracts classified as fair value through profit or loss on application of SLFRS 32 and 39	(62,874)
Interest adjustment due to acquisition of asset on deferred payment terms	(19,001)
	(81,875)

## 50.7.9 Share of profit of equity-accounted investees (net of tax)

This represents the Group's share of the adjustments to the profits of the equity accounted investees in the plantation sector on adoption of the SLFRSs / LKASs. Profits of this company was adjusted for the following

- Re-assessment of the estimated useful life of the assets (property, plant and equipment) which were previously carried at zero written down value.
- Change in valuation basis of the produce from biological assets from since realised price to lower of cost of production or market value.
- Re-measurement of the consumable biological assets (timber stocks) on fair value basis

## 50.7.10 Income tax expenses /Deferred taxation

The deferred tax impact arising from the timing difference with the adoption of SLFRS/LKAS.

## 50.7.11 Property, plant & equipment

	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Derecognition of the power plant of Ace Power Embilipitiya resulting from the application of IFRIC 4.	(4,224,372)	(4,231,668)	-	-
Reclassification of computer software as intangible assets.	(79,491)	(70,290)	(48,537)	(50,884)
Difference in depreciation due to the recognition of components.	(104,600)	(74,111)		
Restatement of assets at their fair value under the deemed cost exemption available in SLFRS 1	(838,168)	(941,084)	-	-
Adjustment due to acquisition of land on deferred terms reassessment	(61,030)	(61,523)	-	-
	(5,307,661)	(5,378,676)	(48,537)	(50,884)

## 50.7.12 Investment property

This represents the adjustment due to the re-measurement of investment property at its fair value as its deemed cost on the date of transition, 1st April 2011.

## 50.7.13 Intangible assets

	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reclassification of computer software as intangible assets.	79,491	70,290	48,537	50,884
Re-assessment of goodwill *	35,252	(65,204)	-	-
	114,743	5,086	48,537	50,884

\* Upon the application of the acquisition method for business combinations the Group re-assessed the goodwill on consolidation previously recognised and adjustments were made for the following :

- Group re-measured the fair values of the assets and liabilities of the acquirees on the date of acquisition of subsidiaries and the goodwill was recalculated based on the difference between the fair value of the consideration transferred and the fair value of the assets and liabilities of the acquiree taking in to account the acquiree's adjustments on transition to SLFRS/LKAS
- Goodwill previously recognised on part acquisition s of subsidiaries which were acquisitions of non-controlling interest that were treated as transactions with the equity holders and were recognised against the equity of the company
- Contingent consideration of previous acquisitions were measured at their fair values on the date of acquisition and treated as part of the consideration transferred on the acquisition

## 50.7.14 Finance lease receivables

These represents the current and non current portion of lease receivables of Ace Power Embilipitiya resulting from the application of IFRIC 4, Determining whether an Arrangement contains a Lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 50.7.15 Investments in subsidiaries and joint ventures

	COMPANY	
	31.03.2012	01.04.2011
	Rs.'000	Rs.'000
Preference share being categorised as a long term loan on application of LKAS 32 & 39	(175,000)	(175,000)
Contingent consideration recognised	125,000	-
	(50,000)	(175,000)

### 50.7.16 Investments in equity-accounted investees

	GROUP	
	31.03.2012	01.04.2011
	Rs.'000	Rs.'000
Group's share of the movement in equity value of Aitken Spence Plantation Management PLC (see note 50.7.9)	159,149	137,160
Group's share of the movement in equity value of Browns Beach Hotels PLC due to the revaluation of land	140,811	-
	299,960	137,160

### 50.7.17 Other financial assets

Re-measurement of other financial assets were as follows:

	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Other non-current financial assets</b>				
Fair valuing of unquoted investments designated as available-for-sale	9,242	9,675	(8,525)	(6,934)
	9,242	9,675	(8,525)	(6,934)
<b>Other current financial assets</b>				
Government securities & short term deposits measured at fair value on application of LKAS 32 & 39 financial instruments	(8,048)	9,995	(8,048)	9,995
Fair valuing of quoted investments designated as available-for-sale	-	44,737	2,404	3,876
Forward contracts designated as fair value through profit or loss (FVPL) according to LKAS 32 & 39.	-	5,027	-	-
Reclassification of short term deposits to cash & cash equivalents	(1,528,958)	-	(800,000)	-
	(1,537,006)	59,759	(805,644)	13,871

### 50.7.18 Inventories

This represents the change in inventories due to the revision of revenue recognition of installation of elevators

### 50.7.19 Trade and other receivables

	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impact of impairing trade & other receivable on application of LKAS 32 & 39	(12,726)	10,378	-	-
Preference share being categorised as a long term loan on application of LKAS 32 & 39	-	-	175,000	175,000
Interest on preference share being categorised as a long term loan on application of LKAS 32 & 39	-	-	82,688	70,875
Others	410	300	-	-
	(12,316)	10,678	257,688	245,875

### 50.7.20 Cash and short-term deposits

The movement represents the reclassification of short term deposits to cash & cash equivalents

## 50.7.21 Equity reconciliation

### Group

	31.03.2012				01.04.2011			
	Revaluation reserve	Available for sale reserve	Retained earnings	Non-controlling interests	Revaluation reserve	Available for sale reserve	Retained earnings	Non-controlling interests
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reported as per previous SLAS	5,358,153	-	10,855,377	5,700,409	5,058,520	-	8,309,395	5,129,687
<i>Transitional adjustments</i>								
Fair valuing of unquoted and quoted investments designated as available-for-sale	-	(13,627)	19,894	2,975	-	51,169	-	2,898
Restatement of assets at their fair value under the deemed cost	(88,816)		1,745,441	(7,989)	(193,747)	-	1,767,940	-
Financial instruments measured at fair value on application of LKAS 32 & 39 financial instruments	-	-	(65,895)	-	-	-	15,022	345
Adjustment resulting from application of IFRIC 4, Determining whether an Arrangement contains a Lease, by Ace Power Embilipitiya (Pvt) Ltd.	-	-	(2,027,799)	(996,195)	-	-	(1,858,517)	(949,843)
Difference in depreciation due to the recognition of components.	-	-	(56,082)	(18,030)	-	-	(56,082)	(18,030)
Adjustment due to acquisition of land on deferred terms	-	-	(41,197)	-	-	-	(23,037)	-
Adjustments from equity-accounted investees	-	-	159,150	35,880	-	-	137,160	-
On reassessment of Goodwill	-	-	(49,592)	-	-	-	(65,204)	-
Other adjustments	-	-	13,878	(11,372)	-	-	15,800	(12,997)
The deferred tax impact arising from the timing difference with the adoption of SLFRS/LKAS.	-	-	11,521	3,122	-	-	8,253	2,204
	(88,816)	(13,627)	(290,679)	(991,609)	(193,747)	51,169	(58,664)	(975,422)
<b>Revised as per LKAS/SLFRS</b>	<b>5,269,337</b>	<b>(13,627)</b>	<b>10,564,698</b>	<b>4,708,800</b>	<b>4,864,773</b>	<b>51,169</b>	<b>8,250,731</b>	<b>4,154,265</b>

### Company

	31.03.2012			01.04.2011		
	Revaluation reserve	Available for sale reserve	Retained earnings	Revaluation reserve	Available for sale reserve	Retained earnings
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reported as per previous SLAS	193,746	-	1,670,127	193,746	-	1,067,320
<i>Transitional adjustments</i>						
Fair valuing of unquoted and quoted investments designated as available-for-sale	-	(6,122)	-	-	(3,059)	-
Restatement of assets at their fair value under the deemed cost	(193,746)		2,978,564	(193,746)		2,978,564
Financial instruments measured at fair value on application of LKAS 32 & 39 financial instruments	-	-	(8,048)	-	-	9,995
Accrual of interest on the preference shares	-	-	82,688	-	-	70,875
	(193,746)	(6,122)	3,053,204	(193,746)	(3,059)	3,059,434
<b>Revised as per LKAS/SLFRS</b>	<b>-</b>	<b>(6,122)</b>	<b>4,723,331</b>	<b>-</b>	<b>(3,059)</b>	<b>4,126,754</b>

## 50.7.22 Provisions

This represents the constructive obligation that arises for the major overhauls of the power plant owned by Ace Power Embilipitiya (Pvt) Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

## 50.7.23 Trade and other payables

	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest adjustment arising on assets purchased on deferred terms	(19,835)	(38,486)	-	-
Contingent consideration recognised as disclosed in note 50.7.13	125,000	-	125,000	-
Other adjustments	(2,861)	7,875	-	-
	102,304	(30,611)	125,000	-

## 50.7.24 Other financial liabilities

This represents the forward contracts designated as fair value through profit or loss (FVPL) in accordance to LKAS 32 & 39.

## 50.7.25 Cash flow statements

Adjustments to the cash flow statements due to the transition to SLFRS/ LKAS from LKAS.

	GROUP	COMPANY
	2011/2012	2011/2012
	Rs.'000	Rs.'000
<b>Cash flow from operating activities</b>		
Net profit before taxation	(280,103)	(6,230)
<b>Adjustments for</b>		
Depreciation and amortisation	(631,967)	-
Interest expense	19,001	-
Interest income	17,692	6,230
Share of equity-accounted investees' profit after tax	(21,990)	-
Provision of bad and doubtful debts	8,272	-
Provision for fall in value of investments	(19,894)	-
	(628,886)	6,230
<b>Operating profit before working capital changes</b>	(908,989)	-
(Increase)/decrease in inventories	5,150	-
(Increase)/decrease in trade & other receivables	14,723	-
Increase/(decrease) in trade and other payables	135,889	125,000
Increase/(decrease) in provisions	32,834	-
	188,596	125,000
<b>Cash generated from / (used in) operations</b>	(720,393)	125,000
Interest paid	(19,001)	-
<b>Net cash flow from operating activities</b>	(739,394)	125,000
<b>Cash flow from investing activities</b>		
Acquisition of subsidiaries & joint ventures	(125,000)	(125,000)
Effect of changes in percentage holding in subsidiaries	(17,110)	-
Purchase of property, plant and equipment	608,277	13,295
Purchase of intangible assets	(21,969)	(13,295)
Receipts of finance lease receivables	620,150	-
Proceeds / (purchase) of other financial assets & liabilities (net)	62,874	-
<b>Net cash flow from investing activities</b>	1,127,222	(125,000)
Effect of exchange rate changes	(387,828)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-

# TEN YEAR SUMMARY

Year ended 31st March	** 2013	** 2012	2011	2010	2009	2008	2007	2006	2005	2004
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Operating Results</b>										
Revenue	37,139,927	31,021,623	25,143,811	24,168,970	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160
Profit before taxation	5,001,262	5,183,354	3,815,555	3,353,169	3,396,916	3,064,792	2,582,088	1,910,115	1,721,123	1,883,501
Taxation	747,176	746,090	387,335	366,193	328,385	235,110	298,018	197,623	162,599	184,005
Profit after taxation	4,254,086	4,437,264	3,428,220	2,986,976	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496
Profit attributable to Aitken Spence PLC	3,266,838	3,487,669	2,535,956	2,059,636	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523
<b>Equity and Liabilities</b>										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,134,326	2,130,837
Reserves	12,695,793	12,454,684	11,071,652	9,317,199	7,227,545	3,505,284	2,673,510	2,370,383	2,306,075	2,038,132
Retained earnings	13,222,324	10,564,698	8,309,395	7,442,131	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517	2,405,847
Non-controlling interest	5,449,444	4,708,800	5,129,687	4,566,388	4,553,439	3,881,704	3,193,710	2,679,745	1,774,362	1,765,622
Non-current liabilities	7,197,484	6,563,195	4,746,363	5,730,436	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832
Current liabilities	15,450,825	14,558,490	8,752,588	8,352,184	8,072,337	8,495,631	6,393,881	6,182,957	3,288,637	3,432,392
	56,151,010	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662
<b>Assets</b>										
Property, plant and equipment	24,041,780	22,585,836	23,925,653	23,328,896	22,635,636	16,982,305	16,770,495	15,450,267	11,005,913	8,576,500
Investment property	1,661,596	1,662,349	102,799	28,936	28,936	28,936	28,936	28,936	28,936	-
Intangible assets	654,056	643,600	134,026	154,185	109,164	122,520	159,407	191,811	170,058	92,017
Leasehold property	1,463,930	1,521,101	1,354,028	1,462,903	1,499,514	1,351,259	-	-	-	-
Pre-paid operating leases	980,731	1,028,164	5,455	5,546	5,637	5,728	-	-	-	-
Non current finance lease receivables	2,325,091	2,512,923								
Investments in equity - accounted investees	1,931,205	1,770,117	1,335,002	767,498	752,636	764,489	697,111	690,374	672,513	541,726
Deferred tax assets	222,147	209,769	138,314	56,823	74,008	39,342	-	-	-	-
Other financial assets	462,117	392,737	473,945	483,580	404,946	263,576	170,098	213,234	529,963	608,413
Current assets	22,259,232	18,509,286	12,494,114	11,093,448	10,721,243	11,465,087	8,524,778	6,632,072	4,699,342	4,459,006
Assets classified as held for sale	149,125	149,125	181,489	161,663	149,124	161,951	-	-	-	-
	56,151,010	50,985,007	40,144,825	37,543,478	36,380,844	31,185,193	26,350,825	23,206,694	17,106,725	14,277,662
<b>Share Information</b>										
Earnings per share (Rs.)	8.05	8.59	6.25	*5.07	*5.02	*4.53	*3.60	*2.99	*2.75	*3.16
Market value per share (Rs.) - post share sub division	119.60	112.70	162.30	-	-	-	-	-	-	-
Market value per share (Rs.) - pre share sub division		-	-	1,373.75	315.00	430.00	380.00	339.00	380.00	263.50
Market capitalisation on 31st March (Rs.mn)	48,557	45,756	65,893	37,182	8,526	11,639	10,285	9,176	10,282	7,113
Price earnings ratio	14.86	13.12	25.97	18.05	4.18	6.32	7.05	7.56	9.20	5.56
Net assets per share (Rs.)	69.10	61.96	53.00	*46.54	*42.06	*29.32	*24.46	*21.01	*18.64	*16.24
<b>Employees Information</b>										
No. of employees	6,207	5,791	5,328	5,042	5,045	5,090	4,199	4,209	4,209	4,112
Value added per employee (Rs.'000)	1,980	1,915	1,884	1,770	1,635	1,503	1,467	1,038	857	897
<b>Ratios and Statistics</b>										
Ordinary dividend (Rs.'000)	608,994	568,394	405,996	270,664	257,131	189,465	175,931	175,931	162,341	161,969
Dividend per share (Rs.)	1.50	1.40	1.00	*0.67	*0.63	*0.47	*0.43	*0.43	*0.40	*0.40
Dividend cover (times covered)	5.36	6.14	6.25	7.61	7.93	9.72	8.30	6.90	6.88	7.88
Dividend - payout ratio	0.19	0.16	0.16	0.13	0.13	0.10	0.12	0.14	0.15	0.13
Current ratio (times covered)	1.44	1.27	1.43	1.33	1.33	1.35	1.33	1.07	1.43	1.30
Debt - equity ratio	0.19	0.19	0.16	0.22	0.29	0.41	0.49	0.48	0.45	0.27
ROE (%)	12.28	15.01	12.55	11.45	14.08	16.86	15.82	15.08	15.79	22.60
Interest cover ratio	9.50	23.08	23.48	6.44	6.54	5.78	4.93	6.38	9.66	12.12

Note: \* The above figures are restated taking into consideration the sub division of shares in October 2010.

\*\* The information for 2011/2012 and 2012/2013 are stated based on the financial statements prepared under SLFRS/LKAS while the information for all other years are based on the financial statements prepared under SLAs.

# CONSOLIDATED FINANCIAL STATEMENTS IN USD

## CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March	2013	2012
	USD.'000	USD.'000
Revenue	292,694	242,641
Revenue tax	(4,206)	(3,743)
Net revenue	288,488	238,898
Other operating income	99	8,495
Changes in inventories of finished goods and work-in-progress	(91)	(46)
Raw materials and consumables used	(101,771)	(81,938)
Employee benefits expense	(31,501)	(28,005)
Depreciation, amortisation and impairment	(11,254)	(8,960)
Other operating expenses - direct	(66,185)	(55,082)
Other operating expenses - indirect	(34,417)	(31,111)
<b>Profit from operations</b>	<b>43,368</b>	<b>42,251</b>
Finance income	5,996	3,687
Finance expenses	(11,380)	(6,068)
<b>Net finance expense</b>	<b>(5,384)</b>	<b>(2,381)</b>
Share of profit of equity-accounted investees (net of tax)	1,430	673
<b>Profit before tax</b>	<b>39,414</b>	<b>40,543</b>
Income tax expense	(5,888)	(5,836)
<b>Profit for the year</b>	<b>33,526</b>	<b>34,707</b>
<b>Attributable to:</b>		
Equity holders of the company	25,746	27,280
Non-controlling interests	7,780	7,427
<b>Profit for the year</b>	<b>33,526</b>	<b>34,707</b>
Earnings per Share - Basic/Diluted	USD cents = 6.34	6.72
Exchange rate	USD = 126.89	127.85

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN USD

For the year ended 31st March	2013	2012
	USD.'000	USD.'000
<b>Profit for the year</b>	<b>33,526</b>	<b>34,707</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	(403)	5,128
Revaluation of property, plant and equipment	2,209	2,860
Net change in fair value of available-for-sale financial assets	291	(509)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(19)	-
Income tax on other comprehensive income	-	-
Share of other comprehensive income of equity-accounted investees	-	1,393
<b>Other comprehensive income for the year, net of tax</b>	<b>2,078</b>	<b>8,872</b>
<b>Total comprehensive income for the year</b>	<b>35,604</b>	<b>43,579</b>
<b>Attributable to:</b>		
Equity holders of the parent	27,395	33,290
Non-controlling interests	8,209	10,289
<b>Total comprehensive income for the year</b>	<b>35,604</b>	<b>43,579</b>
Exchange rate	USD = 126.89	127.85

Figures in brackets indicate deductions.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION IN USD

For the year ended 31st March

	31.03.2013	31.03.2012	01.04.2011
	USD.'000	USD.'000	USD.'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	189,469	176,659	167,907
Investment property	13,095	13,002	15,055
Intangible assets	5,155	5,034	1,259
Leasehold properties	11,537	11,898	12,258
Pre-paid operating leases	7,729	8,042	49
Finance lease receivables	18,324	19,655	20,701
Investments in equity-accounted investees	15,220	13,845	13,328
Deferred tax assets	1,751	1,641	1,247
Other financial assets	3,642	3,072	4,378
	265,922	252,848	236,182
<b>Current Assets</b>			
Inventories	14,380	13,949	14,555
Finance lease receivables	1,332	712	4,976
Trade and other receivables	78,593	69,985	37,863
Current tax receivable	1,426	1,237	1,107
Deposits and prepayments	8,904	5,911	4,952
Other financial assets	53,307	35,953	48,607
Cash and short-term deposits	17,480	17,026	6,663
	175,422	144,773	118,723
Assets classified as held for sale	1,175	1,166	1,643
<b>Total Assets</b>	<b>442,519</b>	<b>398,787</b>	<b>356,548</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the company			
Stated capital	16,827	16,700	19,330
Reserves	100,053	97,416	98,941
Retained earnings	104,203	82,634	74,694
	221,083	196,750	192,965
Non-controlling interests	42,946	36,831	37,609
<b>Total Equity</b>	<b>264,029</b>	<b>233,581</b>	<b>230,574</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	49,219	44,916	37,513
Deferred tax liabilities	3,978	3,357	2,318
Employee benefits	3,526	3,061	3,039
	56,723	51,334	42,870
<b>Current Liabilities</b>			
Interest-bearing liabilities	10,797	16,703	15,556
Provisions	2,184	3,838	4,145
Trade and other payables	60,792	52,566	35,415
Current tax payable	3,950	2,241	1,626
Other financial liabilities	-	452	-
Bank overdrafts and other short-term borrowings	44,044	38,072	26,362
	121,767	113,872	83,104
<b>Total Equity and Liabilities</b>	<b>442,519</b>	<b>398,787</b>	<b>356,548</b>
Exchange rate	USD =	126.89	127.85
		110.46	

GROUP OVERVIEW

LEADERSHIP REVIEW

GROUP PERFORMANCE  
REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

SUPPLEMENTARY  
INFORMATION

## INVESTOR INFORMATION

### Stock Exchange Listing

Aitken Spence PLC is a public quoted company, the issued ordinary shares of which are listed on the Colombo Stock Exchange. Stock exchange code for Aitken Spence PLC share is "SPEN".

Market Sector : Diversified Holdings

### Ordinary Shares

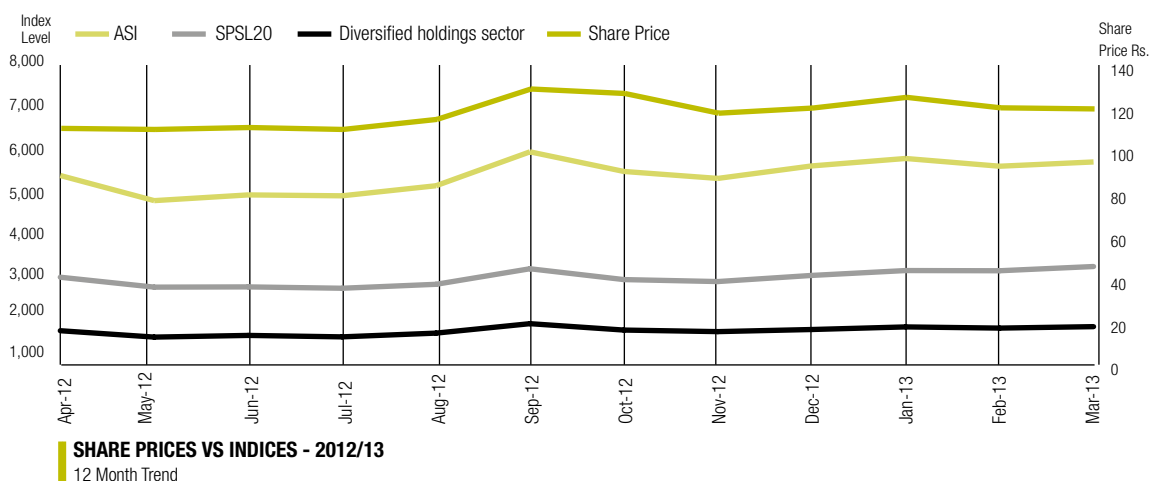
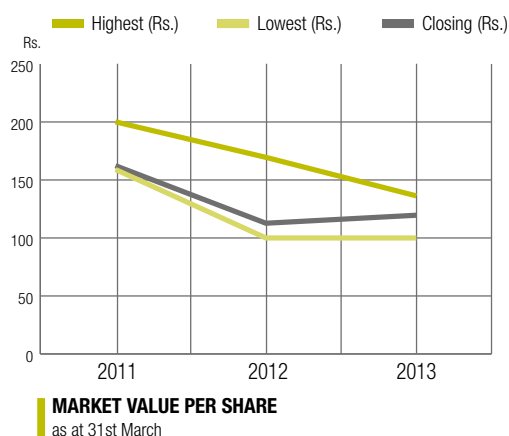
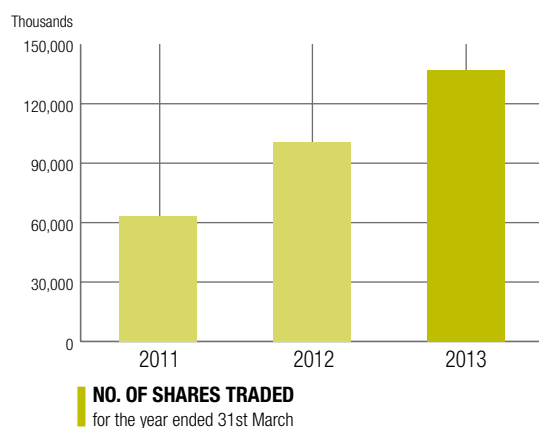
#### Share Trading Information

	2012/13	2011/12	2010/11
Number of transactions	3,256	6,772	16,124
No. of shares traded during the year	137,137,807	100,909,029	63,532,950
Value of shares traded during the year (Rs. Million)	15,429	12,144	19,529
Percentage of total value transacted	8.13	2.77	2.57

#### Market Value

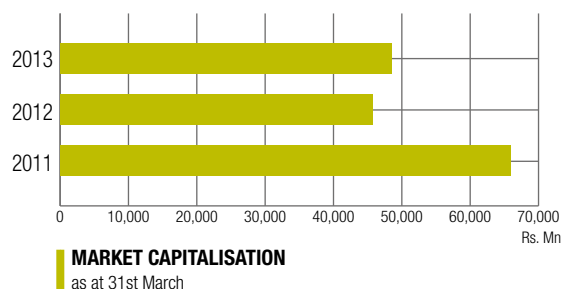
	2012/13	2011/12	2010/11
Highest (Rs.)	136.30	169.50	200.10
Lowest (Rs.)	100.00	100.00	159.00
Closing (Rs.)	119.60	112.70	162.30

The market value of the ordinary share as at 23rd May 2013 was Rs. 138.10.



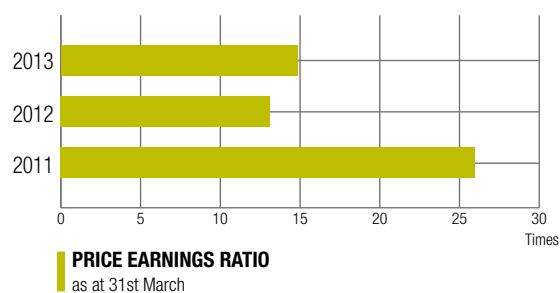
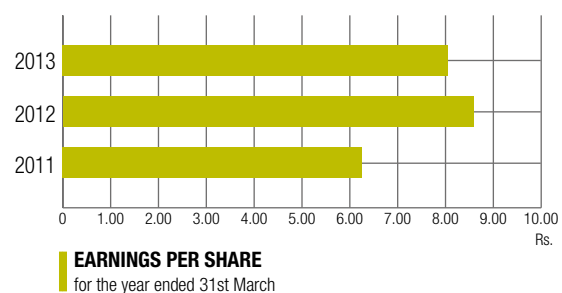
## Market Capitalisation

	2012/13	2011/12	2010/11
Market capitalisation on 31st March (Rs. Million)	48,557	45,756	65,893
Percentage of total market capitalisation	2.20	2.27	2.72



## Earnings

	2012/13	2011/12	2010/11
Earnings per share (Rs.) Basic/Diluted	8.05	8.59	6.25
Price earnings ratio (P/E)	14.86	13.12	25.97



## Net Assets per share

	2012/13	2011/12	2010/11
The Group (Rs.)	69.10	61.96	52.50
The Company (Rs.)	32.35	32.40	29.07

## INVESTOR INFORMATION

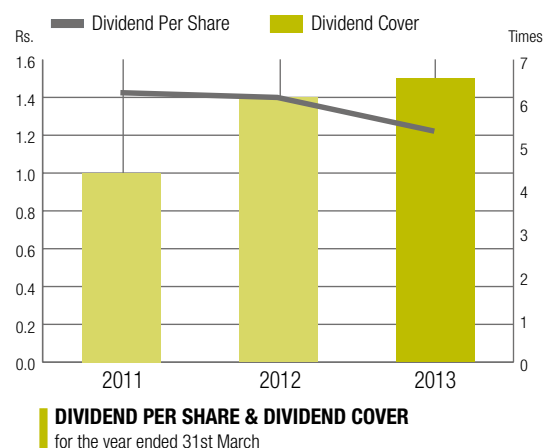
### Dividends

An ordinary dividend of Rs. 1.50 per share (2011/2012 – Rs. 1.40 per share) has been recommended to the shareholders for approval at the forthcoming Annual General Meeting.

### History of dividend per share and dividend cover for the past 10 years

Year	Dividend per share (Rs.)	Dividend cover (Times)
2003/04*	0.40	7.88
2004/05*	0.40	6.88
2005/06*	0.43	6.90
2006/07*	0.43	8.30
2007/08*	0.47	9.72
2008/09*	0.63	7.93
2009/10*	0.67	7.61
2010/11	1.00	6.25
2011/12	1.40	6.14
2012/13	1.50	5.36

\* The Above figures are restated taking into consideration the subdivision of shares.



### Analysis of Shareholder Base

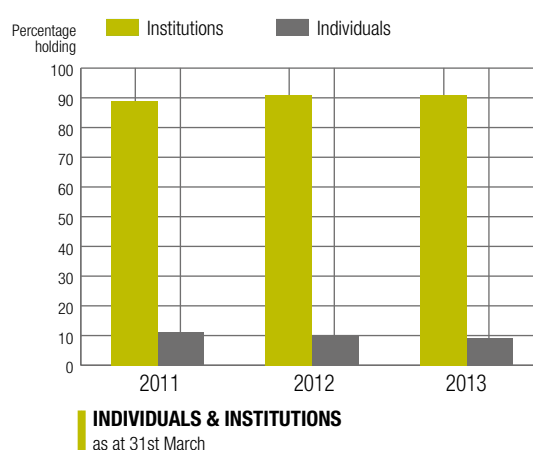
Distribution of shares as at 31.03.2013

Range of shareholding	31st March 2013			31st March 2012		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1 - 1,000	2,573	849,788	0.21	2,755	956,184	0.24
1,001 - 10,000	1,244	4,237,855	1.04	1,397	4,724,408	1.16
10,001 - 100,000	346	10,451,988	2.57	350	10,332,137	2.54
100,001 - 1,000,000	69	20,304,372	5.00	72	20,410,435	5.03
1,000,001 - above	29	370,152,042	91.17	32	369,572,881	91.03
Total	4,261	405,996,045	100.00	4,606	405,996,045	100.00

There were 4,261 voting registered shareholders as at 31st March 2013 (31st March 2012 - 4,606).

### Individuals / Institutions

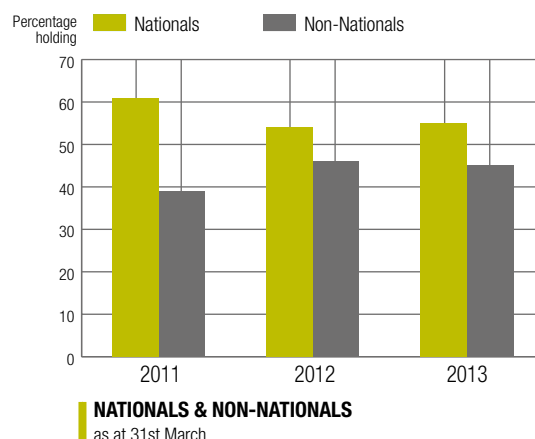
	31st March 2013		31st March 2012	
	No. of Shares	%	No. of Shares	%
Institutions	368,041,727	90.65	367,415,231	90.50
Individuals	37,954,318	9.35	38,580,814	9.50
	405,996,045	100.00	405,996,045	100.00



## Nationals / Non-Nationals

	31st March 2013		31st March 2012	
	No. of shares	%	No. of shares	%
Nationals	221,941,146	54.67	220,627,110	54.34
Non-Nationals	184,054,899	45.33	185,368,935	45.66
	405,996,045	100.00	405,996,045	100.00

As per the rule No 7.6 (iv) of Colombo Stock Exchange, percentage of public holding as at 31st March 2013 was 40.07%.



## Twenty largest shareholders as at 31st March 2013

	Name	No. of Shares	%
1	Melstacorp Limited	161,629,983	39.81
2	Rubicond Enterprises Limited	65,990,145	16.25
3	HSBC International Nominees Limited-BPSS Lux-Aberdeen Global-Asian Smaller Companies Fund	32,875,300	8.10
4	HSBC Intl Nom Ltd-BPSS LDN- Aberdeen Asia Pacific Fund	17,192,300	4.24
5	HSBC International Nominees Ltd-BPSS Lux-Aberdeen Global-Emerging Markets Smaller Companies Fund	11,840,000	2.92
6	Mr. G.C. Wickremasinghe	7,308,240	1.80
7	HSBC Intl Nom Ltd-SSBT-National Westminster Bank PLC As Depository of First State Asia Pacific Fund A Sub Fund of First State Investments ICVC	7,232,455	1.78
8	Placidrange Holdings Limited	5,521,500	1.36
9	Employees Provident Fund	4,561,063	1.12
10	HSBC Intl Nominees Ltd-BP2S London-Aberdeen New Dawn Investment Trust XCC6	4,503,555	1.11
11	HSBC Intl Nom Ltd-BP2S Luxembourg-Aberdeen Global Frontier Markets Equity Fund	4,480,000	1.10
12	HSBC Intl Nom Ltd-BPSS LDN-Aberdeen Investment Fund ICVC Aberdeen Emerging Markets Fund	4,342,500	1.07
13	Milford Exports (Ceylon) (Pvt) Limited	4,321,500	1.06
14	Mellon Bank N.A. -Florida Retirement System	4,246,152	1.05
15	Stassen Exports Limited	3,244,500	0.80
16	Ms. A.T. Wickremasinghe	3,211,975	0.79
17	HSBC Intl Nom Ltd-BPSS Lux-Aberdeen Global-Emerging Markets Equity Fund	3,168,000	0.78
18	Ms. K. Fernando	3,135,070	0.77
19	Mr. G. Wickremasinghe	3,019,090	0.74
20	Pictet & Cie	2,790,900	0.69
	Total	354,614,228	87.34

## INVESTOR INFORMATION

### Shareholding of Directors

Shareholding of Directors together with their spouses in Aitken Spence PLC

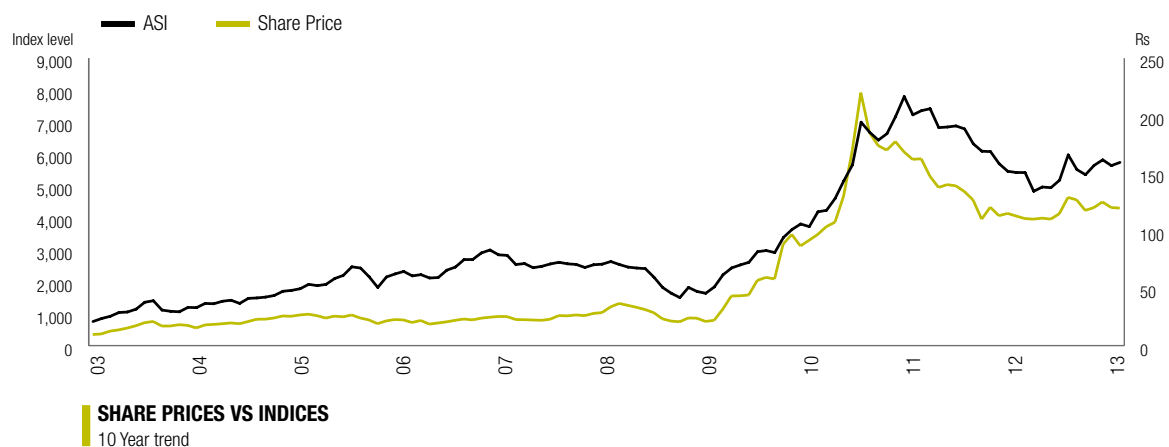
	31st March 2013	31st March 2012
Mr. J.M.S. Brito	294,495	294,495
Mr. G.C. Wickremasinghe	7,308,240	7,308,240
Mr. R.N. Asirwatham	1,000	1,000
	7,603,735	7,603,735

### Indirect holding by Directors

	31st March 2013	31st March 2012
Mr. G.C. Wickremasinghe - Manohari Enterprises Ltd	298,830	298,830
Deshamanya D.H.S. Jayawardena - Stassen Exports Ltd	3,244,500	3,244,500
- Milford Exports (Ceylon) Ltd	4,321,500	4,321,500
- Distilleries Company of Sri Lanka PLC	186,500	-
- Periceyl (Pvt) Limited	21,200	21,200
	8,072,530	7,864,830

### Shareholding in Group companies

	31st March 2013	31st March 2012
Aitken Spence Hotel Holdings PLC Mr. J.M.S. Brito	106,596	106,596
Mr. G.C. Wickremasinghe	2,852,241	2,852,241
Mr. R.N. Asirwatham	1,000	1,000
Hethersett Hotel Ltd Mr. G.C. Wickremasinghe	1,041,500	1,041,500



## AWARDS AND CERTIFICATIONS

Certifications (Obtained and Maintained)		
ISO 14001:2004 Certification		
Certifications sustained		
Ace Power Embilipitiya (Pvt) Ltd.	Earl's Regency	Ace Aviation Services (Pvt) Ltd.
Ace Power Generation Horana (Pvt) Ltd.	Heritance Ahungalla	Ace Cargo (Pvt) Ltd.
Ace Power Generation Matara Ltd.	Heritance Kandalama	Aitken Spence Cargo (Pvt) Ltd.
Bandarawela Hotel	Heritance Tea Factory	
New certifications		
Aitken Spence Travels Ltd.		
ISO 22000/ HACCP: 2005 Certification		
Certifications sustained		
Deviturai Tea Factory	Heritance Tea Factory	Adaaran Select Meedhupparu
Dunsinane Tea Factory	Nayapana Tea Factory	Adaaran Select Hudhuranfushi
Earl's Regency	New Peacock Tea Factory	Adaaran Prestige Vadoo
Heritance Ahungalla	Talgaswella Tea Factory	
Heritance Kandalama	Adaaran Club Rannalhi	
Hygienically Certified Establishment (HCE): SGS		
Certifications sustained		
Bandarawela Hotel		
ISO 9001:2008 Certification		
Certifications sustained		
Ace Aviation Services (Pvt) Ltd.	Ace Power Generation Horana (Pvt) Ltd.	Aitken Spence Shipping Ltd.
Ace Cargo (Pvt) Ltd.	Ace Power Generation Matara Ltd.	Aitken Spence Printing & Packaging (Pvt) Ltd.
Ace International Express (Pvt) Ltd.	Aitken Spence Cargo (Pvt) Ltd.	
Ace Power Embilipitiya (Pvt) Ltd.	Aitken Spence Travels Ltd.	
ISO 50001: 2011 Certification		
Certifications sustained		
Heritance Ahungalla		
New certifications		
Heritance Ayurveda Maha Gedara	Heritance Kandalama	Heritance Tea Factory
OHSAS 18001: 2007 Certification		
Certifications sustained		
Ace Power Generation Matara Ltd.		
Ace Power Generation Horana (Pvt) Ltd.		
Ace Power Embilipitiya (Pvt) Ltd.		

## AWARDS AND CERTIFICATIONS

EarthCheck Silver Certificate		
Certifications sustained		
Bandarawela Hotel Earl's Regency	Heritance Ahungalla Heritance Kandalama	Heritance Tea Factory
EarthCheck Bronze Certificate		
Certifications sustained		
Hotel Hilltop		
Forestry Stewardship Certificate (FSC)		
Certifications sustained		
Elpitiya Lifestyle Solutions (Pvt) Ltd		
Greening SL Hotels Certificate		
Ministry of Tourism, Sri Lanka Sustainable Energy Authority & Ministry of Environment & Natural Resources		
Certifications sustained		
Bandarawela Hotel Earl's Regency	Heritance Ahungalla Heritance Kandalama	Heritance Tea Factory Hotel Hilltop
Worldwide Responsible Accredited Production (WRAP) Certification		
Certifications sustained		
Aitken Spence Garments (Mathugama and Koggala factories)		
Carbon Neutral Certification		
New certifications		
Aitken Spence Printing & Packaging	Aitken Spence Travels Ltd.	

## National and International Awards Received As at 31st March 2013

### Aitken Spence PLC

- Awarded Best Corporate Citizen of Sri Lanka 2012 by the Ceylon Chamber of Commerce at the Best Corporate Citizen Awards 2012
- Ranked among the Ten Best Corporate Citizens of Sri Lanka which is conducted by the Ceylon Chamber of Commerce for the 7th consecutive year.
- Sector Award for Economic Contribution and Governance at the Best Corporate Citizen Award 2012
- Sector Award for Environment at the Best Corporate Citizen Award 2012
- Category Award for Financial Performance at the Best Corporate Citizen Award 2012

### Hotels

- Gold Award presented to Aitken Spence Hotel Holdings PLC in the Hospitality Sector category at the Institute of Chartered Accountants Annual Report Awards 2012.
- Overall Silver Award, Hospitality Category Gold Award, Large Sector Gold Award and the Runners Up in the Capacity Builder Category awarded to Aitken Spence Hotel Holdings PLC at the National Business Excellence Awards (NBEA) presented by the National Chamber of Commerce of Sri Lanka.
- Medium Scale category award presented to Aitken Spence Hotel Holdings PLC at the ACCA Sustainability Reporting Awards.

### Heritage Ayurveda Maha Gedara

- Recognised as the most energy efficient hotel in Sri Lanka by winning the “Silver Flame Award” at the Sri Lanka National Energy Efficiency Awards 2012
- Recognised as the “Best Ayurveda Resort” at the 4th FIT Health and Wellness Awards held at ITB 2013 in Berlin.

### Heritage Ahungalla

- Awarded a “merit certificate in the large scale hotel sector category” at the Sri Lanka National Energy Efficiency Awards 2012
- Gold award at the National Green Awards 2012 organised by The Central Environmental Authority of Sri Lanka in recognition of the 7R practices of the hotel.

### Heritage Kandalama

- Adjudged as a finalists in the Most Inspiring Responsible Tourism Operator category at the Wild Asia’s Responsible Tourism Award 2012.
- Winner of the “A” level in the service sector category at the National Productivity Awards 2012 organised by the National Productivity Secretariat of Sri Lanka.

### Heritage Tea Factory

- Awarded a “merit certificate in the large scale hotel sector category” at the Sri Lanka National Energy Efficiency Awards 2012
- Adjudged the winner in the category of General Countryside at the “Sustainable Development in Tourism” Awards 2012 organised by the SKAL International, Spain.
- Adjudged as a finalists in the Most Inspiring Responsible Tourism Operator category at the Wild Asia’s Responsible Tourism Award 2012.
- Awarded the Best Green Hotel and Energy Conservation Champion Awards at the EU-SWITCH Asia Greening Hotels Awards – 2012.

## AWARDS AND CERTIFICATIONS

### The Sands Kalutara

- FIT Premium Quality Certificate for Ayurveda and Yoga awarded by FIT Reisen, Germany

### Bandarawela Hotel

- Winner of the “D” level in the service sector category at the National Productivity Awards 2012 organised by the National Productivity Secretariat of Sri Lanka.
- Awarded the merit certificate in the small scale hotel sector category at the Sri Lanka National Energy Efficiency Awards 2012

### Adaaran Select Meedhupparu

- Winner of the Best Hotel Partner category and the Best Hotel Partner of TEZ TOUR in the TEZ WORLDBERRY Award for three consecutive years – 2010, 2011, 2012
- GMR Awards 2012 (MATAO) for the Leading Hotel Website

### Hotel Atithi

- Gold, Silver and Bronze medals in the Regional Food Category at the AAHAR International Food and Hospitality Fair 2012

### Cargo Logistics

- Global Commerce Excellence Award presented to TNT Express by Airport & Aviation Services Ltd (AASL), BOI SL, SLPA, Shippers Academy Colombo in association with Central Bank of Sri Lanka in recognition of supporting the Sri Lanka economy during the period 1985- 2009.

### Plantations

- Category award for “Generation Hydro Power of RPC Sector” at the National Plantations Awards ceremony 2012 of Ministry of Plantations

### Printing

- 3 Distinction and 4 Merit awards at the Sri Lanka Print Exhibition & Awards Night “Collate 2012” organised by the Sri Lanka Institute of Printers
- 1 Gold award, 6 Silver awards and 3 Bronze award won at the Lanka Star Awards 2012 organised by the Sri Lanka Institute of Packaging

### Travels

- Aitken Spence Travels won the Best Tour Operator Emerging Market and Best Conference Organiser awards at the Sri Lanka Tourism Awards 2012
- Aitken Spence Travels (Pvt) Ltd. was awarded the Top Travel Agent Merit Award for 2011/2012 for the support extended to Cathay Pacific Airlines
- Aitken Spence Travels (Pvt) Ltd was awarded The Top Agents Merit Award for 2011/2012 by Singapore Airlines

## UN GLOBAL COMPACT

The United Nations Global Compact (UNGC) is a voluntary strategic policy initiative launched by the UN in order to encourage businesses to align their operations and strategies with 10 universally accepted principles in the areas of human rights, labour standards, environment and anti-corruption. Aitken Spence PLC has been a signatory of the Global Compact since 28th May 2002 and a member of the UNGC Network Sri Lanka's Board and the steering committee.

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

Note: Integrated Policy of Aitken Spence PLC: [http://www.aitkenspence.com/pdf/as\\_integrated\\_sustainability\\_policy\\_english.pdf](http://www.aitkenspence.com/pdf/as_integrated_sustainability_policy_english.pdf)

UNGC Principle	Relevant GRI Indicators Disclosed	General Practices at Aitken Spence
<b>Human Rights</b>		
Businesses should support and respect the protection of internationally proclaimed human rights	LA7, LA8, LA14, HR3, HR4, HR8, PR8	<p>The Integrated Sustainability Policy of Aitken Spence PLC formalises the general practice of the Company to support and protect internationally proclaimed human rights by including a written clause (Clause P);</p> <p>Building capacity on 'Human Rights at the Workplace' (a structured training programme for the Group's sustainability subcommittee members.)</p> <p>Assessment of the Aitken Spence PLC policies, procedures and general practices against the essential, expected and exemplary action points of the Human Rights Protection Framework as subscribed by the Business Leaders Initiative on Human Rights.</p>
Businesses should make sure that they are not complicit in human rights abuses	HR3, HR4, HR8	<p>Open door policy for grievance handling where all employees are encouraged to go to the highest authority figure for any complaints</p> <p>Human Rights Focal Points have been appointed across the Group SBUs and provided with training on the Human Rights Protection Framework and existing systems within Aitken Spence that support the framework.</p> <p>Planned activities for 2013/14 include engaging with all SBU Focal Points to identify and work on improving the implementation and maintenance of the Human Rights Protection Framework.</p>
<b>Labour Standards</b>		
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	LA5, HR3	Sri Lanka has become signatory to and ratified the core conventions of the International Labour Organisation which are in the areas of Freedom of Association, Forced Labour, Discrimination and Child Labour. The Group rigidly complies with the labour laws of Sri Lanka and the ILO conventions with respect to employment of persons.
Businesses should uphold the elimination of all forms of forced or compulsory labour	HR3	The Group offers equal opportunities to existing and potential employees irrespective of gender, race, or religion. All eligible persons are given the opportunity to secure employment and thereafter continue in an appropriate career path. The Recruitment Policy of the company ensures that discrimination is discouraged and no persons below the legal minimum age are offered employment. The common practice of the Company is to match the skill sets of employees to the job description rather than allocating specific quotas to different groups.
Businesses should uphold the effective abolition of child labour	HR3	
Businesses should uphold the elimination of discrimination in respect of employment and occupation	LA14, HR3, HR4, HR8	<p>General practices of Aitken Spence PLC have been reviewed against the Human Rights Framework as explained above.</p> <p>An assessment has also been conducted of the Company's Group-wide practices in line with the Women's Empowerment Principles and action points which can be implemented have been identified. Further discussions are still in place to implement the principles within the Group strategies.</p>

## UN GLOBAL COMPACT

UNGC Principle	Relevant GRI Indicators Disclosed	General Practices at Aitken Spence
<b>Environment</b>		
Businesses should support a precautionary approach to environmental challenges	(EN18 Partially reported)	<p>The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. Environmental Management Systems (EMSs) aim to identify activities and aspects that have significant impacts on the environment proactively and manage them through programmes that are formulated through a scientific approach. Implementation of Environmental Management Systems in line with the ISO 14001 standard is considered an essential action point for the sustainable development of the Company. Aitken Spence Group currently has 43 EMSs, 12 of which are certified and more EMSs to be certified in the foreseeable future.</p> <p>Continuous awareness building for sustainability subcommittees as well as all Aitken Spence staff members is conducted. Selected representatives from across the Group were trained as Internal EMS Auditors and the Group now has a network of 41 trained internal EMS auditors.</p> <p>Commemorating 'World Days' such as the World Environment Day gives the organisation an opportunity to increase awareness among a larger audience. The 2011 World Environment Day was marked with an email awareness campaign to all executive staff and a training programme conducted for Aitken Spence Travels staff on the 'Forest Diversity of Sri Lanka' marking the year of forests declared by the UNEP. Prior to the World Water Day an email quiz was carried out asking simple questions related to water scarcity where the winners were sponsored free waterless car washes (based on nanotechnology.) In 2012, Group Sustainability Division conducted a forum to inspire its top management and sustainability team to explore opportunities in a Green Economy. The event "Going Green: Opportunities for Aitken Spence" was held on the 6th of June, based on the 2012 theme declared by United Nations Environment Program (UNEP) for the World Environment Day - 'Green Economy: Does it include you?' The keynote speech for the seminar was addressed by the World Bank Country Director for Sri Lanka - Ms. Diarietou Gaye, who delivered a talk on an apt topic at hand; "Towards a Green Economy: Role of the Corporate Sector".</p> <p>Participating in public forums and sharing our experiences is another method used to influence a larger audience to be more environmental conscious. The 'Sustainability Knowledge Hub' organised by the UNGC Network Sri Lanka is another significant contribution of Aitken Spence PLC to the business community.</p>
Businesses should undertake initiatives to promote greater environmental responsibility	EN3, EN5, EN6, EN8, EN11, EN12, EN23, EN28  (EN4, EN10, EN16, EN18 Partially reported)	<p>Energy efficiency improvement programmes and energy management efforts across the Group are discussed in detail in other sections of this report (See GRI Index).</p> <p>In the aim of monitoring our carbon emissions more efficiently we have started to maintain an emission inventory.</p>
Businesses should encourage the development and diffusion of environmental friendly technologies	EN5, EN6  (EN10, EN18 Partially reported)	
<b>Anti Corruption</b>		
Businesses should work against corruption in all its forms, including extortion and bribery	S02, S03	<p>Company Code of Ethics has stringent instructions on anti-corruption.</p> <p>The Internal Audit Department of the Company audits all units periodically to make sure that adequate internal control systems are in place to prevent and detect fraud. All employees including new recruits are required to know the stipulated procedures and carry out their business activities in accordance with them. Even at our estates all executive staff receives training and awareness at Group learning programmes. Company procedures on anti-corruption and ethical behaviour are mentioned in all appointment letters.</p>

# GRI INDEX

■ Fully disclosed ■ Partially disclosed

Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
<b>Standard Disclosures - Strategy and Analysis</b>							
1.1	Statement from the Managing Director and Chairman	■	Organisational governance	6.2	1.1	-	28-41
1.2	Key impacts, risks and opportunities	■	Organisational governance	6.2	1.2	-	34-41 18-27 42-108 126-129
<b>Standard Disclosures - Organisational Profile</b>							
2.1	Name of the Organisation	■	-	-	-	-	Inner back cover
2.2	Primary brands, products and/or service	■	-	-	2.1	-	42-108 244-250
2.3	Operational structure of the organisation	■	Organisational governance	6.2	2.5/2.6	-	42-108
2.4	Location of the organisations headquarters	■	-	-	-	-	Inner back cover
2.5	Number of countries where the organisation operates	■	-	-	2.7	-	42-108 16-17
2.6	Nature of ownership and legal form	■	-	-	2.5	-	Inner back cover
2.7	Markets served	■	-	-	2.3/2.7	-	42-108 157-227
2.8	Scale of the organisation	■	-	-	27	-	42-108 157-227
2.9	Significant changes during the reporting period	■	-	-	-	-	28-41 42-108 151-155
2.10	Awards received in the period	■	-	-	-	-	232-236
<b>Standard Disclosures - Report Parameters</b>							
3.1	Reporting Period	■	-	-	3.1	-	-
3.2	Date of the most recent previous report	■	-	-	3.1	-	-
3.3	Reporting cycle	■	-	-	3.1	-	-
3.4	Contact point for further information	■	-	-	-	-	Inner back cover
3.5	Process for defining report content	■	-	-	3.2	-	1 18-27
3.6	Boundary of the report	■	-	-	3.2/ 3.3	-	1
3.7	Limitation on the scope of the boundary of the report	■	-	-	3.2/ 3.4	-	1
3.8	Basis of reporting on joint ventures and other operations	■	-	-	3.2	-	157-227
3.9	Data measurement techniques	■	-	-	-	-	42-108
3.10	Effects of any re-statements	■	-	-	-	-	157-227
3.11	Significant changes from previous reporting periods	■	-	-	3.2	-	1 42-108

GROUP OVERVIEW

LEADERSHIP REVIEW

GROUP PERFORMANCE REVIEW

GOVERNANCE

FINANCIAL STATEMENTS

INVESTOR INFORMATION

SUPPLEMENTARY INFORMATION

# GRI INDEX

Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
<b>Standard Disclosures - Governance, Commitments and Engagements</b>							
4.1	Governance structure of the organisation	Chairman's Statement Governance & Leadership	Organisational governance	6.2	-	-	28-33 108-125
4.2	Indicate whether the chair of the highest governance body is also an executive member	Governance & Leadership	Organisational governance	6.2	-	-	108-125
4.3	The Board composition	Governance & Leadership	Organisational governance	6.2	-	-	108-125
4.4	Mechanisms for shareholders and employees to provide recommendations	Stakeholder Engagement	Organisational governance	6.2	-	-	18-27
4.5	Linkages between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	Remuneration Committee Report Governance & Leadership	Organisational governance	6.2	-	-	117 108-125
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Governance & Leadership	Organisational governance	6.2	-	-	108-125
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy	Governance & Leadership	Organisational governance	6.2	-	-	108-125
4.8	Internally developed statements of mission or values, codes of conduct and principles	About Aitken Spence PLC Governance & Leadership Risk Management Management Discussion and Analysis	Organisational governance	6.2	-	-	10-11 108-125 126-129 42-108
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Risk Management Governance & Leadership	Organisational governance	6.2	-	Q 1.1 Q 1.1a Q2.1 Q2.2	126-129 108-125
4.10	Processes for evaluating the highest governance body's own performance	Governance & Leadership	Organisational governance	6.2	-	-	108-125
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk Management	Organisational governance	6.2	-	-	126-129
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Risk Management Management Discussion and Analysis UN Global Compact	Organisational governance	6.2	-	-	126-129 42-108 237-238
4.13	Memberships of 'Aitken Spence PLC' in associations (such as industry associations) and/ or national/ international advocacy organisations	aitkenspence.com/sustainability	Organisational governance	6.2	-	-	-
4.14	List of stakeholder groups engaged by the organisation	Stakeholder Engagement	Organisational governance	6.2	5.1	-	18-27
4.15	Basis of identification and selection of stakeholder	Stakeholder Engagement	Organisational governance	6.2	5.2	-	18-27
4.16	Approaches to stakeholder engagement	Stakeholder Engagement	Organisational governance	6.2	5.3	-	18-27
4.17	Key topics and concerns raised through stakeholder engagement	Stakeholder Engagement	Organisational governance	6.2	5.4	-	18-27





Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
<b>Performance Indicators - Economic Performance Indicators</b>							
EC1	Direct economic value generated and distributed	Financial Review	Community involvement and development Community involvement Wealth and income creation Social investment	6.8 6.8.3 6.8.7 6.8.9	ECON1	-	98-104
EC3	Coverage of the organisations defined benefit plan obligations	Financial Statements	-	-	ECON2	-	157-227
EC 6	Policy, practices, and proportion of spending on locally-based suppliers	Management Discussion and Analysis	Promoting social responsibility in the value chain Community involvement and development Employment creation and skills development Wealth and income creation	6.6.6 6.8 6.8.5 6.8.7	ECON4	-	42-108
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Management Discussion and Analysis	Economic, social and cultural rights Community involvement and development Community involvement Education and culture* Employment creation and skills development Technology development and access* Wealth and income creation Social investment	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9	ECON5	-	42-108
<b>Performance Indicators - Environmental Performance Indicators</b>							
EN3	Direct energy consumption by primary energy source	Management Discussion & Analysis	The Environment Sustainable resource use	6.5 6.5.4	ENVT3	Q12.2 Q12.3	42-108
EN5	Energy saved due to conservation and efficiency improvements	Management Discussion & Analysis			ENVT5	-	42-108
EN6	Initiatives to provide energy – efficient or renewable energy based products and services and the reduction in energy consumption as a result of these initiatives	Management Discussion & Analysis			ENVT6	Q3.2 Q3.2a	42-108
EN 8	Total water withdrawal by source	Management Discussion and Analysis			ENVT8	-	42-108
EN 11	Location and size of land owned, leased managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Management Discussion and Analysis	The Environment Protection of the environment & biodiversity, and restoration of natural habitat	6.5 6.5.6	ENVT11	-	42-108
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Management Discussion and Analysis			ENVT12	-	42-108

## GRI INDEX

Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
EN 23	Total number and volume of significant spills	Nil	The Environment Prevention of pollution	6.5 6.5.3	ENVT18	-	-
EN28	Monetary value of significant fines and total number of non – monetary sanctions for non – compliance with environmental laws and regulations	Nil	The Environment	6.5	ENVT22	Q5.1	-
EN4	Indirect energy consumption by primary source	Management Discussion & Analysis	The Environment Sustainable resource use	6.5 6.5.4	ENVT4	Q12.2	42-108
EN10	Percentage and total volume of water recycled and reused	Management Discussion and Analysis	The Environment Sustainable resource use	6.5 6.5.4	ENVT10		42-108
EN16	Total direct and indirect greenhouse gas emissions by weight	Management Discussion and Analysis	The Environment Climate change mitigation action	6.5 6.5.5	ENVT13	Q7.2 Q7.4 Q8.2a	42-108
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Management Discussion & Analysis	The Environment Climate change mitigation action	6.5 6.5.5	ENVT14	Q3.3	42-108
<b>Performance Indicators - Social Performance Indicators</b>							
<b>Labour Practices and Decent Work</b>							
LA1	Total workforce by employment type, employment contract and region	Group Highlights	Labour Practices Employment and employment relationships	6.4 6.4.3	SOCL1		12-13
LA3	Benefits provided for full time employees	Bonus/ Salary increments on performance basis Festival advance Medical benefits Retirement benefits obligations	Labour Practices Employment and employment relationships Conditions of work and social protection	6.4 6.4.3 6.4.4	SOCL3	-	-
LA5	Minimum notice periods	01 month	Labour Practices Employment and employment relationships Conditions of work and social protection Social dialogue	6.4 6.4.3 6.4.4 6.4.5	-	-	-
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	Awareness session on HIV/AIDS as a workplace issue in the Group's Orientation Programme for new recruits.	Labour Practices Health and safety at work Community involvement and development Community involvement Education and culture Health	6.4 6.4.6 6.8 6.8.3 6.8.4 6.8.8	SOCL6	-	-
LA11	Programmes for skills management and lifelong learning	Management Discussion and Analysis	Labour Practices Human development and training in the workplace Employment creation and skills development	6.4 6.4.7 6.8.5	SOCL8	-	42-108

Disclosure Type		Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
LA12	Percentage of employees receiving regular performance and career development reviews	100% of the executive cadre	■	Labour Practices Human development and training in the workplace	6.4 6.4.7	-	-	1
LA14	Ratio of basic salary of men to women by employee category	1:1	■	Discrimination and vulnerable groups Fundamental principles and rights at work Labour Practices Employment and employment relationships Conditions of work and social protection	6.3.7 6.3.10 6.4 6.4.3 6.4.4	-	-	-
<b>Society Performance Indicators</b>								
S02	Percentage and total number of business units analysed for risks related to corruption	Risk Management	■	Fair Operating Practices Anti-corruption	6.6 6.6.3	-	-	126-129
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures	Risk Management	■			-	-	126-129
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Nil	■	Fair Operating Practices Respect for property rights Wealth and income creation	6.6 6.6.7 6.8.7*	-	-	-
<b>Human Rights Performance Indicators</b>								
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Management Discussion and Analysis UN Global Compact	■	Human Rights Avoidance of complicity	6.3 6.3.5	-	-	42-108 237-238
HR4	Total number of incidents of discrimination and actions taken	Nil	■	Human Rights Resolving grievances Discrimination and vulnerable groups Fundamental principles and rights at work Employment and employment relationships	6.3 6.3.6 6.3.7 6.3.10 6.4.3	-	-	-
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights	Customised training on human rights for the Group Security Division and externally sourced security personnel at Aitken Spence towers was conducted with a refresher course planned to increase awareness and educate new staff members. A goal we have for the foreseeable future is to extend this programme to security personnel at other Aitken Spence premises.	■	Human Rights Avoidance of complicity Employment and employment relationships Promoting social responsibility in the value chain	6.3 6.3.5 6.4.3 6.6.6	-	-	-

## GRI INDEX

Disclosure Type	Section in Annual Report	Level	ISO 26000 core social responsibility subjects, themes	ISO 26000 Clauses	NGRS Indicator	CDP**	Page Number
<b>Product Responsibility Performance Indicators</b>							
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Management Discussion and Analysis	 Consumer Issues Protecting consumers' health & safety Sustainable consumption Consumer service, support and complaint and dispute resolution Access to essential services* Education and awareness	6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	SOCL16	-	42-108
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	Nil	 Consumer Issues Fair marketing, factual and unbiased information and fair contractual practices Consumer service, support and complaint and dispute resolution Education and awareness	6.7 6.7.3 6.7.6 6.7.9	SOCL18	-	-
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Nil	 Consumer Issues Consumer data protection and privacy	6.7 6.7.7	-	-	-
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Nil	 Consumer Issues Consumer service, support and complaint and dispute resolution*	6.7 6.7.6	SOCL19	-	-

\* Indirectly relevant

\*\* CDP Questions from the Investor CDP and CDP Supply Chain 2011 programmes that respond to the GRI G3.1 Guidelines Profile Disclosures and Performance Indicators

## GROUP COMPANIES & DIRECTORATE

			
TOURISM 	CARGO LOGISTICS 	STRATEGIC INVESTMENTS 	SERVICES 
<ul style="list-style-type: none"> <li>Hotels</li> <li>Inbound &amp; Outbound Travel</li> <li>Airline GSA</li> </ul>	<ul style="list-style-type: none"> <li>Maritime Services</li> <li>Integrated Logistics</li> <li>Freight Forwarding</li> <li>Courier Services</li> </ul>	<ul style="list-style-type: none"> <li>Power Generation</li> <li>Printing &amp; Packaging</li> <li>Garment Manufacture</li> <li>Plantation</li> </ul>	<ul style="list-style-type: none"> <li>Inward Money Transfer</li> <li>Information Technology</li> <li>Elevator Agency</li> <li>Insurance</li> <li>Property Management</li> </ul>

### TOURISM SECTOR

#### INBOUND TRAVEL

##### ➤ Aitken Spence Travels (Private) Limited \*\*

Leading destination management company in Sri Lanka. A joint venture with TUI one of the largest tourism companies in the world.

##### Directors:

J.M.S. Brito (Chairman),  
G.M. Perera (Managing Director) (Resigned w.e.f. 31.12.2012),  
N.A.N. Jayasundera (Managing Director) (Appointed w.e.f. 01.01.2013),  
R. Subramaniam (Resigned w.e.f. 31.12.2012),  
D.C. Schelp,  
P.A. Mitchell (Appointed w.e.f. 03.05.2012).

#### OUTBOUND TRAVEL

##### ➤ Aitken Spence Aviation (Private) Limited

General Sales Agents for Singapore Airlines and Singapore Airlines Cargo.

##### Directors:

J.M.S. Brito (Chairman),  
S.K.R.B. Jayaweera (Managing Director),  
G.M. Perera (Resigned w.e.f. 31.12.2012).

##### ➤ Ace Aviation Services Maldives Private Limited \*\*

General Sales Agent for Sri Lankan Airlines in the Maldives.

##### Directors:

S.T.B. Ellepola (Chairman),  
M. Firaq,  
N.A.N. Jayasundera,  
H.P.N. Rodrigo,  
D.L. Warawita.

##### ➤ Aitken Spence Moscow (Private) Limited \*\*

Former Passenger Sales Agents for Aeroflot.

##### Directors:

Dr. J.W.A. Perera (Managing Director),  
G.M. Perera (Resigned w.e.f. 31.12.2012),  
R. Subramaniam (Resigned w.e.f. 21.01.2013),  
S.T.B. Ellepola (Appointed w.e.f. 10.01.2013).

##### ➤ Aitken Spence Overseas Travel Services (Private) Limited \*\*

Was an IATA-accredited travel agent and general sales agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages, the company did not carryout operations during the year.

##### Directors:

R. Subramaniam (Managing Director) (Resigned w.e.f. 21.01.2013),  
G.M. Perera (Resigned w.e.f. 31.12.2012),  
N.A.N. Jayasundera,  
S.T.B. Ellepola (Appointed w.e.f. 10.01.2013),  
H.P.N. Rodrigo (Appointed w.e.f. 10.01.2013).

##### ➤ Royal Spence Aviation (Private) Limited

Former General Sales Agents for Kingfisher Airlines.

##### Directors:

G.M. Perera (Resigned w.e.f. 31.12.2012),  
R. Subramaniam (Resigned w.e.f. 21.01.2013),  
N.A.N. Jayasundera,  
S.T.B. Ellepola (Appointed w.e.f. 10.01.2013).

#### CONVENTION SERVICES

##### ➤ Ace Travels & Conventions (Private) Limited \*\*

Professional conference exhibition & event organiser. Also offers destination management services.

#### Directors:

G.M. Perera (Managing Director) (Resigned w.e.f. 31.12.2012),  
R. Subramaniam (Resigned w.e.f. 21.01.2013),  
N.A.N. Jayasundera,  
S.T.B. Ellepola,  
P.L. Perera (Appointed w.e.f. 10.01.2013).

#### HOTELS

##### ➤ A.D.S. Resorts Private Limited \*\*

Owns and operates Adaaran Select Hudhuranfushi - Maldives.

##### Directors:

S.M. Hapugoda (Managing Director),  
C.M.S. Jayawickrama,  
M. Mahdy.

##### ➤ Ahungalla Resorts Limited \*\*

Owns a land for a proposed hotel project.

##### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

##### ➤ Aitken Spence Hotel Holdings PLC \*\*

The holding company of the group's hotel interests. Owns and operates the Heritage Ahungalla Hotel.

##### Directors:

Deshamanya D.H.S. Jayawardena (Chairman),  
J.M.S. Brito (Managing Director),  
R.E.V. Casie Chetty,  
S.M. Hapugoda,  
C.M.S. Jayawickrama,  
G.P.J. Goonewardena,  
R.N. Asirwatham,  
C.H. Gomez,  
N.J. de Silva Deva Aditya.

\*\* The companies financial statements are audited by KPMG.

## GROUP COMPANIES & DIRECTORATE

### ➤ Aitken Spence Hotel Managements (Private) Limited \*\*

Manages resorts in Sri Lanka.

#### Directors:

S.M. Hapugoda (Managing Director),  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Aitken Spence Hotel Managements (South India) Private Limited

Manages resorts in India.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
C.L.B. Ekanayake.

### ➤ Aitken Spence Hotel Managements Asia (Private) Limited \*\*

Manages resorts in India, Oman and in the Maldives.

#### Directors:

Deshamanya D.H.S. Jayawardena,  
Dr. R.M. Fernando,  
Ms. N. Sivapragasam,  
G.P.J. Goonewardena.

### ➤ Aitken Spence Hotel Services Private Limited

Former local marketing company of Indian hotels in India.

#### Directors:

R.S. Rajaratne,  
M.P. Wijesekara.

### ➤ Aitken Spence Hotels International (Private) Limited \*\*

Owns resorts in the Maldives and provides international marketing services to overseas resorts.

#### Directors:

R.E.V. Casie Chetty,  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

### ➤ Aitken Spence Hotels Limited \*\*

Owns and operates Heritance Ayurveda Maha Gedara. Holding Company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
N. Ratwatte.

### ➤ Aitken Spence Resorts (Private) Limited \*\*

To operate a future hotel project.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Aitken Spence Resources (Private) Limited \*\*

Human resource management foreign employment & recruitment company.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
G.P.J. Goonewardena.

### ➤ Cowrie Investment Private Limited \*\*

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

#### Directors:

J.M.S. Brito (Chairman/Managing Director),  
S.M. Hapugoda,  
I.M. Didi,  
M. Salih,  
C.M.S. Jayawickrama.

### ➤ Crest Star (B.V.I.) Limited

The holding company and managing agents of Jetan Travel Services Company Private Limited.

#### Directors:

J.M.S. Brito (Chairman),  
S.M. Hapugoda,  
C.M.S. Jayawickrama.

### ➤ Crest Star Limited

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Golden Sun Resorts (Private) Limited \*\*

Owns and operates the resort 'The Sands'.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Heritance (Private) Limited \*\*

Owns a land for a proposed hotel project.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Hethersett Hotels Limited \*\*

Owns and operates Heritance Tea Factory.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Jetan Travel Services Company Private Limited \*\*

Owns and operates Adaaran Club Rannalhi - Maldives.

#### Directors:

S.M. Hapugoda (Managing Director),  
C.M.S. Jayawickrama,  
H. Mohamed,  
M. Mahdy.

### ➤ Kandalama Hotels (Private) Limited \*\*

Owns and operates Heritance Kandalama.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ M.P.S. Hotels (Private) Limited \*\*

Owns and operates Hotel Hilltop - Kandy.

#### Directors:

C.M.S. Jayawickrama,  
S.M. Hapugoda,  
R.E.V. Casie Chetty.

### ➤ Neptune Ayurvedic Village (Private) Limited \*\*

Leases company owned land and buildings to Aitken Spence Hotels Limited.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Nilaveli Holidays (Private) Limited \*\*

To operate a future hotel project.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ Nilaveli Resorts (Private) Limited \*\*

To operate a future hotel project.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty.

### ➤ PR Holiday Homes Private Limited

Owns Heritance Cochin - India which is currently under construction.

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
C.L.B. Ekanayake (Appointed w.e.f. 10.01.2012),  
K. Khadar,  
M. Narayanan.

### ➤ Triton (Private) Limited

The holding company of Aitken Spence Aviation (Private) Limited.

#### Directors:

S.M. Hapugoda,  
R.E.V. Casie Chetty,  
C.M.S. Jayawickrama.

### ➤ Unique Resorts Private Limited \*\*

Owns and operates Adaaran Prestige Vaadhoo Resort - Maldives.

#### Directors:

S.M. Hapugoda (Managing Director),  
C.M.S. Jayawickrama,  
M.S. Hassan,  
T.D.U.D. Peiris.

\*\* The companies financial statements are audited by KPMG.

## CARGO LOGISTICS SECTOR

### FREIGHT FORWARDING

#### ➤ Ace Aviation Services (Private) Limited

Operates as General Sales Agents for airline cargo.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
K.R.T. Peiris,  
J.E. Brohier.

#### ➤ Ace Bangladesh Limited

Provides international freight forwarding services in Bangladesh.

##### Directors:

A. Mannan (Chairman),  
R. Rahman (Managing Director),  
J.M.S. Brito,  
Ms. F.R. Ahmed,  
K.R.T. Peiris,  
A. Rahman.

#### ➤ Ace Cargo (Private) Limited

Provides international freight forwarding services.

##### Directors:

Dr. P. Dissanayake (Chairman),  
K.R.T. Peiris,  
J.E. Brohier.

#### ➤ Ace International Express (Private) Limited

Provides international air express, domestic delivery and international mailing.

##### Directors:

K.R.T. Peiris (Managing Director),  
Dr. P. Dissanayake,  
J.E. Brohier.

#### ➤ Aitken Spence Cargo (Private) Limited

International freight forwarding & general sales agents for airline cargo.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
K.R.T. Peiris (Managing Director),  
J.E. Brohier.

#### ➤ Spence International (Private) Limited

Regional operating headquarters to manage operation overseas.

##### Directors:

K.R.T. Peiris,  
Dr. P. Dissanayake,  
J.E. Brohier.

#### ➤ Spence Maldives Private Limited

Provides air express & freight forwarding services in the Maldives.

##### Directors:

K.R.T. Peiris (Managing Director),  
Dr. P. Dissanayake (Appointed w.e.f. 16.11.2012),  
M. Firaq,  
J.E. Brohier,  
A. Ghiyas (Appointed w.e.f. 16.11.2012).

### INTEGRATED LOGISTICS

#### ➤ Ace Containers (Private) Limited \*\*

Operates an inland container depot and a freight station.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A.M.M. Amir,  
I.S. Cuttilan (Appointed w.e.f. 01.09.2012),  
A. Jayasekera (Appointed w.e.f. 01.09.2012).

#### ➤ Ace Container Repair (Private) Limited \*\*

Undertakes container repairs and garments on hanger conversion.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A.M.M. Amir,  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

#### ➤ Ace Container Terminals (Private) Limited \*\*

Provides container storage, customs, brokerage and warehousing services.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
A.M.M. Amir,  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

#### ➤ Ace Distriparks (Private) Limited \*\*

Provides total logistics support and warehousing with multi country cargo consolidation.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
A.M.M. Amir,  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

#### ➤ Ace Freight Management (Private) Limited

Undertakes clearing, forwarding and operates an inland container depot.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A.M.M. Amir (Appointed w.e.f. 10.01.2013),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

#### ➤ Logilink (Private) Limited \*\*

Acts as a container freight station and deal in the deconsolidation of imports and storing, distribution and consolidation of exports.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
K.R.T. Peiris,  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A.M.M. Amir (Appointed w.e.f. 10.01.2013),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

### MARITIME TRANSPORT

#### ➤ Aitken Spence Maritime Limited \*\*

Holding company of Hapag-Lloyd Lanka (Private) Limited and Port Management Container Services (Private) Limited.

##### Directors:

Dr. P. Dissanayake,  
I.S. Cuttilan,  
D.R.C. Hindurangala.

#### ➤ Aitken Spence Shipping Limited \*\*

Liner cruise and tramp agency representation NVOCC and an international freight forwarder.

##### Directors:

Dr. P. Dissanayake (Chairman),  
N.D.F. Perera (Managing Director) (Resigned w.e.f. 31.12.2012),  
A. Jayasekera,  
I.S. Cuttilan,  
Ms. T.D.M.N. Anthony,  
K.R. Aluwihare.

#### ➤ Aitken Spence Shipping Services Limited \*\*

Shipping agent.

##### Directors:

Dr. P. Dissanayake (Managing Director),  
I.S. Cuttilan,  
A. Jayasekera (Appointed w.e.f. 03.08.2012).

#### ➤ Clark Spence & Company (Private) Limited \*\*

Shipping and bunkering agents in the ports of Colombo, Galle and Trincomalee and an international freight forwarder.

##### Directors:

Dr. P. Dissanayake (Managing Director),  
I.S. Cuttilan,  
R.E.V. Casie Chetty.

#### ➤ Colombo International Nautical & Engineering College (Pvt) Ltd

Sri Lanka's largest private maritime and higher education campus.

##### Directors:

H.K. Jayanetti,  
Capt. P.A.P. Peiris,  
Dr. P. Dissanayake,  
J.M.S. Brito,  
C.L. Wikramanayake,  
E.P. Komrowski,  
Ms. N. Sivapragasam,  
Ms. N.W. de A. Guneratne,  
R.G. Pandithakorralage,  
Capt. H.N.C. Peiris (Appointed w.e.f. 02.04.2012),  
S.A.R.S. Karunanayake (Appointed w.e.f. 02.04.2012),  
Capt. I.I. Dobrev (Appointed w.e.f. 02.04.2012).

## GROUP COMPANIES & DIRECTORATE

### ➤ Delta Shipping (Private) Limited \*\*

Provide international freight forwarding services.

#### Directors:

M. Shabir (Managing Director),  
K.R.T. Peiris,  
J.E. Brohier.

### ➤ Hapag-Lloyd Lanka (Private) Limited \*\*

Liner agency representation.

#### Directors:

J.M.S. Brito (Chairman),  
Dr. P. Dissanayake,  
M.E.G. Elizalde,  
A.M. Thakkar,  
K.R. Aluwihare.

### ➤ Port Management Container Services (Private) Limited \*\*

Operating & productivity enhancement management in ports.

#### Directors:

Dr. P. Dissanayake (Managing Director),  
I.S. Cuttitan,  
D.R.C. Hindurangala.

### ➤ Shipping & Cargo Logistics (Private) Limited \*\*

Liner agency representation.

#### Directors:

V.M. Fernando (Chairman),  
J.M.S. Brito (Managing Director),  
Dr. P. Dissanayake,  
K.M.A.T.B. Tittawella,  
I.S. Cuttitan,  
K.M. Fernando.

### ➤ Spence Logistics (Private) Limited \*\*

NVOCC freight forwarding operator.

#### Directors:

Dr. P. Dissanayake,  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A.M.M. Amir (Resigned w.e.f. 13.07.2012) (Appointed w.e.f. 10.01.2013),  
I.S. Cuttitan (Appointed w.e.f. 13.07.2012),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

### ➤ SpenceMac Bangladesh (Private) Limited

Handles shipping operations in Bangladesh.

#### Directors:

Dr. P. Dissanayake,  
M. Rashid,  
C.M.L. Kamal.

### ➤ Tandem Global Logistics Colombo (Private) Limited

#### Directors:

Dr. P. Dissanayake,  
Ms. T.D.M.N. Anthony,  
I.S. Cuttitan.

### ➤ Vauxhall Cargo Logistics (Private) Limited \*\*

Holding company of certain maritime transport sector companies.

#### Directors:

Dr. P. Dissanayake,  
Ms. N. Sivapragasam,  
R.E.V. Casie Chetty.

## STRATEGIC INVESTMENTS SECTOR

### MANUFACTURING SECTOR PRINTING & PACKAGING

#### ➤ Ace Exports (Private) Limited \*\*

Provides printing & packaging services to the export market.

#### Directors:

P. Karunatilake (Managing Director),  
Ms. N. Sivapragasam,  
D.V.H. de Mel (Resigned w.e.f. 01.05.2013).

#### ➤ Ace Printing & Packaging (Private) Limited \*\*

Provides printing & packaging services to the local market.

#### Directors:

P. Karunatilake (Managing Director),  
Ms. N. Sivapragasam,  
D.V.H. de Mel (Resigned w.e.f. 01.05.2013).

#### ➤ Aitken Spence Printing & Packaging (Private) Limited \*\*

Provides printing & packaging services to the local market.

#### Directors:

P. Karunatilake (Managing Director),  
Ms. N. Sivapragasam,  
D.V.H. de Mel (Resigned w.e.f. 01.05.2013).

### APPAREL SECTOR

#### ➤ Aitken Spence (Garments) Limited

Manufacturer and exporter of high quality men's, boys', ladies' & girls' shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

#### Directors:

R.E.V. Casie Chetty,  
R.G. Pandithakorrallage,  
J.S.A. Fernando.

#### ➤ Aitken Spence Apparels (Private) Limited

Manufacturer and exporter of high quality men's, boys' ladies & girls' shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

#### Directors:

R.E.V. Casie Chetty,  
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
J.S.A. Fernando.

#### ➤ Clark Spence Garments Limited

The company is under liquidation.

#### Directors:

R.E.V. Casie Chetty,  
J.S.A. Fernando,  
R.G. Pandithakorrallage.

### INFRASTRUCTURE

#### ➤ Ace Power Embilipitiya (Private) Limited

Owns and operates a 100MW power plant in Embilipitiya to supply power to the national grid.

#### Directors:

J.M.S. Brito (Chairman),  
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),  
L. Wickremarachchi (Appointed w.e.f. 01.03.2013),  
Ms. N. Sivapragasam,  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
Ms. M. Spoelgen,  
Ms. A.M. Fernando.

#### ➤ Ace Power Generation Horana (Private) Limited

Owns a 24MW power plant in Horana.

#### Directors:

L. Wickremarachchi (Appointed w.e.f. 01.03.2013),  
Deshamanya D.H.S. Jayawardena,  
J.M.S. Brito (Alternate Director to Deshamanya D.H.S. Jayawardena),  
Ms. N. Sivapragasam,  
R. Gupta,  
A. Malla,  
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunerathne (Alternate Director to Dr. R.M. Fernando) (Resigned w.e.f. 28.02.2013),  
M. Vuksanovic,  
B.E. Mamat (Appointed w.e.f. 30.08.2012) (Resigned w.e.f. 05.02.2013),  
D. Sinnadurai (Appointed w.e.f. 05.02.2013).

\*\* The companies financial statements are audited by KPMG.

#### ➤ Ace Power Generation Matara (Private) Limited

Owns a 24MW power plant in Matara.

##### Directors:

L. Wickremarachchi (Appointed w.e.f. 01.03.2013),  
Deshamanya D.H.S. Jayawardena,  
J.M.S. Brito (Alternate Director to Deshamanya D.H.S. Jayawardena),  
Ms. N. Sivapragasam,  
R. Gupta,  
A. Malla,  
D.V.H. de Mel (Managing Director) (Resigned w.e.f. 01.05.2013),  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunerathne (Alternate Director to Dr. R.M. Fernando) (Resigned w.e.f. 28.02.2013),  
M. Vuksanovic,  
B.E. Mamat (Appointed w.e.f. 30.08.2012) (Resigned w.e.f. 05.02.2013),  
D. Sinnadurai (Appointed w.e.f. 05.02.2013).

#### ➤ Ace Wind Power (Private) Limited

Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

##### Directors:

D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),  
Ms. N. Sivapragasam,  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013).

#### ➤ Ace Alliance Power Limited

Proposed for constructing, commissioning and operating a thermal power plant in Bangladesh.

##### Directors:

J.M.S. Brito,  
D.V.H. De Mel (Resigned w.e.f. 01.05.2013),  
Ms. N. Sivapragasam,  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013),  
M.T. Rahman,  
S.A.J. Rizvi,  
S.Y.H. Rizvi,  
S.N.H. Rizvi.

#### ➤ Alliance Spence Power Limited

Proposed for constructing, commissioning and operating a thermal power plant in Bangladesh.

##### Directors:

J.M.S. Brito,  
D.V.H. De Mel (Resigned w.e.f. 01.05.2013),  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013),  
M.T. Rahman,  
S.A.J. Rizvi,  
S.Y.H. Rizvi,  
S.N.H. Rizvi,  
Q. Khuda.

#### ➤ Branford Hydropower (Private) Limited

Owns a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

##### Directors:

D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),  
S.A.W. Manawadu,  
Ms. N. Sivapragasam,  
M.S. Mohideen (Resigned w.e.f. 31.03.2013),  
G.P.B.N. Gunarathne (Resigned w.e.f. 01.05.2013).

#### ➤ Western Power Company (Private) Limited

Proposed for constructing, commissioning and operating a 10MW Waste to Energy Power Project in Meethotumulla, to supply electricity to the national grid by conversion of municipal solid waste.

##### Directors:

D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
L. Wickremarachchi (Appointed w.e.f. 04.04.2013),  
Ms. N. Sivapragasam,  
P. Benihin,  
S.R.S.L. Karunanayake.

## SERVICES SECTOR

### PROPERTY DEVELOPMENT

#### ➤ Aitken Spence Developments (Private) Limited \*\*

Property development company.

##### Directors:

Dr. P. Dissanayake (Deputy Chairman),  
A.M.M. Amir,  
N.D.F. Perera (Resigned w.e.f. 31.12.2012),  
A. Jayasekera (Appointed w.e.f. 10.01.2013).

#### ➤ Aitken Spence Property Developments (Private) Limited \*\*

Owns and operates the multi-storied office complex; "Aitken Spence Tower II" which serves as the Group's corporate office at Vauxhall Street in Colombo.

##### Directors:

Dr. R.M. Fernando,  
Ms. N. Sivapragasam,  
R.G. Salgado.

#### ➤ Vauxhall Investments (Private) Limited

Owns buildings and land in Bloemendhal street.

##### Directors:

D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
P. Karunatilake (Managing Director),  
Ms. N. Sivapragasam.

#### ➤ Vauxhall Property Developments (Private) Limited \*\*

Owns and operates the multi-storied office complex; "Aitken Spence Tower I".

##### Directors:

Ms. N. Sivapragasam,  
R.G. Pandithakorralage.

### INSURANCE SURVEY & CLAIM SETTLING AGENCY

#### ➤ Aitken Spence Insurance (Private) Limited \*\*

Survey and claim settling agents for several reputed insurance companies and organisations worldwide including Lloyd's CESAM PICC and Tokio Marine & Fire Insurance Company Limited Oriental Insurance Company of India. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

##### Directors:

Ms. N.W. de A. Guneratne (Managing Director),  
A.N. Seneviratne,  
R.G. Pandithakorralage (Appointed w.e.f. 21.03.2012).

### INSURANCE BROKERING

#### ➤ Aitken Spence Insurance Brokers (Private) Limited \*\*

Placement of life insurance & general insurance business with insurance companies in Sri Lanka.

##### Directors:

Ms. N.W. de A. Guneratne,  
A.N. Seneviratne,  
R.G. Pandithakorralage.

### ELEVATOR AGENCY

#### ➤ Elevators (Private) Limited \*\*

Exclusive agents and distributors in Sri Lanka and in the Maldives for marketing, installing, commissioning and maintaining OTIS elevators, escalators and other equipment's the world leader in elevators, escalators, moving walkways and dumb waiters.

##### Directors:

J.M.S. Brito (Chairman),  
R.E.V. Casie Chetty,  
R.G. Salgado,  
Ms. T.L. Cordes-Frei.

### FINANCIAL SERVICES

#### ➤ Aitken Spence Technologies (Pvt) Ltd \*\*

Provision of IT enabled services.

##### Directors:

Dr. R.M. Fernando,  
D.S. Mendis,  
Ms. N. Sivapragasam,  
R G Pandithakorralage (Appointed w.e.f. 15.08.2012),  
V.M. Gunatilleka (Appointed w.e.f. 15.08.2012).

## GROUP COMPANIES & DIRECTORATE

### ➤ MMBL Money Transfer (Private) Limited \*\*

Principal agent for Western Union money transfer services in Sri Lanka.

#### Directors:

M.D.D. Peiris (Chairman),  
D.S. Mendis (Managing Director),  
J.M.S. Brito,  
Ms. Y.N. Perera,  
K. Balasundaram,  
Ms. N. Sivapragasam,  
J.V.A. Corera.

### ➤ Aitken Spence C & T Investments (Private) Limited \*\*

Proposed to construct and operate a luxury retirement home complex in Negombo

#### Directors:

J.M.S. Brito,  
Dr. R.M. Fernando,  
D.S. Mendis (Appointed w.e.f. 10.05.2012),  
A.Y. Atapattu,  
S. Chandramohan (Appointed w.e.f. 10.05.2012),  
S.G. Atapattu (Appointed w.e.f. 10.05.2012).

### ➤ Aitken Spence Corporate Finance (Private) Limited \*\*

Provider of financial services and secretaries to the companies of the group.

#### Directors:

Ms. N. Sivapragasam (Managing Director),  
R.E.V. Casie Chetty,  
Ms. N.W. de A. Guneratne,  
R.G. Pandithakorralage,  
V.M. Gunatilleka.

### ➤ Aitken Spence Exports (Private) Limited \*\*

Bottles and markets "Hethersett bottle water".

#### Directors:

S.M. Hapugoda,  
C.M.S. Jayawickrama,  
R.E.V. Casie Chetty,  
C.D.D Perera (Appointed w.e.f. 18.09. 2012).

### ➤ Aitken Spence Group Limited \*\*

Overall management of the Aitken Spence Group of companies.

#### Directors:

Dr. R.M. Fernando,  
R.E.V. Casie Chetty,  
K.R.T. Peiris,  
Ms. N. Sivapragasam,  
G.M. Perera (Resigned w.e.f. 31.12.2012),  
D.V.H. de Mel (Resigned w.e.f. 01.05.2013),  
Dr. P. Dissanayake,  
S.M. Hapugoda,  
Ms. N.W. de A. Guneratne,  
C.M.S. Jayawickrama,  
R.G. Pandithakorralage,  
D.S. Mendis,  
V.M. Gunatilleka,  
P. Karunatilake (Appointed w.e.f. 01.09.2012).

## EQUITY ACCOUNTED INVESTEES

### PLANTATIONS

#### ➤ Aitken Spence Plantation Managements PLC \*\*

Managing agents for Elpitiya Plantations PLC.

#### ➤ Elpitiya Plantations PLC

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8851 hectares.

### HOTELS

#### ➤ Browns Beach Hotels PLC \*\*

Owns the property of Negombo Beach Resorts (Private) Limited.

#### ➤ Negombo Beach Resorts (Private) Limited \*\*

Proposed for constructing, owning and operating a beach resort in Negombo.

*\*\* The companies financial statements are audited by KPMG.*

## GLOSSARY OF TERMS

### Assets Held for Sale

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

### Assets Turnover

Total turnover divided by average total assets.

### Available-for-Sale

Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

### AWDR

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

### AWPLR

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

### Capital Expenditure

The total of additions to property, plant and equipment and the purchase of outside investments.

### Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

### Carrying Amount

The amount at which an asset is recognised in the statement of financial position.

### Collateral

Monetary or non monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

### Collective Impairment provision

Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

### Compound Shareholder Return

Total Shareholder Return (TSR) for the time length of three years.

### Contract

An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

### Credit Risk

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

### Current Ratio

Current assets divided by current liabilities.

### Debenture

A long-term debt instrument issued by a corporate.

### Debt/Equity Ratio

Non-current interest bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

### Derivatives

Financial contracts whose values are derived from the values of underlying assets.

### Dividend Cover

Net profit attributable to the ordinary shareholders divided by the total dividend.

### Dividend – Payout Ratio

Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

### Dividend Yield

Dividend per share divided by the market value of a share.

### Dividends per Share (DPS)

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

### Earnings per Share (EPS)

Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

### EBIT Margin (Operating Profit Margin)

Earnings before interest and tax divided by revenue.

### Effective Rate of Dividend

Rate of dividend per share paid on the number of shares ranking for dividend at the time of each payment.

### Effective Rate of Interest

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

### Equity Instruments

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### Fair Value

The amount at which an asset is exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

### Fair Value Through Profit or Loss (FVPL)

Financial instruments that are held for trading and are designated as at fair value through profit and loss.

### Financial Asset

Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

### Financial Instruments

Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

### Financial Leverage

Total average assets divided by total average equity.

## GLOSSARY OF TERMS

### Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

### Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

### Goodwill on Consolidation

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

### Gross Treasury Bill Rate

Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

### Guarantees

A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual obligations under that said contract.

### Held-to-Maturity

A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

### Impairment

Occurs when recoverable amount of an asset is less than its carrying amount.

### Intangible Assets

An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services for rental to others or for administrative purposes.

### Interest Cover

Operating profit before interest divided by the net interest.

### Interest Rate Swap

An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

### Investment Property

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both.

### LIBOR

The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

### Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

### Loans and receivables

A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

### Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share.

### Market Risk

Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

### Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

### Net Assets per Share

Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

### Net Profit Margin

Net profit for the period divided by the revenue.

### Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

### Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

### Quick Asset Ratio

Total current assets less inventories divided by total current liabilities.

### Related Parties

Parties who could control or significantly influence the financial and operating decisions of the business.

### Return on Equity

Profit after tax and minority interest divided by average equity less minority interest at the beginning and end of the year.

### Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

### Revenue Reserves

Reserves set aside for future distributions and investments.

### Total Equity

Total of share capital, reserves, retained earnings and minority interest.

### Total Shareholder Return (TSR)

Change in market price of the share between end and beginning of the financial year, plus dividend for the year, divided by the market price of the share at the beginning of the financial year.

### Treasury Bill

Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

### Treasury Bond

Medium to long term debt instrument of 2 to 20 years issued by the Government of Sri Lanka which carries a coupon (interest) paid on semiannual basis.

### Unquoted Shares

Shares which are not listed in the Stock Exchange.

### Yield to Maturity

The discount rate that equals present value of all expected interest payment and the repayment of principal.

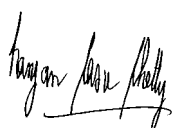
## NOTES

## NOTICE OF MEETING

Notice is hereby given that the Sixty First Annual General Meeting of Aitken Spence PLC will be held at the Institute of the Chartered Accountants of Sri Lanka, 30 A, Malalasekara Mawatha, Colombo 07, at 10.00 a.m. on Thursday, June 27, 2013, for the following purposes :-

- To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company and the Report of the Auditors thereon for the year ended 31st March 2013.
- To declare a dividend as recommended by the Directors.
- To re-elect Dr. M.P. Dissanayake who retires in terms of Article 84 of the Articles of Association, as a Director.
- To re-elect Mr. G.C. Wickremasinghe who is over 70 years, as a Director by passing the following resolution:  
"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. G.C. Wickremasinghe who has attained the age of 79 and that he be re-elected a Director of the Company"
- To re-elect Deshamanya D.H.S. Jayawardena who is over 70 years, as a Director by passing the following resolution:  
"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who has attained the age of 70 and that he be re-elected a Director of the Company"
- To re-elect Mr. R.N. Asirwatham who is over 70 years, as a Director by passing the following resolution:  
"That the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R.N. Asirwatham who has attained the age of 70 and that he be re-elected a Director of the Company"
- To elect Mr. C.R. De Silva, P.C. who retires in terms of Article 90 of the Articles of Association, as a Director.
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs. KPMG and authorise the Directors to determine their remuneration.
- To consider any other business of which due notice has been given.

BY ORDER OF THE BOARD



**R.E.V. Casie Chetty**

*F.C.A, F.C.M.A, M.C.M.I. J Dip. M.A.*

*Company Secretary*

Colombo  
28th May, 2013

### Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend, speak and vote in his/her stead and a Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
2. The completed Form of Proxy must be deposited at the Registered Office No. 315, Vauxhall Street, Colombo 2, not less than forty-eight hours before the time fixed for the meeting.
3. It is proposed to post the dividend warrants on 8th July 2013 provided the dividend recommended is approved. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex- dividend with effect from 28th June 2013.

**FORM OF PROXY**

I/We ..... of  
..... being a member/members of

Aitken Spence PLC hereby appoint ..... of ..... (whom failing)

- |  |                |
|--|----------------|
| Don Harold Stassen Jayawardena of Colombo              | (whom failing) |
| Joseph Michael Suresh Brito of Colombo                 | (whom failing) |
| Rohan Marshall Fernando of Colombo                     | (whom failing) |
| Mahinda Parakrama Dissanayake of Colombo               | (whom failing) |
| Gaurin Chandraka Wickremasinghe of Colombo             | (whom failing) |
| Charles Humbert Gomez of Gibraltar                     | (whom failing) |
| Niranjan Joseph de Silva Deva Aditya of United Kingdom | (whom failing) |
| Vernon Manilal Fernando of Colombo                     | (whom failing) |
| Rajanayagam Nalliah Asirwatham of Colombo              | (whom failing) |
| Chittha Ranjan De Silva of Colombo                     |                |

as my/our Proxy to represent me/us, to speak and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 27th day of June 2013, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this ..... day of June Two Thousand Thirteen.

.....  
Signature

**Note : Instructions as to completion are noted on the reverse hereof.**

## **INSTRUCTIONS AS TO COMPLETION**

Kindly perfect the form of proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

If the proxy form is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

In the case of a Company/Corporation, the proxy must be under its Common Seal (if required), which should be affixed and attested in the manner prescribed by its Articles of Association.

The completed form of proxy should be deposited at the Registered Office of the Company, No. 315 Vauxhall Street, Colombo 2, before 10.00 a.m. on June 25, 2013, being 48 hours before commencement of the meeting.

# Corporate Information

## Name

Aitken Spence PLC

## Legal Form

A Public quoted Company with limited liability, incorporated in Sri Lanka in 1952

## Company Registration Number

PQ 120

## Registered Office

No.315 Vauxhall Street  
Colombo 2  
Sri Lanka

## Directors

D.H.S. Jayawardena - Chairman  
J.M.S. Brito *LLB, FCA, MBA* - Deputy Chairman and Managing Director  
R.M Fernando *Ph.D., MBA, FCIM (UK)*  
G.M. Perera *(resigned w.e.f. 31.12.2012)*  
M.P. Dissanayake *MBA, Ph.D., Postgraduate.Dip Marketing FCIM, FICS, FCILT (UK), (GLE) Harvard Business School*  
G.C. Wickremasinghe  
C.H. Gomez  
N.J. de S. Deva Aditya *DL, FRSA, MEP*  
V.M. Fernando *Attorney-at-Law*  
R.N. Asirwatham *FCA*  
C.R. De Silva, *P.C. (appointed w.e.f. 08.04.2013)*

## Alternate Director

A.L. Gooneratne *FCA*  
(Alternate Director to N.J. de S. Deva Aditya)

## Audit Committee

R.N. Asirwatham — Chairman  
G.C. Wickremasinghe  
C.H. Gomez  
N.J. de S. Deva Aditya

## Remuneration Committee

G.C. Wickremasinghe —Chairman  
V.M. Fernando  
R.N. Asirwatham

## Nomination Committee

G.C. Wickremasinghe - Chairman  
D.H.S. Jayawardena  
J.M.S. Brito  
V.M. Fernando  
R.N. Asirwatham

## Company Secretary

R.E.V. Casie Chetty *FCA, FCMA, M.C.M.I., J.Dip.M.A.*

## Auditors

KPMG  
Chartered Accountants

## Contact Details

No.315 Vauxhall Street  
Colombo 2  
Sri Lanka

T: (94 11) 2308308  
F: (94 11) 2445406  
[www.aitkenspence.com](http://www.aitkenspence.com)



[www.aitkenspence.com](http://www.aitkenspence.com)

