

Business as usual.

Business as usual.

...at Aitken Spence, that means so much more!

At Aitken Spence, we believe in staying in the forefront of all our activities.

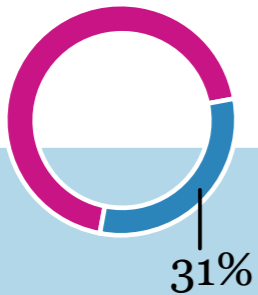
The diversity of our portfolio and our reputation for quality ensure that Aitken Spence stays ahead of the competition even in these turbulent times. Our key strengths of strategic diversification and regional expansion have given us the advantage of stability – a position of strength that drives our exploration of new opportunities for future expansion and growth.

And so, while we recognise the complexities of the current business environment, we intend to conduct our business exactly as usual – offering our customers, business associates and shareholders so much more!



Annual Report 2008 - 2009

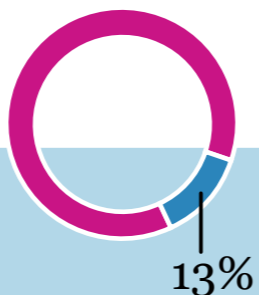
Tourism



Contribution to Group Profit

“The sector reiterated its expertise in the industry by posting a profit from operations of Rs. 1.3 billion.”

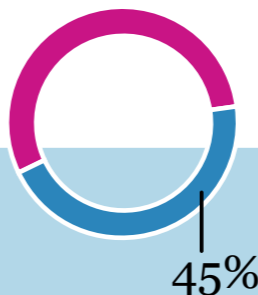
Cargo Logistics



Contribution to Group Profit

“The sector performed commendably during the year, despite the trying conditions and was able to post an operational profit of Rs. 528.5 million.”

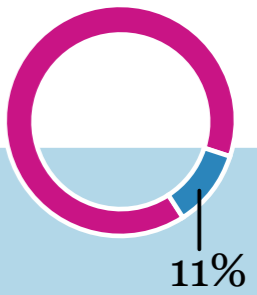
Strategic Investments



Contribution to Group Profit

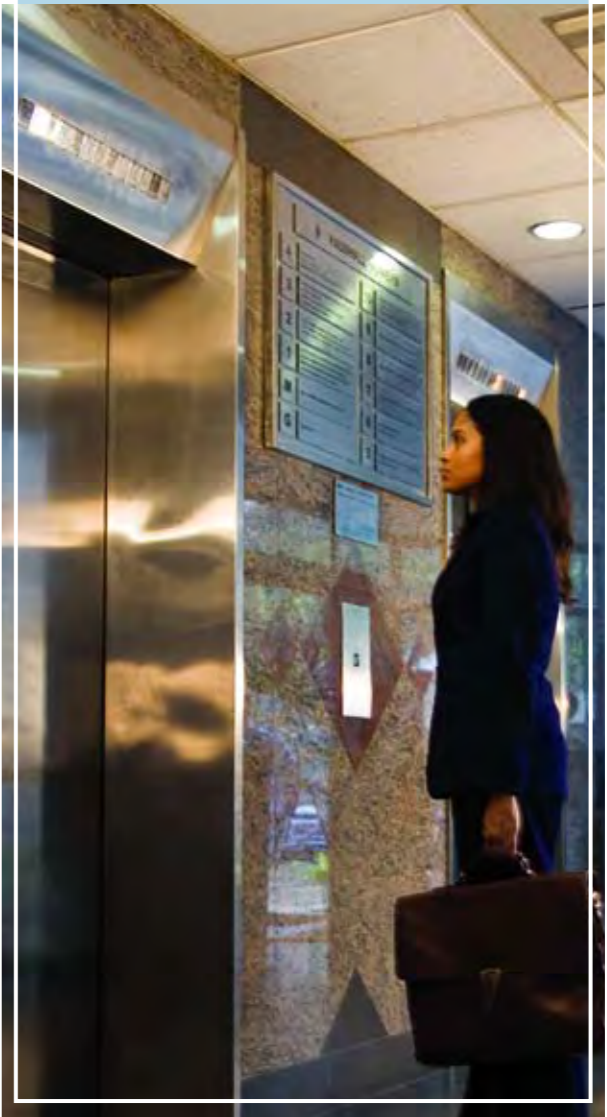
“The sector comprising Power Generation, Plantations, Apparels and Printing and Packaging posted an operational profit of Rs. 1.9 billion for the year.”

Services



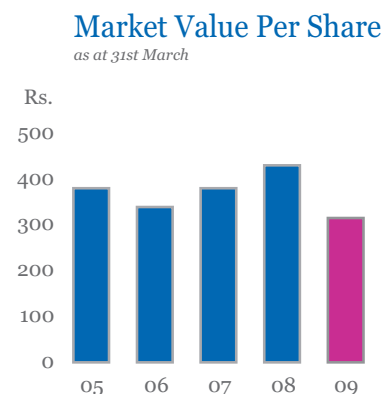
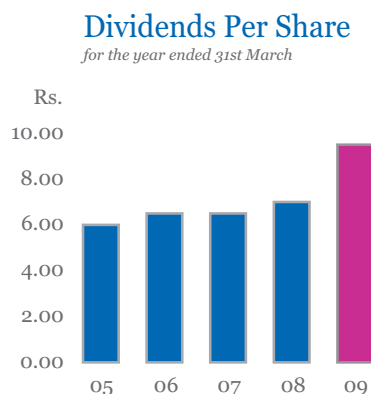
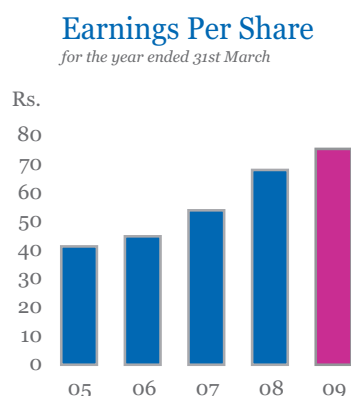
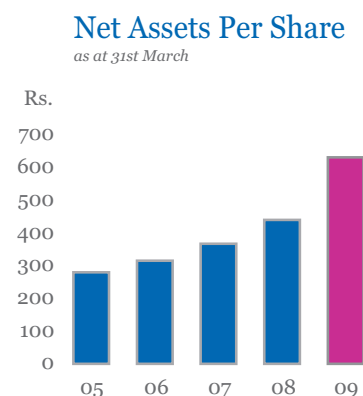
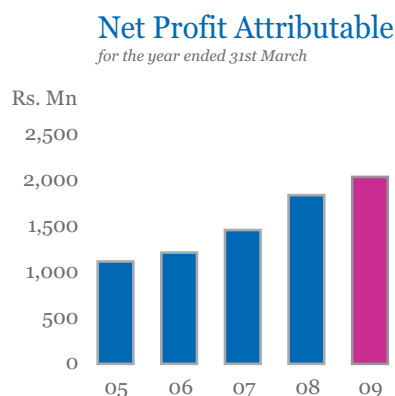
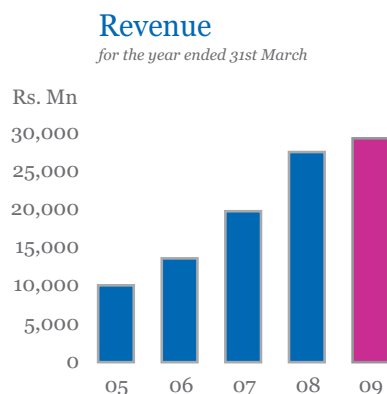
Contribution to Group Profit

“The Group’s services based operations were categorised under the Services Sector during the year, which recorded an operational profit of Rs. 449.9 million for the year.”



• Financial Highlights

A Graphical Review



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• Corporate Information

Name

Aitken Spence PLC

Legal Form

A Public quoted Company with limited liability,
incorporated in Sri Lanka in 1952

Company Registration no.

PQ 120

Registered Office

No. 305, Vauxhall Street, Colombo 02, Sri Lanka.

Directors

D. H. S. Jayawardena – Chairman
J. M. S. Brito, LL.B., F.C.A, MBA –
Deputy Chairman and Managing Director
R. M. Fernando, Ph.D., MBA, MCIM (UK)
G. C. Wickremasinghe
R. Sivaratnam (*expired on 18/07/2008*)
G. M. Perera (*appointed w.e.f. 1/09/2008*)
C. H. Gomez
N. J. de S. Deva Aditya
V. M. Fernando (*appointed w.e.f. 1/05/2008*)

Audit Committee

G. C. Wickremasinghe – Chairman
C. H. Gomez
N. J. de S. Deva Aditya (*appointed w.e.f. 13/02/2009*)

Remuneration Committee

G. C. Wickremasinghe – Chairman
D. H. S. Jayawardena
V. M. Fernando (*appointed w.e.f. 13/02/2009*)

Nomination Committee

D. H. S. Jayawardena – Chairman
G. C. Wickremasinghe
V. M. Fernando

Company Secretary

R. E. V. Casie Chetty., F.C.A, F.C.M.A, M.C.M.I., J. Dip.M.A.

Auditors

KPMG Ford, Rhodes, Thornton & Co.,
Chartered Accountants

Contact Details

No. 305, Vauxhall Street, Colombo 02., Sri Lanka.

Telephone : (94 11) 2308308
Facsimile : (94 11) 2445406
Internet : www.aitkenspence.lk

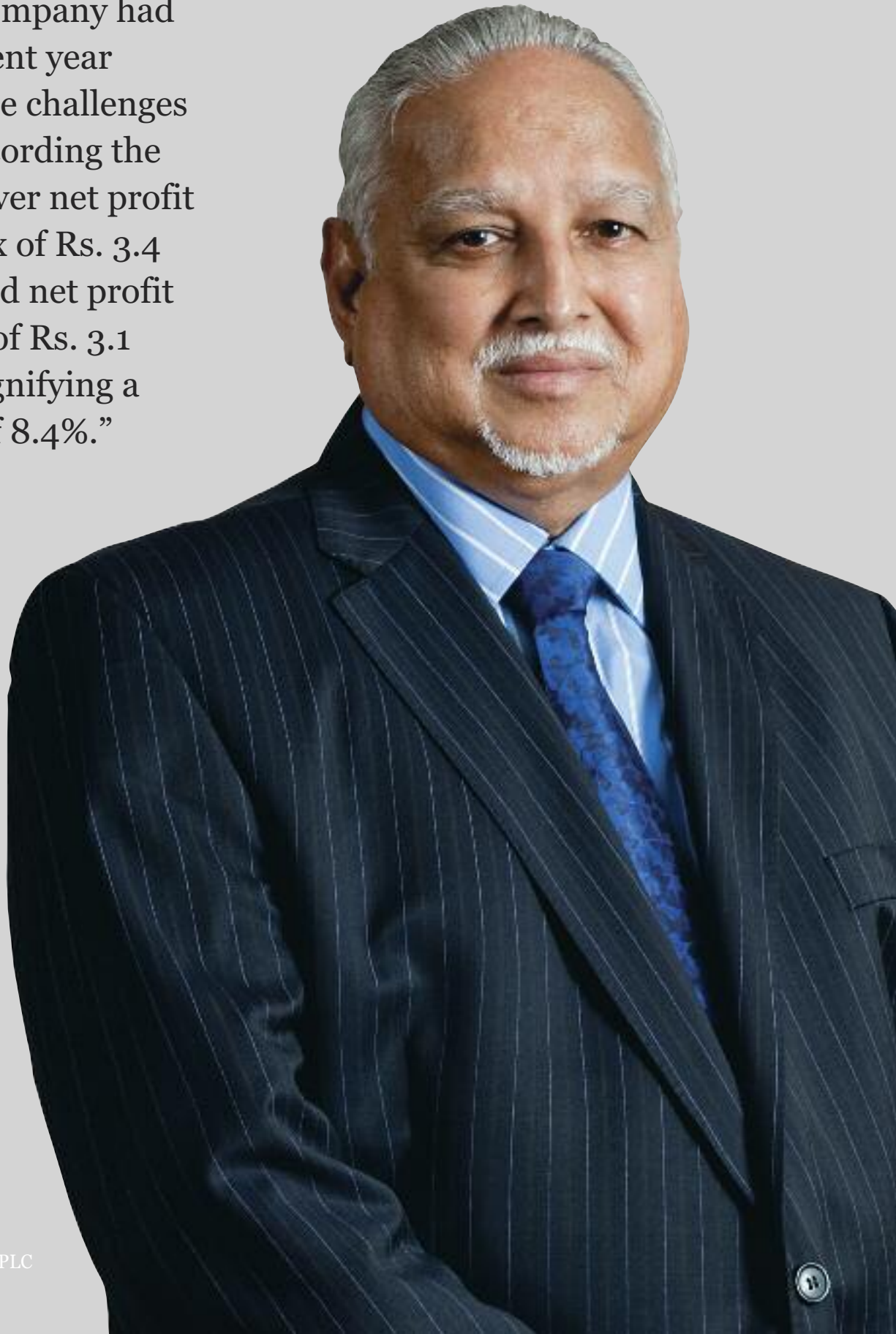
• Financial Highlights

For the year	Growth %	2008/2009 Rs. '000	2007/2008 Rs. '000	2006/2007 Rs. '000
Performance				
Group revenue with associates	6.4	32,024,114	30,094,741	21,296,013
Group revenue	6.5	29,307,818	27,515,960	19,765,632
Profit from operations	13.9	4,112,128	3,611,327	3,231,441
Profit before taxation	10.8	3,396,916	3,064,792	2,582,088
Profit attributable to equity shareholders of the company	10.8	2,040,010	1,841,150	1,459,775
Earnings per share (Rs.)	10.8	75.37	68.02	53.93
At the year end				
Total equity		21,631,393	15,785,728	13,124,832
Total assets		36,380,844	31,185,193	26,350,825
Non - current liabilities		6,677,114	6,903,834	6,832,112
Market value per share (Rs.)		315.00	430.00	380.00
Net assets per share (Rs.)		630.97	439.81	366.92
Current ratio		1.33	1.35	1.33
Quick asset ratio		1.17	1.20	1.19
Dividends				
Interim dividend per share (Rs.)		3.50	3.00	3.00
Final dividend per share (Rs.)		6.00	4.00	3.50
Dividends per share (Rs.)		9.50	7.00	6.50
Key Indicator				
EBIT growth - %		13.9	11.8	45.3
Return on equity (ROE) -%		14.1	16.9	15.8
Debt/Equity ratio		0.29	0.41	0.49
Interest cover ratio		6.54	5.78	4.93
Dividend payout ratio		0.13	0.10	0.12

• Business as usual

Chairman's Statement

“Your Company had an excellent year amidst the challenges faced, recording the highest ever net profit before tax of Rs. 3.4 billion and net profit after tax of Rs. 3.1 billion signifying a growth of 8.4%.”



Earnings Per Share
Rs. 75.37

Dividends Per Share
Rs. 9.50

As the Chairman of your company I am happy to note that the Aitken Spence Group has performed commendably during an year of unprecedented turmoil and difficulties to report the highest ever profits in the history of the Group.

As a shareholder, you would be happy to note that the Group's strategic decision to embark on a policy of overseas expansion has stood us in good stead. We are now a firmly established player in our chosen sectors in the Maldives, South Africa, India and Oman. These operations have proven successful, giving us the impetus to seek further opportunities of regional expansion.

It is in this context that I am pleased to present your company's Annual Report and Audited Financial Statements for the financial year 2008/2009.

Economic Review

The collapse of the sub-prime market in the USA and other developed economies during late 2008 led to a credit crunch in banks around

the world. Developed economies plunged into recession with the collapse of major financial institutions and corporate bankruptcies led to thousands of job losses with fall outs across the world leading to a decline in aggregate consumer demand.

The International Monetary Fund predicts that the world economic growth will fall to 0.5% in 2009, the lowest since the Second World War, and the International Labour Organisation forecasts job losses arising from the economic crisis to hit an unprecedented 51 million worldwide.

While the crisis has been slow to spread to Asia, operating as we do in a globalised economic environment has meant that this region too has had its share of consequences. Asian stocks and currencies have experienced declining trends while the drop in consumer spending in the West has directly affected exports from the Asian region.

As the bubble that was driving the commodity prices in international markets burst with the financial melt down, prices of major export

commodities produced by Sri Lanka too declined rapidly. Additionally the declining global demand for commodities due to the loss of purchasing power resulting from the financial crisis lead the way to an accumulated stocks that had to be disposed at prices below cost of production. The prices of tea and rubber declined to levels which made production unprofitable during the final quarter of the financial year.

Sri Lanka achieved a commendable real GDP growth of 6% in 2008, with a weak fourth quarter impacting a targeted growth rate of 7%. Growth in 2008 was led by the agricultural sector which grew 7.5%. The industrial sector recorded a growth of 5.9% compared with 7.6% in 2007 while the services sector grew 5.6% a decline from 7.1% achieved last year.

The performance of the last quarter was an indication of the impact the global recession would have on our economy in 2009.

The tourism industry had a lean year with the security situation and the resultant negative travel advisories exacerbating already weakening global

• Chairman's Statement

tourism trends. Arrivals to Sri Lanka dropped by 11.2% to 438,475 compared to 494,008 with gross tourist receipts down 13%.

Inflation peaked at 28.2% in mid-2008 before falling to 5.3% in March 2009 helped by the collapse of commodity prices, whilst interest rates declined considerably as the Central Bank cut policy rates as a measure to stimulate the economy.

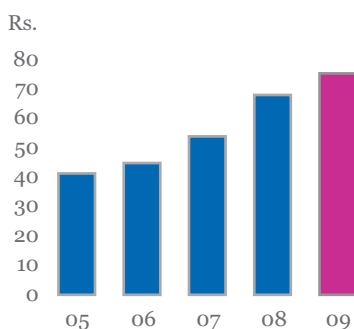
Dividends Per Share

for the year ended 31st March



Earnings Per Share

for the year ended 31st March



Corporate Performance

Your company had an excellent year amidst the challenges faced, recording the highest ever net profit before tax of Rs. 3.4 billion and net profit after tax of Rs. 3.1 billion signifying a growth of 8.4%. The net profits attributable to shareholders was Rs. 2.0 billion which is a growth of 10.8% over the previous year and the highest ever recorded by the Company.

Positive performances in maritime transport, integrated logistics, power, printing and inward remittances helped grow the bottom line during the year while the returns from plantations and garments were below our expectations. The tourism sector showed a negative return mainly due to the decline in tourist arrivals during the year under review. On a positive note the encouraging performances in our overseas expansions helped offset losses in Sri Lankan hotels.

Shareholder returns

In acknowledgement of our excellent results, your Board of Directors is pleased to recommend a final dividend of Rs 6.00 per share. This together with the interim dividend already paid of Rs 3.50 per share will amount to a total dividend of Rs 9.50 per share. Our shareholders would acknowledge that the expansion of the Group during the past ten years was mainly funded through debt financing. The high interest rate regime that prevailed during the year under review placed a severe burden on the Company given the ensuing high cost of debt servicing. I am confident that our shareholders will be happy to note that despite the high cost of debt financing, the company has not made any equity calls to finance expansion projects.

Future Outlook

As I pen this message, Sri Lanka is revelling in the aftermath of the liberation of the North and East, and the unification of the country after three long decades of terrorism.

On behalf of Aitken Spence, I express my sincere gratitude to His Excellency the President Mahinda Rajapakse for his courageous leadership to the government and the armed forces and his single-minded determination to deliver on his promise to rid Sri Lanka of the scourge of terrorism. Defence Secretary Gotabhaya Rajapakse and his service chiefs must be lauded for

their fearless resoluteness to wipe out the LTTE by strategically administering a multipronged military campaign of historic significance. To the valiant men and women of the Sri Lanka's Army, Navy, Air Force and Police, I say well done and thank you; I take this opportunity to express my profound appreciation of all those who heroically laid down their lives in defending the country.

The victories of the security forces are especially significant as all indications are that the LTTE has been annihilated as a military and political force. We are optimistic that President Mahinda Rajapakse's government will now begin laying the foundation for a just and equitable political solution that ensures dignity for all and respect for pluralism and diversity.

A peaceful Sri Lanka naturally means a more stable Sri Lanka, devoid of the ravages of conflict and the consequent retardation of economic growth. This is the country's opportunity – amid the gloom of a global recession, these new events hold incomparable promise for the year ahead.

Post conflict development of the North and East as well as the rejuvenation of the economy will become priorities in the immediate future. It is expected that Sri Lanka will be able to attract foreign direct investments for post conflict development and thereby reach a higher level of economic

development in the medium term. Security and stability will allow the country to take full advantage of its strengths and capabilities particularly in areas such as tourism and logistics. It is also an opportunity for the country to reverse the alarming trend of brain-drain, especially among young qualified professionals, who may now be encouraged to return to their motherland and play a meaningful role in its nascent development programme.

The newly liberated North and East offer exciting prospects for Aitken Spence, as many of our sectors can potentially capitalise on new opportunities and expand their reach to access new markets and new stakeholders. Your company stands ready to play its part in the evolving discourse of the government's nation building agenda.

In an overall sense, we expect that the year ahead will be one of consolidation for the Group. We will, however, constantly seek and analyse opportunities that fit well with our plans for growth and expansion, especially within the countries and regions where we are already well established. We remain bullish about our prospects in utilising our superior management capabilities especially in the areas of tourism, port efficiency management operations, power and logistics to capture overseas growth opportunities.

Conclusion

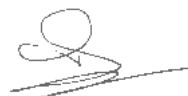
I note with regret the demise of Ratna Sivaratnam, a former Chairman of the Group and my colleague on the Board of Directors, whose expertise and support will be missed by us all.

I wish to take this opportunity to welcome Gehan Perera and Manilal Fernando who joined the Board during the year.

I am grateful to my fellow Board members who have been a source of strength and encouragement to me and the management team.

On behalf of the Board, I wish to place on record our appreciation of the management team which has given exemplary vision and leadership to the company, guiding it through tough times.

Finally, let me thank every member of the Aitken Spence team for their spirit, fortitude and loyalty which have been a source of inspiration to us all.



D.H.S. Jayawardena
Chairman

25th May 2009

• Offering so much more...

Managing Director's Review

Revenue

Rs. 29.3bn

Profit Before Tax

Rs. 3.4bn

The evolution of Aitken Spence continued during the financial year under review despite the increasing challenges posed by the global economic environment. The Group forged new alliances with stable and reliable associates, expanded its horizons and simultaneously consolidated its mature bases whilst retaining its reputation. The Group ended the year on a positive note with its major sectors performing creditably amidst the global turmoil. Our steady momentum can be attributed to an excellent management culture that embraces constructive change, seeking new paths of success while staying focused on our vision.

The real impact of the worst global economic downturn since the Second World War did not affect Sri Lanka until the latter part of 2008, due to the domestic financial sector not being exposed to the sub-prime crisis that swept through the western world. However, the gradual decline in exports and tourist arrivals to Sri Lanka witnessed during the last quarter of this financial year appear to signify that the effect of the global melt down would have a significant impact on the economy during the financial year 2009/2010.

The silver lining in the dark clouds gathering on the economic horizon is the permanent settlement to the terrorist conflict which has ravaged the country for decades. It would be a new beginning for the nation, with the end of the three decade long war. We are certain that the dawning of peace, will help mitigate some of the negative consequences of the global recession.

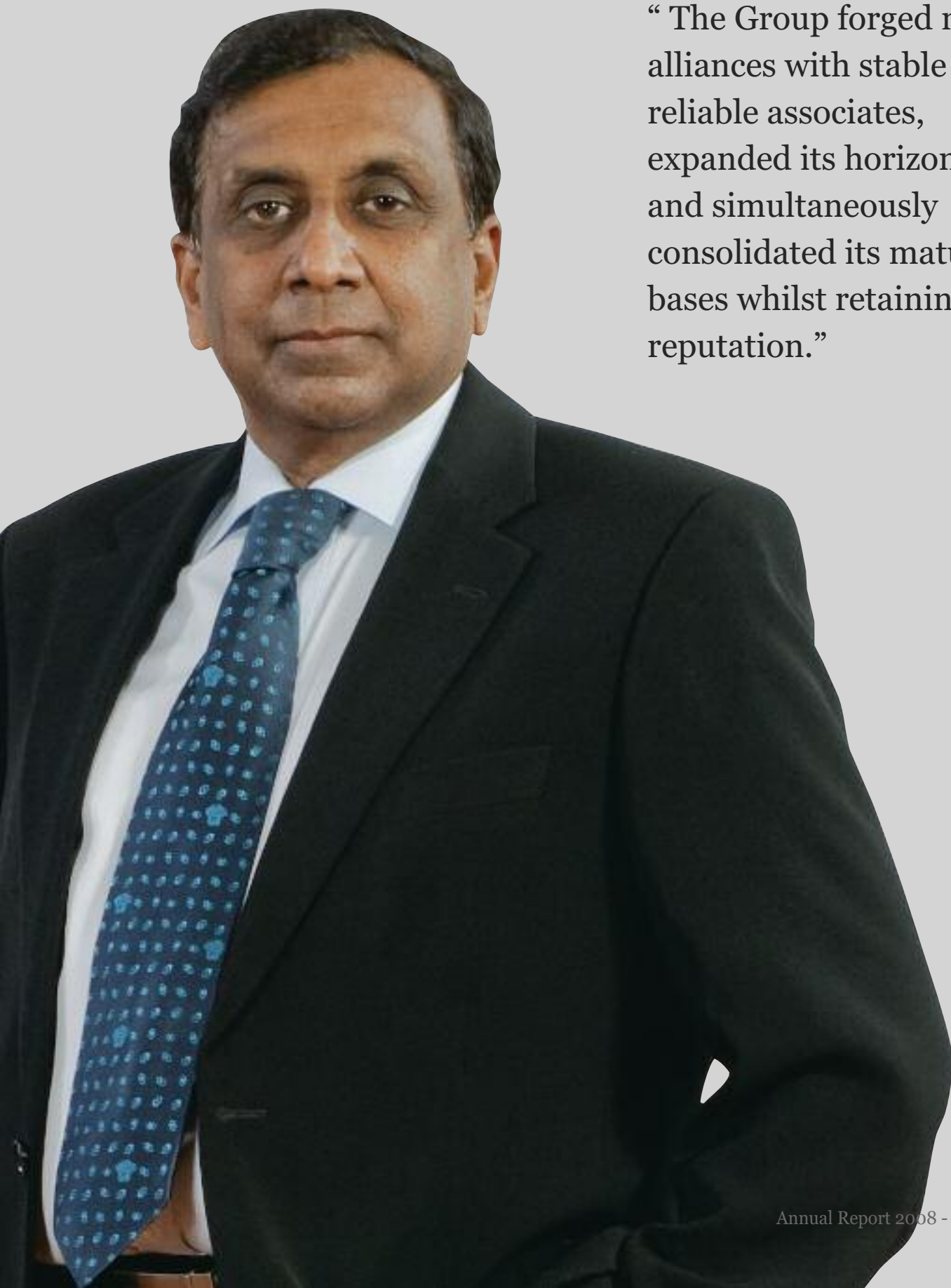
We have persisted with our strategic endeavors to project Aitken Spence as a world renowned brand; during the year, we made further inroads into the Middle Eastern, African and South Asian regions where we are now a growing presence in diverse sectors such as hotel management, inbound travel, port management and logistics. It is noteworthy that this zero-capital expansion overseas has been driven purely on the reputation of our conglomerate and the expertise of our management, the combined strengths of which have created a powerful 'consulting' brand for Aitken Spence.

Travels and Tourism

The expansion of our hotel management expertise into the region continued with vigour. New

properties brought under our wing included Adaaran Prestige- Vadoo in the Maldives, Heritance Madurai, Hotel Athithi in Puducherry in India and Desert Nights Camp in Oman. The growing international presence has brought with it respect and recognition for our management strengths and brands, which we plan to capitalise on in the coming year. The lease on Bathala island resort in the Maldives was disposed during the year under review at an attractive price as it had only three years of operations remaining.

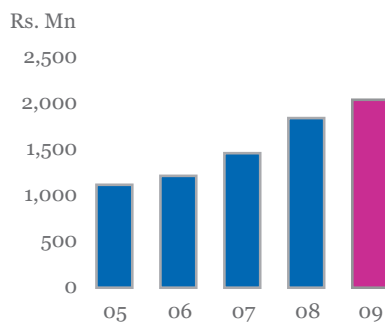
Sri Lankan resorts continued to be adversely impacted by external conditions far beyond our control. The downturn in the tourism industry worldwide as a result of the global recession combined with the security concerns, negative travel advisories and high inflation during the first nine months of the financial year exerted considerable pressure on the sector. Despite these difficulties the Group maintained its benchmark standards in resort operations and management which paid dividends by bringing on buoyant



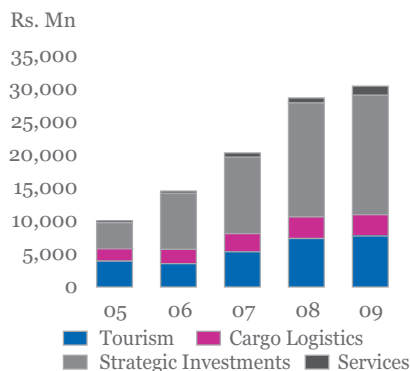
“ The Group forged new alliances with stable and reliable associates, expanded its horizons and simultaneously consolidated its mature bases whilst retaining its reputation.”

“We have persisted with our strategic endeavors to project Aitken Spence as a world renowned brand; during the year, we made further inroads into the Middle Eastern, African and South Asian regions.”

Net Profit Attributable
for the year ended 31st March



Sector Revenue
for the year ended 31st March



domestic sales while being well positioned to benefit from the peace dividend.

Heritage Kandalama continues to enjoy its reputation as the most exotic destination in the country, while Heritage Ahungalle remains one of the most sought after beach resorts. The Tea Factory is currently being refurbished and we plan to bring this resort under the Heritage umbrella during the financial year 2009/2010. With the re-branding of Tea Factory, the Group's portfolio will expand to have a five star resort in every major tourist destination in Sri Lanka.

Resorts in the Maldivian sector performed reasonably well during the year against a backdrop of falling tourist arrivals. We expect a challenging year for the Maldivian resorts as the impact of the global recession is forcing the operators to offer reduced prices whilst having to use innovative strategies to rationalise operating costs.

The Travels sector had a year of mixed fortunes with the airline business expanding with the addition of a new General Sales Agency whilst the

inbound travels business experienced a reduction in visitor arrivals.

Kingfisher Airlines, the fast growing global carrier based in Bangalore, India, appointed Royal Spence Aviation (Pvt) Ltd as its General Sales Agent in Sri Lanka in January 2009. Kingfisher operates direct daily flights from Colombo to Bangalore and Chennai with connecting flights to London.

Singapore Airlines rationalised flights across its network with the lower demand for air travel resulting in the number of flights to Sri Lanka being reduced from a daily service to 5 times per week since February 2009.

Logistics

The Maritime transport division expanded its port efficiency enhancement operations in South Africa during the year. This is a service which we are now ready to offer in other African countries and are presently exploring a number of opportunities.

We are once again submitting a tender proposal for the Colombo Port South Container Terminal development project and await with anticipation, a

Net Assets per Share
Rs. 630.97

Market Value per Share
Rs. 315.00

decision by the government on its future direction. The development of the South Container Terminal is vitally important for the future economic prosperity of the country and a further delay in implementing this project will result in the Colombo Port losing its competitive advantage as a major transshipment centre in the South Asian region.

The Integrated logistics division was able to maintain momentum as a leading player in the industry during the year under review, with nearly all of its subsidiaries performing creditably and achieving steady growth. The Multi Country Consolidation operation was reinstated by the government in November, the benefits of which will be seen in the current financial year.

The Freight forwarding division operated under difficult conditions and experienced narrowing margins mainly due to the pressure of intense industry competition. The operations of the division in Bangladesh and the Maldives have considerable growth potential while a cautious approach has been taken in respect of expansion to Pakistan and India in the immediate future.

Strategic Investments

The Power division maintained its solid performance as in the previous years. Our future strategic direction is in renewable energy and we are thus actively seeking opportunities in this area. The Horana and Matara plants received ISO 9001, ISO 14000 and OHSAS certification while the Embilipitiya plant should complete its certification in the first quarter of 2009/10. Further operational and technical improvements have been identified at all three plants for the coming year in a bid to enhance reliability.

The Plantations sector reported disappointing results as the benefit of favourable tea prices during the first half of the year was off-set by high costs of production, the major contributor to which was the high wage cost. The latter half of the year was affected by reduced prices and the drought which significantly affected the production of quality tea.

The Printing division is gradually moving towards steady profits and has embarked on a strategy of diversifying its product mix, whilst focusing on improving profit margins.

The Garments division witnessed a decline in orders as major buyers in the USA and UK were forced to reduce their trading stocks due to the global recession which eroded purchasing power of consumers in these countries. We chose to use the downturn as an opportunity to strengthen the division internally and with this purpose, appointed a new Managing Director who has considerable trade experience in this line of business.

Services

The inward remittances business performed extremely well and despite the global meltdown, there is no sign of reduction in volumes of transactions. The newly established insurance brokerage operation meanwhile is on track to seek new business outside the Group.

O&M operations at all three power plants are now carried out by a newly created service division – a move that has been exceptionally successful. Both the Horana and Matara power plants completed more than three years of operations and maintenance by the company and following this success, the O&M services in the Embilipitiya power plant were also taken over during the financial year.

- Managing Director's Review

“The strength of Aitken Spence lies in its management expertise and the Group will continue to leverage this core competency in pursuit of its expansion plans across global horizons.”

It is envisaged that the service experience gained from this undertaking could be marketed overseas to similar projects.

Inward Strengths

A shared services centre was formulated during the year, drawing on internal resources with experience and expertise to create synergy and efficiency in routine processes. The shared services centre became fully operational in April 2009 and it is envisaged that a number of routine functions will be gradually transferred from subsidiaries to the centre, thereby releasing more financial and non-financial resources that the divisions may use more efficiently.

Our new building at Vauxhall Street was completed during the year, affording a number of previously scattered strategic business units the opportunity of bringing their companies and varied operations under one roof. The new premises have been designed to create a distinctive and spacious working environment which I hope will spur the Aitken Spence family to strive harder towards better performance.

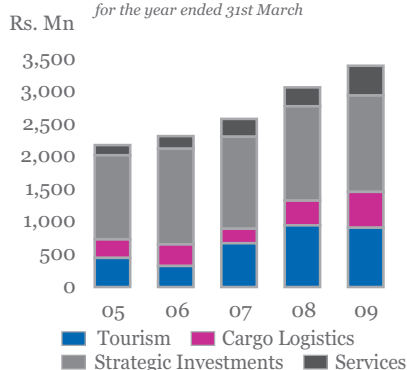
The Group's commitment to sustainable development and good governance is a mainstay of our corporate culture. During the year under review we were recognised nationally for the strength and quality of our principles and processes. Aitken Spence PLC won the National Business Excellence Award for the “Diversified Group Companies Sector” at the National Business Excellence Awards 2008 organised by the National Chamber of Commerce of Sri Lanka. The Group was the runner-up at the Best Corporate Citizens Awards organised by the Ceylon Chamber of Commerce. Aitken Spence also had the distinction of being named Winner of the Environmental Performance category due to the benchmark efforts to manage its environmental influences.

Looking Ahead

We salute the government's military victories in the North and East. 2009/10 will be a year of unification for the country. We are excited at the prospects for the newly liberated areas and the many opportunities that may arise for Aitken Spence to partner the government and non-government agencies in rehabilitating,

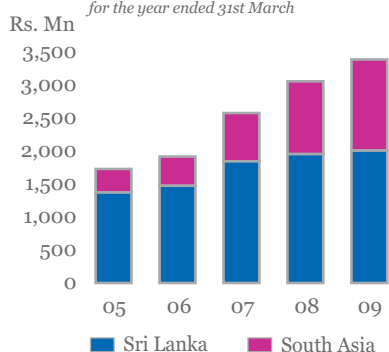
Sector Profit Before Taxation

for the year ended 31st March



Geographical Analysis of Profit Before Taxation

for the year ended 31st March



reconstructing and developing the North and East. It is hoped that multilateral agencies such as the World Bank and USAID will provide the necessary funding and incentives to transform the Northern and Eastern regions to bring them on par with the rest of Sri Lanka.

In the year ahead, the Group will continue to focus on aggressively expanding in Asia and the Middle East. Opportunities are being evaluated in tourism, power generation and logistics – areas in which we have substantial experience. The strength of Aitken Spence lies in its management expertise and the Group will continue to leverage this core competency in pursuit of its expansion plans across global horizons.

Appreciation

It is with deep sadness that I note the demise of one of our Directors and past Chairman, Mr. Ratna Sivaratnam, who provided 45 years of yeomen service to Aitken Spence, pioneering the Company's entry into tourism in Sri Lanka and the Maldives, and in the later years spearheading our entry into power generation. His contribution to

the Group is remembered with deep gratitude.

My sincere appreciations go to my colleagues on the Board for the support extended to me and my management and the valuable input given during the year. I also place on record my appreciation of our many stakeholders – business partners, customers and suppliers whose trust in the company gives us a sense of confidence and satisfaction.

As we stated in our Annual Report last year, evolution is progressive and requires vision, strategy, energy and requisite execution skills. This year, we have amply demonstrated that Aitken Spence is indeed home to extraordinary men and women whose energies and passions are superseded only by their unwavering belief in a shared vision for the company. I thank them for their commitment.



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

25th May 2009

• 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., the Sri Lanka Insurance Corporation, Lanka Bell (Pvt) Ltd., and a Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka. He is presently the Honorary Consul for Denmark.

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 is a Law Graduate of London University, a Fellow of the Institute of Chartered Accountants of England and Wales and obtained a Master's Degree in Business Administration from the City Business School, London. Together with this multi-disciplined knowledge, he also brings with him a wealth of 25 years of international experience working with Price Waterhouse - London, British EverReady PLC, Minmetco Group, World Bank and PERC. Presently Mr. Brito is the Chairman of the Development Finance Corporation of Ceylon and the DFCC Vardhana Bank. He is a former Chairman of Sri Lankan Airlines, and was a non-executive Director of Sri Lanka Insurance Corporation and the Strategic Enterprise Management Agency and the Task Force for Rebuilding the Nation.

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 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 of UK. He has extensive experience in the plantation industry and played a key role in the plantations privatisation programme. He was the past Chairman of the Planters' Association of Ceylon and was also a Director of the Rubber Research Institute of Sri Lanka. He was awarded the Brand Leadership Award at the Asia Brand Congress 2008, held in Mumbai in September 2008.



Mr. G. M. Perera

Mr. Gehan M. Perera heads the Travel sector in the Group. He is on the board of the Sri Lanka Tourism Promotion Bureau and also serves in the committee of the Ceylon Chamber of Commerce. He is a Past President and an Honorary Member of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He was a member of the Tourism Cluster facilitated by USAID. He is a Fellow of the Australian Institute of Management.

• Board of Directors



Mr. G.C. Wickremasinghe

Mr. G.C. Wickremasinghe started his career 55 years ago at an Aitken Spence managed plantation. 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 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 been a Director of the Company continuously for a period of over 37 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 Tea Factory.



Mr. C. H. Gomez

Mr. Charles Gomez is an Investment Banker with over 20 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 also serves on Boards of foreign investment companies. Mr. Gomez was appointed to the Board of Aitken Spence PLC., on 14th May 2002.



Mr. N. J. de Silva Deva Aditya

Mr. Niranjan Deva Aditya, an aeronautical engineer, scientist and economist, is a Member of the European Parliament and serves as the Majority Leader and Coordinator of the EPP-ED Group in the Development Committee and is Conservative Spokesman for Overseas' Development and Co-operation. He is one of 28 UK Conservatives who are now part of the European Parliament's majority political group. He was the first Asian to be elected as a Conservative Member of Parliament in the last century, representing Brentford and Isleworth from 1992 to 1997 and served in the British Government as PPS in the Scottish Office and was a member of the Select Committees on the Parliamentary Ombudsman (1993-1997) and Education (1994-1996). He is a Hon. Ambassador without portfolio for Sri Lanka. He was the first Asian to be appointed as Her Majesty's Deputy Lord Lieutenant for Greater London, representing The Queen on official occasions since 1985.



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 is currently the Chairman of Holcim (Lanka) Ltd and its subsidiary Companies since 1996. He is also Chairman and or Director of other public listed and private companies. He functions as the Chairman of the Board of Custodians of the Tsunami Disaster Fund for Holcim (Lanka) Ltd.

Mr. Fernando is the Chairman of the Management Committee of the Football Federation of Sri Lanka and FIFA Development Officer in Colombo. Mr. Fernando excelled himself in the field of sports, especially football and held many important positions in the football arena in the Asian region. He has been the Vice President of the National Olympic Committee since 1990.

• Board of Management



Mr. J. M. S. Brito



Dr. R. M. Fernando



Mr. G. M. Perera



Mr. R. E.V. Casie Chetty



Mr. K. R. T. Peiris



Mr. N. P. Nallaratnam



Mr. D. I. Abeywardene



Ms. N. Sivapragasam



Mr. D. V. H. de Mel



Dr. P. Dissanayake



Mr. S. M. Hapugoda



Ms. N. W. de A. Guneratne



Mr. S. Ganeshan



Mr. C. M. S. Jayawickrama



Mr. R. G. Pandithakorralage



Mr. D. S. Mendis

• Board of Management

Mr. J. M. S. Brito

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of the Sri Lanka Association of Inbound Tour Operators (SLAITO). He was a member of the Tourism Cluster facilitated by USAID. He is a Fellow of the Australian Institute of Management.

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 35 years post qualifying experience. During this period he has held very senior and responsible positions in extremely respectable 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 is currently a Member of the Council of the Employers Federation of Ceylon and an Executive Committee Member of the Chartered Management Institute- Sri Lanka Branch. 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 various operations of the Groups' freight forwarding division in Bangladesh, India, Pakistan and Maldives. He held the position of Chairman of the Sri Lanka Freight Forwarders Association for 3 years and now helps them on an advisory capacity. Presently he is a Director of SLFFA Cargo Services Ltd. He

is a Member of the Chartered Institute of Logistics & Transport – International and also represents the company at the American Chamber of Commerce. He is also affiliated with most of the industry bodies.

Mr. N. P. Nallaratnam

Mr. Niranjana Nallaratnam heads Integrated Logistics. He has many years of experience in managing container depots, container freight stations and third party logistics operations. He was one of the pioneers who led the way for Aitken Spence to enter to this field and has been an instrumental force in the development and growth of this sector. He is a member of several industry bodies.

Mr. D. I. Abeywardene

Mr. Indrajit Abeywardene heads the Printing sector of the Group.

He holds a Diploma from the London College of Printing, (UK) and counts many years of experience and knowledge in the industry. He is also on the Board of Governors of the Sri Lanka Institute of Printing.

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 U.K. She is a member of the Statutory Accounting Standards Committee and serves on the Committees of the Tax and Audit 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. She previously served on the Council of The Chartered Institute of Management Accountants – Sri Lanka Division and is currently a member of the Taxation Sub Committee of the Ceylon Chamber of Commerce.

Mr. D. V. H. de Mel

Mr. Devan de Mel is the Managing Director of the Power Generation Sector of the Group. He formerly headed the Group's Corporate Planning Unit and was closely involved in the Group's diversification into Power Generation. He has a Bachelor's Degree in Mechanical Engineering from the Imperial College of Science & Technology, and a Master's Degree in Business Administration from the London Business School, University of London.

Dr. P. Dissanayake

Dr. Parakrama Dissanayake Chairman/CEO Maritime Logistics is a former Chairman of Sri Lanka Ports Authority and also a former Chairman of state owned Jaye Container Terminals Ltd., and Sri Lanka Port Management Consultancy Services Ltd.

Dr. Dissanayake who has served on the UN/UNCTAD Panel as an expert on Ports & Shipping is the present Chairman of the Central Advisory Council of Sri Lanka Transport Board and a Co-Chairman of the Transport Cluster of the National Council for Economic Development which is under the Presidential Secretariat.

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), and is a recipient of the Best Shipping Personality award conferred by the Institute of Chartered Shipbrokers and Contribution to society Award by PIMPA of the University of Sri Jayewardenapura.

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 General Manager of the Lloyds 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 the current President of the Sri Lanka Insurance Institute.

Mr. S. Ganeshan

Mr. Sasi Ganeshan heads Aitken Spence Aviation (Pvt) Ltd., GSA for Singapore Airlines and Singapore Airlines Cargo in Colombo. He counts many years of experience in this field and possesses a wide knowledge of the airline and the travel industries.

Mr. C. M. S. Jayawickrama

Mr. Susith Jayawickrama an Associate member of the Chartered Institute of Management Accountants UK, is presently the Director General Manager of Aitken Spence Hotels and serves on the Boards of several 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 a member of the Tourist Hotels Association of Sri Lanka [THASL] Executive Committee.

Mr. R. G. Pandithakorralage

Mr. Rohan Pandithakorralage heads Human Resources at Aitken Spence PLC.

He is a Past President of the International Public Management Association for Human Resources – Sri Lanka Chapter and a founder committee member and a Past President of the Association of Human Resource Professionals in Sri Lanka (HRP).

He is a Business graduate of Victoria University of Australia with executive training at NUS Business School in Singapore.

He is one of the representatives of the private sector in the Standing Committee on Career Guidance in the University Grants Commission (UGC), a visiting lecturer at the University of Colombo and Ruhuna University. He won the prestigious HR Leadership award at the Asia Pacific HRM Congress (APHRM). He was recognised under the global HR excellence category for the contribution made to HR for the economic development of the country.

Mr. D. S. Mendis

Mr. Dinesh Mendis who heads the Financial Solutions Sector of the Group 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 also worked in the Logistics sector of the Group for 11 years from 1994 to 2005, the last five of which was as a Subsidiary Director. During this period he also served two years in the Executive Committee of the Sri Lanka Freight Forwarders Association and a Director of SLFFA Cargo Services Ltd. He also has international experience working for Circuit City, one of the largest electronics retailers in the USA.

• Offering so much more

Sector Review

Tourism

Hotels

Inbound and Outbound Travel

Airline GSA



Cargo Logistics

Freight Forwarding

Courier

Integrated Logistics

Maritime Transport



Strategic Investments

Power Generation

Printing & Packaging

Garment Manufacture

Plantations



Services

Western Union Money Transfer

Operation & Maintenance of
Power Plants

OTIS Elevator Agency

Insurance

Property Management



• Offering so much more Tourism Sector



The Tourism sector operated in an increasingly difficult environment during the year under review, with the industry among the worst affected across the world. Declining purchasing power of travellers resulting from the global recession was the main factor that affected the industry worldwide. The Group however persisted with its expansion into the region, enhancing its presence in the Maldives and establishing its roots in Oman and India while welcoming a new GSA and reaping the benefits of its strategy to make inroads into previously untapped tourist markets.

Despite the many difficulties faced by the tourism industry, the sector reiterated its expertise in the industry by posting a profit from operations of Rs. 1.3 billion.

2008 was one of the most difficult years for the tourism industry in Sri Lanka. The global recession and domestic security concerns combined to adversely impact an already dismal level of arrivals. Travel advisories issued by a number of countries have

discouraged high spending western tourists and the division is witnessing an increased number of arrivals from new markets in Eastern Europe, Asia and the Middle East.

The Group's traditional market for the top end properties, the high spending visitors from the West, declined in number and visitors with a budget travel plan who stay for short durations grew in number. The high end properties were increasingly patronised by domestic travellers and the Group has offered special promotional packages to encourage this segment. A reflection of domestic interest is the membership of the Diamond Club which has now risen to over 1500.

The industry has constantly had to battle between maintaining quality versus managing costs and maintaining its profit margins. Hotels were also challenged with high costs of debt, increased labour and material costs and the inability to charge commercial rates due to dwindling tourist arrivals.

Amidst the global downturn, Sri Lanka may be able to capitalise on a unique opportunity. With the end of the war in the North and East and the dawning of peace in the country, the Group is well positioned to reap benefits from a resurgence in tourist arrivals. A revival of the North and East would also offer the sector an opportunity to capitalise on the Groups' prime block of beach front land in Nilaveli, Trincomalee.

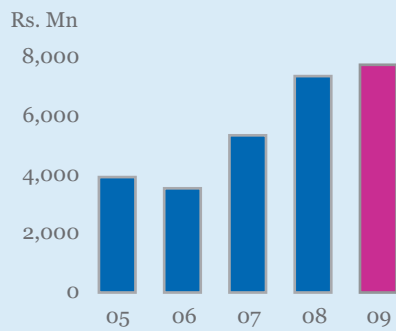
The Group's two Heritage properties in Sri Lanka, Kandalama and Ahungalla continue to attract discerning visitors with their unique brand of hospitality. The third Heritage property in the country, The Tea Factory is being refurbished to reflect the brand's image. With this refurbishment of Tea Factory as well, Aitken Spence lays claim to perhaps the finest resort properties in the island's three key tourist attractions – beach, culture and hills.

The division's website was completely revamped during the year, unifying all its properties including those overseas. The site, fortified with a



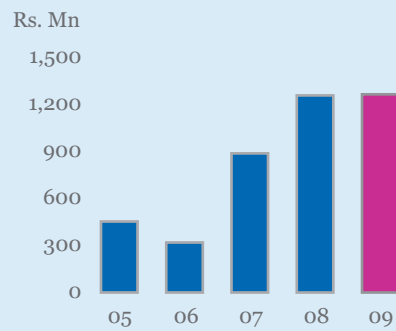
Revenue

for the year ended 31st March

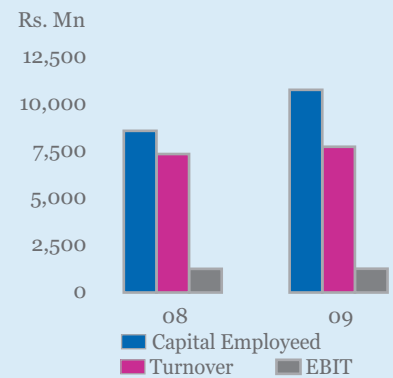


Profit from Operations

for the year ended 31st March



Tourism Sector



- Tourism Sector

Revenue

Rs. 7.8bn

Total Assets

Rs. 13.2bn

“Kingfisher Airlines appointed Royal Spence Aviation (Pvt) Ltd, a wholly owned subsidiary of the Group as the General Sales Agent in Sri Lanka.”

payment gateway, has been transformed in to a living site.

The sector’s marketing efforts are now concentrated on non-traditional markets, which may show a surge of interest for a value for money destination such as Sri Lanka in the coming year.

The sector’s commitment to maintaining the highest standards at its flagship properties was evident at the Presidential Awards for Travel and Tourism where Heritance Kandalama was recognised as the Sri Lanka’s best 5 star resort in Sri Lanka for the second consecutive year. The Tea Factory was named the best 4 star resort in the island.

The year marked the coming on board of the luxury desert camp resort, Desert Nights, which is one of the five resorts that the Group is presently managing in Oman. Oman has enjoyed an excellent year with average occupancy at 80% and has been identified as a growth market. The Group may also benefit from the

planned launch of Oman Air operations to Colombo and Male in 2009/10, as we will be able to offer attractive three sector holidays to visitors.

The foray into Oman has proven the Group’s management skills to the Middle Eastern market with interest already being expressed by potential partners in the region.

The Indian operations also performed comparatively well – despite a disappointing downturn following the unfortunate terrorist siege in Mumbai. Having begun the year with two managed properties, Heritance Madurai and Athithi, in Puducherry were also brought under the umbrella of the Aitken Spence hotels during the year. A minority stake in Poorvar Island Resort was purchased during the year solidifying a long term partnership there. The Group has deferred the commencement of its building project in Cochin, until end of 2009.

The operations in India have enhanced the profile of the Heritance brand, which is likely to result in increased bottom line contribution in the future.

The Maldives, where the Group is the fourth largest hotel operator, has seen decreasing tourist arrivals as a result of the global recession, with traffic from traditional Western markets dipping sharply. The Maldivian operations performed creditably amid these challenging conditions. The performance was particularly encouraging as the division undertook extensive refurbishments at several resorts whilst grappling with high energy prices and escalating food costs in the first six months of the year. The decision to dispose the Bathala island resort at an attractive price, with three years left of its operating lease also influenced the bottom line favourably.

The division owns and operates seven resorts in the Maldives under the Adaaran brand and in keeping with our expansion strategy, the latest

Maldivian venture, Adaaran Prestige Vadoo was inaugurated in March 2009. Vadoo is a Japanese-styled resort offering 50 luxury villas that was constructed within a record period of ten months.

The ensuing financial year 2009/10, is poised to be a challenging year for the Maldivian operations with arrivals on a declining trend. As a counter strategy most resorts are likely to offer discounted prices and special packages to lure visitors from new markets.

The Destination Management division continued to demonstrate its commitment to transform challenges to opportunities during a year in which arrivals declined by 11.2%. The division's performance was a reflection of its prudent strategies and foresight to consciously seek markets outside the traditional West European segment, which experienced a considerable decline as a result of the global meltdown. As the impact of the recession erodes purchasing power, potential long haul travellers are likely to be substituted by regional travel. The Group is strategically placed to benefit from this potential market shift.

The airline industry experienced increased turbulence during the year 2008 as a result of intense competition, and reduced demand for air travel caused due to global recession. The airlines were compelled to reduce capacity and lower airfares to remain competitive,

which negatively impacted the bottom line. Singapore Airlines rationalised flights across its network in line with the lower demand for air travel resulting in the number of flights to Sri Lanka being reduced from a daily service to 5 times per week since February 2009. This revised schedule is likely to continue through 2009 unless there is a revival in the fortunes of the airline industry.

Kingfisher Airlines, the fast growing five star carrier based in Bangalore, India, appointed Royal Spence Aviation (Pvt) Ltd., a wholly owned subsidiary of the Group as the General Sales Agent in Sri Lanka in January 2009. Kingfisher operates direct daily flights from Colombo to Bangalore and Chennai with connecting flights to London.

During the year the Group received the prestigious Presidential Travel Awards for the best Destination Management Company and also as the most Professional Conference Organiser for the second consecutive year, thereby confirming its status as the leader in the industry. This achievement during a turbulent year, in which the growth in the industry itself was negative, is a reflection of the professionalism and the commitment of the experienced team in the Destination Management division.

- Tourism Sector
Senior Management Team



Mr. R. Subramaniam



Mr. D.D.A. Soza



Mr. S.K.R.B. Jayaweera



Mr. G.P.J. Goonewardene



Mr. K.A.A.C. Perera



Mr. H.P.N. Rodrigo



Mr. S.T.B. Ellepola



Mr. N.A.N. Jayasundera



Mr. P.L. Perera



Mrs. N.J. Perera



Mr. N. Ratwatte



Mr. D.J. de Cruz



Mr. R.S. Rajaratne



Mr. D.L. Warawita



Mr. M.P. Wijsekera



Mr. W.M.A.P.B. De Alwis



Mr. U.D. Gamage



Mr. B.H.R. Sariffodeen



Mr. M.H. Jayah

- Offering so much more
Cargo Logistics Sector



The Cargo Logistics sector performed commendably during the year, despite the trying conditions, and was able to post an operational profit of Rs. 528.5 million compared to Rs. 350.7 million reported for the last financial year.

The Integrated Logistics division continued to differentiate itself on a platform of efficiency, productivity and high service standards, attributes that enabled significant growth in a year of intense competition and market volatility. The division comprises a multitude of segments such as depot operations, container freight station, warehousing services, mobile storage, transportation, container repairs and special operations – nearly all of which recorded creditable performances. It is expected that the existing level of operations would continue in financial year 2009/10 despite the challenging market conditions.

The container freight station enjoyed growth in volumes which was bolstered in November 2008 following a decision by the Sri Lanka Customs to lift the suspension of the multi country consolidation operation outside the

Port of Colombo. The transport division continued to enjoy its position as the premier container transporter in the country and serves over 75% of the shipping lines calling at Colombo. Additional investments were made during the year to improve the fleet further strengthening an already strong service proposition.

The operations of the warehousing segment are inevitably linked to the consumer markets and as such, its margins were sharply affected during the year as many importers, particularly in the FMCG category, began reducing their inventories due to the economic downturn as well as new government regulations on imports.

The special operations division which engages in moving over-dimensional cargo experienced promising growth, spurred by its involvements in large scale infrastructure projects. The year ahead is likely to open new opportunities for the division as major infrastructure projects get underway in the liberated North and East.

The clearing, warehousing and depot operations within the Katunayake Export Processing Zone also experienced a significant growth during the year.

The Maritime Transport division recorded a note worthy growth during the year driven mainly by its port efficiency enhancement operations in South Africa, which secured a new contract from the National Ports Authority.

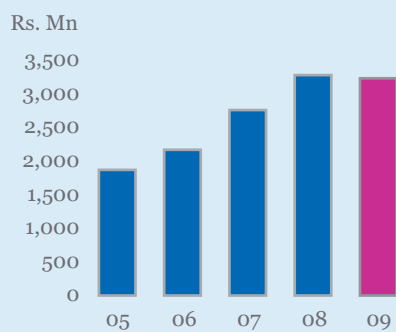
The division's port efficiency enhancement experience in South Africa has provided the impetus to widen its scope to the rest of the African continent, where there is vast potential for a player such as Aitken Spence.

Decline in import and export as well as transshipment volumes brought on by the economic crisis were felt strongly by the liner agency division which witnessed only a marginal growth. Despite these challenges, the division was successful in securing a new agency of a feeder shipping line.



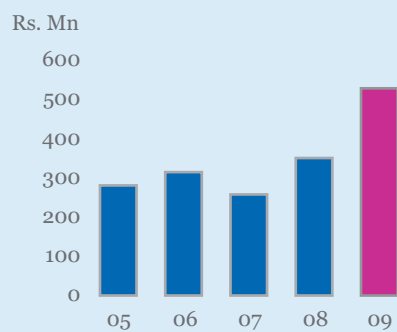
Revenue

for the year ended 31st March

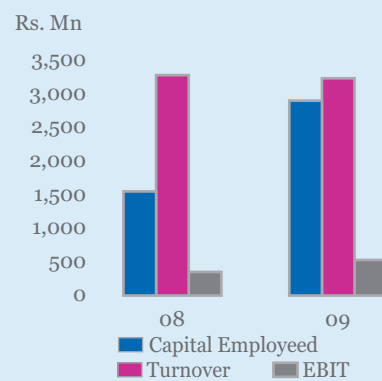


Profit from Operations

for the year ended 31st March



Cargo Logistics Sector



- Cargo Logistics Sector

Revenue

Rs. 3.2bn

Total Assets

Rs. 3.7bn

“The division’s port efficiency enhancement experience in South Africa has provided the impetus to widen its scope to the rest of the African continent, where there is vast potential for a player such as Aitken Spence.”

The Freight Forwarding division performed satisfactorily despite external turbulence, exceeding its annual targets. The division continued with its offering of a quality service and efficiency, which enabled it to maintain successful partnerships with key principals. Intense competition has resulted in price reductions being demanded across the industry and the division had to follow suit to remain competitive, while managing currency fluctuations at the same time. As a result, margins have declined gradually, a trend which is expected to be neutralised by increasing the customer base. Having built a reputation for an optimal price-service offering, the division is well positioned to move into new opportunities effectively, as they arise.

The divisions’ overseas operations though having recorded a good year during the year under review faced increased price competition which resulted in a decline in margins. Further expansion of the overseas operations would be subdued in the near future given the prevailing adverse business environment.

The customs brokerage division held on to its leading position, despite experiencing a year of turbulence. Import curbs by the government, including a 100 percent margin on a range of consumer items saw volumes in some large scale companies halved as importers struggled to operate in a grueling global scenario. The gloomy conditions however are likely to change for the better with the revitalisation of the global economy, and the division remains optimistic about its prospects.

The express division faced a year of challenges brought on by severe competition amid deteriorating market conditions and the resultant pressure on volumes. The divisions’ performance reflected the fate of the overall industry which found pricing a challenge this year, considering frequent cross currency fluctuations and surges in fuel prices. Encouragingly, volumes have begun picking up late in the fourth quarter, a trend that is hopefully set to continue. The divisions’ supply chain management activities serving customers in the Northern and

Eastern provinces experienced a substantial growth. The operation involves distributing relief items to affected areas on behalf of non-governmental agencies, under the guidance of the government. The high levels of service delivery have resulted in an increasing number of invitations to engage in relief work.

The repercussions of the global financial crisis will continue to be felt in the coming year, with the decline in import and export volumes placing direct pressure on profitability. Having practiced a lean cost approach in the past, the logistics sector is cautious of cost management initiatives that may shave off efficiency and enthusiasm; and will instead focus on consolidating the synergies and strengths of its three divisions. By proactively creating synergies among cost centres, the sector hopes to rationalise and streamline its manpower requirements and re-engineer its working processes to face the future with confidence.

- Cargo Logistics Sector
Senior Management Team



Mr. N.D.F. Perera



Mr. A. Jayasekera



Mr. H.B. Kelly



Mr. F.P. Paiva



Mr. I.S. Cuttilan



Mrs. T.D.M.N. Anthony



Mr. A.M.M. Amir



Mr. K. Aluwihare



Mr. J.E. Brohier



Mr. J.M.A. Joseph



Mr. D.R.C. Hindurangala

• Offering so much more Strategic Investments Sector



The Strategic Investments sector, comprising of the Group's interests in Power Generation, Plantations, Apparel, and Printing and Packaging posted an operational profit of Rs. 1.9 billion for the year under review.

The Power Generation division continued to be a significant contributor to the strategic investments sector, despite operating in an environment of major volatility. However the division was unable to meet budgeted generation targets due to significant curtailments during the monsoon period when hydro power was maximised. The wide fluctuations in the cost of fuel throughout the year increased the unpredictability of the key variables for the division.

During the year, the sector participated in a tender for the expansion of generation capacity up to 200MW of the Embilipitiya power plant. Regrettably the tender was cancelled subsequent to both technical and financial evaluation. The division remains determined to

respond positively to any requests for capacity expansion in the future.

Recognising the need to pursue environmentally friendly and sustainable sources of energy, the Group will, as a matter of policy, pursue green energy and alternative energy. Several such projects are being actively considered as potential areas of future growth.

The Printing division recorded an appreciable growth in volumes and profit during the year and continued the consolidation of its activities following a restructure undertaken in 2007. Special attention was given to strengthening the marketing function and to investments in new technology, including procuring a computer to plate system and book binding equipment. The division's business philosophy is seeing a shift from being a volume based packaging supplier to a value addition driven total print solution provider, with greater emphasis on trusted quality and reliability.

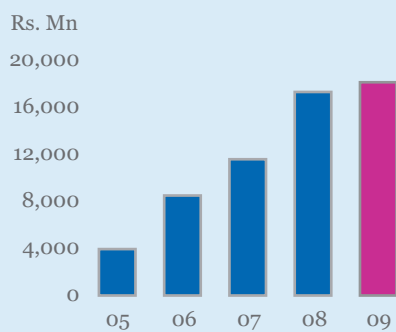
The decline in tea exports has affected the packaging volumes. However, this was offset by business from the FMCG segment. With the global downturn, packaging volumes are expected to reduce further in the year ahead; this is seen as an ideal opportunity to broad base the business and aggressively move into new segments of printing to achieve a more balanced product mix.

The Garments division endured an extremely trying year with the global meltdown affecting both volumes and prices. The division has taken the challenges in its stride and has implemented productivity initiatives and other measures which have already reflected in an improved performance in the last quarter of the year under review. While acknowledging that the year ahead would be a difficult year, the garments division is confident that it can surmount the challenges through aggressive marketing, improved customer relations, skilled procurement, healthy labour relations and continued focus on quality.



Revenue

for the year ended 31st March

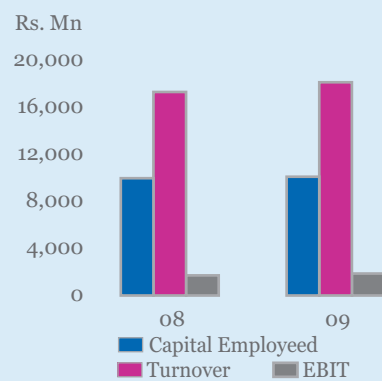


Profit from Operations

for the year ended 31st March



Strategic Investments Sector



- Strategic Investments Sector

Revenue

Rs. 18.1bn

Total Assets

Rs. 14.5bn

“Recognising the need to pursue environmentally friendly and sustainable sources of energy, the Group will, as a matter of policy, pursue green energy and alternative energy.”

The Plantations division enjoyed favourable conditions upto September but early October saw the net sales average for tea recording a severe decline. Despite this development, Talawakelle Tea Estates PLC ended 2008 with a reasonable profit, whilst Elpitiya Plantations PLC recorded a loss for the financial year.

All three tea planting elevations suffered considerable declines in prices, where particularly the low-grown segment had large unsold quantities. This situation improved in early 2009, due more to a decline in production than an increase in demand. A severe drought experienced in all the major tea-growing regions has resulted in a decline of output, which has significantly increased the industry's average cost of production.

Elpitiya Plantations' exposure to the rubber industry also impacted its performance as world rubber prices

somersaulted during the year. The year ahead also looks bleak for rubber as its value is directly aligned to automobile sales and crude oil prices, both of which are likely to remain at reduced levels due to the global recession.

The palm oil segment of Elpitiya was cushioned from the volatile world market prices due to a fairly significant local market where prices were more stable. The crop's performance was satisfactory despite the gloomy economic conditions and palm oil has been identified as an area of future growth.

The Company's branded tea "Harrow Ceylon Tea" has built considerable brand equity and while no major investments were made in the current year to increase its value, its potential for the future is recognised.

Both Elpitiya and Talawakelle have diversified into hydropower with

Talawakelle Tea Estates PLC having completed a 2 MW mini hydro project. Four other projects are in the pipeline amounting to a total generation capacity of 2MW which will be fed into the national grid.

- Strategic Investments Sector
Senior Management Team



Mr. C.R.F. de Costa



Mr. A.L.W. Goonewardena



Mr. M.S. Mohideen



Mrs. R.I.D. Katippearachchi



Mr. S.B.C. Wijedasa



Mr. V.S. Premawardhana



Mr. J.S.A. Fernando

- Offering so much more
Services Sector



The Group's service-based operations were categorised under the Services sector during the year in recognition of the need to bring in greater focus to the balance of our businesses. The sector contributed an operational profit of Rs. 449.9 million for the year under review, compared to Rs. 289.7 million recorded in the previous year.

MMBL Money Transfer (Pvt) Ltd., the market leader among the Western Union Principal Agents operating in Sri Lanka, enjoyed another successful year with a volume growth of approximately 25%. The agent network increased during the year and now stands at close to 2000 agents spread across the country, providing ease of access to the rural and semi-urban markets.

Volumes are expected to continue growing in 2009/10 though a reduction in revenue per transaction is likely due to the current economic crisis.

The remittance market still remains relatively untapped and the government, recognising its potential

at generating foreign currency inflows, has undertaken a series of specific and targeted measures to encourage growth of the industry.

While this year was one of consolidation for the agency network, the division is optimistic of growth in the year ahead given the end of the conflict in the North and East. The division's already substantial presence in the North and East leaves it well positioned with the right expertise to exploit opportunities that will arise in the post conflict scenario.

Both the Horana and Matara thermal power plants completed more than three years of operations and maintenance by the company, having earlier terminated the O&M services contracts with the plant suppliers, as provided for in the agreements. The profits generated from these activities exceeded budgetary expectations as considerable savings accrued from fixed costs, sourcing of spares and improvements to the plant in general that reduced operating costs. Of particular note was the successful completion of the major 48,000

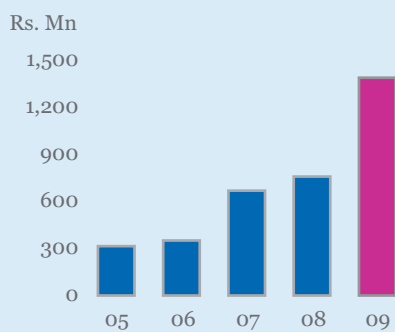
hours overhaul in Matara, which resulted in the sector achieving considerable savings. These two plants also received ISO 9001, ISO 14000 and OHSAS certification after the due process. Following the success of the first two plants, O&M services in the larger Caterpillar plant in Embilipitiya were taken over during the financial year. Whilst immediate savings are evident, the Group also hopes that it will be able to carry out many operational and technical improvements that will enhance plant reliability. This is an area of expertise which the Group is keen on pursuing and expanding into the region.

The year under review was the best year so far for Elevators (Pvt) Ltd., the agent in Sri Lanka and Maldives for OTIS elevators and escalators, the world's leader in elevator manufacture. The Company recorded the highest profits and revenue in its history. While new installations grew marginally, maintenance volumes were the main contributor to this increase, a trend that is expected to continue. The division has now



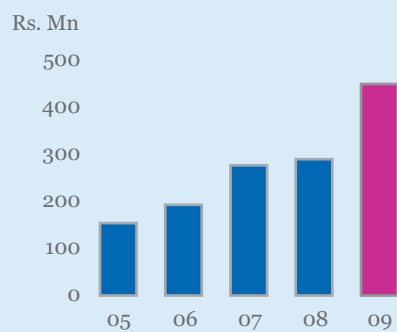
Revenue

for the year ended 31st March

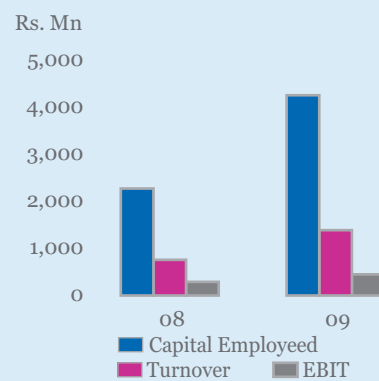


Profit from Operations

for the year ended 31st March



Services Sector



- Services Sector

Revenue

Rs. 1.4 bn

Total Assets

Rs. 4.7 bn

“Substantial presence in the North and East leaves MMBL-Western Union Money Transfer, well positioned with the right expertise to exploit opportunities that may arise in the post conflict scenario.”

established in Sri Lanka a firm presence in all areas outside the Western province, including the North and East. The OTIS distributorship which was acquired by the Aitken Spence group in 1989 for both Sri Lanka and the Maldives, completes twenty years of operations and customer care.

The Insurance division made steady and encouraging progress in a turbulent year for global financial services. The downturn in imports did impact volumes, but this was offset by value added services in the Hull and Machinery and Pre-Shipment survey segments.

In line with the revamp of the Lloyds Agency network worldwide to better face the financial crisis, the division's services ventured into the Maldives where it now plays a greater role through the Male sub-agency.

The division acts as superintendent of World Food Programme aid into the country, a role made more meaningful during the year due to increasing inflows of aid coupled with the government's commitment to provide relief to the internally displaced people.

The Group's venture into insurance brokering remains on track, with the emphasis currently on consolidating the existing base. Positioning itself as a truly professional financial advisory service, the division is gearing for expansion by seeking synergies within the group and developing efficient marketing capabilities in order to capture a greater market share.

- Services Sector
Senior Management Team



Mr. R.G. Salgado



Mr. M.H.A. Barrie



Mr. A.N. Seneviratne



Mrs. W.A.D.L. Silva



Mr. J.V.A. Corera

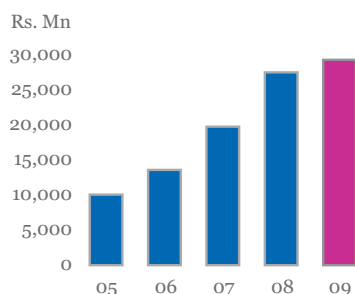


Mr. G.P.B.N. Gunarathne

• Financial Review

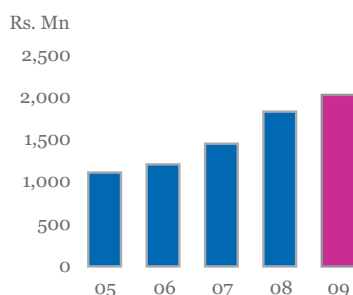
Revenue

for the year ended 31st March



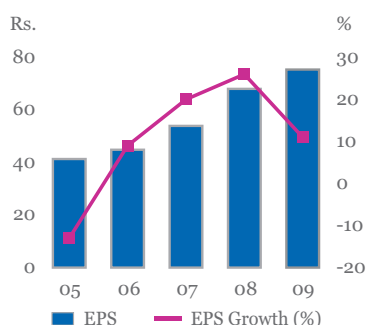
Net Profit Attributable

for the year ended 31st March



EPS & EPS Growth

for the year ended 31st March



Profitability

Group Performance

The performance of Aitken Spence over the years was driven by a commitment to make sound business decisions through evaluation of opportunities that provides steady long term returns commensurate with the risks undertaken. The wisdom of the Group's adherence to this basic principle of operation was proven beyond doubt during the financial year 2008/09 when it reported the highest ever profits in its history during a period of global economic turmoil. The Net Profit for the period was Rs 3.1 billion of which Rs 2.0 billion was attributable to the equity holders. The Net Profit was a 8.4% growth over the performance of the previous financial year while the equity holders of the Group were benefited by a 10.8% growth in attributable profits over the previous financial year. The Net Revenue of Aitken Spence reached Rs 29.3 billion during the financial year 2008/09 which was a 6.5% growth over the previous financial year, a commendable achievement considering the volatile operating environment which prevailed during the greater part of the year.

The Group's overseas operations fared admirably during the financial year under review with a 40.8 % of Profit before Tax being attributable to its operations in Asia and Africa. Aitken Spence will continue to pursue this highly successful model of expansion, seeking opportunities worldwide to market the Group's management expertise in sectors such as hotel management, port operations and power generation.

Sector Revenue and Profitability

Tourism Sector

	Rs Million	
	2008/09	2007/08
Total Assets	13,196	11,091
Revenue	7,752	7,366
Profit from Operations	1,265	1,258

The Tourism sector operated in an increasingly difficult environment during the year, with the industry among the worst affected across the world. The global recession adversely affected visitor arrivals in most destinations which coupled with cost increases resulted in the narrowing of margins.

Despite the difficult operating environment the Tourism sector reported a 5.2% growth in Revenue and a marginal increase in Profit from Operations during the financial year under review to remain a key contributor to Group performance. The Group disposed its investment in Bathala Island Resort in the Maldives which was almost nearing the end of its lease period for an attractive consideration thereby crystallising a capital gain of Rs 218 million during the financial year under review. The Group now has seven resorts in its portfolio of Adaaran resorts in the Maldives with Vadoo Island, a luxury resort with 50 water bungalows branded under Adaaran Prestige, being commissioned during the month of March 2009.

The Group's expansion into hotel management in India and Oman has proved to be a highly successful venture. The financial year under review marked the coming on board of the luxury desert camp resort, Desert Nights, which is one of the five resorts the Group is presently managing in Oman. Despite a disappointing downturn in arrivals

following the terrorist attack in Mumbai the Group's Indian operations also performed reasonably with six properties being managed as at the year end. The Group purchased an 11% stake in Poorvar Island Resort during the financial year under review thereby signifying its long term commitment to the Indian market.

For the tourism industry in Sri Lanka the year 2008 was one of the most difficult in recent times. The global recession and domestic security concerns combined to adversely impact an already dismal level of arrivals. Despite these concerns, the Group's high end properties in Sri Lanka, Heritance Kandalama and Heritance Ahungalle continued to be patronised by discerning travelers.

During a year in which tourist arrivals to Sri Lanka declined by 11.2% the Group's inbound travel arm achieved considerable success thereby demonstrating its commitment to transform challenges to opportunities.

Cargo Logistics Sector

	Rs Million	
	2008/09	2007/08
Total Assets	3,704	2,341
Revenue	3,235	3,282
Profit from Operations	529	351

The impact of the difficult operating environment resulted in the Cargo Logistics sector reporting a marginal decline in revenue during the year. However, prudent cost rationalisation and efficiency enhancement initiatives led to a commendable 50.7% increase in profit from operations during the financial year under review.

The port efficiency enhancement operations in South Africa under the Maritime Transport division recorded significant growth during the year and

secured a new project from the National Ports Authority of South Africa. The experience gained in South Africa has provided a spring-board for the Maritime Transport division to expand its scope to the rest of the African continent where there are many untapped opportunities to offer similar services.

Strategic Investments

	Rs Million	
	2008/09	2007/08
Total Assets	14,447	14,978
Revenue	18,147	17,321
Profit from Operations	1,869	1,712

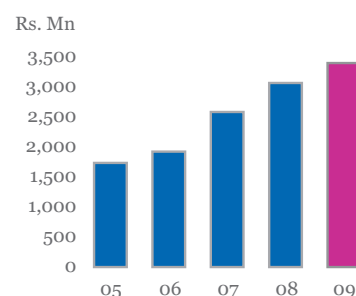
The Strategic Investments sector reported a 4.8% increase in Revenue and a 9.2% increase in Profits from Operations during the financial year under review. One of the key contributors to the sector results, the Power Generation division fell short of achieving budgeted generation targets for the year due to the extended monsoon period which prevailed during the year. Additionally, the fluctuations in fuel prices had a negative impact on the cost structure of the division.

The Printing division recorded a significant growth in volumes during the year under review thereby enhancing its profitability. The drop in commodity prices as a result of the global financial crisis had an adverse effect on the plantation sector during the year.

The global down-turn adversely affected the Garments division where both buyer orders and prices were under considerable pressure. To mitigate the adverse impacts the division has implemented productivity initiatives and several other measures which have already improved the division's performance.

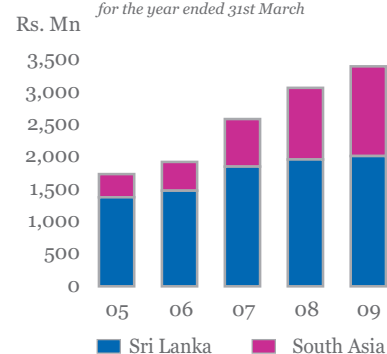
Profit Before Taxation

for the year ended 31st March



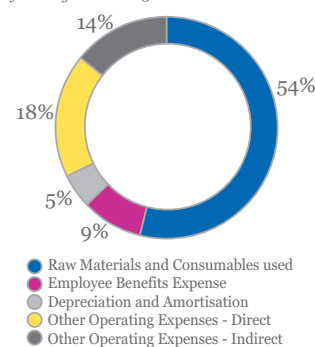
Geographical Analysis of Profit Before Taxation

for the year ended 31st March



Analysis of Operating Expenses

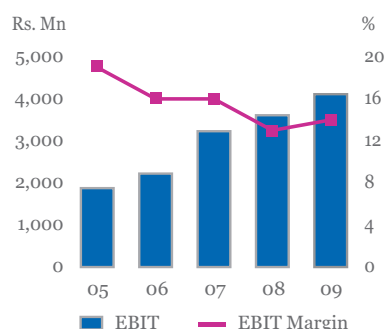
for the year ended 31st March



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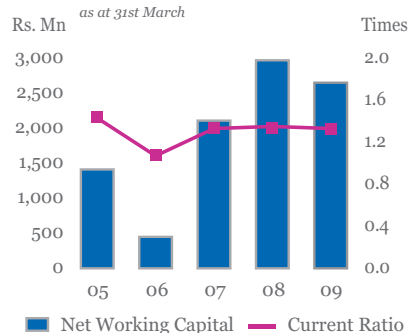
EBIT & EBIT Margin

for the year ended 31st March



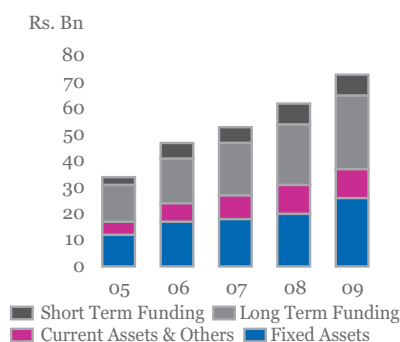
Net Working Capital & Current Ratio

as at 31st March



Assets & Funding

as at 31st March



Services Sector

	Rs Million	
	2008/09	2007/08
Total Assets	4,745	2,490
Revenue	1,390	759
Profit from Operations	450	290

The Services sector, which comprise of the Group's service based operations, reported a 83.1% increase in Revenue and a 55.2% increase in Profits from Operations during the financial year under review. One of the key contributors for the commendable performance was Western Union Money Transfer agency which enjoyed another excellent year of operations and increased its market share. With the growth of the agency network the volumes are expected to grow though a reduction in revenue per transaction is expected due to the prevailing financial crisis.

Operation and maintenance services of the three power generation plants at Horana, Matara and Embilipitiya also contributed considerably to the sector performance with a positive impact on profitability resulting from the take over of O & M services by the Group.

Elevators division, the agent in Sri Lanka and Maldives for OTIS elevators and escalators reported an excellent performance during the year under review by recording the highest revenue and profits in its history. Increased maintenance volumes were the main contributor for this performance whilst new installations grew only marginally as the construction industry in Sri Lanka slowed down owing to the prevailing difficulties in the economic environment.

During an year of global financial crisis the Insurance division performed commendably with a steady growth in revenue. The Group's expansion into insurance brokering was on a

consolidation phase during the year under review. The prognosis for the division is based on the assumption that the future growth in the insurance industry will be driven by the economic growth of the country and therefore the Group has emphasised the importance of preparedness to capture opportunities that would manifest in the growth phase.

Group Operating Costs and EBIT

The Group Operating Profit or Earnings Before Interest and Tax (EBIT) increased by 13.9% to reach Rs 4.1 billion for the year. The Group EBIT margin improved to 14.0% from 13.1% in the previous year. The main contribution for this improvement came from the Cargo Logistics sector which reported EBIT margin of 16.4% in comparison with an EBIT margin of 10.7% in the previous year. The Strategic Investments sector also reported an improved EBIT margin of 10.3% as against an EBIT margin of 9.9% in the previous year.

The total operating cost of the Group amounted to Rs 25.3 billion for the year, being 86.3% of the Group revenue. This is in comparison to Rs 23.7 billion recorded as Group operating cost in the previous financial year which amounted to 86.1% of the revenue. The main component in the operating cost is the raw materials and consumables used in the production of revenue amounting to 54.2% of the total operating costs and correspond to an 11.7% increase in value over the previous year.

Taxation

The Group's provision for taxation for the financial year 2008/09 was Rs 328.4 million. This is a 39.7% increase over the previous financial year. The income tax

charge for the year was Rs 308.9 million which is a 26.9% increase over the previous financial year. The Group effective tax rate was 9.7% compared to 7.7% the previous year. The increase in the effective income tax charge was mainly due to the higher taxes on the profits of off-shore operations of the Group and due to a higher contribution to Group profits being made by companies which are taxable at the standard corporate tax rate.

The dividend tax for the financial year under review was Rs 57.5 million which is a marginal 8.7% decrease from the previous financial year. The deferred tax reversal of Rs 24 million for the financial year was significantly lower than the previous financial year's amount of Rs 83.2 million as a majority of the deferred tax assets have already been recognised by the Group.

Assets Utilisation

Net Assets per Share

The Net Assets per Share of the Group was Rs 630.97 at the end of the financial year under review. This was a 43.5% increase over the Net Assets per Share of Rs 439.81 at the end of the previous financial year. The Price to Book value of the Group declined to 0.50 at the end of the financial year from 0.98 at the end of the previous financial year. This decline was mainly due to the depressed conditions that prevailed in the stock market and indicates the growth potential of the share price during a period of market recovery.

Liquidity

The Working Capital of the Group marginally decreased to Rs 2.6 billion at the end of the financial year under review from Rs 3.0 billion at the end of the financial year 2007/08. The current ratio and the quick ratio of the group

declined marginally during the year to 1.33 times and 1.17 times respectively compared to 1.35 times and 1.20 times recorded for the previous year.

Total Assets Turnover

The Total Asset Turnover ratio of the Group was 0.87 times for the financial year under review compared to 0.96 times for the previous financial year. This ratio, which had steadily improved for three consecutive years declined marginally due to the Group acquiring capital assets which have not commenced generating operating cash flows during the financial year under review.

40.1% of the Group's total assets are invested in the Strategic Investment sector, while 36.5%, 10.3% and 13.1% are invested in Tourism, Cargo Logistics and Services Sectors respectively.

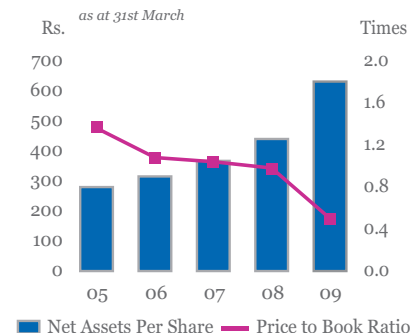
Capital Expenditure

The Group incurred a total of Rs 4 billion on Non-current Assets during the year. The main investments were the construction of a luxury resort at Vadoo Island and the new office complex at Vauxhall street both of which were completed during the year under review. The total value of the Property, Plant and Equipment held by the Group was Rs 22.6 billion.

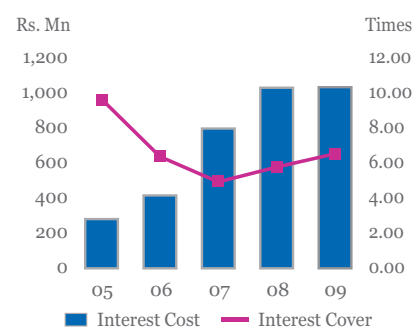
Return on Equity

The Group recorded a return on Equity of 14.1% for the financial year under review compared to 16.9% reported in the previous year. The Net Profit Margin improved to 7.0% from 6.7% in the previous year. The impact of the inflation resulted in increased operating costs thereby negating some of the initiatives taken during the year which were aimed at achieving higher operating margins. Financial Leverage

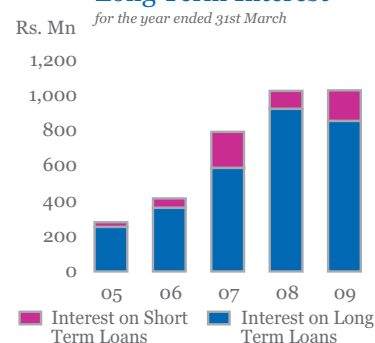
Net Assets Per Share & Price to Book Ratio



Interest Cost & Interest Cover



Short Term & Long Term Interest



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Dividends Per Share

for the year ended 31st March



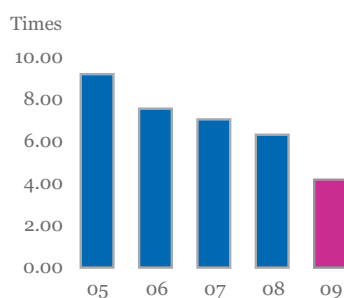
Market Value Per Share

as at 31st March



Price Earnings Ratio

as at 31st March



at the end of the financial year was 2.33 times compared to 2.64 times in the previous year.

Treasury Management

Management of Group Funding

The Group treasury function continued to manage the funding requirements of the four business sectors during the financial year under review. The treasury ensures that there are sufficient funds available for daily operations of the subsidiary companies and that surplus funds are invested to yield optimum returns for the Group.

The treasury has taken advantage of the bargaining strength derived from managing a large pool of funds to drive down the funding cost, thus enabling Group companies to access funds at interest rates below the average market rates. The centralised management of daily cash flows by the treasury results in operating efficiencies and synergies as duplication of work is eliminated whilst the sectors benefit through lower funding costs thereby resulting in enhanced margins.

The Group's funding activities during the year under review resulted in the long term debt declining by 4.6% to Rs 6.2 billion from Rs 6.5 billion in the previous financial year. The long term Debt to Equity ratio improved considerably from 0.41 in the previous financial year to 0.29 in the financial year under review thereby strengthening the Group balance sheet during a period of turmoil in the operating environment. As at the end of the financial year under review the parent company held borrowing facilities amounting to over Rs 2 billion that are available for

funding of investments and working capital.

As at end of the financial year under review the Group's short term cash holdings amounted to Rs 2.8 billion reflecting a strong liquidity position in a time of global crisis, which is further highlighted by a Cash ratio of 0.10 which remained unchanged from the previous year despite the increased demand for short term liquidity.

The interest cover improved to 6.54 times during the year from 5.78 times in the previous financial year signifying a healthy re-payment capacity of borrowings.

Interest and Foreign Exchange Management

The increase in financial expenses by 2.7% was mainly due to the higher interest rates that prevailed during the financial year under review. The Average Weighted Prime Lending Rate, which reflects the borrowing cost of the prime customers, was on a gradual upward trend during the year increasing from 17.95% to 18.50% at the end of the year. This was due to the adverse developments in the global financial markets which led to the drying up of liquidity in economies world over and its resulting impact on the domestic market.

The impact of interest rate movements on the Group's short-term borrowings was minimised through the efficient management of Rupee cash flows across the Group in a systematic way, which includes managing of subsidiary cash flows through the centralised treasury.

	2008/09	2007/08	2006/07	2005/06	2004/05
Total Assets Turnover (times)	0.87	0.96	0.8	0.67	0.64

The Group's US Dollar denominated borrowings are directly linked to US Dollar cash-inflows and as such are not exposed to the exchange rate risk arising from the devaluation of the domestic currency. The impact of adverse movements in exchange rates on import and export transactions are mitigated by the use of forward rates for initial estimating, covering the actual transaction through forward booking of currencies as well as matching of foreign currency inflows and outflows on a consolidated basis across the Group companies. Exchange rate forecasts are constantly monitored to ensure that the risks are hedged as necessary with appropriate treasury products and the Group treasury through its continuous monitoring of market movements, advises the subsidiaries as to the timing of such hedging mechanisms thereby striving to minimise the import costs and maximise revenues at all times whilst simultaneously managing the risks involved.

During the year under review, the Power Sector entered into a Zero Cost Option to restructure one of their previously executed derivatives to hedge exposure to the Euro in respect of the payments for the operation and maintenance of one of its power plants. This enabled the sector to mitigate the impact of high volatility in Euro- US Dollar exchange rates during the financial year. Further, it exploited the opportunity that arose due to the rapid reduction of LIBOR during the year, by converting a part of its floating rate liability to a fixed rate through an Interest Rate Swap.

Shareholder Returns

Earnings per Share

The Group reported an Earnings per Share of Rs 75.37 for the financial year 2008/09 which was a 10.8% increase over the Earnings per Share of Rs 68.02 in the previous financial year. The number of ordinary shares in issue remained unchanged during the year.

Market Price per Share and Market Capitalisation

The market price of the Group's share was Rs. 315.00 as at the end of financial year 2008/09 compared to Rs. 430.00 at the end of the previous financial year. The depressed conditions that prevailed in the stock market was the key cause of the 26.7% decline in the share price. The lowest price at which the share traded during the year under review was Rs. 305.00 whilst the highest price traded was Rs. 560.00 The total value of the share trades during the year amounted to Rs. 450 million. The market capitalisation of Aitken Spence PLC was Rs. 8.5 billion at the end of the financial year which was 1.6 % of the total market capitalisation of the Colombo Stock Exchange.

Price Earnings Ratio

The Price Earnings Ratio (PER) of the Group at the end of financial year 2008/09 was 4.18 times compared to that of 6.32 times at the end of the previous financial year. The decline in the PER during an year in which the Earnings per Share improved signify the future upward potential of the share price in a period of market recovery. The

market PER was 5.83 times at the end of the financial year and the Group's PER was at a 28% discount to the market PER.

Dividends per Share

Aitken Spence PLC declared and paid an Interim Dividend of Rs 3.50 per share in May 2009 in respect of the financial year 2008/09. The Board is recommending a final dividend payment of Rs. 6.00 per share, making the total dividend Rs. 9.50 for the financial year. The Dividend per Share for the previous financial year was Rs. 7.00.

Total Shareholder Return

The Total Shareholder Return (TSR) was negative 24.5% for the financial year 2008/09 in comparison with a positive TSR of 14.9% in the previous financial year. The TSR reflects the total return received by a shareholder through the appreciation of the share price and dividends received during the financial year. The TSR for the financial year under review became negative due to the adverse performance of the market price of the share which declined in sharply with the performance of the Colombo Stock Exchange as investor sentiments were adversely affected due to the global financial crisis, despite the Group recording a growth in both revenue and profits during the year.

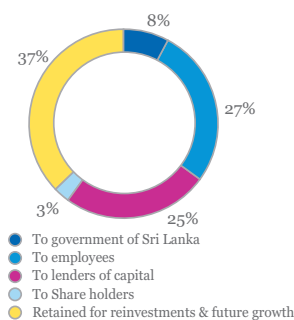
	2008/09	2007/08	2006/07	2005/06	2004/05
ROE %	14.1	16.9	15.8	15.1	15.8
Net Profit Margin %	7.0	6.7	7.4	8.9	11.1
Asset Turnover	0.87	0.96	0.80	0.67	0.64
Financial Leverage	2.33	2.64	2.68	2.50	2.22

- Financial Review

Statement of Value Added

	2008/09 Rs. '000	2007/08 Rs. '000	2006/07 Rs. '000	2005/06 Rs. '000	2004/05 Rs. '000
Total Revenue	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989
Purchase of goods & services	(21,862,282)	(20,514,678)	(14,098,869)	(9,851,660)	(6,912,731)
	7,445,536	7,001,282	5,666,763	3,741,603	3,151,258
Other operating & interest income	810,188	517,569	459,537	564,438	389,337
Share of Associate Companies profit before tax	(9,239)	132,452	33,958	64,677	67,226
Total value added by the Group	8,246,485	7,651,303	6,160,258	4,370,718	3,607,821
Distributed as follows					
To government of Sri Lanka (income tax & turnover tax)	8% 635,783	7% 557,188	9% 533,925	9% 376,588	9% 315,937
To employees (salaries & other costs)	27% 2,216,935	27% 2,077,107	26% 1,588,736	28% 1,224,651	28% 1,025,796
To lenders of capital (interest on loan capital & minority interest)	25% 2,062,444	26% 2,019,058	26% 1,621,798	21% 914,554	19% 697,709
To Share holders (dividends)	3% 257,131	2% 189,465	3% 175,931	4% 175,931	5% 162,353
Retained for reinvestments & future growth (depreciation & retained profits)	37% 3,074,192	37% 2,808,485	36% 2,239,868	38% 1,678,994	39% 1,406,026
	100% 8,246,485	100% 7,651,303	100% 6,160,258	100% 4,370,718	100% 3,607,821

2008/09 - Distribution of Wealth Created



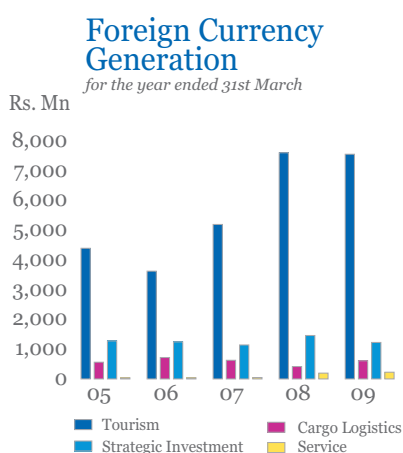
The creation of wealth is the main purpose of existence of any commercial organisation. The value added statement highlights the wealth created by the activities of the Aitken Spence Group over the last five years and the distribution of this wealth created among its stakeholders.

Through its operations during the financial year 2008/09, the Aitken Spence Group created a total wealth of Rs. 8.3 billion, which was a 7.8% increase over the previous year and the highest so far recorded.

27% of the wealth created during the year was distributed amongst the Group employees whilst 25% was used for servicing of lenders of capital. The Group contributed to Rs. 636 million to Government authorities by way of tax. This accounted for 8% of the total wealth for the year. Payment in the form of dividends accounted for 3% of the wealth created and the largest allocation of 37% was retained by the Group for re-investment in operations for future growth.

Foreign Currency Generation

	2008/09 Rs. '000	2007/08 Rs. '000	2006/07 Rs. '000	2005/06 Rs. '000	2004/05 Rs. '000
Tourism Sector	7,558,313	7,608,350	5,196,130	3,625,004	4,395,088
Cargo Logistics Sector	610,843	417,294	627,405	720,045	562,716
Strategic Investments Sector	1,227,651	1,461,395	1,143,894	1,246,697	1,279,096
Services Sector	226,097	195,842	47,577	39,693	38,021
Total	<u>9,622,904</u>	<u>9,682,881</u>	<u>7,015,006</u>	<u>5,631,439</u>	<u>6,274,921</u>



The Group's contribution to the indirect and direct generation of foreign currency to the island for the period 2004/05 to 2008/09 is reflected in this statement. The total foreign currency generated to the country through the activities of the Group for 2008/09 was Rs. 9.6 billion, which was a marginal drop of 0.62% over the previous year.

The Tourism sector remains the largest foreign currency generator for the Group, generating Rs. 7.6 billion during the year under review. However with the overall lull faced by the tourism industry due to the global economic downturn, this sector has recorded a marginal drop in its foreign currency generation for the year.

The Group's Cargo Logistics sector has recorded a healthy growth in its foreign currency related revenue

during the year. This was mainly attributable to the Group's Freight Forwarding division which had been successful in securing business from new customers who contributed in greater proportion to its foreign currency linked revenue.

The drop in the net sales average and crop volumes in the Plantation sector resulted in the decline in the Strategic Investment sector whilst the improved performance of MMBL Western Union Money Transfer (Pvt) Ltd., a principal agent for Western Union resulted in the growth of the Services sector.

The Sri Lankan rupee depreciated against the dollar during the financial year under review. The rupee ended the financial year 2008/09 at 115.48 against the US dollar, compared to Rs. 107.84 at the end of the last financial year.

• Risk Management

“While all opportunities are associated with risk, the biggest risk is the failure to identify an opportunity. Risk results usually not from unpredictability but from ignorance. Risk comes from not knowing what you are doing. The more you know about what you are doing, the less risk you run. If you can define risks, you can limit them.”

1. Risk - A Fact of Business

Every business faces risk that could present threats to its success and risk is a fact of business.

Unforeseen consequences can arise from any form of business or operational activity. Therefore risk management should be a central part of any organisations’ strategic management and it implies that risk management must cover all operational areas, looking not only at what are called “known unknowns”, but also dealing with ways to manage the unexpected.

The International Standard Organisation defines risk as the combination of the probability of an event and its consequences. In all types of undertakings, there is the potential for events and consequences that constitute opportunities for benefits (upside) or threats to success (downside). Risk management is all about achieving the optimum trade-off between a potential danger threatening success and an opportunity to enhance returns. It’s

the process whereby organisations methodically address the risk attached to their activities with the goal of achieving sustainable benefits within each activity and across the portfolio of all activities.

The focus of good risk management is the continuous identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the organisation. It marshals the understanding of potential upside and down side of all those factors which can affect the organisation. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisations overall objectives.

It must be integrated into the culture of the organisation with an effective policy and a programme led by the senior management. It needs to translate the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. The risk management system of an organisation should support accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

2. Integrated Risk Management Approach at Aitken Spence Group

The Group perceives risk as “any event, situation or circumstances which, if occurred would adversely impact the achievement of Group objectives, including the failure to capitalise on opportunities”. The risk management framework of Aitken Spence operates on a platform that includes the premise of continuous macro-economic changes in the environment, evolving technological revolutions, increasing and intense competitive pressures and varying views of the needs of the ultimate stake-holders of the Group.

Risk and reward bear a direct relationship to each other. Managing risk in this ever changing dynamic business environment for any organisation is a challenge. As the diversity of an organisation increases, so does the complexity of risk management. Given its diversified business setting, the Aitken Spence Group is of the view that a disciplined approach to risk management is important in ensuring that the Group only accepts risks that are adequately compensated for when pursuing its strategic objectives. Thus risk management at Aitken Spence does not only mean minimising risk; rather in addition to this, its goal is to optimise the trade-off between risk and reward.

Aitken Spence has a well structured, and proven risk management system in place, covering the entire Group and its dealings. Group's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures, and continuous monitoring and review to ensure changing circumstances do not alter the risk priorities. The strategy focuses on continuous value enhancement and creation, for customers and shareholders through a dual process of managing profits and managing risks. It is also aimed at contributing to sustainable profitability and thereby achieving a lasting and durable increase in shareholder value. The policies and procedures established for this purpose are continuously benchmarked in the organisations quest to benefit from a blend of local and international best practices.

The Aitken Spence Board of Directors' have the ultimate responsibility for risk management and takes the initiative in setting the risk management policy of the Group. (See figure 1) The Board of Directors has overall responsibility for establishing risk tolerance, approving related strategies and policies, monitoring and assessing the activities of management, overseeing the system of internal controls and conducting regular reviews to gain assurance on the effectiveness of the risk framework

to meet the regulatory requirements and the interest of the shareholders, customers and employees. In discharging its governance responsibility for overall risk management and control, the Board of Directors has established a key committee; the Audit Committee.

The Audit Committee consists of three directors having overall responsibility for Group-wide risk management and in reviewing the management's plans for mitigation of the material risk faced by the various sectors of the Group and subsidiaries including overseas business operations. It assists the Board in the development of the formal risk management policy encompassing all business operations within the Group. The Audit Committee, on behalf of the Board of Directors, is responsible for promotion of awareness and creation of a risk based culture within the Group and the achievement of a balance between risk and reward for risk accepted.

Further, the Audit Committee assists the Board of Directors through the continuous update of the Group's exposures, realised or potential losses and the movements of key risk indicators.

The Board of Management is responsible for designing, operating and monitoring risk management and control processes at both the Group level and within all constituent businesses to enable the Aitken Spence Group to achieve its corporate objectives within a well managed risk profile. It provides important oversight of risk management practices which results in proper alignment of its strategies with the risk appetite of the Group and appropriate deployment of capital, in its effort to create value for all the stakeholders. The management continues to oversee and update the systems, policies and procedures in all dimensions of operations within the broad guidelines and policies set by the Board. These policies and

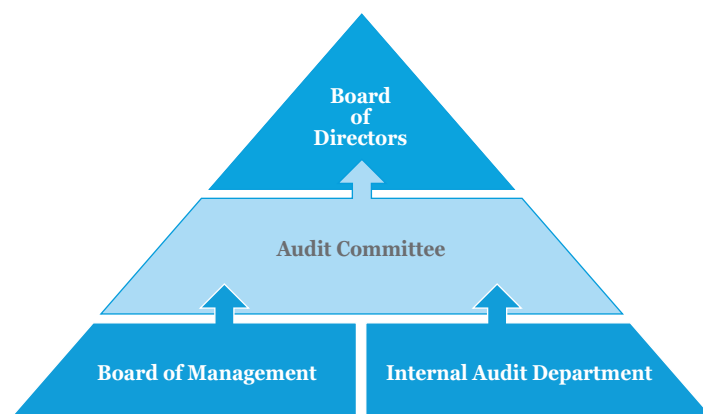


Figure 1: Triangular Risk Management Structure at Aitken Spence

• Risk Management

procedures are integrated into the day-to-day decision making and corporate governance process.

The internal audit department of the Group which directly reports to the Audit Committee continues to conduct strict independent audits to review the effectiveness of the risk management measures adopted by the management. It provides an independent control function, identifies possible impacts on all higher and exceptional risk decisions, supports the further enhancement of the Groups' persistent risk management culture and ensures that the Board and Management at the appropriate levels are provided with an integrated view of the risks faced by the Group. Further, internal audit department confirms level of compliance to the established comprehensive framework of internal controls & guidelines for risk management, and also recommends improvements and corrective actions where necessary in the process on integrated risk management.

3. Risk Management Process at Aitken Spence

A comprehensive framework for risk management has been established at both Group level and within all constituent businesses to enable the Aitken Spence Group to achieve its corporate objectives within a well managed risk profile. In determining the risk management framework, Board

members and senior managers identify the Group's key business objectives, goals, and strategies together with the Group's management philosophy, culture and ethics to establish and maintain an appropriate control environment within the context of its diverse business operations. (See figure 2) Line managers and employees then articulate how specific objectives and goals are addressed in their

business area. Further, in order to achieve these objectives, the management has implemented proper systems, processes and procedures in all dimensions of operations within the broad guidelines and policies set by the Board.

The Group's prudent use of risk management framework allows for greater flexibility in identification,

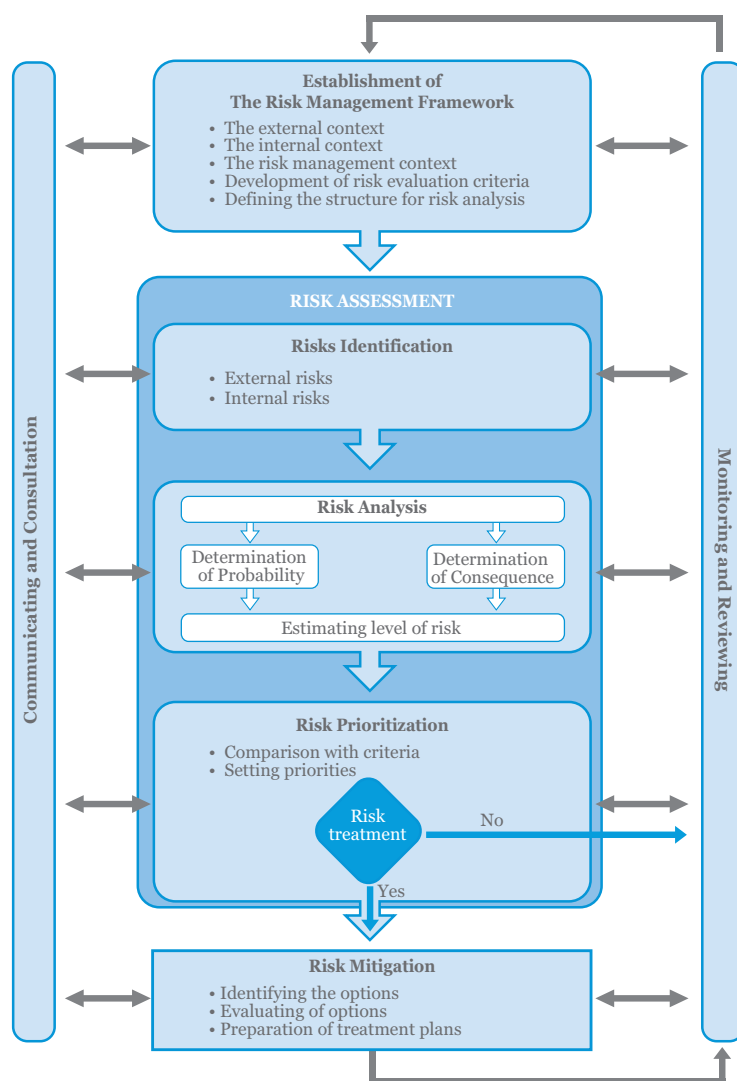


Figure 2: Risk Management Process at Aitken Spence

assessment and prioritisation of risks. Risk identification and assessment follows a cautious analysis of risks inherent to the Group's businesses and processes. It assists in determining which risk factors have a greater consequences or impacts than the others. It includes a concerted drive to determine the Group's risk appetite and establish risk measurement practices that are appropriate for the diverse operations of the Group. The Group continues to maintain and update a wide ranging list of possible internal and external risks and has formulated appropriate risk management measures against each identified risk.

The cautious analysis of risk factors involves combining the potential consequences, or impact, of an event with the likelihood (probability) of that event occurring. The result is the "level of risk" and its estimated as;

Risk = Consequence x Probability

Having estimated the level of risk, the Group categorises various risks so that it can identify those that are most dangerous and therefore require most attention. (See figure 3) Once the risks have been identified and analysed a system of risk prioritisation takes place where the decisions are taken depending on the nature of the risk to either accept the risk, mitigate the risk, avoid the risk or to transfer the risk (i.e. transfer loss to a third party as in an Insurance). A cost benefit analysis is carried out in each occasion to ascertain the benefit of the method used for risk management in comparison to its cost incurred.

The Managing Director's of each sector are required to periodically assess the extent of implementation of these risk management measures and evaluate the adequacy and effectiveness of these measures, in the context of the vibrant business environment and the appropriate rules and regulations. Further, they are expected to identify potential new risks, if any, which may affect sectorial performance due to changing circumstances. Reviews of these mechanisms are carried out to ensure that they are comprehensive enough and are being adhered to by the Board of Management and Senior Management of the Group.

Consequence Likelihood	SIGNIFICANT	MODERATE	MINOR
Frequent	High	High	Medium
Possible	High	Medium	Low
Rare	Medium	Low	Low

High level of risk
 Moderate level of risk
 Low level of risk

Figure 3: Risk Analysis Matrix for Determination of Level of Risk

- Risk Management

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>Business Risk : This refers to a circumstance or factor that may have a negative impact on the operation or profitability of a business. Business performance may be adversely affected due to high competition, new entrants, change of customer attitudes and adverse economic conditions.</p>	<p>Implications: Following the onset of the global economic crisis, corporates now operate in a vastly altered and still rapidly changing environment. Risks in particular, business risk and market risk have increased significantly. Markets in general have become more volatile and uncertain. The financial and commodity market fall out in 2008 stemming from developed markets, has rapidly cascaded to massive negativities even in the smallest markets around the world did not leave Sri Lanka unscathed. However being a diversified Group that has practiced extremely prudent risk management strategies stood the Group in good stead in these hard times. The complete or partial loss of business of one or more strategic business units resulting in lower profitability to the overall Group could be a result of this risk. This in turn would affect shareholder wealth.</p> <p>Risk Rating: High</p>	<p>Key risk management initiatives were undertaken during the year to address the business risk within the Group, specifically the impact of the global economic crisis on the Group's business operations. Having a constant eye on global market events, the Group foresaw the signs at the very beginning and started analysing the effects they would have on the Group. Appropriate strategies are being deployed at every stage of operations to minimise the impact on the Groups profitability and to build capacity to overcome challenges ahead.</p> <p>Excellent customer relationships are maintained at all levels with all business units in the Group striving to provide superior services to the customer. Cordial relationships are maintained with all strategic partners, fostering a relationship of trust whilst addressing the interest of all parties concerned. The Group at all business units avoids over dependency on any one party as a proactive action to limit repercussions of loss of a principle business partner.</p>
<p>Socio-Economic/Political Stability: The risk that an investment's returns could suffer as a result of political changes or instability in a country. The outcome of a political risk could drag down investment returns or even go so far as to remove the ability to withdraw capital from an investment. Instability affecting investment returns could stem from a change in government, economic factors, legislative bodies, other foreign policy makers, or military activities.</p>	<p>Implications: Main core areas of the Group's business is affected by instability arising from socio-economic/political issues and general security issues within the operating environment. Both tourism as well as the cargo logistics sectors are dependent on the prevalence of a stable and secure country situation. The non-prevalence of same would incur risks associated with loss of business and the loss of viability of the Group's investments into tourism and cargo logistics.</p> <p>Risk Rating: High</p>	<p>Diversification of the affected sectors to operating environments beyond that of Sri Lanka to reduce the over dependency on the local economy. This would involve the expansion of the tourism sectors to regional and international markets such as Oman and cargo logistics to emerging economies that have greater potential for business success. Further, the Group periodically reviews country situations where it intends diversifying into and exposures with foreign countries. Further the Group maintains strong relationships with relevant stakeholders, lobby groups and trade unions and plays a vital role in influencing progress towards lasting peace and political / socio- economic stability within the country.</p>
<p>Legal Risk : Potential for loss arising from the uncertainty of legal actions/proceeding or</p>	<p>Implications: Loss incurred due to the adverse legal judgments, high cost of legal and penalty fees, loss of image and investor confidence on the</p>	<p>The Group has its own in house legal division assisting the various business units of the External professional counsel is sought as and</p>

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>uncertainty in the applicability or interpretation of contracts, laws or regulations. Inadequate documentation, legal or regulatory incapacity may result in unenforceability of contracts with counterparties.</p>	<p>integrity of the company would be consequences of this risk.</p> <p>Risk Rating: <i>Low</i></p>	<p>when required. Periodic reviews and audits are 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.</p> <p>The Group recognises and conforms to its responsibilities as a public quoted company, a taxpayer and an employer. All statutory and legal requirements are met in all transactions.</p>
<p>Reputation Risk: Adverse impact on earnings, capital and the corporate image of the Group arising from negative public opinion.</p>	<p>Implications: This affects the Groups' ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Group to litigation, financial loss, or a decline in its customer base. Reputation risk exposure is present throughout the company and includes the responsibility to exercise an abundance of caution in dealing with its customers and the community. The reputation risk has a direct impact on shareholder wealth and investor confidence.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>In order to maintain its reputation and preserve the confidence of its various stakeholders, Aitken Spence has in place an effective compliance system. The setting up of a business communication unit, with representation from all the strategic business units of the Group to ensure up to date and accurate communication with the general public and all stakeholders of the Group coupled with the maintenance of the highest ethical behaviour at all times in all business activities have been the focal actions undertaken to mitigate this risk.</p> <p>Further, regular assessment of the level of customer satisfaction, taking prompt action on customer complains/suggestions, introduction of innovative products and services, periodic review of business strategy, vision and mission of the Group and constant reminders to the staff on the importance of delighting customers are some of the focal actions employed by the group to mitigate this risk.</p> <p>The Group actively involves itself in community development and places importance on being a socially responsible corporate citizen. Building a sustainable business is an integral part of Group's long term strategy to enhance shareholder value and investor confidence. Strict adherence to environmental regulations to the extent of even enhancing the environment in some instances and all other statutory requirements are maintained.</p>

- Risk Management

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>Operational Risk: Operational Risk is defined as the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events. This category encompasses those risks arising as a result of systems and procedural failures, processing errors, human errors, fraud, lack of internal controls, compliance requirements, corporate governance practices, and both natural and man made disasters.</p>	<p>Implications: Disruption to smooth functioning of the business operations and the loss incurred thereby, volatile revenues and difficulties in maintaining and sustaining profitability, loss of competitiveness, hampered productivity, loss of competencies over competitors, hindrance to expansion, damages to reputation, high cost of legal and penalty charges, and deterioration of the working environment, would be the main consequences of this risk.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>A structured and uniform set of internal controls is adhered to through out the Group. These also stipulate the levels of authority and context within which certain transactions are to be performed. Periodic and impromptu checks are carried out by the Groups' Internal Audit division to ensure the adherence and effectiveness of such controls. The organisations' wide use of the Oracle EBS Applications software ensures the observance of the required internal controls, whilst facilitating a better management of the working capital requirements.</p> <p>Business continuity plans are being formulated for all sectors of the Group to ensure smooth operations even at a time of disaster. As a part of this process, all natural and man made disasters that can have an adverse impact on each of the sectors are being identified and preventive and mitigatory actions are being taken based on the potential loss and probabilities of occurrences. The risks of some disasters are translated to a third party via comprehensive insurance practices.</p>
<p>Foreign Exchange Risk: This refers to the adverse impact of foreign exchange rate fluctuations on cash flows, on assets and liabilities, and on the real business activities (such as purchase of capital goods, raw materials, services and in the conversion of foreign currency receipts to rupees) of the firm.</p>	<p>Implications: Adverse movement in the foreign currency exchange rates against the Sri Lankan Rupee can mean an impact on the profit & loss account on translation of assets/liabilities as well as lead to cash flow issues during realisation/settlement of such assets/liabilities. Any such adverse movements that occurs post original evaluation/estimation can impact the profitability of a project or a particular order or transaction.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>The central treasury of the Group manages the exposure of each currency separately and also in aggregate with all currencies in a prudent manner. The effect of exposure to foreign currency liabilities are minimised or avoided by matching these liabilities against foreign currency denominated assets. Further the risks associated with future repayments of foreign currency liabilities are mitigated by ensuring such outflows are matched by foreign currency inflows. The impact of adverse movements in exchange rates on import and export transactions are mitigated by forward booking of currencies as well as matching of foreign currency inflows and outflows on a consolidated basis across the Group companies.</p> <p>Exchange rate forecasts are constantly monitored to ensure that the risks are hedged as necessary with appropriate treasury</p>

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>Interest Rate Risk: The potential for losses that may arise due to adverse movement of interest rates in local currency or foreign currencies.</p>	<p>Implications: Volatility in general market interest rates both in local and foreign currency will lead to high cost of borrowings or lower interest income and as a result the Group would have a direct impact on its profitability and shareholder wealth. Further financial/opportunity losses may arise due to unexpected movements in market interest rates.</p> <p>Risk Rating: <i>High</i></p>	<p>products and the central treasury through its continuous monitoring of market movements, advises the subsidiaries as to the timing of such hedging mechanisms there by striving to minimise the import costs and maximise revenues at all times whilst at the same time managing the risks involved.</p> <p>During the year under review, the Group has taken necessary steps to hedge its foreign currency exposures successfully through forward rate bookings and foreign currency derivative products within well defined parameters.</p> <p>The Group manages and mitigates its interest rate risks through its central treasury by using the following strategies.</p> <p>Exposure to foreign currency liabilities linked to floating rate indices such as LIBOR were mitigated by the use of innovative financial instruments such as Interest Rate Swaps and other financial derivative products, during the year under review.</p> <p>The impact of interest rate movements on Group short-term borrowings is minimised through the efficient management of rupee cash flows across the Group in a systematic basis, which includes netting of subsidiary cash flows through the centralised treasury. The efficiency of this method is evident by the fact that the Group has consistently maintained a lower effective interest rate compared to market rates. However, the Group keeps a continuous watch on market trends that can impact its net exposure on short-term borrowings and takes preventative measures where necessary to guard against anticipated fluctuation in rates.</p> <p>Constant monitoring and forecasting of market interest rates are carried out to ensure appropriate steps are taken to maximise the return on financial investments and to minimise the cost of borrowings. Negotiations</p>

- Risk Management

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>Human Risk: Risk arising from inability to attract and retain skilled and experienced staff, loss of company sensitive information, drop in productivity and quality, increase in human error.</p>	<p>Implications: Lack of motivation may result in poor productivity and the resultant drop in revenue and market share. Customer dissatisfaction causing switching to competitor products/services, increased human error and loss of sensitive information tarnishing the image of the Group are all potential outcomes of this risk. Further, the impact of brain drain has been a significant factor in the corporate sector during the last few years in the country.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>with banks and financiers take place often time to obtain the best possible interest rate for Groups' borrowings and investments by its' central treasury.</p> <p>Recruitment of high calibre staff, effective induction to the Groups' corporate culture, training and development with structured career development plans, fostering a reward and recognition culture are the norm in all business units of the Group. Succession planning for all departments and business units are being developed.</p> <p>The Group takes all precautionary steps necessary to ensure that no sensitive information vital for the performance of operations are disclosed outside of the Group.</p>
<p>Technology Risk: Some of the concerns in this area would be malicious software and its impact on performance, information loss, unauthorised access and loss of business opportunity due to out-dated systems and non-adaptation of new technology. Also the loss of business due to inadequate preparation for failures of systems and links, improper capacity planning. Breaches in systems security leading to unauthorised access intentionally or otherwise by both internal and external users could also be highlighted as a concern in this area.</p>	<p>Implications: These risks can impose short term loss of information technology services resulting in the non-availability of current business transactions, loss of future business growth and a breach in confidentiality in information.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>A multi-tier safeguard mechanism is in place to meet the threat of malicious software and its adverse effects. The mechanism provides real-time detection and elimination of malicious software.</p> <p>A multi-point inspection of access rights are in place to ensure better security within the IT infra-structure. In the past this inspection was limited to key hardware devices and devices that connect the enterprise to external entities. However, this inspection is now enforced right up to the internal end user computing devices. Link failure events are treated as likely and a dual service provider link infra-structure, is in place to counter this risk. The company together with the telecom service providers pioneered the introduction of real-time load balances multiple link usage via MPLS networks in Sri Lanka.</p> <p>A well managed capacity adequate network is a must for co-operating business entities to function smoothly. The latest networking equipment supporting quality of service (QoS) features are in place. This has inducted the concept of "service commitment" in technology services in the Group.</p>

Type of Risk	Implications / Risk Rating	Mitigatory Actions
<p>Investment Risk: Risk of a poor performing investment and risk associated with an investment project failing mid way before project completion due to external factors.</p>	<p>Implications: Deterioration of shareholder value due to the loss incurred and the decline in investor confidence.</p> <p>Risk Rating: <i>Moderate</i></p>	<p>System failure events are treated as occasional; rapid response agreements and backup procedures are in place to counter these risks. Systems hardware capacity is also monitored to ensure availability of sufficient computational resources. As a rule of thumb – a consistent 70% resource usage is considered the alarm for capacity enhancement.</p> <p>Systems at acquisition stage are subject to stringent evaluation, especially in terms of suitability, conformity to futuristic trends and continuity of systems. The Group maintains a keen eye to spot emerging technology, its maturity and suitability to strengthen business processes, of the Group.</p> <p>Stringent evaluation of risks associated with each new investment through the utilisation of in-house expertise and external resources as and when required. All new investments should satisfy the minimum expected return of the Group. Envisaged bottlenecks of a project are identified at the project planning stage, whereby elimination or mitigatory measures are then undertaken before venturing to a more detailed evaluation stage and the subsequent execution stage. Investment agreements are carefully drafted to ensure that risks to the Group are mitigated or minimised.</p> <p>When investing in new projects, preference is given to the formation of strategic alliances with reputed partners for the creation of synergies. The Group balances the risk return trade off. Certain risks are accepted in light of the future growth and profitability potential of the investment.</p>

• Corporate Governance

Corporate Governance requires more emphasis than ever before since we have witnessed small and large entities globally as well as in this nation collapse due to poor governance, lack of accountability and integrity, causing irreparable damage and losses to investors, the public and ultimately having a negative impact nationally and internationally.

The Board recognises that shareholders own the Company and what counts in any relationship is credibility. Beginning from that premise, Aitken Spence PLC has built trust with the existing stakeholders and opened doors to new audiences.

Corporate Governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing business prosperity and corporate

accountability with the ultimate objective of realising long term shareholder value. The Board endeavours to strike an effective balance between administration and compliance on one hand and value creation for its shareholders.

The Board is committed to maintaining high standards of integrity, accountability, transparency and business ethics in the governance of the Company and its subsidiaries.

The Company's compliance with the listing rules laid down by the Colombo Stock Exchange and the Best Practices set out in 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 relevant codes of other Professional Institutes and Chamber of Commerce, is given below;

Corporate Governance Principle	Compliance
The Board of Directors	<p>The Board comprises of a Chairman, a Deputy Chairman & Managing Director, and six other Directors of whom four are non Executive Directors.</p> <p>An important feature is that none of the Directors are related which enables each director to analyse and express their views independently, objectively and forthrightly.</p> <p>None of the Directors have a significant shareholding in the Company.</p> <p>The names and profiles of each Director are on pages 14 and 17 of this Annual Report.</p> <p>The Board makes strategic decisions with regard to the short term, events and makes long term plans for the Company and the Group.</p> <p>All Directors are encouraged to add value and give an independent opinion on issues of strategy, performance, key appointments, standards of business conduct and all other matters which are considered by the Board.</p>
<i>Chairman's Role</i>	<p>The Chairman possesses outstanding business acumen and provides the Board with sound leadership, controls the Board, preserves order during meetings, gives strategic direction and guidance, in managing the affairs of the Company.</p> <p>Recognising that execution is critical to success, the Chairman ensures that the Board effectively carries out its functions, adheres to procedures and is in complete control of the affairs of the Company and its obligations to shareholders and other stakeholders.</p> <p>The Chairman conducts meetings of the Board, in a professional manner.</p> <p>The Chairman encourages effective participation by the individual Directors to make their contributions on matters under consideration, prior to taking decisions.</p>

Corporate Governance Principle	Compliance																		
	<p>The Chairman ensures that all Directors are adequately briefed on issues arising at Board Meetings.</p> <p>The balance between the Executive and Non Executive Directors is maintained and views considered and ascertained.</p> <p>The Chairman ensures that Shareholders' Meetings are conducted in a professional manner, maintains order and gives adequate time for relevant questions to be raised and clarifications sought.</p>																		
<i>Board Meetings</i>	<p>Board Meetings were held four times during the financial year at regular intervals. The meetings were presided over by the Chairman.</p> <p>The attendance by each of the Directors is given below.</p> <table> <tr> <th></th><th>Number of meetings attended</th></tr> <tr> <td>D.H.S. Jayawardena</td><td>4</td></tr> <tr> <td>J.M.S. Brito</td><td>4</td></tr> <tr> <td>R.M. Fernando</td><td>4</td></tr> <tr> <td>G.M. Perera</td><td>2</td></tr> <tr> <td>G.C. Wickremasinghe</td><td>3</td></tr> <tr> <td>C.H. Gomez</td><td>2</td></tr> <tr> <td>N.J. de S. Deva Aditya</td><td>4</td></tr> <tr> <td>V.M. Fernando</td><td>3</td></tr> </table> <p>Mr. G.C. Wickremasinghe and Mr. Gomez, were unable to attend all meetings due to urgent and unforeseen matters arising overseas. However, they were always contactable on the telephone during the meetings.</p> <p>Mr. V. M. Fernando and Mr. G.M. Perera who were appointed to the Board during the financial year, attended all meetings convened after their appointment.</p> <p>In addition to attending Board Meetings, the Directors take decisions via Circular Resolutions.</p> <p>Board papers are circulated giving adequate time for individual Directors to study and formulate independent views on matters being considered which enable active participation by Board members, thus making effective Board decisions. When decisions are taken by Directors via Circular Resolutions, all relevant information is sent together with the Circular Resolution to enable the Directors to clearly understand the purpose for which a Resolution is being circulated, prior to obtaining their consent.</p> <p>The Directors maintain regular communication with one another to discuss relevant business issues and to familiarise themselves with business opportunities, challenges, risks and controls.</p> <p>Directors are encouraged to receive appropriate training on general and specific aspects pertaining to their duties as a Director and their skills and expertise in their relevant functional areas which expands their knowledge and skills to effectively perform their duties as Directors.</p>		Number of meetings attended	D.H.S. Jayawardena	4	J.M.S. Brito	4	R.M. Fernando	4	G.M. Perera	2	G.C. Wickremasinghe	3	C.H. Gomez	2	N.J. de S. Deva Aditya	4	V.M. Fernando	3
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D.H.S. Jayawardena	4																		
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G.C. Wickremasinghe	3																		
C.H. Gomez	2																		
N.J. de S. Deva Aditya	4																		
V.M. Fernando	3																		
<i>Matters Reserved for the Board of Directors</i>	<p>Formulate, communicate, implement and monitor the business goals, objectives, strategies and policies of the Group.</p> <p>Review and approve the operational and financial budgets and monitor the performance of the individual Strategic Business Units of the Group.</p> <ul style="list-style-type: none"> • Ensure that a proper risk management system covering all aspects of the business is in place. 																		

- Corporate Governance

Corporate Governance Principle	Compliance
	<ul style="list-style-type: none"> Review, discuss and decide on new business and investment proposals recommended by the Managing Director and the Board of Management. Restructure and Re-Engineer the existing businesses of the Group. Ensure due compliance with applicable laws of the country, the requirements of the customers and institute best practices on ethical, health, environmental and safety standards for the Group. Approve the annual and interim financial statements prior to publication. Determine the quantum of the interim dividends and recommend the final dividend for approval by the shareholders. Appoint a competent Managing Director who has the necessary authority delegated by the Board to manage the day to day operations of the Company and ensure adherence to policies and procedures of the Company and the Group. Recommend the appointment or removal of the External Auditors subject to the approval of the shareholders at the Annual General Meeting. Constitute sub committees such as the Audit Committee, Remuneration Committee and the Nomination Committee with Board members whom the Board thinks are most suitable in view of their experience and expertise to add value to the respective Committees to which they are appointed.
<i>Related Party Transactions</i>	Related Party transactions are disclosed on pages 127 to 128 of the Annual Report.
<i>Obtaining independent professional advice</i>	The Directors obtain independent professional advice, whenever required, at the Company's expense in discharging their duties.
<i>Company Secretary</i>	<p>The role of the Company Secretary is to strengthen the role of the Board, and to ensure a healthy relationship between Directors, Auditors and Board sub-committee members as this strengthens accountability and investor confidence in the quality of auditing, financial reporting, corporate governance and thus maintaining the trust shareholders place on the effectiveness of the auditing process, the financial reporting process and the ethical management of the Company.</p> <p>All Directors have access to the Company Secretary, who is a Chartered Accountant by profession.</p> <p>The Company Secretary is present at all Board Meetings and ensures that Board procedures are followed, applicable rules and regulations are complied with and appropriate facilities are available for the proper conduct of Meetings.</p>
<i>Independent Judgement</i>	All Directors exercise their independent judgement prior to the Board making decisions relating to goal setting, formulation of strategies, implementation of plans, performance reviews, resource allocation and standards of conduct.
<i>Dedication of adequate time and effort to the matters of the Board and the Company</i>	<p>The Chairman and the Board of Directors allocate adequate time for the fulfilment of their responsibilities as Directors of the Company. In addition to attending Board Meetings, individual Directors are members of various subcommittees of the Board and attend meetings of same after due preparation prior to such meetings.</p> <p>The Board of Directors has delegated the implementation of the day to day operations of the Company to a competent, professional and experienced Managing Director who is the Chairman of the Board of Management which comprises of the Managing Directors of the various Strategic Business Units of the Group.</p>

Corporate Governance Principle	Compliance
Chairman and Managing Director	
<i>Clear division of responsibilities of the Chairman and the MD</i>	The functions performed by the Chairman and the Managing Director are distinct and separate, which ensure the balance of power and authority within the organisation, so that no one person has unfettered powers of decision making.
<i>Presence of a strong non executive element on the Board.</i>	<p>A healthy balance is maintained with 50% of the Directors being Non-Executive Directors, all of whom are Independent.</p> <p>The Non Executive Directors have submitted their declaration of independence which has been forwarded to the Colombo Stock Exchange.</p>
<i>Financial Acumen</i>	The Managing Director is a fellow member of the Institute of Chartered Accountants of London & Wales, obtained a Degree in Law and a Masters Degree in Business Administration. In addition, the Board includes an investment banker who is a Non Executive Independent Director. These two Directors add substantial value and independent judgement on the decision making of the Board on matters concerning finance and investment.
<i>Board Balance</i>	<p>The four Directors who are Non-Executive Directors are Mr. G. C. Wickremasinghe, Mr. C. H. Gomez, Mr. N. J. de S. Deva Aditya, and Mr. V. M. Fernando.</p> <p>Mr. G. C. Wickremasinghe although he was employed by the Company two years immediately preceding his appointment as a Director and served on the Board for 9 years from the date of his appointment, since he retired from the services of the Company over 10 years ago and is not involved in the management of the Company, the Board having taken into consideration all the circumstances has construed that he is Independent. Mr. C. H. Gomez and Mr. N. J. de S. Deva Aditya although Directors of the Company and Directors of Institutions that hold between 15% to 20% of the shares of the Company, are nevertheless determined as Independent Directors after taking into consideration all the relevant circumstances including the fact that they reside overseas and the Institutions in which they are Directors do not directly or indirectly get involved in the day to day management of the business affairs of the Company or its subsidiaries. Mr. V M Fernando was appointed to the Board as an Independent Director.</p> <p>The Board benefits from the large reservoir of in-depth knowledge and business acumen of its members who collectively provide core competencies in finance, legal, commerce, industry, business entrepreneurship and management.</p>
<i>Supply of information</i>	The Group has a well developed and streamlined Management Information system in place, which includes a comprehensive annual budget with key financial performance indicators which are reviewed monthly and quarterly. The Board Members are circulated with appropriate documents in a timely and efficient manner. Board papers, including the detailed agenda, are sent in advance of the Board Meetings to enable the Directors to effectively contribute to discussions and decision making. Board papers contain financial and operational reports of Group Companies, updates on the business and industry scenario locally, regionally and internationally, opportunities, risks and other matters requiring decisions. Any additional information requested by the Board Members are presented promptly to the Board.
<i>Appointments to the Board of Directors</i>	<p>A formal and transparent procedure is adopted for the appointment of Directors to the Board. Upon the appointment of a new Director to the Board, the Company discloses same to the Colombo Stock Exchange together with a brief resume of such Director containing details with regard to his expertise. Interest if any as Directors of other Companies or as substantial shareholders are disclosed to the Board.</p> <p>The Directors are elected by the shareholders of the Company in terms of the Articles of Association. The Articles of Association of the Company empower the Board of Directors to</p>

- Corporate Governance

Corporate Governance Principle	Compliance
	either fill a casual vacancy in the directorate or appoint additional Directors. Directors so appointed hold office until the next Annual General Meeting at which they are eligible for election.
<i>Re-election of Directors</i>	The Company's Articles of Association provides for one third of the Directors for the time being, or if their number is not a multiple of three the number nearest to one third (but not exceeding one third) to retire from office by rotation other than the office of the Chairman, Chief Executive, and Joint Managing Director, who are not subject to retirement by rotation. The retiring Directors are selected on the basis of those who have been longest in office since their last election. In the event 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.
Directors Appraisal and Remuneration	
<i>The Remuneration Committee</i>	The names of the members of the Remuneration Committee are listed on page 2 and the Report of the Committee is given on page 86 of this Annual Report.
<i>Remuneration procedure</i>	<p>The Committee formulates and reviews remuneration packages of Executive Directors and Executive Employees. The Remuneration Committee comprises of the Chairman of Aitken Spence PLC and two Non Executive Independent Directors one of whom functions as the Chairman of the Remuneration Committee. No Director is involved in determining his or her own remuneration.</p> <p>The Remuneration Committee is responsible for evaluating the performance of the Managing Director, Executive Directors and the individual and collective performance of the Directors and the Senior Management.</p> <p>The Committee structures remuneration packages in such a manner as to attract the best professional and managerial skills in the country and thereafter to retain and motivate the Executive Directors and the Senior Management of the Group. Non Executive Directors receive a fee for their participation as a member of the Board.</p>
<i>Disclosure of remuneration</i>	The Annual Report of the Directors is on pages 89 to 93 which sets out the aggregate remuneration and fees paid to Executive and Non Executive Directors of the Company.
Relations with shareholders	
<i>Constructive use of the AGM.</i>	<p>The shareholders exercise their right to vote at the Annual General Meeting. Each resolution brought before the shareholders at the Annual General Meeting are voted on separately by the shareholders.</p> <p>All shareholders are invited and encouraged to be present, actively participate and vote at the Annual General Meeting. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet with the Directors after the meeting. The External Auditors and the Company's lawyers are invited to attend the Annual General Meeting and render any professional assistance that may be requested.</p> <p>Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their right to vote and speak exercised, by a proxy of their choice.</p>

Corporate Governance Principle	Compliance
<i>Making available the Notice of meeting and the related papers.</i>	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.
<i>Major transactions</i>	There were no major transactions during the financial year which materially altered the Company's net asset base or the consolidated Group net asset base.
Accountability and Audit.	
<i>Financial Reporting</i>	
<i>Statutory & Regulatory Reporting</i>	The Board of Directors confirm that the financial statements of the Company and its subsidiaries that are incorporated in this Annual Report have been prepared in a meaningful manner and are in accordance with the Sri Lanka Accounting Standards and the Companies Act No 7 of 2007. The Company has duly complied with all the requirements prescribed by the regulatory authorities including the Colombo Stock Exchange and the Registrar of Companies. The consolidated financial statements and the financial statements of the Company were audited by Messrs. KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants.
<i>The Annual Report of the Directors and the Statement by the Auditors</i>	The Annual Report of the Directors is on pages 89 to 93 of the Annual Report. The Auditors' Report on the financial statements for the year ended 31st March 2009 is presented on page 95 of this Annual Report.
<i>Presenting a management report in the Annual Report</i>	The management report of the Company is presented as the operational review of the Company and its subsidiaries on pages 24 to 40 of this Annual Report.
<i>Declaration by the Board as to whether the business is a going concern</i>	The relevant declaration is presented in the Annual Report of the Directors on page 93 of this Annual Report.
Internal Controls	
<i>Maintaining a sound system of risk management</i>	The Board addresses potential and inherent, operational and financial risks at all levels with the active participation of the Audit Committee, the Board of Management, and the Senior Management of the Strategic Business Units. Shareholders' risks are minimised by a strict evaluation procedure for all proposed investments in new projects and the expansion of existing units. Shareholder risks are also minimised by instituting corrective action wherever necessary with regard to existing businesses. Effective key performance indicators have been introduced which assists in the monitoring and evaluation of the performance of all Strategic Business Units.
<i>Systems to secure internal controls, risk management and accurate information</i>	The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks. The Risk Management Report of the Company is presented on pages 50 to 59 of this report.
<i>Maintaining a sound system of internal controls and reviewing effectiveness of the internal controls.</i>	The Board is responsible for the formulation, implementation and monitoring of the appropriate systems of Internal Controls for the Group and ensures their effectiveness. The Board is fully conscious that any Internal Control system contains inherent limitations and no system of Internal Control could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, frauds, or other irregularities. The Board has taken appropriate action to minimise such situations
Audit Committee and auditors	
<i>Composition of the Audit committee</i>	The Audit Committee is a sub committee of the Board of Directors of Aitken Spence PLC. The Committee comprises of three Independent Non Executive Directors. The names of the members

- Corporate Governance

Corporate Governance Principle	Compliance
	<p>of the Audit Committee are on page 2 of this Annual Report and the Report of the Audit Committee is on page 88 of this Annual Report.</p> <p>The Board is in the process of identifying a suitable person who is a member of a recognised professional Accounting body to be appointed to the Board as a Non Executive Director. Such Director will be appointed as a member of the Audit Committee.</p> <p>The Committee consists of members whom the Board has determined most suitable after taking into consideration the vast experience and knowledge of the relevant Directors, to effectively carry out their responsibility as a member of the Committee.</p>
<i>Terms of Reference for Audit Committee</i>	<p>The duties and responsibilities of the Audit Committee are in accordance with the Code of Best Practice on Audit Committees issued by the Institute of Chartered Accountants of Sri Lanka 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.</p> <p>The Audit Committee endeavours to assist the Board to discharge its duty of ensuring that the Group's internal controls and conduct of business are in accordance with the best practices appropriate to the Company and to the Group's Strategic Business Units.</p> <p>The Audit Committee monitors and guides the Internal Audit function.</p>
<i>Maintaining appropriate relationships with the External Auditors.</i>	<p>The Audit Committee has a responsibility to evaluate the performance of the External Auditors and make its recommendation to the Board of Directors on their re appointment or removal which is subject to the approval of the shareholders at the Annual General Meeting.</p>
The Nomination Committee	<p>The Nomination Committee consists of the Chairman of the Company and two non Executive Directors.</p> <p>The names of the members of the Committee are listed on page 2 of the Annual Report.</p> <p>The functions of the Nomination Committee are to recommend to the Board of Directors the appointment and re-appointment of Directors and to review and recommend to the Board, changes if any in the composition of the Board.</p>
Areas of Relevance/ stakeholders	
<i>Employees</i>	<p>The Board of Management ensures that the vision, goals and objectives of the Group are appropriately formulated, clearly communicated, duly understood and strictly adhered by all employees. Hence the strategic direction of the Company is clearly known to all employees of the Group.</p> <p>All employees are aware of their specific duties, tasks and functions which they are required to perform. The Company strictly ensures that no employee below the legal minimum age is offered employment. The Group rigidly complies with the ILO Conventions on the employment of persons.</p> <p>The Group affords 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.</p>
<i>Relationship with Institutions and Regulatory Bodies</i>	<p>A meaningful relationship is maintained with Institutions such as the Central Bank of Sri Lanka, the Board of Investment, the relevant Line Ministries, the Registrar of Companies, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange, the Department of Inland Revenue, Professional and Trade Associations and the various Chambers of Commerce. The</p>

Corporate Governance Principle	Compliance
	Group's operations and activities strictly adhere to the rules, regulations and codes of conduct set out by the relevant Regulatory and Advisory Bodies and the laws of the country.
<i>Business and Corporate Ethics</i>	The Board ensures that the Company strictly complies with all relevant laws and regulations and with the Code of Business Conduct and Ethics. All employees are given a copy of the Code of Business Conduct and Ethics on recruitment. Any violation of the Code of Ethics is considered a serious offence which is subject to disciplinary action.
<i>Statutory Obligations</i>	<p>The Directors, to the best of their knowledge and belief are satisfied that all financial obligations of the Company are duly paid or adequately provided for in the financial statements.</p> <p>The Company maintains proper records including Minutes of Board Meetings and General Meetings.</p>
<i>Environment</i>	The Board of Directors to the best of its ability has applied very high standards to protect and nurture the environment. The companies of the Group promote detailed and defined health and safety procedures appropriate to each employee's nature of work as well as to outsiders who come in contact with the relevant Strategic Business Units. The Group does not compromise on its commitment of strict adherence to best practices on Environmental issues. The numerous environmental awards won by Group Companies is a testimony to this aspect of the Group's governance system.

• Business as usual

Corporate Social Responsibility

- Company's Commitment to Sustainability

"We have understood the exceptional importance and significance of Sustainability, aligning our corporate responsibility strategy to take decisive steps to ensure that all our operations are sustainable.

Our respect for employees, investors, customers, suppliers, competitors, business associates and the community affected by our operations has driven us to embrace and emulate the policies and practices of integrity, concern for humanity and environment which are intrinsically woven into the values and work ethics promoted by the company.

We remain committed to the principles of the United Nations Global Compact, which is a purely voluntary process.

We champion the principles of human rights, improvement of labour standards, conservation of environment and corporate integrity in an effort to embrace a more sustainable economy".



J.M.S. Brito

Deputy Chairman and Managing Director

25th May 2009

• Talent Management

The right talent is an organisation's strongest asset in both good times, and bad. Aitken Spence recognises that the company's performance even in the toughest conditions is undoubtedly attributed to its motivated and committed team of professionals, whose spirit drives the company relentlessly forward.

The Group intensified its efforts during the year, to integrate strong HR practices driven by HR values across all its subsidiaries, by infusing them with HR management skills to align them better with the central HR philosophy.

Being fully aware of the changing expectations of the modern employee who is typically mobile, progressive, ambitious and well-informed, Aitken Spence deemed it important to transform its own systems and processes to cater to these changing needs. This would greatly facilitate the process of attracting the best available talent.

Recognising ground realities

With the world facing a severe economic crisis, we geared ourselves to positively counter the downturn. Having always operated a lean organisation, we found that our cost structures were already prudent and therefore avoided stringent cost cutting measures which may have adversely affected employee morale. Instead we intensified internal transfers to fill recruitment needs within subsidiaries and reduced new

recruitment allowing natural attrition to keep our staff numbers at manageable levels. Operations at subsidiaries were rationalised by combining departments and reallocating staff to areas of greater efficiency, always keeping in mind the competencies of the staff to perform their new roles. Hence even after such reallocations, the business process went on smoothly. In an anticipatory move, we have also set up teams to focus on crisis management and develop concepts and techniques to overcome them.

Strengthening our processes

An internationally recognised structure

We evaluated our organisational structure in 2008/09 in the light of the Group's current size and its operations both in Sri Lanka and overseas. Having recognised the need for a structure that is both functional and flexible while at the same time being recognised and accepted by international standards, we undertook a re-designation of senior employees. We believe that this exercise would serve well as a means of objectively evaluating the contribution of the hierarchical levels, and as reward and recognition of those who have significantly influenced good business results.

A Revamped Appraisal System

The existing appraisal system for executives was revisited during the year, to take into account new

“Having always operated a lean organisation, we found that our cost structures were already prudent and therefore avoided stringent cost cutting measures which may have adversely affected employee morale.”

developments internationally, in the area of performance management. The system was thus revised to scientifically measure individual contribution towards business results, and thereby capture overall performance.

Enhancing Productivity

5S Standards - a way of life

We continued with the strategy of training employees across the company on the Japanese 5S concept, promoting it as a basic and compulsory productivity improvement standard to be maintained throughout the Group. To this effect, over 400 employees were given a thorough training on 5S in addition to monthly Group orientation training programmes organised for all new recruits to the company.



Productivity Week

The Aitken Spence Productivity Week was held between 7th to the 10th of October, with the participation of 125 employees from all subsidiaries of the Group. The event consisted of 3 sessions addressing core areas related to productivity enhancement conducted by experts in each field. The objective of the event was to highlight the need for implementing and enhancing basic productivity improvement techniques in all of the Group's companies.

Training and Development

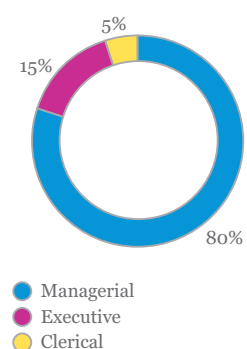
The Group's Employee Development drive saw a quantum improvement during the year with the automation of the Training & Development module on HRIS. The module available to all employees, automates the entire

training and development function from training needs identification and scheduling of training to on-line registration and training evaluation. The automation grants easy accessibility to employees while making the process more transparent and efficient. An automated learning diary was also introduced to allow employees to regularly reflect on significant experiences associated with their learning, and become aware of how they have progressed in order to help identify issues/problems associated with their learning.

A total of 68 training programmes were carried out during the year; 80% of those targeted executives, while 15% were for management grades and 5% for clerical staff.

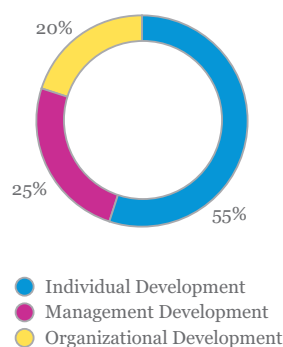


Employees Trained categorywise %



• Talent Management

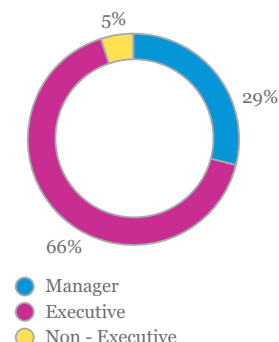
Programmes Conducted categorywise %



55% of the training programmes addressed individual development while 25% were management development programmes and 20% were organisational development programmes.

We were successful in developing a team of in-house trainers on basic practical English for the Tourism Sector to train junior staff. This team has now set up its own unit and provides voluntary service to villagers living in the vicinity of our hotels in Sri Lanka.

Breakdown of Workforce by Category %



Listening to our Employees

We firmly believe that to be truly democratic and effective, we must enable our employees to voice their opinions and be heard. This has been one reason why we have had a positive trend in the years of service of the employees in the Group. Employee satisfaction is interconnected with leadership and business performance; employee satisfaction must be closely monitored to ensure a positive spirit prevails at all times. The Group-wide employee satisfaction survey has been an ideal tool by which to measure and understand employee satisfaction trends. This year, the survey was conducted covering a minimum of 90% of employees from subsidiaries belonging to the four sectors. The findings of the recently completed survey are now being amassed, and suitable action will be taken in the coming year to address areas of concern.

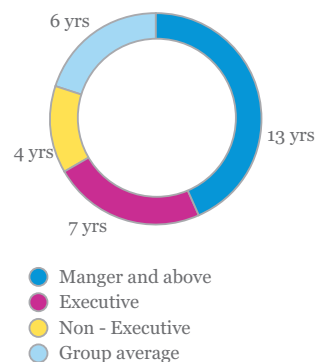
Motivating and rewarding our talent

The construction of our new corporate office was completed during the year, following which most sectors and divisions of the Group were re-located in this building. The complex was designed to increase employee satisfaction and to enhance a positive working environment. We are aware that it is motivated employees who give the best to the organisation. Employees of each division were given the liberty of designing their own interiors which has brought in uniqueness to each of the divisions. The spacious lunch room and cafeteria were designed to cater to the staff who are employed at the Vauxhall Street complex. This has given intrinsic benefits to the Group where better interaction takes place between employees of different companies.

Within a diversified Group it is essential that various social activities are organised in order to create an atmosphere of togetherness within sectors and divisions. With that in mind we have integrated a number of social activities which includes the annual christmas party and carols , a Group sports day and annual company outings.

In order to create an informal working culture within the Group, Fridays has now been officially declared as a “dress down day” to promote productivity through the creation of an informal

Average Length of Service



atmosphere that leads to better interaction and team spirit.

To enhance benefits offered to staff, the medical facilities provided to staff was streamlined and enhanced. In addition, in recognition of employees who have served the Group with loyalty and dedication for 25 years it was decided to enhance the contribution of the 25 year service award. During the year, Aitken Spence rewarded 19 employees who completed 25 years of service.

A corporate song was also introduced during the year (created by staff, and performed and produced professionally) to uplift the morale and boost the spirits of the Aitken Spence team.

Streamlining operations

The Human Resources division which leads the talent management function at Aitken Spence experienced several key developments during the year. HR members at subsidiary level were strategically redesignated as 'HR Partners' to provide them with greater ownership of their role and to reflect and strengthen the link they have with corporate HR. The HR Partner's role and responsibilities at the strategic, operation and basic levels were redefined to meet the key performance indicators which were introduced last year. In order to be more cost efficient the Group decided to outsource selected payroll functions and

provident fund operations in order to introduce greater efficiencies.

Monthly HR non-compliance audits were introduced during the year as a means of strengthening HR practices in the subsidiaries with results communicated and discussed at monthly HR Forums. The system allows corrective measures to be taken to avoid non compliances, while recognising positive initiatives through a scoring system.

Employees are the key to our business success. Our core human resource strategy is to add value in all spheres of our activities by improving the potential of our employees and our business processes. Keeping this in mind we ensure that all human resource initiatives help deliver business results as well as look after the most valuable asset of the Group.



• Corporate Sustainability Review 2008/09

“Sustainability is a pillar of Aitken Spence – throughout our history we have always been mindful of our impact on those around us and over the past few years, we have formally infused concepts of sustainability into both operational and strategic aspects of our businesses.

We recognise that the private sector forms an integral component of sustainable action within a global economy – our partnerships and voluntary initiatives are our response to create the right conditions for sustainable development, by ensuring that the social and environmental costs of our operations do not outweigh the benefits of our actions. We have chosen to break free from the notion of unrestrained growth solely targeting profits and instead, give due importance to the wellbeing of our myriad of stakeholders because we believe that being socially engaged creates greater value for our business as well as the community.”

Sustainability Framework

The establishment of a formal framework for sustainability-related activities has lent greater focus to strategic CSR. The Group’s Sustainability Activities are now driven by the Sustainability Committee which brings together representatives from each subsidiary to give leadership to sustainability initiatives. This year, the Sustainability Committee was expanded with the establishment of subcommittees within each subsidiary. The subcommittees are a strong vehicle to carry our central CSR message to the subsidiaries and will give the Sustainability Committee better access to the views and ideas of each company.

Our Sustainability approach encompasses three key stakeholder groups the employees, environment and community, and projects are selected on the basis of their ability to fulfil our objectives of

- Minimising our impact on the environment and conserving it by implementing best practices in terms of energy, green cover, pollution, waste management and resource management.
- Reaching out to communities that are touched by our operations both directly and indirectly, in order to uplift their quality of life and give them a sense of self-worth.
- Enriching the lives of employees by providing them a safe working environment, opportunities to expand their horizons and develop

themselves and to have a healthy work-life balance.

Alignment with Global Initiatives

Projects that we choose to champion must also be aligned with the guiding principles of the UN Global Compact and UN Millennium Development Goals while falling within the parameters of the Global Reporting Initiative. The UN Global Compact, of which we are a participant, is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. As a company operating in the developing world, we are inspired by and committed to the UN’s Millennium Development Goals – a set of time bound targets to meet the needs of the world’s poorest, as agreed to by all countries and leading development institutions. These principles and guidelines have been clearly communicated to our subsidiaries to ensure that all sustainability activities, no matter the scale, are linked to them.

Environmental and Social Management Systems

The concepts and procedures pertaining to Environmental Management Systems (EMS) and Social Management Systems (SMS) were introduced to most subsidiaries during the year. The first stage of this involves conducting an initial review of



Beach cleaning campaign

Assistance was given by the Browns Beach Hotel to the Negombo Hoteliers Association who organised a beach cleaning campaign.



Uplifting living standards

Heritage Kandalama constructed a tube well for the benefit of the villagers of Eruela



Children's welfare

"A Wish Star" kiddies party was organised by Hotel Hilltop for the children of "Singithi Sevana"



International disabled day

Offered refreshments for the participants at the sports meet organised for the disabled on the International Disabled Day.

each company and taking inventory of EMS and SMS aspects, a process that has already commenced in subsidiaries. The Group benefited from being able to consider the Aitken Spence Hotels as a benchmark, as they have already successfully implemented the systems. In order to create a basic level of environmental-consciousness within the Group, we have rolled out initiatives in paper management and energy conservation.

Sustainability Reporting

Global Reporting Initiative (GRI) is the world's most widely used sustainability reporting framework which sets out the guidelines for principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. GRI allows organisations to apply for 3 different

tiers, (C, B and A) when moving from a lower to a higher level of disclosure and measurement.

Aitken Spence uses the framework outlined by the Global Reporting Initiative (GRI) wherever possible in our reporting, in order to present our sustainability ethos and activities in a way that ensures better comparability and objectivity. A major step in this direction is the decision this year to incorporate GRI guidelines and disclosures into the Aitken Spence Hotel Holdings Annual Report by applying for Level C compliance. The initiative was undertaken utilising only in-house expertise, and we hope to gradually introduce Level C to other subsidiaries of the Group.

• Corporate Sustainability Review 2008/09



Community welfare

Donation of bed linen to the Ayurvedic Hospital at Anuradhapura

COMMUNITY

Spence Evoluzione Charitable Trust

The Spence Evoluzione Charitable Trust was established in the wake of the Tsunami of 2004 and registered as a Voluntary Social Service organisation. The Trust which collected and directed funds donated by our partners both in Sri Lanka and overseas succeeded in carrying out a number of critical development projects in affected areas.

In association with TUI, the main donor to the Trust, we are currently carrying out Phase 2 of work at the Kumburupiddy Housing Complex in Trincomalee. This phase involves the construction of a play ground, pre-school, medical centre and community centre which are expected to be completed in 2009/10. During the year, construction was also begun on two tube wells, which have now been completed, to provide water for the residents of the housing scheme.

Development opportunities for undergraduates and school-leavers

Acknowledging the value of the right exposure for job-seekers, several of our Group companies provided internships and training to students and undergraduates in a bid to improve their opportunities of employment. AS Cargo organised 3 months on-the-job training and mentoring for 6 school leavers from the Dedunupitiya Maha Vidyalaya,

Dedunupitiya, in Mawanella. Material awards were also given to this school. This project commenced under Gama Navodya initiative, which is focused on uplifting rural villages through providing productive work opportunities for youth. Aitken Spence Travels provided on-the-job training to undergraduates reading for degrees in tourism at the Sabaragamuwa University.

Earl's Regency hotel conducted several awareness programs, familiarisation tours, practical sessions and training programs for students of the Sri Lanka Institute of Tourism and Hotel Management and Hotel School – Kandy. Students at Faculty of Science, University of Peradeniya also benefited from an awareness programme conducted at the hotel, on cleaner production, ISO 14001 and waste management.

The Group Human Resource Development Division provided 5 trainees from the National Apprentice and Industrial Training Authority (NAITA) and 6 undergraduates with training opportunities. They also conducted sessions on career guidance and personality development for undergraduates, two sessions on presentation skills for the students of Wayamba University and commenced a management training programme for 42 undergraduates at University of Ruhuna.

Empowering our suppliers

The Transport Department of Aitken Spence Travels has been engaged in a



Child development

Donation of stationary to children of an orphanage in Anuradhapura



Supporting children's education

Scholarship offered to student by Heritance Kandalama.

project to empower chauffeurs who work with the Group. This project involved the identification of 21 well performing internal and external chauffeurs who were offered an attractive leasing scheme to purchase their own vehicle. The company arranged a special leasing facility with low interest backed by Aitken Spence, therefore not requiring guarantors. In order to enable the drivers to meet their monthly lease instalment, we entered into an agreement that guaranteed them a minimum mileage during the four year lease period.

Raising the standards of tourism in Sri Lanka

As a key player in the Sri Lankan tourism industry, Aitken Spence believes that our growth must go hand in hand with that of the industry, if tourism is to be sustainable. During the year, a series of initiatives was undertaken to uplift the standards of the industry.

Aitken Spence Travels organised training programmes for freelance chauffeurs and guides in order to enhance their knowledge and service levels. The sessions were conducted by university lecturers as well as reputed trainers. Neptune Hotel carried out a series of programmes throughout the year to develop skills and talents of beach vendors and to uplift their social status. The programme was carried out in collaboration with the representative of Responsible Tourism Partnership. Browns Beach Hotel hosted a training programme conducted by Sri Lanka Tourism

Development Authority for the Negombo Tourist Hotels Taxi Association.

Improving facilities for needy children

Children are our future and as such, we consider it is our responsibility to give children a better quality of life wherever possible. In this regard, Aitken Spence Power donated a gate to Bandaththara Maha Vidyalaya, Matara and dustbins to Naimbala School, Matara to improve safety and sanitary conditions of school children. Browns Beach Hotel upgraded facilities at an orphanage for mentally retarded persons at Swarnadama Home of Nattandiya by construction of walls, electrical equipment and donated dry rations in partnership with a guest. Browns Beach Hotel also continued with its project to maintain savings accounts for 10 orphaned girls at the Children's Home of Dummaladeniya, Wennappuwa.

Supporting children's education

Across the Group, we believe strongly in the need to support the education of school children as a strategy to uplift the country's living standards. Our subsidiaries willingly undertake such projects, recognising that by doing so, they become part of a global partnership for development, as envisaged in the 8th Millennium Development Goal.

Among actions in this area were a scholarship awarded by Heritance Kandalama to a schoolboy at



Looking after our future

Charitable donations by employees to plantations children



Infrastructure development

Construction of road at Thihagoda in Matara.



Caring for the environment

Planting of Grilicidea cuttings by employees of Heritance Kandalama to use as biomass for the Gasifier

• Corporate Sustainability Review 2008/09

Kalugaghaela School, Dambulla for future studies, a scholarship to a Dambulla National School student for her sports activities and 20 scholarships to students of Pahala Eruela School, Dambulla. Heritance Kandalama also donated sports goods to the cricket academy of Dambulla National School, as well as computers, books and other material to Kanthale Mahavilpura School, Thithawelgolla School, Ekamuthu Lama Sangamaya of Kalogahaela and D.S. Senanayake Primary School Kandalama. AS Power assisted the Dhamma School students at the Nagarama Viharaya, Unella, Middlellawala Temple, and Komankada school while also sponsoring English lessons for 200 students at Thihagoda.

Activities for migrant workers' children

MMBL Money Transfer in collaboration with rural banks organised several activities for children of migrant workers. These activities included the distribution of stationary among children and art competitions to showcase hidden talents. Areas covered in this project included Tangalle, Tissa, Karandeniya, Thalathuoya, Archchikattuwa, Rideegama, Kundasale & Ginigathhena.

EMPLOYEES

Child care and development

The Plantations division built a new crèche in the upper division of Dunsinane estate for employees' children while upgrading the crèche at the upper division of Sheen estate. We maintain crèches in all our estates to ensure that the children of our workers are cared for. Each crèche is managed by a formally trained crèche attendant to ensure the continuous mental and physical growth of the children.

A number of other initiatives were taken during the year targeting children of estate workers, including donations of school bags and stationary, a children's fair, concerts and shramadana campaigns involving the crèche network.

Improved housing and infrastructure for estate workers

Elpitiya Plantations supervised and managed the construction of 25 state-funded houses for use by workers at Sheen Estate. Thirteen of the houses were completed and handed over during the year.

The company has committed to meeting 40% of the proposed expenditure for several infrastructure projects earmarked under the Plantations Development Project which began in 2008. The project involves the construction of infrastructure (as shown in table below) for the use of estate workers and staff as well as their families and the State will bear 60% of the costs.

ENVIRONMENT

Action on climate change

Our Group Hotels have shifted their environmental focus towards combating climate change by seeking sources of renewable energy in order to reduce the burning of fossil fuels. Taking a lead role in climate change action within the hospitality industry, we have taken steps to replace diesel with biomass for thermal energy requirements at the Tea Factory and Heritance Kandalama. The Tea Factory Hotel became the very first Sri Lankan hotel to install a gasifier in October 2007 and Heritance Kandalama will commission its gasifier in 2009/10.

Identified Infrastructure	No of Units	Company Contribution(Rs)
Staff Quarters	28	1,680,000.00
Factory Rest Rooms	14	3,352,753.00
Field Rest Rooms	08	288,303.00
Creche Development Centre	01	480,000.00
Social Development Centres	02	148,000.00
Re – roofing	127	3,360,303.00
Latrines	72	806,400.00

Biomass gasification is a renewable, low cost and environmentally friendly energy alternative. Gasification is a technique developed to convert carbon based solid fuels into a gas that contains carbon monoxide and hydrogen. The gasifiers at our hotels utilise Gliricidia wood, a leguminous plant found in plenty in Sri Lanka. The benefits of gliricidia are enormous. The plant can not only provide biomass, it can also provide foliage for livestock while its root nodules nitrogenise the soil and its leaves will enrich the soil. The cultivation of gliricidia would provide employment to villagers in the vicinity of our hotels. Thus the fuel wood is a sustainable renewable source of energy which is much more environmentally friendly and economically viable.

Already, tangible benefits have been seen – the gasifier at the Tea Factory has led to saving of over 90 tonnes of diesel per year amounting to over USD 50,000 of foreign exchange. The hotel's carbon footprint has shrunk with carbon dioxide emission reducing by 250 tonnes annually. It is projected that the soon-to-be-commissioned gasifier at Heritance Kandalama will lead to savings on 200 tonnes of diesel valued at USD 110,000 while reducing carbon dioxide emissions by 500 tonnes.

Solid waste management

A solid waste management initiative has been launched at our Vauxhall Street premises as a joint effort of all resident subsidiaries. The lunch room, which is a common facility to all staff,

generates a substantial amount of daily waste. The initiative involves separating the waste by category at the point of disposal, with paper and plastic waste sent for recycling. This waste management process, which is already carried out by all hotels will be extended to our other subsidiaries.

Caring for the environment

A strong sense of care for the environment is firmly entrenched among the staff at our hotels, who spearheaded projects to clean and beautify their immediate environs during the year. The staff of Heritance Ahungalla partnered with beach guides to clean the beach front at Ahungalla while Heritance Kandalama participated in a programme to clean Dambulla city. Browns Beach Hotel organised a beach cleaning and tree planting campaign under the theme "Trees for Tomorrow". The hotel partnered with the Negombo Hoteliers Association who conducted research on coastal belt garbage. In Kandy, Hotel Hilltop has successfully organised monthly shramadana campaigns to keep their surroundings clean. Heritance Kandalama also organised an environmental awareness programme and a quiz among school children of the area.



Tree planting campaign

Tree planting campaign which had a participation of 345 students, organised by Heritance Kandalama



"Trees for tomorrow"

Tree planting campaign, with the theme "Trees for tomorrow" organised by Browns Beach Hotel



Renewable energy

Cultivation of Gliricidia wood.

• Corporate Sustainability Review 2008/09

Awards and Certifications 2008-2009

Aitken Spence is committed to the highest standards of business excellence and has over the years, won many accolades for its superior performance. In our efforts to continuously improve our own quality standards, we have sought and obtained internationally accepted standards certifications, over and above regulatory requirements. Here we present a list of key awards and certifications received by the Group during the last financial year.

Aitken Spence PLC

- Amongst the Top 5 companies in Sri Lanka - Business Today 2008
- First runner up, Best Corporate Citizen Award – Ceylon Chamber of Commerce 2008
- One of the leading listed companies in Sri Lanka – LMD 2007/08
- One of the Most Respected Entities in Sri Lanka – LMD 2008
- Merit Award for Diversified Holding for Groups above 5 Subsidiaries - Chartered Accountants Annual Report Awards – 2007
- Winner Environment Category, Ten Best Corporate Citizens Awards - Ceylon Chamber of Commerce 2008
- Winner Diversified Group of Companies, National Business Excellence Awards – National Chamber of Commerce 2008
- Gold Standard- Corporate Accountability Ratings 2009 awarded by STING Consultants

Hotels Division

- Runner Up at the ACCA Award for Sustainability Reporting 2008

Heritage Kandalama

- National Cleaner Production Bronze Award - National Cleaner Production Centre - 2008
- National Cleaner Production Merit Award for Energy Efficiency - National Cleaner Production Centre 2008
- Best Five Star Resort - Presidential Awards for Travel & Tourism 2008

Tea Factory

- Best Four Star Resort - Presidential Awards for Travel & Tourism 2008

Heritage Ahungalla

- Green Globe21 Benchmark Bronze 2008/2009
- National Cleaner Production Silver Award for Service Sector - National Cleaner Production Centre in Association with UNEP and UNIDO 2008

- National Cleaner Production Merit Award for Energy Efficiency for Service Sector - National Cleaner Production Centre in Association with UNEP and UNIDO 2008
- National Cleaner Production Merit Award for Water Efficiency for Service Sector - National Cleaner Production Centre in Association with UNEP and UNIDO 2008

Earls Regency

- Green Globe21 Benchmark 2008

Browns Beach hotel

- Green Globe 21 Benchmark

Adaaran Prestige Water Villas

- Maldives Leading Water Villas - World Travel Awards 2008

Adaaran Prestige Ocean Villas

- Design “Hotel & Tourism” Excellence Award - Sri Lanka Institute of Architects 2008

Adaaran Select Hudhuran Fushi

- Highest occupancy in Maldives in the 300 beds and above category - Presidential awards 2009

Destination Management Division

- Best Destination Management Company - Presidential Awards for Travel and Tourism 2008

Conventions & Exhibitions Division

- Best Professional Conference Organisation - Presidential Awards for Travel and Tourism 2008

Cargo Division

- National Chamber of Exporters Award - National Chamber of Commerce 2007

Garments Division

- ISO 9001:2000 Certification

Printing Division

- Excellence Awards (pictorial Calendars - multi sheet) - Sri Lanka Association of Printers 2008
- Excellence Awards (books) - Sri Lanka Association of Printers 2008

Power Division

- Ace Power Generation Matara Ltd and Ace Power Generation Horana (Pvt) Ltd received
- ISO 9001 certification
- ISO 14001 certification
- OHSAS 18001 certification

• Economic Review – 2008/09

In 2008, the Sri Lankan economy recorded a real growth rate of 6.0%, albeit a fall from the previous year's GDP level of 6.8%, amidst unprecedented events taking place in global and domestic markets. The continued positive growth trend was mainly driven by the outstanding performance during the first nine months of the year. During this period, the economy sustained a real growth rate of 6.5%, but due to adverse external developments, real GDP experienced a drop of 0.5% in the last quarter of 2008.

By achieving growth in excess of 6.0% for the fourth consecutive year, Sri Lanka once again surpassed its historical average growth levels of 4–5 per cent. This is most significant for the year in review, given the global economic downturn experienced in most markets worldwide. Further, official unemployment rates continued to be favorable, with unemployment rates falling to a record low of 5.2%, a significant decline of 1.2% on a year-on-year basis, indicating the outcome of higher business and economic growth.

GDP Composition - Sector Analysis

Economic growth for 2008 was driven by the performance of the services, agricultural and industrial sectors, with the services sector continuing to remain largest contributor to overall growth. Services contributed to 57.0% of overall growth, while the industries and agricultural sectors contributed to 28.0% and 15.0% respectively. Despite

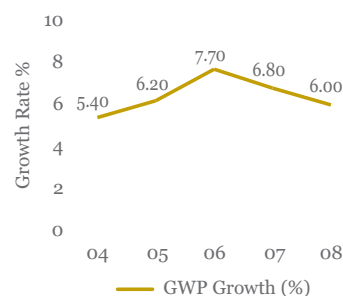
its diverse performance in 2008, the agricultural sector grew by an impressive 7.5% largely owing to higher commodity prices. The services and industrial sectors saw a lower growth rate than that recorded in 2007, with 5.9% and 5.6% respectively compared to over 7.0% of growth in each of the two sectors for the previous year. This was mainly due to the slowdown of domestic economic activity amidst lower external demand experienced in the fourth quarter of the year.

The global economic slowdown had its ripple effects on Sri Lanka, with the textile, wearing apparel and leather products category experiencing a decline in 2008. Similarly, the manufacturing industries of chemicals, petroleum, coal, rubber and plastic were also adversely affected due to decreased international demand, with the declining performance of the automobile industry in many industrial countries.

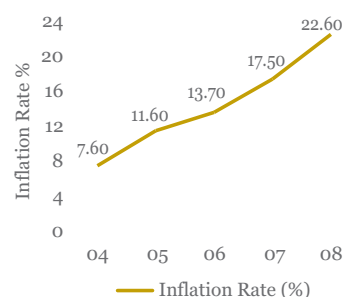
The services sector decelerated with a contraction in the hotels and restaurants subsectors. The strong performance of transportation, telecommunication, computer and information services, construction and insurance services was partially offset by the slowdown in travel and other business services which resulted from global recession.

The external sector was one of the worst hit areas in the Sri Lankan economy due to a global economic slowdown. Import expenditure grew

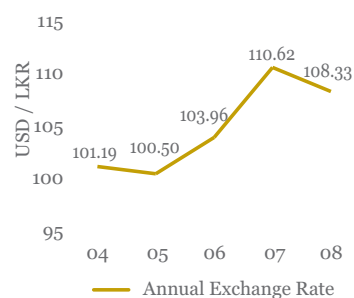
GDP Growth Rate



Annual Inflation Rate



Annual Exchange Rate



• Economic Review – 2008/09

sharply by 33.7 per cent on account of the unprecedentedly high petroleum and commodity prices in the international markets and widened the trade deficit by 88.1 per cent by end September 2008. The widened trade deficit was partly offset by the increased private remittances, which grew by well above 20 per cent throughout the first nine months, helping contain the current account deficit. However the unexpected decline in commodity prices experienced in the latter part of the year which resulted due to global financial crisis had a favourable impact on import expenditure in the last quarter recording an overall import growth of 24% at the year end. The higher growth of expenditure on imports in 2008 relative to the lower growth in exports contributed to the substantial expansion in the trade deficit in 2008.

1 Year TB Rate



Inflation and Financial Markets

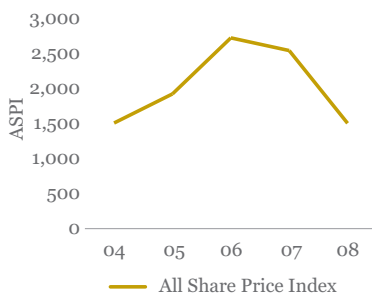
One of the main concerns of the Central Bank at the beginning of 2008 continued to be persistently high inflation. The official indicator for inflation, the Colombo Consumer Price Index (CCPI), continued to increase drastically during the first six months of the year reaching a high of 28.2% on year-on-year basis from 18.8% in December 2007. However tight monetary policies implemented by the Central Bank assisted in restraining inflation to impressive 14.4% an 18-month low by the year end, recording an annual average inflation rate of

22.6% compared to 15.8% posted in the previous year.

Amidst the turmoil in global financial markets, liquidity was also an issue for the Sri Lankan economy from around mid September 2008. As the global financial crisis deepened, drying up liquidity in financial markets world over, the Central Bank had to take some measures to ease conditions in the domestic financial market. Therefore, to augment rupee liquidity and thereby stabilise domestic money and credit markets, the Central Bank injected rupee liquidity by reducing the Statutory Reserve Ratio (SRR) applicable to all rupee deposit liabilities of commercial banks, on two occasions in 2008. The SRR on all rupee deposit liabilities of commercial banks was reduced in two steps, in October and November 2008, by 75 basis points, and 150 basis points, respectively, to 7.75 per cent. In addition, several prudential measures were introduced to limit the demand for credit for certain categories of imports. Increasing the margin deposit requirement on Letters of Credit (LCs) for the import of certain categories of vehicles from 100 per cent to 200 per cent and imposing a margin deposit requirement of 100 per cent against LCs for the import of 44 categories of non-essential items were some of them.

The overall increase in short and medium term interest rates was reflected in the Average Weighted Prime Lending Rate (AWPLR) of all commercial banks as published by the

All Share Price Index



Central Bank of Sri Lanka, which experienced a year-on-year increase of 0.55% to 18.5% for the year in review. Yields on Government Securities followed a different path compared to the other domestic interest rates in the market. The rates on Government Securities declined till mid 2008 and increased thereafter. This was primarily due to the opening up of treasury bills for foreign investment and inflows of foreign investments into both treasury bills and treasury bonds during the first half of the year and the subsequent sudden withdrawal of these foreign investments with the onset of the global financial crisis. Yields on 2-year treasury bonds rose from 18.58% in January '08 to 20.53% by December, with a similar trend seen in 3-year bonds.

Similar to global stock markets, the Colombo Stock Exchange (CSE) was no exception, experiencing one of the most volatile years of trading. The equity market fell sharply due to combination of external and internal factors. The All Share Price Index experienced a decline of 40.8% compared to the drop of 7% in 2007, ending the year with a market capitalisation of 489.0 billion, from 821 billion the previous year. Similarly, the MILANKA Price Index experienced a significant decline ending 2008 at 1631.34 points, down by almost 50.0% on a year-on-year basis with compared to the decline of 11% in 2007.

Foreign Exchange Market and FDI

The Dollar-Rupee exchange rate appreciated by approximately 0.75%, to Rs. 107.91 per Dollar by end September 2008. With the intensification of the global financial crisis, heavy outflows of foreign exchange due to the repatriation of short term investments in treasury bills and bonds and payments of high valued petroleum bills exerted heavy pressures on the exchange rate to depreciate in the last quarter of 2008. As a result, by end 2008, the depreciation of the rupee against the US dollar was around 3.91 per cent as compared to a depreciation of around 0.93 per cent in 2007. At the same time, the rupee appreciated significantly against Sterling Pound by 32.99%, Indian Rupee by 17.54% and moderately against Euro by 0.50% while it depreciated against Yen by 22.44%.

In the midst of global financial downturn, the Sri Lankan economy registered the highest ever FDI of USD 889 million, surpassing that of USD 734 million recorded in 2007. In terms of a sector-wise analysis, the maximum FDI was seen in the services/infrastructure sector with 78.0% of total FDI, followed by the manufacturing sector with 21.0%. Meanwhile, FDI outflows increased to USD 62 Mn in year under review from USD 55 Mn in 2007 as a few local companies also invested abroad during the year

Key Facts Pertaining to Sri Lanka

Land Area	65,610 sq. km
Commercial Capital	Colombo
Climate	Tropical (10 C - 32 C)
Population	20.21 million
Literacy Rate	92.5 per cent
Per Capita Income	(USD) 1,617
Currency	Sri Lankan Rupee
Corporate Tax Rate	35 per cent
Ethnic Groups	Sinhalese 74 per cent, Tamils 18 per cent, Moors 7 per cent, Others 1 per cent
Religions	Buddhists 69 per cent, Hindu 15 per cent, Muslim 8 per cent, Christian 8 per cent

• Business as usual

Financial Information

“ The Group has once again proved its ability to overcome challenges by adapting itself to emerge as a dynamic and successful organisation in the region. This was a commendable performance considering the turbulent economic environment in which we operated.”

Remuneration Committee Report

The Remuneration Committee consists of the Chairman of Aitken Spence PLC, and two Non-Executive Independent Directors one of whom functions as the Chairman. The two Non-Executive Independent Directors are independent of Management and free from any business or other relationship which could interfere with the exercise of their independent judgment. The Managing Director of Aitken Spence PLC attends the meetings by invitation. The Remuneration Committee formally met three times during the year under review.

The Group policy on remuneration packages is to attract and retain the best professional and managerial talent to the Group and also to motivate and encourage them to perform at the highest possible level. The Group has a structured and professional methodology in evaluating the performance of employees. The policy ensures that internal equity and fairness between the various employees is maintained,

no discrimination is practiced on account of gender, age, ethnicity or religion, recognises the basic needs of staff and ensures that compensation addresses cost of living and inflation, particularly in the lower income groups.

The Remuneration Committee having considered the performance of the directors and executives of various Group Companies approved promotions and the revision of individual remuneration packages based on comparative industry levels and the contribution of the individual to the Group and the respective subsidiary to which such individual is attached. The committee revised cash and non cash entitlements to the Managing Director and to the Executive Directors.

The Remuneration Committee also took into consideration the market rates prevailing at the time of the year for each level of employee, before such increment and increases were granted to the staff in relation to the

Companies performance and that of other blue chip companies in similar industries. The remuneration package of the directors and executives of the Group is structured in a manner so as to link rewards to corporate and individual performance. No director is involved in deciding his or her own remuneration. The Remuneration Committee also discussed the performance of each Group Company and approved the quantum of the ex-gratia to be allocated to each Company.

Individual remuneration packages are designed to be fair to the Company and to its employees.



G.C. Wickremasinghe
Chairman
Remuneration Committee

Colombo
30th April 2009.

Report of the Nomination Committee

The Board of Directors during the year under review, formed a Nomination Committee as a Sub Committee of the Board.

The Nomination Committee comprises of the Chairman of Aitken Spence PLC., and two Independent Non Executive Directors. The Chairman of Aitken Spence PLC., acts as the Chairman of the Nomination Committee. The Committee comprises of directors with vast experience at Corporate Board level.

The main functions of the Committee are to recommend to the Board of Directors the suitability of appointments and re-appointments of Directors and to review and recommend to the Board changes if any, in the composition of the Board.



D.H.S. Jayawardena
Chairman
Nomination Committee

Colombo
6th May 2009.

Audit Committee Report

The Audit Committee comprises of three independent non executive Directors, one of whom is the Chairman. The Committee formally met four times during the year ended 31st March 2009. The Managing Director, the Company Secretary, the Chief Financial Officer and the Chief Internal Auditor attended the meetings by invitation. The Management of the Strategic Business Units, whose audit reports were being reviewed, was also invited to attend the meetings, and was advised on methods of strengthening the internal controls in operation in their respective units, in order to minimise frauds, errors, operational and financial risks.

The Audit Committee assisted the Board in the discharge of its duties by ensuring that adequate systems of internal control were in place, timely and meaningful financial reports in accordance with the Sri Lanka Accounting Standards were prepared, and the prevailing laws of the country and the directives and guidelines of Regulatory Authorities were strictly complied with.

The Audit Committee was briefed by the external Auditors Messrs KPMG Ford, Rhodes, Thornton & Co., on the progress and the conduct of the statutory audit and discussed audit related issues with them. The Audit Committee also negotiated with the external auditors the quantum of their fees and out of pocket expenses.

The Audit Committee having evaluated the independence and the performance of the external auditors decided to recommend to the Board of Aitken Spence PLC, the re-appointment of Messrs. KPMG Ford, Rhodes, Thornton & Co., as auditors of the Company for the current financial year, subject to the approval of the shareholders at the Annual General Meeting.



G.C. Wickremasinghe
Chairman
Audit Committee

Colombo
27th April 2009

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 recommended best accounting practices.

The Board of Directors of Aitken Spence PLC., has pleasure in presenting the Annual Report together with the audited financial statements for the year ended 31st March 2009 which were approved by the Directors on 26th of May 2009.

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 its Group Companies. There were no significant changes in the principal activities of the Company and the Group during the year.

The activities of the Group are categorised into four main sectors namely Tourism, Cargo Logistics, Strategic Investments and Services. During the year the Group reassessed its activities and made a decision to identify the service based companies as a separate sector. The growth of the service sector during the past few years and the recognition the Group has received for its management capabilities warrants the recognition of these activities separately.

Companies within each sector and their principal activities are described on pages 138 to 142 of the Annual Report. The financial statements of the Company and the Group which

include the income statement, balance sheet, cash flow statement, statement of changes in equity and notes to the financial statements for the year ended 31st March 2009 are given on pages 96 to 129.

A review of the Company and the performance of its subsidiaries and the future plans of the Group are more fully described in the Chairman's Report, the Managing Director's Report, the Operational and Financial Reviews in the Annual Report.

During the year under review the Company and its subsidiaries invested Rs. 220,034,921/- in new and existing businesses of the Group.

Substantial investments were made during the year by the Group in Hethersett Hotels Ltd, Floatels India (Pvt) Ltd, PR Holiday Homes (Pvt) Ltd and Aitken Spence Hotel Managements South India (Pvt) Ltd.

The Group divested its investment in BIR Hotel Management (Pvt) Ltd., which had only three more years for the operating lease to expire.

Group Revenue & Profits

Revenue generated by the Company amounted to Rs.283,091,725/- (2008- Rs.251,012,879 /-. The Group revenue was Rs. 29,307,818,022/- (2008- Rs.27,515,959,775/-) which was an increase of 6.5% compared to the previous year. An analysis of Group revenue based on business and geographical

	31.03.2009 Rs.	31.03.2008 Rs.
Group Profits		
The net profit of the Group for the year after providing for all expenses known liabilities and depreciation on property, plant & equipment was	3,396,916,449	3,064,791,594
From which income tax and deferred tax has to be deducted	(328,385,450)	(235,109,735)
Leaving the Group with a profit after taxation of	3,068,530,999	2,829,681,859
From which the amount attributable to minority interest has to be adjusted	(1,028,521,451)	(988,531,951)
Leaving a profit for the year applicable to the Company of	2,040,009,548	1,841,149,908
To which the restated balance of the previous year has to be added	6,263,600,164	5,205,072,456
The amount available to the Company for appropriation therefore was	8,303,609,712	7,046,222,364
Appropriations		
The amount available has been appropriated by your Directors as follows:		
Transfer to general reserves and effect of changes in percentages holding in subsidiaries	480,075,485	606,690,580
Interim dividend paid	Nil	81,199,209
Interim dividend proposed and paid on 21st May 2009	94,732,411	Nil
Final dividend paid 2007/2008	108,265,612	94,732,411
Leaving an un-appropriated balance to be carried forward of	7,715,268,615	6,263,600,164
Final dividend recommended for the year but not accounted for	162,398,418	108,265,612

Annual Report of the Board of Directors

segments is disclosed in Note 1 to the financial statements on page 108.

The profit after tax of the Company was Rs. 503,360,015/- which is a decrease of 6.7% over the previous year. The net profit after tax of the Group was Rs. 3,068,530,999/- which is an increase of 8.4 % over the previous year. The Group's profit attributable to the equity shareholders of the parent company for the year was Rs.2,040,009,548/- (2007/2008 Rs.1,841,149,908/-) an increase of 10.8% over the previous year. The segmental profits are disclosed in Note 1 to the financial statements on page 108.

Donations

During the year donations amounting to Rs.335,000/-were made by the Company, while the donations made by the Subsidiaries during the year amounted to Rs.6,603,530/-.

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 7 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 is given in Notes 17 and 25 of the financial statements.

Dividends

An interim ordinary dividend of Rs.3.50 per share was paid on 21st of May 2009. The Directors recommend a final ordinary dividend of Rs.6.00 per share making a total dividend payment of Rs.9.50 per share for the year ended 31st March 2009. The total dividend paid in respect of the previous year was Rs.7.00 per share. The total dividend for the current year is distributed from exempt dividends received by the Company and is exempt from tax in the hands of the shareholders. The Company's auditors Messrs KPMG Ford, Rhodes, Thornton & Co have issued a certificate of solvency in respect of the interim dividend.

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 proposed final dividend distribution.

Stated Capital and Reserves

As at 31 st March 2009 the Company had issued 27,066,403 ordinary shares and the stated capital of the company was Rs.2,135,139,952/-. The total Group reserves as at 31st March

2009 were Rs.14,942,814,240/- (2008-Rs.9,768,883,624/-). This consisted of capital reserves of Rs. 4,751,102,960/- (2008 - Rs.1,581,702,922/-) and revenue reserves of Rs.10,191,711,280/- (2008- Rs.8,187,180,702/-) The movement in these reserves is shown in the Statement of Changes in Equity – Group on page 98.

Unquoted Debentures

The details and the movement in the debentures are disclosed on page 136 of the Annual Report. The applicable interest on these debentures was duly paid on the due dates.

The details of the debentures issued and redeemed are as follows:

1. Unsecured Redeemable Debentures 2004-2009

The Company raised by a private placement Rs. 1 billion by the issue of 10,000 unsecured redeemable debentures of Rs. 100,000/00 each in the financial year 2004/2005. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures

(i) Fixed Rate

5,000 fixed rate unsecured redeemable debentures of Rs. 100,000/00 each were issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a.

2,000 fixed rate unsecured redeemable debentures were outstanding as at 1st April 2008. The Company redeemed 1,000 debentures on 29th June 2008. The balance 1,000 debentures will be redeemed on 29th June 2009.

The applicable interest on these debentures was duly paid on 27th June 2008 and 29th December 2008.

(ii) Floating Rate

5,000 floating rate unsecured redeemable debentures of Rs. 100,000/00 each were issued on 30th July 2004 with interest payable semi annually at an interest rate of six month net treasury bill rate +2.15% p.a.

2,000 floating rate unsecured redeemable debentures were outstanding as at 1st April 2008. The Company redeemed 1,000 debentures on 29th July 2008. The balance 1,000 debentures will be redeemed on 29th July 2009.

The applicable interest on these debentures was duly paid on 29th July 2008 and 29th January 2009.

2. Unsecured Redeemable Debentures 2006-2012

The Company raised by a private placement Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/00 each in the financial year 2006/2007. These debentures were outstanding as at 31st March 2009. Fitch

Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures

(i) Fixed Rate

3,000,000 Fixed rate unsecured redeemable debentures of Rs. 100/00 each were issued on 25th October 2006 with interest payable annually at the interest rate of 13.75% p.a. The applicable interest rate on these debentures was duly paid on 24th October 2008.

(ii) Floating Rate

6,600,000 Floating rate unsecured redeemable debentures of Rs. 100/00 each were issued in two tranches of 4,100,000 and 2,500,000 on 25th October 2006 and 24th November 2006 respectively with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures was duly paid on 24th April 2008 and 24th October 2008.

Property, Plant & Equipment

The carrying value of Property Plant & Equipment for the Company and the Group as at 31 st March 2009 amounted to Rs.52,128,620/- and Rs.22,635,635,862/- respectively.

The total expenditure on the acquisition of property, plant & equipment during the year in respect of new assets and replacements by the Company and the Group amounted to Rs.25,223,910/- and Rs.3,799,437,360/- respectively.

Investment Property

The carrying value of land and building classified as investment property of the company and the Group as at 31st March 2009 amounted to Rs. 639,984,309/- and Rs 28,936,153/- respectively.

Market Value of Freehold Properties

The freehold land owned by companies in the Group was revalued by professionally qualified independent valuers during the financial year, with the exception of those owned by Aitken Spence Hotel Holdings PLC and its subsidiaries which were revalued during the financial year 2006/2007. The Group revalues its freehold land once in every five years. Details of the revaluation, written down value and the carrying amount at cost are given in Note 10.3 to the financial statements.

Directors

The Board of Directors of the Company as at 31 st March 2009 comprised of,

D.H.S. Jayawardena - Chairman

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

R.M. Fernando

G.M. Perera (appointed w.e.f. 1st September 2008)

G.C. Wickremasinghe

C.H. Gomez

N.J. de S Deva Aditya

V.M. Fernando (appointed w.e.f. 1st May 2008)

All directors of the company held office during the entire year apart from Mr. V.M. Fernando who was appointed as a non Executive Independent Director on 1st May 2008, Mr. G.M. Perera who was appointed as an Executive Director on 1st September 2008 and Mr. R. Sivaratnam who expired on 18th July 2008.

The profiles of the Directors are given on pages 14 to 17 of the Annual Report.

Board Sub Committees

The following Directors of the Board serve as members of the Board Audit Committee, the Remuneration Committee and the Nomination Committee

Audit Committee

G.C. Wickremasinghe – Chairman

C.H. Gomez

N.J. de S Deva Aditya

Remuneration Committee

G.C. Wickremasinghe – Chairman

D.H.S. Jayawardena

V.M. Fernando

Nomination Committee

D.H.S. Jayawardena – Chairman

G.C. Wickremasinghe

V.M. Fernando

Recommendation for re election

Mr. C.H. Gomez retires by rotation in terms of Article 84 of the Articles of Association of the Company and being eligible is recommended by the Board for re election at the forthcoming Annual General Meeting.

Mr. G.M. Perera retires in terms of Article 90 of the Articles of Association of the Company and being eligible is recommended by the Board for re-election at the forthcoming 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, he vacates office at the forthcoming Annual General Meeting. A notice of a resolution

Annual Report of the Board of Directors

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, and that he be re-appointed as a Director at the Annual General Meeting. The Directors recommend the adoption of the Ordinary Resolution.

Directors' Shareholding and their Interests.

The Directors of the Company together with their spouses held 506,449 shares as at 31st March 2009. Their shareholdings amounted to 1.87% of the total issued shares, as detailed below:

Shareholding of Directors together with their spouses

	31st March 2009	31st March 2008
D.H.S. Jayawardena	Nil	Nil
J.M.S. Brito	19,233	19,233
R.M. Fernando	Nil	Nil
G.M. Perera	Nil	Nil
G.C. Wickremasinghe	487,216	487,216
R.Sivaratnam	N/A	186,690
C.H. Gomez	Nil	Nil
N. J. de S. Deva Aditya	Nil	Nil
V.M. Fernando	Nil	Nil

The Indirect shareholding of Directors

	31st March 2009	31st March 2008
D.H.S. Jayawardena		
– Stassen Exports Ltd	216,300	216,300
– Milford Exports (Ceylon) Ltd	288,100	288,100
G.C. Wickremasinghe		
– Manohari Enterprises Ltd	19,922	19,922

Shares held by the Directors in Group Companies

	31st March 2009	31st March 2008
AITKEN SPENCE HOTEL HOLDINGS PLC		
J.M.S. Brito	9,000	9,000
G.C. Wickremasinghe	316,551	316,551
R. Sivaratnam	N/A	73,334
HETHERSETT HOTELS LIMITED		
G.C. Wickremasinghe	1,041,500	1,041,500
R. Sivaratnam	N/A	25,000

Apart from the above shareholdings, the Directors of the Company did not hold any shares in Group companies.

Interest Register

An interest register is maintained by the Company as per the Companies Act No 7 of 2007.

The share ownership of the Directors is indicated on this page.

Directors Remuneration

The Directors remuneration and fees in respect of the Company and the Group for the financial year ended 31st March 2009 are disclosed on page 109 of the financial statements.

Directors Interest in Contracts in the normal course of business

Directors interest in contracts or proposed contracts with the company, both direct and indirect are disclosed on pages 127 to 128 of the Annual Report under related party transactions. The above discloses the transactions with entities where a Director of the Company either has control or exercises significant influence. These interest have been declared at Directors' meetings.

Accounting Policies

There were no changes in the accounting policies adopted by the Company or its subsidiaries during the financial year.

Subsidiary Board of Directors

The names of the Subsidiary Board Directors are given on pages 138 to 142 of the Annual Report.

Auditors

The auditors report on the financial statements is given on page 95 of the Annual Report. The retiring auditors Messrs KPMG Ford, Rhodes, Thornton & Co have stated their willingness to continue in office and a resolution to re-appoint them as auditors and granting authority to the Board to decide on their remuneration will be proposed at the Annual General Meeting.

The fees payable to the Company auditors Messrs KPMG Ford, Rhodes, Thornton & Co is Rs.550,000/-. In addition to the above they were paid Rs. 479,120/- by the Company for permitted non audit related services including tax advisory services.

Messrs KPMG Ford, Rhodes, Thornton & Co who are the auditors of the Company are also the auditors of certain subsidiaries of the Group. The list of subsidiaries audited by them is included on pages 138 to 142 of the Annual Report. The amount payable by the Group to Messrs KPMG Ford, Rhodes, Thornton & Co as audit fees was Rs. 5,670,202/- while a further Rs.2,979,085/- was payable for permitted non audit related

services including tax advisory services. In addition to the above Rs.2,378,369/- was payable to other auditors for carrying out audits in the subsidiaries where the audits were not carried out by Messrs. KPMG Ford, Rhodes, Thornton & Co. The amount paid to such other auditors for permitted non audit related services including tax advisory services was Rs.5,241,952/- .

As far as the Directors are aware the auditors neither have any other relationship with the Company nor any of its subsidiaries that would have an impact on their independence.

Shareholder Information

Information relating to earnings, net assets, dividend and market price per share is given in the Financial Highlights on page 3. The Share & Debenture Information is given on pages 134 to 137 of the Annual Report.

Corporate Governance

The Company's corporate governance practices are set out on pages 60 to 67 of the Annual Report.

Internal Control

The Directors accept ultimate responsibility for the Group's system of internal control. The systems are geared to provide with reasonable assurance that the assets of the Group are safeguarded and that all transactions are relevant, properly authorised and duly recorded. Further details of the internal control systems in operation are contained in the Statement of Directors' Responsibilities on page 94 and the Audit Committee Report on page 88 of the Annual Report.

Contingent Liabilities

Contingent liabilities exist in respect of guarantees given to third parties with regard to bank and credit facilities obtained by subsidiaries and associate companies. Details are given in Note 30 to the financial statements.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory obligations due to the Government and to the employees have been either duly paid or adequately provided in the financial statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 94 of this Annual Report.

Environmental Protection

The Directors to the best of their ability has applied very high standards to protect and nurture the environment in which the

Group operates and ensures strict adherence to all environmental laws. The Group has received numerous awards for best environmental practices which are ample testimony to this aspect of the Group's Corporate Governance systems. The Group has not engaged in any activities which are harmful and dangerous to the environment.

Going Concern

The Directors are satisfied that the Company has adequate resources to continue its operations without any disruption in the foreseeable future. The Company's financial statements are prepared on a going concern basis.

Events occurring after the Balance Sheet date


No material events have taken place subsequent to the date of the Balance Sheet which require adjustments to the Financial Statements.

Shareholdings

There were 1,646 shareholders as at 31st March 2009. The distribution of the shares is detailed on page 134. Details of the twenty largest shareholders as at 31st March 2009 are given on page 135.

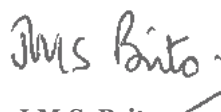
Public Holding

The percentage of the shares held by the public as at 31st March 2009 was 51.37%.



D.H.S. Jaywardena

Chairman



J.M.S. Brito

Deputy Chairman and Managing Director



R.E.V. Casie Chetty

Company Secretary

Colombo
26th May 2009

Statement of Directors' Responsibility

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. These documents need to be prepared in accordance with the relevant provisions of 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 confirm that the financial statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2009 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.

In the preparation of the financial statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Any material departures from

accounting policies have been disclosed and explained in the financial statements.

The Directors have adopted the going concern basis in preparing the financial statements. 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 has adequate resources to continue in operation.

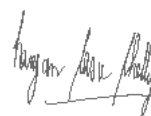
The Directors accept the responsibility of ensuring that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group.

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 controls in order to minimise and detect fraud, errors and other irregularities.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their responsibilities.

The Directors confirm to the best of their knowledge and belief that all statutory payments in relation to all regulatory and statutory authorities due and payable 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
26th May 2009.

Independent Auditors' Report



KPMG Ford, Rhodes, Thomson & Co.
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka

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TO THE SHAREHOLDERS OF AITKEN SPENCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Aitken Spence PLC, and the consolidated financial statements of the Company and its subsidiaries as at March 31, 2009, which comprise the balance sheet as at that date, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 96 to 129 of this 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 control 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 principles 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 March 31, 2009 and

the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2009 and its profit and 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 state of affairs as at March 31, 2009 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo

26th May 2009

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member firms affiliated with the KPMG network, a Swiss
entity. All rights reserved.

A.M. Fernando FCA
M. M. P. Perera FCA
T. S. Rajaratne FCA
M. S. S. Jayaratne ACA

S. Sankaranarayanan FCA
R. S. S. Sankaranarayanan FCA
W. S. S. Sankaranarayanan FCA
W. S. S. Sankaranarayanan FCA

M. S. Sankaranarayanan FCA
S. S. Sankaranarayanan FCA
M. S. Sankaranarayanan FCA
S. S. Sankaranarayanan FCA

Income Statements

For the year ended 31st March	Notes	Group			Company		
		2009 Rs. '000	2008 Rs. '000	% Change	2009 Rs. '000	2008 Rs. '000	% Change
Revenue	1	29,307,818	27,515,960	6.5	283,092	251,013	12.8
Revenue tax		(307,398)	(322,078)	(4.6)	(751)	-	-
Net Revenue		29,000,420	27,193,882	6.6	282,341	251,013	12.5
Other operating income	2	390,810	100,820	287.6	734,216	855,924	(14.2)
Changes in inventories of finished goods and work-in-progress		2,822	22,519	(87.5)	-	-	-
Raw materials and consumables used		(13,703,325)	(12,268,781)	11.7	-	-	-
Employee benefits expense		(2,216,935)	(2,077,107)	6.7	(128,964)	(129,221)	(0.2)
Depreciation and amortisation		(1,291,314)	(1,156,799)	11.6	(38,197)	(20,993)	82.0
Other operating expenses - direct	3	(4,614,507)	(4,928,847)	(6.4)	-	-	-
Other operating expenses - indirect		(3,455,843)	(3,274,360)	5.5	(265,598)	(420,036)	(36.8)
Profit from operations	1 & 4	4,112,128	3,611,327	13.9	583,798	536,687	8.8
Finance income		419,378	416,749	0.6	438,048	522,460	(16.2)
Finance expenses	5	(1,125,351)	(1,095,736)	2.7	(523,125)	(501,934)	4.2
Net finance income / (expense)		(705,973)	(678,987)	4.0	(85,077)	20,526	-
Share of associates companies profit / (loss)	6	(9,239)	132,452	-	-	-	-
Profit before tax		3,396,916	3,064,792	10.8	498,721	557,213	(10.5)
Income tax expense	7	(328,385)	(235,110)	39.7	4,639	(17,592)	-
Net profit for the period		3,068,531	2,829,682	8.4	503,360	539,621	(6.7)
Attributable to:							
Equity holders of the company		2,040,010	1,841,150	10.8	503,360	539,621	(6.7)
Minority interest		1,028,521	988,532	4.0	-	-	-
		3,068,531	2,829,682	8.4	503,360	539,621	(6.7)
Earnings Per Share - Basic/Diluted (Rs.)	8	75.37	68.02	10.8	18.60	19.94	(6.7)
Dividends Per Share (Rs.)	9	9.50	7.00	35.7	9.50	7.00	35.7

The Accounting Policies and Notes on pages 102 through 129 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Balance Sheets

As at 31 March	Notes	Group		Company	
		2009 Rs. '000	2008 Rs. '000 (Restated)	2009 Rs. '000	2008 Rs. '000
ASSETS					
Non-Current Assets					
Property, plant & equipment	10	22,635,636	16,982,305	52,129	47,101
Leasehold property	11	1,505,151	1,356,987	-	-
Intangible assets	12	109,164	122,520	-	-
Investment property	13	28,936	28,936	693,985	712,206
Investments in subsidiaries and joint ventures - unquoted	14	-	-	4,069,979	4,095,617
Investments in subsidiaries - quoted	14	-	-	679,300	679,300
Investments in associates	15	752,636	764,489	335,515	335,515
Long term investments	16	404,946	263,576	174,233	159,233
Deferred tax assets	17	74,008	39,342	-	-
		<u>25,510,477</u>	<u>19,558,155</u>	<u>6,005,141</u>	<u>6,028,972</u>
Current Assets					
Inventories	18	1,283,611	1,304,955	1,794	1,511
Trade and other receivables	19	5,834,143	6,085,144	75,576	113,238
Amounts due from subsidiaries & joint ventures		-	-	2,137,809	1,459,581
Amounts due from associates		160,950	115,652	154,824	107,498
Current investments	20	4,558	4,554	436	436
Deposits and prepayments		532,520	481,627	44,779	20,163
Current tax receivable		56,820	17,764	43,585	9,443
Short-term deposits		2,020,290	2,596,529	1,255,632	1,871,220
Cash and cash equivalents		828,351	858,862	21,189	60,216
		<u>10,721,243</u>	<u>11,465,087</u>	<u>3,735,624</u>	<u>3,643,306</u>
Assets classified as held for sale	21	149,124	161,951	57,237	57,237
Total Assets	22	<u>36,380,844</u>	<u>31,185,193</u>	<u>9,798,002</u>	<u>9,729,515</u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	23	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	23	7,227,545	3,505,284	2,310,561	1,835,012
Retained earnings		7,715,269	6,263,600	1,894,559	1,975,014
		<u>17,077,954</u>	<u>11,904,024</u>	<u>6,340,260</u>	<u>5,945,166</u>
Minority interest		4,553,439	3,881,704	-	-
Total Equity		<u>21,631,393</u>	<u>15,785,728</u>	<u>6,340,260</u>	<u>5,945,166</u>
Non-Current Liabilities					
Interest bearing liabilities	24	6,241,459	6,508,062	1,620,000	1,990,000
Deferred tax liabilities	25	198,016	187,272	-	4,639
Employee benefits	26	237,639	208,500	33,052	29,691
		<u>6,677,114</u>	<u>6,903,834</u>	<u>1,653,052</u>	<u>2,024,330</u>
Current Liabilities					
Trade and other payables	27	3,908,615	3,782,469	259,390	278,293
Interest bearing liabilities repayable within one year	24	1,866,187	2,106,021	370,000	320,000
Amounts due to subsidiaries & joint ventures		-	-	1,059,373	946,594
Amounts due to associates		810	4,390	-	-
Current tax payable		135,068	92,600	-	-
Interim dividend declared		-	81,199	-	81,199
Short term bank borrowings		2,161,657	2,428,952	115,927	133,933
		<u>8,072,337</u>	<u>8,495,631</u>	<u>1,804,690</u>	<u>1,760,019</u>
Total Equity and Liabilities		<u>36,380,844</u>	<u>31,185,193</u>	<u>9,798,002</u>	<u>9,729,515</u>

The above balance sheet is to be read in conjunction with the accounting policies and notes to the financial statements on page 102 to 129.

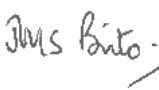
I certify that the financial statements for the year ended 31st March 2009 are in compliance with the requirements of Companies Act No. 7 of 2007.


Ms. N. Sivapragasam
 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

For and on behalf of the Board.


D. H. S. Jayawardena
 Chairman


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

Statement of Changes in Equity - Group

For the year ended 31st March 2009

	----- Attributable to equity holders of the company -----						Minority	Total
	Stated Capital	Revaluation Reserve	Other Capital Reserves	General Reserves	Exchange Fluctuation Reserve	Retained Earnings	Interest	Equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 31st March 2007	2,135,140	1,374,235	127,521	1,121,046	50,708	5,122,472	9,931,122	13,124,832
Prior period adjustments *	-	-	-	(82,600)	-	82,600	-	-
Balance as at 31st March 2007 (Restated)	2,135,140	1,374,235	127,521	1,038,446	50,708	5,205,072	9,931,122	13,124,832
Currency translation differences	-	-	-	-	204,895	-	204,895	302,079
Share of net assets of associate companies	-	103,569	-	-	-	-	103,569	125,440
Unclaimed dividends transferred to reserves	-	-	-	-	-	234	234	234
Transfer to general reserve	-	-	-	629,532	-	(629,532)	-	-
Transfer to/ (from) retained earnings	-	(23,622)	-	-	-	23,622	-	-
Effect of changes in percentage holding in subsidiaries	-	-	-	-	-	(1,015)	(1,015)	727
Net income recognised directly in equity	-	79,947	-	629,532	204,895	(606,691)	307,683	428,480
Net profit for the period	-	-	-	-	-	1,841,150	1,841,150	2,829,682
Total recognised income and expenses for the period	-	79,947	-	629,532	204,895	1,234,459	2,148,833	3,258,162
Final dividend paid for 2006/2007 (Note 9)	-	-	-	-	-	(94,732)	(94,732)	(94,732)
Interim dividend proposed 2007/2008 (Note 9)	-	-	-	-	-	(81,199)	(81,199)	(81,199)
Subsidiary dividend to minority share holders	-	-	-	-	-	-	(421,335)	(421,335)
Balance as at 31st March 2008	2,135,140	1,454,182	127,521	1,667,978	255,603	6,263,600	11,904,024	15,785,728
Currency translation differences	-	-	-	-	77,312	-	77,312	140,772
Surplus on revaluation	-	3,169,400	-	-	-	-	3,169,400	3,245,540
Transfer to general reserve	-	-	-	475,549	-	(475,549)	-	-
Effect of changes in percentage holding in subsidiaries	-	-	-	-	-	(4,526)	(4,526)	22,916
Net income recognised directly in equity	-	3,169,400	-	475,549	77,312	(480,075)	3,242,186	3,409,228
Net profit for the period	-	-	-	-	-	2,040,010	2,040,010	3,068,531
Total recognised income and expenses for the period	-	3,169,400	-	475,549	77,312	1,559,935	5,282,196	6,477,759
Final dividend paid for 2007/2008 (Note 9)	-	-	-	-	-	(108,266)	(108,266)	(108,266)
Subsidiary dividend to minority share holders	-	-	-	-	-	-	(523,828)	(523,828)
Balance as at 31st March 2009	2,135,140	4,623,582	127,521	2,143,527	332,915	7,715,269	17,077,954	21,631,993

* Ace Power Generation Matara Ltd and Ace Power generation Horana (Pvt) Ltd accounted for cash flow hedges in accordance with the accounting policy 1.3.2 and the resulting exchange reserve reflected a credit balance as at 31st March 2009 despite the loan being fully settled. This error has been corrected retrospectively in line with Sri Lanka Accounting Standard no 10 – Accounting Policies, Changes in Accounting Estimates & Errors (Revised 2005), by crediting the current year component to the income statement and adjusting the remaining balance against the retained earnings as at 1st April 2007.

The Accounting Policies and Notes on pages 102 through 129 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 2009

	Stated Capital Rs'000	Revaluation Reserve Rs'000	General Reserves Rs'000	Retained Earnings Rs'000	Total Rs'000
Balance as at 31st March 2007	2,135,140	217,368	1,011,500	2,217,234	5,581,242
Unclaimed dividends transferred to reserves	-	-	234	-	234
Transfer to general reserve	-	-	629,532	(629,532)	-
Transfer to/(from) retained earnings	-	(23,622)	-	23,622	-
Net income recognised directly in equity	-	(23,622)	629,766	(605,910)	234
Net profit for the period	-	-	-	539,621	539,621
Total recognised income and expenses for the period	-	(23,622)	629,766	(66,289)	539,855
Final dividend paid for 2006/2007 (Note 9)	-	-	-	(94,732)	(94,732)
Interim dividend proposed 2007/2008 (Note 9)	-	-	-	(81,199)	(81,199)
Balance as at 31st March 2008	<u>2,135,140</u>	<u>193,746</u>	<u>1,641,266</u>	<u>1,975,014</u>	<u>5,945,166</u>
Transfer to general reserve	-	-	475,549	(475,549)	-
Net income recognised directly in equity	-	-	475,549	(475,549)	-
Net profit for the period	-	-	-	503,360	503,360
Total recognised income and expenses for the period	-	-	475,549	27,811	503,360
Final dividend paid for 2007/2008 (Note 9)	-	-	-	(108,266)	(108,266)
Balance as at 31st March 2009	<u>2,135,140</u>	<u>193,746</u>	<u>2,116,815</u>	<u>1,894,559</u>	<u>6,340,260</u>

The Accounting Policies and Notes on pages 102 through 129 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Cash Flows From / (Used in) Operating Activities				
Net profit before taxation	3,396,916	3,064,792	498,721	557,213
Adjustments for				
Depreciation & amortisation	1,270,880	1,113,008	38,197	20,993
Impairment of goodwill	20,434	43,791	-	-
Interest expense	1,033,923	1,030,526	523,125	501,934
(Profit)/loss on sale of property plant & equipment	(37,735)	26,339	(143)	(246)
Profit on sale of investments	(219,135)	(26,242)	(1,366)	(36,598)
Profit on retirement of assets held for sale	(511)	-	-	-
Interest income	(419,378)	(416,749)	(438,048)	(522,460)
Share of associate companies' profit after tax	9,239	(132,452)	-	-
Provision / write off of bad and doubtful debts	3,299	210,767	78,672	257,449
Effect of subsidiaries disposed during year	(19,779)	-	-	-
Effect of entities held for sale	-	(7,677)	-	-
Unclaimed dividends transferred to reserves	-	234	-	234
Provision for fall in value of investments	-	-	17,800	20,000
Foreign exchange profit	(84,137)	(52,549)	-	-
Gratuity provision	54,525	56,718	7,498	9,705
	<u>1,611,625</u>	<u>1,845,714</u>	<u>225,735</u>	<u>251,011</u>
Operating profit before working capital changes	5,008,541	4,910,506	724,456	808,224
(Increase)/decrease in trade and other receivables	161,693	(2,039,428)	(766,564)	728,639
(Increase)/decrease in inventories	21,344	(432,728)	(283)	(91)
Increase/(decrease) in trade and other payables	122,569	546,413	93,877	(510,969)
(Increase)/decrease in deposits & prepayments	(50,893)	35,327	(24,616)	7,956
	<u>254,713</u>	<u>(1,890,416)</u>	<u>(697,586)</u>	<u>225,535</u>
Cash generated from operations	5,263,254	3,020,090	26,870	1,033,759
Interest paid	(1,033,923)	(1,030,526)	(523,125)	(501,934)
Income tax paid	(308,217)	(337,464)	(34,142)	(45,982)
Gratuity paid	(25,211)	(25,300)	(4,137)	(2,989)
	<u>(1,367,351)</u>	<u>(1,393,290)</u>	<u>(561,404)</u>	<u>(550,905)</u>
Net cash generated from / (used in) operating activities	3,895,903	1,626,800	(534,534)	482,854

(carried forward to next page)

The Accounting Policies and Notes on pages 102 through 129 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

For the year ended 31st March	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
<i>(brought forward from previous page)</i>				
Net cash generated from / (used in) operating activities	3,895,903	1,626,800	(534,534)	482,854
Cash flow from investing activities				
Investments made during the year	(141,374)	(103,622)	(15,500)	(150,395)
Purchase of property, plant and equipment	(3,799,437)	(1,654,071)	(25,224)	(17,684)
Purchase of leasehold rights	(63,514)	(1,401,870)	-	-
Proceeds from sale of property, plant and equipment	362,040	306,505	362	651
Proceeds from sale of investments	246,542	47,905	9,704	45,988
Proceeds on retirement of assets held for sale	13,338	-	-	-
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(523,828)	(421,335)	-	-
Dividends received from associate companies	2,615	18,588	-	-
Net cash used in investing activities	<u>(3,903,618)</u>	<u>(3,207,900)</u>	<u>(30,658)</u>	<u>(121,440)</u>
Cash flow from financing activities				
Interest received from deposits	419,378	416,749	438,048	522,460
Proceeds from interest bearing liabilities	1,273,059	2,347,951	-	-
Repayment of interest-bearing liabilities	(2,025,906)	(1,934,713)	(320,000)	(250,000)
Issue of shares by subsidiaries	25,367	-	-	-
Dividends paid	(189,465)	(175,647)	(189,465)	(175,647)
Net cash generated from / (used in) financing activities	<u>(497,567)</u>	<u>654,340</u>	<u>(71,417)</u>	<u>96,813</u>
Net increase/(decrease) in cash and cash equivalents	(505,282)	(926,760)	(636,609)	458,227
Cash and cash equivalents at the beginning of the period	1,192,266	2,119,206	1,797,503	1,339,276
Cash and cash equivalents at the end of the period	<u>686,984</u>	<u>1,192,266</u>	<u>1,160,894</u>	<u>1,797,503</u>
Cash and cash equivalents at the end of the period				
Cash at bank and in hand	828,351	858,862	21,189	60,216
Short term deposits	2,020,290	2,596,529	1,255,632	1,871,220
Short-term bank borrowings	(2,161,657)	(2,428,952)	(115,927)	(133,933)
Cash and cash equivalent as previously reported	686,984	1,026,439	1,160,894	1,797,503
Effect of exchange rate changes	-	165,827	-	-
Cash and cash equivalent as restated	<u>686,984</u>	<u>1,192,266</u>	<u>1,160,894</u>	<u>1,797,503</u>

The Accounting Policies and Notes on pages 102 through 129 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Accounting Policies

Aitken Spence PLC., (the “Company”) is a 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 at the “Aitken Spence Tower I” 305, Vauxhall Street, Colombo 02.

The principal Activities of the Company and the other entities consolidated with it are disclosed in page nos. 138 and 142 of this report.

Aitken Spence PLC does not have an identifiable parent.

Statement of Compliance

The financial statements of Aitken Spence PLC., and those consolidated with such comprise the balance sheet, income statement, cash flow statement, statement of changes in equity, accounting policies and notes to the financial statements. These statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act, No. 07 of 2007.

The financial statements for the year ended 31st March 2009 were authorised for issue by the Directors on the 26th of May 2009.

Basis of Preparation

The financial statements are presented in Sri Lankan rupees, rounded to the nearest thousand.

The financial statements referred to are based on the historical cost convention, except for certain investments, and items of property, plant & equipment in respect of which the basis of valuations as explained in Accounting Policies 1.3 and 2 below.

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the

judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that financial year, or the period of the revision and future periods if the revision affects both current and future financial years.

1. General Accounting Policies

Accounting Policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by the entities in the Group.

1.2 Basis of consolidation

The consolidated financial statements (referred to as the “Group”) comprise the financial statements of the Company and its subsidiaries and the Group’s interest in associate companies and jointly controlled entities.

Subsidiaries, joint ventures and associates consolidated are disclosed in notes 14 and 15 to the financial statements.

1.2.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities which is evident when the company controls the composition of the board of directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or is entitled to receive more than half of every dividend from shares carrying

unlimited right to participate in distribution of profits or capital.

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 when control effectively commences and until control effectively ceases.

1.2.2 Minority interest

The proportion of the profit or loss after taxation applicable to outside shareholders of subsidiary companies is reflected under “Minority Interest” in the consolidated income statement.

The interest of the outside shareholders in the net assets employed of those companies are reflected under the heading “Minority Interest” in the balance sheet.

1.2.3 Associates

These are undertakings in which the Group has between 20% - 50% of the voting rights but which are not subsidiaries or joint ventures and in respect of which the Group exercise significant influence but does not have control over the financial and operating policies.

The results of associate companies are accounted for under the equity basis of accounting, where the Group’s share of profits and losses is incorporated in the consolidated income statement, and the related investments carried forward in the consolidated balance sheet at values adjusted to reflect the Group’s share of retained assets. Dividends declared by the associates are recognised against the equity value of the Group’s investment.

1.2.4 Joint ventures

Enterprises in which the Group has joint control over the financial and operating policies are termed joint ventures. The Group’s interest in

jointly controlled entities is accounted for on a proportionate consolidation basis. The Group's share of the assets and liabilities of such entities are included in the consolidated balance sheet and the Group's share of their profits and losses are included in the consolidated income statement in accordance with the Sri Lanka Accounting Standard 31 - Financial Reporting of Interests in Joint Ventures.

1.2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is initially recognised at cost. Such goodwill is identified into cash generating units and is annually tested for impairment as described in accounting policy 2.9. 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 exceed the cost of the acquisition of the entity, it is recognised immediately in the consolidated income statement.

1.2.6 Reporting date

All the Group's subsidiaries, jointly controlled entities and associate companies have a common financial year other than, Hayleys Plantations Services Ltd. and Talawakelle Tea Estates PLC., whose financial year ends on the 31st December. Talawakelle Tea Estates PLC., is a subsidiary of Hayleys Plantation Services Ltd., which is an associate company. The difference between the reporting date of the above subsidiaries and that of the parent does not exceed three months.

1.2.7 Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

1.2.7.1 Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in full in the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated unless there is evidence of impairment.

1.3 Transactions in foreign exchange

1.3.1 All foreign exchange transactions in individual companies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currency at year end are translated at the rate prevailing on the balance sheet date. 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. The resulting gains or losses on translations are dealt with in the income statement, except in the case of cash flow hedges, which are accounted as stated below.

1.3.2 In respect of transactions which meet the conditions for special hedge accounting in relation to cash flow hedges, the portion of the exchange gain or loss on the hedge instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity and the ineffective portion is recognised in the income statement.

1.3.3 Subsidiaries incorporated outside Sri Lanka are treated as foreign entities. Assets and liabilities both monetary and non-monetary of foreign entities are translated at the rate of exchange prevailing on the balance sheet date. Income, expenses and cash flows of such foreign entities are translated at exchange rates 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. Exchange differences arising on translating the financial statements of foreign entities are recognised directly under equity in the consolidated financial statements.

Goodwill arising on the acquisition of foreign entities is reported using the exchange rate that prevailed at the date of acquisition in accordance with the Sri Lanka Accounting Standard No.21 – Effects of Changes in Foreign Exchange Rates.

2. Assets and Bases of their Valuation

2.1 Property, plant & equipment

Property, plant and equipment other than land, are stated at cost less accumulated depreciation and impairment. 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. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

The Group revalues Land at least once in every five years which is stated at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land any increase in the revaluation amount is

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credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal. The details of land revaluation are disclosed in Note 10.3 to the financial statements.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2.1.1. 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 Group also recognises the costs of major planned overhauls to the power generation plants in the carrying amount of the plant as a replacement when the above recognition criteria are satisfied.

2.1.2 Depreciation

Depreciation of property, plant and equipment of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of each part of the asset.

Depreciation is not provided on land and assets under construction

Generally assets are depreciated on a straight-line method over the following periods.

Leasehold Premises	Over the periods of the leases
Buildings	20 - 50 years
Plant & Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years
Motor Vehicles	04 - 10 years
Furniture & Fittings.	10 years
Computer Equipment	3-5 Years
Crockery, Cutlery & Glassware	3-5 years
Speed Boats & Supply Crafts	5 years
Soft Furniture	5-10 years

Depreciation is provided proportionately in the year of purchase and in the year of disposal of the asset.

Buildings of the Group's resorts in the Maldives that are not depreciated as above, are depreciated on an annuity method over the period of the leases.

Cost of replacement of components of assets recognised in the carrying amount of a 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 till the next planned maintenance.

Power generation plants are depreciated from the date of first commercial operation of the plant.

2.1.3 Leased assets

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 is stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the

inception of the lease, less the accumulated depreciation.

2.2 Leasehold property

The cost of acquiring leasehold property is accounted for as an operating lease and is amortised over the period of lease term in accordance with the pattern of benefits expected to be derived from the lease. Cost of leasehold property is tested for impairment annually.

2.3. Investments

2.3.1 Unquoted investments are treated as long-term investments and valued at cost in the financial statements. Investments in preference shares are treated as long-term investments and valued at the par value of the shares in the financial statements.

2.3.2 Investments in subsidiary companies and jointly controlled entities are valued at cost and treated as long-term investments in the parent company's financial statements.

2.3.3 Investments in associate companies are treated as long-term assets and valued as explained in para 1.2.3 above. In the parent company's financial statements, the investments are valued at cost.

2.3.4 All other quoted investments are treated as current investments and accordingly valued at the lower of cost and market value on a portfolio basis, with any resultant gains or losses recognised in the income statement.

2.4 Investment properties

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both are treated as investment properties and valued at cost less aggregate depreciation in the balance sheet. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognise the decline.

Certain items of Land and Building that had been revalued to fair value prior to 1st April 2005, the date of transition to the Sri Lanka Accounting Standard No 40 –Investment Property, are measured on the basis of deemed cost, being the revalued amount at the date of last revaluation.

2.4.1 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.

Leasehold Premises	Over the periods of the leases
Buildings	Over 20 - 50 years

2.4.2 In the consolidated 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 is treated as property, plant and equipment while these properties are treated as investment property in the company owning the asset.

2.5 Inventories

Inventories are stated 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.

2.6 Debtors

Debtors are stated at the amounts estimated to be realised. Provision has been made in the financial statements for bad and doubtful debts.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with banks, short-term liquid money market investments. Bank overdrafts and short-term borrowings repayable on demand are included as components of cash and cash equivalents for purpose of cash flow disclosures.

2.8 Assets held for sale

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 are re-measured in accordance with the Group's accounting policies. Thereafter the assets 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 pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continue 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.

2.9 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any

such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of goodwill is estimated at each balance sheet 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 largely are 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.

2.9.1 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.

2.9.2 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 balance sheet 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

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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. Liabilities and Provisions

Liabilities are recognised in the balance sheet when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet date are treated as non-current liabilities in the balance sheet.

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

4. Income Tax Expenses

4.1 Current Tax

4.1.1 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.

4.1.2 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 xxx to the financial statements.

4.1.3 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 exceed the amount due for those periods the excess is recognised as an asset in the financial statements.

4.2 Deferred Taxation

Deferred tax is recognised using the balance sheet method, providing for 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 the following temporary differences: the 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 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet 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 balance sheet and are not offset against each other.

5. Income Statement

5.1 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax and intra-group sales.

5.2 Profit

The profit earned by the Group before taxation as shown in the consolidated income statement is after making provision for bad and doubtful debts, all known liabilities and depreciation of property, plant & equipment except as referred to under para 2.1.2 above.

5.3 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.

5.4 Borrowing Costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. 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 05 to the financial statements.

5.5 Revenue Recognition

5.5.1 Revenue is recognised on an accrual basis in such transactions involving the sale of goods, when all significant risks and rewards of ownership have been transferred to the buyer.

5.5.2 Revenue on rendering of services is recognised on a job completion basis.

5.5.3 In respect of the Group's hotel operations, apartment revenue is recognised on the rooms occupied on a daily basis, and food & beverage sales are accounted for at the time of sale.

5.5.4 Dividends from investments (excluding those from subsidiaries and associates) are recognised when the right to receive such is established.

5.6 Disposal of Property, Plant & Equipment

Gains or losses on the disposal of property, plant & equipment have been accounted for in the income statement.

5.7 Movement of Reserves

Movements of reserves are disclosed in the statement of changes in equity.

6. Segment Information

A segment is a distinguishable component of the Group engaged either in providing products or services (business segment) or in providing products or services in a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The business segment has been identified as the primary segment of the Group and the geographical segment has been considered the secondary segment.

6.1 Business Segment

The activities of the Group have been broadly classified into four main segments according to the nature of the product or service provided.

6.2 Geographical Segment

The activities of the Group have been broadly classified into two segments, namely, operations within Sri Lanka and those outside Sri Lanka, that is, Asia & Africa. Geographical segment is identified by the location of assets.

6.3 Segment expenses are expenses that are directly attributed to a segment or a relevant portion of expenses that can be allocated on a reasonable basis as determined by the management.

6.4 Segment information analysed by industry and geographical segments is disclosed in notes to the accounts 1 & 22 on pages 108, 122 and 123.

7. Cash Flow

The cash flow of the Group has been presented using the indirect method.

8. 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 Company's control.

Contingent liabilities are disclosed in Notes 29 and 30 to the financial statements.

9. Employee Benefits

9.1 Defined Benefit Plan - Retiring Gratuity

Provision has been made in the financial statements for retiring gratuities. This has been based on an actuarial valuation carried out on a projected unit credit method as recommended by Sri Lanka Accounting Standard 16 (Revised 2006) - Employee Benefits. The actuarial valuation was carried out by professionally qualified actuaries, Mr. M. Poopalanathan of Messrs. Actuarial & Management Consultants (Pvt) Ltd.

9.1.1 The principal actuarial assumptions used in determining the cost are;

- (i) rate of interest is equal to the market yield on government bonds at the balance sheet date.

- (ii) salary increments will range between 7% and 11% per annum.

- (iii) retirement age of 55 years.

- (iv) the company will continue in business as a going concern.

9.1.2 The actuarial valuation was made on 31st March 2007.

9.1.3 The liability is not externally funded.

9.1.4 It is proposed that a valuation is obtained at least once in every three years.

9.2 Defined Contribution Plan

Obligations for contributions to a defined contribution plan are recognised as an expense in the income statement as incurred.

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.

10. Events Occurring after The Balance Sheet Date

All material post balance sheet events have been considered, disclosed and adjusted where applicable.

Notes to the Financial Statements

1 Segment analysis of group revenue and profit

1.1 Business segment

a. Revenue

	Total revenue generated		Inter - segmental revenue		Intra-segmental revenue		Revenue from external customers	
	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000
Tourism sector*	8,399,137	8,047,975	26,747	25,765	620,310	656,066	7,752,080	7,366,144
Cargo Logistics sector	3,886,614	3,766,808	422,620	312,081	228,974	172,529	3,235,020	3,282,198
Strategic investments*	18,288,985	17,451,973	117,087	114,106	25,120	17,124	18,146,778	17,320,743
Services sector	1,449,378	827,985	37,958	54,467	21,701	14,311	1,389,719	759,207
Total segment revenue	32,024,114	30,094,741	604,412	506,419	896,105	860,030	30,523,597	28,728,292
Share of associate company revenue	(1,215,779)	(1,212,332)	-	-	-	-	(1,215,779)	(1,212,332)
Total revenue	30,808,335	28,882,409	604,412	506,419	896,105	860,030	29,307,818	27,515,960

* Includes associate companies

b. Profit

	Profit from operations		Profit before tax *		Non cash expenses		Income tax expense	
	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000
Tourism sector	1,264,516	1,258,451	910,007	947,472	31,151	22,291	56,030	54,200
Cargo Logistics sector	528,534	350,724	550,784	379,602	20,672	23,897	200,517	120,829
Strategic investments	1,869,212	1,712,491	1,479,315	1,447,909	107,234	215,200	40,878	36,435
Services sector	449,866	289,661	456,810	289,809	7,043	6,098	30,960	23,646
	4,112,128	3,611,327	3,396,916	3,064,792	166,100	267,486	328,385	235,110

* Includes associate companies

During the year the Group reassessed its activities and made a decision to identify the service based companies as a separate sector. The growth of the services sector during the past few years and the recognition the Group has received for its management capabilities warrants the recognition of these activities separately.

Profits from operations and profits before tax of the strategic investments segment is after recognising Rs. 20.4 mn as impairment of goodwill. There were no impairment losses recognised directly to the equity during the year and no reversals of impairment losses recognised in profits or directly in equity during the year.

1.2 Geographical segment

	Revenue		Profit before tax	
	2008/2009 Rs'.000	2007/2008 Rs'.000	2008/2009 Rs'.000	2007/2008 Rs'.000
Sri Lanka	24,284,625	22,511,528	2,011,981	1,958,834
Asia & Africa	6,523,710	6,370,881	1,384,935	1,105,958
	30,808,335	28,882,409	3,396,916	3,064,792

2 Other operating income

	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Profit/(loss) on sale of property, plant & equipment	37,735	(26,339)	143	246
Profit on sale of investments *	219,135	26,242	1,366	36,598
Profit on retirement of assets held for sale	511	-	-	-
Dividends from investments	14,754	13,275	732,680	819,003
Foreign exchange profit	84,137	52,549	-	-
Proceeds from insurance claim	22,418	27,975	-	-
Sundry income	12,120	7,118	27	77
	<u>390,810</u>	<u>100,820</u>	<u>734,216</u>	<u>855,924</u>

* The profits resulting from the divestment of the Group's investments in BIR Hotel Management (Pvt) Ltd., and Eves Information Technology Lanka (Pvt) Ltd., during the year are recognised under profit on sale of investments.

3 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 the above amount represents a substantial portion of the total operating costs.

4 Profit from operations

Profit from operations before interest is stated after charging the following:

	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Cost of inventories and services	20,819,392	19,579,069	128,032	129,236
Directors' remuneration & fees	174,774	170,125	19,502	16,002
Auditors' remuneration				
- KPMG Ford, Rhodes, Thornton & Co.	5,670	5,269	550	500
- Other auditors	2,378	1,806	-	-
Fees paid to Auditors for non-audit services				
- KPMG Ford, Rhodes, Thornton & Co.	2,979	2,625	479	591
- Other auditors	5,242	1,690	-	-
Depreciation	1,260,163	1,068,125	38,197	20,993
Amortisation	10,717	44,883	-	-
Impairment of goodwill	20,434	43,791	-	-
Provision / write off of bad and doubtful debts	3,299	210,767	78,672	257,449
Provision for fall in value of investments	-	-	17,800	20,000
Defined contribution plan cost - EPF & ETF	160,005	120,661	15,539	13,178
Defined benefit plan cost - Gratuity	54,525	56,718	7,498	9,705

Notes to the Financial Statements

5 Finance expenses

	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Interest on long-term borrowings	859,051	927,566	400,962	404,922
Interest on short-term borrowings	174,872	102,960	121,658	95,371
Bank charges	53,052	47,185	505	1,641
Finance charges on leases	38,376	18,025	-	-
	<u>1,125,351</u>	<u>1,095,736</u>	<u>523,125</u>	<u>501,934</u>

Borrowing costs capitalised by the Group on qualifying assets during the financial year was Rs.33.9 mn (2007/2008 - Nil). No borrowing costs were capitalised by the company during the financial years 2008/2009 & 2007/2008.

6 Share of associate companies profit / (loss) after tax

	Group	
	2008/2009 Rs. '000	2007/2008 Rs. '000
Aitken Spence Plantation Managements (Pvt) Ltd. (consolidated with Elpitiya Plantations Ltd., and other subsidiaries)	(18,714)	39,254
Hayleys Plantation Services Ltd. (consolidated with Talawakelle Tea Estates PLC.)	12,056	35,308
M.P.S. Hotels Ltd.	(2,615)	(244)
Browns Beach Hotels PLC.	34	5,303
Ceyspence (Pvt) Ltd. *	-	51,505
Ceyserv Lines (Pvt) Ltd. *	-	1,326
	<u>(9,239)</u>	<u>132,452</u>

* Refer note 21

7 Income tax expenses

7.1 Subsidiaries/ Joint Ventures

Companies exempt from Tax

Company	Statute	Period
Neptune Ayurvedic Village (Pvt) Ltd	Section 19 of Inland Revenue Act No 10 of 2006	5 years ending in 2008/2009
Aitken Spence Hotels (International) Ltd	Section 13 of Inland Revenue Act No 10 of 2006	indefinite
Ace Ayurvedic (Pvt) Ltd	Section 13 of Inland Revenue Act No 10 of 2006	indefinite
Ace Power Generation Matara Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2011/2012
Ace Power Generation Horana (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2011/2012
Ace Power Embilipitiya (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	10 years ending 2014/2015
San Spence Ltd	Section 17 of BOI Law No. 4 of 1978	3 Years from 1st year of profit
Aitken Spence Property Developments (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	3 Years from 1st year of profit
Aitken Spence Apparels (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	5 Years from 1st year of profit

Companies liable to Tax at concessionary rates

Company	Tax Rate & Statute	Period
Aitken Spence Travels (Pvt) Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Ace Travels & Conventions (Pvt) Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Aitken Spence Hotels Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Aitken Spence Hotel Holdings PLC	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Aitken Spence Hotel Managements(Pvt) Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Hethersett Hotels Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Kandalama Hotels Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
Ace Container Repair (Pvt) Ltd	15% Under Section 52 of Inland Revenue Act No 10 of 2006	ending 2014/2015
Spence Shipping (Pvt) Ltd (on transshipment agency fees)	15% Under Section 59 of Inland Revenue Act No 10 of 2006	indefinite

Companies liable to Tax at concessionary rates (*Contd.*)

Company	Tax Rate & Statute	Period
Ace Exports (Pvt) Ltd	15% Under Section 52 of Inland Revenue Act No 10 of 2006	ending 2014/2015
Aitken Spence (Garments) Ltd	15% Under Section 52 of Inland Revenue Act No 10 of 2006	indefinite
Vauxhall Property Developments Ltd	2% of Turnover under Section 17 of BOI Law No. 4 of 1978	15 Years ending 2018/2019

Companies Incorporated in Sri Lanka and operated outside Sri Lanka

Company	Countries operated	Tax Status
Port Management Container Services (Pvt) Ltd	South Africa	exempt in Sri Lanka, liable at 33% in South Africa
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Sri Lanka & Oman	exempt in Sri Lanka liable at 30% in Oman

Companies Incorporated and operated outside Sri Lanka

Company	Country	Tax Status
Jetan Travel Services Company (Pvt) Ltd	Republic of Maldives	exempt
Cowrie Investments (Pvt) Ltd	Republic of Maldives	exempt
Crest Star Ltd	Hong Kong	exempt
Crest Star (B.V.I.) Ltd	British Virgin Islands	exempt
ADS Resorts (Pvt) Ltd	Republic of Maldives	exempt
Unique Resorts (Pvt) Ltd	Republic of Maldives	exempt
Aitken Spence Hotel Services (Pvt) Ltd	India	liable at 33.99% as per Indian Tax Law
Aitken Spence Hotel Managements South India (Pvt) Ltd	India	liable at 33.99% as per Indian Tax Law
P.R.Holiday Homes (Pvt) Ltd	India	liable at 33.99% as per Indian Tax Law
Ace Bangladesh Ltd	Bangladesh	liable at 37.5% as per as per Bangladesh Tax Law
Spence Mac Bangladesh (Pvt) Ltd	Bangladesh	liable at 37.5% as per as per Bangladesh Tax Law

7.2 Associate Companies

Company	Tax Rate & Statute	Period
Aitken Spence Plantation Managements (Pvt) Ltd	15% Under Section 46 of Inland Revenue Act No 10 of 2006	indefinite
Hayleys Plantation Services Ltd	15% Under Section 46 of Inland Revenue Act No 10 of 2006	indefinite
Elpitiya Plantations PLC	Agricultural profits Exempt Under Section 15 of Inland Revenue Act No 10 of 2006	5 years commencing 2005/2006
Talawakelle Tea Estates PLC	Agricultural profits Exempt Under Section 15 of Inland Revenue Act No 10 of 2006	5 years commencing 2005/2006
Browns Beach Hotels PLC	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite
MPS Hotels Ltd	15% Under Section 45 of Inland Revenue Act No 10 of 2006	indefinite

7.3 Companies incorporated in India are liable to a fringe benefit tax (FBT). FBT is calculated based on certain expenses incurred by the Company and applicable between 5% to 100% of these expenses.

7.4 Social Responsibility Levy of 1.5% which is payable on the income tax liability of the companies, as per the Finance Act No. 11 of 2006 has been accounted for and included in the income tax provision.

7.5 The companies in the Group have brought forward tax losses amounting to Rs. 1,806 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. 142 million.

7.6 Income tax expense

	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Tax on current year profits	308,890	243,476	-	20,000
Under/ (over) provision in previous years	(14,076)	11,816	-	-
Tax on dividends paid by subsidiaries	57,527	63,012	-	-
Deferred tax reversal	(23,956)	(83,194)	(4,639)	(2,408)
	328,385	235,110	(4,639)	17,592

Notes to the Financial Statements

7.7 Reconciliation of the accounting profit and the income tax expense

	Group		Company	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Profit from operations after interest	3,406,155	2,932,340	498,721	557,213
Share of profit / (loss) of associate companies after tax	(9,239)	132,452	-	-
Other consolidation adjustments	20,434	(13,124)	-	-
Profit from operations after adjustments	3,417,350	3,051,668	498,721	557,213
Income not liable for income tax	(3,099,694)	(2,712,996)	(732,680)	(819,003)
Accounting losses adjusted for tax purposes	133,655	287,312	94,675	287,312
Adjusted profit	451,311	625,984	(139,284)	25,522
Non - taxable receipts / gains	(25,568)	(50,052)	-	(35,598)
Aggregate disallowed expenses	627,442	586,793	111,859	90,703
Capital allowances	(359,683)	(337,173)	(14,136)	(13,939)
Aggregate allowable deductions	(121,464)	(109,085)	(22,248)	(10,580)
Utilisation of tax losses	(8,067)	(10,746)	-	-
Current year tax losses not utilised	394,938	175,880	63,809	-
Taxable income	958,909	881,601	-	56,108
Income tax charged at				
Standard rate	157,887	165,878	-	20,000
Concessionary rate of 15%	17,733	21,918	-	-
Income taxed at other rates	610	19,620	-	-
Off - shore profits at varying rates	132,660	36,060	-	-
	308,890	243,476	-	20,000
Dividends tax	57,527	63,012	-	-
Deferred tax charge/ (reversal)	(23,956)	(83,194)	(4,639)	(2,408)
Under/ (over) provision for previous years	(14,076)	11,816	-	-
	328,385	235,110	(4,639)	17,592

8 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	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
Net profit attributable to ordinary shareholders of the parent (Rs.)	2,040,009,548	1,841,149,908	503,360,449	539,621,877
Weighted average number of ordinary shares in issue	27,066,403	27,066,403	27,066,403	27,066,403
Earnings Per Share (Rs.)	75.37	68.02	18.60	19.94

As there were no options outstanding at year end diluted earnings per share is equal to the basic earnings per share for the year.

9 Dividends per Share

	2008/2009 Rs. '000	2007/2008 Rs. '000
Interim ordinary declared (on 30 th April 2009) at Rs.3.50 per share (2007/08 - 3.00 - per share), (paid on 21st May 2009)	94,732	81,199
Final ordinary dividend recommended at Rs. 6.00 per share (2007/08 - 4.00 - per share)	162,398	108,266
	257,130	189,465

The Directors have recommended a Rs.6.00 per share final dividend payment for the year ended 31st March 2009 to be approved at the Annual General Meeting on the 29th June 2009.

The entire dividend for the year is paid out of exempt dividends received by the company and is exempt from tax in the hands of the shareholders.

In compliance with Sri Lanka Accounting Standard No. 12- Events after the Balance Sheet Date (Revised 2005), the interim dividend subsequent to the balance sheet date declared and the final dividend recommended are not recognised as a liability in the financial statements as at 31st March 2009.

10 Property, plant & equipment

10.1 Group

	Freehold Land Rs.'000	Freehold Buildings Rs.'000	Plant Machinery & Equipments Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Leased Assets Rs.'000	Capital Work-in- Progress Rs.'000	Total Rs.'000
Cost or Valuation								
Balance as at 01.04.2008	1,923,530	6,792,386	10,334,483	638,889	943,130	11,037	1,215,215	21,858,670
Revaluation	3,245,540	-	-	-	-	-	-	3,245,540
Companies disposed during the year	-	(33,378)	(75,392)	-	(10,964)	-	-	(119,734)
Exchange difference	(26,004)	242,989	64,576	4,911	4,846	-	7,197	298,515
Additions	21,231	1,010,498	1,016,186	155,402	153,918	36	1,442,166	3,799,437
Transfers	(19)	2,286,719	151,523	9,161	29,171	(6,219)	(2,470,336)	-
Disposals	-	(68,072)	(319,638)	(27,180)	(21,960)	-	(608)	(437,458)
Balance as at 31.03.2009	5,164,278	10,231,142	11,171,738	781,183	1,098,141	4,854	193,634	28,644,970
Accumulated Depreciation								
Balance as at 01.04.2008	-	1,253,840	2,869,563	306,643	434,069	7,481	4,769	4,876,365
Companies disposed during the year	-	(26,117)	(63,883)	-	(9,780)	-	-	(99,780)
Exchange difference	-	42,022	38,990	3,336	1,390	-	-	85,738
Charge for the year	-	391,266	699,968	92,417	74,726	369	1,417	1,260,163
Transfers	-	-	6,076	143	-	(6,219)	-	-
Disposals	-	(6,312)	(72,039)	(19,483)	(15,318)	-	-	(113,152)
Balance as at 31.03.2009	-	1,654,699	3,478,675	383,056	485,087	1,631	6,186	6,009,334
Carrying amount as at 31.03.2009	5,164,278	8,576,443	7,693,063	398,127	613,054	3,223	187,448	22,635,636
Carrying amount as at 31.03.2008	1,923,530	5,538,546	7,464,920	332,246	509,061	3,556	1,210,446	16,982,305

The value of property, plant & equipment pledged by the Group as security for facilities obtained from banks amounted to Rs.4,796 million (2007/2008-Rs.4,905 million).

Capital work-in-progress represents the amount of expenditure recognised under property plant & equipment during the period of the construction of a capital asset.

The exchange difference has arisen as a result of the translation of property, plant & equipment of foreign entities 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 revalued some of the land owned by the Group companies by independent, professional valuers as at 31st March 2009. Details of the revalued lands are given in the Note 10.3 to the financial statements. There are no tax implications or tax liabilities due to revaluation of land. The Group's share of the revaluation in excess of Rs. 3,245,539,845 over the net book values as at 31st March 2009 has been placed to the credit of the revaluation reserve.

On reassessment of fair value of the Groups assets it has been identified that there is no permanent impairment of property plant & equipment which requires provision in the financial statements.

Notes to the Financial Statements

10.2 Company

	Plant Machinery & Equipments Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Total Rs.'000
Cost or Valuation				
Balance as at 01.04.2008	137,411	9,906	18,123	165,440
Additions	6,282	16,525	2,417	25,224
Disposals	(3,833)	-	(59)	(3,892)
Balance as at 31.03.2009	139,860	26,431	20,481	186,772
Accumulated Depreciation				
Balance as at 01.04.2008	97,341	6,182	14,816	118,339
Charge for the year	14,734	4,458	784	19,976
Disposals	(3,613)	-	(59)	(3,672)
Balance as at 31.03.2009	108,462	10,640	15,541	134,643
Carrying amount as at 31.03.2009	31,398	15,791	4,940	52,129
Carrying amount as at 31.03.2008	40,070	3,724	3,307	47,101

There were no assets pledged by the company as securities for facilities obtained from the banks.

10.3 Freehold land

10.3.1 Land carried at revalued amount

Company	Location	Last revaluation date	Carrying value as at 31.03.2009 Rs. '000	Revaluation surplus Rs. '000	Carrying amount at cost 31.03.2009 Rs. '000
Aitken Spence PLC ¹	315, Vauxhall Street, Colombo 02	31.03.2009	900,000	898,843	1,157
Aitken Spence PLC ¹	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	223,650	218,659	4,991
Aitken Spence PLC ¹	170, Sri Wickrema Mw., Colombo 15	31.03.2009	188,000	145,039	42,961
Aitken Spence PLC ¹	Neptune Hotel, Moragalla, Beruwala	31.03.2009	499,200	498,246	954
Aitken Spence PLC ¹	290/1, Inner Harbour Road, Trincomalee	31.03.2009	12,700	12,700	-
Aitken Spence Hotel Holdings PLC ³	"Heritage Ahungalla", Galle Road, Ahungalla	26.03.2007	261,600	244,159	17,441
Ace Containers (Pvt) Ltd ¹	775/5, Negombo Road, Wattala	31.03.2009	1,240,700	1,145,309	95,391
Ace Containers (Pvt) Ltd ¹	385, Colombo Road, Welisara	31.03.2009	424,000	337,327	86,673
Vauxhall Property Developments Ltd ¹	305, Vauxhall Street, Colombo 02	31.03.2009	529,000	514,269	14,731
Vauxhall Investments Ltd ¹	316, K. Cyril C. Perera Mw., Colombo 13	31.03.2009	76,287	54,448	21,839
Aitken Spence (Garments) Ltd ¹	222, Agalawatte Road, Matugama	31.03.2009	8,800	6,220	2,580
Clark Spence & Co., Ltd ¹	24-24/1, Church Street, Galle	31.03.2009	67,900	67,865	35
Ace Power Generation Matara Ltd ¹	Hittetiya - Matara	31.03.2009	284	84	200
Aitken Spence Property Developments Ltd ¹	"Creamland Farm", Mawaramandiya.	31.03.2009	30,300	5,872	24,428
Pearl Beach Hotels Ltd ²	Moragalla, Beruwala	31.03.2009	194,500	183,420	11,080
Ahungalla Resorts Ltd ²	"Ahungalla Resorts", Galle Road, Ahungalla	31.03.2009	344,945	218,500	126,445
Kandalama Hotels Ltd ²	Kandalama Dambulla	31.03.2009	9,000	1,616	7,384
Neptune Ayurvedic Village (Pvt) Ltd ²	Ayurvedic village - Moragalla, Berwala	31.03.2009	4,425	362	4,063
			5,015,291	4,552,938	462,353

The above land has been revalued by independent, qualified valuers on the basis of current market value.

1. Valuation of the land was carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka)
2. Valuation of the land was carried out by Mr. K.C.B. Condegama, A.I.V. (Sri Lanka)
3. Valuation of the land was carried out by Mr. J. Rajasooriya H.N.D. (Valuation) A.I.V. (Sri Lanka) A.I.Q.S. (Sri Lanka) M.P.V.A. (Sri Lanka)

10.3.2 Land carried at cost

Company	Location	Purchase date	Carrying value as at 31.03.2009 Rs. '000
PR Holiday Homes (Pvt) Ltd.	Cochin - Kerala	31.03.2006	131,487
Aitken Spence Cargo (Pvt) Ltd	3/2, Seewali lane, Kudaedanda, Wattala	01.06.2008	17,500
			148,987
			5,164,278

10.3.3 Total carrying value of land

11 Leasehold property

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Cost		
Balance as at 01.04.2008	1,401,870	-
Exchange difference	99,320	-
Additions	63,514	1,401,870
Balance as at 31st March	1,564,704	1,401,870
Accumulated amortisation		
Balance as at 01.04.2008	44,883	-
Exchange difference	3,953	-
Amortisation during the year	10,717	44,883
Balance as at 31st March	59,553	44,883
Carrying amount as at 31st March	1,505,151	1,356,987

12 Intangible assets

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Goodwill on consolidation		
Balance as at 01.04.2008	122,520	159,407
Additions	7,078	6,904
Impairment during the year	(20,434)	(43,791)
Balance as at 31st March	109,164	122,520

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 a five year period. The management determines budgeted gross margins based on past performance and its expectations for the market development.

The growth rate does not exceed 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. The discount rates used are pre – tax and reflect specific risks relating to the industry.

Notes to the Financial Statements

13 Investment property

13.1 Movement during the year

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Cost or valuation				
Balance as at 01.04.2008	28,936	28,936	776,371	776,674
Disposed during the year	-	-	-	(303)
Balance as at 31st March	28,936	28,936	776,371	776,371
Accumulated depreciation				
Balance as at 01.04.2008	-	-	64,165	60,070
Charge for the year	-	-	18,221	4,246
Disposed during the year	-	-	-	(151)
Balance as at 31st March	-	-	82,386	64,165
Carrying amount as at 31st March	28,936	28,936	693,985	712,206

13.2 Market value

Investment properties in the group are accounted on the cost model. The open market value of the above property based on valuations carried out by Mr. Arthur Perera, A.M.I.V. (Sri Lanka), an independent, professional valuer and as at 31st March 2009 for the Group was Rs. 173.2 million (2007/2008 - Rs. 28.9 million), and for the company was Rs. 1,937 million (2007/2008 Directors' valuation - Rs. 2,306 million).

13.3 Income earned from investment property

Total rent income earned by the company from the investment property during the year was Rs. 30.9 million (2007/2008 - Rs.37.7million) (Group - nil). There were no direct operating expenses arising from any of the above investment properties.

14 Investments

14.1 Investments in subsidiaries and joint ventures - unquoted

	Number of shares	Company holding %	Group holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
a) Ordinary Shares					
Subsidiary companies					
Aitken Spence Exports (Pvt) Ltd. (a)	52,500	100.0	100.0	514	514
Aitken Spence Cargo (Pvt) Ltd. (a)	10,000	100.0	100.0	820	820
Clark Spence & Company (Pvt) Ltd. (a)	25,000	97.4	100.0	357	357
Aitken Spence Insurance (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Ace Container Repair (Pvt) Ltd. (a)	2,250,000	100.0	100.0	22,500	22,500
Aitken Spence Printing (Pvt) Ltd. (a)	4,760,000	100.0	100.0	47,600	47,600
Ace Exports (Pvt) Ltd. (a)	1,400,000	100.0	100.0	14,000	14,000
Aitken Spence Apparels (Pvt) Ltd.	1,500,000	100.0	100.0	15,000	15,000
Ace Containers (Pvt) Ltd. (a)	4,010,000	100.0	100.0	40,100	40,100
Aitken Spence Developments (Pvt) Ltd.	46,000	92.0	92.0	1,825	1,825
Ace Container Terminals (Pvt) Ltd. (a)	1,550,002	100.0	100.0	15,500	15,500
Vauxhall Investments Ltd. (a)	1,320,000	100.0	100.0	13,200	13,200
Aitken Spence Hotel Managements (Pvt) Ltd. (a)	20,000	100.0	100.0	200	200
Aitken Spence Hotel Managements Asia (Pvt) Ltd. (b)*	24,500	49.0	86.9	245	245
Aitken Spence Group Ltd. (a) (b) (c)	10,000	100.0	100.0	100	100
Ace Distriparks (Pvt) Ltd. (a)	8,900,000	100.0	100.0	89,000	89,000
Vauxhall Property Developments Ltd. (a) (b)	11,270,000	100.0	100.0	153,401	153,401
Kandalama Hotels Ltd. (a)	6,000,000	37.0	82.8	182,050	182,050
Ace Freight Management (Pvt) Ltd. (a)	5,222,500	100.0	100.0	36,307	36,307
Elevators (Pvt) Ltd. (a)	133,400	66.7	66.7	7,269	7,269

14.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)

	Number of shares	Company holding %	Group holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Triton Ltd. (a)	10,000	100.0	100.0	50	50
Ace Power Generation Horana (Pvt) Ltd. (a) (b)	20,046,998	51.0	51.0	200,470	200,470
Ace Power Generation Matara Ltd. (a) (b)	21,523,362	51.0	51.0	215,234	215,234
Ace Power Embilipitiya (Pvt) Ltd. (a)	124,033,413	74.0	74.0	1,404,415	1,404,415
Aitken Spence Hotels (International) Ltd. (a)*	10,323,225	49.0	86.9	99,000	99,000
Aitken Spence Moscow (Pvt) Ltd. (a) (c)	37,500	75.0	75.0	375	375
Aitken Spence Corporate Finance (Pvt) Ltd. (a)	2	100.0	100.0	-	-
Ace Cargo (Pvt) Ltd. (a)	922,500	93.2	93.2	231,547	231,547
Ace International (Pvt) Ltd.	280,000	100.0	100.0	2,800	2,800
Aitken Spence Property Developments (Pvt) Ltd. (a) (b)	74,865,000	90.0	100.0	748,650	748,650
Ace Freight Logistics (Pvt) Ltd.	10,000	100.0	100.0	100	100
Ace International Express (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Aitken Spence Maritime Ltd. (a)	140,000	100.0	100.0	1,400	1,400
(formerly known as Aitken Spence Shipping International Ltd.)					
Ace Aviation Services (Pvt) Ltd. (a)*	10,001	50.0	100.0	100	100
Aitken Spence Shipping Services Ltd. (a)*	99	1.0	100.0	1	1
Ace Printing & Packaging (Pvt) Ltd. (a)	10,000	100.0	100.0	100	100
Spence International (Pvt) Ltd. (a)	1,500,000	100.0	100.0	15,000	15,000
Aitken Spence Insurance Brokers (Pvt) Ltd. (a)	150,000	100.0	100.0	1,500	1,500
Royal Spence Aviation (Pvt) Ltd. (a) (c)	50,000	100.0	100.0	500	-
Heritance (Pvt) Ltd. (a)*	1	-	72.7	-	-
(formerly known as Pearl Beach Hotels Ltd.)					
Ahungalla Resorts Ltd. (a)*	1	-	74.4	-	-
PR Holiday Homes (Pvt) Ltd. (a)*	-	-	73.0	-	-
Ace Haulage (Pvt) Ltd. (a)*	-	-	100.0	-	-
Aitken Spence Hotels Ltd. (a)*	-	-	72.7	-	-
Aitken Spence Aviation (Pvt) Ltd. (a) (c)*	-	-	100.0	-	-
Jetan Travel Services Company (Pvt) Ltd. (a)*	-	-	70.7	-	-
Hethersett Hotels Ltd. (a)*	-	-	59.6	-	-
Crest Star Ltd. (a)*	-	-	74.4	-	-
Crest Star (BVI) Ltd. (a)*	-	-	74.4	-	-
Cowrie Investments (Pvt) Ltd. (a)*	-	-	44.6	-	-
Ace Ayurvedic (Pvt) Ltd. (a)*	-	-	74.4	-	-
Neptune Ayurvedic Village (Pvt) Ltd. (a)*	-	-	74.4	-	-
ADS Resorts (Pvt) Ltd. (a)*	-	-	86.9	-	-
Port Management Container Services (Pvt) Ltd. (a)*	-	-	100.0	-	-
Aitken Spence Resources (Pvt) Ltd. (a)*	-	-	100.0	-	-
Unique Resorts (Pvt) Ltd. (a)*	-	-	86.9	-	-
Aitken Spence Hotel Services (Pvt) Ltd.*	-	-	86.9	-	-
Joint ventures					
Aitken Spence Travels (Pvt) Ltd. (a) (c)	1,704,000	50.0	50.0	60,876	60,876
MMBL Money Transfer (Pvt) Ltd. (a)	3,000,000	50.0	50.0	35,566	35,566
Aitken Spence (Garments) Ltd. (a)	998,750	50.0	50.0	26,257	26,257
Vauxhall Shipping (Pvt) Ltd.	12,250	49.0	49.0	150	150
Spence Mac Holdings (Pvt) Ltd. (a)	5,000,000	50.0	50.0	50,000	50,000
Eves Information Technology Lanka (Pvt) Ltd.	-	-	-	-	8,338
San Spence Ltd. (a) (b)	1,350,000	50.0	50.0	13,500	13,500
Aitken Spence Shipping Ltd. (a)*	-	-	50.0	-	-
Spence Shipping (Pvt) Ltd. (a)*	-	-	60.0	-	-
Clark Spence Garments Ltd. (a)*	-	-	50.0	-	-

Notes to the Financial Statements

14.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)

	Number of shares	Company holding %	Group holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Ace Travels & Conventions (Pvt) Ltd. (a) (c) *	-	-	50.0	-	-
Aitken Spence Overseas Travel Services (Pvt) Ltd. (a) (c) *	-	-	50.0	-	-
Shipping & Cargo Logistics (Pvt) Ltd. (a)*	-	-	25.0	-	-
Delta Shipping (Pvt) Ltd. (a)*	-	-	51.0	-	-
GAC Shipping Ltd. *	-	-	25.0	-	-
GAC Logistics Ltd. *	-	-	25.0	-	-
GAC Marine Services (Pvt) Ltd. *	-	-	25.0	-	-
Mc Ships Agencies (Colombo) Ltd. *	-	-	50.0	-	-
Ace Global Aviation Services (Pvt) Ltd. (a)*	-	-	60.0	-	-
Ace Bangladesh Ltd. *	-	-	45.7	-	-
Spence Mac Bangladesh (Pvt) Ltd. *	-	-	25.0	-	-
Spence Logistics (Pvt) Ltd. (a)*	-	-	50.0	-	-
Spence Maldives (Pvt) Ltd. (a)*	-	-	55.9	-	-
Aitken Spence Hotel Management (South India) (Pvt) Ltd. *	-	-	43.5	-	-
				<u>3,747,779</u>	<u>3,755,617</u>

14.1 Investments in subsidiaries and joint ventures - unquoted (Contd.)

	Number of shares	Company holding %	Group holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
b) Preference Shares					
Aitken Spence (Garments) Ltd.	1,500,000	50.0	50.0	15,000	15,000
Kandalama Hotels Ltd.	17,500,000	100.0	100.0	175,000	175,000
Aitken Spence Hotel Holdings PLC.	16,500,000	100.0	100.0	165,000	165,000
Aitken Spence Aviation (Pvt) Ltd.	500,000	100.0	100.0	5,000	5,000
Hethersett Hotels Ltd. *	-	-	74.4	-	-
				<u>360,000</u>	<u>360,000</u>
Provision for fall in value of Investments				<u>(37,800)</u>	<u>(20,000)</u>
				<u>4,069,979</u>	<u>4,095,617</u>

14.2 Investment in subsidiaries - quoted

	Number of shares	Company holding %	Group holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Aitken Spence Hotel Holdings PLC. (a) (Ordinary Shares)	27,368,127	71.2	74.4	679,300	679,300
Net Book Value as at 31st March				<u>679,300</u>	<u>679,300</u>
Market Value as at 31st March				<u>2,463,131</u>	<u>2,545,236</u>

* 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., Spence Mac Holdings (Pvt) Ltd., Ace Cargo (Pvt) Ltd., Triton Ltd., Ace Containers (Pvt) 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. or Aitken Spence Hotel Managements (Pvt) Ltd.

** Jetan Travel Services Company (Pvt) Ltd., B.I.R Hotel Managements (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. and Spence Mac Bangladesh (Pvt) Ltd. are incorporated in Bangladesh and PR Holiday Homes (Pvt) Ltd., Aitken Spence Hotel Services (Pvt) Ltd. and Aitken Spence Hotel Managements (South India) (Pvt) Ltd. are incorporated in India, while all other companies are incorporated in Sri Lanka.

a, b, c - refer note 32.

15 Investment in associate companies

15.1 Investment in associate companies - unquoted

	Group				Company			
	No. of shares	Holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000	No. of shares	Holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
M.P.S. Hotels Ltd.(c) (Ordinary Shares)	985,000	22.0	32,912	32,912	-	-	-	-
Aitken Spence Plantation Managements Ltd. (a) (b) (Ordinary Shares)	8,300,000	39.0	165,000	165,000	8,300,000	39.0	165,000	165,000
Hayleys Plantation Services Ltd. (a) (b) (Ordinary Shares)	6,700,000	33.3	170,515	170,515	6,700,000	33.3	170,515	170,515
Elpitiya Planatations PLC. (a) (b) (Ordinary Shares) (Subsidiary of Aitken Spence Plantation Managements Ltd.)	-	23.7	-	-	-	-	-	-
Talawakelle Tea Estates PLC. (a) (b) (Ordinary Shares) (Subsidiary of Hayleys Plantation Services Ltd.)	-	23.3	-	-	-	-	-	-
Net book value as at 31st March			368,427	368,427			335,515	335,515
Share of movement in equity value			236,107	247,965			-	-
Equity value of investments			604,534	616,392			335,515	335,515

a, b, c - refer note 32.

15.2 Investment in associate companies - quoted

	Group				Company			
	No. of shares	Holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000	No. of shares	Holding %	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Browns Beach Hotels PLC. (a) (Ordinary Shares)	2,841,718	21.9	67,810	67,810			-	-
Net book value as at 31st March	-	-	67,810	67,810			-	-
Share of movement in equity value	-	-	80,292	80,287			-	-
Equity Value of Investments	-	-	148,102	148,097			-	-
Market value of quoted investments as at 31st March	-	-	82,410	85,252			-	-
Equity Value - unquoted	-	-	604,534	616,392	Net book value - unquoted		335,515	335,515
Equity Value - quoted	-	-	148,102	148,097	Net Book Value - quoted		-	-
Equity Value as at 31st March	-	-	752,636	764,489	Net book value as at 31st March		335,515	335,515

15.3 Summarised financial information of associates

Group share of Balance sheet		
Total assets	2,968,306	2,770,007
Total liabilities	(2,215,670)	(2,005,518)
	752,636	764,489
Group share of revenue and profit		
Revenue	1,215,779	1,212,332
Profit / (loss)	(9,239)	132,452

Notes to the Financial Statements

16 Long-term investments

	No. of shares	Group		No. of shares	Company	
		31.03.2009 Rs. '000	31.03.2008 Rs. '000		31.03.2009 Rs. '000	31.03.2008 Rs. '000
Sumiko Lanka Hotels (Pvt) Ltd. (Preference Shares)	7,500,000	75,000	75,000	7,500,000	75,000	75,000
Sumiko Lanka Hotels (Pvt) Ltd. (Secured Redeemable Debentures of Rs.100/- each)	707,000	70,700	55,700	707,000	70,700	55,700
Rainforest Ecolodge (Pvt) Ltd (Ordinary Shares)	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Palm Village Hotels Ltd. (Ordinary Shares)	1,815,674	10,070	10,070	606,099	3,533	3,533
Poovar Island Resorts (Ordinary Shares)	988,764	126,650	-	-	-	-
Barefoot Resorts & Leisure (Pvt) Ltd. (Ordinary Shares)	25,000	86,590	86,590	-	-	-
San Spence Construction LLC. (Ordinary Shares)	75,000	10,630	10,630	-	-	-
Cargo Village Ltd. (Ordinary Shares)	38,571	357	357	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd. (Ordinary Shares)	10,000	100	100	-	-	-
Skynet Worldwide Express Management Company Ltd. (Ordinary Shares)	1,000	99	99	-	-	-
Hotel Training Institute (Pvt) Ltd. (Ordinary Shares)	1,000	-	10	-	-	-
Aitken Spence Hotel Services (Pvt) Ltd. (Ordinary Shares)	-	-	270	-	-	-
		405,196	263,826		174,233	159,233
Provision for fall in value of Investments		(250)	(250)		-	-
Net Book Value as at 31st March		404,946	263,576		174,233	159,233

17 Deferred tax assets

	Group	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Deferred tax asset		
Tax effect on defined benefit plan	32,422	29,811
Tax effect on tax losses	290	-
Tax effect on other items	44,371	17,821
	77,083	47,632
Deferred tax liability		
Tax effect on capital allowances	(3,075)	(4,858)
Tax effect on other items	-	(3,432)
	(3,075)	(8,290)
Net deferred tax asset	74,008	39,342
Deferred tax asset		
Balance as at the beginning of the year	39,342	-
Transferred from income statement	34,666	39,342
Balance at the end of the year	74,008	39,342

18 Inventories

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Raw materials	1,127,045	1,124,811	-	-
Work in progress and finished goods	103,605	139,472	-	-
Consumables	52,961	40,672	1,794	1,511
	<u>1,283,611</u>	<u>1,304,955</u>	<u>1,794</u>	<u>1,511</u>

Value of inventories pledged as security for facilities obtained from banks amounted to Rs. 555,547,795 for the Group (2007/2008 - Rs. 453,831,314). Company-nil.

19 Trade & other receivables

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Trade receivables	5,135,722	5,397,286	-	-
Other receivables	868,234	848,628	228,754	189,647
Provision for bad debts	(184,459)	(181,160)	(162,994)	(84,322)
	<u>5,819,497</u>	<u>6,064,754</u>	<u>65,760</u>	<u>105,325</u>
Loans to employees	14,646	20,390	9,816	7,913
	<u>5,834,143</u>	<u>6,085,144</u>	<u>75,576</u>	<u>113,238</u>

The movement of loans above Rs.1.9 mn given to executive staff is as follows:

Loan to company officers - summary

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Balance as at the beginning of the year	7,913	7,898
Loans granted during the year	7,806	4,350
	<u>15,719</u>	<u>12,248</u>
Recoveries during the year	(5,903)	(4,335)
Loans as at 31st March	<u>9,816</u>	<u>7,913</u>

No loans have been given to the Directors of the company.

20 Current investments

	No. of shares	Group		No. of shares	Company	
		31.03.2009 Rs. '000	31.03.2008 Rs. '000		31.03.2009 Rs. '000	31.03.2008 Rs. '000
DFCC Bank (Ordinary Shares)	12,385	399	398	12,385	399	399
Overseas Realty (Ceylon) PLC. (Ordinary Shares)	3,750	37	37	3,750	37	37
Colombo Dockyard PLC (Ordinary Shares)	5,850	62	59	-	-	-
Hatton National Bank PLC (Ordinary Shares)	127,600	4,060	4,060	-	-	-
Net Book value as at 31st March		<u>4,558</u>	<u>4,554</u>		<u>436</u>	<u>436</u>
Market Value as at 31st March		<u>11,159</u>	<u>8,497</u>		<u>871</u>	<u>1,606</u>

Notes to the Financial Statements

21 Assets classified as held for sale

21.1 Divestment of ship owning business

Consequent to the decision made to divest from the ship owning business during the year 2007/2008 the group recognised the fair value of the investments in Ceyserv Lines (Pvt) Ltd, Ceyfirst Shipping (Pvt) Ltd, Ceycapital Shipping (Pvt) Ltd, Ceyaki Shipping (Pvt) Ltd, & Ceyspence (Pvt) Ltd under Assets held for sale. Out of the above investments the liquidation of Ceyserv Lines (Pvt) Ltd, Ceyfirst Shipping (Pvt) Ltd & Ceycapital Shipping (Pvt) Ltd was concluded during the year. Final gazette notification on the appointment of the liquidator for Cey Spence Pvt Ltd was published subsequent to the balance sheet date on the 8th of April 2009.

21.2 Assets classified as held for sale

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Share of net assets of associates classified under held for sale	141,446	154,273	57,237	57,237
Net current assets of joint ventures classified under held for sale	7,678	7,678	-	-
	<u>149,124</u>	<u>161,951</u>	<u>57,237</u>	<u>57,237</u>

22 Segmental information

a. Business segment

	Total Assets		Total Liabilities	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Tourism sector	13,196,229	11,091,163	6,318,175	5,569,962
Cargo Logistics sector	3,704,224	2,340,967	953,095	924,743
Strategic Investments	14,477,047	14,978,423	6,964,187	8,666,553
Services sector	4,745,056	2,490,169	513,996	238,207
	<u>36,122,556</u>	<u>30,900,722</u>	<u>14,749,451</u>	<u>15,399,465</u>
Goodwill on consolidation	109,164	122,520	-	-
	<u>36,231,720</u>	<u>31,023,242</u>	<u>14,749,451</u>	<u>15,399,465</u>
Assets classified as held for sale	149,124	161,951	-	-
	<u>36,380,844</u>	<u>31,185,193</u>	<u>14,749,451</u>	<u>15,399,465</u>

	Additions to Property, Plant & Equipment		Depreciation & Amortisation	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Tourism sector	2,245,622	750,867	611,674	551,588
Cargo Logistics sector	211,398	105,391	103,799	83,565
Strategic Investments	588,627	137,276	489,965	484,926
Services sector	753,790	660,537	85,876	36,720
	<u>3,799,437</u>	<u>1,654,071</u>	<u>1,291,314</u>	<u>1,156,799</u>

b. Geographical segment

	Total Assets		Total Liabilities	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Sri Lanka	34,359,962	23,662,085	10,324,827	11,920,933
Asia & Africa	1,762,594	7,238,637	4,424,624	3,478,532
	36,122,556	30,900,722	14,749,451	15,399,465
Goodwill on consolidation	109,164	122,520	-	-
	36,231,720	31,023,242	14,749,451	15,399,465
Assets classified as held for sale	149,124	161,951	-	-
	<u>36,380,844</u>	<u>31,185,193</u>	<u>14,749,451</u>	<u>15,399,465</u>

	Additions to Property, plant & Equipment		Depreciation & Amortisation	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Sri Lanka	1,691,268	982,403	862,039	783,909
Asia & Africa	2,108,169	671,868	429,275	372,890
	<u>3,799,437</u>	<u>1,654,071</u>	<u>1,291,314</u>	<u>1,156,799</u>

23 Stated capital & reserves

23.1 Stated capital

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Stated capital as at 31st March	2,135,140	2,135,140
Number of shares	27,066,403	27,066,403

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 share holders or one vote per share in the case of a poll.

23.2 Reserves

Revaluation reserve

Revaluation reserve relates to the amount by which the Group has revalued its property, plant & equipment. There were no restrictions on distribution of these balances to the share holders.

General reserve

The 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.

Notes to the Financial Statements

24 Interest-bearing liabilities

24.1 Analysed by lending institution

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Hatton National Bank PLC.	3,660,249	2,565,910	-	-
Commercial Bank of Ceylon PLC.	1,004,420	1,193,990	830,000	950,000
DFCC Bank.	532,715	666,219	-	-
Bank of Ceylon.	461,108	631,076	-	-
People's Bank.	418,608	585,576	-	-
Nations Trust Bank.	422,022	467,891	-	-
Standard Chartered Bank.	-	441,138	-	-
National Savings Bank.	290,000	330,000	290,000	330,000
Sri Lanka Insurance Corporation Ltd.	206,048	300,256	20,000	40,000
Union Assurance PLC.	250,000	250,000	250,000	250,000
Employee Trust Fund.	250,000	250,000	250,000	250,000
Hongkong & Shanghai Banking Corporation Ltd.	155,893	235,124	-	-
National Development Bank of Sri Lanka.	111,376	218,202	100,000	200,000
Indian Bank.	200,000	200,000	200,000	200,000
Seylan Bank PLC.	93,024	130,128	-	-
Waldock Mackenzie Ltd.	40,000	80,000	40,000	80,000
Quoted Debentures.	-	54,000	-	-
Eagle Income Fund.	6,000	6,000	6,000	6,000
Mercantile Merchant Bank Ltd.	836	2,500	-	-
Central Finance Company PLC.	1,347	2,073	-	-
Trustees of Church of England.	2,000	2,000	2,000	2,000
International Water MGT Institute Pension Fund.	2,000	2,000	2,000	2,000
	8,107,646	8,614,083	1,990,000	2,310,000
Current portion of interest-bearing liabilities	(1,866,187)	(2,106,021)	(370,000)	(320,000)
Non-current interest-bearing liabilities	6,241,459	6,508,062	1,620,000	1,990,000

24.2 Analysed by repayment period

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Payable within one year	1,866,187	2,106,021	370,000	320,000
Payable between one and two years	2,210,930	1,708,489	508,000	370,000
Payable between two and five years	2,005,128	3,306,686	1,112,000	1,620,000
Payable after five years	2,025,401	1,492,887	-	-
	8,107,646	8,614,083	1,990,000	2,310,000

24.3 Analysed by currency equivalent in rupees

	Group				Company	
	31.03.2009 Rs. Equivalent Rs. '000	%	31.03.2008 Rs. Equivalent Rs. '000	%	31.03.2009 Rs. Equivalent Rs. '000	31.03.2008 Rs. Equivalent Rs. '000
United States Dollars	2,895,020	36	3,933,525	46	-	-
Sri Lankan Rupees	5,212,626	64	4,680,558	54	1,990,000	2,310,000
	8,107,646	100	8,614,083	100	1,990,000	2,310,000

24.4 Movement of interest-bearing liabilities

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Total outstanding as at 01st April	8,614,083	8,247,928	2,310,000	2,560,000
Exchange difference	246,410	(47,083)	-	-
Loans received during the year	1,273,059	2,347,951	-	-
	10,133,552	10,548,796	2,310,000	2,560,000
Loan repayments during the year	(2,025,906)	(1,934,713)	(320,000)	(250,000)
Total outstanding as at 31st March	8,107,646	8,614,083	1,990,000	2,310,000
Current portion of interest-bearing liabilities	(1,866,187)	(2,106,021)	(370,000)	(320,000)
Non-current interest-bearing liabilities	6,241,459	6,508,062	1,620,000	1,990,000

25 Deferred tax liabilities

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Deferred tax liability				
Tax effect on capital allowances	200,712	195,676	13,695	15,031
Tax effect on share based payments	17,376	18,424	-	-
	218,088	214,100	13,695	15,031
Deferred tax asset				
Tax effect on defined benefit plan	(14,020)	(22,485)	(11,568)	(10,392)
Tax effect on tax losses	(6,052)	(4,343)	(2,127)	-
	(20,072)	(26,828)	(13,695)	(10,392)
Net deferred tax liability	198,016	187,272	-	4,639
Deferred tax liability				
Balance as at the beginning of the year	187,272	231,124	4,639	7,047
Companies disposed during the year	34	-	-	-
Transferred from / (to) income statement	10,710	(43,852)	(4,639)	(2,408)
Balance at the end of the year	198,016	187,272	-	4,639

26 Employee Benefits

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Balance as at the beginning of the year	208,500	177,082	29,691	22,975
Provision for the year	54,525	56,718	7,498	9,705
Payments during the year	(25,211)	(25,300)	(4,137)	(2,989)
Companies disposed during the year	(175)	-	-	-
Balance at the end of the year	237,639	208,500	33,052	29,691

The provision for retiring gratuity for the year is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st March 2007. The Actuarial present value of the promised post-employment benefits as at 31st March 2007 amounted to Rs. 177,082,076/- (Company - Rs.22,975,355/-).

The principal actuarial assumptions used in determining the cost are disclosed in the accounting policies.

Notes to the Financial Statements

27 Trade and other payables

	Group		Company	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Trade payables	1,986,097	1,836,475	-	-
Other payables	1,899,434	1,923,313	256,953	276,259
Provisions *	20,647	20,647	-	-
Unclaimed dividends	2,437	2,034	2,437	2,034
	<u>3,908,615</u>	<u>3,782,469</u>	<u>259,390</u>	<u>278,293</u>

* During the year there was no movement in the provision made for the reconstruction of damaged hotel buildings caused by the tsunami on 26th December 2004.

28 Joint ventures

The Group's interest in joint ventures and their principal activities are described in note 14.1 and page 117 and 118 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 joint ventures.

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Income	1,843,779	1,518,941
Expenses	1,764,552	1,428,723
Current assets	864,663	839,862
Non-current assets	118,436	97,284
Current liabilities	775,060	800,447
Non-current liabilities	37,035	30,976

29 Contracts for capital expenditure

The following commitments for capital expenditure approved by the Directors as at 31st March 2009 have not been provided for in the financial statements.

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Approximate amount approved but not contracted for	509,787	704,307
Approximate amount contracted for but not incurred	23,152	2,726,889
	<u>532,939</u>	<u>3,431,196</u>

30 Contingent liabilities

The contingent liability as at 31.03.2009 on guarantees given by Aitken Spence PLC., to third parties amounted to Rs. 1,621 million of this sum, Rs.1,468 million and Rs. 153 million relates to facilities obtained by subsidiaries and joint ventures respectively and none to associate companies. The contingent liability as at 31.03.2009 on guarantees given by subsidiaries to third parties amounted to Rs. 1,751 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.

The company was issued assessments under the Inland Revenue Act in relation to the Year of Assessment 1994/1995 and 1995/1996 The board of review hearing the appeals has determined a liability of Rs.16.5 million and Rs. 3.0 million respectively. The company has appealed against the determination to the Court of Appeal. Based on expert advice the directors are confident that the ultimate resolution of the above contingency is unlikely to have a materially adverse effect on the financial position of the company.

31 Directors' fees

The Directors of the Company have received fees amounting to Rs. 86,400/- from subsidiaries for the year ended 31st March 2009.

32 Related party transactions

Aitken Spence Group carries out transactions in the ordinary course of the business with parties who are defined as related parties as per Sri Lanka Accounting Standard No.30 - Related Party Disclosures.

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 Generation Horana (Pvt) Ltd and Ace Power Generation Matara 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 32.4.

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 associate companies that are indicated by "a" in Notes 14 and 15 to the financial statements. Mr. J.M.S Brito is also the Chairman of DFCC Bank PLC and DFCC Vardhana Bank Ltd with which companies the transactions are included under note 32.4.

Dr. R.M. Fernando a Director of the company was also the Managing Director or a Director of the companies marked by "b" in note 14 and 15 to the financial statements

Mr. G.M. Perera a Director of the company is also the Managing Director or a Director of the companies marked by "c" in note 14 and 15 to the financial statements. He is also a Director of Rainforest Ec lodge (Pvt) Ltd and a Board member of the Sri Lanka Tourism Promotion Bureau.

Mr. N. J. de S. Deva Aditya a Director of the company is also a Director of Distilleries Company of Sri Lanka PLC.

Mr.V.M. Fernando a Director of the company is also the Chairman of Shipping and Cargo Logistics (Pvt) Ltd, which is a joint venture company of the Group. He is also the Chairman of Holcim (Lanka) Ltd and Hyundai Lanka (Pvt) Ltd.

Transactions between the companies within the group and related parties are given in Note no. 32.1 - 32.6.

Details of significant related party disclosures are given below.

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
32.1 Transactions with subsidiary companies listed in note 14				
Income from services rendered	213,412	177,582	N/A	N/A
Rent income received	26,702	31,498	N/A	N/A
Allocation of common personnel and administration expenses	37,376	38,875	N/A	N/A
Purchase of goods and services	15,999	15,236	N/A	N/A
Interest income received	89,638	136,044	N/A	N/A
Interest paid	32,212	31,165	N/A	N/A
32.2 Transactions with associate companies listed in note 15				
Sale of goods and services	4,565	3,750	12,911	33,629
Purchase of goods and services	491	140	4,206	9,930
32.3 Transactions with joint venture companies listed in note 14				
Sale of goods and services	40,931	38,334	N/A	N/A
Purchase of goods and services	835	436	N/A	N/A
Provision for doubtful debts	72,446	68,963	N/A	N/A
Write off of bad debts	-	188,486	N/A	188,486

Notes to the Financial Statements

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
32.4 Transactions with other related companies				
Sale of goods and services	-	-	152,253	100,691
Purchase of goods and services	5,580	8,815	713,895	613,849
Loans obtained	-	-	1,307,697	2,168,546
Repayment of loans and debentures	20,000	20,000	285,923	550,113
Short/ long term facilities as at 31st March	-	-	5,666,590	3,788,216

Transactions with Ambewela Livestock Company Ltd.,* Ambewela Products (Pvt) Ltd.,* Stassens Exports Ltd.,* Stassens International Ltd.,* Stassens Natural Foods (Pvt) Ltd.,* Milford Exports (Ceylon) Ltd.,* Lanka Dairies (Pvt) Ltd.,* Pattipola Live Stock Company Ltd.,* Sri Lanka Insurance Corporation Ltd.,* Lanka Hospitals Corporation Ltd.,* Periceyl (Pvt) Ltd.,* Lanka Bell (Pvt) Ltd.,* Lanka Bell Services (Pvt) Ltd.,* Lanka Milk Foods (CWE) PLC.,* Ceylon Garden Coir (Pvt) Ltd.,* Distilleries Company of Sri Lanka PLC.,* Hatton National Bank PLC.,* Texpro Industries Ltd.,* DFCC Bank., DFCC Vardhana., Holcim (Lanka) Ltd., Hyundai Lanka (Pvt) Ltd., Sri Lanka Tourism Promotion Bureau and Rainforest Ecology (Pvt) Ltd are given above under details of other related party transactions.

	Balances with Aitken Spence PLC		Balances with Group companies	
	2008/2009 Rs. '000	2007/2008 Rs. '000	2008/2009 Rs. '000	2007/2008 Rs. '000
32.5 Amounts due from related parties				
Fully owned subsidiaries	1,108,645	675,077	N/A	N/A
Partly owned subsidiaries	935,704	650,779	N/A	N/A
Joint ventures	93,460	133,725	N/A	N/A
Amounts due from subsidiaries & joint ventures	2,137,809	1,459,581	N/A	N/A
Associates	154,824	107,498	160,950	115,651
Other related companies	-	-	12,352	13,699
32.6 Amounts due to related parties				
Fully owned subsidiaries	265,108	430,538	N/A	N/A
Partly owned subsidiaries	346,819	315,560	N/A	N/A
Joint ventures	447,446	200,496	N/A	N/A
Amounts due to subsidiaries & joint ventures	1,059,373	946,594	N/A	N/A
Associates	-	-	810	4,390
Other related companies	20,687	41,309	4,974,820	3,377,607

32.7 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.

Compensation paid to / on behalf of key management personnel of the Company is as follows.

	Company Rs.'000	Group Rs.'000
Short term employee benefits	19,502	207,477
Post employment benefits	-	10,699

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.

33 Foreign currency translation

The principal exchange rates used for translation purposes were;

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
United States Dollar	115.48	107.84
Sterling Pound	165.19	215.15
Euro	152.94	170.31
South African Rand	11.90	13.24
Indian Rupee	2.25	2.72
Maldivian Rufiya	8.99	8.43
Bangladesh Taka	1.67	1.66

34 Number of employees

The number of employees of the Group at the end of the year was 5,045 (2008 - 5,090) . The number of employees of the Company at end of the year was 102 (2008 - 98).

35 Events occurring after balance sheet date

Subsequent to the balance sheet date the company declared and paid an interim dividend of Rs.3.50 per share. The board of directors of company also recommended a final ordinary dividend of Rs. 6.00 per share for the year 2008/2009 to be approved at the Annual General Meeting. Further the final gazette notification on the appointment of a liquidator for Cey Spence Pvt Ltd, a company classified as held for sale was published on the 8th of April 2009.

Details of the above dividends and the liquidation of the ship owning company are disclosed in note No. 9 and 21 to the financial statements respectively.

There were no other material events that occurred after the balance sheet date that require adjustments to or disclosure in the financial statements.

36 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. Comparative information in relating to the direct staff costs have been reclassified under employee benefits expense in the income statement to confirm to the current years presentation.

Consolidated Income Statement in USD

For the year ended 31st March	2009 US\$. '000	2008 US\$. '000
Revenue	253,791	255,155
Revenue tax	(2,662)	(2,987)
Net Revenue	251,129	252,168
Other operating income	3,384	935
Changes in inventories of finished goods and work-in-progress	24	209
Raw materials and consumables used	(118,664)	(113,768)
Employee benefits expense	(19,198)	(19,261)
Depreciation and amortisation	(11,182)	(10,727)
Other operating expenses - direct	(39,959)	(45,705)
Other operating expenses - indirect	(29,926)	(30,363)
Profit from operations	35,608	33,488
Finance income	3,632	3,865
Finance expenses	(9,745)	(10,161)
Net finance cost	(6,113)	(6,296)
Share of associates companies profits / (loss)	(80)	1,228
Profit before tax	29,415	28,420
Income tax expense	(2,844)	(2,180)
Net profit for the period	26,571	26,240
Attributable to:		
Equity holders of the company	17,665	17,073
Minority interest	8,906	9,167
	26,571	26,240
Net profit attributable to Aitken Spence PLC	17,665	17,073
Unappropriated profit brought forward	54,240	48,267
Profit available for appropriation	71,905	65,340
Appropriations		
Transfer to general reserve	4,157	5,626
Final dividend for 2007/2008	938	878
Interim dividend for 2008/2009	-	753
Retained in the business	66,810	58,083
Earnings Per Share	US\$ cents = 65.27	63.08
Exchange rate	US \$ = 115.48	107.84

Figures in brackets indicate deductions.

Consolidated Balance Sheet in USD

As at 31 March	2009 US\$. '000	2008 US\$. '000
ASSETS		
Non-Current Assets		
Property, plant & equipment	196,013	157,477
Leasehold property	13,034	12,583
Intangible assets	945	1,136
Investment property	251	268
Investments in associates	6,517	7,089
Long term investments	3,507	2,444
Deferred tax assets	641	365
	<u>220,908</u>	<u>181,362</u>
Current Assets		
Inventories	11,115	12,101
Trade and other receivables	50,521	56,428
Amounts due from associates	1,394	1,072
Current investments	40	42
Deposits and prepayments	4,611	4,466
Current tax receivable	492	165
Short-term deposits	17,495	24,078
Cash and cash equivalents	7,173	7,964
	<u>92,841</u>	<u>106,316</u>
Assets classified as held for sale	1,291	1,502
Total Assets	<u>315,040</u>	<u>289,180</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Stated capital	18,489	19,799
Reserves	62,587	32,504
Retained earnings	66,810	58,082
	<u>147,886</u>	<u>110,385</u>
Minority interest	39,431	35,995
Total Equity	<u>187,317</u>	<u>146,380</u>
Non-Current Liabilities		
Interest bearing liabilities	54,048	60,349
Deferred tax liabilities	1,715	1,737
Employee benefits	2,058	1,933
	<u>57,821</u>	<u>64,019</u>
Current Liabilities		
Trade and other payables	33,846	35,075
Interest bearing liabilities repayable within one year	16,160	19,529
Amounts due to associates	7	41
Current tax payable	1,170	859
Interim dividend declared	-	753
Short term bank borrowings	18,719	22,524
	<u>69,902</u>	<u>78,781</u>
Total Equity and Liabilities	<u>315,040</u>	<u>289,180</u>
Exchange rate	US \$ = 115.48	107.84

Ten Year Summary

Year Ended 31st March	2009 Rs. '000	2008 (Restated) Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000	2003 Rs. '000	2002 Rs. '000	2001 Rs. '000	2000 Rs. '000
Operating Results										
Revenue	29,307,818	27,515,960	19,765,632	13,593,263	10,063,989	9,157,160	7,030,843	4,536,324	4,524,020	3,724,595
Profit before taxation	3,396,916	3,064,792	2,582,088	1,910,115	1,721,123	1,883,501	877,992	544,823	649,094	490,588
Taxation	328,385	235,110	298,018	197,623	162,599	184,005	145,576	105,280	100,795	84,353
Profit after taxation	3,068,531	2,829,682	2,284,070	1,712,492	1,558,524	1,699,496	732,416	439,543	548,299	406,235
Profit attributable to Aitken Spence PLC	2,040,010	1,841,150	1,459,774	1,213,661	1,116,776	1,275,523	525,185	346,082	452,720	352,579
Equity & Liabilities										
Stated Capital	2,135,140	2,135,140	2,135,140	2,135,140	2,134,326	2,130,837	2,112,433	2,094,107	2,086,637	2,079,884
Reserves	7,227,545	3,505,284	2,673,510	2,370,383	2,306,075	2,038,132	975,543	811,731	810,973	791,818
Retained Earnings	7,715,269	6,263,600	5,122,472	4,022,929	3,126,517	2,405,847	1,626,591	1,303,856	1,064,503	754,720
Minority interest	4,553,439	3,881,704	3,193,710	2,679,745	1,774,362	1,765,622	1,433,522	1,252,413	1,146,962	477,875
Non-current liabilities	6,677,114	6,903,834	6,832,112	5,815,540	4,476,808	2,504,832	3,439,933	2,517,504	1,088,454	478,078
Current liabilities	8,072,337	8,495,631	6,393,881	6,182,957	3,288,637	3,432,392	2,492,515	3,638,465	3,156,661	2,395,046
	<u>36,380,844</u>	<u>31,185,193</u>	<u>26,350,825</u>	<u>23,206,694</u>	<u>17,106,725</u>	<u>14,277,662</u>	<u>12,080,537</u>	<u>11,618,076</u>	<u>9,354,190</u>	<u>6,977,421</u>
Assets										
Property, plant & equipment	22,635,636	16,982,305	16,770,495	15,450,267	11,005,913	8,576,500	7,754,569	6,791,715	4,801,965	3,336,790
Leasehold property	1,505,151	1,356,987	-	-	-	-	-	-	-	-
Intangible assets	109,164	122,520	159,407	191,811	170,058	92,017	98,117	102,251	117,417	269,535
Investments	1,186,518	1,057,001	896,145	932,544	1,231,412	1,150,139	856,579	933,971	981,392	1,133,604
Deferred tax asset	74,008	39,342	-	-	-	-	-	-	-	-
Current assets	10,721,243	11,465,087	8,524,778	6,632,072	4,699,342	4,459,006	3,371,272	3,790,139	3,453,416	2,237,492
Asset classified as held for sale	149,124	161,951	-	-	-	-	-	-	-	-
	<u>36,380,844</u>	<u>31,185,193</u>	<u>26,350,825</u>	<u>23,206,694</u>	<u>17,106,725</u>	<u>14,277,662</u>	<u>12,080,537</u>	<u>11,618,076</u>	<u>9,354,190</u>	<u>6,977,421</u>
Share Information										
Earnings per share (Rs.)	75.37	68.02	53.93	44.85	41.32	47.36	19.69	13.05	17.08	13.33
Market value per share (Rs.)	315.00	430.00	380.00	339.00	380.00	263.50	140.00	90.00	78.25	120.00
Highest market value per share (Rs.)	560.00	430.00	400.00	410.00	390.00	319.00	156.00	125.00	121.00	140.00
Market capitalisation on 31st March (Rs. mn)	8,526	11,639	10,285	9,176	10,282	7,113	3,754	2,391	2,075	3,180
Price earnings ratio	4.18	6.32	7.05	7.56	9.20	5.56	7.11	6.90	4.58	9.00
Net assets per share (Rs.)	630.97	439.81	366.92	315.09	279.67	243.56	175.81	158.42	149.44	136.87
Employees Information										
No. of employees	5,045	5,090	4,199	4,209	4,209	4,112	3,590	3,783	4,040	3,967
Value added per employee (Rs. '000)	1,635	1,503	1,467	1,038	857	897	697	482	441	366
Ratios & Statistics										
Ordinary dividend (Rs. '000)	257,131	189,465	175,931	175,931	162,341	161,969	120,974	106,243	106,077	92,757
Dividend per share	9.50	7.00	6.50	6.50	6.00	6.00	4.50	4.00	4.00	3.50
Dividend cover (times covered)	7.93	9.72	8.30	6.90	6.88	7.88	4.34	3.26	4.27	3.68
Dividend - payout ratio	0.13	0.10	0.12	0.14	0.15	0.13	0.23	0.31	0.23	0.26
Current ratio (times covered)	1.33	1.35	1.33	1.07	1.43	1.30	1.35	1.04	1.09	0.93
Debt / Equity	0.29	0.41	0.49	0.48	0.45	0.27	0.52	0.43	0.18	0.08
ROE (%)	14.08	16.86	15.82	15.08	15.79	22.60	11.77	8.47	11.93	9.72
Interest cover ratio	6.54	5.78	4.93	6.38	9.66	12.12	5.10	4.55	5.75	5.96

Our Network



Share & Debenture 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.

Market Sector : Diversified Holdings

Reuters code : SPEN.CM

Shareholders

There were 1,646 (31st March 2008 - 1,636) registered shareholders as at 31st March 2009, whose shareholding is distributed as follows;

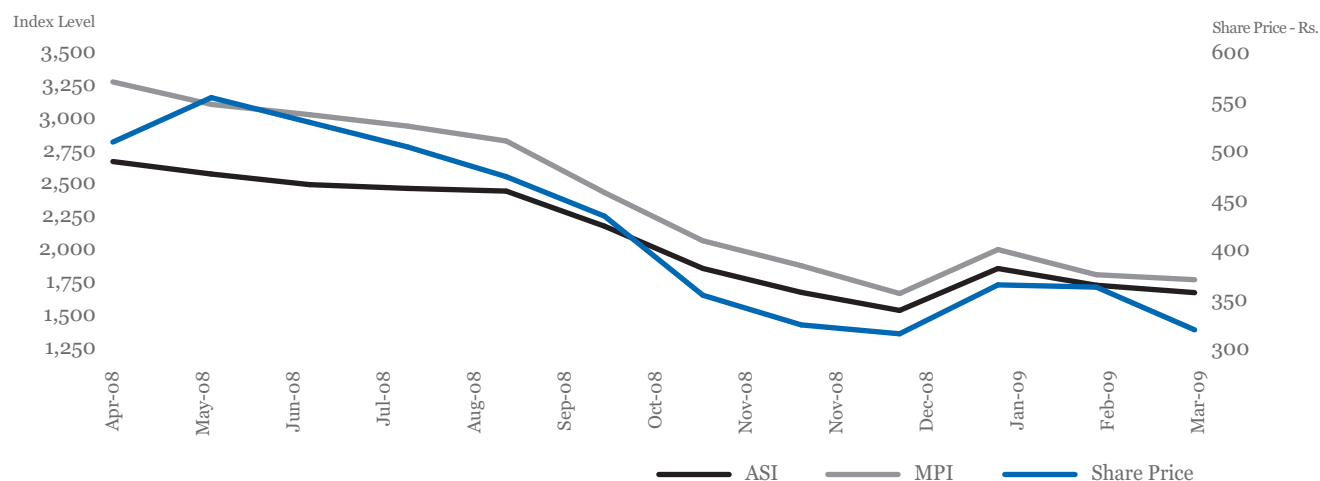
Category	31st March 2009			31st March 2008		
	No. of Shareholders	No. of Shareholding	%	No. of Shareholders	No. of Shareholding	%
1 - 1,000	1,266	268,756	1.00	1,239	277,421	1.03
1,001 - 5,000	239	547,725	2.02	248	598,826	2.21
5,001 - 10,000	44	312,578	1.15	49	347,927	1.29
10,001 - 50,000	52	1,066,727	3.94	56	1,205,327	4.45
50,001 - 100,000	13	911,608	3.37	10	759,200	2.80
100,001 - 500,000	23	5,817,906	21.50	23	4,738,460	17.51
500,001 - 1,000,000	4	2,479,800	9.16	6	3,477,939	12.85
1,000,001 - above	5	15,661,303	57.86	5	15,661,303	57.86
Total	1,646	27,066,403	100.00	1,636	27,066,403	100.00

	2008/2009		2007/08	
	No. of shares	%	No. of shares	%
Institutions	24,158,466	89.26	24,047,158	88.85
Individuals	2,907,937	10.74	3,019,245	11.15
	27,066,403	100.00	27,066,403	100.00

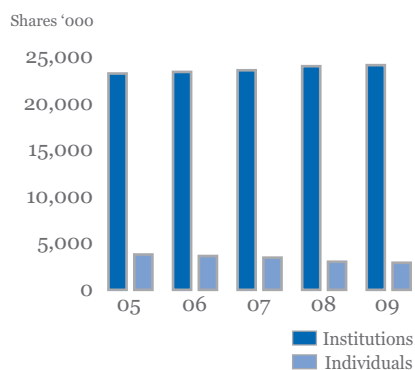
	2008/2009		2007/08	
	No. of shares	%	No. of shares	%
Nationals	13,147,582	48.58	12,998,418	48.02
Non Nationals	13,918,821	51.42	14,067,985	51.98
	27,066,403	100.00	27,066,403	100.00

Share Prices vs Indices 2008/2009

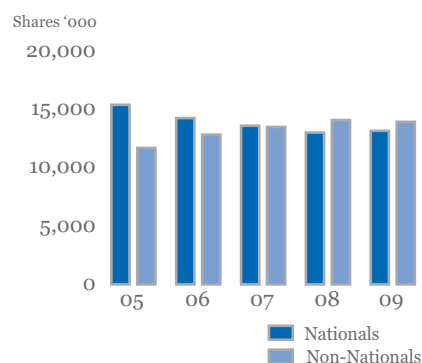
12 Month Trend



Institutions & Individuals
as at 31st March



Nationals & Non-Nationals
as at 31st March



Substantial shareholdings

The twenty largest shareholding as at 31st March 2009, are given below;

Name	No. of shares	%
1. Distilleries Company of Sri Lanka Limited	4,658,355	17.21
2. Rubicond Enterprises Limited	4,399,343	16.25
3. Sri Lanka Insurance Corporation Ltd-General Fund	2,935,505	10.85
4. HSBC International Nominees Ltd-SNFE - Arisaig India Fund Limited	2,512,700	9.28
5. HSBC International Nominees Ltd -BPSS LDN- Aberdeen Asia Pacific Fund	1,155,400	4.27
6. Northern Trust Co S/A Murray Johnstone International Delaware Business Trust	736,900	2.72
7. Ceylon Guardian Investment Trust PLC A/C # 01	649,800	2.40
8. HSBC International Nominees Ltd -BPSS LDN-Aberdeen Investment Fund ICVC Aberdeen Emerging Market	554,500	2.05
9. HSBC International Nominees Limited-BPSS LUX-Aberdeen Global-Asian Smaller Companies Fund	538,600	1.99
10. HSBC Intl Nominees Ltd-JPMCB-SCOTTISH ORL SML TR GTI 6018	500,000	1.85
11. HSBC Intl Nominees Ltd-HSBC Bank PLC-CMG First State Global Umbrella Fund PLC-CMG First State Indian Subcontinent Fund	496,700	1.84
12. Mr. G.C. Wickremasinghe	487,216	1.80
13. Employees Provident Fund	421,139	1.57
14. Placidrange Holdings Limited	368,100	1.36
15. HSBC Intl Nom Ltd-BPSS LUX -Aberdeen Global-Emerging Markets Equity Fund	327,400	1.21
16. HSBC Intl Nominees Ltd-SSBTL-Aberdeen New Dawn Investment Trust XCC6	300,237	1.11
17. Milford Exports (Ceylon) Limited	288,100	1.06
18. CB London S/A The RBS as Dep of FS India Sub Continent Fund as S/F of First State Investments ICVC	281,015	1.04
19. Bank of New York-Bear Stearns Securities Corporation	230,000	0.85
20. Stassen Exports Limited	216,300	0.80
Total	22,057,310	81.51

Share Valuation

The market value of the ordinary shares as at 30th March 2009 was Rs. 315/00 per share (31st March 2008 – Rs. 430/00).

The Market value of ordinary shares as at 25th May 2009 was Rs. 428/50 per share.

Earnings

Earnings per share for 2008/09 was Rs. 75.37 (2007/08 – Rs. 68.02). The Price earning ratio (P/E) was 4.18 (2007/08 - 6.32).

Share & Debenture Information

Dividends

An interim dividend of Rs. 3.50 per share (2007/08 - Rs. 3.00 per share) was paid on 21st May 2009. A final ordinary dividend of Rs.6.00 per share (2007/08 – Rs. 4.00 per share) has been recommended to the shareholders for approval at the forth coming Annual General Meeting, payable on 9th July 2009. (2007/08 – 4th July 2008).

Unquoted Debentures

1. Unsecured Redeemable Debentures 2004-2009

The Company raised by a private placement Rs. 1 billion by the issue of 10,000 unsecured redeemable debentures of Rs. 100,000/00 each in the financial year 2004/2005. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures

(i) Fixed rate

5,000 fixed rate unsecured redeemable debentures of Rs. 100,000/00 each were issued on 30th June 2004 with interest payable semi annually at a rate of 10.96% p.a., 2,000 fixed rate unsecured redeemable debentures were outstanding as at 1st April 2008. The Company redeemed 1,000 debentures on 29th June 2008. The balance 1,000 debentures will be redeemed on 29th June 2009. The applicable interest on these debentures was duly paid on 27th June 2008 and 29th December 2008.

(ii) Floating Rate

5,000 floating rate unsecured redeemable debentures of Rs. 100,000/00 each were issued on 30th July 2004 with interest payable semi annually at an interest rate of six month net treasury bill rate +2.15% p.a., 2,000 floating rate unsecured redeemable debentures were outstanding as at 1st April 2008. The Company redeemed 1,000 debentures on 29th July 2008. The balance 1,000 debentures will be redeemed on 29th July 2009. The applicable interest on these debentures was duly paid on 29th July 2008 and 29th January 2009.

2. Unsecured Redeemable Debentures 2006-2012

The Company raised by a private placement Rs. 960 million by issuing 9,600,000 unsecured redeemable debentures at Rs. 100/00 each in the financial year 2006/2007. These debentures were outstanding as at 31st March 2009. Fitch Rating Lanka Limited., granted a credit rating of AA (Sri) on these debentures

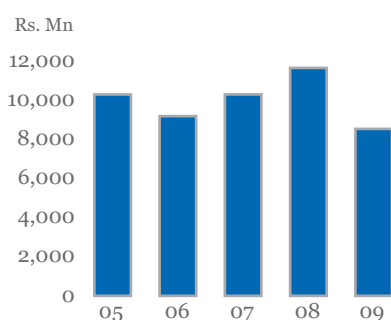
(i) Fixed rate

3,000,000 Fixed rate unsecured redeemable debentures of Rs. 100/00 each were issued on 25th October 2006 with interest payable annually at the interest rate of 13.75% p.a. The applicable interest rate on these debentures was duly paid on 24th October 2008.

(ii) Floating rate

6,600,000 Floating rate unsecured redeemable debentures of Rs. 100/00 each were issued in two tranches of 4,100,000 and 2,500,000 on 25th October 2006 and 24th November 2006 respectively with interest payable semi annually at an interest rate of six months gross treasury bill rate+ 1.25% p.a. The applicable interest rate on these debentures was duly paid on 24th April 2008 and 24th October 2008.

Market Capitalisation
as at 31st March



Market Value Per Share
as at 31st March



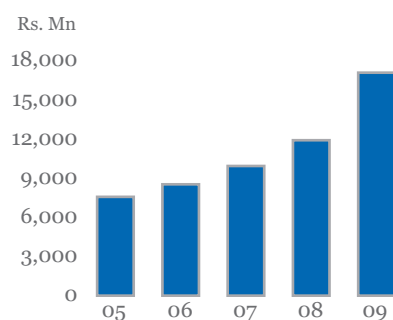
Shares traded during the year

	2008/09	2007/08
Number of transactions	690	669
No. of shares traded during the year	955,200	1,167,500
Value of shares traded during the year (Rs.)	449,954,125/00	448,921,125/00
Percentage of Total Value Transacted	0.42%	0.52%
Highest Price traded (Rs.) and date	560/00 (12/06/2008)	430/00 (31/03/2008)
Lowest Price traded (Rs.) and date	305/00 (13/11/08)	256/00 (5/10/2007)
Market Capitalisation on 31st March (Rs. million)	8,526.0	11,639.0
Percentage of Total Market Capitalisation	1.60%	1.41%

History of Dividend Per Share and Share prices for the Past 10 Years

Year	Dividend Per Share (Rs)	Share Price as at 31st March (Rs)
1999/00	3.50	120.00
2000/01	4.00	78.25
2001/02	4.00	90.00
2002/03	4.50	140.00
2003/04	6.00	263.50
2004/05	6.00	380.00
2005/06	6.50	339.00
2006/07	6.50	380.00
2007/08	7.00	430.00
2008/2009	9.50	315.00

Shareholder's Funds
as at 31st March



Share Prices vs Indices
10 Year Trend



Group Companies

Tourism Sector

INBOUND TRAVEL

Aitken Spence Travels (Pvt) Ltd. **

Destination Management Company. Represents world renowned tour operator TUI, largest in Europe.

Directors :

J.M.S. Brito (Chairman), G.M. Perera (Managing Director), R. Subramaniam, S. Dapper (appointed w.e.f. 21st January 2008), N.A.N. Jayasundera, (resigned w.e.f. 31st October 2008), A.C. Garcia Tenorio DelCerro (appointed w.e.f. 23rd July 2008), W.F.H. Bremer, (resigned w.e.f. 31st October 2008), S.T.B. Ellepola, (resigned w.e.f. 31st October 2008), H.P.N. Rodrigo, (resigned w.e.f. 31st October 2008), P.L. Perera (resigned w.e.f. 31st October 2008)

OUTBOUND TRAVEL

Aitken Spence Aviation (Pvt) Ltd.

General sales agents for Singapore Airlines and Singapore Airlines Cargo.

Directors :

J.M.S. Brito (Chairman), S. Ganeshan (Jt.Managing Director), S.K.R.B. Jayaweera, (Jt. Managing Director), G.M. Perera (appointed w.e.f. 01st August 2008)

Aitken Spence Overseas Travel Services (Pvt) Ltd. **

An IATA-accredited travel agent and general sales agent for Tradewinds and Rail Europe. Organises outbound tours and holiday packages.

Directors :

J.M.S. Brito (Chairman), R. Subramaniam (Managing Director) (appointed w.e.f. 01st August 2008), G. M. Perera, S. Ganeshan (resigned w.e.f. 31st October 2008), S.K.R.B. Jayaweera (resigned w.e.f. 31st October 2008)

Aitken Spence Moscow (Pvt) Ltd. **

Exclusive passenger sales agents for Aeroflot.

Directors :

J.M.S. Brito (Chairman), Dr. J.W.A. Perera (Managing Director), G.M. Perera, R. Subramaniam, S.K.R.B. Jayaweera (resigned w.e.f. 30th September 2008)

Royal Spence Aviation (Pvt) Ltd.

General sales agents for Kingfisher Airlines.

Directors :

J.M.S. Brito (Chairman), G.M. Perera

Convention Services

Ace Travels & Conventions (Pvt) Ltd **

Professional conference, exhibition & event organiser. Also offers destination management services.

Directors :

J.M.S. Brito (Chairman), G.M. Perera (Managing Director), D.D.A. Soza, (resigned w.e.f. 31st October 2008), R. Subramaniam, (resigned w.e.f. 31st October 2008), D.J. de Cruz (resigned w.e.f. 31st October 2008)

HOTELS

Aitken Spence Hotel Holdings PLC **

The holding company of the Group's hotel interests. Owns and operates the Heritance Ahungalle Hotel.

Directors :

D.H.S. Jayawardena (Chairman), J.M.S. Brito (Managing Director), R.E.V. Casie Chetty, S.M. Hapugoda, C.M.S. Jayawickrema, K.A.A.C. Perera, G.P.J. Goonewardena

Aitken Spence Hotels Ltd. **

Owns and operates Neptune Hotel, holding company of Kandalama Hotels Ltd.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, N. Ratwatte, R.E.V. Casie Chetty, (resigned w.e.f. 31st October 2008), G.P.J. Goonewardena (resigned w.e.f. 31st October 2008)

Heritance (Private) Ltd. **

Leases the Company owned land to Aitken Spence Hotels Ltd.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda (appointed w.e.f. 01st November 2008), R.E.V. Casie Chetty (resigned w.e.f. 1st November 2008)

Kandalama Hotels Ltd. **

Owns and operates Heritance Kandalama.

Directors : J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, R.E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

Hethersett Hotels Ltd. **

Owns and operates Tea Factory Hotel.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, R.E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

Neptune Ayurvedic Village (Pvt) Ltd.**

Owns and operates Neptune Ayurvedic Village.

Directors :

J.M.S. Brito (Chairman), C.M.S. Jayawickrema, S.M. Hapugoda, R.E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

Ahungalla Resorts Ltd. **

Owns a land for a proposed future hotel.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, R.E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

Crest Star (B.V.I.) Ltd.

The holding company and managing agents of Jetan Travel Services Company (Pvt) Ltd.

Directors :

J.M.S. Brito (Chairman), K.A.A.C. Perera

Jetan Travel Services Co. (Pvt) Ltd. **

Owns and operates Adaaran Club Rannalhi - Maldives.

Directors :

J.M.S. Brito (Chairman), K.A.A.C. Perera, H. Mohamed, M. Mahdy

Cowrie Investments (Pvt.) Ltd. **

Owns and operates Adaaran Select Meedhupparu Island Resort - Maldives.

Directors :

J.M.S. Brito (Chairman), I.M. Didi, M. Salih, C.M.S. Jayawickrema, K.A.A.C. Perera

ADS Resorts (Pvt) Ltd. **

Owns and operates Adaaran Select Hudhuranfushi – Maldives

Directors :

J.M.S. Brito (Chairman), C.M.S. Jayawickrema, K.A.A.C. Perera, M. Mahdy

** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.

Ace Ayurvedic (Pvt) Ltd. **

Operates the Ayurvedic centre in Adaaran Select Meedhupparu Island Resorts - Maldives.

Directors :

J.M.S. Brito (Chairman), C.M. S Jayawickrema, K.A.A.C. Perera

Unique Resorts (Private) Ltd **

Owens and operates Adaaran Prestige Vaadhoo Resort – Maldives

Directors :

J.M.S. Brito (Chairman), K.A.A.C. Perera, (Managing Director), C.M.S. Jayawickrema, M.S. Hassan (appointed w.e.f. 2nd February 2009)

PR Holiday Homes (Pvt) Ltd

Owner of Heritage Cochin - India, currently under construction.

Directors :

J.M.S. Brito, S.M. Hapugoda, C.M.S. Jayawickrema, K. Khadar, M. Narayanan

Aitken Spence Hotel Services (Pvt) Ltd.

Local Marketing of the Indian Hotels in India.

Directors :

R.S. Rajaratne, M.P. Wijesekara (appointed w.e.f. 01st August 2008), W.M.A.P.B. De Alwis (appointed w.e.f. 01st August 2008), D.A.H.U. Udawatte, (resigned w.e.f. 20th March 2009)

Aitken Spence Hotel Managements (Pvt) Ltd. **

Manages resorts in Sri Lanka.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda (Managing Director), C.M.S. Jayawickrema, G.P.J. Goonewardena (resigned w.e.f. 31st October 2008), D.A.H.U. Udawatte, (resigned w.e.f. 31st October 2008) R.S. Rajaratne (resigned w.e.f. 31st October 2008)

Aitken Spence Hotels (International) Ltd. **

Owens and manages Maldivian Resorts.

Directors :

J.M.S. Brito (Chairman), R.E.V. Casie Chetty

Aitken Spence Hotel Managements Asia (Pvt) Ltd. **

Manages resorts in India and in Oman.

Directors :

D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, G.P.J. Goonewardena, ,

Aitken Spence Hotel Managements South India (Pvt) Ltd.

Owens and operates Hotel in India.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrema, Shankar Menon, Ms. A. Thiagarajah, Ms. R. Thiagarajah

Triton Ltd

The Holding Company of Aitken Spence Aviation (Pvt) Ltd.

Directors :

J.M.S. Brito (Chairman), S. Ganesan

Aitken Spence Resources (Pvt) Ltd. **

Human resource management, foreign employment & recruitment company.

Directors :

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama, G.P.J. Goonewardena

Crest Star Ltd.*Directors :*

J.M.S. Brito (Chairman), S.M. Hapugoda, C.M.S. Jayawickrama

Cargo Logistics Sector**FREIGHT FORWARDING****Ace Cargo (Pvt) Ltd.**

Providing International freight forwarding services.

Directors :

Dr. P. Dissanayake (Chairman) (appointed w.e.f. 01st October 2008), K.R.T. Peiris (Managing Director), H.B. Kelly, J.M.S. Brito (resigned w.e.f. 18th December 2008), Ms. D.K. Senaratne (resigned w.e.f. 30th September 2008), M.A.J. Perera (resigned w.e.f. 15th March 2008)

Ace Bangladesh (Private) Ltd.

Provides international freight forwarding services in Bangladesh.

Directors :

A. Mannan (Chairman), J.M.S. Brito, Ms. F.R. Ahmed, K.R.T. Peiris, A. Rahman

Ace International Express (Pvt) Ltd.

Provides international air express, domestic delivery and international mailing.

Directors :

J.M.S. Brito (Chairman), K.R.T. Peiris (Managing Director), J. Brohier, M.A.J. Perera (resigned w.e.f. 15th March 2008)

Aitken Spence Cargo (Pvt) Ltd.

International freight forwarding & general sales agents for airline cargo.

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (appointed w.e.f. 15th August 2008), K.R.T. Peiris, (Managing Director), H.B. Kelly, Ms. D.K. Senaratne (resigned w.e.f. 30th September 2008)

Ace Global Aviation Services (Pvt) Ltd. **

Operates as general sales agents for airline cargo.

Directors :

J.M.S. Brito (Chairman), K.R.T. Peiris, H.K. Vithalani

Ace Aviation Services (Pvt) Ltd **

Operates as general sales agents for airline cargo.

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake (Deputy Chairman) (appointed w.e.f. 15th August 2008), K.R.T. Peiris, H.B. Kelly (appointed w.e.f. 01st November 2008)

Spence International (Pvt) Ltd

Regional operating headquarters to manage operation overseas.

Directors :

J.M.S. Brito (Chairman), K.R.T. Peiris, M.A.J. Perera (resigned w.e.f. 15th March 2008), Ms. D.K. Senaratne, (resigned w.e.f. 30th September 2008), H.B. Kelly (resigned w.e.f. 31st October 2008)

Spence Maldives (Pvt) Ltd

Provides air express & freight forwarding in Maldives.

Directors :

J.M.S. Brito (Chairman), K.R.T. Peiris, (Managing Director), M. Firaq, M.A.J. Perera, (resigned w.e.f. 15th March 2008)

INTEGRATED LOGISTICS**Ace Containers (Pvt) Ltd. ****

Operates an inland container depot and a freight station.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph

**** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.**

Group Companies

Ace Container Terminals (Pvt) Ltd. **

Provides container storage , customs brokerage and warehousing services.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), A.M.M. Amir, K.R.T. Peiris (resigned w.e.f. 31st October 2008)

Ace Haulage (Pvt) Ltd. **

Transporters of laden and empty containers.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph

Ace Container Repair (Pvt) Ltd. **

Undertakes container repairs and garments on hanger conversion.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), J.M.A. Joseph (appointed w.e.f. 01st November 2008), A.M.M. Amir (resigned w.e.f. 21st November 2008)

Ace Distriparks (Pvt) Ltd. **

Provides total logistics support and warehousing with multi country cargo consolidation.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam (Managing Director), A.M.M. Amir, K.R.T. Peiris (resigned w.e.f. 31st October 2008), J.M.A. Joseph, (resigned w.e.f. 31st October 2008)

Ace Freight Management (Pvt) Ltd.

Undertakes clearing, forwarding and operates an inland container depot.

Directors :

J.M.S. Brito (Chairman), N.P. Nallaratnam, J.M.A. Joseph, Ms.D.K Senaratne, (resigned w.e.f. 04th July 2008), K.R.T. Peiris (resigned w.e.f. 04th July 2008) M.A.J. Perera (resigned w.e.f. 04th July 2008), H.B. Kelly (resigned w.e.f. 04th July 2008), A.M.M. Amir (resigned w.e.f. 31st October 2008)

Maritime Transport Sector

SpenceMac Holdings (Pvt) Ltd. **

Holding company of certain Maritime Transport sector companies .

Directors :

J.M.S. Brito (Chairman), Dr.P. Dissanayake (Jt. Managing Director), J.R.U. de Silva (Jt. Managing Director), Ms. N. Sivapragasam, Ms. S.S. Jayawardana, R.M. Wijesinghe

Aitken Spence Maritime Limited. **

Holding Company of Spence Shipping (Pvt) Ltd., and Port Management Container Services (Pvt) Ltd

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake

Aitken Spence Shipping Services Ltd **

Shipping Agent.

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake, I.S. Cuttilan

Aitken Spence Shipping Ltd. **

Liner, Cruise and Tramp agency representation, NVOCC and an international freight forwarder.

Directors :

Dr. P. Dissanayake (Chairman & CEO), N.D.F. Perera (Jt. Managing Director), J.M.S. Brito, A. Jayasekera, I.S. Cuttilan, Ms. T.D.M.N. Anthony, K.R. Ahuwihare, J.R.U. de Silva

Clark Spence & Co. (Pvt) Ltd. **

Shipping and bunkering agents in the ports of Colombo, Galle and Trincomalee and an international freight forwarder.

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake (Managing Director), I.S. Cuttilan, N.D.F. Perera (resigned w.e.f. 31st October 2008)

Shipping & Cargo Logistics (Pvt) Ltd. **

Liner agency representation.

Directors :

V.M. Fernando (Chairman), J.M.S. Brito (Managing Director), K.M.A.T.B. Tittawella, I.S. Cuttilan, K.M. Fernando (appointed w.e.f. 07th April 2008), Dr. P. Dissanayake (appointed w.e.f. 07th April 2008)

Spence Logistics (Pvt) Ltd. **

NVOCC Freight forwarding operator.

Directors :

J.M.S. Brito (Chairman), N.D.F. Perera, Dr. P. Dissanayake, J.R.U de Silva

Mcship Agencies (Colombo) Ltd.

Provides shipping agency services.

Directors :

J.R.U.de Silva, M.G. Padamadandu, Ms. S.S. Jayawardana

GAC Shipping Ltd.

Provides shipping agency services in Colombo and Gall Ports, P & I Club Services, Overseas recruitment of employees.

Directors :

J.R.U. de Silva, W.M. Rodrigo, R.N. Ponnambalam, W.P.E. Fernando, L. Safverstrom, L.P. Heisselberg, L.T.L. Latti, L.T. Bergstrom

GAC Logistics Ltd.

Provides of Logistic warehouse management & freight forwarding services.

Directors :

W.P.E. Fernando, C.V.B. Hulangamuwa, Ms. S.S. Jayawardana, L. Safverstrom, L.T.L. Latti, L.T. Bergstrom

GAC Marine Services (Pvt) Ltd.

Provides off-shore ship supply services, marine contracting, managers of fleet of supply vessels.

Directors :

J.R.U. de Silva, M.G. Padmabandu, W.P.E. Fernando, L. Safverstrom, L.P. Heisselberg, L.T.L. Latti, L.T. Bergstrom, Capt. P.T.C. Perera

Spence Mac Bangladesh (Pvt) Ltd.

Handles shipping operations in Bangladesh.

Directors :

Dr. P. Dissanayake, M. Rashid, J.R.U. de Silva, C.M.L. Kamal

Port Management Container Services (Pvt) Ltd. **

Operating & training in port management.

Directors :

J.M.S. Brito (Chairman), Dr. P. Dissanayake, I.S. Cuttilan, N.D.F. Perera (resigned w.e.f. 01st October 2008)

Spence Shipping (Pvt) Ltd. **

Liner agency representation

Directors :

J.M.S. Brito (Chairman), N.D.F. Perera

**** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.**

Delta Shipping (Pvt) Ltd. **

Provide international freight forwarding services.

Directors :

J.M.S. Brito (Chairman), M. Shabir (Jt Managing Director), N.D.F. Perera, H.B. Kelly (appointed w.e.f. 01st November 2008), K.R.T. Peiris (appointed w.e.f. 01st November 2008)

Strategic Investments Sector

PRINTING & PACKAGING

Ace Exports (Pvt) Ltd. **

Provides printing & packaging services to the export market.

Directors :

J.M.S. Brito (Chairman), D.I. Abeywardene

Ace Printing & Packaging (Pvt) Ltd **

Provides printing & packaging services to the local market.

Directors :

J.M.S. Brito (Chairman), D.I. Abeywardena, D.S. Mendis, (resigned w.e.f. 31st October 2008), R. E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

Aitken Spence Printing (Pvt) Ltd **

Hires printing machinery .

Directors :

J.M.S. Brito (Chairman), D.I. Abeywardene (Managing Director)

APPAREL SECTOR

Aitken Spence (Garments) Ltd.

'Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores and apparel importers in USA and EU.

Directors :

J.M.S. Brito (Chairman), R.E.V. Casie Chetty, R.G. Pandithakorralage

Aitken Spence Apparels (Pvt) Ltd

Manufacturer and exporter of high quality mens, 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, S.C. Ratwatta (resigned w.e.f. 30th November 2008)

Clark Spence Garments Ltd.

Manufacturer and exporter of high quality mens, boys, ladies & girls shirts and blouses to prestigious departmental stores in USA and EU.

Directors :

J.M.S. Brito (Chairman), R.E.V. Casie Chetty,

Infrastructure

Ace Power Generation Matara Ltd.

Owens and operates a 24MW power plant in Marara to supply power to the national grid.

Directors :

J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, R. Gupta, F.M. Chudhary, K.N. Ahsan, A.Malla

Ace Power Generation Horana (Pvt) Ltd.

Owens and operates a 24MW power plant in Horana to supply power to the national grid.

Directors :

J.M.S. Brito (Chairman), D.V.H. de Mel (Managing Director), D.H.S. Jayawardena, Dr. R.M. Fernando, Ms. N. Sivapragasam, R.Gupta, F.M. Chudhary, K.N. Ahsan, A. Malla

Ace Power Embilipitiya (Pvt) Ltd.

Owens 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), Ms. N. Sivapragasam, S.C. Ratwatte, (resigned w.e.f. 30th November 2008), M.S. Mohideen, Ms. M. Spoelgen, Ms. A.M. Fernando (appointed w.e.f. 15th April 2008), S.R. Rajaratnam (resigned w.e.f. 15th April 2008)

Services Sector

PROPERTY DEVELOPMENT

Vauxhall Property Developments Ltd. **

Owens and operates the multi-storied office complex ; "Aitken Spence Towers" which serves as the Group's corporate office at Vauxhall Street in Colombo.

Directors :

J.M.S. Brito (Chairman), Dr. R.M. Fernando, Ms. N. Sivapragasam, R.G Salgado (appointed w.e.f. 05th March 2009)

Aitken Spence Property Developments (Pvt) Ltd. **

Owner and operator of a multi-storied office complex to be used by the Group and currently under construction..

Directors :

J.M.S. Brito (Chairman), Ms. N. Sivapragasam, Dr. R.M. Fernando (appointed w.e.f. 01st November 2008)

Vauxhall Investments Ltd.

Owens and operates the printing office complex.

Directors :

J.M.S. Brito (Chairman), D.I. Abeywardene

Aitken Spence Developments (Pvt) Ltd. **

Property development company.

Directors :

N.P. Nallaratnam, A.M.M Amir

INSURANCE SURVEY & CLAIM SETTLING AGENCY

Aitken Spence Insurance (Pvt) Ltd. **

Survey and claim settling agents for several reputed insurance companies and organisations worldwide, 'including Lloyd's, Cesam, PICC and Tokio Marine & Fire Insurance Company Ltd., Oriental Insurance Co. of India. Superintendents for UN World Food Programme in Sri Lanka and the Maldives.

Directors :

J.M.S. Brito (Chairman), Ms. N.W. de A. Guneratne (Managing Director), A.N. Seneviratne

Insurance Brokering

Aitken Spence Insurance Brokers (Pvt) Ltd **

Placement of insurance business life & general with insurance Companies in Sri Lanka

Directors :

J.M.S. Brito (Chairman), Ms. N.W. de A. Guneratne, A.N. Seneviratne

**** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.**

Group Companies

ELEVATOR AGENCY

Elevators (Pvt) Ltd. **

Solely responsible in Sri Lanka and Maldives for marketing, installing, commissioning and maintaining OTIS Lifts, escalators and other equipment, 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, P.Q. Mai

FINANCIAL SERVICES

MMBL Money Transfer (Pvt) Ltd. **

Principal agent for Western Union Money Transfer Services in Sri Lanka.

Directors :

Ms. Y.N. Perera, (Chairperson), Ms. D.S. Mendis, (Managing Director), J.M.S. Brito, K. Balasundaram, Ms. N. Sivapragasam, J.V.A Corera, M.D.D. Peiris

MANAGEMENT SERVICES

Aitken Spence Corporate Finance (Pvt) Ltd. **

Provider of Financial Services and secretaries to the companies of the Group.

Directors :

J.M.S. Brito (Chairman), Ms. N. Sivapragasam (Managing Director), R.E.V. Casie Chetty, R.G. Pandithakorrallage, Ms N.W.de A. Guneratne (appointed w.e.f. 01st May 2008), D.V.H. de Mel (resigned w.e.f. 31st April 2007), C.R.F. de Costa, (resigned w.e.f. 31st October 2008), S.C. Ratwawtte (resigned w.e.f. 31st October 2008), M.H.A. Barrie, (resigned w.e.f. 31st October 2008), Ms. W.A.L.D. Silva, (resigned w.e.f. 31st October 2008), Ms. R.I.D. Katippearachchi, (resigned w.e.f. 31st October 2008)

Aitken Spence Group Ltd. **

Overall management of the Aitken Spence Group Companies.

Directors :

J.M.S. Brito (Chairman), Dr. R.M. Fernando, R.E.V. Casie Chetty, K.R.T. Peiris, N.P. Nallaratnam, D.I. Abeywardene, Ms. N.Sivapragasam, G.M. Perera, D.V.H. de Mel, Dr. P.Dissanayake, S.M. Hapugoda, Mrs. N.W. de A. Guneratne, Sasi Ganeshan, C.M.S. Jayawickrema, R.G. Pandithakorrallage, D.S. Mendis

Aitken Spence Exports Ltd. **

Exports dry rations and perishables to the Group's resorts in the Maldives. Also bottles and markets "Hethersett bottle water".

Directors :

J.M.S. Brito (Chairman), S.M Hapugoda (appointed w.e.f. 01st November 2008), C.M. S Jayawickrama (appointed w.e.f. 01st November 2008), R.E.V. Casie Chetty (resigned w.e.f. 31st October 2008)

San Spence Ltd. **

Carrying out construction management work in the Middle East

Directors :

J.M.S. Brito (Chairman), Dr. R.M. Fernando, M.D.R. Gunatilleke, (Managing Director), Y. Tahara

Associate Companies

PLANTATIONS

Aitken Spence Plantation Managements (Pvt) Ltd.**

Managing agents for Elpitiya Plantations Ltd.

Elpitiya Plantations PLC.

Owns 15 tea and rubber estates in the Pundaluoya, Pussellawa and Galle regions with a total land extent of 8,851 hectares.

Talawakelle Tea Estates PLC.

Owns 18 estates with total land extent of 6,519 hectares. The Company produces a mix of high and low grown teas.

Hayleys Plantation Services Ltd.

Managing agents for Talawakelle Plantations Ltd. and owns majority share of Talawakelle Plantations Ltd.

HOTELS

Browns Beach Hotels PLC.

Owns and operates Browns Beach Hotel, Negombo.

M.P.S. Hotels Ltd.

Owns and operates Hotel Hill Top, Kandy.

*** The companies financial statements are audited by KPMG Ford, Rhodes, Thornton & Co.*

Historical Overview

The thriving port city Galle was the setting a hundred and thirty nine years ago for a partnership that became the foundation of Aitken Spence PLC. Thomas Clark and Patrick Gordon Spence, both entrepreneurs from Scotland, founded Clark Spence & Company in 1868 to carry out trading activities taking advantage of the bustling hub status of Galle. Brothers Edward and S.R. Aitken joined the business in 1870, leading to the emergence of Aitken Spence and Company in 1870. During its initial years, the company was a typical colonial trading company, dealing in export and import.

1876 was a pivotal year, when the company was appointed as an agent for Lloyds of London – the world's most renowned insurer. Thus began the diversification of the company into other businesses such as insurance and shipping, representing global players from both industries. Even today, the Lloyds relationship continues to be one of our most respected and successful partnerships – one that has contributed significantly to the growth and evolution of the company.

As the scope of the business grew, so did the need to relocate operations to the commercial capital in Colombo. In the early 1900s, the Company purchased the Freudenberg building at the heart of Fort, renaming it “Lloyd’s Building”. The conglomerate

was based at this building until 1995 when it shifted to its custom-built headquarters at Vauxhall Street.

Aitken Spence has a history of seeking the right opportunities and embracing change at the right time. In the 1920's and 1930's Aitken Spence was at the forefront of capitalising on the expansion of plantations and the growing prominence of tea in the country's economy. Aitken Spence PLC entered the tea industry as an agency house for plantation companies, a role which, in later years, also encompassed plantation management. The marked drop in trading resulting from the Great Depression in the 1930's led to the Company strengthening its interests in shipping, insurance and plantation management. Together, these ventures propelled the Company to prominence among the Corporates of then Ceylon.

The post-independence era created growing opportunities for the Company which became a private limited company in 1950. The company embraced new opportunities in industries such as industrial printing, light engineering and travel, obtaining IATA membership.

P.W.G. Spence – the last Chairman representing the founding families - retired in 1952 paving the way for E.L. Van Langenberg to be appointed

the very first Sri Lankan Chairman of the Company.

Aitken Spence marked its centenary in 1968, by becoming a wholly Sri Lankan owned business venture. The process of nationalisation during the 1970's saw the company enter an ever more diverse variety of industries such as freight forwarding, marine container allied services, courier services, property development, garment manufacture and most importantly tourism. The economic liberalisation of the 1980's saw the conversion of Aitken Spence into a public listed company in 1983, with an issued share capital of Rs. 51 million.

With global tourism and hospitality booming, tourism became the core focus area of Aitken Spence, whose advent into the industry began in 1974 with the launch of Neptune Hotel. In 1981, the group's flagship property Heritance Ahungalle, then known as Triton, opened its doors becoming Sri Lanka's first five star resort. Aitken Spence opened two more benchmark resorts in the 1990's, the Bawa masterpiece Heirtance Kandalama in 1994 and the Tea Factory in 1996. Heritance Kandalama is one of the world's defining ecologically conscious hotels and became the first Asian hotel to receive the prestigious “Green Globe 21” certification in 1999. The unique architecture and operational philosophy of Kandalama has

Historical Overview

garnered it the Ultimate Service Award presented by CNN in 2001 for the Indian Ocean Region as well as the CIMA Community Leader Award and the Presidential Award for Environmental Management during the year 2003 and 2004. The Group's hotels were rebranded 'Heritage' in 2005/2006 in recognition of its legacy of service excellence and commitment to the locality and heritage of Sri Lanka.

The Maldives became the next destination for the Group's tourism interests, with the acquisition of Bathala Island resort in 1993. The upscale Maldivian properties operated by the Group were grouped under the "Adaaran" brand in 2006/2007 which now encompasses seven properties. Expansion of the Group's hotel management expertise included venturing to India and Oman, where Aitken Spence now manages four and five properties respectively.

Aitken Spence has also played a steadily growing role in services allied

to the Colombo Port, and is today a frontrunner in cargo logistics with interests in inland container operations, integrated warehousing, shipping and freight forwarding. In the recent past, the Group made a successful entry into port efficiency management services overseas, by venturing into a contract with the Port of Durban in South Africa.

Recent years have seen the company venturing into infrastructure development; it now successfully operates two 20 MW thermal power plants in Horana and Matara, and another 100MW thermal plant in Embilipitya. The Group has also made strategic investments in two newly privatised regional plantation companies.

Aitken Spence is today one of Sri Lanka's leading conglomerates and has been rated by Forbes magazine for three consecutive years, as one of the "Best Under a Billion" companies outside the United States with revenue under a billion dollars. Aitken Spence has been rated AA(Ika)

by Fitch Ratings Lanka Limited for all its debenture issues

The Aitken Spence brand builds on time-honored values and rich traditions that will continue to translate into energy, entrepreneurship, and exceptional service in the twenty-first century. The Corporate Identity of the Group was modernised in 2005/2006 with the re-launch of the stylized rendition of the components of the signatures of founder chairmen Edward Aitken and Patrick Spence.

Decades of entrepreneurial spirit and innovation have propelled Aitken Spence to a leadership position within its chosen fields and in corporate Sri Lanka. The Group is now venturing forth into the region, utilising its management strengths and capabilities to conquer new opportunities in new markets. At the threshold of its 140th year, Aitken Spence looks to the future with optimism, conviction and confidence,

Glossary of Financial 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 (including share of Associate Companies turnover) divided by average total assets.

Bond

A long-term debt instrument carrying an interest coupon.

Capital Expenditure

The total of additions to property, plant & equipment and the purchase of outside investments.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Commercial Paper

Short-term promissory note issued in the open market that represents obligations of the issuing entity, guaranteed by a standby credit line with a commercial bank.

Compound Shareholder Return

Total Shareholder Return (TSR) for the time length of three years.

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.

Diluted EPS

Net profit for the period attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue during the period, adjusted for the effects of all dilutive potential ordinary shares.

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 earnings that is paid out to shareholders in cash.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividend per Share

Dividends paid and proposed divided by the number of issued shares, which ranked for those dividends.

Earnings per Share

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

Earnings before interest and tax divided by net 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.

Financial Leverage

Total average assets divided by total average equity.

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.

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 total interest.

Interest Rate Cap

An agreement where the lender agrees to compensate the borrower when the floating reference rate exceeds a pre-determined level.

Interest Rate Floor

An agreement where the borrower agrees to compensate the lender when the floating reference rate falls below a pre-determined level.

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

London Inter Bank Offered Rate.

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share.

Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interests 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 Treasury Bill Rate

Weighted average treasury bill rate net of withholding tax published by the Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

Price Earnings Ratio

Market value per share divided by the earnings per share.

Price to Book Ratio

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.

SIBOR

Singapore Inter Bank offered rate.

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.

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.

Notice of Meeting

Notice is hereby given that the Fifty Seventh Annual General Meeting of Aitken Spence PLC will be held at the Auditorium of the Ceylon Chamber of Commerce, No. 40 Nawam Mawatha, Colombo 2., at 10.00 a.m. on Monday, June 29, 2009, 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 2009.
- To declare a dividend as recommended by the Directors.
- To re-elect Mr. C.H. Gomez who retires in terms of Article 84 of the Articles of Association, as a Director.
- To elect Mr. G.M. Perera, who retires in terms of Article 90 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 75 years and that he be re-elected a Director of the Company”
- To authorise the Directors to determine contributions to charities.
- To re-appoint the retiring Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., 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

26th May, 2009

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. 305, Vauxhall Street, Colombo 2, forty eight hours before the time fixed for the meeting.
3. Any member or proxy holder attending the meeting is kindly requested to bring this report.
4. It is proposed to post the dividend warrants on July 9, 2009, provided that the Final 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 June 30, 2009.

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) |
| Gehan Marcel Perera 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 | |

as my/our Proxy to represent me/us, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 29th day of June 2009, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day of June Two Thousand and Nine.

.....
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. 305 Vauxhall Street, Colombo 2 before 10.00 a.m. on June 27, 2009, being 48 hours before the time appointed for the holding of the meeting.

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